Annual report 2012

Management report

Group Profile

Leading historically in the fields of public finance sector and retail banking, Dexia is a European banking group managed to an orderly resolution since the end of 2011. Dexia SA, the Group's parent company, is a limited company under Belgian Law, with its shares listed on Euronext Brussels and Paris as well as the Luxembourg Stock Exchange. Since the end of 2012, a capital increase has been subscribed by the Belgian and French States, those two States being the Group's main shareholders.

In autumn 2008, against a deteriorating economic background and weakened by an unbalanced balance sheet structure, Dexia bear the brunt of the closure of the interbank market's liquidity. With the support of the Belgian, French and Luxembourg States, it implemented a restructuring plan, ratified by the European Commission, in order to refocus its activity on its historic franchises, to reduce its risk profile and to enhance its balance sheet structure.

In autumn 2011 the Group got hit by the Sovereign debt crisis and saw its rating downgraded. Confronted once again over pressures on its liquidity situation, the Group had to introduce an orderly resolution plan based on two main pillars:
- disposal of the Group's commercial franchises;
- management in run-off of its residual assets, with the Group's viability being assured by a funding guarantee of EUR 85 billion granted by Belgium, France and Luxembourg. The orderly resolution plan has been revised in autumn 2012 leading to a recapitalisation in an amount of EUR 5.5 billion by the Belgian and French States on 31 December 2012.

The Group resolution plan, which aimed at avoiding materialisation of the systemic risk which would be represented by its immediate liquidation, was approved by the European Commission on 28 December 2012.

In line with its undertakings, the Group disposed of the majority of its operating entities, in particular Dexia Bank Belgium in 2011, Dexia RBC Investor Services, DenizBank and Dexia Banque Internationale à Luxembourg in 2012, Dexia Municipal Agency at the beginning of 2013. The finalization of the sale agreement of Dexia Asset Management should be reached during the first half of 2013.

This strategy results in a significant reduction of the Group's scope and the size of its balance sheet. Indeed, as at 31 December 2012, before the disposal of Dexia Municipal Agency and Dexia Asset Management, it had fallen to EUR 357.2 billion, a reduction of 13.5 % on 31 December 2011. Considering the entity disposals and the natural impairment of assets, the balance sheet will continue to fall, to approximately EUR 150 billion at the end of 2020, with a notable reduction between 2020 and 2025.

Almost all the fixed rate commitments of the Group, both loans and bonds, have traditionnaly and systematically been covered by interest rate swaps in order to mitigate Dexia's interest rate risk. Such policy has allowed to reduce the portfolio's value at risk and the required amount of prudential Capital.

However, the historical decrease of interest rates which resulted from the financial crisis has forced Dexia to assign deposits or substantial assets to guarantee the value of these swaps (up to EUR 37.3 billion and EUR 33.4 billion at 31 december 2012) whose refinancing is costly and affects results.

In particular, the holding of these swaps, which carry a nominal value of EUR 450 billion, makes it more difficult to sell their corresponding assets without incurring a severe loss. This makes the acceleration of the portfolio disposal long before their maturity unrealistic at the current level of interest rates.

Unless there is a major credit risk shock, the portfolio's credit quality should remain relatively stable over time. The Group balance sheet will be funded by debts guaranteed by the States, principally raised on capital markets, by short and medium-term covered market funding and by central bank funding.

At an operational level, Dexia will move towards a more centralised management model and, once the various current unravelling processes have been finalised, it will continue to optimise its procedures by adapting them to the Group's new size.

Dexia's profile has therefore been severely impacted by the implementation of its orderly resolution plan, the year 2012 representing a turning point from this point of view. The plan has had a significant impact both on the Group's financial profile and on its shareholder structure. Today Dexia is the largest European structure in orderly resolution.

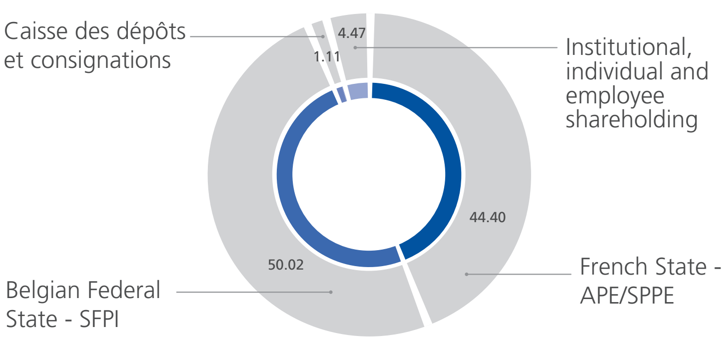
SIMPLIFIED GROUP STRUCTURE

Dexia SA

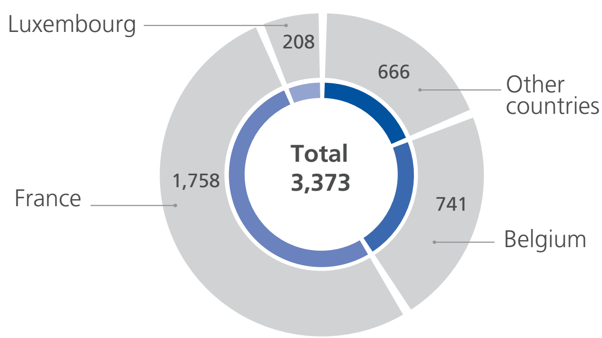
- Dexia Crédit Local **100%**
  - Dexia Crediop **70%**
  - Dexia Sabadell **100%** [2]
  - Dexia Kommunalbank Deutschland **100%**
  - Dexia Sofaxis **100%**
- Dexia Asset Management [1] **100%**

[1] Entity held for sale in 2013 according to IFRS 5.
[2] See page 12 in the chapter Highlights and note 2.1. "Significant changes in scope of consolidation" page 112.

DEXIA SHAREHOLDING STRUCTURE AS AT 31 DECEMBER 2012 (IN %)



MEMBERS OF STAFF AS AT 31 DECEMBER 2012



RESULTS (in millions of EUR)	**2006**	**2007**	**2008**	**2009**	**2010** (1)	**2011** (1)	**2012** (1)
Income	7,005	6,896	3,556	6,184 (2)	5,310	(5,538)	(894)
Costs	(3,474)	(3,834)	(4,119)	(3,607)	(3,703)	(521)	(554)
Gross operating income	3,531	3,062	(563)	2,577	1,607	(6,059)	(1,448)
Net income Group share	2,750	2,533	(3,326)	1,010	723	(11,639)	(2,866)
Of which net income Group share from continuing operations	-	-	-	-	(231)	(6,807)	(1,697)

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

BALANCE SHEET (in billions of EUR)	**31/12/06**	**31/12/07**	**31/12/08**	**31/12/09**	**31/12/10**	**31/12/11**	**31/12/12**
Balance-sheet total	**566.7**	**604.6**	**651.0**	**577.6**	**566.7**	**412.8**	**357.2**
Loans and advances to customers	226.5	242.6	368.8	354.0	352.3	173.6	150.0
Financial assets at fair value through profit and loss and financial investments	223.2	257.9	141.1	115.3	96.7	43.4	38.7
Non-current assets and disposal groups held for sale	-	-	-	-	-	110.4	84.6
Customers borrowings and deposits	116.2	126.7	114.7	121.0	127.1	19.4	11.1
Debt securities	184.7	204.0	188.1	213.1	210.5	105.3	109.7
Liabilities included in disposal groups held for sale	-	-	-	-	-	116.4	79.4
Core shareholders' equity	14.4	16.1	17.5	18.5	19.2	7.6	10.9

RATIOS	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Cost-income ratio (1)	49.6%	55.6%	115.8%	58.3% (2)	69.7%	n.a.	n.a.
Retun on equity (3)	23.1%	17.8%	-22.6%	5.6%	3.8%	-86.9%	-44.1%
Tier 1 ratio	9.8%	9.1%	10.6%	12.3%	13.1%	7.6%	19.9%
Capital adequacy ratio	10.3%	9.6%	11.8%	14.1%	14 .7%	10.3%	20.9%

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

QUALITY OF RISKS	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Impaired loans to customers (in millions of EUR)	1,359	1,218	3,535	4,808	5,554	2,534	1,676
Asset quality ratio (1)	0.6%	0.5%	1.0%	1.4%	1.6%	1.1%	0.9%
Coverage ratio (2)	69.3%	67.2%	58.9%	55.3%	57.9%	62.9%	24.2%

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

DATA PER SHARE (in EUR)	2006	2007	2008	2009	2010	2011	2012
Earnings per share (1)	2.38	2.08	(2.42)	0.55	0.37	(5.97)	(1.47)
Gross dividend	0.81	0.91	- (2)	- (3)	- (4)	- (5)	- (8)
Net assets (6)	11.08	12.28	9.47	10.02	9.86	3.89	0.35
Pay-out ratio (in %) (7)	34.3	42.0	- (2)	- (3)	- (4)	- (5)	- (8)

(1) The ratio between the net income Group share and the average weighted number of ordinary shares (undiluted for the years under IFRS as adopted by EU). For the years 2006-2010 earnings per share have been restated to take into account the issue of bonus shares distributed to the shareholders and to enable comparison.
(2) No dividend was paid for the 2008 financial year.
(3) On the proposal of the Board of Directors, the Extraordinary Shareholders' Meeting of 12 May 2010 approved a capital increase of EUR 352,915,394.01 by incorporation of reserves and the issue of 83,927,561 bonus shares granted to shareholders on 11 June 2010 prorata to their shareholding.
(4) On the proposal of the Board of Directors, the Extraordinary Shareholders' Meeting of 11 May 2011 approved a capital increase of EUR 243,110,168.10 by incorporation of reserves and the issue of 102,578,130 bonus shares granted to shareholders on 14 June 2011 prorata to their shareholding.
(5) No dividend was paid for the 2011 financial year.
(6) The ratio between the core shareholders' equity and the number of shares (after deduction of treasury shares) at the end of the period. For the years 2006-2010 net assets have been restated to take into account the issue of bonus shares distributed to the shareholders and to enable comparison.
(7) The ratio between the total dividend and the net income Group share.
(8) Considering the net loss of EUR 2.8 billion posted for 2012, there will be no dividend paid to the shareholders for the financial year 2012.

RATINGS AS AT 21 FEBRUARY 2013	Long term	Outlook	Short term
Dexia Crédit Local			
Fitch	A+	Negative outlook	F1+
Moody's	Baa2	Negative outlook	P-2
Standard & Poor's	BBB	Stable	A-2
Dexia Kommunalbank Deutschland (Pfandbriefe)			
Standard & Poor's	A	Stable	-
Dexia LDG Banque (lettres de gage)			
Standard & Poor's	BBB	Stable	-

Message from the Chairmen

The year 2012 saw the Dexia Group evolve considerably, in terms of its activity, its scope and shareholder profile. The year was a turning point for the Group's orderly resolution plan, which we continued to implement with great determination, and marked the transition of the Group from a competitive commercial entity to an entity managed in orderly resolution.

Our priorities were clearly defined at the start of our respective mandates: to give Dexia the means to implement the resolution commenced at the end of 2011 and to ensure an operational transition to a residual group on the one hand and the new pole for French public sector finance on the other, minimising risks and managing the transition process with the greatest possible transparency vis-à-vis Group employees, our shareholders and, more broadly, all the stakeholders in this in-depth change.

At the end of 2012, agreement on implementation of the two pillars of the revised orderly resolution plan

At the end of December 2012, the European Commission's ratification of Dexia's revised orderly resolution plan represented a decisive step for the Group. In fact this decision was a vital precursor to implementation of the two pillars of the revised plan, which were the Dexia SA capital increase and the entry into force of a scheme for a tripartite funding guarantee from the Belgian, French and Luxembourg States. Dexia will thus have the capacity to carry its residual assets over time, avoiding materialisation of the systemic risk which would be represented by the Group's instant liquidation.

By subscribing to the Dexia SA capital increase of EUR 5.5 billion, decided on 21 December 2012 by the shareholders at an Extraordinary General Meeting, the Belgian and French States reaffirmed their support for the Group. We are aware that the decision taken by the shareholders was difficult, considering the severe dilution which results from it, and we would like to thank them for acting in the corporate interest of the company and the Group. The Group now has a robust capital base and sufficient liquidity to enable it, unless there is a major credit shock, to complete its management in orderly resolution. The Belgian and French States are now the Group's main shareholders, with 50.02% and 44.40% respectively of the capital of Dexia SA.

Over the past year, we actively followed the strategy to dispose of the Group's viable operating entities, commenced at the end of 2011 with the sale of Dexia Bank Belgium to the Belgian State. The process to dispose of the Group's main entities was thus concluded in 2012 with the disposals of RBC Dexia Investor Services, DenizBank and Banque Internationale à Luxembourg and the announcement of a sale and purchase agreement for Dexia Asset Management in 2013. We did our utmost to find industrial partners for those entities, to enable them to continue their development and to continue to assist their clients. In January 2013, the disposal of Dexia Municipal Agency to a new banking institution majority held by the

French State was announced, within the context of redefining a scheme for local public sector finance in France. The completion of these disposals enables us to preserve the viable commercial franchises and is a significant phase in the implementation of the orderly resolution plan.

The reduction of the Group's size was accompanied by an adjustment of its governance principles to its new scope. The board of directors was thus reduced to nine members and reflects the new shareholder structure. From an operational perspective, on the other hand, we decided to simplify the decision-taking structures of Dexia SA and Dexia Crédit Local SA, now very broadly integrated.

The orderly resolution plan no longer provides for banking production, with the exception of envelopes attributed with a view to managing the sensitive credits of Dexia Crédit Local SA on the one hand and Crediop on the other, in order to preserve the franchise. As a consequence, the Group's teams have been resized in line with this new scope of activity and the new tasks of Dexia SA and Dexia Crédit Local SA, involving a workforce reduction, particularly in the French part. We worked with the social partners to limit the social impact and the consequences for Group staff members, respecting the Group's tradition of social dialogue. We recall our commitment to find solutions for staff members and to assist them in this period of uncertainty.

Dexia is now a bank in orderly resolution

At the end of an extremely busy 2012, Dexia now has increased visibility as to its future. The process to dispose of the operating entities is well under way and the Group has reached its target scope. Relying on its strengthened capital base and with the benefit of a tripartite liquidity guarantee of EUR 85 billion, the Group can now concentrate its efforts on the management and the optimisation of its residual assets over time. In order to do so, Dexia can rely on the skills of its staff members, whom we praise for their ceaseless commitment over the various stages of the Group's transformation, against a frequently tense and difficult background. We would also like to express our gratefulness to the States for their support and the shareholders who showed considerable responsibility in enabling Dexia to continue in its activity. Dexia is now a bank in orderly resolution. Its asset portfolio, with good credit quality, has a long maturity and remains sensitive to market conditions and to the evolution of the economic environment. It is therefore vital to monitor it attentively over time. Over the years we will ensure that this objective is achieved.

Robert de Metz
Chairman of the Board of Directors

Karel de Boeck
Chief Executive Officer

Highlights

Despite the significant progress made by the Dexia Group since the end of 2008 on reducing the severe financial imbalances which had by then weakened it, for the Group 2011 had represented an extremely difficult turning point as the markets were again deteriorating. The acceleration of the sovereign debt crisis in the euro zone had raised issues concerning the underlying hypotheses and proper implementation of the initial transformation plan put in place in 2008[1].

To counter this deteriorating environment, from October 2011 the Dexia Group announced the implementation of an orderly resolution of its activities in order to avoid a rapid deterioration of its liquidity situation and the materialisation of a systemic risk for the Belgian and French States and for the entire European banking sector.

This orderly resolution plan, which provides for the management of legacy assets, relies essentially on two aspects developed below: the disposal of Dexia' main operating entities and the introduction, on the one hand, of a funding guarantee granted by the Belgian, French and Luxembourg States and, on the other hand, a capital increase reserved for the Belgian and French States, to enable the Group to complete its resolution.

2012 was essentially marked by implementation of the different aspects of this plan and their consequences in terms of the change of scope, object and also governance for the Dexia Group.

2012: decisive progress on implementing the Group's orderly resolution plan

Ratification of the plan by the European Commission

Submitted for examination to the European Commission in March 2012, then in a revised version taking account of the principal macroeconomic evolutions, on 14 December 2012, the plan for resolution of the Dexia Group was approved by the European Commission on 28 December 2012. It thus substitutes the restructuring plan approved by the European Commission on 26 February 2010. The ratification of the revised orderly resolution plan closes the in-depth enquiry launched by the Commission on 21 December 2011[2] into the State aid received by the Group in October 2011[3].

(1) See Dexia SA Annual Report 2011, Highlights, p. 12 - 18 - for a review of the 2008 - 2011 plan and details of the decisions taken in October 2011.
(2) Cf. Press release by the European Commission IP/11/1592 dated 21 December 2012 and IP/12/253 dated 31 May 2012.
(3) Cf. Press release from Dexia dated 10 October 2011.

Validation of the Group's revised orderly resolution plan by the European Commission marks a decisive phase in implementation of the plan. It in fact permitted implementation of the Dexia SA capital increase as well as ratification of the scheme for the tripartite liquidity guarantee granted by the Belgian, French and Luxembourg States.

With this plan, Dexia made a certain number of undertakings in relation to the sale of its commercial franchises and the restriction of its commercial production. The resolution strategy ratified by the Commission thus led the Group to withdraw from all the markets on which it had a presence.

Dexia also made behavioural undertakings as detailed in the press release published by the Group on 31 December 2012. All of these undertakings will be monitored by an independent expert.

Progress made on the disposal of operating entities

In line with its undertakings, at the end of 2011 the Group initiated the disposal of its main operating entities. In particular, Dexia Bank Belgium (now Belfius Bank and Insurance) was sold to the Belgian State in October 2011.

2012 was marked by strong progress on the disposal process, contributing to a significant reduction of the Group's balance sheet. The transactions finalised in 2012 and at the end of 2013 are as follows:

• Sale on 27 July of the entire Dexia holding in the commercial joint venture RBC Dexia Investor Services (initially co-owned in equal shares by the Royal Bank of Canada and Dexia) to the Royal Bank of Canada group for a price of EUR 837.5 million, resulting in a profit of EUR 38 million for the Dexia Group.

• Sale on 28 September 2012 of the entire Dexia holding in DenizBank to the Russian bank Sberbank for a price of EUR 3,024 million[4] leading to a loss of EUR 801 million for Dexia in 2012.

• Sale on 5 October 2012 of the entire Dexia holding in Banque Internationale à Luxembourg, representing 99.906% of the capital, 10% to the Luxembourg State and 90% to a Qatari investor, Precision Capital, for a total amount of EUR 730 million. The scope of the transaction excluded that entity's "legacy" portfolio, Dexia Lettres de Gage Bank, a subsidiary under Luxembourg law specialising in refinancing public sector assets, as well as its holdings in Dexia Asset Management, RBC Dexia, Popular Banca Privada and Parfipar. Those holdings were taken over by the Dexia Group or sold on the market. In line with the undertakings made to the purchasers, prior to the sale Dexia proceeded with a EUR 204 million

(4) of which 2,789 millions at the closing, EUR 185 millions in post closing adjustments and a positive impact of exchange rate effect for EUR 50 millions.

capital increase of Banque Internationale à Luxembourg. This transaction resulted in a loss of EUR 205 million for Dexia in 2012.

• Agreement on 12 December 2012 to sell Dexia Asset Management to GCS Capital[(1)] for an amount of EUR 380 million. This sale price could be subject to an adjustment, which is normal in such a transaction, on its finalisation which, subject to the grant of regulatory authorisations and the approval of the European Commission, could occur in the first half of 2013. This sale relates to the entire scope of Dexia Asset Management and will have no significant impact on the Group's consolidated result.

• Finally, on 31 January 2013 Dexia finalised the sale of the Société de Financement Local (SFIL), itself the full owner of Dexia Municipal Agency, to the French State, as a majority shareholder alongside the Caisse des Dépôts and La Banque Postale. Dexia Municipal Agency, formerly a covered bond issuer ("société de crédit foncier") in the Dexia Group, was renamed Caisse Française de Financement Local.

The transaction price was set at 1 euro representing a total loss of EUR 1.8 billion[(2)] for the Dexia Group and, on the date of sale, SFIL represented a balance sheet total estimated at EUR 95 billion.

The sale of Dexia Municipal Agency is a part of the project by its new purchasers to create a pole for local public sector finance in France. The aim of this new mechanism is to remedy the significant shortfall of long-term finance available to key operators in the French economy like regional authorities and public hospitals.

As announced in the interim statements for 9M and Q3 2012, sensitive loans on the balance sheet of Dexia Municipal Agency form a part of the sale scope and neither Dexia nor Dexia Crédit Local has given any guarantee on those assets.

For Dexia, this represents the sale of one of the last major commercial franchise and therefore marks a decisive point in the implementation of its orderly resolution plan.

It being undesstood that Dexia Crédit Local remains liable in case of violation of its own legal contractual obligations in relation to thse loans.

The proceeds of all of these disposals were almost fully allocated by Dexia SA to the early redemption of loans granted by Belfius Bank and Insurance to the Group and to Dexia Crédit Local (DCL), in line with the undertakings made by the Dexia Group, and to the repayment of the emergency liquidity assistance (ELA) [(3)].

In line with the undertakings made in connection with its orderly resolution plan, Dexia continues to work on the disposal of its holding in Popular Banca Privada and in Sofaxis. Dexia will also proceed with the disposal or management in run-off of Dexia Bail Régions, Dexia Bail, Public Location Longue Durée and Dexia Flobail. Finally, the Dexia holding in Dexia Israel-DIL should be sold within 12 months following a definitive decision on the various legal actions taken against DIL and DCL as shareholder.

(1) GSC Capital is a strategic investor based in Hong Kong, also established in London and Beijing and supported by Chinese and Qatari institutional investors.

(2) of which EUR 1.1 billion accounted in 2011. See press release as at 31 January 2013.

(3) Emergency Liquidity Assistance: provided by central banks.

Introduction of a scheme for the funding guarantee granted by the Belgian, French and Luxembourg States

The 2013 guarantee mechanism was approved by the European Commission on 28 December 2012. This joint and non-several guarantee scheme replaces the provisional guarantee mechanism approved by the European Commission on 21 December 2011 for a maximum amount of EUR 45 billion, then extended on two occasions in 2012 for a maximum amount of EUR 55 billion.

Implementation of this guarantee will enable the Group to realise its resolution plan and Dexia Crédit Local to borrow from investors eligible for the guarantee up to EUR 85 billion in principal[(4)], including funding already covered by the provisional guarantee of 2011, (outstanding in principal of EUR 53.6 billion as at 18 January 2013). This guarantee was granted to Dexia by the States without collateral.

This 2013 guarantee, which is several but not joint is spread 51.41% for Belgium (or a maximum of EUR 43.6985 billion), 45.59% for France (or a maximum of EUR 38.7515 billion) and 3% for Luxembourg (or a maximum of EUR 2.55 billion). It covers funding raised in the form of securities and financial instruments, and deposits or borrowings until 31 December 2021 with a maximum maturity of ten years.

The State remuneration under this guarantee was set at 0.05% (5 basis points) per annum, against 85 basis points paid by Dexia by way of remuneration for the provisional guarantee, added to the payment of an establishment fee of 50 basis points on a base of EUR 85 billion, with deduction of the establishment fee of EUR 225 million already paid for the provisional guarantee of 2011.

After examining the terms of the funding guarantee granted by the Belgian, French and Luxembourg Stateson 24 January 2013, at the beginning of 2013 the three main rating agencies attributed a rating to the issues concerned. The guarantee programmes for certificates of deposit (CD) and negotiable medium-term notes (NMTN) issued by DCL are provisionally rated **A-1+** and **AA** respectively by Standard & Poor's, **P1** and **(P)Aa3** with negative outlook respectively by Moody's, and **F1+** and **AA,F1+** respectively by Fitch Ratings. These ratings will be confirmed on receipt of the final documentation for each issue realized. The negative outlook attributed by Moody's reflects that of the Belgian State.

The Royal Decrees granting the temporay guarantee and the 2013 guarantee are subject to an action of annulment before the Belgian Council of state (see section "Legal Risk" page 73).

Recapitalisation of the Dexia Group

Negotiations between the Belgian, French and Luxembourg States and the European Commission during the summer resulted in the amendment of some principles and hypotheses of the business plan which had served as the basis for establishing the plan submitted by the States to the European Commission on 21 March 2011. The revised orderly resolution

(4) Given that the amounts in interest and ancillaries due on the amounts in principal are guaranteed beyond this ceiling. See however the last paragraph of this section.

plan and the financial simulations prepared for that purpose provide funding costs heavily affecting the profit outlook for Dexia Crédit Local, particularly by virtue of restricted access to central bank funding. The revised plan also integrates the amendments made during the year to the initial scheme for the disposal of Dexia Municipal Agency.

The evolution of this outlook forced the board of directors, at its meeting held on 7 November 2012, to record a full impairment of the Dexia SA holding in Dexia Crédit Local. This impairment generated a severe loss being suffered by Dexia SA, resulting in a negative equity situation of EUR -2.685 billion and thus a need for recapitalisation. The support of the Belgian and French States is again shown by their participation in a reserved capital increase in an amount of EUR 5.5 billion. This has provided for an allocation to the States of preference shares giving them priority, up to 8% of the nominal value of the shares per annum, on any distribution of dividends by Dexia SA. The total dividend shortfall at the rate of 8% per annum constitutes a liquidation supplement giving the States a priority right to the distribution of any distributable net assets in the case of liquidation.

This amount of EUR 5.5 billion was calibrated to enable Dexia SA to face the evolution of the economic and financial environment to the extent that such may be considered foreseeable (and in particular the new conditions of access to funding imposed by the central banks) after honouring all of its contractual liabilities with regard to Dexia Crédit Local and/or its subsidiaries, and after recapitalisation of Dexia Crédit Local in an amount of EUR 2 billion.

In accordance with Article 633 of the Belgian Companies Code, the shareholders of Dexia SA were invited to deliberate and to decide on the continuation of its activities or the dissolution of Dexia SA as well as the capital increase reserved for the States, at the Extraordinary Shareholders Meeting held on 21 December 2012. They ruled in favour of a continuation of activity by a very large majority.

In the absence of any major credit shocks in the markets, the Group therefore has the means enabling it to envisage optimised management and the ability to carry its residual assets to their term.

Changes of Group governance

The board of directors underwent a thorough change during the year 2012. Its various evolutions are described in the section "Corporate governance declaration" of the present Annual Report.

The configuration of the Dexia SA board of directors was adapted to the new Group scope. While the legal structures of Dexia SA and Dexia Crédit Local keeping, Group management was simplified and unified, particularly through joint administration of the two main Group entities. Indeed on 10 October 2012 Mr Karel De Boeck, Chief Executive Officer or Dexia SA, was appointed Director General of Dexia Crédit Local and Mr Robert de Metz, already Chairman of the Board of Directors of Dexia SA was appointed Chairman of the Board of Directors of Dexia Crédit Local. Similarly, the Group Committee consists of the members of management of the two entities and the heads of support lines. This enlarged Committee, benefiting the Group with its wide range of vital skills, replaces the Executive Committee.

Exercise of Banco Sabadell's option to sell its holding in Dexia Sabadell

On 6 July 2012, applying a shareholders' agreement dating from 2001, Banco Sabadell informed Dexia of its intention to exercise it option to sell its 40% holding in Dexia Sabadell to Dexia. At the end of this process, Dexia would hold 100% of Dexia Sabadell.

Dexia noted the decision taken by Banco Sabadell which constitutes the starting point for a process governed by the agreement in force.

Over the year, Dexia Crédit Local proceeded with a EUR 230 million capital increase of Dexia Sabadell, in order to comply with the increased level of regulatory capital set by the national regulator.

Judgements on the proceedings commenced by the Département de Seine-Saint-Denis against Dexia Crédit Local SA

On 8 February 2013, the High Court in Nanterre passed its judgements on the applications made by the Département de la Seine-Saint-Denis against Dexia concerning three structured loans having an outstanding amount of EUR 177,534,631.90 as at 21 March 2013.

The High Court in Nanterre dismissed the applications by the Département de la Seine-Saint-Denis for cancellation of the three contested loan contracts and all of its claims for damages and interest. In particular, the Court considered that these loans were not of a speculative nature, that the Département was competent to conclude these loan contracts and that Dexia had acted in observance of its duty to provide information and advice vis-à-vis the Département. However, the High Court in Nanterre thought that the faxes which preceded the signature of the definitive contracts could be described as a "loan contract" and that the absence of an indication of the Effective Annual Percentage Rate (EAPR) in those faxes would result in application of the legal interest rate.

As the loans referred to in the Court's decision fall within the scope of the disposal of the Société de Financement Local, and if the judgement is confirmed it will have no financial impact for the Dexia Group, as the assets sold are now carried by the Société de Financement Local. If the High Court's decisions were to be confirmed and were to become established case law, their extension to other Dexia financing is likely to introduce significant risks. Dexia Crédit Local SA plans to appeal these decisions.

Continuity of operation and the revised business plan

As in 2011, the corporate and consolidated accounts of Dexia SA as at 31 December 2012 have been established in accordance with the accounting rules applicable to a going concern. This hypothesis of continuity was supported by a revised business plan, constructed on the initial plan described in the 2011 Annual Report of the Dexia Group but with certain parameters amended to integrate the principal prescription changes from the regulators. This revised business plan was ratified by the Group's board of directors at its meeting on 14 December 2012. It relies on certain structural hypotheses and uncertainties, the major lines of which are described below.

Like the initial business plan, this revised business plan includes the 2013 liquidity guarantee granted by the States without collateral. This guarantee was limited by the States to EUR 85 billion, taking account of the EUR 5.5 recapitalisation at the end of December 2012. As previously indicated, and as with all of the hypotheses of the revised business plan, this guarantee was subject to definitive ratification by the European Commission on 28 December 2012, and this was one of the central hypotheses of the initial business plan presented to the various stakeholders including the European Commission.

The plan assumes maintenance of the banking licences of the various entities and, as the case may be, despite the potential non-observance of certain regulatory ratios. It also assumes maintenance of the ratings of Dexia SA and Dexia Crédit Local.

The underlying macroeconomic scenario of the revised business plan is constructed from market data observable at the end of September 2012, and assumes an aggravation of the recession in 2013 followed by a gradual recovery from 2014. Credit margins are assumed to be constant until 2014, before falling towards their historic average (2004-2011) until 2018 and maintaining that level over the following years. The macroeconomic scenario also foresees migrations from negative ratings in 2013 on different sectors, in particular the local public sector, with a return to the levels of September 2012 in 2014. No major negative credit event is retained for the projection period.

The business plan is sensitive to the evolution of interest rates and the credit environment, in particular:

- a 10 basis point fall of the 10-year interest rate would generate an EUR 1 billion increase of the Cash Collateral requirement, i.e. the desposits or assets posted by Dexia to its counterparties as guarantee of interest rate and foreign exchange swaps. Financed at the ELA rate (the most costly source of finance), this would generate an additional cost of EUR 135 million over the period 2013-2020;
- projections are also sensitive to margins between the Eonia rate, the ECB intervention rate and the Euribor 3-month rate;
- more conservative hypotheses as to the improvement of ratings and/or the tightening of credit margins from 2014 would have a negative impact on the income statement and the available liquidity reserves and would increase the level of regulatory capital required as from 2014.

Furthermore, the business plan relies on the hypothesis of a restoration of confidence on the capital markets enabling, on the one hand, a portion of the Dexia assets to be funded via covered borrowings (Repo) and, on the other hand, short and long-term placement of its guaranteed debt on the markets, the outstanding issued under the 2013 guarantee scheme reaching EUR 40 billion in 2015.

If the market's absorption capacity proves to be insufficient, Dexia would then have to call on more costly funding sources which would directly impact the profitability projected in the business plan. Indeed, EUR 1 billion per annum financed at the rate for the emergency Liquidity Assistance (ELA) rather than the rate for short-term guaranteed funding would have an impact on the result in the order of EUR -90 million over the period 2013-2020. Conversely, if the market's appetite for Dexia guaranteed debt enabled a larger amount of that guaranteed debt to be placed, permitting Dexia's dependence on the ELA to be reduced or even eliminated, the impact on the profitability projected in the plan would be positive. The increase of the issue ceiling for short-term guaranteed debt by EUR 1 billion would reduce the funding cost by EUR 65 million over the period 2013-2020.

Beyond the hypotheses on volumes, the business plan integrates hypotheses on the costs of the various funding sources. By way of illustration, a 10 basis point reduction of the issue cost of the debt guaranteed by the State compared to the cost projected in the business plan would result in an improvement of the Group's funding cost in the order of EUR 180 million over the period 2013-2020. Similarly, the improvement of conditions on the market for collateralized borrowings (Repo) and the tightening of credit margins on sovereigns observed in the last quarter of 2012 suggest that the scenario retained in the business plan is currently relatively conservative.

The business plan thus revised concludes the viability of the Dexia Group, on the basis of the hypotheses and scenarios retained. Some of the uncertainties included those described above remain as to its realization. So the business plan will be updated regularly to take account of the latest external variables recorded in order to estimate its precise impact on the projections and their realisation potential.

Declaration of Corporate Governance

Introduction

Reference Code

The Belgian Code of Corporate Governance, designated by the Belgian legislator as the Reference Code ("2009 Code"), is the reference for Dexia within the meaning of Article 96, § 2 1° of the Companies Code. It is available on the Belgian Official Journal internet site as well as on the internet site *www.corporategovernancecommittee.be*.

The Belgian Code of Corporate Governance contains nine mandatory principles for listed companies. Dexia respects those nine principles.

However, in view of Dexia's particular situation and the new governance applied following the capital increase on 31 December 2012, fully subscribed by the Belgian and French States, Dexia SA departs from the following lines of conduct:

- line of conduct in provision 1.2., and provision 2.1., which recommend a mix of genders within the Board of Directors. The Board of Directors of Dexia SA is composed with a women director among currently has one female director among nine members of the Board, i.e. 11.1%.
- provision 4.11., which recommends that the Board of Directors regularly assesses its size, its composition and its performances as well as those of its committees. Although the size and composition of the board were deeply revised at the end of 2012, with the capital increase of Dexia SA, the board performed no self-assessment.

In 2012, the many amendments to the governance of Dexia SA during the year would have made such an exercise of little relevance. As governance has been stabilised since 31 December 2012, a self-assessment may be performed during the 2013 financial year.

- provision 5.2.4., which recommends that the audit committee be composed of a majority of independent directors. The audit committee of Dexia SA is composed of 2 independent directors out of 4 members, which goes beyond the legal provisions applicable to listed companies, which request that at least one mensel be an independent director.

Corporate Governance Charter

The Corporate Governance Charter of Dexia SA (hereafter the "Charter") gives a detailed overview of the principal governance aspects of the company.

In accordance with the Belgian Code of Corporate Governance, the Charter has been published since 31 December 2005 on the company's site   and regularly updated.

Relations with shareholders

Shareholder base

As described in the chapter « shareholder information » of this report (page 49) the shareholding structure of Dexia SA has been radically impacted by the recapitalization made on 31 December 2012 through an issuance of new preferred shares subscribed by the Belgian and French states. At that time, the main Dexia's shareholders are as follows:

Name of shareholder	Percentage of Dexia SA existing shares held as at 31 december 2012
Belgian federal government through Société Fédérale de Participations et d'Investissement	50.02%
French State [1]	44.40%
Caisse des dépôts et consignations	1.11%
Institutional, individual & Staff	4.47%

(1) 0.36 % held through Société de prise de participation de l'État and 44.04 % held directly.

As at 31 December 2012, Dexia SA directly or indirectly held 0.001% of its own shares. Dexia Group members of staff held 0.01% of the capital of the company.

At that same date, and to the knowledge of the company, no individual shareholder, with the exception of Caisse des dépôts et consignations, the Belgian Federal State and the French State, held 1% or more of the capital of Dexia SA.

As at 31 December 2012, the directors of Dexia SA held 61,186 shares in the company.

Relations among shareholders

On 30 August 2007, Dexia SA was informed of the conclusion by some of its shareholders (Arcofin, Holding Communal, Caisse des dépôts et consignations, Ethias and CNP Assurances) of an agreement to consult each other on certain occasions whilst each retained the right to decide freely on the resolutions to be passed with regard to the company.

This agreement was the subject of a communication to Dexia SA, in accordance with Article 74, § 7 of the Law of 1 April 2007 relating to tender offers (see "Legislation regarding public takeover offers" section in this chapter on page 46).

Dexia was informed that this agreement, which did not affect the governance principles in force within Dexia SA, was terminated on 31 December 2012.

Relations with shareholders

Relations with individual shareholders

The ordinary shareholders' meeting is held in Brussels on the second Wednesday in May and is subject to the provision of dedicated information: official notices appear in the Belgian official journal and in the BALO in France, announcements are published in the financial press in Belgium and in Luxembourg, and a convocation file is available in French, Dutch and English which can be downloaded from the internet site. Since 1 January 2012, in accordance with the provisions of the Law of 20 December 2010 relating to the exercise of certain rights by the shareholders of listed companies, the level of share ownership required to allow one or more shareholder(s) to submit a proposal to the shareholders' meeting has been 3%.

The ordinary shareholders' meeting was held in Brussels on 9 May 2012 and directly followed by an extraordinary shareholders' meeting which minutes are available on the Internet site. On the other hand, a second extraordinary shareholders' meeting of Dexia SA was held on 21 December 2012 to decide on the company's continued activity, in application of Article 633 of the Companies Code and to pass a resolution on the capital Increase of Dexia SA in an amount of à EUR 5.5 billion to which the Belgian and French States undertook to subscribe.

Relations with institutional investors

Relations with institutional investors (investors and analysts) are ensured by a dedicated team based in Paris.

This team also takes part in the allocation of debt issued by Dexia.

Information channels

Regular information channels

Throughout the year, Dexia publishes information through press releases on the business, financial results and Group news. All this information is available as from publication on the internet site *www.dexia.com* in the "Shareholders/Investors" section. It can also be obtained by e-mail on request to the financial communication of Dexia SA.

The internet site (www.dexia.com)

The website is the main source of information on the Dexia Group for individual shareholders, journalists and institutional investors.

Other supports

Dexia publishes complete annual information for shareholders and investors. The Dexia annual report is available in three languages: English, Dutch and French. The risk report published yearly is only available in English on the internet site.

Observance of applicable legislation

As a company under Belgian law, whose shares are listed for trading in Belgium, France and Luxembourg, Dexia ensures compliance for its legal and regulatory obligations to provide specific and periodic information.

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

A Royal Decree of 14 November 2007 "concerning the obligations of issuers of financial instruments listed for trading on a Belgian regulated market" stipulates the obligations of issuers with regard to the information to be provided to the public and their obligations to holders of financial instruments. In January 2012 the Financial Services and Markets Authority (FSMA) published a Circular explaining this Royal Decree[1]. In accordance with this regulation, Dexia SA has decided since 2003 to use its internet site to fulfil its obligations to publish the information stipulated by the Royal Decree and the Circular, and in particular created a separate part of its internet site dedicated to the mandatory financial information indicted in the Circular.

(1) This circular replaces the circular FMI/2007-02 of the Banking, Finance and Insurance commission.

Management of the Dexia Group

On 10 October 2012, Dexia SA and its main subsidiary Dexia Crédit Local SA were given an operational integrated management team adapted to the Group's new dimension.
Although separate legal structures are maintained, Group management is simplified and unified, particularly via common administration of the two main entities, Dexia SA and Dexia Crédit Local S.A.
The integrated management of the support lines is also gradually established. Integration of the organisation of Dexia SA (Belgium and France) and Dexia Crédit Local goes beyond management functions.

The Board of Directors of Dexia SA

Members of the Board of Directors (as at 15 march 2013)

The Articles of Association of Dexia SA, as amended by the extraordinary shareholders' meeting on 21 December 2012, stipulate that the Board of Directors is composed of nine directors, five of Belgian nationality and four of French nationality. The Chairman of the Board of Directors is French and the CEO Belgian. A director may, with the agreement of a majority of each group of directors of the same nationality, be considered as of Belgian or French nationality even though in reality they are of another nationality altogether, the other nationality or of double nationality.
As at 31 december 2012 and following the capital increase, the Board of Directors was composed of the nine following directors : Robert de Metz, independent director and Chairman of the Board of Directors, Karel De Boeck, Chief Executive Officer, Philippe Rucheton, executive director, Paul Bodard, independent director, Bart Bronselaer, independent director, Alexandre De Geest, Koen Van loo, Hervé de Villeroché and Olivier Bourges.
On 11 march 2013 the Board of Directors co-opted Mrs Delphine d’Amarzit and Mr Thierry Francq as directors, with immediate effect but subject to approval by the regulator, to replace MM Olivier Bourges and Hervé de Villeroché, resigning.

ROBERT DE METZ

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

Chairman of the Board of Directors of Dexia SA

Chairman of the Board of Directors of Dexia Crédit Local

Beginning and end of current mandate: 2010-2014

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

Primary function: Executive Director of La Fayette Management Ltd.

Other mandates and functions: Member of the Supervisory Board of Canal+ France • Director: Média-Participations (Paris – Brussels) • Chief Executive Officer of Bee2Bees SA (Brussels) • Member of the Executive Committee of the Fondation pour les Monuments Historiques.

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

KAREL DE BOECK

3 august 1949 • Belgian • Director since 2012
Holds no Dexia shares

Beginning and end of current mandate: 2012-2016

Primary functions: Chief Executive Officer and Chairman of the Management Board of Dexia SA • Managing Director of Dexia Crédit Local SA.

Other mandates and functions: Director of Aswebo • Member of the Surpervisory Board of Willemen Group • Chairman of the Board of Directors of Boek.be and Allegro Investment Fund NV and Manager of White Art Center CV.

Biography: Karel De Boeck has a degree in electromechanical civil engineering (1972) and in economics (1974) from the Catholic University of Louvain. He has been Deputy Director and Chairman of the Management Board of Dexia SA since 2 August 2012, after having been Chairman of the Board of Directors from 1 July until 1 August 2012. He has also been Director General of Dexia Crédit Local SA since October 2012. In 1976, he entered Générale de Banque where he occupied various positions at home and abroad, and become Director of Marketing for the commercial network. In 1993, he joined the CGER Bank (Fortis) and became Chairman of the Management Board in January 1996. In 1999, following the purchase of Générale de Banque by Fortis, he was appointed Member of the Management Board of Fortis Bank and a Member of the Executive Committee of the Fortis Group, successively in charge of “medium-sized enterprise” activity, then “corporate banking”, “retail banking”, “private banking” and finally he was Director of Risks. In 2007, he became Vice-Chairman of ABN Amro Holding in the Netherlands. In December 2008, he was appointed CEO of Fortis Holdings, now Ageas (until June 2009). From 1999 until 2002, Karel De Boeck was Chairman of the Belgian Banking Association (now Febelfin) and Chairman of the EFMA (European Federation of Management and Financial Marketing) from 2003 until 2006.

THIERRY FRANCQ

30 April 1964 • French • non executive Director since 2013 subject to approval by the regulator
Holds no Dexia shares

Beginning and end of current mandate: 2013-2017

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

Primary function: Executive advisor to the General Director of the French Treasury

Biography: Thierry Francq is a graduate from the Ecole polytechnique and the Ecole nationale de statistiques et d'administration économique (ENSAE). He began his career in 1988 in the Direction de la Prévision (Ministry of the Economy, Finance and Industry), as assistant to the head of the Foreign Bureau and then financial transactions. In 1992, he joined the Treasury Department where he was deputy head of the Housing Financing Bureau and, as of 1995, head of the Bureau in charge of French policy regarding the International Monetary Fund (IMF), the international financial system and the preparation of the G7 summits. From 2000 to 2002, he held the position of assistant manager in charge of the regulation of insurance companies, products and markets and then, from 2002 to 2004, assistant manager in the Service des participations before being appointed head of the financing of the economy at the Direction générale du Trésor et de la politique économique (DGTPE). In March 2009, he was appointed secretary general of the Financial Markets Authority (AMF). Since December 2012 he has been executive advisor to the General Director of the French Treasury.

PHILIPPE RUCHETON

9 September 1948 • French • Executive Director since 2009
Holds no Dexia shares

Beginning and end of current mandate: 2012-2016

Primary function: Member of the Management Board of Dexia SA, Director of Dexia Crédit Local SA

Biography: Philippe Rucheton is a graduate of the Ecole Polytechnique, the Institut Supérieur des Affaires and the Université Panthéon Sorbonne (Master of Business Law). He has been a Member of the Management Board of Dexia SA since December 2008, responsible for financial services and financial management, and since October 2012 also of mergers and acquisitions activities, treasury and financial markets and the management of branches in the United States and Ireland. He has also been Deputy Director General of Dexia Crédit Local SA since October 2012. For twenty years he worked for the Société Générale where he occupied various management posts such as Finance Director of Newedge (2008), Vice-Chairman of the Komercni Banka (2002-2008) in Prague, Head of ALM within the Société Générale (1995-2002) and Deputy Managing Director of Europe Computer Systems (1988-1995).

ALEXANDRE DE GEEST

5 February 1971 • Belgian • Director since 2012 subject to approval by the regulator
Holds no Dexia shares

Beginning and end of current mandate: 2012-2016

Specialist committees: Member of the Strategy Committee

Primary function: Director of Treasury (SPF Finances)

Biography: Alexandre De Geest is a graduate in law from the Catholic University of Louvain and the Free University of Brussels. He has been a Director of numerous companies including Gazelec (2004-2005) and the Fonds de Vieillissement since 2003. Alexandre De Geest was an Adviser to the Cabinet of the Federal Minister of Finance from 2000, then an Adviser to the Cabinet of the Federal Minister of Foreign Affairs in 2011. He has been Director of Treasury (SPF Finances) since 2012.

PAUL BODART

Independent director
22 January 1953 • Belgian • Director since 2012 subject to approval by the regulator
Holds no Dexia shares

Beginning and end of current mandate: 2012-2016

Specialist committees: Chairman of the Audit Committee • Member of the Appointment and Compensation Committee

Primary function: Member of the TS2 Committee of the ECB

Biography: Paul Bodart obtained his engineering degree at the Catholic University of Louvain in 1976 and a master's degree in business administration (MBA) in 1987 at INSEAD. At the start of his career, he occupied various posts in the European Bank for Latin America, at JP Morgan and with Euroclear Operations Centre. Paul Bodart joined The Bank of New York on 1 January 1996 as Senior Vice President, to become Director General of the Bank's Brussels subsidiary. He was then in charge of all global custodian activities. He was promoted to Executive Vice President on 1 January 2003. In March 2009, Paul Bodart became Chief of EMEA Operations in the Asset Servicing department of the Bank of New York Mellon. He held the posts of Executive Vice President and CEO of BNY Mellon SA/NV, responsible for global EMEA operations until September 2012. Since September 2012, he has been a Member of the T2S Committee of the European Central Bank.

BART BRONSELAER

Independent director
6 October 1967 • Belgian • Director since 2012 subject to approval by the regulator
Holds 60,000 Dexia shares

Beginning and end of current mandate: 2012-2016

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

Primary function: Chairman of the Board of Directors of Royal Park Investments

Other mandates and functions: Director of: BAJ Buczyna SpzOO, PMC-Group SpzOO Finilek

Biography: Bart Bronselaer holds a degree in industrial engineering (Group T Leuven), as well as a master's degree in information sciences (VUB) and a master's degree in business administration (MBA - C.U.Louvain). The major part of his career (1993-2003) was spent with Merrill Lynch International in London where he held various posts, the last chronologically as Head of Debt Capital Markets for Europe, the Middle East and Africa. There he had the task of structuring and selling financial solutions to various clients such as financial institutions, industrial companies and public bodies. In 2003, he became an independent expert in financial services. At present he occupies the post of Chairman of the Board of Directors of Royal Park Investments.

DELPHINE D'AMARZIT

9 May 1973 • French • Director since 2013 subject to approval by the regulator
Holds no Dexia shares

Beginning and end of current mandate: 2013-2017

Specialist committees: Member of the Strategy Committee

Primary function: Head of department at the Directorate General of the French Treasury

Biography: Delphine d'Amarzit is a graduate from the Institut d'études politiques (IEP) in Paris and is a former student of the Ecole nationale d'administration. In 1996 she became a Finance inspector. In 2000 she was appointed assistant secretary general and then in 2001 secretary general of the Paris Club and head of the "International indebtedness, Paris Club and credit insurance" bureau at the Treasury Department. She then became advisor in charge of the financial sector to the Minister for the Economy, Finance and Industry (2003-2006), assistant manager for financial markets and corporate financing (2006-2007) at the Treasury Department and then adviser for economic and financial affairs to the Prime Minister (2007-2009). Since July 2009 she has been head of department at the Directorate General of the Treasury. She is also a director of the Agence française de développement and the Banque publique d'investissement.

KOEN VAN LOO

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

Beginning and end of current mandate: 2009-2013

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

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

Other mandates and functions: Director: Zephyr FIN, Certi-Fed, Bel to mundial ASBL, Kasteel Cantecroy Beheer, Société Belge d'Investissement International, Biloba Investment & Ginkgo Fund SICAR, Capricorn Health Tech Fund, Director of Dexia Crédit Local SA

Biography: Graduate in applied economics. After gaining a degree in taxation, he began his career as Deputy Advisor to the Board central de l'économie. In September 1999, he joined the Office of the Belgian Minister of Finance as an expert. In November 2000 he was appointed Advisor to the Cabinet and was then head of the Cabinet from May 2003 until November 2006. He was then appointed Chief Executive Officer and Member of the Strategy Committee of the Société Fédérale de Participations et d'Investissement.

Eligibility criteria

The internal rules of the Board of Directors stipulate that directors are appointed by the Shareholders' Meeting on the basis of their expertise and the contribution they can make to the administration of the company.
Directors respond to the skills profile established by the Board of Directors on proposals from the Appointment and Compensation Committee which are an integral part of the internal rules of the Board of Directors. Any member of the Board of Directors must have the time required to fulfil his obligations as a director. Non-executive directors may not consider accepting more than five director's mandates in listed companies.

Procedure for appointing and assessing members of the Board of Directors

Appointment

The Appointment and Compensation Committee is responsible for making proposals on the appointment of any new director to the Board of Directors, which decides alone whether the candidature will be submitted to the Shareholders' Meeting or not. The committee ensures that before considering approval of the candidature, the Board has received sufficient information on the candidate. Each candidate is proposed on the basis of his/her potential contribution in terms of knowledge, experience and specialisation in one or more of the following fields: vision and strategy, leadership and management skills, financial and accounting expertise, international experience and knowledge of the Group's business lines. The candidate must have the necessary availability, moreover, to fulfil his obligations as a director.

Resignation

When a director wishes to end a mandate early, he sends a resignation letter to the Chairman of the Board of Directors who informs the Board at its next meeting. The Board of Directors will provide a provisional replacement for the resigning director by cooptation and the following Shareholders' Meeting will make a definitive appointment.
If there is a major change in the functions of a director likely to affect their ability to meet the eligibility criteria as defined in the Board's internal rules, they are invited to resubmit their mandate to the company and to provide the Chairman of the Appointment and Compensation Committee with any useful information.

Assessment

The Board of Directors is organised to achieve the best exercise of its expertise and responsibilities. Each year, in principle, it makes a self-assessment of its operation, and of its specialist committees, led by the Chairman of the Board of Directors, in order to make useful changes and improvements to its internal rules. The criteria adopted in making the assessment are in particular the efficiency and frequency of meetings of the Board and the specialist committees, the quality of the information provided to the Board and its specialist committees, the compensation of members of the Board and its committees or even the role of the Chairman.

When a director's mandate is renewed, the Appointment and Compensation Committee makes an assessment of their participation in the operation of the Board of Directors and reports on that with a recommendation.

Having regard to the in-depth changes to the company's governance during the 2012 financial year, a self-assessment might be performed during the second half-year 2013 in order to assess the operation of the Board and its committees in a pertinent manner.

Changes in the composition of the Board of Directors of Dexia SA in 2012

During the 2012 financial year, the changes occurring in the composition of the Board of Directors of Dexia SA were as follows.

The following decisions were taken by the Ordinary Shareholders' Meeting on 9 May 2012:

- the appointment as a director, for a new mandate of four years which will end at the close of the Ordinary Shareholders' Meeting of Dexia SA in 2016, of Claude Piret, provisionally appointed by the Board of Directors to replace Jos Clijsters, resigning;
- the renewal of the mandate of Mrs Catherine Kopp for a further period of four years to end at the close of the ordinary shareholders' meeting in 2016;
- the renewal of the mandate of Mrs Francine Swiggers for a further period of four years to end at the close of the ordinary shareholders' meeting in 2016;

At its meeting on 21 May 2012, the Board of Directors noted the resignations of Mrs Isabelle Bouillot and Mr Francis Vermeiren with immediate effect, and unanimously coopted Mr Karel De Boeck as director, with immediate effect, to replace Mr Francis Vermeiren.

At its meeting on 27 June 2012, the Board of Directors noted the resignation of Mr Jean-Luc Dehaene with effect from 1 July 2012 and unanimously coopted Mr Bernard Herman as director, to replace Mr Jean-Luc Dehaene. The Board appointed Mr Karel De Boeck as Interim Chairman replacing Mr Jean-Luc Dehaene.

At its meeting on 2 August 2012, the Board of Directors noted the resignation of Mr Pierre Mariani with immediate effect and unanimously coopted Mr Philippe Rucheton as executive director, to replace Mr Pierre Mariani. The Board appointed Mr. Robert de Metz as Chairman of the Board, and Mr Karel De Boeck as managing director, Chairman of the Management Board.

On 14 December 2012 the Board of Directors noted the resignation of Mrs Francine Swiggers with immediate effect, and coopted Mr Bart Bronselaer as director with immediate effect. His definitive appointment will be submitted to the Dexia SA shareholders' meeting in 2013.

The extraordinary shareholders' meeting on 21 December 2012 definitively appointed Messrs Karel De Boeck, Philippe Rucheton and Bernard Herman for a new mandate four years to end at the close of the ordinary shareholders' meeting in 2016.

On 27 December 2012 the Board of Directors noted the resignation of Mrs Brigitte Chanoine and Catherine Kopp, and Messrs Gilles Benoist, Olivier Mareuse, Christian Giacomotto, Bernard Thiry, Marc Tinant, Bernard Herman, Claude Piret and Antoine Gosset-Grainville with effect from 31 December 2012, and coopted, subject to approval by the regulator, Messrs Paul Bodart, Alexandre De Geest and Hervé de Villeroché as directors with effect from 31 December 2012. Their definitive appointment will be submitted to the Dexia SA shareholders' meeting in 2013.

The meeting of the Board of Directors held on 11 March 2013 noted the resignations of Messrs Olivier Bourges and Hervé de Villeroché and coopted, with immediate effect and subject to approval by the regulator, Mr Thierry Francq and Mrs Delphine d'Amarzit as their replacements. The definitive appointments will be submitted to the Dexia SA shareholders' meeting in 2013.

History of the board of directors composition

	31/12/12 before capital increase	31/12/12 after capital increase	15/03/13
Robert de Metz	x	x	x
Karel De Boeck	x	x	x
Philippe Rucheton	x	x	x
Claude Piret	x		
Gilles Benoist	x		
Catherine Kopp	x		
Christian Giacomotto	x		
Brigitte Chanoine	x		
Bernard Herman	x		
Antoine Gosset-Grainville	x		
Marc Tinant	x		
Bernard Thiry	x		
Koen Van Loo	x	x	x
Olivier Bourges	x	x	
Olivier Mareuse	x		
Bart Bronselaer	x	x	x
Hervé de Villeroché		x	
Paul Bodart		x	x
Alexandre De Geest		x	x
Delphine d'Amarzit			x
Thierry Francq			x
TOTAL	**16 members**	**9 members**	**9 members**

Independent members of the Board of Directors

The independence criteria applied to the directors of Dexia SA are aligned to the legal criteria set out in Article 526ter of the Company Code. These criteria, which form an integral part of the internal rules of the Board of Directors, are as follows :

1) For a period of five years preceding his appointment, the independent director may not have exercised a mandate or occupied a post as executive member of the Board of Directors, or as a member of the Management Board or delegate to everyday management, of Dexia SA or of a company or a person associated with it in the meaning of Article 11 of the Company Code.

2) The independent director may not have sat on the Board of Directors of Dexia SA as nonexecutive director for more than three successive mandates without that period exceeding twelve years.
3) During a period of three years preceding his appointment, the independent director may not have been a member of the management staff.
4) The independent director may not receive, or have received, compensation or other significant benefit of an asset nature from Dexia SA or from a company or a person associated with it in the meaning of Article 11 of the Company Code, outside any percentages and fees received as a non-executive member of the Board of Directors or member of the supervisory body.
5) The independent director:
a) may not hold any social right representing one tenth or more of the capital, social funds or category of shares of the company;
b) if he holds rights representing a proportion of less than 10%:
– by the addition of the social rights with those held in the same company by companies of which the independent director has control, those social rights may not reach one tenth of the capital, social funds or category of shares of the company, or
– acts of disposal in relation to those shares or the exercise of the rights attached hereto may not be subject to contractual stipulations or unilateral undertakings to which the independent member of the Board of Directors has subscribed;
c) may not in any way represent a shareholder meeting the conditions of the present point.
6) The independent director may not have entered into or maintained a significant business relationship with Dexia SA or with a company or person associated with it in the meaning of Article 11 of the Company Code over the last financial year, either directly or as a partner, shareholder, member of the Board of Directors or member of management staff of a company or person entering into such a relationship.
7) The independent director may not have been over the last three years a partner or employee of a current or previous auditor of Dexia SA or an associated company or person associated with it in the meaning of Article 11 of the Company Code.
8) The independent director may not be an executive member of the Board of Directors of another company in which an executive director of Dexia SA is a non-executive member of the Board of Directors or a member of the supervisory body, and may not have other significant ties with the executive directors of Dexia SA through posts held in other companies or bodies.
9) The independent director may not, either within Dexia SA or within a company or person associated with it in the meaning of Article 11 of the Company Code, have either his or her spouse, or the person with whom he or she lives under a common law marriage, or an immediate family member or a relative up to two removes exercising a mandate as member of the Board of Directors, delegate to everyday management or member of the management staff, or in one of the other cases defined in points 1 to 8.

The independent director of Dexia who no longer meets one of said criteria, particularly following a major change of his functions, will immediately inform the Chairman of the Board of Directors who will inform the Appointment and Compensation Committee; the Appointment and Compensation Committee will inform the Board of Directors and if necessary formulate an opinion.
Considering these criteria, the Board of Directors of Dexia SA has three independent directors as at 31 December 2012. They are:
- **Mr. Robert de Metz**
- **Mr. Bart Bronselaer**
- **Mr. Paul Bodart**

Non-executive directors
A non-executive member of the Board of Directors is a member who does not exercise management functions in a company of the Dexia Group. The internal rules of the Board of Directors of Dexia SA provide that at least one half of the Board of Directors must be non-executive directors and at least three of the non-executive directors must be independent. It is to be noted that with the exception of M. Karel De Boeck and M. Philippe Rucheton, respectively Chairman and member of the Management Board, all the members of the Board of Directors of Dexia SA are non-executive directors[1].
The non-executive members of the Board of Directors are entitled to obtain any information necessary for them to perform their mandate properly and may ask management for that information.

Separation of the functions of Chairman of the Board of Directors and Chief Executive Officer
There is a clear separation of responsibilities at the head of the Group between on the one hand the responsibility to lead the Board of Directors by a French Director and on the other hand the executive responsibility to lead activities by a Belgian Chief Executive Officer. The articles of association of Dexia SA as well as the internal rules of the Board of Directors of Dexia SA expressly indicate that the Chief Executive Officer cannot perform the tasks of the Chairman of the Board.

Term of office
The mandates of members of the Board of Directors are for a maximum term of four years. Board members can be re-elected.
The number of renewals of mandate of a non-executive director of the company is limited to two. The age limit for directors is 72. The directors concerned resign with effect from the date of the Ordinary Shareholders' Meeting following their birthday.

Competences and responsibilities of the Board of Directors

The internal rules of the Board of Directors describe the expertise and responsibilities of the Board of Directors in three areas:
- strategy and general policy;
- management control and risk management;
- relations with shareholders.

(1) M. Piret has been executive director until 31 December 2012.

Strategy and general policy

Regarding principles, in implementing the revised orderly resolution plan, the Dexia SA Board of Directors defines the strategy and the standards of the Group and sees to the implementation of that strategy at a Group level and in its main operating entities. The Board ensures observance of the principles of good governance. Within that context, the Dexia internal rules stipulate in particular that the Board of Directors:

• examines the major proposals made by the Management Board and presented to it by the CEO;

• decides on the strategy of Dexia and its various business lines implemented by the Management Board, sets priorities, approves the annual budget and, more generally, ensures the balance between strategy set and the human and financial means required;

Management control and risk management

The Board of Directors controls and directs the management of the company and of the Group and monitors risks.
For this purpose, the internal rules of the Dexia Board of Directors provide that the Board:

• assesses the implementation, by the Group of independent control functions, which in particular include risk management, internal audit and compliance procedures on a centralised basis;

• takes measures necessary to ensure the integrity of the financial statements;

• assesses the performance of the members of the Management Board;

• supervises the performance of the Statutory Auditor and internal auditors;

• defines the organisation of the Management Board in terms of its composition, operation and obligations on the recommendation of the Director of the Management Board;

• sets the compensation for the members of the Management Board on the recommendation of the Appointment and Compensation Committee and the recommendation of the Director of the Management Board for members of the Management Board other than the Chief Executive Officer.

Role of the Board of Directors towards the company shareholders

The Board ensures that its obligations to all shareholders are understood and fulfilled, and accounts to the shareholders for the exercise of its responsibilities.

Operation of the Board of Directors

Articles of association

The company's articles of association, modified by the extraordinary shareholder meeting which took place on 21 december 2012, set forth the following rules that govern the operation of the Board of Directors:

• all deliberations require the presence or representation of at least half of the members of the Board;

• decisions are adopted by a majority vote of all members present or represented.

• decisions concerning the operations described below require the presence or representation of at least two thirds of the members of the Board, and a two thirds majority of all the members present or represented:

- acquisition or disposal of assets with a gross unit value above EUR 500 million;
- proposals to amend the company's articles of association, including with regard to the issue of shares, bonds which are convertible or redeemable in shares, warrants or other financial instruments giving a future right to shares;
- appointment and dismissal of the Chairman of the Board of Directors and the CEO;
- decision to increase capital within the framework of the authorised capital;
- appointment of directors within the Board of Directors of Dexia Crédit Local SA, to the extent that the decision might relate to the appointment of other persons than directors of the company and a different number of directors to that of the Board of Directors of Dexia SA, and
- decision to amend the internal rules of the Board of Directors.

The Board of Directors may, on an ad hoc basis or generally, invite observers to attend its meetings. These observers do not have a deliberative vote and are bound by the same obligations, particularly of confidentiality, as the directors.

Internal rules of the Board of Directors of Dexia SA

The by-laws of the Dexia SA Board of Directors, codify a set of rules intended to enable the board to fully exercise its powers and enhance the efficiency of the contribution made by each director.

General organisational principles

The Board of Directors is organised to ensure the best exercise of its expertise and responsibilities.
The meetings of the Board are frequent enough to allow the Board to perform its tasks. Board members commit to participate actively in the work of the Board and the committees on which they sit. Attendance at meetings of the Board and committees is the first condition of this participation and effective attendance at three quarters of the meetings at least is expected.
The agenda lists the items to be discussed and states if they are listed for information purposes, for discussion, or for a vote.
The minutes report discussions and record the decisions made, specifying reservations issued by some directors, if applicable.

Obligation of confidentiality

The information provided to the directors in the performance of their duties, during Board meetings, meetings of the specialist committees, or during private interviews, is given on an intuitu personae basis; they shall ensure that the confidentiality of such information is strictly maintained.

Training of Board members

The Chairman of the Board of Directors ensures that directors receive a training on the group activities at the beginning and during their mandate in order to exercise properly their mission.

Conflicts of interest

The directors ensure that their participation in the Board of Directors is not a source for them of any conflict of interest in the sense of applicable regulations.
Directors submit their mandate to the Board if there is a significant change in their duties and the Board decides whether to accept their resignation in such cases, after an opinion from the Appointment and Compensation Committee. They must resign if a change in their situation creates an incompatibility with their office as a Dexia director.

If a director directly or indirectly has a conflicting financial interest in a decision or operation to be decided by the Board of Directors, he must inform the other members of the Board before they deliberate. His declaration, including the reasons for his conflicting financial interest, must be recorded in the minutes of the Board meeting that must make the decision. In addition, he must inform the company's auditors. He may not participate in the deliberations of the Board of Directors in relation to the transactions or decisions concerned, or vote on them.

For publication in the annual management report, the Board of Directors describes in the minutes the type of decision or operation in question and the reasons for the decision made and the financial consequences for the company. The management report contains copy of the minutes described above.

Transactions between a company of the Dexia Group and Board members

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

Transactions on Dexia financial instruments

In order to promote the transparency of transactions in Dexia financial instruments, the internal rules stipulate that all the directors of Dexia SA have the status of "permanent insider" in view of their regular access to inside information on Dexia. Executive directors, as well as some non-executive directors, including the members of the audit committee, who have access to the estimated consolidated results of Dexia, are thus entered in the list of "estimated consolidated results insiders". Moreover, within the context of certain specific projects, directors may have access to inside information on Dexia in relation to its projects, and they are entered in the list of "occasional insiders".

In view of their "permanent insider" status, directors:
- will refrain from deciding any transaction on Dexia financial instruments during the period of one month prior to the announcement of the quarterly, half-yearly or annual results;
- must obtain prior authorisation from the Chief Compliance Officer before any transaction on Dexia financial instruments.

Directors with the status of "estimated consolidated results insiders" are subject for a statutory restriction period associated with estimated results and will refrain from deciding any transaction on Dexia financial instruments during a negative intervention period beginning on D-15 of the accounting closing date and ending on the date of publication of the results. They must moreover obtain authorisation from the Chief Compliance Officer before any transaction in view of their status of "permanent insider".

Directors entered in the list of "occasional insiders" may not, during the time they are in the list, decide any transaction on Dexia financial instruments.

As for stock options, and having regard to their terms, it is possible to uncouple the initiation of the order from its execution. Applying this principle, a director may give an instruction in relation to the exercise of stock options during a positive intervention period with a view to their execution if necessary during a negative period. This uncoupling is only possible if the order given is irrevocable and has a floor price limit.

Directors and persons who are closely associated with them are obliged to notify the FSMA of transactions on Dexia financial instruments carried out on their own account. Transactions notified are automatically published by the FSMA on its internet site.

Directors must declare to the Chief Compliance Officer:
- at the time of their entry into office, all the Dexia financial instruments they hold;
- at the end of each year, an update of the list of Dexia financial instruments they hold.

The rules and restrictions relating to transactions on Dexia financial instruments described above are applicable to directors and to persons closely associated with them. They also apply to observers as defined in the articles of association of Dexia SA.

Operation and activities of the Board of Directors of Dexia SA during the 2012 financial year

Attendance by Board members

The Board of Directors met twenty five times in 2012. The directors' attendance rate at Board meetings was 90.5%.

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

Jean-Luc Dehaene	93.8%
Pierre Mariani	100%
Gilles Benoist	80.0%
Isabelle Bouillot	66.7%
Olivier Bourges	80.0%
Brigitte Chanoine	88.0%
Robert de Metz	96.0%
Christian Giacomotto	88.0%
Antoine Gosset-Grainville	88.0%
Catherine Kopp	96.0%
Olivier Mareuse	72.0%
Francine Swiggers	91.3%
Bernard Thiry	80.0%
Marc Tinant	100%
Koen Van Loo	96.0%
Francis Vermeiren	100%
Karel De Boeck	92.9%
Bernard Herman	100%
Philippe Rucheton	100%
Bart Bronselaer	100%
Claude Piret	96%
Serge Kubla	100%
Alexandre De Geest	NA*
Paul Bodart	NA*
Hervé de Villeroché	NA*

**Messrs Alexandre De Geest, Paul Bodart and Hervé de Villeroché were coopted with effect from 31 December 2012.*

Activities of the Board of Directors

In addition to matters falling within the ordinary competence of the Board of Directors (monitoring results, approving the budget, appointment and compensation of members of the Management Board, convocation to ordinary and extraordinary shareholders' meetings, reports of meetings and specialist committees), the Board dealt in particular with the files described below during 2012.

• Orderly revised resolution plan and undertakings vis-à-vis the European Commission
• Group liquidity
• State guarantee
• Capital increase of Dexia SA, Dexia Crédit Local SA and Banque Internationale à Luxembourg
• Evolution of the governance
• Disposals of operating entities

Conflicts of interest in 2012

As already indicated, if a director directly or indirectly has a financial interest conflicting with a decision or operation of the Board of Directors, he must inform the other directors prior to the deliberations of the Board of Directors. His declaration, as well as a substantiation of the conflict of interest on his part, must appear in the minutes of the meeting of the Board of Directors which has to take the decision. At its meeting on 27 June 2012, the Board dealt with the conditions of departure of Mr Pierre Mariani, who abstained (by virtue of Article 523 of the Companies Code) from participating in the deliberations and the vote in relation thereto. An extract from the minutes dealing with the terms of departure of Mr Pierre Mariani is given below.

Extract from the minutes of the meeting of the Board of Directors of Dexia SA held on 27 June 2012

3/ Resignations of JL. DEHAENE and P. MARIANI

P. MARIANI leaves the boardroom and abstains from participating in the deliberations and decisions concerning him in view of the conflict of interest. The Appointment and Compensation Committee deals with the immediate replacement of JL. DEHAENE following his announced resignation which will take effect from 2 July 2012 and the letter of resignation from P. MARIANI.

• Resignation of JL. DEHAENE. JL. DEHAENE is resigning not only as director of Dexia SA but also as director of Dexia Crédit Local. The Appointment and Compensation Committee makes a proposal that the Board:
(i) appoints K. DE BOECK on an interim basis as Chairman of the Board of Directors;
(ii) coopts Bernard HERMAN as a director of Dexia SA replacing J-L DEHAENE, which will permit to reach the minimum number of 16 directors within the Board and Franco-Belgian parity provided by the articles of association.

• Resignation of P. MARIANI. P. MARIANI has decided to submit his resignation with immediate effect subject to a 6 months notice period way of notice in accordance with his contract.
The Appointment and Compensation Committee set a proposal that the Board:
- asks P. MARIANI to postpone the taking effect of his resignation until approval of the half-yearly financial statements for 2012 planned for 2 August 2012;
- waures the 6 month notice period and pays no leaving indemnity;
- pays a sum of 675,000 euros in consideration, entrusts him with representation of the interests of Dexia within the bodies of DAM Luxembourg and to retain his mandate as Chairman of the Board of Directors of DenizBank until the closing of the disposals of those entities currently in progress.

No leaving indemnity will be paid to P. MARIANI.

(….)

Decisions:

(…)

3/ On a proposal by the Appointments and Compensation Committee, the Board unanimously (less the vote against by O. BOURGES and the abstention of A. GOSSET- GRAINVILLE) approves the terms of departure of P. MARIANI who abstains from participating in the deliberations and vote on this point, namely:
- postponement of the taking effect of the resignation of P. MARIANI until approval of the half-yearly fnancial statements for 2012;
- wawes the 6 month notice period as from that date;
- payment of a sum of 675,000 euros in consideration of the exercise of a mandate as director within DAM Luxembourg and the chairmanship of the Board of Directors of DenizBank until the closing of the disposals of those two entities;
- agreement on the other terms of departure of P. MARIANI described in the draft response to the letter of resignation from P. MARIANI distributed and discussed in the meeting.
(…)

At its meeting held on 2 August 2012, the Board dealt with fixing the compensation of Karel De Boeck as Chairman of the Management Board, and Robert de Metz as Chairman of the Board of Directors.
Karel De Boeck and Robert de Metz abstain (by virtue of Article 523 of the Companies Code) from participating in the deliberations and votes relating thereto. An extract from the minutes dealing with their compensation is given below.

Extract from the minutes of the meeting of the Board of Directors of Dexia SA held on 2 August 2012

3/ Report from the Appointment and Compensation Committee meeting on 1 August 2012

(…)
Given that the Board notes the resignation of the CEO with immediate effect and the decisions which must be taken concerning the appointment of a new CEO and a new Chairman of the Board of Directors involving K. DE BOECK and R. de METZ, the latter leave the meeting. A director has to be appointed to chair the meeting whilst dealing with this item on the agenda.
It is proposed and unanimously agreed to appoint C. KOPP to chair the Board for this item given his position as an independent director and his role within the Appointment and Compensation Committee.

(…)

Karel De Boeck and Robert de Metz leave the meeting.
C. KOPP starts with the proposals made by the Appointments and Compensation Committee to the Board. Firstly the Appointment Committee proposes the appointment of R. de METZ as Chairman of the Board of Directors and the appointment of K. DE BOECK as CEO and Chairman of the Management Board.

(…)

Concerning the compensation of K. DE BOECK, the Belgian government and K. DE BOECK are agreed that the total compensation should be equal to 600,000 euros.
As a consequence, the majority of the members of the Appointments and Compensation Committee propose that the Board fixes the annual fixed compensation of K. DE BOECK at 600,000 euros.
A. GOSSET-GRAINVILLE states that he was not able to join the other members of the Appointments and Compensation Committee given the position of the management of the Caisse des Dépôts et Consignations to follow the French government practice of setting the ceiling for the compensation of officers to 450,000 euros. However he wishes to state that his vote is in no way directed against the person of K. DE BOECK, indeed far from it.
Concerning the compensation of R. de METZ, the proposal of the Appointments and Compensation Committee was for compensation equal to one half of the compensation of the CEO, namely 300,000 euros.
Given that R. de METZ himself proposes a reduction of his compensation, the Appointments and Compensation Committee can only note this (…)

Decisions:

1/ On the proposal by the Appointments and Compensation Committee, the Board unanimously[1] approves the appointment of K. DE BOECK as CEO and Chairman of the Management Board, replacing P. MARIANI, with immediate effect.
On the proposal of the Appointments and Compensation Committee, the Board approves (with 3 votes against) the annual fixed compensation of K. DE BOECK at an amount of EUR 600,000.
2/ On the proposal of the Appointments and Compensation Committee, the Board unanimously[1] approves the appointment of R. de METZ as Chairman of the Board, replacing K. DE BOECK who had assumed that post as interim since 2 July 2012.
On the proposal of the Appointments and Compensation Committee, the Board approves the annual fixed compensation granted to R. de METZ at an amount of EUR 250,000.

(…)

During the meeting held on 24 January 2013, the Board has taken a close look at the guarantee agreement concluded by the Belgian, French and Luxembourg States.

Extract from the minutes of the Board of Directors meeting held on 24 January 2013

1. Approval of the definitive guarantee agreement
The meeting of the Board of Directors (the "Board") had the object of approving the planned guarantee agreement to be concluded by Dexia SA ("DSA" or the "Company") and Dexia Crédit Local S.A. ("DCL") of the one part, and the Belgian, French and Luxembourg States of the other part (the "Agreement").

a) Context
(i) The Chairman recalls that the Agreement on which the members of the Board are to rule constitutes a formalisation of the definitive guarantee mechanism already in place from 2011 on a provisional basis, awaiting authorisation from the European Commission. On 28 December 2012, the latter approved the revised orderly resolution plan for the Dexia Group, submitted by the Belgian, French and Luxembourg States on 14 December 2012, of which the Agreement was one of the fundamental pillars.
(ii) The Chairman then recalls that, against the background of the intense liquidity crisis confronting the Dexia Group and in the absence of autonomous market access, the establishment of a guarantee mechanism is absolutely vital to the Group's orderly resolution.
(iii) The Chairman further refers to Point 2 of the Opinion established by the committee of three independent directors (the "Opinion") in accordance with Article 524 of the Companies Code ("CC"), which provides a detailed description of the previous history and the general context.

b) Legal framework and procedure
The Chairman then recalls the legal framework in which the Board meeting is held.
(i) Since the approval of the Agreement is a decision relating to the strategy and to the general policy of the Dexia Group, it falls within the competence of the Board, in accordance with Article 524bis CC, Point 2.2.1. of the Dexia Group Charter of Governance (the "Charter") and Part 1 of the Internal Rules of the Board of Directors of DSA ("IR").
(ii) The Charter and the IR provide (a) for a prior opinion from the Company's Management Board for any decision of a strategic nature (Point 2.3.2. of the Charter) and (b) a prior examination by the strategic committee, insofar as necessary, for any "file of a strategic nature requiring particular confidentiality by virtue in particular of its repercussions on the financial markets" (Point 2.2.4. of the Charter and Point 4.2. of the IR). Considering the urgency and having regard to the discussions which have already taken place previously, particularly on approval of the provisional guarantee agreement, the Board decided to depart from the aforementioned provisions and to deal with the question directly.
Article 524 CC provides in particular that decisions or operations carried out in execution of a decision taken by a Company the shares of which are listed for trading on a regulated market (which is the case for DSA) must, when they relate to (i) the relations of the said Company (in this case DSA) with a Company affiliated to it (Article 524 §1 1° CC) and/or (ii) the relations between a subsidiary of the said Company (in this case DCL) and a Company affiliated to it (Article 524 §1 2° CC), be submitted in advance for assessment by a committee composed of three independent directors (the "Committee"). The Committee, assisted by one or more independent experts, is charged with presenting the Board of Directors with a written opinion on the planned operation, describing the nature of the operation, assessing the gain or loss for the Company and for its shareholders, detailing the financial consequences and observing whether or not the operation is likely to cause the Company manifestly excessive damage in the light of the policy followed by the Company. The Board then deliberates on the operation, after reading that Opinion (Article 524 §§2 and 3 CC).
Although Article 524 CC only refers, stricto sensu, to the relations between a listed Company and the "companies" affiliated to it, which therefore appears to exclude legal persons or entities other than companies, it was deemed preferable, with a desire to be prudent and from the perspective of good governance, to apply Article 524 CC by analogy to the decisions and operations relating to the relations between DSA and the Belgian State. This is the case for the Agreement.

(1) Unanimously of the present directors participating to the vote.

(iii) The Committee, composed of three independent directors of the Company, Messrs de Metz, Bodart and Bronselaer, and assisted by PricewaterhouseCoopers in the capacity of independent expert, presented their Opinion to the members of the Board on 23 January 2013.

c) Principal terms of the Agreement
The Chairman refers to Point 3 of the Opinion for a summary of the principal terms of the Agreement.

d) Reading the Opinion
The Chairman recalls that the Opinion was sent to the directors on 23 January 2013. He summarises its principal points:
(i) A number of significant amendments were made in the Agreement, generally favourable to the Company, compared to the provisional guarantee agreement dated 16 December 2011. In particular these were (i) the increase of the guarantee ceiling to €85 billion, (ii) the reduction of the monthly fee due on the outstanding at 5 basis points (unless there was an exception), and (iii) the extension of the issue window to 31 December 2021.
(ii) The financial charges associated with the Guarantee are limited to guarantee fees, the total amount of which may be estimated at €150 million payable in 2013 and, according to the provisions of the revised orderly resolution plan, to approximately €189 million payable over the period 2013-2020. The level of these guarantees is significantly lower than guarantees of this type on the one hand and the recommendations of the European Commission on the other hand.
(iii) The Guarantee undoubtedly constitutes a gain for the Company and for its shareholders, since it is vital to the survival of the Group and insolvency would have negative consequences for the Company and for all its stakeholders, including the shareholders, the staff and the guarantor States.

Decision:

After deliberation and on the basis of the above considerations, and after reading the Opinion, the Board approves the Agreement, by seven votes in favour (Messrs Olivier Bourges and Hervé de Villeroché having decided not to take part in the vote).

Special committees set up by the Board of Directors

Following the Dexia SA capital increase on 31 December 2012 and the new governance arising from it, at its meetings on 15 January and on 20 February 2013 the Board of Directors revised the composition of the specialist committees established within it with a mind to simplifying the management of the company.

In order to make an in-depth examination of the files submitted to it, the Board of Directors dispose of three special committees, namely
- the audit commitee [1];
- the Appointment and Compensation Committee;
- the Strategy Committee.

These committees are responsible for with preparing Board decisions, the latter beeing its only responsibility. Unless they have been specially delegated by the Board, the specialist committees have indeed no decision-making powers.
These committees are composed of Board members appointed by the Board of Directors for a period of two years, which may be renewed. After each meeting, a report on the committee's work is submitted to the Board of Directors.

Audit Committee

The audit committee is composed exclusively of non-executive directors, among whom two independent directors meeting the criteria of Article 526ter of the Companies Code, and the committee has the necessary expertise in matters of audit and accounting.

Activities of the audit committee during the 2012 financial year

The audit committee[2] met eleven times in 2012 and dealt in particular with the following matters:
- Presentation of the accounts
- Group business plan
- Monitoring the Group liquidity situation
- Quarterly Risk Report
- Structured credits
- Sovereign exposures
- Internal audit
- Compliance
- Parliamentary Enquiry Commission
- Letters exchanged with the regulators

Attendance of each individual director

- The individual attendance rates of directors at meetings of the extended audit committee were 100% in 2012, except for Mr O. Mareuse who was excused for one meeting, Mr Olivier Bourges who was excused for two meetings, and Mrs Brigitte Chanoine which was also excused for two meetings.
- The individual attendance rates of directors at meetings of the Account committee was 100% in 2012, except for Mr Gilles Benoist, Mrs Brigitte Chanoine and Mr Olivier Mareuse who were each excused for one meeting.
- The individual attendance rates of directors at meetings of the CIRC committee was 100% in 2012 except for Mr Olivier Bourges who was excused for one meeting.

(1) The audit committee was divided on 13 November 2008 into an accounts committee and an internal control, risks and compliance committee. At its meeting on 15 January 2013, the Board of Directors decided to merge these two committees to form a new single audit committee

(2) Extended audit Committee, accounts committee and Internal control, risks and Compliance Committee (CIRC).

Composition of the audit committee[1]

Since the meeting of the Board of Directors held on 15 January 2013, the audit committee has been composed of four directors, all non-executive, including two independent directors.

The composition of the committee, available on the Dexia web site and regularly updated, is as follows:

- Paul Bodart, independent director and chairman of the audit committee;
- Bart Bronselaer, independent director;
- Koen Van Loo;
- Thierry Francq[2].

Attributions of the audit committee

The audit committee examines drafts of the annual, half-yearly and quarterly accounts of the Group, which must then be presented, established and published by the Board of Directors.

It examines all matters relating to those accounts and to the financial reports and in particular, from the documents submited to it, checks the conditions of their establishment, the choice of accounting principles, the provisions, the observance of prudential norms, the relevance and permanence of the accounting principles and methods applied and the adequacy of the consolidation scope adopted.

The committee advises the Board of Directors on financial communication of the quarterly results and on delicate and sensitive files which might have a significant impact on the accounts.

The committee also has the task of supervising the performance of the internal control system put in place by the Management Board and the system for management of the risks to which the entire Group is exposed in carrying on its activities. From this point of view, the committee ensures the performance and independence of operation of Internal Audit and Compliance departments. The committee also examines the reports on the Group's legal risks presented by the Head of the General Secretary.

Operation of the audit committee

The audit committee meets at least four times per annum. Each meeting must take place before the meeting of the Board of Directors which analyses and approves the accounts. The committee may meet at any time on the request of one of its members. The attributions and operation of the audit committee are described in its internal rules.

The audit committee may if necessary ask for assistance from an expert.

The appointment and compensation committee[3]

Composition

Since the meeting of the Board of Directors held on 15 January 2013, the appointments and compensation committee is composed of five non-executive directors, including the Chairman of the Board of Directors and a majority of independent directors. The committee has the required expertise in matters of compensation policy. The head of the human resources dept and the CEO attend the meetings and the Secretary General may also be invited.

The composition of the committee, available on the Dexia web site and regularly updated, is as follows:

- Robert de Metz, independent director and chairman of the committee;
- Paul Bodart, independent director;
- Bart Bronselaer, independent director;
- Koen Van Loo;
- Thierry Francq[4].

Attributions

The committee makes proposals on:

- the appointment of directors and the renewal of their mandates;
- the elements of compensation of the Chairman of the Board of Directors and the CEO and, on a proposal from the latter, that of members of the Management Board.

Moreover, it is consulted on compensation policy and incentives for Group executives and officers. It makes recommendations on the amount of attendance fees paid to directors and their breakdown. Within the framework of these attributions, the committee deals with the recommendations, circulars and other international, French and Belgian regulations regarding compensation and corporate governance.

The committee prepares decisions of the Board of Directors in relation to:

- proposals for the appointment of directors and the renewal of their mandates made by the Board to the shareholders' meeting, as well as proposals for the coopting of directors;
- determination of the criteria of independence enabling a director to qualify as "independent";
- the qualification of an existing or new member of the Board of Directors as an independent director;
- the appointment of members of specialist committees of the Board of Directors and the respective chairmen;
- the appointment of the CEO and renewal of his mandate;
- the appointment of the Chairman of the Board and renewal of his mandate;
- proposals from the CEO concerning the composition, organisation and mode of operation of the Management Board of Dexia SA;

amendments to the internal rules of the Board of Directors.

To that end, the committee is responsible for monitoring the practices of major listed companies regarding the operation and composition of boards of directors.

(1) As at 31 December 2012 and before the changes made within the Board of Directors, the audit committee was composed as follows:
- Accounts Committee: G. Benoist, B. Chanoine, O. Mareuse, R. de Metz, M. Tinant.
- CIRC Committee: G. Benoist, O. Bourges, K. Van Loo, M. Titant.
(2) Thierry Francq replaced Olivier Bourges as of 11 march 2013.

(3) As at 31 December 2012 and before the changes made within the Board of Directors, the appointments and compensation committee was composed as follows: R. de Metz, K. De Boeck, C. Kopp, A. Gosset-Grainville, C. Giacomotto.
(4) Thierry Francq replaced Olivier Bourges as of 11 march 2013.

Operation and activities during the 2012 financial year

The appointments and compensation committee met seven times in 2012 and dealt in particular with the following matters:

- appointments and resignations within the Board of Directors, the Management Board and the Committee Group (formerly called the Executive Committee);
- social procedure;
- discussion on compensation and retention policy in the Dexia Group
- change of governance of Dexia SA and Dexia Crédit Local SA;
- analysis of the means of appeal against certain earlier decisions (supplementary pension scheme in France).

Attendance of each individual director at meetings of the appointment and compensation committee

The individual attendance rate of directors at meetings of this committee was 100% in 2012, except for Mrs Catherine Kopp who was excused for one meeting and Mrs Francine Swiggers and Mr Karel De Boeck who were excused for two meeting.

The strategic committee[1]

Composition

Since the meeting of the Board of Directors held on 15 January 2013, the strategic committee is composed of five directors, among them the Chairman of the Board of Directors, who chairs it. The composition of the committee, available on the Dexia web site and regularly updated, is as follows:

- Robert de Metz ;
- Delphine d'Amarzit[2] ;
- Thierry Francq [3] ;
- Koen Van Loo ;
- Alexandre De Geest.

Attributions

The strategic committee meets so for as necessary, on the initiative of its chairman or on the request of one of its members if necessary in association with its work on the request of its members, outside persons who are stakeholders in the evolution of Dexia, in order to assess its strategic positioning of Dexia, considering the evolution of the Group's situation, the financial markets and their impact on the hypotheses and parameters of the orderly resolution plan.

Operation and activities during the 2012 financial year

The strategic committee met three times in 2012 to deal amongst other of the several sales of the group entities.

Attendance of each individual director at the meetings of the strategic committee

The individual attendance rate of directors at the meetings of this committee was 100% in 2012.

(1) As at 31 December 2012 and before the changes made within the Board of Directors, the strategic committee was composed as follows: K. De Boeck, O. Bourges, A.Gosset-Grainville, R. de Metz, B. Thiry, K. Van Loo.
(2) Delphine d'Amarzit replaced Hervé de Villeroché as of 11 march 2013.
(3) Thierry Francq replaced Olivier Bourges as of 11 march 2013.

From left to right: Claude Piret, Karel De Boeck and Philippe Rucheton.

The Management Board of Dexia SA

The Management Board is entrusted with managing the company by the Board of Directors, which delegates its powers for this purpose, in accordance with Article 524bis of the Company Code.

Composition

At its meeting held on 27 June 2012, the Board of Directors decided to adapt the governance bodies of Dexia SA to the new Group perimeter by establishing a smaller Management Board consisting of a Chairman, the Chief Financial Officer and the Chief Risk Officer.
After making substantial progress with the implementation of the ordered resolution plan announced in the fall of 2011, Dexia SA and its subsidiary Dexia Crédit Local SA put in place an integrated management team suited to the Group's new dimensions.
While the legal entities Dexia SA and Dexia Crédit Local SA continue to exist, group management has been simplified and unified, notably via joint management of the two principal entities. In the same spirit, the Board of Directors of Dexia SA and of Dexia Crédit Local SA approved Dexia Group's governance on 10 October 2012.
The composition of the Dexia SA Management Committee remained unchanged under the chairmanship of Karel de Boeck. Financial services, financial management, mergers and acquisitions activities, treasury and financial markets and the management of Dexia Crédit Local SA branches in the United States and Ireland were placed under the responsibility of Philippe Rucheton. The management of international subsidiaries (with the exclusion of the branches in the United States and Ireland), risk monitoring and analysis, and shared services were placed under the responsibility of Claude Piret.
The Audit, Communication, Operations and Information Systems, Human Resources and General Secretariat poles remain under the responsibility of Chairman of the Management Board.
The members of the Management Board, other that the CEO, are appointed and dismissed by the Board of Directors on proposals from the CEO. With the exception of the Chairman, they are appointed for a period of four years renewable unless there is a decision to the contrary by the Board of Directors.

COMPOSITION OF THE MANAGEMENT BOARD AS AT 31 DECEMBER 2012

Karel DE BOECK
Chief Executive Officer
Chairman of the Management Board

Claude PIRET
Risk Monitoring, in charge of risk analysis, shared services and international subsidiaries

Philippe RUCHETON
Financial Services, financial management, mergers and acquisitions activities, treasury, financial markets and management of branches of DCL in the United States and Ireland

Responsibilities

The Management Board is entrusted with the management of the company and of the Dexia Group, for which it manages and coordinates the different business lines, in the context of the strategic objectives and the general policy defined by the Board of Directors. In addition, it ensures the execution of the decisions taken by the Board of Directors.

Operation

Since the creation of Dexia SA in 1999, the Management Board has had its own internal regulations (the "Regulations"), amended on several occasions, determining its responsibilities and its modes of operation.
In addition to rules governing the composition of the Management Board (see above), the Regulations include the following rules.

• Rules relating to the responsibilities of the Management Board in its dealings with the Board of Directors

The Regulations first define the responsibilities of the Management Board in its dealings with the Board of Directors. The Management Board must formulate a preliminary opinion regarding any proposals debated by the Board of Directors or the Strategy Committee in terms of strategy or general policy of the Group. It may make recommendations to the Board of Directors through the Chief Executive Officer.
If the Chief Executive Officer takes part in discussions by the Board of Directors or its specialist committees, for which the Management Board has an acknowledged right of opinion or initiative, the Chief Executive Officer presents to and defends with the Board of Directors the points of view previously debated by the Management Board.

• Rules relating to decision-taking

The Management Board operates in a collegial manner and its decisions result from a consensus of its members. It assumes joint responsibility for such decisions. If applicable, the Chairman of the Management Board may, on his own initiative or on request from two other members, submit the issue under debate to a vote. Resolutions are adopted by a majority vote of all members present or represented. In the event of a tie vote, the Chairman shall cast the deciding vote. In exceptional cases, decisions may be taken by the Management Board in writing with the unanimous consent of its members.

• Rules relating to meetings

Management Board meetings are convened by its Chairman, in principle once a week. If necessary, meetings can be convened at any time by the Chairman or if two or more members so desire. Any member of the Management Board who is unable to attend may be represented by another member of the Board, but a member may not represent more than one other member. Each member of the Board may propose an item for the agenda which is set by the Chairman.

• Conflicts of interest

If a member of the Management Board directly or indirectly has a conflicting financial interest in a decision or operation to be decided by the Board, he must inform the other members of the Board before they deliberate. His declaration, including the reasons for his conflicting financial interest, must be recorded in the minutes of the Management Board meeting that must make the decision. In addition, the member of the Management Board must inform the company's auditors. He cannot participate in the deliberations of the Management Board in relation to the transactions or decisions concerned, or vote on them.
On 9 July 2012, the Management Board studied the insurance cover for the D&O[1] liability of the directors and officers of Dexia and its subsidiaries which, due to the PCC[2] structure, contains several specific points that would appear to create conflicts of interest. In light, notably, of the majority case law on the subject, the Board felt that Article 524b of the Company Code was not applicable in this case. It nonetheless decided, insofar as necessary, to apply the reporting and disclosure obligations of Article 524ter, in that the transaction relates to cover for the liability of members of the Management Board and the Board of Directors, to the extent that they will benefit from D&O insurance cover that will increase proportionally with the expense for DSA.
With respect to risk management, Dexia has optimized in collaboration with a reputable broker the insurance cover with captive insurance. Given the structure of captive insurance, the patrimonial impact of the additional cover will essentially be limited to the payment of a management fee to the broker for managing the structure. The fee will not be in excess of approximately EUR 180,000 in the first year and a guarantee permitting to the captive to honor the liabilities in the framework of this insurance policy for an maximal covered amount of EUR 150 millions.
The Board noted the practical impossibility that all members of the Management Board would abstain from voting, since such general abstention would purely and simply prevent any decision taking by the Management Board and it approved the proposed transaction to cover the liability of directors and officers of Dexia and its subsidiaries and BBB/PI[3][4] risks.

Minutes of the Management Board on 9 July 2012

1. Agenda

Terms of insurance cover proposed for the D&O liability of directors and officers of Dexia and its subsidiaries and BBB/PI risks.

2. Attendances

Present or represented: Mr Pierre Mariani, Mr Philippe Rucheton and Mr Claude Piret. The meeting is chaired by Mr Pierre Mariani, CEO and Chairman of the Management Board.

3. Discussions and deliberations

(a) Context. The Chairman recalls the context of the proposals submitted for the approval of the Management Board.

(i) The insurance covering the liability of directors and officers of Dexia SA ("DSA") and its subsidiaries, and the insurance covering DSA and its subsidiaries for the consequences of frauds committed by their employees and covering third party victims of certain losses caused by DSA and its subsidiaries ("BBB/PI"), were renewed with effect from 31 May 2012. However, certain exclusions were imposed.

(1) D&O : Directors and Officers Liability
(2) Protected Cell Company
(3) BBB : Bankers Blanket Bond
(4) PI : Professional Indemnity

(ii) It is proposed to use the structure of a Protected Cell Company ("PCC"), through an entity created in 2002 under Gibraltar law in the name of "White Rock (Gibraltar) PCC Limited".

(iii) The accounting and fiscal treatment of the operation was made subject to an internal study, and a legal opinion was obtained from the external advisers of DSA.

(b) Assessment of the proposed structure with regard to the social interest. The Chairman then recalls that the Management Board is obliged to assess the compliance of the planned operation with the social interest of DSA. In this regard, he stresses that the adoption by DSA of insurance cover for D&O liability and BBB/PI risks, in line with the constant earlier practice of Dexia and general usage for listed companies, is necessary for the good operation and continuity of the Group. In particular, D&O insurance proves vital in enabling the Group to continue to recruit and to retain directors and officers prepared to accept and to keep a mandate with the social bodies of Dexia Group companies, with the skills required, under the current particularly difficult conditions for implementation of the Group's orderly resolution plan.

(c) Procedure provided in case of conflicts of interest. Belgian company law requires application of a specific procedure when a member of the Management Board has a direct or indirect personal interest contrary to that of DSA within the context of a relevant decision of the Management Board (Article 524ter of the Companies Code; this procedure is the equivalent, for the Management Board, to the procedure provided in Article 523 of the Companies Code for members of the Board of Directors).

The Chairman recalls the principles and the specific questions arising in this case.

(i) The member concerned must first of all declare the conflict to the other members and substantiate the grounds. He must also inform the auditors of it so that they can describe the consequences of the planned operation for DSA in their report relating to the annual accounts, and send the Board of Directors a copy of the minutes of the meeting, which will be published in the management report. Finally, in listed companies like DSA, the member concerned must abstain from taking part in the deliberations and vote of the Management Board in relation to the decisions in question.

(ii) The question arises of knowing if the procedure described above is applicable to the decision of the Management Board in relation to cover for the liability of members of the Management Board. In general it is considered that this procedure is not applicable when the approval for traditional D&O insurances, by which the company contracts insurance cover with third parties which commit to a certain amount for the payment of periodic premiums.

This is the approach constantly retained by the Management Board when it was required to decide on this type of insurance, and which seems to be followed by the majority of other companies.

(iii) The PCC structure nevertheless presents certain particular features which could be considered as arousing a situation of conflict of interest between DSA and members of the Management Board. It is not in fact a traditional insurance by which directors and officers are covered by a third party up to a certain amount for the payment of periodic premiums by DSA. In contrast, the PCC is not distinguished from traditional insurance in other aspects, which are considered to justify non-application of the conflict of interest procedure. Indeed, like any insurance cover, the PCC enables DSA to recruit and maintain directors and officers with the required skills and enables it to improve the conditions under which executives exercise their mandates. For these reasons, it can be considered that the interests of DSA and those of members of the Management Board are in reality aligned and not opposed.

(iv) If it is considered that Article 524ter is applicable, all members of the Management Board should in principle abstain from taking part in the deliberations and vote, since Dexia is a listed company, which would lead in practice to an impasse situation. This hypothesis is quite simply not envisaged by the law.

One could imagine sending the decision to the Board of Directors, assuming that this was legally possible, but in any hypothesis this would not offer a solution since all the directors are also beneficiaries of D&O cover and Article 523 of the Companies Code would impose the same obligation to abstain on them.

(v) The obligation to abstain responds to one of the objectives of the law, which is to neutralise the power of influence of executives in conflict. It seems however that this is not the primary objective, given that the legislator does not retain this obligation for companies which have not made a public call for savings (whilst the problem arises in the same terms), and the procedure more frequently gives rise to the abstention of a single executive, which is not in itself liable effectively to influence the decision taken by a body which has a certain number of members. Other objectives of the legal provision, which are to guarantee the information of shareholders and to avoid the abuse of majority, and raising the awareness of executives to the influence which their personal interest might have on the planned decision, are in any event encountered when the obligations of Article 524ter are fulfilled other than that of abstention.

(vi) Having regard to the particular circumstances of this case and the above considerations, it is proposed to comply, insofar as necessary, with the obligations of information and publicity provided by Article 524ter of the Companies Code.

(d) Discussion. There is then a discussion between the members of the Management Board.

4. Discussion

After deliberation and on the basis of the above considerations, the Management Board unanimously:

(a) considers that it is in the social interest of DSA to obtain adequate cover for D&O and BBB/PI risks;

(b) thinks, in the light particularly of majority case law on the matter, that Article 524ter of the Companies Code is not applicable in this case;

(c) decides nonetheless, insofar as necessary, to apply the obligations of information and publicity provided by Article 524ter of the Companies Code, in that the operation concerns cover of the liability of members of the Management Board, to the extent that they will benefit from D&O insurance cover as great as the financial charge for DSA;

(d) decides therefore, insofar as necessary, to inform the auditors of DSA without delay of the potential conflict of interest situation so that they can describe the consequences of the planned operation for DSA in their report relating to the annual accounts, and moreover send the Board of Directors a copy of the minutes of the present meeting, which will be published in the management report;

(e) observes the practical impossibility that all members of the Management Board would abstain from voting, since such general abstention would purely and simply prevent any decision taking by the Management Board;
(f) having regard to the above, approves the proposed operation to cover the liability of directors and officers of Dexia and its subsidiaries and BBB/PI risks by using the PCC structure of "White Rock (Gibraltar) PCC Limited".

• Transactions between members of the Management Board and Group companies

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

• Transactions on Dexia financial instruments

In 2009, the internal regulations of the Management Board were amended in order to update the rules relating to the prevention of insider trading in relation to Dexia financial instruments.

Group Committee

Supported by the Management Board, the Committee Group consists of members of the management of Dexia SA and Dexia Crédit Local SA and heads of support lines. This enlarged committee enables Dexia to benefit from the skills vital to the management of the Group. It replaces the Executive Committee and is composed as follows:

• The members of management of Dexia SA and Dexia Crédit Local SA, namely Messrs De Boeck, Piret, Rucheton and Clot as well as:
• **Johan Bohets**, in charge of the general secretariat, legal and compliance;
• **Marc Brugière**, in charge of risks;
• **Pierre Vergnes**, in charge of financial services;
• **Michel Buysschaert**, in charge of mergers and acquisitions;
• **Benoît Debroise**, in charge of threasury and financial markets;
• **Véronique Hugues**, in charge of financial management;
• **Caroline Junius**, in charge of communication;
• **Christine Lensel Martinat**, in charge of operations and information systems;
• **Michael Masset**, in charge of human resources;
• **Rudi Sneyers**, in charge of risk analysis and shared services;
Thomas Guittet, in charge of audit, who attends but is not a member.

Compensation report

Compensation of the directors of Dexia SA for 2012

Review of the principles applied

Dexia SA's 2006 Ordinary Shareholders' Meeting decided to pay an annual maximum global compensation amount of EUR 1,300,000 to the directors for their services, effective 1 January 2005.
This meeting also authorised the Board to determine the practical procedures of this compensation and its allocation which comprises a fixed amount and fees.
At its meeting on 23 May 2002, the Board of Directors decided to grant each director a fixed annual compensation of EUR 20,000 (or fixed amount of EUR 5,000 per quarter), and directors' fees of EUR 2,000 per Board meeting or specialist committee meeting. Directors who have been in office for less than one full year shall earn a proportion of the fixed fee based on the number of quarters during which they have effectively been in office.
Non-executive directors receive no performance-related compensation, such as bonus or long-term interest formulae, or any advantages in kind or advantages associated with pension plans.

Application in 2012

For that part of the Dexia transformation plan dedicated to cost control, the directors decided to reduce their fixed compensation for 2009. At its meeting on 29 January 2009, the Board of Directors decided to grant each director a fixed annual amount of EUR 10,000 (or fixed compensation of EUR 2,500 instead of EUR 5,000 per quarter). This measure was also retained by the Board of Directors in 2010, 2011 and 2012.

Compensation paid to the Chairman of the Board of Directors

On 13 November 2008, the Board of Directors fixed the gross compensation of the Chairman of the Board on a proposal from the Appointment and Compensation Committee on 10 November 2008 representing double of the compensation of another director, both for fixed compensation and directors' fees. The Chairman does not receive fees for his mandates in other entities of the Dexia Group.
Mr Jean-Luc Dehaene, Chairman of the Board of Directors until 1 July 2012, decided however to waive any compensation in his capacity as member and Chairman of the Board of Directors of Dexia SA for the 2012 financial year.
On 2 August 2012, the Board of Directors fixed the gross compensation of the new Chairman of the Board of Directors, on a proposal from the Appointment and Compensation Committee, namely a fixed global annual compensation of EUR 250,000.

Payment of social security contributions of some directors

Every Board member of Dexia SA is considered in Belgium as a self-employed worker and consequently must join an independent workers' fund and, in principle pay the social insurance. Now, some Board members already benefit from social insurance under another system and may therefore be required to pay contributions in Belgium simply because of the mandate carried out at Dexia SA without benefiting from increased social insurance protection.

This is the case for, for instance, Board members not resident in Belgium who already benefit, in their country of residence, from social insurance and who are required to contribute in Belgium to an unrecovered annuity. Likewise, a Board member resident in Belgium who is subject to the salaried employees system or to the system applicable to public servants as a principal activity and who is required to contribute as an independent worker additionally because of the mandate carried out in Belgium without benefiting from increased social insurance compared to what he already qualifies for because of his principal activity.

In order to offset the unrecovered social security cost paid by directors who are in this position (subject to an annual review in order to reflect changes in status), the Ordinary Shareholders' Meeting of 10 May 2006 decided that Dexia SA will pay the unrecovered social security contributions and the other amounts owed for serving as a director of Dexia and, therefore, raised the maximum ceiling for directors' compensation from EUR 700,000 to EUR 1,300,000.

The persons qualifying for this payment are those who were directors of the company as at 1 January 2005 for all social insurance contributions as well as any new director who meets the required conditions. The amount of the contributions owed for the year 2012 and paid by Dexia totalled EUR 40,564.46.

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

(gross amounts in EUR)	BoD (fix. comp.)	BoD (var. comp.)	Strategy Committee	Audit Committee	Accounts Committee	Internal, Control, Risks & Compliance Committe	Appointment & Compensation Committee	Total 2012	Total 2011	Other group entities 2012	Other group entities 2011 (5)
Administrateurs											
J.L. Dehaene (6)	0	0	0	0	0	0	0	0	0	0	0
P. Mariani	0	0	0	0	0	0	0	0	0	54,000 (7) TL	23,166 (7)
A. Gosset-Grainville (3)	0	0	0	0	0	0	0	0	0	0	0
O. Mareuse (3)	0	0	0	0	0	0	0	0	0	0	0
Ph. Rucheton	0	0	0	0	0	0	0	0	0	0	NA
C. Piret	0	0	0	0	0	0	0	0	0	0	0
K. Van Loo	10,000	38,000	4,000	16,000	2,000	2,000	0	72,000	78,000	15,000 (4)	0
F. Swiggers	10,000	32,000	6,000	0	0	0	10,000	58,000	72,000	19,500 (4)	36,808 (4)
F. Vermeiren	5,000	16,000	4,000	0	0	0	4,000	29,000	72,000	0	0
I. Bouillot	5,000	10,000	0	0	0	0	0	15,000	28,000	0	0
B. Chanoine	10,000	32,000	0	10,000	2,000	2,000	0	56,000	62,000	0	0
R. de Metz	110,000	22,000	0	10,000	2,000	2,000	6,000	152,000	78,000	0	29,000 (2)
C. Giacomotto	10,000	34,000	0	0	0	0	14,000	58,000	52,000	0	0
S. Kubla	2,500	2,000	0	0	0	0	0	4,500	38,000	0	16,385 (2)
C. Kopp	10,000	36,000	0	0	0	0	12,000	58,000	54,000	0	0
M. Tinant	10,000	38,000	0	18,000	2,000	2,000	0	70,000	66,000	0	0
B. Thiry	10,000	32,000	6,000	0	0	0	0	48,000	48,000	0	17,692 (2)
O. Bourges (1)	10,000	30,000	4,000	12,000	2,000	2,000	0	60,000	82,000	0	0
G. Benoist	10,000	28,000	0	18,000	0	2,000	0	58,000	60,000	0	0
K. De Boeck	1,667	10,000	0	4,000	0	0	0	15,667	NA	0	NA
B. Bronselaer	0	2,000	0	0	0	0	0	2,000	NA	0	NA
B. Herman	5,000	14,000	0	0	0	0	0	19,000	NA	0	NA

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

Compensation paid to the Chief Executive Officer

The Chief Executive Officer does not receive any fee for his position as director. However, he is remunerated for his responsibilities as Chief Executive Officer and Chairman of the Management Board (see hereafter).

Compensation of members of the Management Board

Introduction

Procedure

The compensation of members of the Management Board is fixed by the Board of Directors of Dexia SA on proposals from the Appointment and Compensation Committee.
The Appointment and Compensation Committee analyses the levels of compensation of members of the Management Board having regard to compensation granted in other companies in the sector.
In this respect, compensation consultants are used to obtain information on salary developments on the labour market for the financial sector.
Considering benchmarking analyses, the Appointment and Compensation Committee proposed to the Board of Directors, regarding the members of the Management Board of Dexia S.A., that they make possible adaptations in terms of compensation which, if necessary, would be justified by the evolution of the markets and taking account of the company's situation.

Regulatory context

The compensation of executives of companies in the financial sector has been governed by numerous regulations for several years.
The Board of Directors undertook to observe this regulatory framework as it evolved on the basis of national and international provisions aimed at strengthening corporate governance particularly in terms of compensation as well as Circulars and communications from the supervisory authorities.
A global compensation policy for the Dexia Group in accordance with Belgian and European regulations as well as recent principles regarding healthy compensation practice was adopted and forwarded to the supervisory authorities.
Dexia compensation policy has been prepared by the Human Resources Department in collaboration with the Audit, Risk and Legal, Compliance and submitted to the Appointment and Compensation Committee of Dexia SA.
Proposals from the Appointment and Compensation Committee were submitted to the Board of Directors of Dexia SA which validated the Group compensation policy.
The compensation on the one hand states the general principles applicable to all members of staff of the Dexia Group. On the other hand, observing the principle of proportionality, it contains specific provisions, exclusively applicable to a population identified as liable to impact the risk profile of the Dexia Group in view of the nature or level of their functions and/or compensation.
Compensation policy and its implementation are assessed regularly in order to identify provisions which might require adaptation in view particularly of the entry into force of new legal and regulatory provisions.
The specific provisions of the compensation policy, applying to general management, market professionals whose professional activities have a significant impact on the Dexia Group's risk profile and other members of staff who, in view of their income, are likened to risk takers, are subject to publication on the Dexia corporate internet site, in observance of the Royal Decree dated 22 February 2011 approving the Regulation dated 8 February 2011 of the Banking, Finance and Insurance Commission concerning the compensation policy of financial institutions.

Compensation of the members of the management board

Fixed and variable compensation

The compensation of members of the Management Board consists of a fixed part (not linked to performance) which can be accompanied by a variable part, linked to performance. If variable compensation is granted, it is limited to a maximum 1.5 times the fixed compensation and spread over at least three years.
The law and Dexia's compensation policy permit deferred variable compensation not yet acquired to be adjusted.
Moreover, in the case of fraud observed later than the attribution of variable compensation and in cases where variable compensation might have been granted on the basis of intentionally erroneous information, the Dexia Group compensation policy provides the possibility of not paying the deferred parts of the variable compensation not yet paid and of taking the necessary measures to recover the part of the variable compensation already paid.
The fixed and variable compensation of members of the Management Board constitutes a whole from which, unless the Board of Directors decides otherwise on a proposal from the Appointment and Compensation Committee, a deduction is made of any director’s fee paid to a member of the Management Board by a company in the Dexia Group or by a third party company in which a mandate is performed in the name and on behalf of Dexia.
It should be noted that Dexia undertook, by virtue of the behavioural obligations discussed with the States and the European Commission, not to pay any variable compensation to members of the Management Board.

Compensation for the year 2012

Fixed compensation for the year 2012

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

Basic compensation for the year 2012

Basic compensation is determined considering the nature and importance if the responsibilities assumed by each (and taking account of market references for posts of a comparable dimension).

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

(en EUR)	Basic compensation paid in 2012	Representation costs	Car [1]
Pierre Mariani [2]	590,579	3,734	4,705
Karel De Boeck [3]	245,652	2,589	-

(1) This amount corresponds to the tax advantage associated with the provision of a company car used for private purposes. For 2012, Mr De Boeck did not wish to exercise his right to a company car.
(2) Chairman of the Management Board of Dexia SA until 02/08/2012
(3) Chairman of the Management Board of Dexia SA since 02/08/2012.

SUMMARY TABLE OF THE BASIC COMPENSATION AND OTHER BENEFITS FOR OTHER MEMBERS OF THE MANAGEMENT BOARD [1]

(en EUR)	Basic compensation paid in 2012	Other benefits [2]
	2,169,766	77 453,70

(1) Mr Olivier Van Herstraeten (member of the Management Board of Dexia SA until 07/05/2012), Claude Piret, Philippe Rucheton; André Vanden Camp (member of the Management Board of Dexia SA until 20/03/2012); Marc Croonen (member of the Management Board of Dexia SA until 30/06/2012); Alexandre Joly (member of the Management Board of Dexia SA until 30/06/2012) , Alain Clot (member of the Management Board of Dexia SA until 30/06/2012) and Haken Ates (member of the Management Board of Dexia SA until 30/06/2012).
(2) This amount includes annual lump-sum indemnities for representation costs and the tax advantage associated with the provision of a company car used for private purposes for each of the members of the Management Board.

Function premium for 2012

SUMMARY TABLE OF FUNCTION PREMIUM OF THE CHAIRMAN OF THE MANAGEMENT BOARD

(in EUR)

Pierre Mariani	116 666
Karel De Boeck	-

SUMMARY TABLE OF FUNCTION PREMIUM OF THE OTHER MEMBERS OF THE MANAGEMENT BOARD [1]

(en EUR)

Other members of the Management Board	435 854

(1) Mr Olivier Van Herstraeten (member of the Management Board of Dexia SA until 07/05/2012), Claude Piret, Philippe Rucheton; André Vanden Camp (member of the Management Board of Dexia SA until 20/03/2012); Marc Croonen (member of the Management Board of Dexia SA until 30/06/2012); Alexandre Joly (member of the Management Board of Dexia SA until 30/06/2012) , Alain Clot (member of the Management Board of Dexia SA until 30/06/2012) and Haken Ates (member of the Management Board of Dexia SA until 30/06/2012).

Variable compensation for the year 2012

Considering the results for the year 2012, the Board of Directors, on a proposal from the Appointment and Compensation Committee, accepted the proposal from the Management Board that no variable compensation would be paid to members of the Management Board of Dexia SA for 2012.

Deferred part of variable compensation for 2010 payable in 2013

We refer to pages 46 and following of the Annual Report 2010 for an explanation of the principles of deferment of variable compensation 2010.

On a proposal from the Appointment and Compensation Committee, the Board of Directors accepted the proposal from the Management Board and decided to make use of the opportunity to a posteriori reduce the deferred parts of the variable compensation. The deferred part of the variable compensation for 2010 in cash and the deferred part of the variable compensation in the form of instruments with a retention period of one year (grant in 2013 and payment in 2014) will not be granted in 2013.

Moreover, in accordance with the undertakings made by Dexia within the framework of the 2013 guarantee agreement concluded with the Belgian and French states and for so long as the guarantee obligations exist or are liable to be issued, and unless agreed with the states, Dexia shall not make:

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

Deferred part of variable compensation for 2010 payable in 2012

Variable compensation granted in the form of instruments payable after a retention period of one year following the definitive acquisition of the rights was paid in April 2012.

It amounted to EUR 180,000 with regard to Pierre Mariani as of CEO in 2010 and EUR 163,716 for other members of the Management Board.

Extra-legal pensions

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

Characteristics of the applicable supplementary pension schemes

The supplementary pension schemes in favour of members of the Management Board under Belgian contract give a right, at the time of retirement, to capital constituted by the capitalisation of annual contributions. The latter represents a fixed percentage of the annual compensation given a ceiling.

Amounts paid within the framework of these supplementary pension schemes

Annual premiums of EUR 459,730 were paid in 2012 in favour of the members of the Management Board under Belgian contract, including EUR 137,580[(1)] for the Chief Executive Officer.

Moreover, on 11 March 2013, Dexia and Pierre Richard reached an agreement under the terms of which Pierre Richard agreed to have his pension resulting from the supplementary pension scheme (Article 39) reduced by half as of the second quarter of 2013.

Supplementary cover for death, permanent invalidity and medical costs

Collective annual premiums of EUR 251,090 were paid in 2012 to members of the Management Board under Belgian contract for supplementary cover for death, permanent invalidity and the costs of medical treatment, including EUR 78,230[(1)] for the Chief Executive Officer, broken down as follows:

EXTRA-LEGAL PLANS	(in EUR)
Death, orphan capital	49,730
Invalidity	27,900
Hospitalisation	600

Collective annual premiums of EUR 3,250 were paid in 2012 in favour of the member of the Management Board under French contract for obligatory cover and supplementary cover for death, permanent invalidity and medical costs.

Option plan

During 2012, no option was exercised, came to maturity or was granted to members of the Management Board.

Conditions relating to departure

Provisions of Dexia compensation policy

According to this compensation policy, the total of indemnities granted will not exceed 12 months of fixed and variable compensation. Under specific circumstances, the Appointment and Compensation Committee may, with its substantiated opinion, propose to the Board of Directors that there be a leaving indemnity above 12 months but not exceeding 18 months of fixed and variable compensation. A leaving indemnity exceeding 18 months of fixed and variable compensation can only be agreed exceptionally with the approval of the first Shareholders' Meeting thereafter.

Moreover, the agreement providing for the grant of a leaving indemnity will contain a performance condition in the sense that the contractual leaving indemnity will be reduced in the case where the performance assessment of the executive over the two years preceding the termination of the agreement reveals a significant deterioration of those performances. This is to avoid leaving indemnities being granted so as to reward failure.

These principles will be applied in observance of collective bargaining agreements and legal provisions.

Any agreement granting leaving indemnities concluded with a member of the Management Board after the adoption of the Dexia Group compensation policy will respect these provisions.

(1) This amount corresponds to the premiums paid in favour of Mr Pierre Mariani (Chairman of the Management Board of Dexia SA until 2 August 2012) and Mr Karel De Boeck (Chairman of the Management Board of Dexia SA from 2 August 2012)

Departures during 2012

Mr Pierre Mariani resigned the Dexia SA with effect on 2 August 2012. He received no leaving indemnity.

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

Mr Karel De Boeck is entitled, if his contract is terminated by Dexia on grounds other than of serious fault, to a single inclusive indemnity of 3 months of compensation. If Mr Karel De Boeck terminates his contract under the same conditions, he must give Dexia 3 months notice.

Mr Philippe Rucheton is entitled, if his contract is terminated by Dexia before he is 65, within 12 months of a change of control, to an indemnity equal to the fixed and variable compensation corresponding to a period of 18 months, without that period being able to exceed the number of months from the date on which he will reach 65 and without prejudice to the rules of common law which might be applicable as the case may be.

The party who, during the mandate, on grounds other than serious failing by the party, terminates the agreement binding Mr Claude Piret to Dexia must give the other party notice of one month.

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

Termination of the contract of employment of Mr Claude Piret (the execution of which is suspended for the term of his mandate with the Management Board) is governed by Belgian legislation relating to contracts of employment. His contract of employment stipulates moreover that he will be entitled, without prejudice to mandatory legal provisions, in the case of termination of his contract by Dexia before his is 65, to an indemnity equal to the fixed and variable compensation and other benefits corresponding to a period of 24 months.

Internal audit and risk management system

Principal characteristics of the internal audit and risk management system

Framework and tasks of internal audit

In March 2003, Dexia SA, a financial company under Belgian law, concluded a framework agreement with the Banking, Finance and Insurance Commission (CBFA), now taken over by the Belgian National Bank (BNB).

This agreement was replaced by a cooperation agreement concluded between the BNB and the Prudential Control Authority (ACP) on 24 January 2012 relating to the supervision of the Dexia Group.

Internal control is a process which provides a reasonable assurance that the objectives of the organisation, the effectiveness and the efficiency of its operations, the reliability of its financial information and compliance with the laws and regulations will reach the desired level. As with any control system, it is conceived to reduce the residual risk to a level accepted by Dexia requirements.

More specifically, the tasks assigned to internal control in force within the Dexia Group may be grouped together in five principal lines:

• Risk management is at the core of banking activity. The Dexia Group has put an internal control mechanism in place with the objective, depending on the nature of the Group's main activities, of guaranteeing that risks taken are in line with the accepted level.

• The principal objective of financial information is to give a true image of the situation of the Dexia Group on a regular, complete and transparent basis. The internal control system is focussed on the realisation of that objective.

• The good operation of the Dexia Group involves strict fulfilment of legislative and regulatory obligations in each of the countries in which it is established, as well as the norms it sets itself beyond those obligations, particularly regarding corporate governance, compliance or sustainable development. The internal control system aims at ensuring observance of these principles.

• Decisions taken with this aim by the Management Board must be capable of being put into practice rapidly throughout the Group. The internal control procedures aim to ensure the integrity of information flows, the compliance of actions and the monitoring of results.

• The proper functioning of operational circuits is a constant concern at all decision levels. Numerous initiatives are taken in this regard in constant collaboration between business lines and support functions which assess them via indicators and regular reporting. The internal control system assesses the effectiveness of operational processes and the mechanisms to be monitored.

General architecture of the mechanism

The general architecture of the mechanism relies on core principles declined in all lines of activity and all support processes. The Dexia Group internal control system relies on activities integrated in all operational, support, management, accounting and other processes and the surveillance of which is a constant responsibility of management with successive levels of control.

Within the framework of a project common to so-called control support lines (risk, compliance, audit), Dexia has progressively completed a risk control reference system. This revolves around five axes, i.e. the control environment, risk analysis, control activities, information and communication and finally monitoring.

In terms of control environment, a clear separation of functions was conceived to maintain and to guarantee a clear distinction between the operators involved in an action or transaction and those charged with validation, monitoring or regulation. Additionally, a series of instructions, consisting of charters, codes, lines of conduct and procedures has been introduced in order, inter alia, to ensure that internal control operators can be coordinated.

From this perspective, the general architecture of the Dexia Group internal control system is based on an organisation split into three levels:

• **The first level of control** is exercised by each member of staff and his superior, depending on the responsibilities expressly delegated to them, the procedures applicable to the activity performed and instructions imparted.

• **The second level of control** is for specialist functions, irrespective of the activities controlled and reporting directly to the Management Board. This second level may also be within the responsibility of specialist committees, composed of staff members from operational, support and control functions and chaired by a member of the Management Board. The fields concerned are, for example, compliance, permanent control (a function which supervises controls) and risk management.

• **The third level of control** is constituted by the Dexia Group audit support line and has the task of making periodic in-depth checks and effectively applying the two levels of control defined above, within the parent company and all of its subsidiaries and branches. As for risk analysis and control activities, each level/department/function makes its own risk diagnosis and puts the controls in place which it deems appropriate. Control mechanisms are in place for each business line and support function, including IT. The control of activities, as a component of Dexia management, is organised at each level and revolves between the entities of the Group and Dexia SA.

Internal and external information and communication are priorities. Beyond internal communication mechanism via e-mail, intranet and within specialist departments, procedures are provided. The organisation of the Dexia Group also generates transversal communication to all operating entities. Different reports exist, such as the financial report established by the [Strategic Planning and Controlling][??] department and Quarterly Risk Report elaborated by the risk management department. External communication and financial communication ensure the transparency and pertinence of information sent outside Dexia.

The main internal audit actors

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

• **The Risk Management Team,** under the responsibility of the Chief Risk Officer, a member of the Management Board, supervises risk management policy. It establishes lines of conduct for limits and delegations, monitors and measures risks aggregated at Group level and puts harmonised methods in place in the different entities.

• **The Chief Compliance Officer,** under the responsibility of the General Secretary, runs the compliance support line through the different entities and sees to observance of the policy of integrity and the development of the ethical culture and professional ethics.

• **The Permanent Audit,** in place within the Dexia Group since the last quarter 2009 under the responsibility of the Head of Operational Risk – another important internal audit actor – guides and monitors the gathering of information on the permanent audit plans for the Dexia Group. That guidance relies on decentralised means within the divisions, as well as within the subsidiaries and branches.

• **L'Internal audit,** reporting directly to the Chief Executive Officer, Chairman of the Management Board, defines the methodology used in the Group, defines the Group audit plan, coordinates, runs and performs audit tasks, and monitors action plans associated with recommendations. In Its task of surveillance of internal control, the Board of Directors of Dexia SA relies on the audit committee, the operation and attributions of which are described below.

Internal Audit

The internal audit support line of the Dexia Group consists of internal audit and inspection. As at 31 December 2012, the Dexia Group's internal audit and inspection support line employed 43 people.

Organisation and governance

Internal audit task

Internal audit is an independent and objective activity giving the Board of Directors and the Management Board of the Dexia Group an assurance of the quality and effectiveness of its internal control system, risk management and governance systems and procedures, thus contributing to protection of the interests and reputation of the Group.

Internal audit considers all the objectives of the organisation, analyses the risks associated with those objectives and periodically assesses the robustness of the controls in place to manage those risks. Internal audit then provides management with an assessment of the residual risks so that management can validate the appropriateness to the global risk profile desired for the Dexia Group. Finally, internal audit proposes actions to management to strengthen the effectiveness of controls.

Furthermore, via audit committees, internal audit assists the Boards of Directors of the entire Group In their surveillance role. In line with international standards, a Dexia Group Audit Charter states the fundamental principles governing the function of internal audit in the Group and describing its objectives, its role, its responsibilities and its modes of operation. This charter was updated at the beginning of 2013 to take account of the Group's new configuration and the recommendations of the Basle Committee.

In order for each member of staff of the Dexia Group to be able to understand the importance of the function in the internal control mechanisms and to aid Dexia Group management, the Audit Charter Is published on the Dexia internet site (*www.dexia.com*).

Guiding principles

The strategy, the level of requirement and the rules of operation of internal audit in the Dexia Group are fixed by the Management Board of Dexia SA, within the framework approved by the Board of Directors of Dexia SA, via its Audit Committee. That framework takes account of the requirements, legislation and local regulations and instructions from the prudential control authorities. The independence and effectiveness of the audit function are guaranteed by application of the following principles:

• the attachment of each audit department at the highest level of the hierarchy of the entity for which it has charge;

• the absence of involvement in the organisation and the operational management of Group entities. Group management boards may exceptionally call on internal audit for an opinion, advice or assistance.

• unconditional and undelayed access to information: within the framework of its task, internal audit has access to all information, documents, premises, systems or persons of the entity for which it has charge, including information on management, the minutes and files of consultative and decision-making bodies. The Dexia Group Internal Audit Department has access to all the information in all Group entities. Any breach of these principles is liable to be reported to the Management Board and, as the case may be, to the Audit Committee;
• the provision of the means necessary to perform its task: internal audit receives from the Group's Management Boards the means necessary to perform its task so as to respond constantly to the evolution of the Group's structures and environment.

At an individual level, each auditor must show the greatest professionalism and have ongoing training to ensure his mastery of the rapid evolutions of audit, banking, financial and IT techniques and those for combating fraud. The needs of training are assessed in periodic and annual assessments. Auditors are obliged to comply with the Dexia Group's rules of professional ethics as well as those specific to their profession. This means observance of the following fundamental principles:
• Integrity: the integrity of internal auditors is the basis for confidence in and the credibility of their judgement;
• Objectivity: auditors must show the highest degree of professional objectivity in collecting, assessing and communicating information relating to the activity or process examined. Internal auditors fairly assess all the relevant elements and are not influenced in their judgement by their own interests or those of others.
• Confidentiality: internal auditors have the obligations of professional secrecy, they respect the value and ownership of the information they receive and only divulge that information with the required authorisations, unless a legal or professional obligation forces them to do so.
• Competence: internal auditors use and apply the knowledge, know-how and experiences required for the performance of their tasks.

Scope of intervention

All activities, processes, systems and entities of the Dexia Group are within the scope of action of internal audit, without reservation or exception. The scope of intervention includes all processes, whether operational, support, management, corporate governance and risk management and control processes. Outsourced essential activities also fall within the scope of audit, given that it is for operational services to organise the conditions of possibility of audit through the insertion of audit clauses into service agreements. Other than exceptions associated in particular with requests from the supervisory authorities, the scope of audit does not on the other hand cover the activities of companies in which the Dexia Group only holds a minority interest. However it is for Dexia's representative on the board of directors to learn about the state of the internal control mechanism and if necessary to alert the management board and the audit department of the entity which holds that interest.

Organisation of the function

Principles

The function operates in the form of an integrated support line, the organisational structure of which is aligned to the Group's organisation by segments (asset management, market activities, balance sheet management, risks and finance, operations, information systems and other support functions). Like the rest of the Dexia Group, the organisation of the support line is being evolved to adapt it to the Group's new context and new objectives.

Organisation of an audit function

The internal audit support line of the Dexia Group is run by the Auditor General of Dexia S.A., who is also the Auditor General of Dexia Crédit Local. To assist him in his task, he is accompanied by supervisors and an Audit Management Office (AMO). Each supervisor has responsibility for different segments. The supervisors are responsible, in liaison with the Directors of Operations concerned, for the identification and monitoring of the risks relating to the segments with which they are entrusted as well as the supervision of all audit tasks relating to those segments. The supervisors are assisted in their tasks by "correspondents", audit managers or senior auditors, more specifically instructed to monitor an activity sub-set. The AMO defines, ensures the maintenance and organises the application of audit methodologies in association with the Audit Management Committee (AMC). Within the framework of transversal projects, it runs implementation of the support tools for the principal audit process. It coordinates the work and/or establishes different reports produced by the audit support line. It is involved in the planning of all tasks included in the audit plan as well as any tasks beyond that plan.

Management of the audit support line

In order to manage the support line, an Audit Management Committee (AMC) has been established. It is composed of the Auditor General of Dexia S.A., also Auditor General of Dexia Crédit Local, and supervisors. The AMC has the tasks:
• of managing the human and financial means of the support line;
• of defining the methodology of internal audit applicable in the Dexia Group and ensuring its proper application;
• of defining the Dexia Group audit universe and ensuring it is updated;
• of drawing up the global audit plan for the Group to be presented for approval to the different committees of Dexia S.A. and the operating entities, and of monitoring Its Implementation;
• of providing optimum planning of the audit tasks;
• of validating the different reports produced by the support line, particularly reporting on the monitoring of recommendations and the report on the implementation of the audit plan.

Management guidelines

Dexia S.A. internal audit is run by an Auditor General.
Following the reorganisation of the Dexia Group, the functions of Auditor General of Dexia S.A. and Dexia Crédit Local have been grouped together in one and the same unit. The Auditor General of Dexia S.A. ensures the adequate cover for risks over the entire Dexia perimeter and has authority over the audit departments of the subsidiaries/branches of the Dexia Group. The Auditor General monitors the surveil-

lance bodies of the entities and their subsidiaries/branches as well as all the tasks performed by local regulators. Each audit department is responsible for the performance of its task to the Chairman of the Management Board, to the extent that local rules permit, and to the Board of Directors of that entity or subsidiary, possibly assisted by an audit committee. Each Auditor General attends meetings of the Management Board of the entity for which he is responsible (i), when the Board in question asks him to (ii), when he presents an audit report or (iii) on his request when he wishes to raise a particular point within the context of his attributions and responsibilities. Each Auditor General has direct access to the Chairman of the Board of Directors, to members of the audit committee and to the auditors of the entity for which he has responsibility.

Operational guidelines

The work of internal audit relies on tried and tested methods modelled on international good audit practice. The tasks of audit and analysis of risks across all Dexia entities rely on common methodologies. These are regularly adapted in order to reflect both evolutions of norms and the results of hands-on experience and the evolutions of structures. Internal audit performs its task on the basis of an annual audit plan approved by the Management Board as well as by the Audit Committee and the Board of Directors. The method of analysing risks aims for a precise targeting of tasks on the critical audit units at the origin of key risks or supporting key controls for the objectives of the business lines and support functions.

The method of performing audit tasks is common to all the entities of the Dexia Group. The different stages of the process are presented in a procedure which describes the different stages to be monitored in performing an internal audit task (preparation, implementation, restitution, monitoring recommendations) as well as the formats of documents expected at each stage. The procedure also determines the roles and responsibilities and the terms of review, approval and archiving of documents.

The Dexia Group audit methodology revolves around four main phases: preparation, implementation, restitution, monitoring recommendations.

Preparation:

After learning about the subject for audit, where the aim is to gather and to analyse the various items of information available, which may prove useful to obtaining a good understanding of the activities, the audit team prepares a work programme in particular containing the processes, risks, expected controls to cover identified risks and the tests to be performed to give an opinion on the conception and effectiveness of the controls in place to cover the identified risks. A job description informs the persons concerned of the scope, objectives and programme of the task.

Implementation:

Each task must be performed on the basis of working documents established In accordance with a scheme determined and organised in the audit file. They clearly reflect the work to be done, and the working techniques and methods to be used to reach a substantiated conclusion. The audit opinion is expressed on the adequate cover for identified risks. A causal analysis is made of the weaknesses revealed and the residual risk is assessed. Audit activities are supervised and the documents reviewed by task leaders (Supervisor and/or Auditor General).

Restitution:

Each task is the object of a written report intended for the persons audited and Management. The report contains an assessment of the identified risks and recommendations on the measures to attenuate those risks. The audit attributes a critical level for each of the recommendations made.

The recommendations made by internal audit are submitted to the operational managements concerned, who may accept the recommendation or ask for a "risk acceptance" from the Management Board. The recommendations accepted by the operational managements are the object of a detailed action plan for which the provisional date of implementation must also be defined by the service concerned. Internal audit has to add its comments for the attention of the Management Board on requests for risk acceptance and on the appropriateness of the action plans and the proposed deadlines.

Action plans and requests for risk acceptance are contained in the draft audit report presented to the Management Board. The Management Board rules on the recommendations, action plans and their deadlines as well as any requests for risk acceptance. The definitive report integrates the decisions of the Management Board and in particular the settlement reached in the event of disagreement between audit and the services concerned on the recommendations. Once approved, recommendations must be implemented.

Monitoring recommendations:

Each task gives rise to recommendations set out in action plans under the responsibility of the head of the service audited. Responsibility for implementation of the recommendations approved by the Management Board falls on the recipient services. These are obliged to account for the implementation of action plans on the basis of a progress report and supporting documents sent to internal audit through systems provided for the purpose by the latter.

On that basis, internal audit makes regularly reviews each of the action plans. Internal audit maintains a database of all the recommendations made in audit reports and has defined a formal procedure for monitoring the implementation of these recommendations. This procedure provides at least two quantitative and qualitative monitorings, the results of which are presented to the Management Board and to the Audit Committee. The Management Board and the Audit Committee validate any requests for cancellation of recommendations proposed over the monitoring period (e.g. recommendations which lose their object).

Training

In addition to the training organised by human resources, a training plan specific to audit has been put in place. It has various lines to training to be followed depending on the role and the seniority of the auditor.

Relations with the supervisory authorities and legal auditors

Internal audit maintains a regular dialogue with the banking supervisory authorities and external auditors on subjects of common interest.

Internal audit is responsible for coordinating and centralising exchanges, whether incoming or outgoing, with the different banking supervisory authorities, whatever the support line concerned. Internal audit is also responsible for coordinating the inspection tasks of the different supervisory authorities. Within that context, the Auditor General, or the head of audit for the

entity, is the point of contact for the supervisory authorities. He coordinates the process of gathering data within the entity and the responses to inspection reports or to requests for additional information. Internal audit also monitors recommendations made by the supervisory authorities in accordance with the same terms as for recommendations made by internal audit.
In order to avoid any duplication of tasks, internal audit maintains regular exchanges with the external auditors on subjects of internal control. These exchanges are aimed at sharing observations made by both parties on subjects of internal control and at ensuring the complementarity of works.

Global overview of activity in 2012

In 2012, the tasks of internal audit related to all the Group's major support lines: market activities (TFM) through the audit of Cash & Liquidity Management and through the audit of the Trading and Structuring desk; accounts through the audit of the Balance Sheet Management activities; risks, through the audit of the quality of data on operators and exposure used for calculation of RWA and the production of risk reporting ("Fermat Data Quality"); operations and information systems through the audit of governance and information systems security; Public and Wholesale Banking through the audits of management of structured credits or the audit of project finance Portfolio Management activities (Crediop, Dexia Sabadell and the New York branch). Compliance aspects are regularly reviewed during "business line" audits. In addition, a specific task was dedicated to Compliance Legal and Tax aspects in Group subsidiaries. Various different and essentially outsourced service suppliers, Thales and SFR, were also audited. The insurance brokering subsidiary of Dexia Crédit Local, Sofaxis, was also subjected to several audits during 2012.
The rate of implementation of the 2012 audit plan reached 85% for the DSA/DCL perimeter.
Contacts with the various regulators of the Dexia Group, whether through inspection tasks or meetings, continued during 2012 to involve a considerable amount of the time of the internal audit staff. The role of audit consists, through tasks, to be followed to their conclusion ensuring that the elements requested are correctly transmitted to the inspectors at the end of the task, of coordinating the formulation of action plans responding to regulators' recommendations (in application of the principle of strengthening the role of audit on such subjects), then similarly monitoring those responding to their own recommendations.
The inspection tasks performed by the supervisory authorities in Dexia Crédit Local concerned the credit risk associated with the international public sector, ALM management, governance and operational risks as well as the credit-lease subsidiary of Dexia Crédit Local, Flobail.

Unit Inspection

Task

The Dexia Crédit Local inspection task is to contribute, independently and objectively, to controlling fraud risks. It intervenes in awareness, prevention and dissuasion, detection and investigation actions and proposes and monitors corrective measures.

Organisation and governance

Inspection performs its task within the internal audit department and is responsible for performance of its tasks to the Auditor General of Dexia SA.
Inspection performs the function for Dexia SA and Dexia Crédit Local as well as for all branches, subsidiaries and sub-subsidiaries depending on them, which do not have their own inspection function. If necessary, the function is performed in close collaboration with the head of internal audit for the entity concerned.
An Inspection Charter states the fundamental principles governing the function, describing the objectives, roles, powers, duties and responsibilities, terms of operation and the basic rules governing it.
The Inspection Charter also establishes the control performed by the Compliance support line on the rules to be observed regarding access to personal data in the various entities.

Global overview of activity in 2012

The organisation of Inspection activities was altered during 2012, following cessation of the activities performed by the Dexia SA team for all Group entities.
Since June 2012, the function is performed full-time by a Dexia Crédit Local inspector reporting to the Auditor General and who also acts on behalf of Dexia SA. In accordance with the principles stated in the Charter, the tasks performed by inspection in 2012 related to awareness, prevention and dissuasion actions, fraud monitoring and detection, enquiries in relation to suspicions of fraud, on actions dealing with questions of legal authority, legal support or data extraction.

Compliance

The Compliance function is an independent activity. It carries on its activities without influence, interference or restriction likely to affect its independence, its integrity, its impartiality and its objectivity.
The role and fields falling within the Compliance function as well as the principles of governance underlying the approach adopted by Dexia regarding compliance are set out in the compliance policy which was approved and entered into force in 2009.
The compliance fields are as follows:
- the fight against money laundering and the financing of terrorism;
- market abuse and personal transactions;
- the integrity of the markets in financial instruments;
- integrity towards clients in all Dexia activities;
- data protection and professional secrecy;
- prevention of conflicts of interest;
- external mandates;
- the independence of the auditors;
- whistleblowing;
- prevention with regard to specific mechanisms (policy aimed at preventing specific mechanisms put in place for the purposes of tax evasion as provided, if such should be the case, by the applicable law);
- any other field indicated by the Management Board or the Board of Directors.

In the fields of competence listed above, the Compliance function performs the following tasks:
- It analyses legal and regulatory developments in order to anticipate and to assess possible consequences on Dexia activities. It ensures the correct interpretation of national and international legislation and regulations.
- It identifies, analyses and measures non-compliance and reputation risks which might arise from activities and financial

Products and the impacts in terms of modification of the group's perimeter.

• It provides assistance to business lines in the development and implementation of compliance procedures and other documents, for example compliance manuals, internal codes of conduct and practical guides. It assists and advises in order to ensure the correct interpretation and implementation as well as the observance of these procedures and other documents.

• It develops and provides compliance training programs, adapted to the needs of business lines, promoting an appropriate compliance culture and an awareness and understanding of standards, procedures and lines of conduct.

• To the extent that it is required by local regulations, it communicates with the financial regulators or any other competent authority about any suspect incident or transaction.

• It reports regularly to the Management Boards and Coordination Committees of Internal Audit with regard to its activities and the status of any major shortcoming.

Organisation and positioning

The Group's Chief Compliance Officer reports to the General Secretary. A cascading procedure is in place to guarantee the right of the Group Chief Compliance Officer to report directly to the Chairman of the Management Board of Dexia SA or to the Chairman of the Audit Committee, Risks and Compliance Committee of Dexia SA on any significant incident.

This organisational mode was duplicated within the main entities.

Dexia SA Compliance has evolved in 2012 to take account of the orderly resolution plan.

The reduction of the geographic perimeter of the Dexia Group and the abandonment of certain activities led to an adaptation of the organisation and workforce of the compliance function. The Dexia SA compliance workforce was reduced and teams maintained in the operating entities of the Group. At the same time a certain number of tasks performed by Dexia SA compliance were transferred to operating entities sold or in the process of sale, or in the process of reorganisation between Dexia SA and DCL.

Guiding

Compliance function guiding, following disposal of the main operating entities, Belfius in 2011, BIL and DenizBank in 2012 and signature of an agreement to sell Dexia Asset Management, led to a redefinition of the mode of governance of the support line to substitute for the Compliance Committee previously in existence a certain number of regular meetings dedicated to each entities present in the Group.

Furthermore, periodic reporting is effected by each Group entity, drawn up on the date of disposal for entities leaving the Dexia Group. A consolidated report is then established and submitted to the Audit Committee, Risks and Compliance Committee.

The cartography of compliance risks, during 2010, led to the observation of a moderate level of residual risk, in line with previous analyses, but it could not be repeated in 2012 considering the orderly resolution plan.

The controls defined following the cartography in 2010 were continued and deployed on subsidiaries and branches of the parent entities. The aim of this exercise is to ensure the application of policies, guidelines and procedures, if necessary to trace malfunctions and to implement corrective measures to permit better guiding of the support line.

Several actions were taken to ensure the implementation of measures intended to protect information within the context of the different projects for disposal or the restructuring of the Group and on the other hand in particular to strengthen the protection of personal data (particularly on the treatment of data violations) or the protection of clients.

As for the protection of clients, the compliance framing of conflicts of interest within the context of relations between Dexia and its clients was reinforced particularly regarding the rules relating to the transparency of compensation received or paid. The indicators and tests and controls are performed by the operating entities falling within the scope of MIFID. The disposal by the Dexia Group of the Belfius and BIL entities led to a limitation of the risk for the Dexia Group in this regard.

In the same field, major work was also done regarding structured credits sold to public sector clients not within the scope of MiFID. A policy aimed at defining the type of product sold, the profile of clients and the rules for marketing was put in place in the Group entities concerned and made the object of regular monitoring throughout the year.

The rules on the prevention of insider trading on Dexia financial instruments define the statuses attributed to staff members in relation to access to inside/sensitive information which they have or are liable to have through the performance of their tasks, and fix the restrictions/obligations associated with each status. These obligations were recalled on several occasions during the Group restructuring operations.

Training sessions were organised in all entities in the fields of compliance: development of e-learning packages in operating entities, implementation of specific training courses in relation to MiFID and so on) and training on the Code of Professional Ethics in order to recall the key principles in terms of compliance.

Other important considerations were made in 2012, in association with the business lines, to measure the impact of three major regulations, namely FATCA, on the regulation of over-the-counter derivatives markets, EMIR and Chapter VII of the Dodd Frank Act. Concrete actions were gradually put in place to improve supervision of the network of subsidiaries and branches.

Each parent entity has responsibility for organising contacts with its network of subsidiaries.

Indeed, Compliance within Dexia SA maintains close relations with the entities directly attached to it and with the parent entities. The Group orderly resolution plan led to the definition of a transition plan for the field of compliance in order to assist in the disposals of entities and on the other hand to define principles relating to the transfer of information between entities or ex-entities of the Group.

Characteristics of internal audit within the context of producing financial information

The Finance support line has the following five departments, reporting to the Chief Financial Officer,

• Finance support;
• Accounting;
• Consolidation;
• Strategic Planning and Controlling;
• Balance-Sheet Management (BSM).

As well as Financial Management pole which brings together the finance section's transverse services which reports to Philippe Rucheton, member of the management Board of Dexia SA.

Dexia's scope of consolidation includes the following direct subsidiaries, also known as the operational entities:
• Dexia Crédit Local SA;
• Dexia Banque Internationale à Luxembourg SA, until 5 october 2012;
• Dexia Asset Management;
and the following subsidiaries:
• Dexia Participation Belgique SA (holding company owing DenizBank until 28 september 2012);
• Dexia Nederland BV (result from the merger of Dexia Nederland Holding SA and Dexia Bank Nederland);
• Associated Dexia Technology Services SA;
• Dexia Management Services Ltd;
• Dexia Participation Luxembourg SA;
• Dexia Funding Luxembourg SA.

Production of the financial statements

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

Dexia SA consolidated financial statements

Dexia SA principally has holdings in Dexia Crédit Local SA, Banque Internationale à Luxembourg (until 28 september 2012) and DenizBank (until 5 october 2012). Each of these entities prepares consolidated financial statements and these are in turn consolidated with the financial statements of the holding company, Dexia SA, and of directly associated subsidiaries.
The main adjustments booked by the Dexia Group Consolidation division relate to the elimination of reciprocal accounts and intra-Group transactions (asset acquisitions/disposals, dividends...). They also relate to the reprocessing of companies held by different Group entities.
If there is difficulty in interpreting the accounting principles, all entities may call on the Dexia SA Consolidation division. In collaboration with the Accounting Standards division, it gives them an appropriate answer.
When the consolidated financial statements have been finalised, they are submitted for review to the Chief Financial Officer who has them approved by the Management Board. They are then presented to the Audit Committee (part of the Accounts Committee), and approved by the Board of Directors of Dexia SA. The consolidated financial statements of the entities are prepared by the Dexia SA Consolidation team and presented for review to the Head of Accounting of the entity, who approves them and has them approved by the Chief Financial Officer of the entity.

Consolidation tool

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

Notes and appendices to the annual financial statements

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

Dexia SA annual financial statements

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

Accounting standards

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

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

Periodic prudential reporting

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

Components of COREP reporting

COREP reporting is realised with contributions from:
• the Finance support line (calculation of regulatory capital, floor calculation, calculation of capital requirement for market risk – standard method);
• the Credit Risk Management division (calculation of capital requirement for credit risk);
• the Market Risk Management division (calculation of capital requirement for market risk – internal model);
• the Operational Risk Management division (calculation of capital requirement for operational risk).
Equity capital requirements are calculated by different divisions of the Risk Management support line and are subject to checks defined within that same support line. The Finance support line checks probability by comparison with requirements declared in the previous period.

Components of FINREP reporting

Since 2011, Dexia SA has been subject to the quarterly FINREP reporting of financial institutions.

Relations with the Statutory Auditors

The Statutory Auditors make regular checks on the financial reporting of the various entities and subsidiaries of the Dexia Group.
They are involved with the entire process of checking the financial and accounting information with a concern for efficiency and transparency. As part of their duties they analyse the accounting procedures and assess the internal audit systems necessary for reliably establishing the financial statements.
They issue instructions to the auditors of the entities and ensure their work is centralised. They organise summary meetings on the results of their audits and assess the interpretation of standards. Finally, they check the consistency of accounting information between the management report and the financial statements. The performance of these duties enables them to obtain a reasonable assurance that, considering the legal and regulatory provisions governing them, the annual financial statements give a true picture of the assets, financial situation and results of the company and that the information given in the Notes is appropriate. They issue an opinion on the company's and the Group's consolidated accounts.

External control

Statutory Auditor

In accordance with Article 14 of the articles of association of Dexia SA, the audit of the company's financial situation and annual financial statements is entrusted to one or more auditors who are appointed by the Shareholders' Meeting for a maximum of three years on the recommendation of the Board of Directors.
The function of legal control of the financial statements of Dexia SA has been in the hands of Deloitte – Reviseurs d'entreprises SC s.f.d. SCRL, a company represented by Messrs. B. De Meulemeester and F. Verhaegen, Statutory Auditors, whose mandate was renewed by the Ordinary Shareholders' Meeting in May 2011 for a term of three years closing at the end of the Ordinary Shareholders' Meeting in May 2014.

Compensation of the Statutory Auditor

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

DELOITTE (in EUR)	**Services rendered to Dexia SA**	**Services rendered to Dexia Group (consolidated amounts) (1)**
a) Audit of the financial statements	472,560	3,523,459
b) Certification work	0	0
c) Tax advice	0	0
d) Due diligence	0	0
e) Other work (not certification)	40,000	121,974
TOTAL	**512,560**	**3,645,433**

(1) Including entities held for sale.

Protocol on the prudential structure of the Dexia Group

Financial supervision on a consolidated basis of the financial company Dexia SA, parent company of the Dexia Group, is exercised by the Belgian National Bank. In accordance with the provisions of the European directives on banking coordination, and considering the Dexia Group's current structure and the evolution of its share price, on 24 January 2012 the Belgian National Bank and the Prudential Control Authority concluded a new cooperation agreement in relation to supervision of the Dexia Group. This agreement aims to ensure close coordination between the decisions taken by the authorities at financial company level and those taken at sub-Group level, namely for Dexia Crédit Local, by common positions being taken prior to the respective decisions of the two authorities.
It replaces the earlier agreement concluded between the Belgian, French and Luxembourg supervisory authorities in relation to the consolidated supervision of the Dexia Group.

General information

Share capital

Share capital as at 31 December 2012

On 9 May 2012, the Extraordinary Shareholders' Meeting decided to reduce the share capital by an amount of EUR 4,118,136,424.8 discharging for the same amount part of the deffered accounting less as set forth in the financial statements as at 31 December 2011 to take it from EUR 4,618,136,424.8 to EUR 500,000,000.
On 21 December 2012, the extraordinary shareholders' meeting decided to make a cash increase of the capital of Dexia SA by EUR 5,500,000,000 by the issue of 28,947,368,421 new preference shares(1) subscribed by the Belgian and French States.

(1) The rights attached to these new class B preference shares are detailed in Article 4ter of the Articles of Association, and summarised in the present report on page 155.

As at 31 December 2012, the share capital of Dexia SA amounted to EUR 6,000,000,000, represented by 30,896,352,895 shares without nominal value Including 1,948,984,474 class A shares, and 28,947,368,421 class B shares.

Class A shares:
Class A shares are listed on Euronext Brussels, Euronext Paris and the Luxembourg Stock Exchange. 322,827,006 registered shares, 1,624,986,962 dematerialised shares and 1,170,506 (physical) bearer shares.

Class B shares:
All class B shares, i.e. 28,947,368,421 shares, are registered shares.

Summary table of Dexia subscription rights (warrants) (as at 31 December 2012)

	Exercise price (in EUR)	Exercise period from	to	Number of subscription rights granted	Number of subscription rights exercised	Number of subscription rights cancelled as void	Number of residual subscription rights before transfer (4)
Warrants granted in 2003							
"ESOP 2003" Warrants	10.28	30 Sept. 2006 (1)	24 July. 2013 (1)	10,000,000	2,247,878	452,169	8 065,490
Warrants granted in 2004							
"ESOP 2004" Warrants	12.26	30 Sept. 2007 (1)	24 July. 2014 (1)	10,,000,000	81,250	735,678	10,232,603
Warrants granted in 2005							
"ESOP 2005" Warrants	16.30	30 June 2008 (1)	29 June 2015 (1)	9,994,950	15,,000	922,926	9,991,281
Warrants granted in 2006							
"ESOP 2006" Warrants	16.83	30 June 2009 (1)	29 June 2016 (1)	9,760,225	15,000	737,980	9,899,471
"2006 network share ownership plan" Warrants	19.21	29 Oct. 2011	29 Oct. 2011	197,748	0	218,671	0
"ESOP 2006" Warrants (DenizBank)	18.73	15 Dec. 2009	14 Dec. 2016	235,000	0	30,987	228,878
Warrants granted in 2007							
"ESOP 2007" Warrants	21.02	30 June 2010 (1)	29 June 2017 (1)	10,322,550	0	493,956	10,883,145
Warrants granted in 2008							
"ESOP 2008" Warrants	9.12	30 June 2011	29 June 2018	7,093,355	0	110,906	7,553,684
"ESOP 2009" Warrants	11.44	30 June 2012	29 June 2018	3,466,450	0	224,660	3,531,624
"FP state guarantee" warrants (2)		11 May 2011	11 May 2016 (3)	2	0	0	2

(1) Except under specific conditions.
(2) Relates to the issue, decided by the Extraordinary Shareholders' Meeting on 11 May 2011, of a subscription right (warrant) in favour of the state of Belgium and a subscription right (warrant) in favour of the state of France, in relation to the mechanism for repayment of the guarantee granted by the Belgian and French states with regard to the obligations of Dexia related to the Financial Products activities of the FSA Group, within the context of the sale of FSA to Assured Guaranty. For a description of the specific characteristics of these subscription rights, please consult the special report of the Board of Directors of 18 March 2011: http://www.dexia.com/FR/governance/board_d_administration/rapports_speciaux/Documents/20110418_rapport_actions_de_bonus_FR.pdf.
(3) Warrants were issued for a term of five years.
(4) In order to protect warrant holders against adverse economic consequences arising from the issue of bonus shares following the resolution passed by the Extraordinary Shareholders' Meeting held on 11 May 2011, the exercise price for warrants was reduced and the number of warrants increased in accordance with an adjustment ratio determined in line with the Corporate Action Policy of Euronext NYSE Liffe. Those adjustments were observed by notarised deed dated 14 June 2011. By virtue of that adjustment, warrant holders are in the same financial situation as before the issue of the bonus shares.

Authorised capital (Article 608 of the Company Code)

The extraordinary shareholders' meeting held on 9 May 2012 stated that the authorised capital was reduced, following the capital reduction, to an amount equal to the new share capital, namely EUR 500,000,000.
The extraordinary shareholders' meeting held on 21 December 2012 then amended Article 6 of the articles of association in relation to the amount of authorised capital in order to state that the amount of authorised capital is at any time equal to the amount of share capital.
As at 31 December 2012, the amount of authorised capital is equal to the share capital, or EUR 6,000,000,000.

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

The Extraordinary Shareholders' Meeting on 13 May 2009 renewed the authorisation given to the Board of Directors for a new period of five years:
• to acquire the company's own shares on the market or in any other manner up to the legal maximum number for a counter-value established in accordance with the provisions of any law or regulation applicable at the time of the purchase, and which may not be less than one euro per share or higher by more than 10% of the last closing price on Euronext Brussels;
• insofar as needed, to dispose of the company's own shares, possibly beyond the maximum period of five years provided for their acquisition. Direct subsidiaries within the meaning of Article 627 § 1 of the Company Code are authorised to acquire or to dispose of the company's shares under the same conditions.

SUMMARY OF TRANSACTIONS ON OWN SHARES

Period from 31 Dec. 2011 to 31 Dec. 2012	Number of shares in circulation (subscribed capital)	Own shares (Dexia SA and direct subsidiaries)				
		Number of own shares	Accounting par (EUR)	Counter-value per share (EUR)	% of capital 31/12/11	% of capital 31/12/12
Situation at the beginning of the period	**1,948,984,474**	**324,634**	**2.37**	**8.936**	**0.02%**	**0.02%**
Acquisitions over the period	0	0	-		0.00%	0.00%
Cancellations over the period	0	0	-		0.00%	0.00%
Transfers over the period	0	0	-		0.00%	0.00%
Issues over the period	28,947,368,421					
Situation at the end of the period	**30,896,352,895**	**324,634**	**0.194**	**8.936**	**0.02%**	**0.001%**

The Shareholders' Meeting delegated all powers to the Board of Directors which, in its turn, entrusted those powers:
• if necessary to determine the terms and conditions of resale or disposal of own shares;
• to decide and if necessary to implement the disposal of the said own shares.

The Board of Directors did not however launch a programme to purchase own shares in 2012.
The balance of the portfolio of own shares as at 31 December 2012 corresponds to the number of Dexia shares still held by Dexia Crédit Local (direct subsidiary of Dexia SA within the meaning of Article 627 § 1 of the Company Code), within the context of a share option plan put in place by that subsidiary in 1999.

Overview of the direct holdings of Dexia SA as at 31 December 2012

The 9 direct holdings of Dexia SA as at 31 December 2012 are as follows:
• 100% in Dexia Crédit Local SA (France);
• 100% in Dexia Nederland BV (Netherlands);
• 100% in Dexia Participation Belgique SA[1];
• 99.40% in Associated Dexia Technology Services SA (Luxembourg);
• 100% in Dexiarail SA (France);
• 100% in DCL Investissements SA (France);
• 100% in Dexia Asset Management Luxembourg SA;
• 40% in Popular Bance Privada:
• 100% in Parfipar[2].

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

Agenda of the Shareholders' Meetings

The agendas for the Ordinary Shareholders' Meeting and the Extraordinary Shareholders'
Meeting to be held on Wednesday 8 May 2013 in Brussels are available on the Dexia SA Internet site: *www.dexia.com.*

(1) Liquidation forseen for Q1 2013.
(2) Parfipar was liquidated on 23 January 2013.

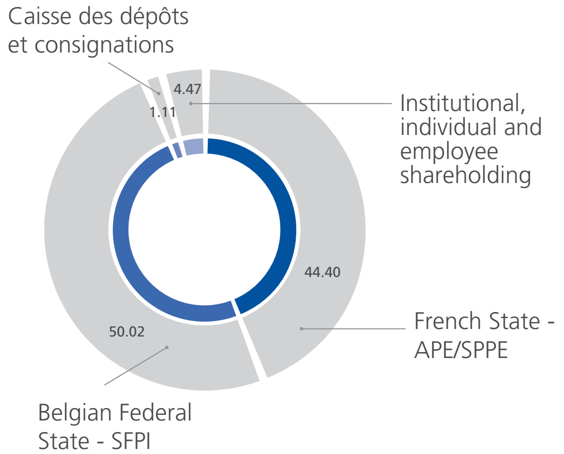
Notifications under the legislation on transparency

Under the terms of the Law of 2 May 2007 (the "Law"), relating to the publicity of major holdings in issuers the shares of which are admitted for trading on a regulated market, and the Royal Decree dealing with its execution dated 14 February 2008 which came into force on 1 September 2008, and on the basis of Article 5 of the articles of association of Dexia SA, shareholders are obliged to notify their holding to the Banking, Finance and Insurance Commission and to Dexia, insofar as it reaches a threshold of 1%, 3%, then 5% or a multiple of 5%.
To calculate percentages of holdings, the numerator consists of the number of voting rights attached to shares conferring voting rights or not associated with shares, reduced or increased by the number of voting rights which may be acquired on the exercise of similar financial instruments held by the person making the declaration. The denominator consists of the total of existing voting rights in Dexia SA as published on the website.
Dexia SA received various notifications from its shareholders, regarding operations realized in 2012 namely:
- **Norges Bank** (The Central Bank of Norway) which on 25 July 2012 rose above the statutory threshold of 1%;
- **Shareholders having concluded an agreement** under the terms of which they are deemed to constitute "persons acting in concert" (cf. paragraph entitled "Legislation on public takeover bids") fell below the threshold of 50% on 27 November 2012;
- **Belfius Bank & Insurance and the Société Fédérale de Participations et d'Investissement** (acting on delegation for the Belgian State) rose above the threshold of 20% on 28 November 2012 following the use by Belfius Bank of contractual rights to give instruction binding voting concerning shares given as collateral by respecting Arcofin in liquidation and Holding Communal in liquidation;
- **BlackRock Inc.** fell below the minimum threshold of 1% on 14 June 2011;
- The **French State** (Agence de Participation de l'Etat) and the **Société Fédérale de Participations et d'Investissement** (acting on delegation for the Belgian State) rose, following the Dexia SA capital increase on 31 December 2012, rose above the thresholds of 40% and 50% respectively;
- The **Walloon Region** and the **Flemish Region** (Vlaams Toekomstfonds) fell below the minimum threshold of 1% following the Dexia SA capital increase on 31 December 2012;
- **Shareholders having concluded an agreement** under the terms of which they are deemed to constitute "persons acting in concert" (cf. paragraph entitled "Legislation on public takeover bids") fell below the minimum threshold of 1% except the Caisse des dépôts et Consignations which retains a holding above 1%. They have given notification that the action in concert ended on 31 December 2012.

These notifications are published In full on the Dexia SA internet site.

The breakdown of the shareholder structure as at 31 december 2012 is the following:

DEXIA SHAREHOLDING STRUCTURE AS AT 31 DECEMBER 2012 (IN %)



Legislation on tender offers

"Grandfathering" regime

Under the terms of Article 74 of the Law of 1 April 2007 relating to tender offers, parties who, on 1 September 2007, either alone or in concert, hold more than 30% of the voting shares of a Belgian listed company, are not subject to the obligation to launch a tender offer for the shares of the said company, provided in particular that, by 21 February 2008 at the latest, they send a notification to the Banking, Finance and Insurance Commission and a communication to the said company.
On 30 August 2007, Dexia SA was informed of the conclusion by certain of its shareholders (Arcofin, Holding Communal, Caisse des dépôts et consignations, Ethias and CNP Assurances) of an agreement under the terms of which they are deemed to constitute "parties acting in concert" within the meaning of the Law of 1 April 2007 relating to tender offers. The holding of the shareholders acting in concert in the capital of Dexia SA exceeds a threshold of 50%.
This agreement was the object of a notification to the CBFA and a communication to Dexia SA in accordance with Article 74 § 6 and 7 of the Law of 1 April 2007 relating to public takeover bids.
The principal elements of that communication are published on the Dexia SA internet site.
Moreover, in accordance with Article 74 § 8 of the said Law, the parties acting in concert must annually notify any change of their holding occurring since 1 September 2007.
Within this context, each year Dexia SA receives an update listing the transactions carried out on Dexia shares by the different shareholders acting in concert (and associated parties) as well as, if such should be the case, any changes of control holding within the meaning of Article 74 § 8 of the said Law.
The essential of the notifications received in 2011, which are available in full on the Dexia SA internet site under the heading "Legal Information/Belgian tender offer rules", is listed in the following table (table to follow).
However, shareholders acting in concert notified Dexia SA of the termination of the agreement binding them with effect from 31 December 2012.

	2011		2012	
	Number of shares held with voting rights	Percentage of shares held with voting rights	Number of shares held with voting rights	Percentage of shares held with voting rights
Arcofin SCRL in liquidation	263,080,112 (1)	13.50 %	202,383,258 (2)	10.38 %
Arcopar SCRL in liquidation	3,464,194 (1)	0.18 %	1,623,443 (2)	0.08 %
Arcoplus SCRL in liquidation	710,702 (1)	0.04 %	732,949 (2)	0.04 %
Arcosyn SA in liquidation	789,692 (1)	0.04 %	811,940 (2)	0.04 %
Auxipar SA	1,131,596 (1)	0.06 %	1,153,844 (2)	0.06 %
Holding Communal in liquidation	278,495,869 (3)	14.29 %	277,690,318 (4)	14.26 %
CNP Assurances SA	57,715,526 (1)	2.96 %	57,715,526 (6)	2.96 %
Caisse des dépôts et consignations	343,286,618 (1)	17.61 %	343,286,618 (6)	17.61 %
Ethias Droit Commun	0 (5)	0 %	0 (7)	0 %
Ethias SA	0 (5)	0 %	55,290 (7)	0.003 %
Ethias Investment RDT-DBI SA	0 (5)	0 %	0 (7)	0 %
Vitrufin SA (formerly called Ethias Finance SA)	98,235,361 (5)	5.04 %	98,235,361 (7)	5.04 %

(1) As at 31 August 2011.
(2) As at 30 August 2012.
(3) As at 27 August 2011.
(4) As at 29 August 2012.
(5) As at 26 August 2011.
(6) As at 30 August 2012.
(7) As at 13 August 2012.

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

Capital structure as at 31 December 2012

The shareholder structure is detailed on page 14, and the information relating to share capital is provided on page 44 of the Declaration of Corporate Governance.

Legal or statutory restriction on the transfer of shares

In 2007, Dexia SA issued a share ownership plan reserved for members of staff of the Dexia Group which took the form of a capital increase reserved for members of staff of the Dexia Group enabling them to subscribe either in a classic investment or in a structured leverage formula.
Members of staff had the opportunity to subscribe directly or indirectly via a lever effect to new Dexia shares at a discount of 20% on the share price provided the shares thus acquired by members of staff were non-transferable for five years.
The period of immobilisation of the last tranche of shares immobilised within this framework ended in October 2012 and the remaining shares were unfrozen at that time. As at 31 December 2012, there was no longer any share ownership plan in force.

Holders of any security bearing special control rights

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

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

Not applicable.

Legal or statutory restriction on the exercise of voting rights

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

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

Not applicable.

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

The rules relating to the appointment and replacement of members of the Board of Directors are detailed on page 18 of the Declaration of Corporate Governance as well as the Corporate Governance Charter published on the company's internet site.
The company's articles of association may be amended in accordance with the provisions of the Company Code.

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

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

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

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

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

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

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

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

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

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

Shareholder information

Evolution of the market price and the shareholder structure in 2012

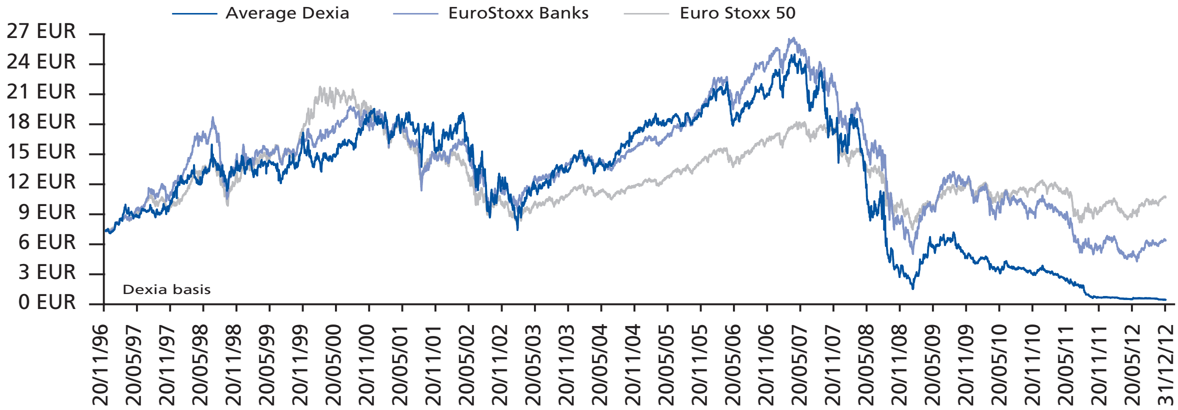
Despite a dull economic context, apart from a few rare exceptions European and global stock markets closed the year 2012 in positive territory. This development was in two phases, marked by the very severe volatility of the various market indices.
The market initially posted a fall in the first half-year, essentially associated with the European sovereign debt crisis, with investors fearful of the consequences of any fragmentation of the euro zone. Uncertainties as to growth in the United States and China also weighed on markets.
Markets then saw a significant rebound in the second half-year, illustrated for instance by growth of + 27.4% on the EuroStoxx50. This evolution resulted from various factors, such as the implementation of major reforms by countries in the south of the euro zone, the appointment of Mario Monti as head of the Italian government and the support given by the German Chancellor to his action plan, and the decision of the European Central Bank if necessary to purchase the debts of euro zone countries in difficulty.
Against that background, banking stocks evolved more positively than stocks as a whole in the second half-year. Nonetheless, annual performance remains weaker, in view of the sharp fall posted by those stocks between January and June 2012. Indeed, the EuroStoxx Banks rose 12% between 1 January and 31 December 2012, driven by the disappearance of "worst case scenarios" within the euro zone and also by sector restructuring and the stabilisation of balance sheets with a view to Basle III.
For Dexia, the year 2012 was marked by a further fall of the share price against the backdrop of implementation of the Group's orderly resolution plan relying principally on the disposal of its operating franchises and the run-off of residual assets with the activation of the liquidity guarantee granted by the Belgian, French and Luxembourg States.

In line with the undertakings they made and to enable Dexia to conclude the Group's resolution, ongoing since the end of 2011, on 31 December 2012 the Belgian and French States subscribed to a capital increase for Dexia SA in an amount of EUR 5.5 billion, taking the form of preference shares.
The subscription price for those preference shares was fixed at EUR 0.19 per share. In accordance with Article 598 of the Belgian Companies Code this price corresponds to the average Dexia share price during the 30 calendar days preceding the decision by the Board of Directors taken on 14 November 2012, to propose a capital increase to the Extraordinary General Meeting[1].
These preferential subscription rights were a crystallisation of the principle, already stated by Dexia on publication of the Annual Report for the 2011 financial year, by which any future improvement of its financial situation should first and foremost benefit the guarantor States, considering the risks they were running. They also responded to the requirement of burden-sharing stated by the European Commission in relation to the rules governing State aid.
Reserved for the States, this capital increase was approved by a very large majority of shareholders (99.4%) at the Extraordinary General Meeting of Dexia SA held on 21 December 2012 and by the European Commission, in approving the Group's revised orderly resolution plan.
As illustrated on page 14 of this Annual Report, the capital increase significantly altered the Group's shareholder structure. In fact, the Belgian and French States became majority shareholders with holdings in the capital of Dexia SA of 50.02% and 44.40% respectively. Its proprietary consequences were also particularly significant for the shareholders of Dexia SA.
Under those conditions, after a severely negative year in 2011, the share again lost almost 76% in 2012, with its market price falling from EUR 0.297 to EUR 0.07 between January and December 2012.

(1) For more information, consult the notice of convocation of the extraordinary shareholder meeting, 21 december 2012, on www.dexia.com.

STOCK EXCHANGE DATA	**31/12/11**	**31/12/12**
Share price (in EUR)	0.297	0.07
Market capitalisation (in millions of EUR)	579	2,163
	2011	**2012**
Highest/lowest price (in EUR)	3.571/0.220	0.350/0.07
Average daily volume of transactions (in thousand of EUR)	8,560	731
Daily number of securities exchanged (in thousand shares)	5,562	3,671

DEXIA'S STOCK MARKET PERFORMANCE (FROM NOVEMBER 1996 TO 31 DECEMBER 2012)



EVOLUTION OF THE NUMBER OF SHARES	31/12/08	31/12/09	31/12/10	31/12/11	31/12/12
Number of shares	1,762,478,783	1,762,478,783	1,846,406,344	1,948,984,474	30,896,352,895 (1)
of which own shares	*293,570*	*293,570*	*307,548*	*324,633*	*324,633*
Subscription rights (warrants)	71,787,214	71,242,716 (2)	70,960,487 (2)	64,474,087 (2)	60,386,176 (2)
Total number of shares and subscription (3)	1,834,559,567	1,833,721,497	1,917,366,829	2,013,458,561	30,956,739,071

(1) of wich 1,948,984,474 class A shares and 28,947,368,421 class B shares.
(2) This amount does not take into account the two warrants issued in the framework of the state guarantee in relation to the sale of FSA.
(3) For more details, consult the legal information at www.dexia.com.

DATA PER SHARE	31/12/08	31/12/09	31/12/10	31/12/11	31/12/12
Earnings per share (1) (in EUR)					
- basic (2)	(2.42)	0.55	0.37	(5.97)	(1.47)
- diluted (3)	(2.42)	0.55	0.37	(5.97)	(1.47)
Average weighted number of shares (1)					
- basic (4)	1,372,373,776	1,846,098,796	1,948,659,841	1,948,659,841	1 948 659 841
- diluted (4)	1,372,373,776	1,846,098,796	1,948,659,841	1,948,659,841	1 948 659 841
Net assets per share (in EUR) (1) (5)					
- relating to core shareholders' equity (6)	9.47	10.02	10.41	3.89	0.35
- relating to total shareholders' equity (7)	2.12	5.52	4.85	(1.04)	0.09
Dividend (in EUR)					
Gross dividend	- (8)	- (9)	- (10)	- (11)	- (12)

(1) The average weighted number of shares, the earnings per share and the net assets per share have been restated to take into account the issue of bonus shares distributed to the shareholders and to enable comparison.
(2) The ratio between the net income Group share and the weighted average number of shares.
(3) The ratio between the net income Group share and the average weighted diluted number of ordinary shares.
(4) Excluding own and preference shares.
(5) The ratio between the net assets and the number of shares at the end of the period (after deduction of own shares).
(6) Excluding reserves on shares available for sale, fair value of hedge derivatives and conversion differences.
(7) Including reserves on shares available for sale, fair value of hedge derivatives and conversion differences.
(8) No dividend was paid for the 2008 financial year.
(9) On the proposal of the Board of Directors, the Extraordinary Shareholders' Meeting of 12 May 2010 approved a capital increase of EUR 352,915,394.01 by incorporation of reserves and the issue of 83,927,561 bonus shares granted to shareholders on 11 June 2010 prorata their shareholding.
(10) On the proposal of the Board of Directors, the Extraordinary Shareholders' Meeting of 11 May 2011 approved a capital increase of EUR 243,110,168.10 by incorporation of reserves and the issue of 102,578,130 bonus shares granted to shareholders on 14 June 2011 prorata their shareholding.
(11) No dividend was paid for the 2011 financial year.
(12) Considering the net loss of EUR 2.8 billion posted for 2012, there will be no dividend paid to the shareholders for the financial year 2012.

PRINCIPAL DEXIA SHAREHOLDERS	Percentage of existing shares in Dexia SA held as at 31 December 2012
Belgian Federal Government through Société Fédérale de Participations et d'Investissement	50.02%
French Government through Société de prise de participation de l'État	44.40%
Caisse des depots et consignations	1.11%
Other institutional and individual shareholders	4.47%

STOCK MARKET RATIOS	2008	2009	2010	2011	2012
Pay-out ratio (in %) (1)	- (2)	- (3)	- (4)	- (5)	- (6)
Price earnings ratio (7)	n.a.	7,8x	6,7x	n.a.	n.a.
Price to book ratio (8)	0,3x	0,4x	0,2x	0,08x	0.2x
Annual yield (in %) (9)	- (2)	- (3)	- (4)	- (5)	- (6)

(1) The ratio between the total dividend and the net income Group share.
(2) No dividend was paid for the 2008 financial year.
(3) On the proposal of the Board of Directors, the Extraordinary Shareholders' Meeting of 12 May 2010 approved a capital increase of EUR 352,915,394.01 by incorporation of reserves and the issue of 83,927,561 bonus shares granted to shareholders on 11 June 2010 prorata their shareholding.
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(5) No dividend was paid for the 2011 financial year.
(6) See below "Dividend policy".
(7)) The ratio between the average share price as at 31 December and the earnings per share for the year. For the period 2007-2008, the average price on Euronext Brussels and Euronext Paris. On 14 January 2009, following the introduction of the single order book, the benchmark for the Dexia share became Euronext Brussels.
(8) The ratio between the share price as at 31 December and the net assets per share as at 31 December (related to core shareholders' equity).
(9) The ratio between the gross dividend per share and the share price as at 31 December.

Dividend policy

Considering the net loss of EUR 2.8 billion posted for 2012, there will be no dividend paid to the shareholders for the financial year 2012.

Relations with shareholders

In 2013, Dexia will meet its shareholders at the Ordinary and Extraordinary Shareholders' Meetings to be held in Brussels on Wednesday 8 May.

Human Resources

Impacts of implementation of the orderly resolution plan on the role of the HR support line

Since the announcement (in October 2011) of the Dexia Group orderly resolution plan and in particular the sale of Dexia Bank Belgium (now named Belfius Bank and Insurance) to the Belgian State, the primary and constant objective of human resources has been to guarantee the most regular and concrete social communication possible, to monitor Group developments and to ensure that the demerger of the entities goes smoothly and calmly without operational hitch. Social dialogue, organised in line with the principles of social management of the Dexia Group and of Dexia SA, has always been at the heart of human resources action.

In Belgium, taking account of the close functional links which exist between Belfius Bank and Insurance and Dexia SA, service agreements were rapidly concluded in order to ensure the operational continuity of the two establishments. The resolution of these operational links at a human resources level was realised through transfers of activities and of personnel between the entities throughout the year 2012. Moreover, the agreement to sell Dexia Bank Belgium to the Belgian State provided that, under certain conditions, Dexia Bank Belgium would offer staff members of Dexia SA in Belgium the opportunity to be transferred from Dexia Bank Belgium or its subsidiaries, respecting all the rights they had already acquired. Two collective agreements were therefore concluded at the end of 2011: an agreement between Dexia SA, Dexia Bank Belgium and the social partners concerning the transfer of personnel and certain activities of Dexia SA to Dexia Bank Belgium and an agreement between Dexia SA and its social partners in relation to measures for the early departure of Dexia SA staff members in Belgium. The reorientation, information and transfer of staff members were priority tasks for human resources. This context of social negotiation was accompanied by psychological support, manager coaching, targeted training for staff members and individual interviews.

During 2012, implementation of the Dexia Group orderly esolution plan continued and Dexia fulfilled its undertakings to sell its main commercial franchises.

Against that background, Human Resources teams were mobilised to assist staff members, to keep them informed of the evolution of the Group's scope, the measures taken and the agreements resulting from them.

Over the year 2012, 150 staff members of Dexia SA were transferred to Belfius Bank and Insurance or to another company (initially) part of the Dexia Group, in execution of the collective agreement concerning staff transfers. On the other hand, 105 Dexia SA staff members left the Group in accordance with the provisions of the agreement setting the measures for early departure.

Human Resources teams also assisted those staff members to whom Dexia proposed they continue their activities within the residual structure. Individual interviews were held with each of them in order to answer their questions and to be assured of their lasting commitment to continuing their tasks within Dexia.

A stable team of 92 staff members and executives, all support lines combined, was established in Belgium with a view to ensuring the continuity of activities.

In France, the orderly resolution plan was reflected in particular by the transaction to sell Dexia Municipal Agency (DMA) which was attached to a new entity, the Société de Financement Local (SFIL), held by the French State, the Caisse des Dépôts et Consignations (CDC) and La Banque Postale (LBP).

As parent company of DMA, the plan for its sale and attachment and the new scheme planned with the French State, the CDC and LBP for financing the French local public sector had consequences on Dexia's scope of activity, resulting in a simplification in its mode of operation and the organisation of its teams, as well as resizing of them.

Considering Dexia's economic situation and the new scope of its activity, at the end of the period of discussions with staff representatives, the reorganisation project was reflected by the cut of approximately 350 occupied posts.

Social accompaniment measures were negotiated with staff representatives in favour of the employees impacted by the reorganisation. These were reflected by the implementation of a Job Safeguard Plan on 28 September 2012, which in particular gave rise to measures for voluntary departures, open initially to staff members in posts directly subject to elimination and, consequently, to staff members in a professional category in which there were job losses and for whom acceptance of voluntary departure might in time avoid forced redundancy.

Voluntary departure fosters the exit of employees who intend to leave the company, as opposed to "forced" redundancies, provided they present a professional project or a training file with a view to professional redeployment.

Key figures for Human Resources

After the sale of DenizBank and Banque Internationale à Luxembourg, finalised on 28 September 2012 and 5 October 2012 respectively, at the end of 2012 the Dexia Group had 3,373 staff members, of 54 different nationalities, in 23 countries.

• Length of Service – more than 80% of staff members joined the Group less than ten years ago and the average length of service of staff members is 8.3 years.

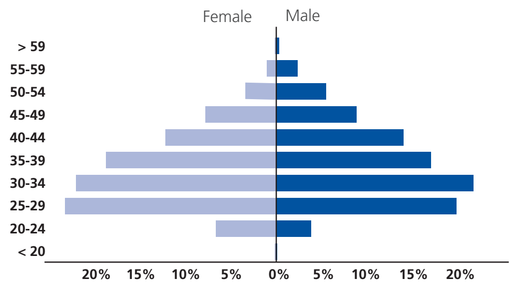
• Age – Group staff members are young: in all, 49% of staff members are below 40 and 68% are below 45. The average age is 41 for men and 39 for women, and the overall average age is 40.

• Men/women – the global split of the workforce between men and women is 58.8% and 41.2% respectively.

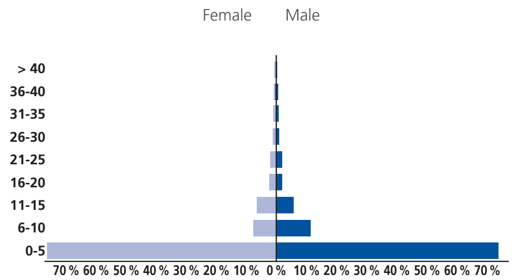
• 95% of staff members are on indefinite term contracts.

• Part time – 10% of Group staff members work part time.

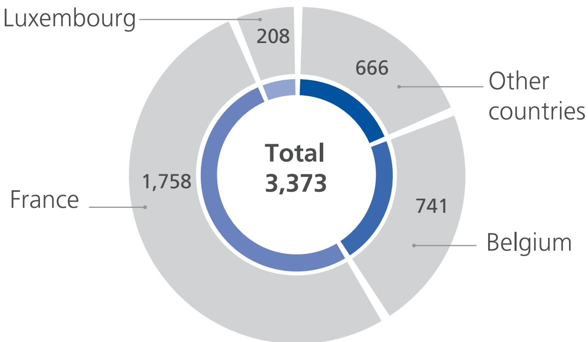
AGE PYRAMID



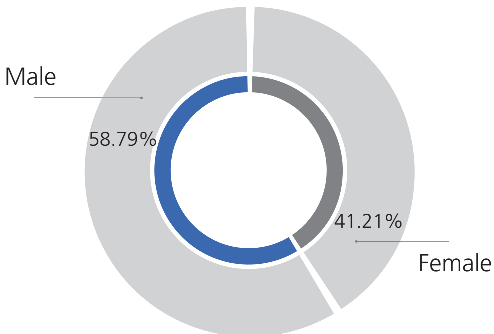
SENIORITY PYRAMID



STAFF MEMBERS AS AT 31 DECEMBER 2012



GENDER BREAKDOWN



Training

The field of training was also impacted by Group evolution. The Dexia Corporate University (DCU) developed a specific range of training programmes aimed at supporting employees within the framework of the orderly resolution. Following the cessation of its activities on 31 March 2012, after seven years of active support for Group strategy through networking and the training of managers and employees of the Dexia Group, training sessions organised earlier by the DCU were taken over by the various Group entities which decided on their continuity or the modification of their content.

The entities continued and adapted the various training schemes, ensuring that each staff member has the necessary skills for the post they occupy. This year, the emphasis was placed more particularly on the development of business lines, change accompaniment, managerial skills, and the prevention and detection of psycho-social risks, whilst continuing the training required by regulatory mechanisms or agreements in place in each country.

Working conditions

In order to ensure the health and safety of its staff members, the Dexia Group places a particular emphasis on the prevention and detection of psycho-social risks. This was one of its priorities in 2012 and it will remain so in 2013.

From this perspective an inventory was established in 2012 of the measures for prevention and detection of psycho-social risks in place in the various Group entities. Account was taken of the specific legal aspects depending on the country in which the entity was located, with the aim of ensuring a constant balance between the needs and the measures in place to renew, adapt or implement the various initiatives in association with Group evolution.

The Human Resources teams and team leaders were key resources within the context of this mechanism of training and preventive actions. Indeed, team leaders were specifically trained and made aware of the prevention and detection of psycho-social risks, so that by organising work and listening in the most targeted manner possible, they could pay particular attention to the prevention of such risks within the Group.

Staff members therefore benefited from information, awareness and training sessions on the prevention and management of stress and uncertainty, coaching and even external assistance in the form of psychological support. Exchange groups were also created and close collaboration was commenced with staff representatives as well as the medical and social service.

Recruitment, mobility, career management

As for recruitment, 2012 was marked by the strict monitoring of vacant posts and an extremely selective external recruitment policy. The priority objective was to transfer, in particular in accordance with the collective bargaining agreement concluded on 21 December 2011, a maximum of staff members of Dexia SA Belgium and Luxembourg to entities present in those countries.

These transfers were organised in five successive waves and were managed by the Career Committee, with its considerably enlarged scope of activity, renamed for the occasion as the Mobility Committee[1]. With a view to integrating these additional staff members, the receiving entities for the most part suspended their external recruitments. Only the operating risk met in certain departments justified ad hoc recourse thereto.

Furthermore, over the three job pools (Belgium, France, Luxembourg), implementation of the disposal plan, as announced in the autumn of 2011, also justified limiting external recruitments to a maximum in order to foster the implementation of measures for restructuring and the accompaniment of staff members via internal mobility.

As for career management, policy principally revolves around lines of development for staff members and the retention for some.

Although some development actions, such as DEAL, were ceased, others were continued within the Group's main entities, as programmes and methodology had been transferred.

(1) This Committee which previously managed the mobility of the senior executives is composed with recruiters and/or business partners from the various entities.

For Dexia employees, the emphasis was placed on ad-hoc training to provide better accompaniment in the restructuring process.

Finally, with a view to constituting a residual bank, retention actions were implemented and in particular consisted of proactively offering training courses and/or career paths to staff members identified as necessary for operational continuity.

Remuneration

With a view to avoiding a major operating risk associated with the simultaneous departure of a large number of staff members of Dexia SA in Belgium, the collective agreement fixing departure measures concluded within that company integrates a retention dimension. Indeed, for staff members for whom maintenance in the service of the company until a specific date was considered, by virtue of their activity, to be necessary for operational continuity, this agreement fixes indemnities, the amount of which is only granted on condition of their remaining in such service until a date determined by management. In the case of early departure, that amount is significantly reduced.

Nevertheless, given that the collective agreement was negotiated from the point of view that there would no longer be an establishment in Belgium, as at 31 December 2012, in accordance with the collective agreement, all staff members in Belgium were entitled to leave the company. A mass exit might have raised a major operational risk for the company and could not be explained politically.

The Hyperion Foundation, a non-profit-making organisation (like any foundation under Belgian law), had the object of making the severance payments (arising from the collective agreement) instead and in place of Dexia, insofar as staff members agree to remain within Dexia SA Belgium at least until October 2014, in order to assist with the Group's orderly resolution and thus to avoid the materialisation of such an operational risk (resulting from a (mass) exit of staff members).

This structure was implemented in accordance with the governance of the Dexia Group (a decision by the Management Board and the Board of Directors on a proposal by the Appointments and Compensation Committee) and after informing staff representatives in Belgium and the Belgian regulator, concerned about the significant operational risk facing Dexia.

Other retention measures were put in place in favour of key staff members within the subsidiaries of Dexia SA in order to maintain the knowledge and expertise necessary for realisation of the orderly resolution plan.

These measures were made necessary to the extent that, by virtue of the orderly resolution plan, the entities concerned will no longer, in time, be in a position to offer their employees satisfactory job prospects over the long term but will nonetheless for a longer or lesser term frequently retain large portfolios, the management of which requires expertise and knowledge of a data history.

Moreover, recurrent projects in relation to the remuneration and to the benefits granted to staff were continued in 2012. That context, for instance, included management of the exit from the 2007 share ownership plan which enabled HR teams to continue the work of informing staff members of the terms associated with that maturity.

More detailed information on the remuneration policy is provided in the chapter entitled "Remuneration Report" of the chapter "Corporate Governance Declaration" of this Annual Report (page 31).

Social dialogue

The Dexia European Works Council (EWC) has 22 permanent members from 10 different entities in 4 countries.
This social body is competent to enter into discussions with management on any major question of a cross-border nature. Considering the topicality and the information-consultation process associated with the Group's announcement of new measures severely impacting its structure, the year was particularly busy and numerous meetings were organised (15 meetings of the European Works Council, 14 meetings of the EWC Executive) in order to provide staff representatives with information and to respond to their requests.
At a local level, social dialogue was intense in all Group entities. In fact, within their entities, the social partners furthered the information-consultation process brought about by the orderly resolution plan.
Finally, the orderly resolution plan also involved a gradual revision of the composition of the social dialogue bodies considering on the one hand the disposal of Group entities and on the other hand the gradual reduction of the workforce.

The EWC remains within the Group, considering the maintenance of several sites in Europe. Management and the social partners agreed that the representation of each entity in 2012 would be contractually maintained in the future in order to maintain quality dialogue.

Risk management

Introduction

Dexia Group's orderly resolution continued in 2012 and demanded considerable reactivity on the part of the Risks support line in coping with events occurring during the year.
The organisation of the Risks support line and its governance were adapted in 2012 following the transfer of activities and teams to Belfius Bank and Insurance (previously Dexia Bank Belgium) and in order to anticipate the disposal of Dexia Municipal Agency (DMA) and the creation of the Société de Financement Local (SFIL).
Furthermore, three major disposals were finalised in 2012: Denizbank, Banque Internationale à Luxembourg and RBC Dexia Investor Services. These disposals resulted in Dexia's exposure being reduced by EUR 58.9 billion.
Although it remained tense, Dexia's liquidity situation improved considerably in 2012, following the reduction in size of the Group's balance sheet, and the easing of the sovereign debt crisis. As at 31 December 2012, Dexia had been able fully to repay its emergency liquidity line from the ECB, however, this situation remains temporay. The provisional liquidity guarantee granted by the Belgian, French and Luxembourg States was drawn to an amount of EUR 54.1 billion.
The evolution of the budget situation of sovereign states continued to be at the heart of Dexia's concerns, in view of its exposure to Italy, Spain, Portugal and Greece. Hungary was also paid increasing attention, as recent reforms are weakening the financial health of local authorities.
In France, in 2012, difficulties in the health sector resulted in an increase of repayment arrears, the majority of which were settled however. In the local public sector, despite a satisfactory financial situation overall, repayment arrears rose, albeit moderately. The reasons for this are (i) more difficult access to credit, (ii) a one-off liquidity problem associated with the non-renewal of credit lines and (iii) the objection by some clients to the conditions of their structured loans.
As a direct consequence of the Dexia Group orderly resolution plan and the significant reduction of its balance sheet, Dexia is no longer considered to be a systemic international bank, a Global Systematically Important Financial Institution (Global SIFI). It nonetheless remains a systemic bank at a national Belgian level, a Domestic Systematically Important Financial Institution (Domestic SIFI).

Governance

The task of the Risks support line is to implement independent and integrated risk measures for the various types of risks, to monitor and manage them, to identify risks, to alert the relevant committees proactively and to decide on the amount of provisions necessary.
The organization of the Risk support line has been adjusted following the transfer of Brussels based team members to Belfius Bank and Insurance. Business continuity has been ensured thanks to the conclusion of Service Level Agreements (SLA) between Dexia and Belfius with July-end 2013 as ultimate date.
The organization has been further streamlined in line with the strategic options included in the orderly resolution plan and the new activity perimeter as such anticipating the creation of the 'Société de Financement Local (SFIL).
This change in organization has been driven by a mutualisation of the DSA and DCL risk teams, by the reconstitution of some of the risk teams following the transfer of team members to SFIL and the creation of a 'restructuring and workout' team in charge of the active restructuring and the recovery of the relating outstanding amounts.
In order to adapt to its new perimeter of activity, Dexia commenced a reshaping and a simplification of its governance with regard to risks. The number of committees was reduced considerably, reflecting on the one hand the abolition of committees specific to certain activities (i .e. the committee dedicated to retail banking activity) and on the other hand the merger of committees with similar responsibilities or fields of activity. This new governance revolves around the Risk Committee, composed of the members of the Management Board. This committee has responsibility in particular for ruling on all transactions with a major impact on Dexia (credit risk, liquidity risk, impact on result or the level of capital) as well as various policies and directives.
Since the end of 2012, the Risks support line has operated under two main managements: Risk Management in charge of Credit Risk, Market Risk and Operational Risk and Permanent Control and Risk Management in charge of "Risk Quantification. Measurement, Validation and Reporting". The latter bringing together two transverse functions: "Risk Quantification, Measurement and Reporting" (all of the support functions to the Risks support line), and "Validation and Quality Control". This organisation also relies on the mutualisation of existing risks teams at a Dexia SA and Dexia Credit Local level, organised in competence centres on which the Risks Managements of the Group's subsidiaries can rely.
The heads of these two managements, along with the member of the management board in charge of risks, are the members of the Risk Management Executive Committee (Risk

Excom). The role of this committee is to determine the risk management overall strategy, define and follow up on Risk Management organization, follow up on major regulatory issues, methodologies and projects and review key risk issues.

The organisation and governance presented below correspond to the structure in place on the date of publication of the report.

Credit Risk

Definition

Credit risk represents the potential loss, materialised by the reduction in value of an asset or by repayment arrears, which Dexia may suffer as a result of a deterioration of the solvency of a counterpart.

Organisation

Risk Management supervises Dexia's credit risk, under the aegis of the Management Board and specialist committees. It is in charge of defining the Group's credit policy regarding credit risk, which encompasses the decision-taking process for the grant of credits, the supervision of processes for rating counterparts, the analysis of credit files and the monitoring of exposures.

Committees

Credit risk management revolves around the Risk Committee, which approves risk policies for the entire Group and rules on larger transactions from a credit risk perspective. The Risk Committee delegates its decision-taking power to credit committees. This delegation is governed by specific rules, by type of counterpart, on the basis of their level of rating and the amount of the exposure.
The Risk Committee remains the decision-taking body of last resort for larger credit files or those presenting a level of risk considered sensitive. For each file presented to the credit committee, an independent analysis is performed, presenting the main risk indicators, as well as a qualitative analysis of the transaction. In general, the activity of the credit committees was extremely limited in 2012 in view of the move to management in orderly resolution of most of the Group's portfolio.

Several committees are in charge of supervising specific risks. These committees meet on a quarterly basis and in particular are:
• the Watchlist committee, which supervises assets considered "sensitive" and placed on watch;
• the Default committee, which qualifies and monitors counterparts in default applying rules prevailing at Dexia and in compliance with the Basle II regulatory framework;
• the Provisions committee, which decides on the amount of provisions allocated and supervises the cost of risk;
• the Rating committee, which ensures the correct application of internal rating systems and the appropriateness of the rating process having regard to the principles established and to the homogeneity of those processes within the various entities.

Credit Risk Management in each Dexia Group entity focuses on its own domestic market and is responsible for the analysis and surveillance of local counterparts.

Market Risk

Definition

Market risk represents the Group's exposure to variations of market parameters, such as interest rates and exchange rates.

Interest rate risk consists of a structural interest rate risk and a specific interest rate risk associated with the issuer. The latter arises from variations of the credit spread of a specific signature within a rating class. As for exchange risk, this represents the potential decrease in value due to the fluctuation of exchange rates of currencies against the euro.

Organisation

Financial Market Risk Management (FMRM) supervises market risk under the aegis of the Management Board and specialist risk committees. Relying on its global risk management approach, it is responsible for identifying, analysing, monitoring and reporting risks and results (including the valuation of financial instruments) associated with market activities.
Policies, directives and procedures documenting and framing each of the market activities are applied to the entire Dexia Group. Central teams within the competence centres have the task of defining methods of calculation of the income statement and measuring risks, as well as guaranteeing the consolidated measurement, reporting and monitoring of the risks and results of each of the activities for which they are responsible.
Established in the operating entities, local FMRM teams are in charge of monitoring daily activity, i.e. inter alia the implementation of policies and directives defined at a Group level, the assessment and monitoring of risks at a local level (calculating risk indicators, controlling limits and triggers, framing new activities / new products, etc.), as well as reporting, reconciliation with local management control, accounts and information systems. Each operating entity is also responsible for monitoring and reporting to local management committees as well as to local supervisory and regulatory bodies.

Committees

The Market Risks Committee (MRC) meets each month and deals with the following matters: definition and revision of limits, analysis of ratios in relation to risks and results triggers[(1)] and decisions relating to them, discussion of directives, governance and norms with regard to risks, risk concepts and methods for measuring risks, and the quality of the valuation process.
A Valuation and Collateral Market Risk Committee (V&C MRC) meets each quarter to analyse indicators relating to the management of collateral and to examine the quality of valuations of structured products.
The Risks Committee (RC) and the Risk Management Executive Committee validate all major changes to be made to the risk profile or risk governance.

(1) Results triggers warn of a deterioration of results and are expressed as a percentage of VaR limits, i.e. generally 50%, 75% and 100% for triggers 1, 2 and 3 and cease activity at 300% of VaR.

Balance Sheet Management

Definition

Balance Sheet Management (BSM) is in charge of managing all structural risks associated with the banking book, i.e. rate risks, exchange risks, liquidity risks and result risks.
Cash and Liability Management (CLM) is in charge of managing cash and covering short-term rate risks.
The definitions of structural and specific interest rate risk and exchange risk are detailed in the chapter on market risk.
Liquidity risk measures the Group's ability to deal with its current and future cash requirements, both discounted and in the case of a deterioration of the situation, with the Group working on various stress scenarios.

Organisation

Balance Sheet Management (BSM) is under the responsibility of the Finance support line and has the task of managing the structural risks of the entire Group.
Within Risk Management, a dedicated team, called BSM Risks, is in charge of defining the risk framework (risk factors, limits, investment universes, parameters), of validating models used in the effective management of this risk, of monitoring exposures and checking the compliance in relation of Group standards, of defining stresses to be applied to different risk factors and of validating risk management by the Finance support line and ensuring the compliance of the framework with external regulations in force.

Committees

ALM risks (Balance Sheet Management – BSM) are managed within the Dexia ALCo committee (Group Assets & Liabilities Committee) which meets on a quarterly basis. The Dexia ALCo committee decides on the global risk framework, fixes limits, guarantees the consistency of strategy and delegates operational implementation to local ALCo. The Dexia ALCo committee decides globally on the level of exposures, consistent with the decisions of the Management Board. Local ALCo committees manage the risks specific to their balance sheet within the framework defined by and under the responsibility of the Group ALCo committee.

The Funding and Liquidity Committee (FLC), by delegation from the Dexia ALCo committee, centralises and coordinates the decision-taking process concerning liquidity matters. The FLC is responsible for surveillance of the Group's liquidity position, its evolution and its cover by short, medium and long-term resources. It monitors the achievement of liquidity targets set by the Management Board and contributes to elaborating strategies for funding and the disposal of assets which will enable the Group to overcome deteriorating stress scenarios realised internally or on the request of the regulators. It validates the price mechanisms for internal disposals within the Dexia Group. The FLC, which meets on a weekly is doing everything to improve the Group's liquidity profile.

Operational Risk and Permanent Control

Definition

Operational risk represents the risk of financial or non-financial impact arising from a shortcoming or failure of internal processes, personnel or systems, or even external factors. This definition includes IT, legal and compliance risks.
Permanent Control (excluding compliance) has the task of checking that the risk control mechanism in place is robust and effective, and of ensuring the quality of accounting and financial information and the quality of information systems.

Organisation

The operational risk management framework within Dexia relies on governance including clearly defined responsibilities and roles.

- The Management Board regularly examines the evolution of the risk profile of the various Group activities.
- The Risks Committee approves the policy for the entire Group.
- The Operational Risk Acceptance Committee (ORAC), meeting on a quarterly basis, examines the main risks identified, decides on whether they are acceptable or not, and the corrective actions to be taken. It also validates proposals for assessing prevention or improvement in relation to the various elements of the mechanism (permanent control, IT security, insurance programmes and so on). It is chaired by the member of the Management Board Head of Risk Monitoring, in charge of risk analysis, shared services and international subsidiaries.
- Intermediary management remains the principal guarantor of operational risk management. In each field of activity, it appoints a correspondent for operational risks whose role is to coordinate the collection of data and to assess risks, with support from the local operational risk management function.
- The IT systems security committee examines and decides on actions to be taken to ensure business continuity and the implementation of IT systems security policy.

Permanent Control excluding compliance in the Dexia Group is run by the Dexia operational risks director. In order to ensure consolidated surveillance, permanent control relies on risk measurement and surveillance teams, on decentralised means within departments, subsidiaries and branches, and on consulting mechanisms within the framework of permanent control committees.

Risk Monitoring

Credit risk

Dexia policy regarding credit risk

In order to manage credit risk, Dexia Risk Management has put a general framework of policies and procedures in place. This framework guides credit risk management in its functions of analysis, decision-taking and risk surveillance.
Risk Management manages the process of granting credit by delegation to different committees and heads of support lines, within the limits put in place by the bank's management and chairing credit committees. Within the context of its credit risk surveillance function, Risk Management, and more particularly the different teams in charge of credit risk, follow the evolution of the credit risk of portfolios by regularly analysing credit files and reviewing ratings. It defines and also implements policy regarding provisions. It qualifies files in default, and decides on specific and collective provisions.

Risk assessment

As Dexia adopts an IRBA Advanced approach, the assessment of credit risk relies principally on internal rating systems put in place by Dexia within the context of Basel II: in the Advanced approach, each counterpart is attributed an internal rating by credit risk analysts relying on dedicated rating tools. This internal rating corresponds to an assessment of the level of the counterpart's risk of default, expressed through an internal rating scale, constituting a key element in the credit granting process. Ratings are revised at a minimum annually, and this permits proactive identification of the counterparts necessitating regular monitoring by the Watchlist committee, on the basis of objective criteria or expert judgement. In the Basle II Standard approach, the portfolio is also subject to regular monitoring.

In order to control the Group's general credit risk profile, and to limit the concentration of risks, credit risk limits are defined for each counterpart, setting the maximum exposure deemed acceptable for a given counterpart. Limits per economic sector and per product can also be imposed by Risk Management. The latter proactively monitors limits, and may reduce them at any time depending on the evolution of associated risks.

Fundamentals of Dexia credit risk in 2012

Macroeconomic environment
In 2012, the continuing crisis, linked to uncertainty on public finances in the euro zone, its consequences on the entire global economy, and also a less strong recover than expected in the United States, led the IMF during the year to make a downward revision to its global growth forecasts, from 3.5% to 3.3%.

No real recovery is expected in 2013, in view of the persistence of the pressures observed in 2012. The IMF expects growth of 3.6%. However, this forecast is liable to be significantly adjusted, as there is a strong possibility of a deterioration of the situation: global growth will be extremely sensitive to the evolution of the crisis in the euro zone as well as the effects of a possible deterioration of the state of public finances in the United States.

In the euro zone, the financial markets continue to doubt the capacity of peripheral countries to cope with their high levels of deficit and public debt and also the effectiveness of the responses from European institutions. The implementation in the majority of member states of budget austerity policies weighs on levels of demand and investment. As a consequence, the euro zone again entered recession in 2012, to - 0.4% according to the IMF. The low growth levels observed in Germany and France could not offset the negative evolutions recorded in countries in Southern Europe. For 2013, the IMF anticipates a slight improvement of the situation from the second half-year, with economic growth rising to 0.2%. This forecast is relatively optimistic having regard to the expectations of several forecasters, many of which expect another recession.

In 2012, within the euro zone, market uncertainty related principally to the so-called "PIIGS", i.e. Portugal, Italy, Ireland, Greece and Spain. Outside the euro zone, Hungary was also an increasing worry as a result of the adoption of several economic policy measures weakening the finance sector and in view of a predictably difficult institutional environment.

Although the risk of a departure from the euro zone has lessened, the situation in Greece remains extremely worrying. The country saw a fifth consecutive year of recession in 2012 and the level of public debt now exceeds 160% of GDP. Significant financial aid was granted to the country. This second rescue package (2012) includes aid of EUR 130 billion paid by the European Union and the IMF as well as the abandonment by private investors of 53.5% of their sovereign Greek securities. In exchange, Athens undertook to reduce the deficit and to master public debt by adopting a series of drastic structural reforms. Finally, in view of the efforts made, Athens was given two more years in which to make its budget adjustment, deferring until 2016 the date on which the country has to have the public deficit down to 3% of GDP. Public debt should be at 124% of GDP by 2020. Doubts persist however as to the country's ability to recover. As at 31 December 2012, Dexia no longer has any sovereign exposure to Greece.

In Spain, the conservative government of Prime Minister Mariano Rajoy succeeded in 2012 in avoiding a call for rescue by the European Union. Nevertheless, the country continues to face a lack of confidence on the markets with the result that the cost of debt has increased severely. Although it eased considerably at the end of the year, the cost of debt seems not able to reverse sustainably without major intervention by the European institutions. In this regard the reaction of investors to the introduction at the end of 2012 of the European Stability Mechanism (ESM) will be crucial. Initial aid of EUR 39.5 billion dedicated to recapitalisation of the Spanish banking sector was granted by the ESM. This operation is part of a broader plan to support the financial sector which also includes the creation in December 2012 of a bad bank (SAREB) charged with getting rid of toxic real estate assets. Moreover, Spain is still facing immense unemployment (25% at the end of 2012), a high public deficit (the official target of 6.3% for 2012 will clearly not be achieved) and worrying local authority debt.

In Italy, the reforms implemented since the end of 2011 by the government of Mario Monti enabled the public deficit to be taken to 2.6% of GDP in 2012. However, its public debt remains one of the highest in the euro zone (exceeding EUR 2,000 billion in October 2012) and market confidence is far from re-established, as illustrated by significant fluctuations of refinancing conditions for the Italian State observed during 2012. In addition, the prospect of the resignation of Mario Monti aroused fears as to the country's ability to complete its schedule of reforms, whilst the effects of austerity measures feed popular opposition and harm the chances of economic recovery. The country's future will depend on the constitution of the new government and the decisions it takes, following the legislative elections on 24 February 2013.

In Portugal, the reforming government of Prime Minister Pedro Passos Coelho which came to power at the beginning of 2011 continued to implement a programme in compliance with the requirements of the IMF and the European Union. The refinancing conditions granted to the country softened (with 10-year bond yields approaching 8%) although they remain high. However, in 2013 Portuguese decision-takers will have to deal with growing resistance to reforms among the population as well as a weakening of political consensus regarding austerity policies.

Ireland is continuing to implement reforms and an internal devaluation policy enabling it to return to a positive growth rate from 2011 (+ 1.4%) and to avoid recession in 2012 (+ 0.4%). The government remains firmly in favour of continuing the programme agreed with the IMF and the European Union with the agreement thus far of the population. More generally, as Ireland is an open economy, it remains seriously exposed to an economic slowdown in the euro zone, the United Kingdom and the United States.

Hungary saw its economic activity slow sharply from 2007, thus distinguishing it from the trends in other countries in Central Europe. Since its accession to power in 2010, the right-wing nationalist government of Viktor Orbán has implemented a series of provisional measures aimed at halting the effects of the severe economic crisis affecting the country, such as the nationalisation of private retirement funds and the introduction of taxes which, although described as "exceptional", were continued into 2013. Although a stabilisation of the deficit and public debt was to be observed in 2012, the relatively unpredictable nature of economic policy and the absence of structural reforms resulted in a severe depreciation of the forint (despite a rebound in 2012) considerably accentuating household debt, a significant proportion of which (close to 60%) is denominated in foreign currencies. The government reacted by introducing a plan to ease household debt which was reflected by significant costs for financial organisations, further drying up the flow of credit. Remaining the most heavily indebted country in Central Europe (public debt represented a little less than 80% of GDP in 2012), in 2011 Hungary called a second time in four years for aid from the IMF and the ECB by way of a credit line of EUR 15 billion. In recession in 2012, Hungary is likely to suffer a stagnation of activity in 2013 (+ 0.8%, according to the IMF).

In general, all the so-called sovereign "PIIGS" as well as Hungary are subject to specific and regular monitoring by the Institutional Credit, ABS and Countries Competence Centres and the Special Mention and Watchlist Committee.

In the United States, the recovery continued modestly in 2012 (+ 2.2%, according to the IMF). Whilst the real estate market stabilises, job creations seem to be marking time. In 2013, US growth, which should reach 2.1% according to the IMF, remains threatened by a deterioration of the situation in the euro zone but, above all, a risk of a sharp budget contraction particularly following the debt ceiling being reached. In the meantime, at the beginning of January 2013, decision-takers succeeded in avoiding the "fiscal cliff", which would have involved an automatic triggering at the beginning of the year of a series of tax rises and public expenditure cuts, and which would have resulted in an estimated contraction of 4% of GDO and a very probable entry into recession in the United States with significant repercussions on the global economy. Nevertheless, the agreement obtained is deemed insufficient by the IMF, which thinks that concerns have not been removed in the short term and that new measures must be adopted in order to guarantee the viability of US public finances.

Situation of the local public sector and Dexia commitments

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

Nevertheless, the financial data available for local authorities show an alteration of performances in the majority of European countries and in the United States, the consequence of a tense economic climate leading to a fall in tax receipts; savings capacities are restricted and pressures are being placed on cash. This general deterioration, in response to which from 2011 Dexia put collective provisions in place relating in particular to the local public sector in Spain, Italy and North America, has proved to be contained and at this stage is not reflected in an increase of defaults. Situations differ however from one country to another.

France

In France, in 2012 local finances suffered from a scarcity of means. In fact, the freezing of State aid and the problems of credit drying up, as it was already doing in 2011, combined with a low increase in tax resources.
Indeed, resources from the replacement of professional tax proved to be less dynamic: a part was offset by grants frozen in time and new taxes more sensitive to the economic situation, which remains weak. In addition, fiscal reform profoundly altered the local authorities, tax capacity. Therefore the constitution of financial room to manoeuvre by increased rates is increasingly complicated, all the more since rates are today reaching high levels on certain territories and local elections are approaching.
To the low momentum of direct contributions can be added the fall in transfer rights to payment (droits de mutation à titre onéreux - DMTO), which can be estimated at almost 10%.

Although the needs of the population are increasing (social action, training, alternatives to road travel and so on), the strong constraints weighing on resources have consequences on local authority expenditure.
Indeed, as it began in 2011, in 2012 local authorities showed a desire to master their current expenditure, in particular with a limitation of the evolution of staff costs.

Despite these efforts by management, gross savings by local authorities[1] should show a decline in 2012, whatever the category of authority, in contrast to the rise observed in 2011.
As for investment expenditure, the estimated increase in 2012 (+1.6%) is well below what was expected, particularly with regard to the electoral cycle in the commune sector: 2012, the penultimate year of the current cycle (elections in 2014), should in fact be a year of investment rebound.

Globally, local authorities are victims of a scissor effect between the evolution of their expenditure and their resources resulting in a fall of the level of their gross savings. Nevertheless, in 2012, the appearance of an increase of the cash balances of authorities at the end of the financial year necessitated recourse to debt (positive net flows of debt) comparable to that in 2011 (a little less than EUR 5 billion) resulting in a rise of outstanding debt in the order of 3% over that year.

Despite the increase observed in State governance and supervision via the Regional Health Agencies with the HPST (Hospitals, Patients, Health and Territories) Act, the health sector presents negative outlook considering (i) pressures on resources against the background of restrictive national budgets, (ii) the necessary adaptation of establishments to the needs of their health area and (iii) the deterioration of access to bank finance. This deterioration is reflected by a rise in the number of health establishment files monitored on the watchlist and by payment arrears following the bank's non-renewal of credit lines reaching maturity. At the end of the year, the majority of payment arrears had been regularised however, by virtue in particular of exceptional financial support from Regional Health Agencies to those establishments.

On the Dexia portfolio, payment arrears on the local public sector rose moderately in 2012. This situation does not result from a general deterioration of the financial situation of local authorities, which remains satisfactory but the following factors: (i) more difficult access to credit which penalises the weaker, (ii) a one-off liquidity problem associated with the non-renewal of Dexia credit lines and (iii) the objection by some clients to the conditions of their structured loans. In the majority of cases, payment arrears on structured loans do not result from clients' inability to honour their deadlines. The policy followed by Dexia not to renew short-term credit lines to the local public sector contributes significantly to the fall of EUR 7.8 billion over 2012 in the Group's outstanding to the French local public sector which amounted to EUR 70 billion as at 31 December 2012, including EUR 48.3 billion through Dexia Municipal Agency.

Germany

In Germany, the year 2010[2] saw a clear economic recovery with a growth rate of 4.2%. Similarly the unemployment rate fell very slightly from 8.2% to 7.7%. Despite this improvement of the economy the Länder posted a fall in their savings, expenditure growth remaining relatively sustained, although some States posted savings severely in deficit. Globally, the rate of indebtedness remains high, and slightly up, at 209%, but this average hides contrasting situations.
Although 2011 data are not yet known, initial figures show an improvement, with receipts up, expenditure stable and deficits before borrowing well down at EUR -9.4 billion against EUR -20.8 billion in 2010.

(1) Balance of the operating portion serving to finance debt repayments and investments.
(2) Latest available accounts.

Some German cities seem to be facing tense situations which the robustness of the adjustment system does not reveal. Social expenditure represents a quarter of their budget and it is trending sharply upwards. In order to cope with this burden, cities use "Kassenkredite" (short-term facilities) to finance their operations (EUR 45 billion in 2011). In order to curb this development and in the spirit of the principle of solidarity between levels of authorities, more and more Länder establish aid schemes for municipalities and encourage them to take measures to regulate their finances. These schemes fall fully within the framework of the responsibilities of regions to the local level.
Furthermore, the two major measures taken by the government in 2009 and 2010 continue to have impacts today:
• "Debt Brake" aimed at reducing and limiting public debt and deficits with two targets to be reached by 2019, either a deficit of 0.35% of GDP for the Federal State or "zero new borrowing" for Federated States;
• Introduction of a Stability Council responsible for checking budget discipline and particularly for monitoring the 5 Länder in difficulty (Berlin, Brêmen Saarland, Saxony-Anhalt and Schleswig-Holstein). During the last meeting of the Council, in May 2012, it was stressed that the drastic stabilisation plans put in place by these Länder had borne their fruit and their undertakings had been met for the year 2011.

Internal ratings of Dexia's outstanding to the German local public sector remain at a very good level, from AAA to AA (82% of outstanding rated AA), and stable on the Länder. The portfolio is healthy, despite some operations to desensitise structured products, which represent an extremely marginal proportion of German outstanding.
Group outstandings to the German local public sector amount to EUR 20 billion as at 31 December 2012.

Italy

In Italy, reform of the fiscal federalism continues to be implemented and increases the fiscal autonomy of local authorities (re-introduction of land tax in favour of communes, and an increase of the proportion received from income tax, profits tax and VAT, and so on). As a consequence, transfers from the State to local authorities fell by EUR 9.1 billion in 2012 for the regions and EUR 6.6 billion for communes.
As a complement to the internal stability pact, established before the crisis to regulate public expenditure and still applicable, new government measures aimed at reducing the weight of debt are now imposed on regional authorities: debt interest must be less than 8% of current receipts of local authorities in 2012, then 6% in 2013 and 4% in 2014; for the regions, debt servicing (capital + interest) must remain at a maximum of 20% of actual fiscal receipts from 2012 and for coming years. In addition, 2013 will see the extra obligation on local and regional authorities to observe a new debt ratio per inhabitant.

According to the 2010 accounts[3], provinces posted relatively stable savings levels (13% of current receipts) but an average debt which had increased to 109% of current receipts (105% in 2009). The financial ratios of communes have improved slightly. Management savings rose from 9% to 9.4% and debt fell from 90% to 86% of current receipts. The regions show consistent evolutions although on average management savings improved slightly from 6% to 7% of current receipts.

(3) Latest available accounts.

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Additional information

To assist local authorities which present tense liquidity situations, the State is implementing a procedure for multi-annual financial rebalancing which will enable credits to be granted to local authorities with structural imbalances on their balance sheets.

For the Italian local public sector, the 2012 financial year was marked by the evolution of a series of litigations associated with simple derivatives transactions: an increase of objections on the grounds that transactions bring no economic advantage to the authority, then at the end of the year a first major judgement, on appeal, dismissing the complaint.
Beyond these cases, there are no defaults of payment associated with the debtor's difficult solvency situation. The portfolio is relatively stable in terms of credit quality, with the exception of some regions due to of the increase of health expenditure. It is to be noted that the financial regulation of communes and provinces is protective for bank debts. In fact, in the case of the authority's inability to provide essential services and/or to pay demandable expenditure, loan maturities are given a payment delegation which makes them priority and immunises them from any restructuring proceedings.
Group outstandings on the Italian local public sector amount to EUR 18.1 billion as at 31 December 2012, including EUR 2.7 billion borne by DMA.

Spain

In Spain, Spanish local authorities have suffered since 2010 from the extension of the economic crisis which affects some of their resources linked to the economy. Spain adopted drastic austerity measures and set its authorities strict targets in terms of deficits or debt. As a consequence, local authorities also implemented austerity programmes (rationalisation of the public sector, reduction of grants, reduction of investments).
In 2010 [1] management savings by the regions deteriorated to -6% of current receipts, and debt amounted to 86% of receipts. The savings of provinces were at 15%, debt at 80%. For communes, management savings fell slightly to 9% of current receipts whilst debt rose a little, to 74% of receipts. In 2011, the current receipts of the regions fell by 5%, and debt rose by 17%; for communes and provinces, the level of receipts and debt remained stable.

All of the measures adopted enabled the regions to contain their deficits better: for 2012, the target deficit for the regions is -1.5% of GDP, and as at Q3 2012, the regional deficit had reached -0.93% against -2.20% as at Q3 2011, a saving of EUR 13.6 billion made by the regions.

Before the closure of the markets, to aid certain authorities the liquidity of which had become severely hit and in order to revive local economies, the State introduced two mechanisms:
• a Debt Settlement Fund to wipe out supplier debts which enabled such debts to be converted into bank debts (benefiting from a pledge of certain transfers from the State);
• a Regional Liquidity Fund (Fundo de Liquidez Autonomica - FLA) with EUR 18 billion to enable the Regions to deal with their debt maturities in the second half-year 2012: 10 regions (out of 17) took this up (including Catalunya, Valencia, the Balearic Islands and Andalucia). The FLA will be renewed in 2013.

In 2012, the difficulties of Spanish local authorities were reflected by a fall of the internal rating allocated by Dexia. No loan or obligation borne by the regions suffered from payment arrears. On the other hand, the maturities of four Spanish cities which had been poorly rated for several financial years were settled in arrears or remain unpaid.
Group outstandings to the Spanish local public sector amount to EUR 11.2 billion as at 31 December 2012.

Portugal

In Portugal, the situation remains relatively stable: the occurrence of credit events on certain actors enabled Dexia Sabadell to open negotiations with the Portuguese State and the authorities concerned to optimise the portfolio. It should be noted that the budget policy of Portuguese authorities is more strongly controlled by the central power which has increased its supervision over the regions and introduced programmes to provide aid to communes in exchange for the adoption of drastic savings measures.
Group outstandings to the Portuguese local public sector amount to EUR 2 billion as at 31 December 2012.

Great-Britain

Great Britain is still marked, at a local organisation level, by the low degree of decentralisation and fiscal autonomy, and in the field of social housing by a sharing between local authorities and housing associations, the latter forming a sector strictly administered by the public powers in view of the considerable state subsidies for their investments. The result is a reduced level of credit risks, as the budget of each authority has to be ratified year after year by the State, and as housing associations can, on the first signs of difficulties and as is current practice, be subject to intervention by the supervisory authority in their management, or even a forced merger with another housing association if the difficulties are severe.
Changes coming shortly for local authorities will in particular involve the evolution of the accounting system and for housing associations the extension of the scheme for low level investment grants, the historical proportion of 50% having been reduced over recent years to 25-30%.

Beyond the strict framework for them and for local authorities, for two decades housing associations have suffered from a marked reduction of investment grants from the State, and this has led to less investment and therefore to an improvement of their individual financial profiles. As a result, and indeed every year since it began its activity in Great Britain, in 2012 Dexia saw no payment incidents in the two sectors.
Group outstandings on the British local public sector amount to EUR 9.3 billion as at 31 December 2012.

Central and Eastern Europe

Dexia outstandings on Central and Eastern Europe are considerably lower than those on Western European countries, and all the more since the majority of the Poland portfolio was sold in 2012.

Globally on Eastern Europe, considering the economic situation of Hungary and Romania, the portfolio is principally classified as "non-investment grade", with a slight downgrading of ratings. Although Romanian counterparts cause no particular concern in terms of credit risk, Hungarian cities are subject to close monitoring, in particular considering the deep changes impacting the organisation of the local public sector and its finances as well as some cases of tense financial situations.

In Hungary, numerous changes are to be pointed out in local administrative organisation, with a recentralisation of competences. At the end of 2011, the debts of counties were taken over by the State. Since 2012, the competences of cities have been undergoing redefinition: education and health services, until now provided by the cities, with in the future be provided by the State. As a consequence, the expenditure of cities will be reduced considerably, but also their receipts in a proportion not yet fully known, the State retaining a portion of the resources previously transferred to guarantee those public services. In this transitional phase and in view of the difficulties of certain cities, particularly in terms of liquidity, the State increased the envelope of discretionary grants (Ohniki). Finally, at the end of October it announced the take-over of HUF 600 billion in municipal debts (54% of total municipal debts) under conditions to be discussed with the banks concerned.
Group outstandings to the Hungarian local public sector amount to EUR 0.1 billion as at 31 December 2012.

In Poland, the institutional framework is relatively stable: the principal measure adopted recently consists of defining an individual debt limit for each authority depending on its average savings capacity over the last three financial years.
Group outstandings to the Polish local public sector amount to EUR 0.1 billion as at 31 December 2012.

In Romania, there have been few changes over recent years in terms of competences. On the other hand, in view of the crisis affecting the Romanian economy, the State reduced the proportion of fiscal receipts it reserved for local authorities and strengthened its control over the local public sector: debt levels are limited, with a debt service which must not exceed 30% of average receipts over three financial years and, since 2011, any authority in arrears of payment is no longer authorised to borrow.
Despite the reduction of the portion of income taxes passing to them, the reduction of current receipts of cities and counties has been contained. Austerity measures have resulted in a notable fall in current expenditure. Management savings have therefore improved, to 25% of current receipts on average for cities and 21% for counties. Debt has stabilised to a level of 65% on average for cities and 52% for counties.
Group outstandings on the Romanian local public sector amount to EUR 0.3 billion as at 31 December 2012.

United States

In the United States, the institutional framework of the Federated States, although varying from one State to another, remains rather protective: autonomy in setting receipts, obligatory budget balance, and an obligation to form reserves. Nevertheless, as State receipts are very directly linked to the economic situation (40% approximately coming from "personal income tax", 30% for "sales tax" and 8% from "corporate income tax"), the States have been impacted from 2009 by the clear slowdown of economic activity and the sharp rise of unemployment. Indeed, State receipts (General Fund) fell overall by almost 3% in 2009 and then 6% in 2010 (or USD -78 billion in two years). This fall was offset by additional receipts from the Federal State under the Recovery Act. A recovery was observed however from the beginning of 2011: fiscal receipts posted a rise of 9% without despite everything reaching their pre-crisis level. Confronted by recession, the States drastically reduced their expenditure and, above all, dipped into their reserves: for the best rated counterparts this only reached one half of the level observed before the crisis and for others was practically zero or even negative. This enabled the level of debt service to be kept at a stable level: 2.8% of receipts from personal income tax against 2.5% the previous financial year.

As for cities, some cases of insolvency declarations (under Chapter 9) as in Stockton and San Bernardino in California, or receivership as for Woonsocket, Central Falls and East Providence in the State of Rhode Island (the only Dexia outstanding on these names is in favour of Woonsocket for USD 28.5 million covered by a guarantee from Assured).
The last rating review saw some fifteen cases of downgrade, the majority limited to one notch. More than one half of the Dexia portfolio of Federated States retains a rating of at least AA. Although cities, counties and school districts also remain well rated as a whole, a dozen counterparts in Dexia's portfolio of some 120 have been downgraded.
Group outstandings on the US local public sector amount to EUR 10.8 billion as at 31 December 2012.

General conclusion on Dexia's Local Public Sector portfolio:

Despite pressures observed on the local public sector, the Dexia portfolio remains very good quality since almost 90% of the outstanding, all countries combined, remain Investment Grade and the number of files requiring monitoring by the Watchlist Committee did not increase much during 2012.

Liabilities on Project and Corporate Finance

This portfolio of approximately EUR 24.6 billion as at 31 December 2012 is composed two thirds of project finance, i.e., transactions without recourse to their sponsors the repayment of which is only on the basis of their own cash flows analysed at origination and strongly secured in favour of the bank (asset sureties, contracts, dividend limitation and so on). The balance is formed of corporate finance (finance for acquisitions, commercial transactions or corporate bonds).

The project finance portfolio, at approximately EUR 16 billion, consists 49% of PPP (public-private partnerships), principally in the United Kingdom and France, 29% of energy (including approximately 60% renewable energies: onshore and offshore wind farms, thermodynamic and photovoltaic solar), 14% traffic risk and 8% in other sectors (water, environment, telecoms, etc). 63% of the portfolio is situated in Western Europe, 24% in the United States, Canada and Australia and the balance in the rest of the world. Portfolio quality remains sound with 70% of the portfolio rated Investment Grade. The main difficulties were encountered this year on projects associated with a traffic risk in the United States and Spain. This led Dexia to increase its level of provisions on the motorway sector; it amounted to EUR 72.9 million at the end of 2012.

The corporate portfolio is more reduced, to approximately EUR 8.6 billion. It is composed 39% of enterprises in the infrastructure sector (motorway or car park operators, BTP companies), 24% the utilities sector (water / environment / energy or gas distribution and transmission), 17% energy (including hydrocarbons), 11% real estate and 11% miscellaneous. 80% of the portfolio is located in Western Europe, 15% in the United States, Canada and Australia and the balance in the rest of the world. Portfolio quality remains sound with 73% of the portfolio rated Investment Grade. The main difficulties were encountered on pre-crisis acquisition finance presenting too great a lever and difficult to refinance under current market conditions.

In order to guarantee the active management of files presenting difficulties and more particularly those necessitating restructuring, in 2012 Dexia established a dedicated "restructuring and workout" unit reporting directly to Credit Risk Management. Acquisition financing with too great a lever is among the files for which management is liable to be taken over by this unit.

Bond portfolio

As at 31 December 2012 the Dexia bond portfolio amounted to EUR 100.4 billion.
The strategy of deleveraging the residual bond portfolio of Dexia Credit Local in 2012 no longer went in the direction of an accelerated reduction of the size of the balance sheet, but more of asset disposals which did not adversely affect the Group's solvency and depending on market conditions and opportunities, in line with the plan for the orderly resolution of Dexia approved by the European Commission at the end of 2012.
In this regard, the volume of bond sales amounted to approximately EUR 3.2 billion, of which 43% relating to sovereigns, 39% to banking bonds and 8% to ABS/MBS. Among these disposals, it is worth noting the sale of all Greek sovereign securities (approximately EUR 800 million nominal) at the end of 2012 within the framework of an auction launched by the Greek authorities following the PSI [1]. It is also to be noted that 68% of the asset sales were for bonds denominated in currencies (USD and JPY) other than the euro and for which refinancing conditions were more difficult.

Impact of disposals

The sale of Dexia Municipal Agency as at 31 January 2013 contributes considerably to the reduction of Group outstanding on the local public sector. In particular, this sale generates a consolidated exit from the Dexia portfolio of EUR 48.3 billion in loans to the French local public sector, EUR 3 billion on the Swiss local public sector, EUR 2.7 billion on the Italian local public sector and EUR 2.7 billion on the local public sectors of other countries.

The sale of DenizBank results in the almost total disappearance of Dexia's Turkish exposure (a country rated BB in September 2012, at the time of disposal), a substantial reduction of Dexia's exposure to retail activity and a sharp fall in the concentration of Dexia's exposures to Corporate risk. The credit risk exposure of DenizBank on the date of sale was EUR 27.9 billion.

(1) Private Sector Involvement.

The sale of the Banque Internationale à Luxembourg (BIL), combined with that of DenizBank, resulted in the disappearance of Dexia's exposures to retail and a EUR 4.9 billion fall of Non-Investment Grade exposures. The BIL's credit risk exposure on the date of sale was EUR 18.3 billion. Dexia took over certain assets of the BIL for a total of EUR 6.8 billion (principally the portfolio of "Legacy" assets for EUR 4.6 billion), which did not fall within the perimeter of the sale of that entity by Dexia.

Credit risk exposure[2]

Credit risk exposure includes:
- the net book value of balance sheet assets other than derivatives (i.e. the book value after deduction of specific provisions);
- the market value for derivatives;
- the total of off-balance sheet commitments: the total liability is the part not taken from liquidity facilities or the maximum amount that Dexia is obliged to honour by virtue of guarantees given to third parties.

When credit risk exposure is guaranteed by a third party whose risk weighting is lower, the principle of substitution is applied.

Total credit risk exposure (ongoing activities and activities held for sale) includes the fully consolidated subsidiaries of the Dexia Group.
As at 31 December 2012, the Dexia Group's total credit risk exposure amounted to EUR 278 billion, including EUR 210 billion for ongoing activities and EUR 68 billion for activities held for sale.

Exposure per type of counterpart (as at 31 December 2012)

As at 31 December 2012, most exposure to ongoing activities remained concentrated on the local public sector (49%). The proportion of financial institutions is down sharply to represent 18% of the total of ongoing activities, by virtue in particular of the fall of refinancing transactions between Dexia and Belfius Bank and Insurance but also the various disposals. The corporate segment also fell sharply considering the sale of DenizBank and the BIL which relate to a significant proportion of these activities.

(2) Cf. also note 12.2. "Exposure to credit risk" in the consolidated accounts in the present Annual Report (page 174).

(in million of EUR)	Total	Continuing activities	Activities held for sale
Central governments	35,016	30,410	4,606
Local public sector (*)	160,295	103,542	56,753
Corporate	8,570	8,425	145
Monolines	5,652	5,652	0
ABS/MBS	12,938	8,031	4,908
Project finance	15,957	15,939	18
Financial institutions	39,694	38,091	1,603
TOTAL	**278,127**	**210,094**	**68,033**

(*) Of which EUR 18,059 millions in Italy, EUR 11,213 millions in Spain and EUR 2,009 millions in Portugal.

Exposure per geographic zone (as at 31 December 2012)

As at 31 December 2012, most Group exposure remained concentrated in the European Union.

Exposures were reduced globally over all countries with the most pronounced reduction on Belgium taking account of the reduction of refinancing transactions between Dexia and Belfius Bank and Insurance, on Turkey considering the sale of DenizBank and on the United States and Canada considering the sale of the joint venture RBC Dexia Investor Services.

(in million of EUR)	Total	Continuing activities	Activities held for sale
France	84,791	33,489	51,303
Italy	37,459	33,460	3,999
Germany	25,404	24,448	956
Spain	23,493	22,975	518
Great Britain	18,894	18,198	696
Belgium	15,919	10,692	5,227
Central and Eastern Europe	4,333	4,201	132
Switzerland	3,977	176	3,801
Portugal	3,884	3,809	75
Austria	2,220	1,948	272
Scandinavia	1,768	1,574	194
Ireland	1,595	1,592	2
Hungary	1,390	1,390	0
Netherlands	980	980	0
Rest of Europe	878	832	46
Luxemburg	530	516	14
Greece	227	227	0
United States and Canada	32,202	31,513	690
Japan	7,321	7,296	25
South-east Asia	1,220	1,220	0
Central and South America	1,110	1,110	0
Turkey	680	680	0
Other	7,852	7,769	83
TOTAL	**278,127**	**210,094**	**68,033**

Exposure per rating (as at 31 December 2012)

As at 31 December 2012, almost 87% of Dexia's exposure to ongoing activities was Investment Grade and 12% rated Non-Investment Grade (NIG).

In %	Total	Continuing activities	Activities held for sale
AAA	14.11 %	12.68 %	18.51 %
AA	20.59 %	22.09 %	15.96 %
A	29.10 %	29.79 %	26.99 %
BBB	23.69 %	21.70 %	29.84 %
D	0.63 %	0.60 %	0.74 %
NIG [1]	11.10 %	12.34 %	7.25 %
No rating	0.79 %	0.81 %	0.71 %
TOTAL	**100.00 %**	**100.00 %**	**100.00 %**

[1] *Non-Investment Grade.*

Breakdown of the government bond portfolio on certain European countries

At the end of 2012, Dexia sold all of its Greek sovereign securities (approximately EUR 800 million nominal) within the framework of an auction launched by the Greek authorities following the PSI.
Exposure to Italian government bonds increased in 2012 following the restructuring of bond swap transactions.

EXPOSURE AS AT 31 DECEMBER 2012

(in million of EUR)	Nominal amount	Maximum credit risk exposure (banking book)	Of which continuing activities	Of which activities held for sale
Italy	11,550	12,339	11,001	1,339
Portugal	1,822	1,307	1,307	0
Hungary	1,153	1,169	1,169	0
Spain	468	450	450	0
Greece	0	0	0	0
TOTAL	**14,993**	**15,265**	**13,927**	**1,339**

EXPOSURE AS AT 31 DECEMBER 2011

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

Asset quality

The evolution of the amount of loans and debts impaired and the cover ratio is explained principally by the departure of DenizBank and the Banque Internationale à Luxembourg from the Group perimeter. On the one hand, this evolution of the Dexia perimeter results in a reduction of loans and debts impaired on clientele, which reached EUR 1.7 billion at the end of 2012. On the other hand, considering the activity of those two entities for the most part aligned to commercial and network banking, the weighting of loans and debts to the local public sector increased in residual assets. As the loss given default (LGD) of this category of loans is very low, the level of specific provisions required to cover expected losses is lower compared to the amount of the loans, explaining the reduction of the cover rate from 62.9% to 24.2%. Nevertheless, on the current perimeter, in 2012 the Group increased its provisioning level, increasing the level of its specific provisions, whilst the amount of outstanding fell, the bank now being in orderly resolution.

ASSET QUALITY

(in million of EUR, except where indicated)	31/12/11	31/12/12
Impaired loans and advances to customers	2,534	1,676
Specific impairments on loans and advances to customers	1,594	405
Asset quality ratio (1)	1.1 %	0.9 %
Coverage ratio (2)	62.9 %	24.2 %

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

Market risk

Dexia policy regarding market risk

In order to ensure integrated market risk management, Dexia has developed a framework based on the following elements:
• A complete risk measurement approach which is an important part of the process of surveillance and control of the Dexia Group risk profile;
• A structure of limits and procedures governing the taking of risks, consistent with the entire process for measuring and managing risk.

Risk measures

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

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

The VaR methodologies are improved on an on-going basis. The "Market Risk Engine" project now provides an historical VaR (standard in numerous banks) over all risk factors risk.

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

Stress testing completes the risk management mechanism by exploring a range of events outside the probability framework of VaR measurement techniques, VaR measurements assess the market risk in a classic daily economic situation, whilst stress testing quantifies it in an abnormal economic situation. Against this background, different scenarios are regularly revised and updated. The results of consolidated stress tests and the corresponding analysis are presented quarterly to the MRC and RC.

The bond portfolio is not subject to VaR limits given its different investment horizon but is subject to regular stress tests.

Exposure to market risk(1)

Value at Risk

The detail of the VaR used for market activities, not including the bank bond portfolio, is given in the table below. Dexia's average VaR was EUR 9.7 million in 2012 (against EUR 8.8 million in 2011 for the entire Dexia Group).

Since 2008 when it reached EUR 178 million, the VaR limit has been constantly reduced sharply, to comply with the principle of risk appetite reduction stated in the Dexia transformation plan on the one hand, and on the other hand within the framework of successive reductions of perimeter, including the departure of Belfius Bank and Insurance (previously Dexia Bank Belgium). Indeed, as at 31 December 2012, the limit was EUR 22 million.

VALUE AT RISK OF MARKET ACTIVITIES

(in millions of EUR)	2012						
VaR (10 days, 99%)	**IR (1) & FX (2) (3) (Trading and Banking)**	**EQT Trading (4)**	**Spread Trading**	**Other risks (5)**	**Activities held for sale**	**Continuing activities***	**Limit**
Average	4.7	0.1	6.5	0.4	2.0	9.7	22
End period	1.8	0.0	8.2	0.4	0.0	10.4	
Maximum	11.9	0.6	9.6	0.4	4.7	18.3	
Minimum	1.1	0.0	2.6	0.4	0.7	4.7	

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

(1) IR: interest rate.
(2) FX: foreign exchange.
(3) IR & Forex: excluding asset & liability management (BSM).
(4) EQT: equity.
(5) Other risks: inflation, commodities, CO_2 .
** The "Continued 2012" below take account of DMA positions. In fact, no VaR specific to this sub-perimeter was calculated. These positions only contributed very slightly to the total amount of DCL VaR throughout 2012.*

(1) Cf. also note 12.5. "Market risks and Balance Sheet Management (BSM)" in the consolidated accounts in the present Annual Report (page 185).

It is to be noted that following the disposal of Dexia Municipal Agency (DMA) to SFIL and therefore its deconsolidation from the Dexia Group as at 31 January 2013. Dexia Credit Local derivatives previously covering DMA balance sheet elements are not to be found in an isolated open position and have therefore been reclassified as "trading". A "trading" portfolio was also re-opened in Paris to manage these positions. To that end, a market risk framework with appropriate guidelines has been put in place.

Bond portfolios

Dexia bond portfolios (ongoing activities) represent an amount of EUR 89.1 billion as at 31 December 2012. The sensitivity in economic value of these bond portfolios to interest rate variations is extremely limited, as the interest rate risk is hedged. A major part of the bond portfolios is classified as Loans & Receivables. The AFS reserve of these securities is insensitive to credit spread variations. As for the other bond portfolios, classified as AFS, the sensitivity in fair value (and the AFS reserve) to a basis point credit-spread increase amounts to EUR -27.3 million.
The bond portfolios of entities in the disposal programme (activities held for sale) represented an amount of EUR 11.3 billion as at 31 December 2012. The sensitivity in economic value of these bond portfolios to interest rate variations is extremely limited, as the interest rate risk is hedged. A major part of the bond portfolios is classified as Loans & Receivables. The AFS reserve of these securities is insensitive to credit spread variations. As for the other bond portfolios, classified as AFS, the sensitivity in fair value (and the AFS reserve) to a basis point credit-spread increase amounts to EUR -0.8 million.

Considering the poor liquidity of the markets and the lower visibility of prices/spreads in the valuation process, valuations per model have been applied to the "illiquid" perimeter of assets available for sale (AFS).

Balance sheet management

Dexia policy regarding ALM risk

The main aim of Dexia balance sheet management is to minimise the volatility of the profit and loss account, immunising the commercial margin and, by preserving the creation of the Group's global value. It does not aim to create additional income by deliberately taking interest rate risk, and attention is paid to the overall stabilisation of bank revenues.

Interest rates

The measurement of balance-sheet risks is harmonised among the Group's various entities. The risk sensitivity measures reflect balance sheet exposure to a parallel movement of 1% on the rate curve. Sensitivity of the net current value of BSM positions to an interest-rate trend is the main indicator for fixing limits and monitoring risks.
Global and partial sensitivities per interval of time are still the main risk indicators on which asset-liability risk committees (ALCo) manage risks.

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

(Structural) foreign exchange

Dexia's reporting currency is the euro, but its assets, liabilities, income and expenses are also denominated in other currencies. The Group ALCo decides on hedging the risk associated with the evolution of these results in foreign currencies. As it happens, a systematic and ongoing hedge was applied to these exposures.
The structural risks associated with the funding of holdings with equity in foreign currencies (limited to the US dollar) as well as the volatility of the Group's solvency ratio are also monitored regularly.

Balance sheet exposure to interest rate risk

For ongoing activities, the sensitivity of the long-term ALM was EUR -6 million as at 31 December 2012 (against EUR -12 million as at 31 December 2011 for the entire Dexia Group). The level related to ongoing activities at close on 31 December 2012 corresponds to the interest rate risk policy now followed by Dexia within the context of the management in orderly resolution of the majority of the Dexia Group's activities. It complies with the Balance Sheet Management strategy, which aims to minimise the volatility of the profit and loss account.

The sensitivity variations and limits are principally explained by the redefinition of Dexia's perimeter.

SENSIVITY AND LIMITS OF THE LONG TERM ALM AS AT 31 DECEMBER 2012

(in millions of EUR)	Total	Of which continuing activities	Of which activities held for sale
Sensivity	+4.0	-6.0	+10.0
Limit	+266.0	+266.0	non alocated

Liquidity

Dexia policy regarding liquidity risk

Dexia measures and manages liquidity risk by an internal management process redefined in 2011. The cornerstone of this management process is the Funding and Liquidity Committee (FLC), a central committee composed of all parties concerned by liquidity as well as funding and coordinating their actions.

In 2012, the Funding and Liquidity Committee met on a weekly basis to monitor the evolution of Group liquidity and, mandated by the ALCo, to take structural decisions aimed at its improvement. Collateralised long-term funding transactions, securities swaps, guaranteed issues and non-covered funding as well as the surveillance of funding sources and production are some of the levers used by Dexia on the initiative of this committee to remedy the Group's liquidity situation. Furthermore, particular attention is paid to entity disposals and to the implementation of the SPA including the sale of Belfius Bank and Insurance (previously Dexia Bank Belgium) (cf. infra, Liquidity Management).

The liquidity management process aims to cover the Group's funding requirements. Funding requirements are assessed prudently, dynamically and exhaustively taking into consideration existing and planned on and off-balance sheet transactions; reserves are formed of assets eligible to the refinancing facilities of central banks to which Dexia has access.

Regular information channels have been put in place for the management bodies:
• weekly meetings of the FLC during which the evolution of the liquidity situation is studied and analysed in detail;
• regular meetings of the audit committee and the board of directors.

Considering the pressures suffered by the liquidity situation in 2012, specific and regular modes of information have been introduced:
• daily, weekly and monthly reporting to members of the Management Board, to the shareholder and guarantor States and to the regulators. This information moreover serves all those involved in the management of Dexia Group liquidity, i,e, BSM, BSM Risk Management and TFM;
• monthly dissemination to the shareholder and guarantor States, central banks and regulators of the multi-annual funding plan;
• a weekly call with the regulators and French and Belgian central banks (BDF, ACP, BNB).

Risk measures

Liquidity indicators have evolved to take account of the constraints weighing on the liquidity situation. The liquidity ratio at 4 weeks comparing liquidity reserves to Dexia's liquidity deficits following various scenarios is completed by the drawings ceiling authorised by the Bank of France on the emergency liquidity assistance (ELA) line and by the maximum authorised amount of guaranteed issues.
Dexia liquidity risk is also framed by liquidity ratios monitored by its various regulators, the Belgian National Bank (BNB) for Dexia SA and the Prudential Control Authority (ACP) for Dexia Credit Local:
• The BNB ratio to which Dexia SA is subject calculates the liquidity position of an establishment by comparing the required liquidity (as the numerator) and the available liquidity (as the denominator) at one week and one month. It must be lower than 100% at each of those deadlines (Circular CBFA_2009_18-1 dated 8 May 2009).
• The ACP coefficient to which Dexia Credit Local is subject is defined as the ratio between liquidities (as the numerator) and liabilities (as the denominator) over a prospective period of one month; the coefficient thus calculated must at any time be above 100 (Instruction No 2009-05 dated 29 June 2009 relating to the standard liquidity risk approach).
These ratios are sent to the BNB and to the ACP on a monthly basis.

Liquidity management

The improvement of the Dexia Group's financial structure and the reduction of its liquidity requirement were priority objectives of the transformation plan put forward in 2008. From the summer of 2011, the exceptionally difficult environment severely damaged the Group's liquidity situation, leading at the end of December 2012 to funding of EUR 90.7 billion via central banks and guaranteed issues (EUR 109.7 billion with the 2008 guarantee).
The year 2012 was marked however by a fall in pressures on the liquidity situation and by finalisation of the 2013 guarantee scheme granted by the Belgian, French and Luxembourg States. More detailed information on this new guarantee agreement is provided in the chapter entitled "Significant Facts" in this Annual Report (page 11) and Appendix 9.3.C to the consolidated accounts in this Annual Report (pages 147).
In particular, the second half-year benefited from an easing of the various credit indicators whilst the persisting uncertainties on sovereign debts within the euro zone weighed heavily on the markets during the first half of the year, resulting in a fall of long-term rates and very severe volatility.

This was reflected by a fall of pressures weighing on the Dexia Group's liquidity situation which is illustrated in particular by the following favourable developments:
• The upward trend of long-term rates in the second half-year resulted in a EUR 2.4 billion reduction in the net collateral required to be lodged with derivatives counterparts compared to the end of June 2012.
• In view of the structural reduction of the balance sheet and the maintenance of long-term funding over the quarter, the Group's short-term funding requirement was EUR 44.3 billion at the end of December, constantly down from the end of 2011 (EUR 88 billion at the end of December 2011 and EUR 60.3 billion at the end of June 2012).
• The respite in the European sovereign debt crisis enabled Dexia to refinance its liquidity deficits better by taking some advantage of the increased investor appetite for the State-guaranteed debt, particularly on the US market.

Despite these positive elements, Dexia made full use of the provisional guarantee mechanism granted by the three States at the end of 2011. The provisional guarantee ceiling was taken to EUR 55 billion in June 2012 and guaranteed funding under the 2011 agreement reached EUR 54.1 billion at the end of December 2012. As previously indicated, the 2013 guarantee ceiling was set at EUR 85 billion in principal including funding already covered by the 2011 provisional guarantee and the guaranteed debt issued under the 2011 provisional agreement and the 2013 agreement reached EUR 54 billion at the end of February 2013.

It is to be noted that USD 4,7 billion of guaranteed debt was placed with US institutional investors and the average maturity of the guaranteed debt was 1.3 years. On the other hand, in February the Group participated in the 3-year refinance from the European Central Bank (LTRO) in an amount of EUR 13.6 billion, on top of the EUR 20 billion from the LTRO operation in December 2011, which has not been repaid. Finally, the Dexia Group is preparing specific short and long-term issue programmes to be deployed in 2013.

The placement of guaranteed debt issues and the EUR 5.5 billion capital increase have enabled the emergency liquidity assistance (ELA), which was EUR 14.2 billion at the end of June, to be fully repaid on 31 December 2012, however, this situation is temporary, as a recourse to this exceptional funding mode could be envisaged in the course of 2013.

Furthermore, it should be noted that the fruit of the finalisation of the sales of DenizBank and Banque Internationale à Luxembourg did not directly serve to improve the Group's liquidity profile. In fact, meeting undertakings made on the sale of Belfius Bank and Insurances to the Belgian State. Dexia continued the break-up of the financial links between the two institutions which began at the end of 2011. Whilst non-covered funding was fully repaid during the first half of 2012. Dexia undertook the conclusion of covered funding relying on the amounts received on sales. Indeed such funding fell from an amount of approximately EUR 12 billion outstanding at the end of September to EUR 6.6 billion at the end of December.

As a consequence, the Dexia Group's funding structure evolved significantly during 2012 under the combined effect f the disposals of strategic entities, increased recourse to central banks and the market evolutions described above.

These elements resulted in:
- The disappearance of deposits of the Retail and Commercial Banking division, following the sales of Banque Internationale à Luxembourg and DenizBank (which accounted EUR 17.6 billions of deposits at the end of 2011);
- The increase of long-term funding outstanding (12 months and more) via the increased issue of guaranteed debts and long-term covered funding more than offsetting the reduction of senior non-guaranteed debt and covered bonds (or EUR +4.7 billion net);
- A sharp fall in short-term funding outstanding (EUR -43.7 billion), reflected over the period under consideration by a very sharp reduction in the portion of the balance sheet funded in the short term. This in fact fell from 22% at the end of December 2011 to approximately 12% at the end of December 2012.

Dexia was generally not able, in the course of the year 2012, to reach the minimum regulatory threshold defined for the liquidity ratios to which Dexia SA and Dexia Credit Local are each subject. Observance of those ratios in the future will depend on the implementation of the Group's issuance plan which is still subject to much uncertainty.

Balance sheet management transactions (liability management)

Considering the considerably deteriorated price levels on the secondary market and its subordinated debt, and in order to optimise its balance sheet management, Dexia successfully completed several debt repurchase transactions.

Two public cash tender offers on perpetual non-cumulative (Tier 1 hybrid) securities were executed during Q1 2012. The first was for securities issued by Dexia Funding Luxembourg in a nominal amount of EUR 500 million, and the second was for securities issued by Dexia Credit Local in a nominal amount of EUR 700 million.

The repurchase of perpetual non-cumulative securities issued by Dexia Funding Luxembourg was initiated by Belfius Bank and Insurances (previously Dexia Bank Belgium) as part of the untying of links existing between that entity and the Dexia Group as provided in October 2011[1].

The Dexia Funding Luxembourg offer was launched on 20 February and finalised on 29 February 2012. It was followed by the launch of the Dexia Credit Local offer on 2 March, closed on 14 March 2012.
The repurchase offer initiated by Dexia Credit Local responded to a desire to increase the capital of Dexia and its subsidiary Dexia Credit Local and was pre-financed via an asset sale. The combination of that asset sale and the repurchase of perpetual securities was therefore neutral for the Group's liquidity situation.

A second series of repurchases, this time of redeemable subordinated (Lower Tier 2 hybrid) debt was launched on 20 November 2012 on behalf of Dexia Credit Local and related to a EUR 500 million issue maturing in 2017 and a EUR 300 million issue maturing in 2019. A total amount of EUR 411.55 million was placed by investors, or 51.44% of the combined total nominal amounts of the two issues.

Finally, Dexia also proceeded with the repurchase of senior covered bonds[2] via the German and French subsidiaries of Dexia Credit Local, Dexia Kommunalbank Deutschland (DKD) and Dexia Municipal Agency (DMA). At the close of an offer launched on 23 April 2012 and closed on 3 May 2012, DKA had repurchased EUR 2.6 billion of Pfandbriefe. In contrast to the subordinated debt involved in the transactions described above, these securities did not offer any discount on their nominal value, as this exercise was aimed above all at optimising the issuer's cash flow management as well as the structure of its cover pool, without impact on Group liquidity. To a more limited extent, during H2 2012 DMA also proceeded with the repurchase of real estate bonds in smaller amounts (EUR 830 million), in order to optimise its debt repurchase profile.

(1) Belfius Bank and Insurances purchased Dexia Funding Luxembourg securities at the price fixed within the framework of the offer and resold them to Dexia at par, the entirety of the amount issued originally having been loaned to Dexia Bank Belgium in the form of an intra-Group super-subordinated loan. Following the purchase of the issue of perpetual securities, Belfius Bank and Insurances repaid the super-subordinated loan in the nominal amount of the securities purchased in the market.
(2) Covered bonds: generic term used to defin bonds issued under a specific legal framework, a stock of assets (so-called "cover pool") guaranteeing the repayment of the bond issues thus covered. In Germany these are Pfandbriefe and in France reall estate bonds.

Operational risk and permanent control

Dexia policy regarding operational risk management and permanent control

Dexia policy regarding operational risk management consists of regularly identifying and assessing the various risks and existing controls, in order to check that the level of tolerance defined per activity is observed. If that is not the case, the governance in place must lead to the rapid establishment of corrective actions or improvements which will bring about a return to an acceptable situation. This mechanism is completed by a prevention policy in particular regarding information security, guaranteed continuity of activities and, when necessary, the transfer of certain risks through insurance.

As for permanent control, Dexia policy aims to ensure cover for the types of risks provided by CRBF Regulation 97-02 through a mechanism of first and second level controls. Heads and staff members of operational divisions are the guarantors of adaptation and good operation of the first level permanent control in their fields of activity. The second level of control is for specialist functions, independent of the activities controlled and reporting directly to the Management Board. The execution of second level permanent controls is checked each quarter as part of the reporting at a permanent control level. Their results are compared with previously defined objectives and any shortcoming in control or in the result is allocated a corrective action plan monitored by a permanent control steering team. The supports and traceability elements of the results are also checked each quarter.

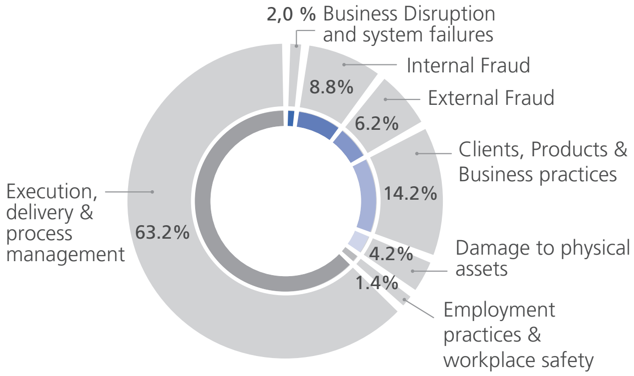
Risk measurement and management

The operational risk management mechanism relies on the following elements.

Operational risk database

The systematic capture and monitoring of risk events is one of the most important requirements stated by the Basle Committee, whatever the approach chosen for the capital calculation (Standardised or Advanced Measurement Approach): "Data on a bank's historical loss experience could provide meaningful information for assessing the bank's exposure to operational risk and developing a policy to mitigate/control the risk".
The collection of risk event data enables Dexia to be compliant with regulatory requirements and to obtain valuable information in order to improve the quality of the internal control system. In terms of reporting, beyond the threshold for obligatory declaration set at EUR 1.000, rules have been defined and deployed at Group level, in order to ensure that the most important information is escalated in due time to Senior Management. The Management Board receives a report on the main events, including an action plan enabling risks to be reduced, defined by the bank's Middle Management.

Over the last 3 years, the split of the total amount of losses among standard event types is the following:



Considering the reduced perimeter of the Dexia Group, the breakdown of the different categories of events has again been considerably modified, Internal frauds characteristic of Retail and Private Banking activity have practically disappeared with the sale of DenizBank, and the broadly preponderant category is now "Execution. Deliveries and Process Management", knowing that very few major events have occurred since 2009.
The other categories present few events and a low level of losses. The item "Clients, products and commercial practices" is in second position. The main events are subject to corrective actions approved by management bodies.

Self-assessment of risks and associated controls

In addition to building a history of losses, the exposure of Dexia to main risks is determined through risk mapping. To do this, all the entities of the Dexia Group perform bottom-up self-assessment exercises regarding risks and associated controls. They can give rise to the definition of risk limitation actions. They provide a good view of the most important risk areas in the different entities and activities, with the objective of reporting the results to Management across the organisation. These exercises are repeated each year.

Definition and monitoring action plans

The bank's Middle Management defines the corrective actions to deal with major incidents, deficient controls or notable risks identified. There is regular monitoring by operational risk management. By virtue of this process, the internal control system is continuously improved and the main risks appropriately mitigated over time.

Permanent control

The permanent control mechanism is aimed at checking the existence and quality of key controls in all activities and enabling major risks to be covered, whatever their nature. This involves first level controls made by operational functions, like those at the second level performed by non-operational support functions.
On the basis of a control plan updated each year, confirmation actions in relation to the accuracy of execution of those controls are organised quarterly, and give rise to a detailed report presented to the various governance bodies. Shortcomings always give rise to the definition of corrective actions.

Information security and business continuity management

Information security policy and the related instructions, norms and practices aim to secure Dexia's information assets. Security programmes and well-defined responsibilities ensure that all business activities are organised in a secure environment.
As required by Group policy on business continuity, business lines must establish impact analyses for vital activities in case of interruption. They must define and back up recovery plans and ensure that business continuity plans are tested and updated at least once a year. On the basis of regular reporting, the Management Board validates recovery strategies, residual risks, and action plans for continuous improvement.

Management of insurance policies

The reduction of the operational risks to which Dexia is exposed is also guaranteed by subscription to Group insurance policies, covering professional liability, fraud, theft and activity interruption. The global insurance policy establishes the principles of cover for the different risks run, to be implemented at Group and entity levels. It is also a matter of providing a centralised framework for negotiations with brokers and insurance companies.

Increased coordination with other functions involved in the internal audit system

A software tool introduced into service in 2010 covers most of the building blocks of the operational risk management framework, also offering some key functions (links between risks/ controls/ recommendations and action plans, automated data entry controls, traceability of modifications, etc,) for other central functions (internal audit, compliance, validation, permanent control or quality control). It permits the use of one language and reference systems common to those functions, as well as the generation of consolidated information for the bank's Middle Management, in particular regarding any type of action plan or recommendation to be followed up over time.

Calculation of regulatory capital requirements

Dexia applies the Basle II standard approach for the calculation of regulatory capital within the framework of operational risk management.

The table below presents the capital requirements for the years 2011 and 2012:

CAPITAL REQUIREMENT	2011	2012
Capital requirement (in millions of EUR)	625	410

The 34% reduction compared to the year 2011 is due principally to the method of calculation. In fact this relies on the 3-year average of net banking income reprocessed; revenues for the year 2009 (including those of all entities which have left the Group perimeter since October 2011) were replaced by those for 2012, which are much more limited.

Operational risk management in the transition period

2012 constituted a key phase in the implementation of the orderly resolution of the Dexia Group including the disposal of several important operating entities and the elaboration of a new scheme for French local public sector finance activities. These transition phases are by nature favourable to the development of certain operational risks, particularly by virtue of well-identified elements such as the departure of key people, the possible demotivation of staff members, the modification of processes for treatment when operational applications have to be replaced and so on.

Nevertheless, the main elements of the management mechanism previously described remain valid. More particularly regarding the self-assessment of risks and controls, the bank's management was asked on several occasions during the year to assess the risk of discontinuity associated with the elements mentioned above. A map of critical tasks was gradually drawn up and, in case incidents occur, action plans were systematically defined. The results of those analyses and the monitoring of action plans were regularly presented to the ORAC and to the Management Board for validation.

Each major entity disposal (Belfius Bank and Insurance, BIL, DenizBank) gave rise moreover to regular monitoring of the main "untying" work by a dedicated transition committee, involving members of management of the two entities concerned. The separation between Dexia and the SFIL was also subject to specific analysis, particularly from the point of view of the continuity of critical tasks.
Finally, psycho-social risks were subject by Dexia to preventive actions (information, awareness) and assistance (hotline, support of an independent external firm), particularly within the context of the ongoing reorganisation.

Legal Risk

Like many financial institutions, Dexia is subject to a number of regulatory investigations and named as a defendant in a number of litigations, including class action lawsuits in the US and Israel. Except as otherwise indicated, the status of the most significant investigations and litigations is summarised below as per, and based on the information available to Dexia on, the 31st of December 2012. On the basis of the information available to Dexia as per that date, other investigations and litigations in which Dexia is named as a defendant are either not expected to have a significant impact on the Group's financial situation or the information available to Dexia at that date did not allow it to properly assess whether they may have such an impact.

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

Dexia Nederland BV

Background

The difficulties linked to the share-leasing activities of Bank Labouchere (now Dexia Nederland BV, hereinafter referred to as the Company) appeared at the time of the fast and severe fall of the Amsterdam stock market in late 2001. The value of the securities used as collateral against the loans granted by the Company proved insufficient in a large number of contracts, thus potentially ending with a residual debt instead of the gain initially hoped for.

Specific litigations

Duty of care cases

As stated in the previous annual reports, on 5 June 2009 the Dutch Supreme Court passed an important judgement with respect to the share-leasing contracts of the Company. Many allegations were rejected, including error, misleading advertising, abuse of circumstances, and the applicability of the Dutch Consumer Credit Act. On the other hand the Supreme Court decided that a special duty of care should have been applied at the time of entering into a share-leasing contract. The Supreme Court made a distinction between two categories of clients: clients for whom the contract was a bearable financial burden and clients for whom the contract was an irresponsibly heavy financial burden.

As also stated in the previous annual reports, on 1 December 2009 the Amsterdam Court of Appeal subsequently passed four detailed judgements, in respect of the exact way the distinction of the Dutch Supreme Court between the two categories of clients should be made. Clients stating to have been faced with an irresponsibly heavy financial burden have the obligation to furnish the facts. Furthermore, the Amsterdam Court of Appeal decided that profits from earlier share-lease products should be taken into account when calculating damages and legal interest to be reimbursed is to be calculated from the termination date of a contract.

Shortly after the judgements of the Amsterdam Court of Appeal were passed, cassation appeal against two of those judgements was filed by two former clients. On 29 April 2011, the Supreme Court rejected the cassation appeals. The Supreme Court also confirmed that if a client was also party to profitable securities leasing contracts, such profits are to be set off against the damage incurred in relation to loss making contracts, provided certain conditions are met.

The outcome of the judgement of the Amsterdam Court of Appeal and the confirmation thereof by the Supreme Court form the basis of the out-of-court settlement attempts by the Company (hereafter called the "Court model").

Spousal consent cases

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

Number of court cases

On 31 December 2012, the Company was still involved in about 1.000 civil court cases (compared to about 1,400 at the end of 2011). However, the vast majority of these court cases has been suspended. The vast majority of clients in proceedings (and especially those clients with complaints about breach of the duty of care) were offered out-of-court settlements on the basis of the so-called "Court model" during 2012. The number of clients in proceedings has decreased sharply in 2012 because of settlements entered into after the judgements of the Supreme Court and the Amsterdam Court of Appeal.

Proceedings related to "spousal cases" are still ongoing due to the interpretation issues.

Litigations in general

Reference is made to Dexia's annual reports and quarterly activity reports. On 12 October 2012 the Dutch Supreme Court ruled by judgment in favour of the validity of approx. 3,000 opt-outers, whose entitlement was disputed by the Company. Generally speaking, only the approximately 22,000

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clients that have filed a so-called opt-out statement before 1 August 2007, and did not enter into any settlement since then, are entitled to start or continue proceedings against the Company. However, approximately 4,500 cases have already been closed due to settlements with the Company or the closure of proceedings.

Klachteninstituut Financiële Dienstverlening (KiFiD)

At the end of 2012, 24 share-lease related cases were still under consideration by the Klachteninstituut Financiële Dienstverlening (KiFiD), the Complaints Institute for Financial Services.

Provisions as at 31 December 2012

Provisions are updated every quarter and may be influenced by fluctuations in the value of the underlying equity portfolios of the share-leasing contracts, by client behaviour and by future judgements. At the end of 2012 the provisioning model was adapted to the most recent information about client behaviour as well as the most recent information about the effect of the "Court model". The net financial impact thereof on the Company's 2012 financial statements was negligible.
At the end of December 2012, total provisions amounted to EUR 51 million.

Financial Security Assurance

Financial Security Assurance Holdings Ltd (FSA Holdings) and its subsidiary, Financial Security Assurance Inc. (now named Assured Guaranty Municipal Corp. and hereafter referred to as "AGM"), former subsidiaries of the Dexia Group, and many other banks, insurance companies and brokerage firms are being investigated in the United States by the Antitrust Division of the US Department of Justice, the US tax authorities and the US Securities and Exchange Commission (SEC) on the grounds that they violated certain laws and regulations in connection with bidding on and entering into municipal derivatives transactions, including guaranteed investment contracts (GICs)(1), with the issuers of municipal bonds. Several US states have initiated parallel, similar investigations.
In addition to the governmental investigations described above, a large number of banks, insurance companies and brokerages, including in some cases FSA Holdings, Dexia and/or AGM, have been named as defendants in various civil actions relating to municipal GICs and municipal derivatives transactions. These civil lawsuits allege violations of antitrust and other laws and regulations. Substantially all these civil proceedings have been consolidated for pre-trial purposes in a single matter before the US District Court for the Southern District of New York.
Under the terms of the sale of FSA Holdings and AGM to Assured Guaranty Ltd, Dexia retained the Financial Products business and agreed to indemnify AGM and Assured Guaranty Ltd for all losses related to this activity that they may incur as a result of the investigations and lawsuits mentioned above.
On 27 July 2010, the Department of Justice (DOJ) indicted former AGM employee Steven Goldberg, together with two former colleagues of Goldberg at his previous employer in the bid rigging matter. The DOJ did not indict AGM or any entity within the Dexia FP Group as part of the Goldberg indictment. Mr Goldberg who was, on 11 May 2012, convicted for fraud, was sentenced at the end of October 2012, to a prison sentence and criminal fine. M. Goldberg is appealing the conviction.
Dexia is not able at present reasonably to predict the duration and the outcome of the investigations and legal proceedings in progress, or their potential financial repercussions. In addition, due to the nature of the DOJ/SEC investigations and civil actions relating to the same subject matter, any indication whether a provision has been constituted in relation to these investigations or litigations or their subject matter and, if so, the amount thereof, could seriously prejudice Dexia's legal position or its defence in the context of these legal actions or any related proceedings.

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

Alleged shortcomings in financial communication

In 2009 a shareholder, Mr. Robert Casanovas, lodged a complaint with the Public Prosecutors in Brussels and Paris alleging shortcomings in Dexia's financial communication. These complaints had given rise to the opening of two preliminary investigations. Mr Casanovas and his wife, Mrs. Marie Christine Guil, had also served direct summonses on the company Dexia SA and several former and current executives of the Group to appear before the Criminal Court in Paris.
At the hearing in October 2009, Mr Casanovas and his wife withdrew their action against the company Dexia SA which acknowledged it. This withdrawal occurred after the Public Prosecutor in Paris dismissed the complaint filed by Mr Robert Casanovas and his wife. As to the complaint lodged in Brussels, the Public Prosecutor also dismissed the charges against Dexia.
Nonetheless, in October 2010, Mr Casanovas and his wife re-filed an action against Dexia before the Civil Court of Perpignan on essentially the same grounds as the criminal complaints filed in 2009. Proceeding is still pending before the Court of Perpignan.
Since then, Dexia has been named a defendant in a small number of similar actions, alleging shortcomings in its financial communication. No provision has been created in this respect as Dexia strongly opposes the claims. Furthermore, Dexia responds to the request for information from the FSMA in relation to its financial communication and alleged shortcomings therein.

Dexia banka Slovensko

In June 2009, a client of Dexia banka Slovensko, which defaulted on its collateral posting obligations in respect of certain currency transactions, commenced a court action against the bank claiming EUR 162.4 million for non-compliance with legislation and contractual obligations. Dexia banka Slovensko, in turn, submitted a counterclaim for EUR 92.2 million.
On 17 May 2010 the District Court of Bratislava announced

its judgement on the former client's claim, ordering Dexia banka Slovensko to pay an amount in principal of EUR 138 million. By separate judgement, the District Court further ordered Dexia banka Slovensko to pay legal fees and costs in an amount of EUR 15.3 million. The bank appealed both decisions to the Regional Court of Bratislava and, in reaction to these decisions in first instance, withdrew its counterclaim still pending before the first instance court and resubmitted it for the gross amount to the Permanent Arbitration Court of the Slovak Banking Association.

On 25 January 2011, the appeal court passed a ruling cancelling both first instance judgements. In its ruling, the appeal court almost entirely dismissed the arguments adopted by the first instance court and stated that it did not establish the facts of the case correctly and erred in its legal arguments. As such, the appeal court decided to return the case to the first instance District Court for re-examination taking into account, the (binding) instructions included in the appeal court's ruling. The appeal court's ruling itself was the subject of an extraordinary appeal lodged by the former client with the Slovak Supreme Court, which was dismissed by the Supreme Court's Judgment of 18 June 2012 on procedural grounds. The Supreme Court confirmed that no grounds were presented which merited an extraordinary review of the appeal court's ruling. The case is thus remanded to the Court of First Instance (District Court Bratislava I.) which should rule in accordance with the instructions/reasoning of the decision by the appeal court referred to above.

In the context of its divestment of Dexia banka Slovensko early 2011, the residual exposure of the Dexia group in respect of this particular claim is capped at an undisclosed amount, which, if and when due by Dexia, is secured by funds in escrow.

Dexia Crediop

Dexia Crediop, like other banks in Italy, is involved in certain judicial proceedings with respect to hedging transactions concluded in the framework of debt refinancing for local authorities.

Under Italian law, debt may be restructured only if it leads to a reduction in the cost borne by the local authority (the "economic convenience test"). The legal question raised is whether or not the cost to be taken into consideration when performing the economic convenience test includes the cost of hedging transactions.

In September 2011, in a dispute between Dexia Crediop and the Province of Pisa, the Council of State decided that the self-redress act taken by the Province of Pisa meets the formal requirement for it to be valid and that the costs of the hedging transaction must be taken into account when performing the economic convenience test. The Council of State appointed a technical expert in order to perform such test.

After two expert reports favourable to Dexia Crediop the Council of State issued its final decision on 27 November 2012. In summary, the Council of State ruled that: (i) the initial fair value of a hedging transaction does not automatically equal the theoretical mid-point swap market price, but needs to take into account the parameters specific to the hedging transaction, such as the credit and liquidity components, (ii) these hedging cost components, when correctly evaluated, are legitimate and do not constitute "implicit costs", (iii) the cost of the hedging transaction (after having deducted said components) with the Province of Pisa is lower than the economic advantage of the debt restructuring for the Province and, as such, the restructuring as a whole meets the "economic convenience test", and (iv) there was no obligation for Dexia Crediop to detail each of the hedge cost factors to the Province of Pisa and Dexia Crediop's conduct in relation to the relevant bond restructuring operation with the Province of Pisa was correct, transparent and client-oriented. In relation to the decisions by the Council of State, there are still a procedure before the Italian Supreme Court and the Commercial Court in London pending.

Dexia Crediop is a party in a number of proceedings initiated by, in total, 11 Italian regions or cities or provinces relating to debt restructuring transactions and accompanying hedging arrangements. Dexia Crediop has filed several claims before civil and administrative courts to preserve its rights under the relevant hedging agreements. In 3 of these proceedings, criminal charges were brought against employees of Dexia Crediop, which, if maintained, could also imply an administrative liability of Dexia Crediop for not having adopted relevant measures aimed at preventing the commission of alleged crimes by its employees. The said employees and Dexia Crediop deny any charges brought against them in respect thereof. More recently, on 14 January 2013, in one of these 3 proceedings the criminal charges for alleged fraudulent behaviour were all dismissed.

At this stage of the proceedings, Dexia Crediop is not in a position to forecast in a reasonable way the duration or the outcome of the disputes, nor their possible financial consequences. Therefore, only a provision of an amount of approximately EUR 5 million appears in the accounts as at 31 December 2012 in order to cover the legal fees.

Dexia Asset Management

The case ongoing since December 2010 between Dexia Asset Management and a professional investor before an Irish jurisdiction was settled in February 2013.

Dexia Crédit Local

Dexia Crédit Local (DCL) is involved in a certain number of cases brought by local authorities to which it had granted structured loans. As at 31 December 2012, 63 summonses had been served on Dexia Crédit Local with regard to the problems surrounding structured loans.

On 8 February 2013, the County Court in Nanterre passed judgements on the applications made by the Département de la Seine-Saint-Denis against Dexia concerning three structured loans having an outstanding amount of EUR 177,534,631.90 as at 21 March 2013.

The County Court in Nanterre dismissed the applications by the Département de la Seine-Saint-Denis for cancellation of the three contested loan agreements and all of its claims for damages and interest. In particular, the Court considered that these loans were not of a speculative nature, the Département was competent to conclude these loan agreements and Dexia had acted in fulfilment of its obligation to provide information and advice vis-à-vis the Département. The Court considered however that the faxes which preceded signature of the definitive agreements could be described as a "loan agreement" and the absence of mention of the Global Effective Rate (GER) in those faxes would result in application of the legal rate of interest.

The loans concerned by the Court's decisions are within the perimeter of the disposal of the Société de Financement Local. So if confirmed, those judgements would have no financial impact on the Dexia Group, as the assets sold are now held by the Société de Financement Local. If the decisions of the County Court were to be confirmed and become case law, their extension to other financing made by Dexia would possibly introduce significant risks, but these are difficult to assess at this stage.
Dexia Crédit Local SA plans to appeal these decisions.

Dexia Israel

In May 2002, a complaint was filed in relation to the purchase by Dexia Crédit Local of shares held by the State of Israel and various banks claiming non-compliance with Companies Law. In April 2009, the Central District Court rejected the application for a class action formulated by the complainants. In June 2009, the latter appealed to the Supreme Court. The hearing was held in November 2010.
On June 17, 2012, the Supreme Court rendered a decision according to which Dexia Crédit Local should have acquired the shares through a takeover bid. The Supreme Court has therefore returned the whole litigation to the District Court of Tel Aviv (certification of the claim as a class action, existence of a prejudice and if so, remedies to be granted). In January 2013, The Supreme Court has rejected the motions to hold additional hearing, which were filed by Dexia Crédit Local and the State of Israel following the decision rendered on June 17th, 2012.
In December 2011, another class action was filed by nine individual shareholders against Dexia Credit Local and the Union for Local Authorities in Israël (ULAI), in their capacity of shareholders, and against Dexia Israël. Such action is, amongst other, based on an alleged failure to complete the process of equalization of the rights attached to Dexia Israël's shares which the applicants claim caused damages to them. In January, 2013, the District Court of Tel Aviv has decided to stay the proceeding until a final judgment (including on appeal) is taken in the first class action.
In July 2012, certain minority shareholders have filed a motion to approve a derivative action, on behalf of Dexia Israël, against Dexia Crédit Local and 20 current and past directors of Dexia Israel, claiming, among others, a reimbursement of the dividends distributed by Dexia Israël to Dexia Credit Local since the acquisition of its shareholding.
At the date hereof, Dexia is not able to reasonably predict the duration or outcome of these legal proceedings or their potential financial impacts.

Dexia and Dexia Crédit Local S.A.: Requests for annulment of the Royal Decrees granting a State Guarantee

The Belgian Royal Decree dated 18 October 2011 has allowed the Kingdom of Belgium to grant a guarantee to Dexia SA and Dexia Crédit Local S.A. This Royal Decree has been amended by a Royal Decree dated 19 December 2012.
On 23 December 2011, *le Comité pour l'annulation de la dette du Tiers-Monde* (CADTM), *l'association pour la Taxation des Transactions financières pour l'aide au Citoyen, locale de Liège* (ATTAC Liège) and ATTAC Brussels 2, three non-profit organizations, have lodged a claim for annulment of the Royal Decree dated 18 October 2011 before the Belgian Council of State (*Conseil d'Etat*). These non-profit organizations have been joined in the proceedings by two members of the Belgian Federal Parliament, acting on a voluntary basis. In order to assert its rights, Dexia SA has decided to voluntarily intervene in the proceedings before the Belgian Council of State.
On 26 February 2013, these three non-profits organizations and the two members of the Belgian Federal Parliament have lodged a claim for annulment of the Royal Decree dated 19 December 2012. Dexia SA will also voluntarily intervene in those proceedings before the Belgian Council of State in order to assert its rights.
These proceedings are currently pending before the Belgian Council of State.

Disposal of the Group's operational entities

After disposing of Dexia Bank Belgium SA to the Société Fédérale de Participations et d'Investissement SA in October 2011, during the 2012 financial year and at the start of 2013 Dexia and Dexia Crédit Local S.A. finalised the sale of a series of operational entities, in accordance with the undertakings made in 2011 and formulated in the revised Group orderly resolution plan (cf. page 10 of the Report).
Share sale agreements in relation to these disposals contain guarantees subject to the usual restrictions and limitations for this type of transactions as well as certain specific indemnities. To date, applications have been made by the purchasers for compensation within the context of the sale of BIL to the Luxembourg State and Precision Capital. However Dexia strongly contests the validity of these Dexia, which are furthermore the object of in-depth examination.
No other guarantee or indemnity application has been formally made to date by the purchasers in relation to the aforementioned transactions.

Stress tests

Dexia has implemented the performance of stress tests in a transversal and integrated approach to the Group's risk management process taking account of the orderly resolution plan undertaken in October 2011.

The aim of stress tests is, in an adverse shock situation, to measure the bank's sensitivity in terms of expected losses, weighted assets, liquidity needs and capital requirements.

In 2012, Dexia performed a series of stress tests (sensitivity analysis, scenario analysis, assessment of potential vulnerabilities) particularly based on macroeconomic scenarios reflecting crisis situations.
In addition to the stress tests for market and liquidity risks performed on a regular basis and meeting regulatory requirements, in 2012 Dexia implemented stress tests covering the majority of credit portfolios. In particular, within the framework of Pillar 1 of Basle II, credit exposures covered by internal rating systems were subject to tests of sensitivity and scenarios of unfavourable evolution of macroeconomic variables.

Given the extent of the Dexia restructuring, a direct consequence of its orderly resolution plan. Dexia is no longer in the sample of banks retained by the EBA for the performance of stress tests. For the proper implementation of that plan. Dexia has the support of a liquidity guarantee granted by the Belgian, French and Luxembourg States.

Application and evolution of the regulatory framework

The Dexia Group has implemented all the mechanisms associated with the Basel II regulations and has adopted a mechanism for constant improvement, which led to integrate the provisions linked to CRD 2 (evolution of the calculation of major risks, retention of a portion of covered exposures) and CRD3 (introduction of a stressed VaR, taking account of requirements for the calculation of capital consumption for securitisation and re-securitisation positions, nonetheless limited for Dexia). Dexia is also working actively on the introduction of CRD 4 and for that has established dedicated governance involving close collaboration between the Risk and Finance teams in order to make all the changes necessary in respect of the new requirements for the calculation of capital consumption (Credit Valuation Adjustments, Asset Value Correlation, liquidity, definition of capital).

As for credit risk, since 1 January 2008 the Group has used the Advanced Internal Rating Based Approach (AIRBA) for calculation of its capital requirements and its solvency ratios. Following the disposal of certain Group entities and the sharp reduction of some portfolios, the Dexia Group nonetheless filed an application to the Belgian National Bank (BNB) to migrate to the standard approach for certain portfolios which have become non-significant in terms of assets and number of counterparts, making the statistical approach associated with the internal model much less appropriate.

Pillar 2, applicable since 31 December 2008, imposes the need on banks to demonstrate to their regulators the adequacy of their risk profile and their capital. To that end, they must in particular have internal systems for the calculation and management of their risks, capable of estimating their economic capital requirement (Internal Capital Adequacy Assessment Process – ICAAP). Consolidated within the Group in 2010, this process is illustrated in particular by the capital adequacy process. Dexia has nonetheless commenced a project to evolve this mechanism in line with its new perimeter and to its activities which will be introduced in 2013 (cf. the Capital Adequacy section of the chapter entitled "Capital Management" of the present Annual Report, page 78).

Pillar 3, which defines a series of qualitative and quantitative points of information relating to risks disseminated to market operators, is applicable at a Dexia Group consolidated level and has been an integral part of its external communication since 2008 (*cf. document Risk Report – Pillar 3 of Basel II published on the internet site www.dexia.com*).

Capital management

Solvency

Dexia monitors its solvency using the rules and ratios established by the Basle Committee on Banking Supervision and the European CRD Directive.
These ratios, the capital adequacy ratio and the Tier 1 capital ratio respectively give the ratio between the amount of regulatory capital and the amount of regulatory capital in the strict sense including hybrid capital (Tier 1 capital) and total weighted risks. From a regulatory point of view, they should amount to a minimum of 4% for the Tier 1 ratio and 8% for the capital adequacy ratio.
Another indicator used by Dexia to monitor its solvency is the Core Tier 1 ratio, which gives the ratio between the amount of regulatory capital in the strict sense, excluding hybrid capital and total weighted risks.
The Belgian National Bank (BNB) requires Dexia to calculate the capital necessary for it to carry on its activity in accordance with the prudential regulation of financial groups.
Dexia has observed these regulatory capital requirements for all the periods of publication.

Regulatory capital

Regulatory capital consists of:
• regulatory capital in the strict sense including hybrid capital (Tier 1 capital) which includes share capital, premiums, amounts carried forward including profits for the financial year, hybrid securities, conversion differences and non-controlling interests, reduced by intangible assets, accrued dividends, shares and goodwill;
• additional capital (Tier 2 capital) including the eligible portion of long-term subordinated debts, reduced by subordinated debts and shares in financial institutions.
In accordance with regulatory requirements:
• reserves available for sale on bonds and cash flow hedge reserves are not included in regulatory capital;
• reserves available for sale on shares are included in additional capital if they are positive (limited to 90%) or deducted from core capital if they are negative;
• certain IFRS adjustments on subordinated debts, non-controlling interests and debts should be included in order to reflect the loss absorption characteristics of those instruments;
• other (ad hoc entities, deferred taxes and so on) are also adjusted according to BNB requirements.

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

	31/12/11		31/12/12	
(in millions of EUR)	Consolidated financial statements	Regulatory purposes	Consolidated financial statements	Regulatory purposes
Total shareholder's equity	(2,018)	(2,018)	2,881	2,881
Non-controlling interests	1,698	1,698	429	429
of which Core equity	*1,819*	*1,819*	*444*	*444*
of which Gain and Losses not recognised	*(121)*	*(121)*	*(15)*	*(15)*
TOTAL EQUITY	**(320)**	**(320)**	**3,310**	**3,310**

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

REGULATORY CAPITAL	31/12/11	31/12/12
Regulatory capital (after profit appropriation)	**8,589**	**11,535**
Tier 1 capital	**6,305**	**10,989**
Core shareholder's equity	7,589	10,908
Cumulative translation adjustments (Group share)	(803)	(31)
Prudential filters	(335)	(186)
Non-controlling interests (eligible in Tier 1)	627	392
Dividend payout (non-controlling interests)	0	0
Items to be deducted	(1,772)	(191)
Intangible assets and goodwill	*(1,416)*	*(165)*
Holdings > 10% in other credit and financial institutions (50%)	*(45)*	*(26)*
Excess on limit for holdings, subordinated claims and other items in credit and financial institutions in which holdings < 10% (50%)	*(310)*	*0*
Subordinated claims and other items in credit and financial institutions in which holdings > 10% (50%)	*0*	*0*
Innovative hybrid Tier 1 instruments	999	96
Tier 2 capital	**2,284**	**546**
Perpetuals and excess on innovative hybrid Tier 1 instruments for recognition in Tier 1 capital	424	0
Subordinated debts	2,104	530
Available for sale reserve on equities (+)	202	132
IRB provision excess (+) ; IRB provision shortfall 50% (-)	44	22
Items to be deducted	(490)	(138)
Holdings > 10% in other credit and financial institutions (50%)	*(138)*	*(138)*
Subordinated claims and other items in other credit and financial institutions in which holdings > 10% (50%)	*0*	*0*
Excess on limit for holdings, subordinated claims and other items in credit and financial institutions in which holdings < 10% (50%)	*(310)*	*0*
Participations in insurance undertakings	*(42)*	*0*

At the end of 2012 Tier 1 capital amounts to EUR 10,989 million, up 74% on 31 December 2011, particularly as a result of the EUR 5.5 billion capital increase on 31 December 2012, the redemption of hybrid T1 and T2 securities and the sale of Denizbank, RBC-Dexia Investor Services and Banque Internationale à Luxembourg.

At the end of December 2012, the preference shares subscribed by the Belgian and French States on the EUR 5.5 billion capital increase are included in regulated capital as Core Tier 1 capital. The treatment of preference shares in application of the future CRD IV can only be confirmed when that text is finalised.

On that date, the Group's hybrid Tier 1 instruments are at a nominal amount limited to EUR 96 million. This is explained by two public buyback offers launched respectively on 20 February 2012 on perpetual non-cumulative securities with a value of EUR 500 million issued by Dexia Funding Luxembourg SA, at a purchase price amounting to 25% of the nominal value of the securities, and on 2 March 2012 on perpetual non-cumulative securities with a value of EUR 700 millions issued by Dexia Crédit Local, at a purchase price amounting to 24% of the nominal value of the securities. These two offers are detailed in the "Risk management" section of the present Annual Report (page 70).

Following these public buyback offers, the Group's hybrid Tier 1 capital therefore consists of:

• EUR 56 million nominal in subordinated non-cumulative debt securities issued by Dexia Crédit Local and booked for an amount of EUR 56 million;

• EUR 40 million nominal of perpetual non-cumulative securities issued by Dexia Funding Luxembourg and booked for an amount of EUR 40 million.

The characteristics of these two issues are listed in the table below.

Issuer	Booked amount (in millions of EUR)	Rate	Call date	Rate applicable after the call
Dexia Crédit Local SA	56	4.30%	18 November 2015	Euribor 3 m + 173 bp
Dexia Funding Luxembourg SA	40	4.892%	2 November 2016	Euribor 3 m + 178 bp

It can be observed a significant fall of fixed-term subordinated borrowings due in part to the sales of Banque Internationale à Luxembourg and Denizbank and also the offer to buyback on the redeemable subordinated debt (Lower T2 hybrids) launched by Dexia Crédit Local during H2 2012 to increase its capital and those of Dexia SA (cf. the "Risk management" section of the present Annual Report (page 70)).
The table below lists all the redemptions made in 2012 on T1 and T2:

Type	Amount issued (EUR millions)	Amount purchased (EUR millions - %)	Price	Purchase date
Hybrid Tier 1 (DFL)	500	460 – 91.84%	25%	February 2012
Hybrid Tier 1 (DCL)	700	644 – 91.86%	24%	March 2012
Lower Tier 2 2017	500	238 – 47.59%	65%	November 2012
Lower Tier 2 2019	300	174 – 57.87%	65%	November 2012

The agreement with the European Commission provides certain restrictions concerning the payment of coupons and the exercise of early redemption options (calls) on Dexia hybrid capital instruments. Dexia effectively undertook to pay coupons on subordinated debt instruments and hybrid capital only if there is a contractual obligation and not to proceed with any call exercise until the end of 2011. In 2013, the Group intends to apply the same rule.
The various haircuts applied on T1 and T2 capital no longer apply in view of the significant fall of the amount of subordinated and super-subordinated securities as a result of the EUR 5.5 billion capital increase on 31 December 2012.

Weighted risks

Weighted risks consist of three elements: credit risk, market risk and operational risk. Each of these risks is described in the "Risk management" section of the present Annual Report (pages 56 and following).
At the end of 2012, weighted risks amount to EUR 55.3 billion, down EUR 28 billion on the end of 2011. This is explained in particular by the sale of Denizbank, RBC-Dexia Investor Services and Banque Internationale à Luxembourg.

(in millions of EUR)	31/12/11	31/12/12
Weighted credit risks	73,507	48,914
Weighted market risks	2,047	1,276
Weighted operational risks	7,821	5,131
TOTAL	**83,374**	**55,321**

Solvency ratios

At 19.9% and 19.7% respectively, the high level of the Tier 1 ratio and the Core Tier 1 ratio at the end of December 2012 is explained by the capital increase in December 2012 (+6.6%), the sale of Dexia entities (+5.2%), the redemption of hybrid T1 and T2 securities (+0.17%) and the reduction of weighted risks (+3.8%) compared to 31 December 2011. Conversely, these ratios were impacted by the annual loss of EUR -2,865 million (-3.4%) posted by the Dexia Group for the 2012 financial year.
The capital adequacy ratio amounts to 20.9% at the end of 2012, an increase of 10.6% on the end of 2011.

	31/12/10	31/12/11	31/12/12
Tier 1 ratio	13.1%	7.6%	19.9%
Core Tier 1 ratio	12.1%	6.4%	19.7%
Capital adequacy ratio	14.7%	10.3%	20.9%

Economic capital

Economic capital is defined as the potential deviation of the economic value of the Group in relation to the expected value at a given interval of confidence and time horizon. The process of quantification of the economic capital is organised in three phases: identification of the risks (definition and cartography updated annually up to a local level), their measurement (essentially on the basis of statistical methods) and their aggregation on the basis of an inter-risk diversification matrix. The majority of risks are capitalised in relation to a measure of expected loss; some risks are not however capitalised if other modes of management (limits, scenarios, governance and so on) are considered better able to cover them.
Capitalised risks are valued at a high level of severity (99.97% at one year).

Adequacy of economic capital

During 2012, Dexia maintained its internal capital adequacy mechanism and at the same time implemented an evolution and adaptation project for its approach to the scope and activities of Dexia in 2013, in line with the orderly resolution plan. The adapted internal approach will be implemented during 2013 with the aim of simultaneously valuing the economic and regulatory capital requirement for different simulations of risk scenarios.
Continuing the dialogue which Dexia has maintained with its regulators in order to respond to the requirements of Pillar 2 of Basle II (capital adequacy in relation to the bank's risks, principally based on the economic capital approach), Dexia presented its regulators with the principles and lines of the approach which will be adopted in 2013, entitled Capital Risks and Adequacy. The progress of the transition phase between the current approach, still in application at the end of 2012, and its evolutions was also presented.
The process of quantifying economic capital rests on an exhaustive identification of risks. On that basis, the Group's ability to honour its future commitments and the adequacy of its capital are subject to numerous analyses sent to the various internal and external stakeholders, based on the Dexia Group orderly resolution plan. In fact the responsibility of management of the capital adequacy process and the proposals of solutions adapted to the bank's strategy were ratified at the highest level of the bank's committees. In 2013, Dexia's capital adequacy will continue to be subject to regular analyses and joint ratification by the Risks and Finance support lines prior to submission to the Group's executive bodies.

Financial Results

Points in relation to presentation of the 2012 consolidated financial statements for the Dexia Group

The consolidated financial statements for Dexia SA as at 31 December 2012 were established in accordance with the accounting rules applicable to a going concern. This hypothesis of continuity was supported by a revised business plan, founded on the first plan described in the 2011 Annual Report of the Dexia Group although some parameters were modified in order to integrate the principal changes associated with the situation. This revised business plan relies on a certain number of hypotheses which are detailed in the "Continuity of operation and revised business plan" section of the Chapter "Significant facts" of this Annual Report (page 13).

The 2012 financial statements reflect the structural measures undertaken by the Group in October 2011, from the closure of the Group's 2011 financial statements, by the application, to Dexia Banque Internationale à Luxembourg, Dexia Municipal Agency, Dexia Asset Management and RBC Dexia Investor Services of the IFRS 5 norm relating to "non-current assets of entities held for sale". The signature of a sale and purchase agreement with Sberbank on 8 June 2012, relating to Dexia's 99.85% holding in DenizBank also enabled the IFRS 5 norm to be applied to that entity in presentation of the accounts as at 30 June 2012.

In application of that norm, the results posted by all the entities reclassified under IFRS 5 have been booked in the item "Net income from discontinued activities". Similarly, the assets and liabilities of those entities are presented in a separate balance sheet item. The comparative period is reprocessed for the profit and loss account; the balance sheet is not reprocessed.

Consolidated profit and loss account

During 2012, Dexia posted a **net income Group share** of EUR -2,866 million, including EUR -1,697 million attributable to the Group's continuing activities.

Income from continuing activities is EUR -894 million, explained by a high cost of funding not entirely covered by income from commercial portfolios. In particular, the interest charge estimated for 2012 in association with recourse to the ELA and the cost of the provisional guarantee granted by the States was almost EUR 1 billion. This amount includes the fees for implementing the funding guarantee mechanism in an amount of EUR 200 million.

Asset disposals also weighed on revenues for the year with losses on disposals of EUR 190 million, for an amount of EUR 5.7 billion in securities and non-strategic loans sold.

Furthermore, the Group booked an impairment of EUR 176 million on KommunalkreditAustria. On 25 April 2012, at the General Meeting of KA Finanz AG, a resolution was passed providing for the abolition of losses accumulated by the cancellation of participating capital allocated to KA Finanz AG, retroactively as at 31 December 2011. Dexia considers this decision to breach its rights, particularly the contractual conditions governing its investment, and will take all necessary steps to defend its position. Without prejudging the result of these proceedings, the Group decided to make an impairment of EUR 184 million on the EUR 200 million of participating capital in its accounts as at 30 June 2012, corresponding to abolition of the entire claim on KA Finanz AG and a provision on the claim on KA new. Over the second half-year, the provision was reduced to EUR 8 million, corresponding to the effect of updating the provision.

Costs amount to EUR 554 million. This amount includes restructuring costs of EUR 82 million, covering the costs associated with the reduction of the number of staff members, a consequence of the Group's perimeter being adapted to its new functions. Excluding non-recurrent elements, the cost base is reduced by some 6% compared to the previous year.

Gross operating income for the year 2012 amounts to EUR -1,448 million.

At EUR -277 million, the **cost of risk** is principally explained by an increase of sector provisions, particularly on ABS, by the creation of new categories of provisions and more marginally by specific provisions on certain credit files. This is a pronounced fall of 42% compared to 2011, by virtue of the sale of risk portfolios, particularly the Financial Products portfolio.

Consequently, **pre-tax income from ongoing activities** is EUR -1,726 million.

The **tax charge** is positive, at EUR 2 million.

Net income on discontinued activities is EUR -1,163 million and is explained for the most part by the losses posted on entity disposals.

After taking account of EUR 21 million attributable to non-controlling holdings, **net income Group share** is EUR -2,866 million as at 31 December 2012.

Considering the loss posted in 2012, these will be no dividend paid for 2012 in any form whatsoever.

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CONSOLIDATED STATEMENT OF INCOME

(in millions of EUR, except where indicated)	2011 as published	2011 restated [1]	2012
Income	**(4,383)**	**(5,538)**	**(894)**
Expenses	(1,114)	(521)	(554)
Gross operating income	**(5,497)**	**(6,059)**	**(1,448)**
Cost of risk	(551)	(478)	(277)
Other impairments & provisions for legal litigation	(196)	(195)	(1)
Net result before tax from continuing operations	**(6,244)**	**(6,732)**	**(1,726)**
Tax expense	(161)	(83)	2
Net result from continuing operations	**(6,405)**	**(6,815)**	**(1,724)**
Net result from discontinued operations	**(5,236)**	**(4,826)**	**(1,163)**
Net result	**(11,641)**	**(11,641)**	**(2,887)**
Non-controlling interests	2	2	21
Net result Group share	**(11,639)**	**(11,639)**	**(2,866)**
Net result Group share from continuing operations	**(6,398)**	**(6,807)**	**(1,697)**
Earnings per share (EUR)	(5.97)	(5.97)	(1.47)
Earnings per share from continuing operations (EUR)	(3.28)	(3.49)	(0.87)

(1) In accordance with IFRS 5, the comparative information of the discontinued operations is disclosed separately

Consolidated balance sheet

As at 31 December 2012, the Group's consolidated balance sheet total is EUR 357 billion, down EUR 56 billion on 31 December 2011. The balance sheet is presented in accordance with the IFRS 5 norm which was applied for 2011 and 2012 to all companies which were highly likely to be sold within twelve months. The assets and liabilities concerned were booked as "Non-current assets and entities held for sale" and "Liabilities included in entities held for sale" respectively. Intra-group transactions between current activities and entities held for sale were eliminated.

The evolution of the balance sheet compared to 31 December 2011 results principally:

- from the disposals of RBC Dexia Investor Services, Banque Internationale à Luxembourg and DenizBank (EUR -44.6 billion);
- natural asset amortisation (EUR -18.7 billion);
- assets sales (EUR -6.7 billion)
- asset value increases (particular derivatives) (EUR +6.1 billion);
- the effect of the capital increase (EUR +5.5 billion)

Equity

Group equity consists of core capital (share capital, issue premiums and contributions, reserves and results carried forward, net income for the period before allocation less own shares) and latent or deferred gains or losses (Other Comprehensive Income) not included in the profit and loss account.

As at 31 December 2012, total **core equity** is EUR 10.9 billion, up EUR 3.3 billion on the end of 2011. This evolution is essentially explained by the following elements:

- the capital increase in cash, reserved for the Belgian and French States, in an amount of EUR 5.5 billion, approved by the Extraordinary Shareholders' Meeting held on 21 December 2012;
- the 100% consolidation of Dexia Sabadell, as a consequence of the capital increase subscribed by Dexia and taking into consideration the option to sell Sabadell, for an amount of EUR 0.2 billion;
- the gain booked directly as equity following the redemption by Dexia Crédit Local SA of 92% of the outstanding of its hybrid Tier 1 capital issues in an mount of EUR 0.5 billion;
- the net loss of EUR – 2.9 billion.

Latent or deferred gains or losses are EUR -8.1 billion, down EUR 1.5 billion. This is explained by the EUR 0.5 billion improvement of the AFS reserve in 2012, principally resulting from the tightening of credit spreads on sovereign bonds, and the evolution of the Group's consolidation perimeter and particularly the recycling of income from the conversion spread on the DenizBank group (EUR 0.8 billion as at 31 December 2011).

Minority holdings are EUR 0.5 billion as at 31 December 2012, down EUR -1.2 billion. This variation is explained principally by the redemption by Dexia Crédit Local SA of 92% of the outstanding of super-subordinated securities and by the merger of DFL with Dexia SA resulting in subordinated perpetual non-cumulative securities being booked as equity Group share. Dexia also purchased the DFL securities which Belfius had acquired within the context of the public tender offer in February 2012.

Assets

In 2012, the DenizBank group was transferred to the item "Non-current assets and entities held for sale" and then sold to the Russian bank Sberbank on 28 September 2012. ADTS and DKB Polska were also transferred to "Non-current assets and entities held for sale" in 2012.

Loans and receivables from clients are EUR 150 billion, down EUR 23.5 billion. This results from the departure of DenizBank and natural asset amortization.

Financial investments fell to EUR 36.5 billion, a negative variation of EUR 4.2 billion as a result of the departure of DenizBank and the deleveraging programme.

Derivatives on the other hand reached EUR 30.5 billion, up EUR 2.2 billion, principally in view of interest rate variations.

Non-current assets and entities held for sale fell from EUR 25.8 billion to EUR 84.6 billion after entity disposals.

Liabilities

Debts to credit institutions fell to EUR 87.5 billion, a negative variation of EUR -18.9 billion. The increase of outstanding to central banks is more than offset by the fall of debts to credit institutions.

The departure of DenizBank explains the sharp fall of **debts to clients** which are EUR 11.1 billion against EUR 19.4 billion as a 31 December 2011.

Subordinated debts are EUR 0.7 billion, down EUR 1 billion in particular following the sale of DenizBank, of Banque Internationale à Luxembourg and the public offers to redeem subordinated issues by Dexia Crédit Local SA.

Liabilities included in entities held for sale fell by EUR 36 billion to EUR 79.4 billion after entity disposals.

CONSOLIDATED BALANCE SHEET

(in millions of EUR)	31/12/11	31/12/12
TOTAL ASSETS	**412,759**	**357,210**
Cash and balances with central banks	4,847	1,054
Loans and advances due from banks	45,728	47,027
Loans and advances to customers	173,550	150,019
Financial assets measured at fair value through profit or loss	2,690	2,225
Financial investments	40,691	36,516
Derivatives	28,298	30,526
Fair-value revaluation of portfolio hedge	3,020	3,526
Tangible fixed assets	736	501
Intangible assets and goodwill	1,184	102
Tax assets	932	229
Other assets	724	886
Non-current assets and disposal groups held for sale	110,359	84,599
TOTAL LIABILITIES AND EQUITY	**412,759**	**357,210**
Due to banks	106,384	87,478
Customer borrowings and deposits	19,419	11,111
Financial liabilities measured at fair value through profit or loss	5,200	3,931
Derivatives	56,037	59,660
Fair-value revaluation of portfolio hedge	445	372
Debt securities	105,288	109,651
Subordinated debts	1,691	707
Provisions and other obligations	332	251
Tax liabilities	192	234
Other liabilities	1,741	1,148
Liabilities included in disposal groups held for sale	116,350	79,357
Total liabilities	413,079	353,900
Subscribed capital	4,618	6,000
Additional paid-in capital	13,649	1,900
Treasury shares	(4)	(4)
Reserves and retained earnings	965	5,889
Net income for the period	(11,639)	(2,866)
Core shareholders' equity	**7,589**	**10,919**
Gains and losses not recognised in the statement of income	(9,607)	(8,067)
Total shareholders' equity	**(2,018)**	**2,852**
Discretionary participation features of insurance contracts	1,698	458
Total equity	(320)	3,310

Business line activity and results

The following note per segment of activity does not relate to the Retail and Commercial Banking, Public and Wholesale Banking and/or Asset Management and Investor Services activities of entities sold in 2012, namely the subsidiaries RBC Dexia Investor Services, DenizBank and Dexia Banque Internationale à Luxembourg.
Despite application in the accounts of the IFRS 5 standard for entities where the sale or finalisation of the sale is very likely in 2013, namely Dexia Municipal Agency and Dexia Asset Management, the following note nonetheless relates to the activity of all the entities still consolidated as at 31 December 2012. Elements of business line profitability are provided in Note 3 "Analysis per segment" to the consolidated accounts in this Annual Report (page 114).

Public and Wholesale Banking

In accordance with the plan announced by the Group in October 2011, Public and Wholesale Banking activity has been put in orderly resolution. At EUR 952 million, long-term loan production generated in 2012 was well down (-78% compared to 2011). It was limited to operations to "desensitise" structured loans, the execution of earlier commitments or financing originating with entities held for sale for which Dexia has undertaken to maintain the commercial franchise.
This new production was realised 77% in France, one half of which corresponds to the distribution of pre-financed envelopes (EIB, CDC …) and 43% in debt restructuring operations (essentially to "desensitise" structured loans). 89% of total new production was allocated to loans to the local public sector. Project finance production, at EUR 82 million, shows a fall of 92%.
At EUR 8.6 billion, the collection of commercial deposits increased strongly (+25% on December 2011), principally by virtue of the very good performance recorded in Germany, which more than offset the decline recorded in France partly as a consequence of the cessation of credit commitments made by Dexia.
Net pre-tax income from Public and Wholesale Banking was EUR -242 million, well down on the year 2011 (EUR -100 million), principally penalised by high funding costs in 2012 (provisional guarantee and recourse to the ELA).

Retail and Commercial Banking

There is no longer any activity in the Retail and Commercial Banking segment following sales of the main operating entities, more particularly DenizBank and Dexia Banque Internationale à Luxembourg, with implementation of the Group's orderly resolution plan. The two subsidiaries were deconsolidated on 28 September 2012 and 5 October 2012 respectively.

Asset Management and Investor Services

With EUR 77 billion in assets under management at the end of December 2012, Dexia Asset Management succeeded in limiting the fall of assets under management to 1.5% (or EUR 1.2 billion) compared to the end of 2011. This decrease is principally attributable to capital transfers made by two former subsidiaries of the Dexia Group and a fall in the monetary portion in retail and institutional funds, partially offset by a positive market effect (EUR +7.7 billion) against the background of a financial market rebound.
Investor Services activities are no longer included in this chapter in view of the deconsolidation of RBC Dexia Investor Services on 27 July 2012.

Legacy Portfolio Management Division

The Legacy Division contains the bond portfolio in run-off, the Financial Products portfolio, a portfolio of "non-strategic" loans to the public sector and off-balance sheet commitments associated with liquidity lines in the United States (*Stand-by Bond Purchase Agreements - SBPA*).
As at 31 December 2012, the total commitments of the Legacy Portfolio Management division were EUR 81.2 billion, including off-balance sheet commitments. Balance sheet commitments were EUR 79.3 billion, down EUR 13.8 on year-end 2011.
During 2012, Dexia disposed of EUR 5.7 billion in assets, including EUR 3.9 billion in bonds and EUR 1.8 billion in loans. Bond sales were essentially made to offset the impact on liquidity of the repurchase of perpetual subordinated securities issued by DCL and as part of an exchange of securities made on signature of the agreement to sell RBC Dexia Investor Services to the Royal Bank of Canada[1]. The pace of securities disposals slowed over the year, with the Group seeking targeted opportunities as a priority, enabling it to generate gains. Sales of loans were intended to reduce the Group's risk profile and made as a priority via early redemptions negotiated with clients. In 2012, the Group principally sold two loan portfolios to Mexico and Canada.

(1) Press Release dated 3 April 2012.

Details of the evolution of the different segments of the Legacy Division are given below.

• The bond portfolio managed in run-off was EUR 67.3 billion as at 31 December 2012, down by EUR 9.2 billion on the end of December 2011. In line with the objectives sought within the framework of deleveraging, the credit quality of the portfolio has improved since 31 December 2011, with 91% of assets rated "investment grade". The portfolio's average rating is BBB+, with an average maturity of 13.2 years.

• The liabilities of the Public and Wholesale Banking business line in orderly resolution EUR 9.7 billion, including EUR 2.0 billion (USD 2.6 billion) of liquidity lines (SBPA) granted to local authorities in the United States, drawn up to a limited amount of EUR 0.1 billion (USD 0.1 billion). Over the year, liabilities were reduced by EUR 4.7 billion, principally by disposals, early redemptions and the natural amortization of assets.

• The Financial Products portfolio includes USD 5.3 billion (EUR 4.2 billion) of assets, of which USD 4.0 billion of high quality assets (essentially US Treasury notes) used specifically as collateral for Guaranteed Investment Contracts (GIC) financing the portfolio. Outside those USD 4.0 billion, the portfolio was 93% "investment grade" as at 31 December 2012.

Over the year 2012, the Legacy Division posted a pre-tax loss of EUR -868 million. This result is principally explained by negative revenues of EUR -575 million, resulting from a high funding cost. The Group also posted losses on asset disposals, in an amount of EUR 93 million on EUR 3.9 billion of bonds sold and EUR 98 million on EUR 1.8 billion of loans sold. In addition, the securities exchange made on the sale of RBC Dexia Investor Services generated a loss of EUR 87 million.

Consolidated financial statements as at 31 December 2012

Consolidated balance sheet

ASSETS (in millions of EUR)		Note	31/12/11	31/12/12
I.	Cash and balances with central banks	7.2.	4,847	1,054
II.	Loans and advances due from banks	7.3.	45,728	47,027
III.	Loans and advances to customers	7.4.	173,550	150,019
IV.	Financial assets measured at fair value through profit or loss	7.5.	2,690	2,225
V.	Financial investments	7.6.	40,691	36,516
VI.	Derivatives	9.1.	28,298	30,526
VII.	Fair value revaluation of portfolio hedge		3,020	3,526
VIII.	Tangible fixed assets	7.9.	736	501
IX.	Intangible assets and goodwill	7.10.	1,184	102
X.	Tax assets	7.11. & 9.2.	932	229
XI.	Other assets	7.12.	724	886
XII.	Non-current assets and disposal groups held for sale	7.13. & 9.4.	110,359	84,599
TOTAL ASSETS			**412,759**	**357,210**

The notes on pages 98 to 192 are an integral part of these consolidated financial statements.

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LIABILITIES (in millions of EUR)		Note	31/12/11	31/12/12
I.	Due to banks	8.1.	106,384	87,478
II.	Customer borrowings and deposits	8.2.	19,419	11,111
III.	Financial liabilities measured at fair value through profit or loss	8.3.	5,200	3,931
IV.	Derivatives	9.1.	56,037	59,660
V.	Fair value revaluation of portfolio hedge		445	372
VI.	Debt securities	8.4.	105,288	109,651
VII.	Subordinated debts	8.5.	1,691	707
VIII.	Provisions and other obligations	8.6.	332	251
IX.	Tax liabilities	8.7. & 9.2.	192	234
X.	Other liabilities	8.8.	1,741	1,148
XI.	Liabilities included in disposal groups held for sale	8.9. & 9.4.	116,350	79,357
TOTAL LIABILITIES			413,079	353,900

EQUITY (in millions of EUR)		Note	31/12/11	31/12/12
XIV.	Subscribed capital	9.5.	4,618	6,000
XV.	Additional paid-in capital		13,649	1,900
XVI.	Treasury shares		(4)	(4)
XVII.	Reserves and retained earnings		965	5,889
XVIII.	Net income for the period		(11,639)	(2,866)
CORE SHAREHOLDERS' EQUITY			7,589	10,919
XIX.	Gains and losses not recognised in the statement of income		(9,607)	(8,067)
	a) Available-for-sale reserve on securities		*(5,279)*	*(4,802)*
	b) "Frozen" fair value adjustment of financial assets reclassified to Loans and Receivables		*(2,378)*	*(2,203)*
	c) Other comprehensive income from assets held for sale		*(238)*	*(148)*
	d) Other reserves		*(1,712)*	*(914)*
TOTAL SHAREHOLDERS' EQUITY			(2,018)	2,852
XX.	Non-controlling interests		1,698	458
TOTAL EQUITY			(320)	3,310
TOTAL LIABILITIES AND EQUITY			412,759	357,210

The notes on pages 98 to 192 are an integral part of these consolidated financial statements.

Consolidated statement of income

(in millions of EUR)		Note	31/12/11 (1)	31/12/12
I.	Interest income	11.1.	22,366	17,179
II.	Interest expense	11.1.	(22,386)	(17,909)
III.	Dividend income	11.2.	6	7
IV.	Net income from financial instruments at fair value through profit or loss	11.3.	(28)	(80)
V.	Net income on investments	11.4.	(5,389)	19
VI.	Fee and commission income	11.5.	144	115
VII.	Fee and commission expense	11.5.	(269)	(249)
VIII.	Other net income	11.6.	18	24
INCOME			**(5,538)**	**(894)**
IX.	Staff expense	11.7.	(368)	(348)
X.	General and administrative expense	11.8.	(113)	(165)
XI.	Depreciation & amortization	11.9.	(40)	(41)
EXPENSES			**(521)**	**(554)**
GROSS OPERATING INCOME			**(6,059)**	**(1,448)**
XII.	Impairment on loans and provisions for credit commitments	11.10.	(478)	(277)
XIII.	Impairment on tangible and intangible assets	11.11.	(6)	(1)
XIV.	Impairment on goodwill	11.12.	(183)	0
XV.	Provisions for legal litigations	11.13.	(6)	0
NET RESULT BEFORE TAX FROM CONTINUING OPERATIONS			**(6,732)**	**(1,726)**
XVI.	Tax expense	11.14.	(83)	2
NET RESULT FROM CONTINUING OPERATIONS			**(6,815)**	**(1,724)**
XVII.	**NET RESULT FROM DISCONTINUED OPERATIONS**	9.4.	**(4,826)**	**(1,163)**
NET RESULT			**(11,641)**	**(2,887)**
	Attributable to non-controlling interests		(2)	(21)
	Attributable to equity holders of the parent		(11,639)	(2,866)
NET RESULT FROM CONTINUING OPERATIONS			**(6,815)**	**(1,724)**
	Attributable to non-controlling interests		(8)	(27)
	Attributable to equity holders of the parent		(6,807)	(1,697)
(in EUR)				
	Earnings per share	11.15.		
	- basic		(5.97)	(1.47)
	- diluted		(5.97)	(1.47)
	Earnings per share from continuing operations	11.15.		
	- basic		(3.49)	(0.87)
	- diluted		(3.49)	(0.87)

(1) In accordance with IFRS 5, the comparative information of the discontinued operations is disclosed separately.

The notes on pages 98 to 192 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

CORE SHAREHOLDERS' EQUITY (in millions of EUR)	Subscribed capital	Additional paid-in capital	Treasury shares	Reserves and retained earnings	Net income for the period	Core shareholders' equity
AS AT 31 DECEMBER 2010	**8,442**	**13,618**	**(21)**	**(3,548)**	**723**	**19,214**
Movements of the period						
- Issuance of subscribed capital				(1)		(1)
- Transfers to reserves and retained earnings (1)	(3,824)	31		4,516	(723)	0
- Variation of scope of consolidation			17			17
- Other movements				(2)		(2)
- Net income for the period					(11,639)	(11,639)
AS AT 31 DECEMBER 2011	**4,618**	**13,649**	**(4)**	**965**	**(11,639)**	**7,589**

(1) The amount of EUR (3,824) million represents the capital reduction of EUR 4,067 million by the appropriation of the loss incurred and the increase of capital of EUR 243 million by the incorporation of reserves and the issuance , representing that capital increase, of bonus shares to be distributed to shareholders. These decisions were approved by the Extraordinary Shareholders' Meeting of 11 May 2011.

GAINS AND LOSSES NOT RECOGNISED IN THE STATEMENT OF INCOME (in millions of EUR)	Gains and losses not recognised in the statement of income						
	Related to non-current assets held for sale	Available-for-Sale reserve on Securities (AFS)	"Frozen" fair value adjustment of financial assets reclassified to Loans and Receivables	Derivatives (CFH & FX Invt)	Associates (AFS, CFH)	Cumulative translation adjustments (CTA)	Total gains and losses Group share
AS AT 31 DECEMBER 2010	**0**	**(3,927)**	**(5,320)**	**(661)**	**0**	**(361)**	**(10,269)**
Movements of the period							
- Net change in fair value through equity	(79)	(4,907)					(4,986)
- Derecognition of deferred tax assets	(7)	(838)	(160)	(130)			(1,135)
- Transfers to income of available-for-sale reserve amounts due to impairments		2,157	28				2,185
- Transfers to income of available-for-sale reserve amounts due to disposals	1,196	228	497				1,921
- Amortization of net fair value on reclassified portfolio in application of IAS 39 amended			380				380
- Net change in fair value through equity – Cash flow hedge reserve				(289)			(289)
- Net change in cash flow hedge reserve due to transfers to income				64			64
- Transfers	(1,450)	202	1,157	117	3	(29)	0
- Net changes in other comprehensive income of associates					(3)		(3)
- Translation adjustments	(4)	2	41	20		(432)	(373)
- Variation of scope of consolidation	106	1,804	999	(1)		(11)	2,897
- Other movements				1			1
AS AT 31 DECEMBER 2011	**(238)**	**(5,279)**	**(2,378)**	**(879)**	**0**	**(833)**	**(9,607)**

NON-CONTROLLING INTERESTS (in millions of EUR)	Core equity	Gains and losses not recognised in the statement of income	Non-controlling interests
AS AT 31 DECEMBER 2010	**1,858**	**(75)**	**1,783**
Movements of the period			
- Increase of capital	7		7
- Dividends	(26)		(26)
- Net income for the period	(2)		(2)
- Net change in fair value through equity		(52)	(52)
- Transfers to income of available-for-sale reserve amounts due to disposals		5	5
- Transfers to income of available-for-sale reserve amounts due to impairments		1	1
- Amortization of net fair value on reclassified portfolio in application of IAS 39 amended		1	1
- Translation adjustments		(3)	(3)
- Variation of scope of consolidation	(18)	2	(16)
AS AT 31 DECEMBER 2011	**1,819**	**(121)**	**1,698**

Core shareholders' equity	7,589
Gains and losses not recognised in the statement of income attributable to equity holders of the parent	(9,607)
Non-controlling interests	1,698
TOTAL EQUITY AS AT 31 DECEMBER 2011	**(320)**

CORE SHAREHOLDERS' EQUITY (in millions of EUR)	Subscribed capital	Additional paid-in capital	Treasury shares	Reserves and retained earnings	Net income for the period	Core shareholders' equity
AS AT 31 DECEMBER 2011	**4,618**	**13,649**	**(4)**	**965**	**(11,639)**	**7,589**
Movements of the period						
- Issuance of subscribed capital (1)	5,500					5,500
- Transfers to reserves and retained earnings (2)	(4,118)	(11,749)		4,228	11,639	0
- Variation of scope of consolidation (3)				169		169
- Other movements (4)				527		527
- Net income for the period					(2,866)	(2,866)
AS AT 31 DECEMBER 2012	**6,000**	**1,900**	**(4)**	**5,889**	**(2,866)**	**10,919**

(1) Capital increase in cash, reserved to the Belgian and French states, for an amount of EUR 5,500 million. This decision was approved by the Extraordinary Shareholders'Meeting of 21 December 2012.
(2) Capital reduction of EUR 4,118 million by discharging part of the deferred loss and additional paid-in capital reduction of EUR 11,749 million by discharging the balance of the deferred loss. These decisions were approved by the Extraordinary Shareholders'Meeting of 9 May 2012.
(3) Mainly Dexia Sabadell
(4) This amount represents the impact of the repurchase of the Perpetual Non-cumulative Guaranteed Securities issued by Dexia Crédit Local (DCL) and Dexia Funding Luxembourg (DFL), merged with Dexia SA.
DCL showed a result of EUR 486 million net of costs following the repurchase of 92% of the outstanding of the deeply subordinated non-cumulative notes issued 18 November 2005, at the price of 24% (expressed in percentage of nominal). The notes were booked non-controlling interests. The result has been booked in core shareholders' equity, in accordance with the IFRS standards.
Dexia purchased the notes DFL (91,84% of the outstanding) acquired by Belfius (previously DBB) pursuant to the tender offer, she launched on 20 February 2012. Following the merger of Dexia and DFL, as at the 1st January 2012, the notes still hold by the investors (EUR 40 million) are booked in core shareholders' equity, and no longer in non-controlling interests. (see also note 5, Post-balance-sheet events, Annual report Dexia 2011).

GAINS AND LOSSES NOT RECOGNISED IN THE STATEMENT OF INCOME (in millions of EUR)	Gains and losses not recognised in the statement of income					
	Related to non-current assets held for sale	Available-for-Sale Reserve on Securities (AFS)	"Frozen" fair value adjustment of financial assets reclassified to Loans and Receivables	Derivatives (CFH & FX Invt)	Cumulative translation adjustments (CTA)	Total gains and losses Group share
AS AT 31 DECEMBER 2011	**(238)**	**(5 279)**	**(2 378)**	**(879)**	**(833)**	**(9 607)**
Movements of the period						
- Net change in fair value through equity	139	909				1 048
- Derecognition of deferred tax assets	8	(468)	(10)	(70)		(540)
- Transfers to income of available-for-sale reserve amounts due to disposals	(1)	135	15			149
- Amortization of net fair value on reclassified portfolio in application of IAS 39 amended	12		144			156
- Net change in fair value through equity – Cash flow hedge reserve	29			48		77
- Net change in cash flow hedge reserve due to transfers to income	(1)			2		1
- Transfers	(804)	(5)		12	797	0
- Net changes in other comprehensive income of associates	2					2
- Translation adjustments	192	(16)	25	2	7	210
- Variation of scope of consolidation	514	(78)		1		437
- Other movements			1	(1)		0
AS AT 31 DECEMBER 2012	**(148)**	**(4 802)**	**(2 203)**	**(885)**	**(29)**	**(8 067)**

NON-CONTROLLING INTERESTS (in millions of EUR)	Core equity	Gains and losses not recognised in the statement of income	Non-controlling interests
AS AT 31 DECEMBER 2011	**1,819**	**(121)**	**1,698**
Movements of the period			
- Dividends	(7)		(7)
- Net income for the period	(21)		(21)
- Net change in fair value through equity		29	29
- Variation of scope of consolidation [(1)]	(176)	77	(99)
- Other movements [(2)]	(1,142)		(1,142)
AS AT 31 DECEMBER 2012	**473**	**(15)**	**458**

Core shareholders' equity	10,919
Gains and losses not recognised in the statement of income attributable to equity holders of the parent	(8,067)
Non-controlling interests	458
TOTAL EQUITY AS AT 31 DECEMBER 2012	**3,310**

The notes on pages 98 to 192 are an integral part of these consolidated financial statements.

(1) Mainly Dexia Sabadell.
(2) Dexia Crédit Local repurchased EUR 644 million of its Undated Deeply Subordinated Notes (ISIN FR0010251421) and following the merge of Dexia Funding Luxembourg with Dexia SA, the DFL Perpetual Non-cumulative Guaranteed Securities (ISIN XS0273230572) (EUR - 498 million) have now to be recognised in core shareholders's equity.

Consolidated statement of comprehensive income

(In millions of EUR)	31/12/11			31/12/12		
	Before-tax amount	Tax (expense) benefit	Net-of-tax amount	Before-tax amount	Tax (expense) benefit	Net-of-tax amount
RESULT RECOGNISED IN THE STATEMENT OF INCOME			**(11,641)**			**(2,887)**
Unrealised gains (losses) on available-for-sale financial investments	(728)	(667)	(1,395)	1,260	(680)	580
Unrealised gains (losses) on "frozen" fair value adjustment of financial assets reclassified to Loans and Receivables	3,527	(583)	2,944	203	(28)	175
Gains (losses) on cash flow hedges	(171)	(47)	(218)	88	(89)	(1)
Cumulative translation adjustments	(478)		(478)	804		804
Other comprehensive income from disposal groups held for sale	(389)	152	(237)	171	(83)	88
OTHER COMPREHENSIVE INCOME	1,761	(1,145)	616	2,526	(880)	1,646
TOTAL COMPREHENSIVE INCOME			**(11,025)**			**(1,241)**
Attributable to equity holders of the parent			(10,977)			(1,326)
Attributable to non-controlling interests			(48)			85
TOTAL COMPREHENSIVE INCOME COMING FROM CONTINUING OPERATIONS	**(7,242)**	**(749)**	**(7,991)**	**(507)**	**(692)**	**(1,199)**
Attributable to equity holders of the parent			(7,937)			(1,278)
Attributable to non-controlling interests			(54)			79

Figures as at 31 December 2011 have been restated.
The notes on pages 98 to 192 are an integral part of these consolidated financial statements.

Consolidated cash flow statement

(in millions of EUR)	31/12/11	31/12/12
CASH FLOW FROM OPERATING ACTIVITIES		
Net income after income taxes	(11,641)	(2,887)
Adjustment for:		
- Depreciation , amortization and other impairment	720	276
- Impairment on bonds , equities, loans and other assets	3,895	(63)
- Net (gains) or losses on investments	2,863	844
- Charges for provisions	1,217	105
- Unrealised (gains) or losses	133	4
- Income from associates	(7)	0
- Dividends from associates	5	0
- Deferred taxes	(54)	(293)
Changes in operating assets and liabilities	6,693	(1 910)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**3,824**	**(3,924)**
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(577)	(180)
Sale of fixed assets	112	37
Acquisitions of unconsolidated equity shares	(480)	(68)
Sales of unconsolidated equity shares	938	50
Sales of subsidiaries and of business units	1,759	(12,079)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	**1,752**	**(12,240)**
CASH FLOW FROM FINANCING ACTIVITIES		
Issuance of new shares	5	5,500
Reimbursement of equity	0	(158)[1]
Issuance of subordinated debts	254	4
Reimbursement of subordinated debts	(278)	(758)
Dividends paid	(26)	(7)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	**(45)**	**4,581**
NET CASH PROVIDED	**5,531**	**(11,583)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**14,724**	**20,322**
Cash flow from operating activities	3,824	(3,924)
Cash flow from investing activities	1,752	(12,240)
Cash flow from financing activities	(45)	4,581
Effect of exchange rate changes and change in scope of consolidation on cash and cash equivalents	67	184
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**20,322**	**8,923**
ADDITIONAL INFORMATION		
Income tax paid	(135)	(157)
Dividends received	76	10
Interest received	44,419	23,673
Interest paid	(42,090)	(22,570)

(1) Impact of cash-tender offer on EUR 700 million hybrid Tier 1 securities of Dexia Credit Local.

Net cash inflows from discontinued operations are disclosed in note 9.4. “Acquisitions and disposals of consolidated companies – disposal groups held for sale – discontinued operations”.

The notes on pages 98 to 192 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. Accounting principles and rules governing the consolidated financial statements

GENERAL INFORMATION

The Group's parent company is Dexia SA, a limited company under Belgian law with its shares listed on NYSE Euronext Brussels as well as the Luxembourg Stock Exchanges. Its registered office is located at Place du Champ de Mars 5 – B-1050 Brussels (Belgium).

These consolidated financial statements were authorised for issue by the Board of Directors on 20 March 2013.

NOTES TO THE FINANCIAL STATEMENTS

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below.
The common used abbreviations below are:
- IASB: International Accounting Standards Board
- IFRIC: International Financial Reporting Interpretations Committee
- IFRS: International Financial Reporting Standards

1.1. BASIS OF ACCOUNTING

1.1.1. General

Dexia's consolidated financial statements are prepared in accordance with the IFRS adopted by the EU.
The European Commission published Regulation EC 1606/2002 on 19 July 2002, requiring listed groups to apply IFRS as from 1 January 2005. This regulation has been updated several times since 2002.
Dexia's financial statements have therefore been prepared "in accordance with all IFRSs as adopted by the EU" and endorsed by the EC up to 31 December 2012, including the conditions of application of interest rate portfolio hedging and the possibility to hedge core deposits.

Our accounting principles include mainly elements where an IFRS text allows the possibility of choice.
As in 2011, the corporate and consolidated accounts of Dexia SA as at 31 December 2012 have been established in accordance with the accounting rules applicable to a going concern. This hypothesis of continuity was supported by a revised business plan, constructed on the initial plan described in the 2011 Annual Report of the Dexia Group but with certain parameters amended to integrate the principal changes associated with the environment. This revised business plan was ratified by the Group's board of directors at its meeting on 14 December 2012. It relies on certain structural hypotheses and uncertainties, the major lines of which are described below.
Like the initial business plan, this revised business plan includes the 2013 liquidity guarantee granted by the States without collateral. This guarantee was limited by the States to EUR 85 billion, taking account of the EUR 5.5 billion recapitalisation at the end of December 2012. As previously indicated, and as with all of the hypotheses of the revised business plan, this guarantee was subject to definitive ratification by the European Commission on 28 December 2012, and this was one of the central hypotheses of the initial business plan presented to the various stakeholders including the European Commission.
The plan assumes maintenance of the banking licences of the various entities and, as the case may be, despite non-observance of certain regulatory ratios. It also assumes maintenance of the ratings of Dexia SA and Dexia Crédit Local.
The underlying macroeconomic scenario of the revised business plan is constructed from market data observable at the end of September 2012, and assumes an aggravation of the recession in 2013 followed by a gradual recovery from 2014.

Credit margins are assumed to be constant until 2014, before falling towards their historic average (2004-2011) until 2018 and maintaining that level over the following years. The macroeconomic scenario also foresees migrations from negative ratings in 2013 on different sectors, in particular the local public sector, with a return to the levels of September 2012 in 2014. No major negative credit event is retained for the projection period.

The business plan is sensitive to the evolution of interest rates and the credit environment, in particular:

• a 10 basis point fall of the 10-year interest rate would generate an EUR 1 billion increase of the cash collateral requirement which, financed at the Emergency Liquidity Assistance (ELA) rate (the most costly source of finance), would generate an additional cost of EUR 135 million over the period 2013-2020;

• projections are also sensitive to margins between the Eonia rate, the European Central Bank (ECB) intervention rate and the Euribor 3-month rate;

• more conservative hypotheses as to the improvement of ratings and/or the tightening of credit margins from 2014 would have a negative impact on the income statement and the available liquidity reserves and would increase the level of regulatory capital required as from 2014.

Furthermore, the business plan relies on the hypothesis of a restoration of confidence on the capital markets enabling, on the one hand, a portion of the Dexia assets to be funded via covered borrowings (Repo) and, on the other hand, short and long-term placement of its guaranteed debt on the markets, the outstanding issued under the 2013 guarantee scheme reaching EUR 40 billion in 2015.

If the market's absorption capacity proves to be insufficient, Dexia would then have to call on more costly funding sources which would directly impact the profitability projected in the business plan. Indeed, EUR 5 billion per annum financed at the rate for the Emergency Liquidity Assistance (ELA) rather than the rate for short-term guaranteed funding would have an impact on the result in the order of EUR -450 million over the period 2013-2020. Conversely, if the market's appetite for Dexia guaranteed debt enabled a larger amount of that guaranteed debt to be placed, permitting Dexia's dependence on the ELA to be reduced or even eliminated, the impact on the profitability projected in the plan would be positive. The increase of the issue ceiling for short-term guaranteed debt by EUR 5 billion would reduce the funding cost by EUR 190 million over the period 2013-2020.

Beyond the hypotheses on volumes, the business plan integrates hypotheses on the costs of the various funding sources. By way of illustration, a 10 basis point reduction of the issue cost of the debt guaranteed by the State compared to the cost projected in the business plan would result in an improvement of the Group's funding cost in the order of EUR 180 million over the period 2013-2020. Similarly, the improvement of conditions on the market for collateralized borrowings (Repo) and the tightening of credit margins on sovereigns observed in the last quarter of 2012 suggest that the scenario retained in the business plan is currently relatively conservative.

The business plan thus revised concludes the viability of the Dexia Group, on the basis of the hypotheses and scenarios retained. Some of the uncertainties included those described above remain as to its realization. So the business plan will be updated regularly to take account of the latest external variables recorded in order to estimate its precise impact on the projections and their realisation potential.

The consolidated financial statements are given in millions of euro (EUR) unless otherwise stated.

1.1.2. Accounting estimates and judgements

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the amounts reported. To make these assumptions and estimates, management uses information available at the date of preparation of the financial statements and exercises its judgement. While management believes that it has considered all available information in developing these estimates, actual results may differ from the estimates and the differences could be material to the financial statements.

Judgements are made principally in the following areas:

• classification of financial instruments into the appropriate category "loans and receivables", "held to maturity", "available for sale", "held for trading" and "fair value option" for measurement purposes based on instrument's characteristic and Dexia's intention (see 1.6.);

• financial instruments for which no quoted market prices in active markets are available are valued by means of valuation techniques. The determination whether or not there is an active market is based on criteria such as volume traded, market liquidity, bid offer spread etc (see 1.7.);

• determination of fair value for financial instruments measured at fair value by means of valuation techniques (see 1.7.);

• determination on whether Dexia controls the investee, including SPE's (see 1.3.);

• identification of non-current assets and disposal groups held for sale and discontinued operations (IFRS 5) (see 1.15.);

• the appropriateness of designating derivatives as hedging instruments (see 1.10., 1.11.);

• existence of a present obligation with probable outflows in the context of litigations (see 1.22.);

• identification of impairment triggers (see 1.6.5.).

These judgements are entered in the corresponding sections (as referenced above) of the accounting policies.

Estimates are principally made in the following areas:

• determination of the recoverable amount of impaired financial assets and fair value less costs to sell for non-current assets and disposal groups held for sale (see 1.6.5., 1.15.);

• the measurement of hedge effectiveness in hedging relations (see 1.10., 1.11.);

• determination of the market value correction to adjust for market value and model uncertainty (see 1.7.);

• determination of the useful life and the residual value of property, plant and equipment, investment property and intangible assets (see 1.13., 1.14.);

• actuarial assumptions related to the measurement of employee benefits obligations and plan assets (see 1.21., 8.6.);
• estimate of future taxable profit for the recognition and measurement of deferred tax assets (see 1.20.);
• estimate of the recoverable amount of cash-generating units for goodwill impairment (see 1.16.2.).
We draw the attention on the points included in note VII. "Sovereigns – Direct exposures" and on the note VIII. "Main disposal groups held for sale" which include judgements and estimates having a material impact on the financial statements of 2012.

1.2. CHANGES IN ACCOUNTING POLICIES SINCE THE PREVIOUS ANNUAL PUBLICATION THAT MAY IMPACT DEXIA GROUP

1.2.1. IASB and IFRIC texts endorsed by the European Commission and applied as from 1 January 2012

• Amendment to IFRS 7 "Financial Instruments: Disclosures - Transfers of Financial Assets". The impact of this amendment on the financial statements of Dexia relates to disclosures.

1.2.2. IASB and IFRIC texts endorsed by the European Commission during the current year but not yet applicable as from 1 January 2012

• IFRS 13 "Fair Value Measurement". This standard describes how to measure fair value under IFRS and introduces new and enhanced disclosure requirements. This standard is effective as from 1 January 2013 and its impact on the financial statements of Dexia is currently being assessed.
• A 'package of five' new and revised standards on the accounting treatment and disclosure requirements for interests in other entities. These new and revised standards are effective as from 1 January 2014 and comprise the following:
- IFRS 10 "Consolidated Financial Statements" introduces a single consolidation model for all entities, based on control and regardless the nature of the investee. Dexia does not expect this standard to have a material impact on its financial statements.
- IFRS 11 "Joint Arrangements" will no longer permit the proportional consolidation method when accounting for jointly-controlled entities. Dexia does not expect this standard to have a material impact on its financial statements.
- IFRS 12 "Disclosure of Interests in Other Entities" will require enhanced disclosures on Dexia's interests in subsidiaries, joint arrangements, associates and non-consolidated structured entities in which Dexia has an involvement.
- IAS 27 "Separate Financial Statements", which supersedes IAS 27 "Consolidated and Separate Financial Statements" (as amended in 2008), continues to be a standard dealing solely with separate financial statements: the existing guidance is unchanged.
- IAS 28 "Investments in Associates and Joint Ventures", which supersedes IAS 28 "Investments in Associates" (as revised in 2003), is amended to reflect the changes stemming from the issuance of IFRS 10, IFRS 11 and IFRS 12.
• Amendment to IAS 32 "Financial instruments: Presentation". This amendment provides clarifications on the rules for offsetting financial assets and financial liabilities. This amendment is effective as from 1 January 2014 and Dexia does not expect this amendment to have a material impact on its financial statements.
• Amendment to IFRS 7 "Financial instruments: Disclosures" on offsetting financial assets and financial liabilities. This amendment is effective as from 1 January 2013 and will impact the notes to Dexia's financial statements.
• Amendment to IAS 19 "Employee Benefits". This amendment principally changes the recognition and measurement of post-employment defined benefit plans (including removal of the corridor mechanism) and enhances the disclosure requirements for these plans. This amendment is effective as from 1 January 2013. Dexia does not expect this amendment to have a material impact on its financial statements, due to limited impact of defined benefit plans at Dexia's group level.
• Amendment to IAS 1 "Presentation of Items of Other Comprehensive Income". This amendment clarifies the requirements on the presentation of the statement of comprehensive income and introduces a presentation of items in other comprehensive income (OCI) on the basis of recyclability. This amendment is effective as from 1 January 2013 and will impact Dexia's presentation of other comprehensive income.
• IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine". This interpretation is effective as from 1 January 2013 and will not impact the financial statements of Dexia.
• Amendment to IAS 12 "Deferred Tax: Recovery of Underlying Assets". This amendment is effective as from 1 January 2013 and will not impact the financial statements of Dexia as Dexia measures these assets at amortised cost.
• Amendment to IFRS 1 "Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters". This amendment is effective as from 1 January 2013 and will not impact the financial statements of Dexia, which is no longer a first-time adopter.

1.2.3. New IFRS standards, IFRIC interpretations and amendments issued during the current year but not yet endorsed by the European Commission

• Amendment to IFRS 1 "Government Loans" (issued by IASB in March 2012). This amendment is effective as from 1 January 2013 and will not impact the financial statements of Dexia, which is no longer a first-time adopter.
• "Annual Improvements 2009-2011 cycle" (issued by IASB in May 2012), which are a collection of amendments to existing International Financial Reporting Standards. These amendments are effective as from 1 January 2013. Dexia does not expect these amendments to have a material impact on its financial statements as those amendments are related to minor adjustments of some IFRS standards.
• Amendments to IFRS 10, IFRS 11 and IFRS 12 "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance" (issued by IASB in June 2012). These amendments are effective as from 1 January 2013 and the impact on Dexia's financial statements is currently being assessed.
• Investment entities – Amendments to IFRS 10, IFRS 12 and IAS 27 (issued by IASB in October 2012). These amendments are effective as from 1 January 2014 and will not impact the financial statements of Dexia.

1.2.4. Changes in presentation
None

1.3. CONSOLIDATION

1.3.1. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by Dexia, the liabilities incurred by Dexia to former owners of the acquiree and the equity interests issued by Dexia in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred. At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date.

Non-controlling interests may be initially measured either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. The equity and net income attributable to the non-controlling interests are shown separately in the balance sheet and statement of income respectively.

When the consideration transferred by Dexia in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Subsequent changes in the fair value of the contingent consideration are typically recognised in profit or loss.

When a business combination is achieved in stages, Dexia's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date on which Dexia obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

1.3.2. Subsidiaries

Subsidiaries are those entities over whose financial and operating policies Dexia, directly or indirectly, may exercise control. Subsidiaries are fully consolidated as of the date on which effective control is transferred to Dexia and are no longer consolidated as of the date on which Dexia's control ceases. Intercompany transactions, balances and unrealised gains and losses on transactions among Dexia's companies have been eliminated. Where necessary, the accounting policies of the subsidiaries have been amended to ensure consistency with the policies adopted by Dexia.

Changes in the Dexia's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

When Dexia loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

- the aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests.

The fair value of any investment retained in the former subsidiary at the date on which control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 "Financial Instruments: Recognition and Measurement" or, where applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

1.3.3. Jointly controlled entities

A joint venture (JV) is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint ventures are accounted for via the proportionate consolidation method. In the financial statements, joint ventures are integrated by combining their share of the assets, liabilities, income and expenses on a line-by-line basis. The same consolidation treatment as applied to subsidiaries, is applied to intercompany transactions. Where necessary, the accounting policies of the jointly controlled entities have been amended to ensure consistency with the policies adopted by Dexia.

1.3.4. Associates

Investments in associates are initially measured at cost and accounted for using the equity method. Associates are investments in which Dexia has significant influence, but does not exercise control. This is usually the case, when Dexia owns between 20% and 50% of the voting rights. The ownership share of net income for the year is recognised as income of associates, whereas the share in other comprehensive income of associates is carried on a separate line of the statement of comprehensive income and the investment is recorded in the balance sheet at an amount that reflects its share of the net assets increased with related goodwill.

Gains on transactions between Dexia and its "equity method investments" are eliminated to the extent of Dexia's interest. The recognition of losses from associates is discontinued when the carrying amount of the investment reaches zero, unless Dexia has incurred or guaranteed legal or constructive obligations in respect of the associates' undertakings. Where necessary, the accounting policies of the associates have been amended to ensure consistency with the policies adopted by Dexia.

1.3.5. Special purpose entities (SPE's)

An SPE shall be consolidated when the substance of the relationship between Dexia and the SPE indicates that the SPE is controlled by Dexia.

Control may arise through the predetermination of the activities of the SPE (operating on 'autopilot') or otherwise. The following circumstances require judgement and may indicate a relationship in which Dexia controls an SPE (which it should consequently consolidate):

- The activities of the SPE are being conducted on behalf of Dexia according to its specific business needs;
- Dexia has the decision-making powers or delegated these powers to obtain the majority of the benefits of the activities of the SPE;
- Dexia has the right to obtain the majority of the benefits of the SPE and may be exposed to its risks or
- Dexia retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.

1.4. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities are offset (and consequently, the net amount only is reported) when Dexia has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.5. FOREIGN CURRENCY TRANSLATION AND TRANSACTIONS

1.5.1. Foreign currency translation

On consolidation, the statements of income and cash flow statements of foreign entities that have a functional currency different from Dexia's presentation currency are translated into Dexia's presentation currency (EUR) at the average exchange rates for the year (annual reporting) or the period (interim reporting) and their assets and liabilities are translated at the respective year-end or quarter-end exchange rates.

Exchange differences arising from the translation of the net investment in foreign subsidiaries, associates, joint ventures and of borrowings and other currency instruments designated as hedges of such investments, are recorded as a cumulative translation adjustment within shareholders' equity. On disposal of a foreign entity, such exchange differences are recognised in the statement of income as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

1.5.2. Foreign currency transactions

For individual Dexia entities, foreign currency transactions are accounted for using the approximate exchange rate at the date of the transaction. Outstanding balances denominated in foreign currencies at period- or year-end are translated at period or year-end exchange rates for monetary items and non-monetary items carried at fair value. Historical rates are used for non-monetary items carried at cost. The resulting exchange differences from monetary items are recorded in the consolidated statement of income; except for the foreign exchange impact related to fair value adjustments on available-for-sale bonds, which is recorded under "Other comprehensive income". For non-monetary items carried at fair value, the exchange differences are governed by the same accounting treatment as for fair value adjustments.

1.6. FINANCIAL ASSETS AND LIABILITIES

Management uses judgement on the criteria mentioned in the paragraphs below in determining the appropriate classification of its investments at initial recognition. However, under certain conditions, financial assets could subsequently be reclassified.

1.6.1. Recognition and derecognition of financial instruments

Dexia recognises and derecognises financial assets held for trading on trade date. For these financial assets, Dexia recognises in the statement of income and as of the trade date, any unrealised gains or losses arising from revaluing the contract to fair value at the reporting date. Dexia recognises these unrealised gains and losses under "Net income from financial instruments at fair value through profit or loss".

All other "regular way" purchases and sales of financial assets are recognised and derecognised on the settlement date, which is the date of delivery to or by Dexia.

Dexia recognises the financial liabilities on its balance sheet when it becomes party to the contractual provisions of the instrument. Dexia derecognises financial liabilities only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires.

1.6.2. Loans and advances due from banks and customers

Dexia classifies non-derivative financial assets with fixed or determinable payments that are not quoted on an active market into this category (labelled by IAS 39 as Loans and Receivables – L&R) except for:

- those that Dexia intends to sell immediately or in the near term, which are classified as held for trading, and those that Dexia, upon initial recognition, designates as being at fair value through profit or loss;
- those that Dexia, upon initial recognition, designates as available-for-sale; or
- those for which Dexia may not recover substantially all of its initial investment, other than because of credit deterioration, which shall be classified as available-for-sale.

Dexia recognises interest-bearing loans and advances initially at fair value plus transaction costs and subsequently at amortised cost, less any allowance for impairment. Interest is calculated using the effective interest rate method and recorded under "Net interest income".

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset.

1.6.3. Financial instruments measured at fair value through profit or loss

1.6.3.1. Loans and securities held for trading

Dexia reports loans held for trading purposes in the line "Financial assets held for trading" at their fair value, with unrealised gains and losses recorded in the statement of income under "Net income from financial instruments at fair value through profit or loss". Interest income is accrued using the effective interest rate method and is recorded under "Net interest income".

Trading securities are securities acquired for generating a profit from short-term fluctuations in price or dealer's margins, or are securities included in a portfolio in which a pattern of short-term profit-taking exists. Dexia initially recognises trading securities at fair value and subsequently re-measures them at fair value. All realised and unrealised gains and losses are recorded under "Net income from financial instruments at fair value through profit or loss". Interest earned is recorded under "Interest income", and dividends received under "Dividend income".

1.6.3.2. Liabilities held for trading

Liabilities held for trading are subject to the same accounting rules as those for "loans and securities held for trading".

1.6.3.3. Loans and securities designated at fair value through profit or loss ("FVO")

In some cases and if appropriately documented, Dexia can designate a financial asset, a financial liability or a group of financial instruments as "at fair value through profit or loss" where:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy;
- an instrument contains a non-closely related embedded derivative:

- that significantly modifies the cash flows that otherwise would be required by the contract; or
- for which it is not clear, with little or no analysis, that the separation of the embedded derivative is prohibited.

1.6.3.4. Liabilities designated at fair value through profit or loss (FVO)

For subsequent measurement, these financial liabilities are subject to the same accounting principles as described earlier under the heading "Financial instruments measured at fair value through profit or loss".

1.6.3.5. Derivatives – Trading portfolio

When a derivative is not designated in a hedge relationship, it is deemed to be held for trading. The main types of derivatives are the currency and the interest-rate derivatives. Dexia, which also makes use of credit derivatives and equity derivatives, initially and subsequently measures all derivatives at the fair value obtained from quoted market prices, discounted cash flow models or pricing models, as appropriate. All changes in fair value are recognised in the statement of income.

Dexia reports derivatives as assets when fair value is positive and as liabilities when fair value is negative.

Dexia treats certain derivatives embedded in other financial instruments as separate derivatives:

- when their risks and characteristics are not closely related to those of the host contract; and
- when the hybrid contract is not carried at fair value with unrealised gains and losses reported in the statement of income.

1.6.4. Financial investments

1.6.4.1. Held-to-maturity

Dexia classifies the interest-bearing financial assets with fixed maturity quoted in an active market as held-to-maturity (HTM) when management has both the intent and the ability to hold the assets to maturity.

Dexia recognises such interest-bearing financial assets initially at fair value plus transaction costs and subsequently at amortised cost, less any allowance for impairment. Interest is recognised based on the effective interest rate method and recorded under "Net interest income".

1.6.4.2. Available-for-sale

Dexia classifies financial assets intended to be held for an indefinite period of time, but which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, as available-for-sale (AFS).

Dexia recognises financial assets initially at fair value plus transaction costs. Interest is recognised based on the effective interest-rate method and recorded under "Net interest income". Dexia recognises dividend income from equities under "Dividend income".

Dexia subsequently re-measures available-for-sale financial assets at fair value (see 1.7. Fair value of financial instruments). Unrealised gains and losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised within equity under the heading "Gains and losses not recognised in the statement of income". When securities are disposed of, or impaired, Dexia recycles the related accumulated fair value adjustments in the statement of income as "Net income on investments".

1.6.5. Impairments on financial assets

Dexia records allowances for impairment losses when there is objective evidence that a financial asset or group of financial assets is impaired as a result of one or more events occurring after initial recognition and evidencing (a) a decline in the expected cash flows and (b) the impact on the estimated future cash flows that can be reliably estimated.

1.6.5.1. Financial assets valued at amortised cost

Dexia first assesses whether objective evidence of impairment exists individually for financial assets. If no such evidence exists, the financial assets is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment.

Determination of the impairment

• Specific impairments – If there is objective evidence that loans or other receivables or financial assets classified as held-to-maturity are impaired, the amount of the impairment on specifically identified assets is calculated as the difference between the carrying amount and the estimated recoverable amount, being the present value of expected cash flows, including judgements on the amounts recoverable from guarantees and collateral, discounted at the financial instrument's original effective interest rate (except for reclassified assets, see below). Assets with small balances that share similar risk characteristics follow the principles as described below.

• Collective impairments – Collective impairments cover losses incurred where there is no specific impairment but objective evidence of losses in segments of the portfolio or other lending-related commitments at the balance-sheet date. Dexia estimates them based upon the historical patterns of losses in each segment, the credit ratings allocated to the borrowers and reflecting the current economic environment in which the borrowers operate. Dexia develops for that purpose credit-risk models using an approach that combines appropriate default probabilities and loss-given defaults that are subject to regular back-testing and are based on Basel II data and risk models, consistently with the "incurred-loss" model. Assumptions are made to define the way inherent losses are modelled and to determine the required parameters, based on historical experience.

Accounting treatment of the impairment

Dexia recognises changes in the amount of impairment losses in the statement of income and reports them as "Impairment on loans and provisions for credit commitments". The impairment losses are reversed through the statement of income if the increase in fair value relates objectively to an event occurring after the impairment was recognised.

When an asset is determined by management to be uncollectable, the outstanding specific impairment is reversed via the statement of income under the heading "Impairment on loans and provisions for credit commitments" and the net loss is recorded under the same heading. Subsequent recoveries are also accounted for under this heading.

1.6.5.2. Reclassified financial assets

In rare circumstances, Dexia can reclassify financial assets initially classified as held for trading or available-for-sale into held-to-maturity or loans and receivables categories. In such circumstances, the fair value at the date of transfer becomes the new amortised cost of those financial assets. Any fair value adjustment previously recognised under "Other comprehensive income" is "frozen" and amortised on the residual maturity of the instrument. Regarding the calculation of impairment, reclassified financial assets are governed by the same estimates, judgements and accounting principles as financial assets initially valued at amortised cost. If there is objective evidence that reclassified financial assets are impaired, Dexia calculates the amount of the impairment on reclassified assets as the difference between the net carrying amount of the asset and the net present value of the expected cash-flows discounted at the recalculated effective yield at the time of reclassification. Any unamortised part of the frozen AFS reserve is recycled in the statement of income and reported under the heading "Impairment on loans and provisions for credit commitments" as a part of the impairment.

1.6.5.3. Available-for-sale assets

Dexia recognises the impairment of available-for-sale assets on an individual basis if there is objective evidence of impairment as a result of one or more events occurring after initial recognition.

Determination of the impairment

• Equities – For equities quoted in an active market, any significant decline in their price (more than 50% at reporting date) or a prolonged decline (5 years) compared to the acquisition price is considered as an objective evidence of impairment. In addition, management can decide to recognise impairment losses should other objective evidence be available.

• Interest-bearing financial instruments – In the case of interest bearing financial instruments, impairment is triggered based on the same criteria as applied to individually impaired financial assets valued at amortised cost (see 1.6.5.1).

Accounting treatment of the impairment

When AFS financial assets are impaired, the total AFS reserve is recycled and these impairment losses are reported by Dexia in the statement of income as "Net income on investments". Additional decline in fair value is recorded under the same heading for equity securities.

When an impairment loss has been recognised on interest-bearing financial instruments, any subsequent decline in fair value is recognised in "Net income on investments" if there is objective evidence of impairment. In all other cases, changes in fair value are recognised in "Other comprehensive income".

Impairments on equity securities cannot be reversed in the statement of income due to later recovery of quoted prices.

1.6.5.4. Off-balance sheet exposures

Dexia usually converts off-balance sheet exposures such as credit substitutes (e.g., guarantees and standby letters of credit) and loan commitments into on-balance sheet items when called. However, there may be circumstances such as uncertainty about the counterparty, where the off-balance sheet exposure should be regarded as impaired. Dexia classifies loan commitments as impaired if the credit worthiness of the client has deteriorated to such an extent as to make the repayment of any loan and associated interest payments doubtful.

1.6.6. Borrowings

Dexia recognises borrowings initially at fair value, being generally their issue proceeds, net of any transaction costs incurred. Subsequently, borrowings are stated at amortised cost. Dexia recognises any difference between their initial carrying amount and the redemption value in the statement of income over the period of the borrowings using the effective interest rate method.

The distinction between interest-bearing instruments and equity instruments issued is based on the substance of their underlying contracts rather than their legal form.

1.7. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction. Quoted market prices in an active market (such as a recognised stock exchange) are to be used as fair value, as they are the best evidence of the fair value of a financial instrument. Quoted market prices are not, however, available for a significant number of financial assets and liabilities held or issued by Dexia.

If a financial instrument is not traded on an active market, recourse is provided by valuation models. A valuation model reflects what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations, i.e. the price that would be received by the holder of the financial asset in an orderly transaction that is not a forced liquidation or forced sale.

The valuation model should take into account all factors that market participants would consider when pricing the asset. Measuring the fair value of a financial instrument requires consideration of current market conditions. To the extent that observable inputs are available, they should be incorporated into the model.

Dexia's approach to the valuation of its financial instruments (direct profit or loss, AFS and disclosures) can be summarised as follows:

1.7.1. Financials instruments measured at fair-value (Trading, FVO, AFS, derivatives)

1.7.1.1. Financial instruments measured at fair value for which reliable quoted market prices are available

If the market is active – meaning that bid-offer prices are available representing effective transactions concluded on an arm's length basis between willing counterparties – these market prices provide for the most reliable evidence of fair value and therefore shall be used for valuation purposes.

The use of market prices quoted in an active market for identical instruments with no adjustments qualifies for inclusion in level 1 within IFRS 7 fair value hierarchy, contrary to the use of quoted prices in inactive markets or the use of quoted spreads.

1.7.1.2. Financial instruments measured at fair value for which no reliable quoted market prices are available and for which valuations are obtained by means of valuation techniques

Financial instruments for which no quoted market prices in active markets are available are valued by means of valuation techniques. The models that Dexia uses range from standard market models (discount models) to in-house developed valuation models.

In order for a fair value to qualify for level 2 inclusion, observable market data should be used. The market data that Dexia incorporates in its valuation models are either directly observable data (prices), indirectly observable data (spreads) or own assumptions about unobservable market data. Fair value measurements that rely significantly on own assumptions qualify for level 3 disclosure.

• For bonds for which no active market exists, these are valued using Dexia's Mark to Model approach. The valuation price is composed of a market price component and a model price component. The weight granted to the model price component reflects an assessment of the activity level of the market considering the bond characteristics.

For its Mark to Model price, Dexia uses a discount cash-flow model, based on a discounted spread that incorporates both CDS/credit spread and cash/CDS basis. The credit spread is estimated from the security specific characteristics (sector, rating, Loss Given Default, …) and from the level of some liquid CDS indices. A cash/CDS component is added to the credit component to obtain the bond's spread.

1.7.2. Financial instruments measured at amortised cost (valuations in IFRS disclosures on fair value)

1.7.2.1. Financial instruments reclassified from Trading or AFS to L&R

As a response to the financial crisis, the IASB issued on October 13th, 2008 an amendment to IAS 39 permitting the reclassification of certain illiquid financial assets. Dexia decided to benefit from this opportunity to reclassify assets for which an active market, as well as reliable quoted prices, was no longer available.

The Modelling team developed and implemented new models on instruments that became and remained illiquid.

1.7.3. Financial instruments classified in HTM and L&R since inception

1.7.3.1. Loans and Receivables, including mortgages loans, are valued based on the following valuation principles

General principles

• the carrying amount of loans maturing within 12 months is assumed to reflect their fair value;

• for bonds in HTM and L&R since inception, the valuation is done as for bonds classified in AFS.

Interest rate part

• the fair value of fixed-rate loans and mortgages reflect interest rate movements since inception;

- embedded derivatives, like caps, floors and prepayment options are included in determining the fair value of loans and receivables;
- the fair value of variable-rate loans is assumed to be approximated by their carrying amounts.

Credit risk part

- for corporate loan and social profit portfolios, credit spread evolutions since inception are reflected in the fair value. For other sectors, mainly retail and public sector, the spread is kept unchanged as no reliable information is available for SME.

1.8. INTEREST INCOME AND EXPENSE

Interest income and expense are recognised in the statement of income for all interest bearing instruments on an accrual basis using the effective interest rate method based on the initial carrying value (including transaction costs) for financial instruments not valued at fair value through P&L.

Transaction costs are the incremental costs that are directly attributable to the acquisition of a financial asset or liability and are included in the calculation of the effective interest rate. An incremental cost is one that would not have been incurred if the entity had not acquired the financial instrument.

Accrued interest is reported in the same line as the related financial asset or liability in the balance sheet.

Once an interest bearing financial asset has been written down to its estimated recoverable amount, interest income is thereafter recognised based on the interest that was used to discount the future cash flows for measuring the recoverable amount.

1.9. FEE AND COMMISSION INCOME AND EXPENSE

Commissions and fees arising from most of Dexia's activities are recognised on an accrual basis over the life of the underlying transaction.

Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of loans, equity securities or other securities or the purchase or sale of businesses, are recognised when the significant act has been completed.

For asset management operations, revenue consists principally of unit trust and mutual fund management and administration fees. Revenue from asset management is recognised as earned when the service is provided. Performance fees are recognised when all underlying conditions are met and thus acquired.

Loan commitment fees are recognised as part of the effective interest rate if the loan is granted, and recorded as revenue on expiry if no loan is granted.

1.10. HEDGING DERIVATIVES

Hedging derivatives are categorised as either:

- a hedge of the fair value of a recognised asset or liability or a firm commitment (fair value hedge); or
- a hedge of a future cash flow attributable to a recognised asset or liability or a forecast transaction (cash flow hedge); or
- a hedge of a net investment in a foreign operation.

Dexia designates derivatives as hedging instruments if certain criteria are met:

- formal documentation of the hedging instrument, hedged item, hedging objective, strategy and relationship is available before hedge accounting is applied;
- the hedge is documented in such a way as to show that it is expected to be highly effective (within a range of 80% to 125%) in offsetting changes in the fair value or cash flows attributable to the hedged risk in the hedged item throughout the reporting period; and
- the hedge is effective at inception and on an ongoing basis.

Dexia records changes in the fair value of derivatives that are designated, and qualify, as fair value hedges in the statement of income, along with the corresponding change in fair value of the hedged assets or the liabilities that is attributable to that specific hedged risk.

If the hedge no longer meets the criteria for a fair value hedge, Dexia amortises the adjustment to the carrying amount of a hedged interest-bearing financial instrument to the statement of income over the remaining life of the hedged or hedging instrument if shorter by an adjustment of the yield of the hedged item.

Dexia recognises the effective part of the changes in the fair value of derivatives that are designated and qualify as cash flow hedges, in "Other comprehensive income" under the heading "Gains and losses not recognised in the statement of income" (see "Consolidated statement of changes in shareholders' equity"). Any non-effective portion of the changes in the fair value of the hedging instrument is recognised in the statement of income. Amounts deferred in equity are transferred to the statement of income and classified as revenue or expense in the periods during which the hedged firm commitment or forecast transaction affects the statement of income.

1.11. HEDGE OF THE INTEREST RATE RISK EXPOSURE OF A PORTFOLIO

As explained in 1.1.1 General, Dexia makes use of the provisions in IAS 39 as adopted by the European Union ("IAS 39 carve-out") because it better reflects the way in which Dexia manages its financial instruments.

Hedge accounting is intended to reduce the interest-rate risk exposure stemming from the selected category of assets or liabilities designated as the qualifying hedged items.

Dexia performs a global analysis of interest-rate risk exposure. It consists in assessing fixed-rate exposure, taking into account all the exposure coming from balance sheet and off-balance sheet items. This global analysis may exclude certain components of the exposure, such as financial market activities, provided that the risk exposure stemming from the excluded activities is monitored on an activity-by-activity basis.

Dexia applies the same methodology to select which assets and/or liabilities will be entered into the hedge of interest rate risk exposure of the portfolio. Assets and liabilities are included in all the time buckets of the portfolio. Hence, when they are removed from the portfolio, they must be removed from all the time buckets in which they had an impact. Demand deposits and savings accounts may be included in the portfolio based on behavioural study for estimating expected maturity date. Dexia may designate as qualifying hedged items different categories of assets or liabilities such as available-for-sale assets or loan portfolios.

On the basis of this gap analysis, which is realised on a net basis, Dexia defines, at inception, the risk exposure to be hedged, the length of the time-bucket, the test method and the frequency of the tests.

The hedging instruments are a portfolio of derivatives, which may contain offsetting positions. Dexia recognises the hedging items at fair value with adjustments accounted for in the statement of income.

Dexia reports hedged interest rate risk revaluation of elements carried at amortised cost on the balance sheet under the line "Fair value revaluation of portfolio hedges".

1.12. DAY ONE PROFIT OR LOSS

The day one profit or loss is applicable to all transactions measured at fair value through profit or loss.

The day one profit or loss is the difference between:

• the transaction price and the quoted market price; in cases where the transaction is quoted; or

• the transaction price and the fair value determined by using a valuation technique, (mark-to-model) adjusted with some market value adjustments, such as a liquidity adjustment, model adjustment or credit adjustment in cases where the transaction is not quoted.

If Dexia considers the main parameters of the model as observable and if Risk Management validates the model, the day one profit or loss will be recognised immediately in the statement of income.

If Dexia does not consider the main parameters as observable or if Risk management does not validate the model, the day one profit or loss will be amortised linearly over the expected life of the transaction. However, if the data becomes observable subsequently, Dexia will recognise the remaining portion of day one profit or loss in the statement of income.

In cases of early termination, the remaining portion of day one profit or loss will be recognised in the statement of income. In cases of partial early termination, Dexia will recognise in the statement of income the part of the day one profit or loss relating to the partial early termination.

1.13. TANGIBLE FIXED ASSETS

Tangible fixed assets include property, plant & equipment and investment properties.

All property, plant & equipment are stated at their cost less accumulated depreciation and impairments. Subsequent costs are, where necessary, included in the carrying amount of the asset or recognised as a separate component, if it is probable that future economic benefits will flow to the Group and the cost of the asset can be reliably measured.

Depreciation is calculated using the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives.

The main useful lives are as follows:

• Buildings (including acquisition costs and non deductible taxes): 20 to 50 years;

• Computer equipment: 3 to 6 years;

• Leasehold improvements, equipment and furniture: 2 to 12 years;

• Vehicles: 2 to 5 years.

An item of property, plant & equipment can be composed of significant parts with individually varying useful lives. In such a case, each part is depreciated separately over its estimated useful life. The following parts have been defined:

• Structure of the building : 50 years;

• Roof, and frontage : 30 years;

• Technical installations : 10 to 20 years;

• Fixtures and fittings: 10 to 20 years.

As borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset they are capitalised. Other borrowing costs are recognised as an expense.

Tangible fixed assets are tested for impairment when an indication of impairment loss exists. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. Where the recoverable amount of an asset cannot be determined individually the Group determines the recoverable amount of the cash generating unit or group of cash generating units to which the asset belongs. Gains and losses on disposals of property and equipment are determined by reference to their carrying amount and are included under "Net income on investments".

Investment properties are those properties held to earn rentals or for capital appreciation. Dexia may also partly use such properties. If the "own use" portions can be sold separately or leased out separately under finance lease, then these portions are accounted for separately. If the "own use" portions cannot be sold separately, the property will be considered as an investment property only if Dexia holds an insignificant portion for its own use.

Investment properties are recorded at its cost less accumulated depreciation and impairments. The investment properties are depreciated over their useful lives on a straight-line basis. Depreciation on buildings and other assets given in operating lease are booked under "Other net income".

1.14. INTANGIBLE ASSETS

Intangible assets consist mainly of (a) internally generated and (b) acquired software. The costs associated with maintaining computer software programs are recognised as expense as incurred. However, expenditure that enhances or extends the benefits of computer software programs beyond one year is used to increase the original cost of the software. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives from the time the software is available for use. This amortisa-

tion period is usually between three and five years, except for core business applications, for which the amortisation period is can be up to 10 years.
As borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset they are capitalised. Other borrowing costs are recognised as an expense.
Intangible assets (other than goodwill) are tested for impairment when an indication of impairment loss exists. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. Gains and losses on disposals of intangible assets are determined by reference to their carrying amount and are included under "Net income on investments".

1.15. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

If the carrying amount of a non-current asset (or disposal group) will be recovered principally through a sale transaction, rather than through continuing use, it is classified as "held for sale".
Dexia measures a non-current asset (or disposal group) classified as held for sale at its carrying amount or at its fair value less costs to sell (whichever is the lower). Non-current assets (or disposal groups) classified as held for sale are presented separately in the balance sheet, without restatement for previous periods. When a disposal group is classified in held for sale, items of Other Comprehensive Income are isolated in a separate publication line of the equity. These assets are no longer depreciated once they qualify as assets (or disposal groups) held for sale. Intercompany accounts between the continuing activities and the disposal group held for sale continue to be eliminated.
A discontinued operation is defined as a component of an entity that either has been disposed of or is classified as held for sale and represents a separate major line of business or geographical area of operations. Post-tax profit or loss of discontinued operations is presented under a separate line in the income statement. A restatement for previous periods is performed.
The disposal groups held for sale consist mostly of financial assets and liabilities as the group is active in the financial activities. If the disposal group's fair value less costs to sell is lower than its carrying amount after impairing the non-current assets that are in the measurement scope of IFRS 5, the difference is allocated on the other assets of the disposal group, including financial assets, and is accounted for in result of the period. In order to recognise in the result of the period the total loss relating to the assets classified in loans, the frozen AFS reserve related to the loans that were reclassified from AFS in 2008 has been recycled.
In accordance with IFRS 5 however, changes in the fair value of available for sale financial assets and translation adjustment accumulated in equity relating to disposal groups held for sale are only recycled in the income statement on disposal. Such recycling is thus not recognized on the date the disposal group is classified as held for sale. It may therefore happens that the result on sale of a disposal group is recorded in two different periods, mainly when the fair value less cost to sell is lower than the carrying amount and that the carrying amount includes negative OCI, like AFS reserves and/or Cumulative Translation Adjustments, that will be recorded in the following accounting period when the disposal is realised.
If a non-current asset ceases to be classified as held for sale, due to change in market conditions, impossibility to sell it by lack of counterparties or other reasons, it will be restated in its original portfolio at the value at which it would have been recognised if it had never been classified as held for sale. In this case, the difference between the fair value less cost to sell and the value if no reclassification had taken place is reversed in result of the period. For AFS bonds reclassified in Loans, the frozen reserve will not be reconstituted.

1.16. GOODWILL

1.16.1. Measurement of goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised.
It is measured as the difference between
• The sum of the following elements:
- Consideration transferred,
- Amount of any non-controlling interests in the acquiree, and
- Fair value of the acquirer's previously held equity interest in the acquiree (if any);
• Net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.
If, after reassessment, this difference is negative ("negative goodwill"), it is recognised immediately in profit or loss as a bargain purchase gain.
Variations in the percentage of ownership in fully-consolidated companies are considered as transactions with shareholders. Therefore neither fair value adjustments nor goodwill adjustments are made whenever percentage increases or decreases take place without any change in the consolidation method. The difference between the purchase or the sale of a net asset and the purchase or sale price is directly recorded in equity.

1.16.2. Impairment of goodwill

The carrying amount of goodwill is reviewed at year-end. For the purpose of this impairment testing, Dexia allocates goodwill to cash-generating units (CGUs) or groups of such units.
When circumstances or events indicate that there may be uncertainty about the carrying amount, goodwill is written down for impairment when the recoverable amount of the CGU or group of cash-generating units to which it has been allocated is lower than the carrying value.
The recoverable amount is the "fair value less cost to sell" or the "value in use" (whichever is the higher). The "value in use" is the sum of the future cash flows that are expected to be derived from a CGU.
The calculation of the "value in use" shall also reflect the time value of money (current market risk-free rate of interest)

adjusted for the price for bearing the uncertainty inherent in the asset. This is reflected in the discount rate.
For subsidiaries operating in economically mature and financially stable markets, the discount rate used is the Cost of Equity of Dexia defined under a dividend discount model. For subsidiaries operating in emerging markets, a specific discount rate is applied on a case-by-case basis.

1.17. OTHER ASSETS

Other assets mainly include accrued income (non-interest related), prepayments, operational taxes and other accounts receivable as well as insurance products (reinsurance, insurance premiums receivables, etc.), construction contracts, inventories, plan assets relating to employee benefit obligations. These other assets are measured in accordance with the applicable standard less any allowance for impairment if applicable or following the applicable standard. Plan assets are recognised in accordance with IAS 19 requirements.

1.18. LEASES

A finance lease is one that transfers substantially all the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

1.18.1. Dexia is the lessee

Dexia grants operating leases principally for the rental of equipment or real estate. Lease rentals are recognised in the statement of income on a straight-line basis over the lease term.
When an operating lease is terminated before the lease period has expired, any payment to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.
If the lease agreement substantially transfers the risk and rewards of ownership of the asset, the lease is recorded as a finance lease and the related asset is capitalised. At inception the asset is recorded as the present value of the minimum lease payments or the fair value (whichever is the lower) and is depreciated over its estimated useful life unless the lease term is short and the title is not expected to be transferred to Dexia. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policies applicable to that asset. The corresponding rental obligations are recorded as borrowings and interest payments are recorded using the effective interest rate method.

1.18.2. Dexia is the lessor

Dexia grants both operating and finance leases.
Revenue from operating leases is recognised in the statement of income on a straight-line basis over the lease term. The underlying asset is accounted for in accordance with the accounting policies applicable to this type of asset.
For finance leases, Dexia recognises "leases receivable" at an amount equal to the net investment in the lease, which can be different from the present value of minimum lease payments.
The interest rate implicit in the lease contract acts as the discount rate. Interest income is recognised over the term of the lease using the interest rate implicit in the lease.

1.19. SALE AND REPURCHASE AGREEMENTS AND LENDING OF SECURITIES

Securities sold subject to a linked repurchase agreement ("repos") are not derecognised and remain in their original category. The corresponding liability is entered under "Due to banks" or "Customer borrowings and deposits", as appropriate. The asset is reported as "pledged" in the notes.
Securities purchased under agreements to resell ("reverse repos") are recorded as off-balance sheet items and the corresponding loans recorded as "loans and advances due from banks" or "loans and advances to customers".
The difference between the sale and repurchase price is treated as interest income or expense and is accrued over the life of the agreements using the effective interest rate method.
Securities lent to counterparties are not derecognised but, rather recorded in the financial statements in the same heading.
Securities borrowed are not recognised in the financial statements.
If they are sold to third parties, the gain or loss is entered under "Net income from financial instruments at fair value through profit or loss" and the obligation to return them is recorded at fair value under "Financial liabilities measured at fair value through profit or loss".

1.20. DEFERRED INCOME TAX

Deferred income tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.
The principal temporary differences arise from the depreciation of property, plant & equipment, the revaluation of certain financial assets and liabilities (including derivative contracts, provisions for pensions and other post-retirement benefits), provisions for loan and other impairments and, in relation to acquisitions, from the difference between the fair value of the net assets acquired and their tax base.
The rates enacted or substantively enacted at the balance-sheet date are used to determine the deferred income tax.
Deferred tax assets and liabilities are not discounted. Deferred tax assets on deductible temporary differences and tax loss carry-forwards are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences and tax losses can be utilised.
Deferred tax liability is provided on taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.
Deferred tax related to the fair value remeasurement of available-for-sale investments and cash flow hedges, and other

transactions recorded directly in equity, are also credited or charged directly to equity.

1.21. EMPLOYEE BENEFITS

1.21.1. Short-term benefits

Short-term benefits, payable within 12 months of the service being rendered, are measured on an undiscounted basis and recognised as an expense.

1.21.2. Post-employment benefits

If Dexia has a legal or constructive obligation to pay post-employment benefits, the plan is either classified as "defined benefit" or "defined contribution plan". Dexia offers a number of defined benefit and defined contribution plans throughout the world, the assets of which are generally held by insurance companies or pension funds. The pension plans are generally funded by payments from both Dexia and its employees.

In some cases, Dexia provides post-retirement health care benefits to its retirees.

1.21.2.1. Defined benefit plans

Employee benefit obligations are measured at the present value of the estimated future cash outflows using the interest rates of AA-rated corporate bonds, which have terms to maturity approximating to the terms of the related liability. The valuation technique for the assessment of pension expenses incorporates actuarial assumptions comprising both demographic assumptions and financial assumptions such as the inflation rate.

Pension costs are determined based on the Projected Unit Credit Method, under which each period of service gives rise to an additional unit of benefit entitlement and each unit is measured separately to built up the final obligation. Net cumulative unrecognised actuarial gains and losses exceeding the corridor (greater than 10% of the present value of the gross defined benefit obligation and 10% of the fair value of any plan assets) are recognised in income over the average remaining working lives of the plan participants.

The amount recognised in the balance sheet is the present value of the defined benefit obligation (i.e., the present value of the expected future payments required to settle the obligation resulting from the employee service in the current and prior periods), as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and reduced by the fair value of plan assets at the balance sheet date. The defined obligation is presented net of plan assets as a liability or an asset. Therefore an asset may arise where a plan has been overfunded and are recorded separately if those assets are held by a Group entity.

Any asset recognised is limited to the total of any cumulative unrecognised net actuarial losses and past service cost, and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Qualified internal and external actuaries carry out valuations of these obligations. All valuations assumptions and results are reviewed and validated by an external actuary for Dexia that ensures that all calculations are harmonised and calculated in compliance with IAS 19.

1.21.2.2. Defined contribution pension plans

Dexia's contributions to defined contribution pension plans are charged to the statement of income in the year to which they relate. Under such plans, Dexia's obligations are limited to the contributions that Dexia agrees to pay into the fund on behalf of its employees.

1.21.2.3. Post-employment medical care

The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using a methodology similar to that for defined benefit pension plans.

1.21.3. Other long-term benefits

These mainly includes provisions for jubilee premiums that employees receive after completion of specified periods of service.

Unlike defined benefit plans, actuarial gains and losses relating to these benefits are immediately recognised. All past service costs are recognised immediately in the statement of income.

Employee entitlement to annual leave or long-service leave is recognised when it is granted to the employee. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance-sheet date.

1.21.4. Termination benefits

A termination benefit provision is only recorded when Dexia is obliged to terminate the employment before the normal date of retirement or to provide benefits as a result of an offer made in order to encourage voluntary redundancy. In such cases Dexia has a detailed formal plan and no realistic possibility of withdrawal.

1.21.5. Share-based payment

Dexia offers equity-settled share based payments like stock options plans (SOPs) and employee share purchase plans (ESPPs) and cash-settled share-based payments.

The fair value of equity-settled plans is measured at grant date by reference to the fair value of the underlying equity instrument based on valuation techniques and on market data and takes into account market-based vesting conditions. The impact of other vesting conditions is reflected in the accounts via an adjustment of the number of equity instruments included in the measurement. The fair value, recognised as a remuneration expense, is credited against equity.

In cash-settled share-based payments, the services received and the liability incurred, to pay for those services, are measured at the fair value of the liability. This fair value is measured at the grant date and at each reporting date until settled. The fair value is recognised as a remuneration expense with a corresponding increase in liabilities.

1.22. PROVISIONS

Provisions are mainly recognised for litigations claims, restructuring, and loan commitments.
Provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The discount rate is the pre-tax rate that reflects current market assessments of the time value of money.
Provisions are recognised when:
- Dexia has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate of the amount of the obligation can be made.

Provisions on loan commitments are recognised when there is uncertainty about the creditworthiness of the counterparty.

1.23. SHARE CAPITAL AND TREASURY SHARES

1.23.1. Share issue costs

External incremental costs directly attributable to the issue of new equity securities, other than as part of a business combination, are deducted from equity net of any related income tax.

1.23.2. Dividends on Dexia's ordinary shares

Dexia recognises its dividends on its ordinary shares as a liability from the date on which they are declared. Any dividends for the year declared post-balance-sheet date are disclosed in the subsequent events note.

1.23.3. Preferred shares

Dexia classifies preferred shares that are non-redeemable and upon which dividends are declared at the discretion of the directors as equity.

1.23.4. Treasury shares

Where Dexia or its subsidiaries purchase Dexia's share capital or is obliged to purchase a fixed number of treasury shares for a fixed amount of cash, the consideration paid, including any attributable transaction costs net of income taxes, is shown as a deduction from total shareholders' equity. Gains and losses on sales of own equity securities are charged or credited to the treasury share account in equity.

1.24. FIDUCIARY ACTIVITIES

Assets and income arising thereon, together with related undertakings to return such assets to customers, are excluded from these financial statements in cases where Dexia acts in a fiduciary capacity such as nominee, trustee or agent.

1.25. CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with a maturity of less than 3 months maturity included within cash and balances with central banks, interbank loans and advances, financial assets available-for-sale.

1.26. EARNINGS PER SHARE

The "Basic earnings per share" are calculated by dividing the net income available to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by Dexia and held as treasury shares.
For the "Diluted earnings per share", the weighted average number of ordinary shares in issue and the net income are adjusted to assume conversion of all dilutive potential ordinary shares, such as the convertible debt and share options granted to employees. Potential or contingent share issuances are treated as dilutive when the derivatives are "in the money" and their conversion to shares would decrease net earnings per share.

2. Significant changes in scope of consolidation and list of main subsidiaries and affiliated enterprises of the Dexia Group

2.1. Significant changes in scope of consolidation

We also refer to the note 9.4. "Acquisitions and disposals of consolidated companies - disposals groups held for sale - discontinued operations".

As at 31 December 2011

In the framework of the structural measures announced in October 2011, Dexia Bank Belgium group (except its stake in Dexia Asset Management) was sold to the Belgian state represented by the SFPI (Société fédérale de Participations et d'Investissement/Federale Participatie- en Investeringsmaatschappij) for an amount of EUR 4 billion and an earn-out mechanism in favour of Dexia SA in the event of a resale within a deadline of five years. The transaction generated a capital loss of EUR 3.3 billion. Dexia Bank Belgium group was no longer consolidated since the 1st October 2011. Its results for the first nine months 2011 were presented together with the result of the sale in the "Net result from discontinued operations".

Following the closing of its sale to the Central European investment group Penta Investments, Dexia banka Slovensko (DBS) left the scope of consolidation as at 1st January 2011. The impact of the sale of DBS was recorded in 2010, together with the reversal of provision regarding the litigation with Ritro Finance. The final impact of the transaction on Dexia's financial statements will be assessed at the time of the final judgement regarding Ritro Finance.

The sale to MetLife of DenizEmeklilik, the life insurance and pension subsidiary of DenizBank, resulted in a capital gain of EUR 135 million before tax. DenizEmeklilik was deconsolidated as from 1st October onwards.

As at 31 December 2012

In 2012, Dexia continued to implement the plan to dispose of its main operating entities, announced by its board of directors in October 2011.

The following subsidiaries were sold and left the scope of consolidation in 2012:

- The sale of the 50 % holding of Banque Internationale à Luxembourg in RBC Dexia Investor Services (RBC-D) to the Royal Bank of Canada was finalized on 27 July 2012, for a sale price of EUR 837.5 million. Dexia booked a gain on the sale of EUR 31 million in its accounts (taken into account the costs of transaction recognized in 2011). The RBC-D's first six months results of 2012 are presented in XVII. Net result from discontinued operations;
- The sale of DenizBank and its subsidiaries to Sberbank was completed on 28 September 2012, for a sale price set at TRY 6,469 million (EUR 2,790 million). An additional amount of EUR 185 million was paid to Dexia according to the terms of the sale contract. This amount represents the evolution of the net asset value of DenizBank between 1 January 2012 and 28 September 2012. Taking into account the gain of EUR 50 million made on the foreign exchange hedge, the total impact of the transaction was EUR – 808 million (included the impact of costs of the transaction in 2011). The first nine-month results 2012 of DenizBank's group were booked in XVII. Net result from discontinued operations;
- The Dexia Group's 99.906 % holding in Banque Internationale à Luxembourg (BIL) was sold to Precision Capital and Grand Duchy of Luxembourg on 5 October 2012. The scope of this sale excluded the legacy asset portfolio as well as the subsidiaries RBC-D, Dexia Asset Management Luxembourg, Dexia LdG Banque, Popular Banca Privada and Parfipar. The sale of BIL, for a price of EUR 730 million was preceded by a capital contribution of EUR 204 million from Dexia to BIL, in accordance with the sale agreements. This capital contribution may be revised, upwards or downwards, as a result of customary post-closing adjustments. The loss on the transaction of EUR – 211 million takes also into account an estimation of the potential adjustments and the costs of transaction recognized in 2011. The first nine-month results 2012 of BIL were booked in XVII. Net result from discontinued operations.

On 7 November 2012, Dexia signed a sell and purchase agreement to dispose of Dexia Kommunalkredit Bank Polska, the Polish subsidiary of Dexia Kommunalkredit Bank. Its assets and liabilities were transferred in "XII. Non-current assets and disposal groups held for sale" and "XI. Liabilities included in disposal groups held for sale". DKB Polska's activity was not considered as a discontinued operation, the measurement to its fair value less costs to sell led to the recognition of a loss of EUR 9 million in "V. Net income on investments".

On 6 July 2012, Banco Sabadell informed Dexia of its intention to exercise its option to sell its 40 % holding in Dexia Sabadell to Dexia. The two parties entered into discussions to agree the terms of implementation of this transaction. At the end of this process, Dexia will hold 100% of Dexia Sabadell.

Over the year, Dexia proceeded with a EUR 230 million capital increase of Dexia Sabadell, in order to comply with the increased level of regulatory capital set by the national regulator. This brought the percentage of capital held in Dexia Sabadell by Dexia on 79%. Dexia consolidates 60 % of the first nine months result of Dexia Sabadell and, considering the exercise of the put option (even though transfer ownership of the shares subject of the put option has not occurred as at 31 December 2012), consolidates 100 % of its results as from 1st October 2012 onwards.

2.2. Main subsidiaries and affiliated enterprises of the Dexia Group (1)

Name	Head office	% of capital held (**)	Consolidation method
DIRECT PARTICIPATIONS OF DEXIA SA			
Associated Dexia Technology Services SA (ADTS) (*)	23, Atrium Business Park, z.a. Bourmicht, L-8070 Bertrange	100	fully
Dexia Asset Management Luxembourg SA (Group) (*)	136, route d'Arlon, L-1150 Luxembourg	100	fully
Dexia Nederland BV	Parnassusweg 819, NL- 1082 LZ Amsterdam	100	fully
Dexia Participation Belgique SA (2)	Place du Champ de Mars 5, B-1050 Brussels	100	fully
Parfipar (3)	Route d'Esch 69, L-1470 Luxembourg	100	fully
Popular Banca Privada (Group) S.A. (*)	Juan Ignacio Luca de Tena 11, E-28027 Madrid	40	equity method
MAIN SUBSIDIARIES OF SUB-GROUP DEXIA CREDIT LOCAL SA			
Dexia CLF Banque SA	1, Passerelle des Reflets, Tour Dexia, La Défense 2, F-92919 La Défense	100	fully
Dexia Crediop Ireland	6 George's Dock, IRL-IFSC Dublin 1	100	fully
Dexia Crediop Spa	Via Venti Settembre 30, I-00187 Roma	70	fully
Dexia Crédit Local SA	1, Passerelle des Reflets, Tour Dexia, La Défense 2, F-92919 La Défense	100	fully
Dexia FP Holdings Inc.	445 Park Avenue, 5th floor New York, NY 10022 USA	100	fully
Dexia Holdings Inc.	445 Park Avenue, 5th floor New York, NY 10022 USA	100	fully
Dexia Israël Bank Ltd	19 Ha'arbaha st., "Hatihon" building, Tel Aviv 61200. P.O.B. 7091	65.99	fully
Dexia Kommunalbank Deutschland AG	Charlottenstrasse 82, D-10969 Berlin	100	fully
Dexia Kommunalkredit Bank AG	Fischhof 3 - A-1010 Wien - Austria	100	fully
Dexia Kommunalkredit Bank Polska SA (*)	ul Sienna 39 - 00-121 Warschau - Poland	100	fully
Dexia LdG Banque S.A.	69, route d'Esch L-1470 Luxembourg	100	fully
Dexia Municipal Agency SA (*)	1, Passerelle des Reflets, Tour Dexia, La Défense 2, F-92919 La Défense	100	fully
Dexia Sabadell SA	Paseo de las 12 Estrellas 4, Campo de las Naciones E-28042 Madrid	100	fully
FSA Global Funding Ltd	PO Box 1093 GT, Boundary Hall, Cricket Square, Grand Cayman Cayman Islands	100	fully
Sofaxis Group	Route de Créton, F-18110 Vasselay	100	fully

(1) Complete list available on request.
(2) Expected to be liquidated in 1Q 2013.
(3) Liquidated on 24 January 2013.
(*) Subsidiaries which have been transferred to disposal groups held for sale, following the restructuration of Dexia Group, have been indicated with an asterisk.
(**) Part of the capital held by the direct shareholder.

3. Segment reporting

A segment is a distinguishable component of Dexia that is engaged either in providing products or services (business segment) or in providing products or services within a particular economic environment (geographic segment) which is subject to risks and returns that are different from those of the other segments. Segments with a majority of revenue earned from sales to external customers and whose revenue, result or assets are 10 per cent or more of all the segments are reported separately.

In accordance with the European Commission decision, Dexia classifies its portfolios in run-off in a Legacy Portfolio Management Division, alongside the Core Division which is composed of the Retail and Commercial Banking (RCB), Public and Wholesale Banking (PWB), Asset Management and Services (AMS) and Group Center business lines.

The Legacy Portfolio Management Division remains on the balance sheet in a separate unit which qualifies as non core, with a clearly identified and allocated funding. Most of the long term State guaranteed funding is allocated to this division while the short-term State guaranteed funding and the rest of the long term funding guaranteed by the States are allocated to the Core division.

Interests allocated from the Group Center to the other core business lines and to the Legacy Division are now related to the allocated equity which is:
(i) the economic equity in the core business lines.
(ii) the normative equity in the Legacy Portfolio Management Division. The normative equity is 12.5% of the weighted risks.
Return on allocated equity measures the performance of each core business line.

Following the restructuration of the group and of the subsequent application of IFRS 5, disposal groups held for sale and discontinued activities are stated in a separate line of the balance-sheet and of the statement of income. The segment reporting will be reviewed for the first publication of Dexia 2013 accounts, as at June 30, 2013.

BUSINESS REPORTING	31/12/11		31/12/12	
(in millions of EUR)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Core division	**224,723**	**293,079**	**200,818**	**271,825**
Retail and Commercial Banking	12,654	10,872	0	0
Public and Wholesale Banking	115,974	6,861	102,549	8,599
Asset Management and Services	0	0	0	0
Asset Management	*0*	*0*	*0*	*0*
Investor Services	*0*	*0*	*0*	*0*
Insurance	*0*	*0*	*0*	*0*
Group Center	96,095	275,346	98,269	263,226
Legacy portfolio management division	**77,677**	**3,650**	**71,793**	**2,717**
Disposal groups held for sale	**110,359**	**116,350**	**84,599**	**79,357**
Equity		**(320)**		**3,310**
TOTAL	**412,759**	**412,759**	**357,210**	**357,210**

Some amounts may not add up due to roundings off

(in millions of EUR)	Income	o/w net interest income	Net income before tax of continuing operations
AS AT 31 DECEMBER 2011 (1)			
Core division	**11**	**112**	**(658)**
Retail and Commercial Banking	0	0	(13)
Public and Wholesale Banking	218	53	(100)
Asset Management and Services	0	0	(5)
Asset Management	*0*	*0*	*0*
Investor Services	*0*	*0*	*(1)*
Insurance	*0*	*0*	*(4)*
Group Center	(207)	59	(540)
Legacy portfolio management division	**(5,550)**	**(132)**	**(6,074)**
TOTAL	**(5,538)**	**(20)**	**(6,732)**
Net income before tax of continuing operations			(6,732)
Taxes			(83)
Discontinued operations (net of tax)			(4,826)
Non-controlling interests			(2)
Net income-Group share			**(11,639)**

(1) Figures as at 31 December 2011 have been restated due to the application of the norm IFRS 5 to the group DenizBank and to ADTS.

Some amounts may not add up due to roundings off.

(in millions of EUR)	Income	o/w net interest income	Net income before tax of continuing operations
AS AT 31 DECEMBER 2012			
Core division	**(318)**	**(481)**	**(857)**
Retail and Commercial Banking	0	0	(1)
Public and Wholesale Banking	69	(112)	(242)
Asset Management and Services	0	0	0
Asset Management	*0*	*0*	0
Investor Services	*0*	*0*	*0*
Insurance	*0*	*0*	*0*
Group Center	(387)	(369)	(614)
Legacy portfolio management division	**(575)**	**(249)**	**(868)**
TOTAL	**(894)**	**(730)**	**(1,726)**
Net income before tax of continuing operations			(1,726)
Taxes			2
Discontinued operations (net of tax)			(1,163)
Non-controlling interests			(21)
Net income-Group share			**(2,866)**

Some amounts may not add up due to roundings off.

OTHER SEGMENT INFORMATION - Continuing activities (in millions of EUR)	31/12/11 Capital expenditures	31/12/11 Depreciation and amortization	31/12/11 Impairments (1)	31/12/11 Other non-cash expenses (2)	31/12/12 Capital expenditures	31/12/12 Depreciation and amortization	31/12/12 Impairments (1)	31/12/12 Other non-cash expenses (2)
Core division	**(142)**	**(49)**	**(231)**	**1**	**(67)**	**(42)**	**(80)**	**(9)**
Retail and Commercial Banking	(61)	0	0	1	0	0	0	(2)
Public and Wholesale Banking	(68)	0	(64)	1	(61)	0	(79)	1
Asset Management and Services	0	0	0	1	0	*0*	*0*	0
Asset Management	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Investor Services	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Insurance	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Group Center	(13)	(49)	(167)	(2)	(6)	(42)	(1)	(8)
Legacy portfolio management division	**0**	**0**	**(421)**	**2**	**0**	**(1)**	**(199)**	**(2)**
TOTAL	**(142)**	**(49)**	**(653)**	**2**	**(67)**	**(42)**	**(279)**	**(11)**

(1) Includes impairments on tangible and other intangible assets, impairments on securities, impairments on loans and provisions for credit commitments, impairments on goodwill.
(2) Includes IFRS2 costs, net allowances to provisions related to IAS 19, net allowances to provisions for litigations.

Some amounts may not add up due to roundings off.

Figures of depreciation and impairments as at 31 December 2011 have been restated due to the application of the norm IFRS 5 to the group DenizBank and to ADTS.

Relations between business lines, and especially between commercial business lines, financial markets and production and service centers are subject to retrocessions and/or analytical transfers, governed by service level agreements based on normal commercial terms and market conditions. The results of each business line also include:
- the earnings from commercial transformation, including the management costs of this transformation and the Group equity allocated to this activity on the basis of medium and long-term outstanding;
- interest on economic capital : economic capital is allocated to the business lines for internal purposes and the return on economic capital is used to measure the performance of each business line;
- funding cost.

Tangible and intangible assets are allocated to "Group Center" except when they are directly managed by a commercial or financial business line.

GEOGRAPHIC REPORTING (in millions of EUR)	Belgium	France	Ireland	United States	Other	Total
AS AT 31 DECEMBER 2011						
Income	(256)	(2,095)	(892)	(2,224)	(71)	(5,538)
AS AT 31 DECEMBER 2012						
Income	64	(670)	(207)	(59)	(22)	(894)

Geographic information is done based on booking centers, being the country of the company having recorded the transaction and not the country of the customers.

4. Significant items included in the statement of income

Reported amounts are significant and/or unusual transactions and not only large transactions. The amounts mentioned are before tax and year-to-date.

Despite the very significant restructuring progress made by the Group since the end of 2008 both in reducing its balance sheet and refocusing its activities and in reducing its risk profile, Dexia encountered serious refinancing difficulties in October 2011, in the wake of the accelerating sovereign debt crisis, leading it to announce the implementation of an orderly resolution of its activities.
Since then, Dexia has sold several of its main operating entities: Dexia Bank Belgium, now Belfius Bank and Insurance (20 October 2011), RBC-Dexia Investor Services (27 July 2012), Banque Internationale à Luxembourg (5 October 2012) and DenizBank (28 September 2012). Accounting-wise, the decision of the orderly resolution plan implies the application of the IFRS 5 norm for the entities qualified as discontinued operations: BIL (excluding agreed carve-out assets), RBC-DIS, DenizBank, Dexia Municipal Agency, Dexia Asset Management and Associated Dexia Technology Services (ADTS). The result of the discontinued operations is presented in a separate line of the statement of income.

The results of the continuing operations have been heavily impacted by the following major facts:
• The exchange plan negotiated between the Greek State and the private creditors has given rise to an exchange of sovereign debt during the first six months. The new Greek claims and the European Financial Stability Facilities (EFSF) were classified in the available-for-sale portfolio, for the exchange value. The final impact before tax for the year 2012 amounts to EUR 65.3 million and is taken into account in the interest margin for EUR 1.6 million, in *IV. Net income from financial instruments at fair value through profit or loss* for EUR -8.7 million, in *V. Net income on investments* for EUR 58.2 million (of which EUR 40 million following the disposals of the residual Greeks assets in 4Q) and in *XII. Impairment on loans and provisions for credit commitments* for EUR 14.1 million;
• The cost of the State guarantee granted by the Belgian, French and Luxembourg states for the financing of Dexia amounts EUR -542 million for 2012 and is reported in *II. Interest expense*. On 28 December 2012, the European Commission approved the orderly resolution of the Dexia group and the establishment of the tripartite funding guarantee by the Belgian, French and Luxembourg States, for an amount of EUR 85 billion in principal. The up front commission amounts to 50 basis points on a secured base of EUR 85 billion less the EUR 225 million fee already paid on the provisional guarantee of 2011. An amount of EUR – 200 million was booked in *VII. Fee and commission expense*. The 2013 guarantee is split 51.41 % Belgium, 45.59 % France and 3 % Luxembourg. The guarantee commission will be 5 basis points per annum on the drawn amounts.
• Dexia recognised a loss of EUR - 151.6 million on the securities of Kommunalkredit Austria Finanz, following their cancellation, as decided by Kommunalkredit Austria Finanz' General Meeting of 25 April 2012. Dexia is challenging this reduction of the participation capital and is taking all relevant measures in order to preserve its rights.
In addition, an impairment of EUR -24 million was recognised in V. Net income on investments on the preferred shares of Kommunalkredit Austria (EUR 48 million), received in 2009 within the framework of the restructuring of the group Kommunalkredit Austria.
• Dexia repurchased part of two subordinated issues (EUR 412 million) with a result before tax of EUR 151 million recognised in *V. Net income on investments*;
• Dexia Kommunalbank Deutschland booked also in *V. Net income on investments a positive result* of EUR 36 million on the buy-back of its own debt (Pfandbrieven) amounting to EUR 2.6 billion;
• The group continued to follow an opportunistic asset disposal strategy, among others to offset the liquidity impact of the repurchase of its subordinated bonds. The relief of the balance sheet loans and securities for EUR 4.9 billion, resulted in a loss of EUR -230 million booked in V. *Net income on investments*;
• The sell and purchase agreements concluded to dispose of Dexia Bail and Dexia Kommunalkredit Bank Polska led to the recognition of a loss of respectively EUR – 14 million and EUR – 9 million in "*V. Net income on investments*" following their remeasurement to fair value less costs to sell;
• Considering the resizing of the DSA and DCL teams in France, restructuring costs have been booked in *IX. Staff expenses* and *X. General and administrative expense* for respectively EUR -74 million and EUR – 8 million.

The net result of the discontinued operations includes their contribution to result still belonging to the group, the result on the sales of RBC-DIS (EUR 38 million), BIL (EUR -205 million), DenizBank (EUR – 801 million), closed in 2012 and also EUR – 638 million additional fair value remeasurement of Dexia Municipal Agency, We also refer to the note 9.4 *Acquisitions and disposals of consolidated companies – disposal Groups held for sale – discontinued operations*.

5. Post-balance-sheet events

On 31 January 2013, Dexia announced the finalisation of the sale of Société de Financement Local (SFIL), the holding company owner of Dexia Municipal Agency, the latter being renamed Caisse Française de Financement Local. The purchasers are the French State, with a majority holding, alongside the Caisse des Dépôts and La Banque Postale. The sale and purchase of Dexia Municipal Agency is one aspect of a

project on the part of its new shareholders to create a pole for the financing of the local public sector in France. For Dexia it represents the disposal of a last major commercial franchise and is therefore a decisive phase in its orderly resolution plan. All of the regulatory authorizations have been received, including that from the European Commission.
The transaction price was set at 1 euro. Sensitive loans on the balance sheet of Dexia Municipal Agency are within the scope of this disposal and Dexia will not provide any guarantee on those assets except for damages awarded against Dexia Crédit Local as a result of a violation of its contractual, legal or regulatory obligations.
The total impact of the sale of SFIL will amount to EUR -1.8 billion. Applying relevant accounting standards, this impact was partly booked in 2011, on the reclassification of Dexia Municipal Agency under IFRS 5, in an amount of EUR -1.1 billion. As at 31 December 2012, a fair value adjustment was booked of EUR -638 million, corresponding to the revision of the sale conditions and Other Comprehensive Income (OCI) variations. The residual impact, to be booked in the first half of 2013, is estimated at EUR -142 million.
On the closing date, SFIL represented a total balance sheet of EUR 95 billion and around EUR 4 billion in weighted risks according to Basel II regulation. The proceeds of the reimbursement of funding lines granted by Dexia Crédit Local to Dexia Municipal Agency, which amount to EUR 11.2 billion, will serve to reduce the debt of the Dexia Group, partially vis-à-vis Belfius.

On 24 January 2013, the French, Belgian and Luxembourg States have entered into a guarantees issuance agreement and granted a several but not joint funding guarantee in favor of Dexia Crédit Local (main issuer and main operating entity of the group).
This guarantee is effective immediately. It replaces the temporary guarantee dated December 16, 2011 which is terminated without retroactive effect and without prejudice to any rights arising pursuant to guaranteed obligations entered into or issued prior to the effectiveness of this guarantee.

Regarding the guarantie granted by the States, we refer to note 9.3.C. Transactions with the Belgian, French and Luxembourg States.

On February 8, 2013, the Superior Court of Nanterre issued its decision on the procedures initiated by the Department of Seine-Saint-Denis against Dexia regarding three structured loans.
As a result, the Superior Court of Nanterre dismissed the Department of Seine-Saint-Denis' request to cancel the three disputed loan contracts and its claims for damages and interest. In addition, the Department of Seine-Saint-Denis is required to resume payment of the loan installments. The Superior Court of Nanterre did however consider that the faxes that were sent ahead of the execution of final contracts could themselves be qualified as "loan contracts" and hence, as the Effective Annual Percentage Rate (EAPR) did not show on these faxes, the legally applicable interest rate should prevail. Dexia take note of the decisions of the Superior Court of Nanterre and will carefully analyse its terms in order to decide on any future action.

We also refer to the chapter Risk management – part "Legal risk" presented in the Management report on page 73

6. Litigations

We refer to the chapter Risk management – part "Legal risk" – presented in the Management report on page 73.

7. Notes on the assets of the consolidated balance sheet

(in millions of EUR – some amounts may not add up due to roundings off)

Following the announcement of the restructuring of the Group and the subsequent application of the standard IFRS 5, the discontinued operations did not contribute to the detailed lines of the statement of income and their result net of tax was reported separately in their specific dedicated line.

As a consequence of this, in the disclosures presenting an evolution of balance sheet items in relation with amounts in the statement of income, the figures as at 1 January 2011 of the sold subgroup Dexia bank Belgium were reported in "*changes of consolidation scope*" and the figures as at 1 January 2011 of the subsidiaries held for sale were disclosed in "*transfers in disposal groups held for sale*". The figures as at 1 January 2012 of the subgroup DenizBank and of ADTS were reported in "*transfers in disposal groups held for sale*".

7.1. Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprises the following balances with less than 90 days remaining maturity :

A. ANALYSIS BY NATURE

	31/12/11	31/12/12
Cash and balances with central banks	4,847	1,054
Loans and advances due from banks	3,196	3,074
Financial assets available for sale	3,464	2,158
Non current assets held for sale	8,816	2,637
TOTAL	**20,323**	**8,923**

B. OF WHICH RESTRICTED CASH

	31/12/11	31/12/12
Mandatory reserves [1]	4,711	1,015
of continuing operations	*1,655*	*1,015*
of discontinued operations	*3,055*	*0*
TOTAL	**4,711**	**1,015**

(1) Mandatory reserves : minimum reserve deposits credit institutions must have with European Central Bank or with other central banks

7.2. Cash and balances with central banks

ANALYSIS BY NATURE

	31/12/11	31/12/12
Cash in hand	249	7
Balances with central banks other than mandatory reserve deposits	2,942	32
Mandatory reserve deposits	1,655	1 015
TOTAL	**4,847**	**1,054**
of which included in cash and cash equivalents	4,847	1,054

7.3. Loans and advances due from banks

A. ANALYSIS BY NATURE

	31/12/11	31/12/12
Nostro accounts and cash collaterals	36,772	37,462
Reverse repurchase agreements	489	116
Loans and other advances	5,385	5,498
Debt instruments	3,072	3,957
Impaired debt instruments	26	0
Less :		
Specific impairment on impaired loans or impaired debt instruments	(5)	0
Collective impairment	(11)	(7)
TOTAL	**45,728**	**47,027**
of which included in cash and cash equivalents	3,196	3,074

B. ANALYSIS OF QUALITY

See note 7.15 Quality of financial assets

C. ANALYSIS BY MATURITY AND INTEREST RATE

See notes 12.4, 12.5 and 12.6.

D. ANALYSIS OF THE FAIR VALUE

See note 12.1.

E. RECLASSIFICATION OF FINANCIAL ASSETS (IAS39 AMENDED)

See note 7.7.

7.4. Loans and advances to customers

A. ANALYSIS BY COUNTERPART

	31/12/11	31/12/12
Public sector	96,766	93,075
Other	76,351	56,432
Impaired loans	1,347	945
Impaired debt instruments	1,015	377
Less :		
Specific impairment on impaired loans or impaired debt instruments	(1,385)	(395)
Collective impairment	(543)	(416)
TOTAL	**173,550**	**150,019**
of which included in finance lease	2,293	1,782

B. ANALYSIS BY NATURE

	31/12/11	31/12/12
Cash collaterals	145	455
Loans and other advances	112,356	92,156
of which bills and own acceptances	*99*	*24*
of which finance leases	*2,293*	*1,782*
of which securitized loans	*666*	*553*
of which consumer credits	*2,205*	*0*
of which mortage loans	*6,104*	*31*
of which term loans	*98,689*	*76,682*
of which current accounts	*265*	*17*
of which other loans and advances	*2,036*	*13,068*
Debt instruments	60,616	56,897
Impaired loans	1,347	945
Impaired debt instruments	1,015	377
Less :		
Specific impairment on impaired loans or impaired debt instruments	(1,385)	(395)
Collective impairment	(543)	(416)
TOTAL	**173,550**	**150,019**

C. ANALYSIS OF QUALITY

See note 7.15 Quality of financial assets

D. ANALYSIS BY MATURITY AND INTEREST RATE

See notes 12.4, 12.5 and 12.6.

E. ANALYSIS OF THE FAIR VALUE

See note 12.1.

F. RECLASSIFICATION OF FINANCIAL ASSETS (IAS39 AMENDED):

See note 7.7.

7.5. Financial assets measured at fair value through profit or loss

	31/12/11	31/12/12
Financial assets held for trading	2,541	2,198
Financial assets designated at fair value	148	27
TOTAL	**2,690**	**2,225**

7.5.1. FINANCIAL ASSETS HELD FOR TRADING

A. ANALYSIS BY COUNTERPART

	31/12/11	31/12/12
Public sector	162	0
Banks	30	8
Other	2,350	2,190
TOTAL	**2,541**	**2,198**

B. ANALYSIS BY NATURE

	31/12/11	31/12/12
Bonds issued by public bodies	162	0
Other bonds and fixed-income instruments	2,340	2,197
Equity and variable-income instruments	39	1
TOTAL	**2,541**	**2,198**

C. TREASURY BILLS AND OTHER ELIGIBLE BILLS FOR REFINANCING TO THE CENTRAL BANKS

Nil.

D. SECURITIES PLEDGED UNDER REPURCHASE AGREEMENTS WITH OTHER BANKS

Nil.

E. ANALYSIS BY MATURITY AND INTEREST RATE

See notes 12.4, 12.5 and 12.6

F. ANALYSIS OF THE FAIR VALUE

See note 12.1.

G. RECLASSIFICATION OF FINANCIAL ASSETS (IAS39 AMENDED)

See note 7.7.

7.5.2. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE

A. ANALYSIS BY COUNTERPART

	31/12/11	31/12/12
Public sector	6	6
Banks	0	0
Other	142	20
TOTAL	**148**	**27**

B. ANALYSIS BY NATURE

	31/12/11	31/12/12
Loans	16	5
Other bonds and fixed-income instruments	132	22
TOTAL	**148**	**27**

C. TREASURY BILLS AND OTHER ELIGIBLE BILLS FOR REFINANCING TO THE CENTRAL BANKS

Nil.

D. SECURITIES PLEDGED UNDER REPURCHASE AGREEMENTS WITH OTHER BANKS

Nil.

E. ANALYSIS BY MATURITY AND INTEREST RATE

See notes 12.4, 12.5 and 12.6.

F. ANALYSIS OF THE FAIR VALUE

See note 12.1.

The Fair Value Option (FVO) for financial assets is mainly used as an alternative method in order to reduce volatility in profit or loss when, at inception, there is a risk that the hedge accounting requirements will not be met.

The methodology followed to determine the fair value of financial assets designated at fair value is presented in note 1. Accounting principles and the rules governing the consolidated financial statements - subsection 1.7 Fair value of financial instruments

7.6. Financial investments

A. ANALYSIS BY COUNTERPART

	31/12/11	31/12/12
Public sector	20,333	17,360
Banks	12,927	12,848
Others	6,370	6,177
Impaired financial investments	4,169	286
TOTAL FINANCIAL INVESTMENTS BEFORE IMPAIRMENT	**43,799**	**36,671**
Less :		
Impairments (specific or collective) (1)	(3,108)	(155)
TOTAL	**40,691**	**36,516**
of which included in cash and cash equivalents	3,464	2,158

(1) in 2011, includes EUR - 2 073 million on Greek souvereign bonds exchanged or sold in 2012

B. ANALYSIS OF QUALITY
See note 7.15 Quality of financial assets

C. ANALYSIS BY MATURITY AND INTEREST RATE
See notes 12.4, 12.5 and 12.6.

D. ANALYSIS BY NATURE

	Available for sale		Held to maturity		TOTAL	
	31/12/11	31/12/12	31/12/11	31/12/12	31/12/11	31/12/12
Bonds issued by public bodies	19,073	13,279	765	333	19,838	13,612
Other bonds and fixed-income instruments	22,990	22,411	439	122	23,429	22,534
Equity and variable-income instruments	532	526	0	0	532	526
TOTAL FINANCIAL INVESTMENTS BEFORE IMPAIRMENT	**42,595**	**36,215**	**1,204**	**456**	**43,799**	**36,671**
impairments (specific or collective)	(2,954)	(155)	(153)	0	(3,108)	(155)
TOTAL FINANCIAL INVESTMENTS	**39,640**	**36,061**	**1,051**	**456**	**40,691**	**36,516**

E. CONVERTIBLE BONDS INCLUDED IN THE AVAILABLE-FOR-SALE PORTFOLIO (POSITION GREATER THAN EUR 50 MILLION)
Nil

F. TRANSFERS BETWEEN PORTFOLIOS
Nil

G. ANALYSIS OF THE FAIR VALUE
See note 12.1.

H. RECLASSIFICATION OF FINANCIAL ASSETS (IAS39 AMENDED)
See note 7.7.

7.7. Reclassification of financial assets (IAS 39 amended)

	From Trading to Loans and Receivables (1)	From Trading to Available-for-Sale Portfolio (2)	From Available-for-Sale Portfolio to Loans and Receivables (3)
Carrying amount of assets reclassified, at October 1, 2008 (scope of entities consolidated as at 31 dec. 2011)	3,784	2,704	75,393
Carrying amount of assets reclassified, at October 1, 2008 (scope of entities consolidated as at 31 dec. 2012)	3,565	2,264	75,393
Carrying amount of assets reclassified at Dec. 31,2011 (A)	2,407	189	60,740
Fair value of assets reclassified at Dec. 31, 2011 (B)	2,070	173	59,047
CUMULATED AMOUNT NOT TAKEN IN INCOME (1)&(2) DUE TO RECLASSIFICATION (B)-(A)	**(337)**	**(16)**	**n.a**
CUMULATED AMOUNT NOT TAKEN IN AFS RESERVE (3) DUE TO RECLASSIFICATION (B)-(A)	**n.a**	**n.a**	**(1,693)**
Premium/Discount amortization in P&L during the year	30	6	n.a
Premium/Discount amortization of "frozen" fair value adjustment of financial assets reclassified to Loans and Receivables during the year	n.a	n.a	380
Carrying amount of assets reclassified at Dec. 31,2012 (A)	2,037	4	55,433
Fair value of assets reclassified at Dec. 31, 2012 (B)	1,840	4	54,801
CUMULATED AMOUNT NOT TAKEN IN INCOME (1)&(2) DUE TO RECLASSIFICATION (B)-(A)	**(197)**	**0**	**n.a**
CUMULATED AMOUNT NOT TAKEN IN AFS RESERVE (3) DUE TO RECLASSIFICATION (B)-(A)	**n.a**	**n.a**	**(632)**
Premium/Discount amortization in P&L during the year	17	0	n.a
Premium/Discount amortization of "frozen" fair value adjustment of financial assets reclassified to Loans and Receivables during the year	n.a	n.a	172

Impacts of reclassifications of 2008 on equity and results

The carrying amount of assets reclassified is impacted by the change in consolidation scope in 2012, mainly by the sale of BIL and DenizBank.

Transfer from "Held for Trading" to "Loans and Receivables" (L&R) and "Available-for-Sale" (AFS)

The difference between the carrying amount at reclassification date and the reimbursement amount is amortized on the remaining period. The impact of this amortization on the result of the period is shown in the line "Premium/Discount amortization in P&L during the year".

The difference between the "Carrying amount of reclassified assets " and the fair value represents the cumulated changes in fair value as from reclassification date and also includes the cumulated amortization of the premium discount since reclassification.

Transfer from "Available-for-Sale" (AFS) to "Loans and Receivables" (L&R)

Dexia has a particular "Available-for-Sale" portfolio with a very long maturity, resulting in significant change in value following small shifts in spreads.

The impact on the result regarding in the "cost of risk" is the net of allocation and use of collective impairment and specific impairments. Due to the reclassified assets, a collective impairment charge of EUR 9 million was recorded in 2012 (EUR 79 million in 2011).

The decrease of the carrying amount of the reclassified assets comes mainly from of the disposal of non-strategic assets.

Impact on interest margin:

For assets transferred from AFS to L&R, the amortization of the premium discount on the bond is compensated by the amortization of the frozen AFS reserve, so that the net impact on result is zero.

For assets transferred from trading to AFS and L&R, the impact on the interest margin of the amortization of the negative mark-to-market of previous periods amounted EUR 36 million in 2011 and EUR 17 million in 2012.

7.8. Transfers of financial assets

The Group enters into transactions in which it transfers previously recognised financial assets but retains substantially all of the risks and rewards of those assets.

Due to this retention, the transferred financial assets are not derecognised and the transfers are accounted for as secured financing transactions.

The most common transactions of this nature entered into by the Group are repurchase agreements, securities lending agreements and total return swaps, in which the Group retains substantially all of the associated credit, interest rate and foreign exchange risks and rewards associated with the assets.

	2012	
	Carrying amount of assets	**Carrying amount of associated liabilities**
LOANS AND ADVANCES NOT DERECOGNISED DUE TO FOLLOWING TRANSACTIONS		
Repurchase agreements	13,033	12,765
Securities lending agreements	2,218	
TOTAL LOANS AND ADVANCES	**15,251**	**12,765**
INVESTMENTS HELD TO MATURITY NOT DERECOGNISED DUE TO FOLLOWING TRANSACTIONS:		
Repurchase agreements	48	51
TOTAL INVESTMENTS HELD TO MATURITY	**48**	**51**
FINANCIAL ASSETS AVAILABLE-FOR-SALE NOT DERECOGNISED DUE TO FOLLOWING TRANSACTIONS:		
Repurchase agreements	3,215	2,751
Securities lending agreements	1,058	
Total return swaps	386	516
TOTAL FINANCIAL ASSETS AVAILABLE-FOR-SALE	**4,659**	**3,267**
FINANCIAL ASSETS HELD FOR TRADING NOT DERECOGNISED DUE TO FOLLOWING TRANSACTIONS		
Repurchase agreements	266	209
Securities lending agreements	289	
TOTAL FINANCIAL ASSETS HELD FOR TRADING	**550**	**209**
TOTAL	**20,513**	**16,292**

7.9. Tangible fixed assets

A. NET BOOK VALUE

	Land and buildings		Office furniture and other equipment			Investment Property	Total
	Own use owner	Own use finance lease	Own use owner	Own use finance lease	Operating lease (1)		
ACQUISITION COST AS AT 1 JAN. 2011	**1,938**	**3**	**971**	**90**	**194**	**1,192**	**4,387**
- Transfers in disposal groups held for sale	(451)	0	(156)	0	(4)	(99)	(710)
- Acquisitions	1	0	58	18	65	1	143
- Disposals	(1)	0	(8)	0	(41)	0	(50)
- Change in scope of consolidation (out)	(1,060)	(3)	(511)	0	0	(979)	(2,553)
- Transfers and cancellations	0	0	(50)	24	0	0	(26)
- Translation adjustments	(4)	0	(27)	(15)	0	(18)	(64)
- Other	0	0	0	2	7	0	9
ACQUISITION COST AS AT 31 DEC. 2011 (A)	**423**	**1**	**277**	**119**	**221**	**95**	**1,137**
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 1 JAN. 2011	**(658)**	**(1)**	**(678)**	**(59)**	**(62)**	**(583)**	**(2,041)**
- Transfers in disposal groups held for sale	212	0	133	0	1	16	362
- Depreciation booked	(8)	0	(29)	(15)	(31)	(1)	(84)
- Impairment booked	0	0	(2)	0	0	0	(2)
- Disposals	1	0	7	0	18	0	26
- Change in scope of consolidation (out)	387	0	383	0	0	514	1,284
- Transfers and cancellations	0	0	30	(4)	0	0	26
- Translation adjustments	1	0	10	10	0	9	30
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31 DEC. 2011 (B)	**(65)**	**(1)**	**(146)**	**(68)**	**(74)**	**(46)**	**(399)**
NET BOOK VALUE AS AT 31 DEC. 2011 (A)+(B)	**358**	**0**	**131**	**51**	**147**	**49**	**736**

(1) mainly cars

	Land and buildings		Office furniture and other equipment			Investment Property	Total
	Own use owner	Own use finance lease	Own use owner	Own use finance lease	Ope-rating lease (1)		
ACQUISITION COST AS AT 1 JAN. 2012	**423**	**1**	**277**	**119**	**221**	**95**	**1,137**
- Transfers in disposal groups held for sale	(22)	0	(184)	(119)	0	(95)	(421)
- Acquisitions	1	0	7	0	60	0	67
- Disposals	0	0	(3)	0	(53)	0	(56)
- Transfers and cancellations	0	0	(1)	0	0	0	(1)
ACQUISITION COST AS AT 31 DEC. 2012 (A)	**401**	**1**	**95**	**0**	**228**	**0**	**724**
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 1 JAN. 2012	**(65)**	**(1)**	**(146)**	**(68)**	**(74)**	**(46)**	**(399)**
- Transfers in disposal groups held for sale	6	0	73	68	0	46	194
- Depreciation booked	(8)	0	(6)	0	(31)	0	(45)
- Disposals	0	0	3	0	24	0	27
- Transfers and cancellations	0	0	1	0	0	0	1
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31 DEC. 2012 (B)	**(67)**	**(1)**	**(74)**	**0**	**(81)**	**0**	**(222)**
NET BOOK VALUE AS AT 31 DEC. 2012 (A)+(B)	**335**	**0**	**20**	**0**	**147**	**0**	**501**

(1) mainly cars

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B. FAIR VALUE OF INVESTMENT PROPERTY

	31/12/11	31/12/12
Fair value subject to an independent valuation	49	0
TOTAL	**49**	**0**

C. EXPENDITURES

Nil

D. CONTRACTUAL OBLIGATIONS RELATING TO INVESTMENT PROPERTY AT THE END OF THE PERIOD

Nil

E. CONTRACTUAL OBLIGATIONS RELATING TO PROPERTY, PLANT AND EQUIPMENT AT THE END OF THE PERIOD

Nil

7.10. Intangible assets and goodwill

	Positive goodwill (1)	Internally developed software	Other intangible assets (2)	Total
ACQUISITION COST AS AT 1 JAN. 2011	**2,007**	**860**	**660**	**3,528**
- Transfers in disposal groups held for sale	(371)	(171)	(139)	(681)
- Acquisitions	0	12	33	45
- Disposals	0	(68)	(10)	(78)
- Change in scope of consolidation (out)	(139)	(478)	(98)	(715)
- Transfers and cancellations	0	6	(6)	0
- Translation adjustments	(190)	0	(44)	(234)
ACQUISITION COST AS AT 31 DEC. 2011 (A)	**1,307**	**161**	**396**	**1,864**
ACCUMULATED AMORTIZATION AND IMPAIRMENT AS AT 1 JAN. 2011	**(188)**	**(631)**	**(433)**	**(1,252)**
- Transfers in disposal groups held for sale	75	81	82	238
- Booked	(183)	(17)	(47)	(247)
- Change in scope of consolidation (out)	31	374	71	476
- Disposals	0	68	12	80
- Transfers and cancellations	0	(1)	1	0
- Translation adjustments	0	0	26	26
ACCUMULATED AMORTIZATION AND IMPAIRMENT AS AT 31 DEC. 2011 (B)	**(265)**	**(126)**	**(288)**	**(679)**
NET BOOK VALUE AS AT 31 DEC. 2011 (A)+(B)	**1,042**	**35**	**108**	**1,184**

(1) Accumulated amortization of positive goodwill represent an amount of EUR - 80 million as at 31 Dec. 2011. This amount was booked before the application of IFRS.

(2) Other intangible assets include purchased software and intangible assets identified for a net amount of EUR 59 million in the purchase of DenizBank group. These will be amortised at the latest end 2016.

	Positive goodwill [1]	Internally developed software	Other intangible assets [2]	Total
ACQUISITION COST AS AT 1 JAN. 2012	**1,307**	**161**	**396**	**1,864**
- Transfers in disposal groups held for sale	(983)	0	(264)	(1 247)
- Acquisitions	0	12	5	17
- Transfers and cancellations	(2)	1	(2)	(3)
ACQUISITION COST AS AT 31 DEC. 2012 (A)	**322**	**174**	**134**	**630**
ACCUMULATED AMORTIZATION AND IMPAIRMENT AS AT 1 JAN. 2012	**(265)**	**(126)**	**(288)**	**(679)**
- Transfers in disposal groups held for sale	0	0	175	175
- Booked	0	(12)	(15)	(28)
- Transfers and cancellations	2	0	1	3
ACCUMULATED AMORTIZATION AND IMPAIRMENT AS AT 31 DEC. 2012 (B)	**(263)**	**(138)**	**(127)**	**(528)**
NET BOOK VALUE AS AT 31 DEC. 2012 (A)+(B)	**59**	**36**	**8**	**102**

(1) Accumulated amortization of positive goodwill represent an amount of EUR - 80 million as at 31 Dec. 2012. This amount was booked before the application of IFRS.

POSITIVE GOODWILL (amounts larger than EUR 100 mios)	31/12/11	31/12/12
DenizBank	983	

The evaluation of the recoverable amount of a cash-generating unit (CGU) requires incorporating the cash outflows associated with the funding.
If a subsidiary is only active on a single CGU, the entire goodwill is allocated to this CGU. If a subsidiary is active on several CGU's, the goodwill is allocated to CGU's based on the cash flows attributable to each one at the date of acquisition. If one activity is highly integrated, a CGU may include several legal entities or related CGU from different legal entities (Asset management is considered as one CGU, as well as Investor services).

Impairment on goodwill under IAS 36 is recognised in profit or loss if the recoverable amount of an investment is lower than its carrying value. The recoverable amount is defined as the higher of the value in use (calculated based on discounted cash flow - DCF - analysis) and the fair value (transaction multiples for comparable businesses, share price data for listed companies with comparable businesses) less costs to sell.
The DCF method is based on a number of assumptions in terms of future revenues and expenses for each business unit. These parameters are based on financial planning as approved by management, extrapolated over a sustainable growth period and then in perpetuity based on long term growth rates thereafter.
The tests take into account the cost of capital based on a risk-free rate plus risk premium specific to the CGU. The key parameters which are sensitive to the assumptions made are therefore the cost/income ratio, the long term growth rate and the cost of capital.

7.11. Tax assets

	31/12/11	31/12/12
Current taxes	223	209
Deferred tax assets (see note 9.2)	708	21
TOTAL	**932**	**229**

Deferred tax assets (DTA) are constituted for an amount of EUR 20 million (EUR 625 million in 2011) by DTA coming from negative available-for-sale reserves on bonds and "frozen" fair value adjustment of financial assets reclassified to Loans and Receivables and by DTA on cash flow hedges reserves for EUR 78 million in 2011 (0 in 2012).

7.12. Other assets

Analysis by nature	31/12/11	31/12/12
Accrued income	10	11
Deferred expenses	38	24
Other accounts receivables	363	665
Plan assets(1)	3	3
Inventories	6	3
Operational taxes	35	8
Other assets	269	172
TOTAL	**724**	**886**

(1) See note 8.6.i.

7.13. Non-current assets and disposal groups held for sale

	31/12/11	31/12/11
Assets of subsidiaries held for sale (1)	110,240	84,581
Tangible and intangible assets held for sale	40	17
Other assets	78	0
TOTAL	**110,359**	**84,599**

(1) We refer to note 9.4. Acquisitions and disposals of consolidated companies – disposal groups held for sale – discontinued operations.

7.14. Leasing

7.14.1. DEXIA AS LESSOR

A. FINANCE LEASE

Gross investment in finance leases :	31/12/11	31/12/12
Not later than 1 year	358	122
Later than 1 year and not later than 5 years	788	418
Later than 5 years	1,265	1,240
SUBTOTAL (A)	**2,412**	**1,780**
UNEARNED FUTURE FINANCE INCOME ON FINANCE LEASES (B)	**70**	**0**
NET INVESTMENT IN FINANCE LEASES (A)-(B)	**2,342**	**1,780**

The net investment in finance leases :	31/12/11	31/12/12
Not later than 1 year	323	122
Later than 1 year and not later than 5 years	754	418
Later than 5 years	1,265	1,240
TOTAL	**2,342**	**1,780**

	31/12/11	31/12/12
Amount of uncollectible finance lease receivables included in the provision for loan losses at the end of the period	62	1
Estimated fair value of finance lease	2,466	1,780
Accumulated allowance for uncollectible minimum lease payments receivable	32	0

B. OPERATING LEASE

Future net minimum lease receivables under non-cancellable operating leases are as follows :	31/12/11	31/12/12
Not later than 1 year	38	35
Later than 1 year and not later than 5 years	59	42
Later than 5 years	2	1
TOTAL	**99**	**78**
Amount of contingent rents recognised in statement of income during the period	2	3

7.14.2. DEXIA AS LESSEE

The figures present the information related to the continuing operations, for both periods.

A. FINANCE LEASE

Nil

B. OPERATING LEASE

Future net minimum lease payments under non-cancellable operating leases are as follows :	31/12/11	31/12/12
Not later than 1 year	15	12
Later than 1 year and not later than 5 years	54	54
Later than 5 years	45	45
TOTAL	113	112(*)

(*) mainly lease payments for buildings, cars and IT equipment

Amount of future minimum sublease payments expected to be received under non-cancellable subleases at the balance sheet date	1	1

Lease and sublease payments recognised as an expense during the period :		
- minimum lease payments	19	7
TOTAL	19	7

7.15. Quality of financial assets

Analysis of normal loans and securities	Gross amount (A)	
	31/12/11	31/12/12
Normal loans and advances due from banks	45,719	47,034
Normal loans and advances to customers	173,117	149,507
Normal investments held to maturity	970	456
Normal financial assets available for sale	38,660	35,929
of which fixed-income instruments	*38,302*	*35,529*
of which equity instruments	*358*	*400*
Collective impairment on not specifically impaired loans (-)	(555)	(423)
TOTAL	**257,910**	**232,503**

Analysis of impaired loans and securities	Gross amount (B)		Specific loan loss allowance (C)		Total (B)+(C)	
	31/12/11	31/12/12	31/12/11	31/12/12	31/12/11	31/12/12
Impaired loans and advances due from banks	26	0	(5)	0	21	0
Impaired loans and advances to customers	2,362	1,322	(1,385)	(395)	977	927
Impaired investments held to maturity	234	0	(153)	0	81	0
Impaired financial assets available for sale	3,935	286	(2,954)	(155)	980	131
of which fixed-income instruments	*3,761*	*160*	*(2,875)*	*(119)*	*886*	*41*
of which equity instruments	*174*	*126*	*(79)*	*(35)*	*95*	*90*
TOTAL [(1)]	**6,557**	**1,608**	**(4,497)**	**(549)**	**2,060**	**1,058**

(1) The evolution of the amounts is mainly due to the sale of all the Greek sovereign bonds and to the sale of DenisBank group.

Normal + impaired	Gross amount (A)+(B)		Specific loan loss allowance (C)		Total (A)+(B)+(C)	
	31/12/11	31/12/12	31/12/11	31/12/12	31/12/11	31/12/12
Loans and advances due from banks	45,745	47,034	(5)	0	45,739	47,034
Loans and advances to customers	175,479	150,829	(1,385)	(395)	174,093	150,435
Investments held to maturity	1,204	456	(153)	0	1,051	456
Financial assets available for sale	42,595	36,215	(2,954)	(155)	39,640	36,061
of which fixed-income instruments	*42,063*	*35,690*	*(2,875)*	*(119)*	*39,187*	*35,570*
of which equity instruments	*532*	*526*	*(79)*	*(35)*	*453*	*490*
Collective impairment on not impaired loans (-)	(555)	(423)	0	0	(555)	(423)
TOTAL	**264,468**	**234,111**	**(4,497)**	**(549)**	**259,970**	**233,562**

8. Notes on the liabilities of the consolidated balance sheet

(in millions of EUR – some amounts may not add up due to roundings off)

Following the announcement of the restructuring of the Group and the subsequent application of the standard IFRS 5, the discontinued operations did not contribute to the detailed lines of the statement of income and their result net of tax was reported separately in their specific dedicated line.
As a consequence of this, in the disclosures presenting an evolution of balance sheet items in relation with amounts in the statement of income, the figures as at 1 January 2011 of the sold subgroup Dexia Bank Belgium were reported in "*changes of consolidation scope*" and the figures as at 1 January 2011 of the subsidiaries held for sale were disclosed in "*transfers in disposal groups held for sale*". The figures as at 1 January 2012 of the subgroup DenizBank and of ADTS were reported in "*transfers in disposal groups held for sale*".

8.1. Due to banks

A. ANALYSIS BY NATURE

	31/12/11	31/12/12
On demand	595	570
Term	1,639	245
Repurchase activity	17,423	19,307
Central banks	27,315	50,590
Other borrowings (1)	59,413	16,766
TOTAL	**106,384**	**87,478**

(1): 31-12-11: the amount included among others EUR 18 billion from the ELA, EUR 5.6 billion from the European Investment Bank and EUR 2.5 billion of received cash collaterals.
31-12-12: the amount included among others EUR 6.6 billion from the European Investment Bank and EUR 2.8 billion of received cash collaterals; there was no longer ELA-drawing as at 31 December 2012.

B. ANALYSIS BY MATURITY AND INTEREST RATE

See notes 12.4, 12.5 and 12.6.

C. ANALYSIS OF THE FAIR VALUE

See note 12.1.

8.2. Customer borrowings and deposits

A. ANALYSIS BY NATURE

	31/12/11	31/12/12
Demand deposits	1,900	2,314
Savings deposits	6,544	1
Term deposits	8,345	4,938
Other customer deposits	82	383
TOTAL CUSTOMER DEPOSITS	**16,870**	**7,637**
Repurchase activity	38	805
Other borrowings	2,511	2,669
TOTAL CUSTOMER BORROWINGS	**2,550**	**3,474**
TOTAL	**19,419**	**11,111**

B. ANALYSIS BY MATURITY AND INTEREST RATE
See notes 12.4, 12.5 and 12.6.

C. ANALYSIS OF THE FAIR VALUE
See note 12.1.

8.3. Financial liabilities measured at fair value through profit or loss

	31/12/11	31/12/12
Financial liabilities held for trading	0	0
Financial liabilities designated at fair value	5,200	3,931
TOTAL	5,200	3,931

8.3.1. FINANCIAL LIABILITIES HELD FOR TRADING
Nil

8.3.2. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE

A. ANALYSIS BY NATURE

	31/12/11	31/12/12
Non-subordinated liabilities	5,200	3,931
TOTAL	5,200	3,931

B. ANALYSIS BY MATURITY AND INTEREST RATE
See notes 12.4, 12.5 and 12.6.

C. ANALYSIS OF THE FAIR VALUE
See note 12.1. and 12.2.H. for own credit risk

The “Fair Value Option” (FVO), for financial liabilities is mainly used in the following situations:
1) by Dexia Financial Products Inc and FSA Global Funding Ltd for liabilities where the hedge accounting requirements are not met or there is a risk that they will not be met, the FVO is used as an alternative in order to reduce volatility in profit or loss.
The following types of liabilities are subject to the FVO classification:
a) Fixed rate liabilities that are highly customised funding contracts that are tailored to the specific needs of the investor (GIC activities). The own credit spread is calculated based on benchmark spread;
b) FSA Global Funding fixed rate liabilities.
The credit spread used is the Long Term Funding spread used by Dexia for its own funding.

2) by companies issuing debt with embedded derivatives.

8.4. Debt securities

A. ANALYSIS BY NATURE

	31/12/11	31/12/12
Certificates of deposit	23,424	27,381
Customer savings certificates	33	1
Non-convertible bonds	81,831	82,268
TOTAL (1)	**105,288**	**109,651**

(1) As at 31 December 2011, the total amount included EUR 45 billion issued with the States guarantee. As at 31 December 2012, the total amount issued with the States guarantee was EUR 74 billion, of which EUR 14 billion have been purchased or subscribed by companies of the Group.

B. ANALYSIS BY MATURITY AND INTEREST RATE

See notes 12.4., 12.5. and 12.6.

C. ANALYSIS OF THE FAIR VALUE

See note 12.1.

8.5. Subordinated debts

A. ANALYSIS BY NATURE

Convertible subordinated debt:
Nil.

Non-convertible subordinated debt	31/12/11	31/12/12
Loan capital perpetual subordinated notes	0	0
Other	1,691	707
TOTAL	**1,691**	**707**

List available on request

Hybrid capital and redeemable preference shares
Nil.

In November 2012, Dexia launched a public cash-tender offer in relation to two subordinated lower tier 2 issues:
– Subordinated Redeemable Notes in a nominal amount of EUR 500 millions at a floating rate issued on 20 June 2007
– Subordinated Redeemable Notes in a nominal amount of EUR 300 millions at a fixed/floating rate issued on 19 January 2007
with an average rate of success of 51%

B. ANALYSIS OF SUBORDINATED DEBT CONVERTIBLE IN DEXIA SHARES

Nil.

C. ANALYSIS BY MATURITY AND INTEREST RATE

See notes 12.4., 12.5. and 12.6.

D. ANALYSIS OF THE FAIR VALUE

See note 12.1.

8.6. Provisions and other obligations

A. ANALYSIS BY NATURE

	31/12/11	31/12/12
Litigation claims [1]	125	100
Restructuring	75	73
Long-term defined benefit plans	41	14
Other postretirement obligations	2	0
Other long-term employee benefits	4	2
Provision for off-balance-sheet credit commitments [2]	77	53
Onerous contracts	3	5
Other provisions	5	4
TOTAL	**332**	**251**

(1) We refer here to the chapter Risk management – part Legal risk – presented in the Management report on page 73.
(2) Of which EUR 56 million and EUR 51 million relating to Dexia Nederland (Legio Lease Provision) for 2011 and 2012 respectively.

B. ANALYSIS OF MOVEMENTS

	Litigation claims	Restructuring	Pensions and other employee benefits	Provision for off-balance-sheet credit commitments	Onerous contracts	Other provisions	Total
AS AT 1 JANUARY 2011	**250**	**189**	**798**	**142**	**35**	**84**	**1,498**
Transfer in disposal groups held for sale	(37)	(39)	(133)	0	0	(11)	(220)
Exchange difference	2	(2)	0	(2)	0	0	(2)
Additional provisions	60	55	4	13	0	6	138
Unused amounts reversed	(20)	(32)	(7)	(4)	0	(1)	(64)
Utilised during the year	(42)	(4)	(4)	(47)	0	(2)	(99)
Changes in scope of consolidation (out)	(89)	(92)	(614)	(24)	(35)	(70)	(924)
Transfers	0	0	2	0	3	0	5
AS AT 31 DECEMBER 2011	**124**	**75**	**46**	**78**	**3**	**6**	**332**

	Litigation claims	Restructuring	Pensions and other employee benefits	Provision for off-balance-sheet credit commitments	Onerous contracts	Other provisions	Total
AS AT 1 JANUARY 2012	**124**	**75**	**46**	**78**	**3**	**6**	**332**
Transfer in disposal groups held for sale	(2)	(20)	(19)	(16)	0	0	(58)
Exchange difference	(1)	0	0	0	0	0	(1)
Additional provisions	13	72	2	2	2	3	94
Passage of time and effect of changes in discount rate	0	0	0	(1)	0	0	(2)
Unused amounts reversed	(34)	(3)	(12)	(6)	0	(2)	(57)
Utilised during the year	0	(51)	0	(4)	(1)	(2)	(57)
AS AT 31 DECEMBER 2012	**100**	**73**	**16**	**53**	**5**	**4**	**251**

C. ANALYSIS BY MATURITY

See note 12.6.

D. PROVISIONS FOR PENSIONS AND OTHER LONG TERM BENEFITS

a.	Change in benefit obligation	31/12/11	31/12/12
1.	Benefit obligation as at beginning of year	2,088	220
2.	Transfer in disposal groups held for sale	(345)	(84)
3.	Current service cost	10	6
4.	Interest cost	9	5
5.	Plan participants' contributions	1	0
6.	Actuarial (gains)/losses	3	(2)
7.	Benefits paid	(8)	(10)
8.	Premiums paid	(1)	0
9.	Acquisitions/divestitures	(1,536)	0
10.	Plan curtailments	0	(31)
11.	Plan settlements	(1)	(6)
12.	**BENEFIT OBLIGATION AS AT END OF YEAR**	**220**	**99**

b.	Change in plan assets	31/12/11	31/12/12
1.	Fair value of plan assets as at beginning of year	1,284	161
2.	Transfer in disposal groups held for sale	(191)	(55)
3.	Expected return on plan assets	6	4
4.	Actuarial gains/(losses) on plan assets	(4)	8
5.	Employer contributions	15	5
6.	Member contributions	1	0
7.	Benefits paid	(8)	(9)
8.	Premiums paid	(1)	0
9.	Plan settlements	(1)	(23)
10.	Acquisitions/divestitures	(940)	0
11.	**FAIR VALUE OF PLAN ASSETS AS AT END OF YEAR**	**161**	**91**

c.	Amounts recognised in the balance sheet	31/12/11	31/12/12
1.	Present value of funded obligations	210	93
2.	Fair value of plan assets	161	91
3.	Deficit/(surplus) for funded plans	49	2
4.	Present value of unfunded obligations	9	6
5.	Unrecognised net actuarial gains/(losses)	(20)	(2)
6.	Effect of paragraph 58(b) limit	4	5
7.	**NET LIABILITY/(ASSET)**	**42**	**11**
Amounts in the balance sheet			
1.	Liabilities	47	17
2.	Assets	(5)	(6)
3.	**NET LIABILITY/(ASSET)**	**42**	**11**

d.	Components of pension cost	31/12/11	31/12/12
Amounts recognised in statement of income			
1.	Current service cost	10	6
2.	Interest cost	9	5
3.	Expected return on plan assets	(6)	(4)
4.	Amortization of net (gain)/loss incl. §58(a)	0	(1)
5.	Effect of paragraph 58(b) limit	0	1
6.	Curtailment (gain)/loss recognised	0	(4)
7.	Settlement (gain)/loss recognised	(1)	0
8.	**TOTAL PENSION COST RECOGNISED IN THE STATEMENT OF INCOME**	**12**	**3**
Actual return on assets			
Actual return on plan assets		2	12
Actual return on reimbursement assets		0	0

e.	Balance-sheet reconciliation	31/12/11	31/12/12
1.	Balance-sheet liability/(asset) as at beginning of year	777	42
2.	Transfer in disposal groups held for sale	(146)	(29)
3.	Pension expense recognised in statement of income in the financial year	12	3
4.	Employer contributions made in the financial year	14	5
5.	Benefits paid directly by company in the financial year	1	1
6.	Net transfer in/(out) (including the effect of any business combinations/divestitures)	(586)	0
7.	**BALANCE SHEET LIABILITY/(ASSET) AS AT END OF YEAR (1)+(2)+(3)-(4)-(5)+(6)**	**42**	**11**

f.	Plan assets	Percentage of Plan assets	
Asset category		31/12/11	31/12/12
1.	Equity securities	9%	10%
2.	Debt securities	90%	90%
3.	Real estate	0%	0%
4.	Other [1]	1%	0%

(1) Includes qualifying insurance policies.

g.	History of experience gains and losses	31/12/08	31/12/09	31/12/10	31/12/11	31/12/12
1.	Difference between the actual and expected return on plan assets					
	a. Amount	(141)	47	(16)	(4)	8
	b. Percentage of plan assets	-11.00%	4.00%	-1.00%	-2.61%	8.78%
2.	Experience gains (-) and losses on plan liabilities					
	a. Amount	(5)	(18)	(28)	3	(8)
	b. Percentage of present value of plan liabilities	0.00%	-1.00%	-1.00%	1.61%	-7.84%

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h. Range of assumptions to determine pension expense						
	31/12/11					
	Discount Rate	**Inflation**	**Expected return on assets**	**Expected return on bonds**	**Expected return on shares**	**Salary Increase Rate**
Europe	3.25% - 4.57%	2.00%	3% - 5.11%	2.75% - 4.25%	5.75% - 7.25%	2.5% - 5%
Switzerland	2.75%	0.80%	2.75%	2.75%	5.75%	1.5%

	31/12/12					
	Discount Rate	**Inflation**	**Expected return on assets**	**Expected return on bonds**	**Expected return on shares**	**Salary Increase Rate**
Europe	1.60% - 3,70%	2.00%	3.80% - 5.11%	3.50% - 4.68%	6.50% - 7.25%	2.00% - 4,50%

Comment on assumptions:

Taking into account the illiquidity of the market in the high quality corporate bonds included in the iBoxx AA corporate AA 10+ index, Dexia group has decided to adjust the discount rate setting mechanism in order to better align with the requirements set out in the IAS 19 regulations.

The new discount rate setting model is based on a yield curve approach reflecting the accrued projected benefit cashflows as provided for in the underlying pension arrangements.

The bond universe considered has been extended to use A, AA and AAA bonds with a risk adjustment in order to model a bond universe consisting of AA bonds.

For employees of Dexia SA in Belgium, the assumption has been taken that the activities in Belgium will remain as existing as of end of 2012. In case of restructuration or decrease of activities and number of persons in Belgium, the Net liability may decrease as well of recuperation of assets. The net liability for persons in Belgium amounts 4 millions and net Assets 1 million as of 31/12/12.

i. Reconciliation with financial statements		
Long-term obligations	**2011**	**2012**
Outstanding liability relating to defined benefit plans	41	14
Outstanding liability relating to other postretirement obligations	2	0
Outstanding liability relating to other long-term employee benefits	4	2
Total outstanding liability reported in the financial statements[a]	**47**	**16**
Total liability calculated by actuaries	**47**	**17**
TOTAL LIABILITY RELATING TO INSIGNIFICANT PLANS	**0**	**1**
Outstanding asset reported in the financial statements[b]	**3**	**3**
Total assets analysed by actuaries	**5**	**6**
TOTAL ASSETS RELATING TO INSIGNIFICANT PLANS	**(2)**	**(2)**

(a) See note 8.6.A.
(b) See note 7.12.A.

E. DEFINED CONTRIBUTION PLAN

Dexia SA has Belgian "Defined Contribution (DC)" plans, which are insured externally. The Belgian minimum legal return on employer and employee contributions has been always reached.

The minimum liability of the plans is lower than EUR 1 million and is therefore not significant.

F. IMPACT OF IAS 19 - REVISED

The impact of the IAS19 Revised on companies not reported as discontinued operations (IFRS5) is limited to the recognition of the actuarial gain&losses from the corridor to the SORIE (EUR -2 millions) with an increase of related provisions for EUR 2 millions (from 11 to 13 millions) as of 31/12/12

The impact of recalculation of the net interest cost on 2012 is limited (less than EUR 1 million) as the funded statuts is a net liability of only EUR 8 millions.

8.7. Tax liabilities

Analysis by nature	31/12/11	31/12/12
Current income tax	59	18
Deferred tax liabilities (see note 9.2.)	132	217
TOTAL	192	234

8.8. Other liabilities

	31/12/11	31/12/12
Accrued costs	141	97
Deferred income	97	52
Subsidies	92	90
Other accounts payable	526	482
Other granted amounts received	1	0
Salaries and social charges (payable)	53	28
Shareholder dividends payable	92	94
Operational taxes	62	24
Other liabilities	676	280
TOTAL	1,741	1,148

8.9. Liabilities included in disposal groups held for sale

	31/12/11	31/12/12
Liabilities of subsidiaries held for sale (1)	116,350	79,357
TOTAL	116,350	79,357

(1) We refer to note 9.4. Acquisitions and disposals of consolidated companies - disposal groups held for sale - discontinued operations.

9. Other notes on the consolidated balance sheet

(in millions of EUR – some amounts may not add up due to roundings off)

Following the announcement of the restructuring of the Group and the subsequent application of the standard IFRS 5, the discontinued operations did not contribute to the detailed lines of the statement of income and their result net of tax was reported separately in their specific dedicated line.
As a consequence of this, in the disclosures presenting an evolution of balance sheet items in relation with amounts in the statement of income, the figures as at 1 January 2011 of the sold subgroup Dexia Bank Belgium (now Belfius Bank and Insurance) were reported in "*changes of consolidation scope*" and the figures as at 1 January 2011 of the subsidiaries held for sale were disclosed in "*transfers in disposal groups held for sale*". The figures as at 1 January 2012 of the subgroup DenizBank and of ADTS were reported in "*transfers in disposal groups held for sale*".

9.1. Derivatives - Continuing operations

A. ANALYSIS BY NATURE

	31/12/11		31/12/12	
	Assets	Liabilities	Assets	Liabilities
Derivatives held for trading	20,221	23,293	21,155	23,900
Derivatives designated as fair value hedges	5,575	26,538	6,745	28,743
Derivatives designated as cash flow hedges	357	1,073	319	1,059
Derivatives of portfolio hedge	2,145	5,133	2,307	5,958
TOTAL	**28,298**	**56,037**	**30,526**	**59,660**

B. DETAIL OF DERIVATIVES HELD FOR TRADING

	31/12/11				31/12/12			
	Notional Amount		Assets	Liabilities	Notional Amount		Assets	Liabilities
	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	**32,991**	**33,353**	**1,565**	**1,229**	**24,424**	**24,378**	**1,463**	**621**
FX forward	5,601	5,618	39	91	1,761	1,755	57	16
Cross currency swap	6,619	6,475	1,424	761	6,917	6,826	1,406	591
FX option	2,729	2,713	84	81	413	412		1
Other currency derivatives (FX)	18,041	18,546	18	297	15,333	15,384		13
Interest-rate derivatives	**204,813**	**203,954**	**17,778**	**21,849**	**176,139**	**176,251**	**18,893**	**23,077**
Options-Caps-Floors-Collars-Swaptions	2,186	1,075	208	49	1,017	855	123	29
IRS	202,529	202,734	17,569	21,800	175,117	174,392	18,769	23,047
Interest future	98	98			5	1,001		1
Other interest-rate derivatives		47	1			3		
Equity derivatives	**180**	**190**	**4**	**4**	**111**	**111**		
Equity option	36	44	2	1				
Other equity derivatives	143	146	2	3	111	111		
Credit derivatives	**6,336**	**1,793**	**875**	**211**	**6,302**	**1,650**	**798**	**201**
Credit default swap	6,336	1,793	875	211	6,302	1,650	798	201
Commodity derivatives	**4**	**4**						
TOTAL	**244,323**	**239,293**	**20,221**	**23,293**	**206,975**	**202,390**	**21,155**	**23,900**

C. DETAIL OF DERIVATIVES DESIGNATED AS FAIR VALUE HEDGES

	31/12/11				31/12/12			
	Notional Amount		Assets	Liabilities	Notional Amount		Assets	Liabilities
	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	**11,323**	**13,436**	**489**	**5,199**	**11,047**	**12,564**	**375**	**3,947**
Cross currency swap	11,323	13,436	489	5,199	11,047	12,564	375	3,947
Interest-rate derivatives	**133,474**	**133,438**	**4,966**	**21,314**	**123,863**	**123,671**	**6,271**	**24,794**
Options-Caps-Floors-Collars-Swaptions	291	189		8	236	142		9
IRS	133,184	133,249	4,966	21,306	123,626	123,529	6,271	24,785
Equity derivatives	**2,750**	**2,637**	**120**	**25**	**1,612**	**1,521**	**99**	**2**
Equity option	91		54		91		58	
Other equity derivatives	2,659	2,637	66	25	1,521	1,521	41	2
TOTAL	**147,547**	**149,510**	**5,575**	**26,538**	**136,521**	**137,756**	**6,745**	**28,743**

D. DETAIL OF DERIVATIVES DESIGNATED AS CASH FLOW HEDGES

	31/12/11				31/12/12			
	Notional Amount		Assets	Liabilities	Notional Amount		Assets	Liabilities
	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	**2,123**	**2,062**	**104**	**234**	**1,256**	**1,397**	**28**	**186**
FX forward	350	263	90	31				
Cross currency swap	1,773	1,800	14	204	1,256	1,397	28	186
Interest-rate derivatives	**13,429**	**13,445**	**253**	**838**	**6,611**	**6,611**	**290**	**874**
IRS	13,429	13,445	253	838	6,611	6,611	290	874
TOTAL	**15,552**	**15,507**	**357**	**1,073**	**7,867**	**8,008**	**319**	**1,059**

E. DETAIL OF DERIVATIVES OF PORTFOLIO HEDGE (1)

	31/12/11				31/12/12			
	Notional Amount		Assets	Liabilities	Notional Amount		Assets	Liabilities
	To receive	To deliver			To receive	To deliver		
Interest rate swaps	**124,675**	**124,698**	**2,145**	**5,133**	**115,241**	**115,241**	**2,307**	**5,958**
TOTAL	**124,675**	**124,698**	**2,145**	**5,133**	**115,241**	**115,241**	**2,307**	**5,958**

(1) Used only in a fair value hedge strategy.

9.2. Deferred taxes

A. ANALYSIS

	31/12/11 Continuing operations	31/12/11 Disposal groups held for sale	31/12/12 Continuing operations	31/12/12 Disposal groups held for sale
NET DEFERRED INCOME TAX ASSETS/(LIABILITIES)	**576**	**473**	**(196)**	**142**
Deferred income tax liabilities	(133)	(64)	(217)	(1)
Deferred income tax assets	6,452	548	4,312	154
Deferred tax	6,319	484	4,095	153
Unrecognized deferred tax assets	(5,743)	(11)	(4,291)	(11)

B. MOVEMENTS FOR CONTINUING OPERATIONS

	2011	2012
AS AT 1 JAN.	**2,677**	**576**
Movements of the year :		
- Transfer in disposal groups held for sale	(300)	(82)
- Amounts recognised in the statement of income	(388)	109
- Items directly computed by equity	(487)	(795)
- Changes in consolidation scope	(913)	
- Exchange differences	(21)	1
- Other movements	8	(5)
AS AT 31 DEC.	**576**	**(196)**

Deferred tax coming from assets of the balance sheet	31/12/11 total	31/12/11 o/w impact in result	31/12/12 total	31/12/12 o/w impact in result
Cash, loans and loan loss provisions	(1,414)	(656)	(1,101)	375
Securities	1,623	(263)	(468)	(1,647)
Derivatives	205	56	(571)	(876)
Tangible and intangible fixed assets	(45)	(8)	(24)	(5)
Other	3	(19)	20	15
TOTAL	372	(889)	(2,144)	(2,138)

Deferred tax coming from liabilities of the balance sheet	31/12/11 Total	31/12/11 o/w impact in result	31/12/12 Total	31/12/12 o/w impact in result
Securities				
Derivatives	1,594	594	2,126	506
Borrowings, deposits and issuance of debt securities	1,312	592	1,615	314
Provisions	82	68	100	23
Pensions	18	(1)	7	(4)
Legal tax free provisions	(283)	(214)	(196)	88
Other	15	35	(64)	(65)
TOTAL	2,737	1,074	3,588	862

Deferred tax coming from other elements	31/12/11 Total	31/12/11 o/w impact in result	31/12/12 Total	31/12/12 o/w impact in result
Tax losses carried forward	3,270	1,324	2,682	(746)
Tax credit carried forward	1	1		
Entities with special tax status	(60)	22	(32)	28
TOTAL	3,211	1,347	2,650	(718)
TOTAL DEFERRED TAX	6,319		4,095	

C. EXPIRY DATE OF UNRECOGNISED DEFERRED TAX ASSETS

	31/12/11 – Continuing operations				
Nature	Less than 1 year	Between 1 to 5 years	Over 5 years	Unlimited maturity	Total
Temporary difference				(2,486)	(2,486)
Tax losses carried forward	(627)	(1,362)	(769)	(497)	(3,255)
Tax credit carried forward		(1)			(1)
TOTAL	(627)	(1,363)	(769)	(2,983)	(5,743)

	31/12/12 – Continuing operations		
Nature	Between 1 to 5 years	Unlimited maturity	Total
Temporary difference		(1,756)	(1,756)
Tax losses carried forward	(1,085)	(1,450)	(2,535)
TOTAL	(1,085)	(3,206)	(4,291)

9.3. Related parties transactions

A. RELATED PARTIES TRANSACTIONS

	Entities with joint control or significant influence over the entity (1)		Subsidiaries		Associates		Joint ventures in which the entity is a venturer	
	31/12/11	31/12/12	31/12/11	31/12/12	31/12/11	31/12/12	31/12/11	31/12/12
Loans (2)	2						35	2
Interest income	44				1		1	
Deposits (2)	4,451		1		26		226	
Interest expense	(98)						(6)	
Net commission	33				(1)	(1)	(7)	
Guarantees issued and commitments provided by the Group	2,714				21		683	
Guarantees and commitments received by the Group								

(1) In 2011, we refer here to the main shareholders of Dexia: Arcofin , Holding Communal , Caisse des dépôts et consignations.
As at 31 December 2012, due to subscription by Belgian and French States to capital increase of Dexia, as from that date, they are the two only shareholders having a significant influence on Dexia.
Dexia applies IAS 24 § 25 for those transactions concluded at general market conditions.
As a consequence, transactions with the Belgian and French States are not disclosed in the table A.
However, significant transactions which are carried out on non-market terms are described in 9.3 C.
(2) Transactions with related parties are concluded at general market conditions.
No provisions were recorded on loans given to related parties.

B. KEY MANAGEMENT COMPENSATIONS (1)

	31/12/11	31/12/12
Short-term benefits	9	6
Post-employment benefits	2	

(1) Key management includes the Board of Directors and the Management Board

Details per person are reported in the Compensation report on page 31 of the annual report
Short-term benefits include the salaries, variable compensation and other advantages. Payment of variable compensation is subject to some conditions and is partially deferred as explained in the Compensation report on page 33.
Post-employment benefits : service cost calculated in accordance with IAS 19.

C. TRANSACTIONS WITH THE BELGIAN, FRENCH AND LUXEMBOURG STATES

Guarantee mechanism in favour of Dexia's financing

2011 Temporary Guarantee Agreement
On 16 December 2011, the French, Belgian and Luxembourg States and Dexia SA ("Dexia") and Dexia Crédit Local SA ("DCL") entered into a First Demand Guarantee Agreement pursuant to the Belgian royal decree of 18 October 2011 "granting a State guarantee for certain loans of Dexia SA and Dexia Crédit Local SA, the French amending finance law no. 2011-1416 of 2 November 2011 (the "French Enabling Law"), and the Luxembourg law concerning the state's budget of revenues and expenses for the 2012 financial year of 16 December 2011 (the "Luxembourg Enabling Law").

Pursuant to this Temporary Guarantee Agreement, the three States guarantee severally, but not jointly, the performance by Dexia and DCL of their repayment obligations resulting from certain financings provided by central banks, credit institutions and other institutional or professional investors, provided that these obligations arise from certain financings contracted or issued (with a maturity of up to three years) between 21 December 2011 and 31 May 2012. This initial deadline has been extended (i) until 30 September 2012 with the consent of the Parties and of the European Commission pursuant to an Amendment n°1 of 30 mai 2012; and (ii) until 31 January 2013 pursuant to an Amendment n°3 of 28 September 2012.

The States guarantee the repayment obligations in the following proportion:
(i) 60.5% for the Belgian State;
(ii) 36.5% for the French State; and
(iii) 3.0% for the Luxembourg State.

The States' several but not joint guarantee pursuant to this Agreement may not exceed a maximum limit of EUR 45 billion in principal (increased up to EUR 55 billion pursuant to Amendment n°2 of 5 June 2012), it being understood that the amounts which are so capped include outstanding guaranteed obligations at any moment during the term of this Agreement but exclude outstanding guaranteed obligations pursuant to the 2008 Guarantee Agreement described below.

On 21 December 2011, the European Commission authorised this guarantee mechanism on a temporary basis for a period until 31 may 2012, until the Commission has adopted a final decision within the frame of a new State aid investigation procedure. This decision was adopted on 28 December 2012. The temporary guarantee mechanism was authorized until the entry into force of the 2013 Guarantee Agreement described below.

Furthermore, in 2011, the three States, Dexia and DCL have entered into a "Supplemental Agreement" supplementing the Temporary Guarantee Agreement on the obligation to collateralise the issue of guaranteed obligations, subject to exceptions, as well as on allocation priorities of the proceeds of such guaranteed obligations. This Supplemental Agreement was terminated on 24 January 2013 pursuant to a Guarantees Issuance Agreement, which provides the release of first ranking security interests granted by Dexia and DCL in favour of the States. Second ranking security interests granted by DCL on assets provided as security for repayment obligations under ELA (Emergency Liquidity Assistance) lending granted by Banque de France to DCL are maintained.

Early 2012, the three States, Dexia and DCL have entered into a "Supplemental Agreement on Alert Mechanics" with a view to, among other things, supplement the Temporary Guarantee Agreement on information to be provided to the States on the liquidity position of Dexia. This supplemental agreement provides, among other things, the weekly delivery of a consolidated financing plan including Dexia, DCL, and DCL subsidiaries, covering a month period. Early 2012, the three States, Dexia and DCL have finally entered into an "Operational Memorandum" and a "Reporting Protocol" supplementing the Temporary Guarantee Agreement. These agreements remain applicable in the framework of 2013 Guarantee Agreement described below.

Pursuant to the Temporary Guarantee, the following guarantee fee was due to the States:
(i) an upfront commission equal to 0.50% of the EUR 45 billion limit, i.e. EUR 225,000,000 (increased by EUR 50 million as a supplemental fee for the increase of the limit up to EUR 55 billion pursuant to Amendment n°2 of 5 June 2012);
(ii) a monthly fee, calculated on the amount of guaranteed fundings outstanding comprising, depending on the maturity of the guaranteed obligation,
– a fixed or variable amount,
– increased by a supplement depending on Dexia and/or DCL's rating in relation to fundings having an initial maturity of less than 12 months, and
– decreased by a deduction in case of collateralisation of the States guarantee commitment.

As at 31 December 2012, the total outstanding amount of obligations guaranteed by the States pursuant to the 2011 Temporary Guarantee Agreement was EUR 54.0 billion and in 2012, Dexia paid (other than the EUR 275 million upfront commission) a total monthly remuneration of EUR 368.5 million to the States for this guarantee.

2013 guarantee agreement
On 24 January 2013, the French, Belgian and Luxembourg States and Dexia SA ("Dexia") and Dexia Crédit Local SA ("DCL") entered into a Guarantees Issuance Agreement, and granted an Independent Guarantee pursuant to such Guarantees Issuance Agreement in favour of Dexia Crédit Local (main

issuer and main operating entity of the group) pursuant to the Belgian royal decree of 19 December 2012 amending the royal decree of 18 October 2011 "granting a State guarantee for certain loans of Dexia SA and Dexia Crédit Local SA, the French Enabling Law, as amended by the amending finance law n°2012-1510 of 29 December 2012 and the Luxembourg Enabling Law.

Pursuant to this 2013 Guarantee, the three States guarantee severally, but not jointly, the performance by DCL of their repayment obligations resulting from certain financings provided by qualified, institutional or professional investors (within the meaning of the Guarantee), provided that these obligations arise from certain financings contracted or issued in the form of securities and financial instruments, deposits and borrowings (with a maximum maturity of ten years) between 24 January 2013 and 31 December 2021.
This Guarantee is effective immediately. It replaces the 2011 Temporary Guarantee which is terminated without retroactive effect and without prejudice to any rights arising pursuant to guaranteed obligations entered into or issued prior to the effectiveness of the Guarantee.
The States' several but not joint guarantee pursuant to this Agreement may not exceed a maximum aggregate limit of EUR 85 billion in principal, it being understood that the amounts which are so capped include outstanding guaranteed obligations pursuant to the Guarantee, the 2011 Temporary Guarantee, or any other guarantee granted pursuant to the Guarantees Issuance Agreement but exclude outstanding guaranteed obligations pursuant to the 2008 Guarantee Agreement described below.

The States guarantee the repayment obligations in the following proportion:
(i) 51.41% for the Belgian State (corresponding to a maximum amount of EUR 43.6985 billion);
(ii) 45.59% for the French State (corresponding to a maximum amount of EUR 38.7515 billion); and
(iii) 3.0% for the Luxembourg State (corresponding to a maximum amount of EUR 2.55 billion).

Pursuant to the Guarantees Issuance Agreement, the following guarantee fee is due to the States:
(i) an upfront commission equal to 0.50% of the EUR 85 billion limit, less the upfront commission already paid in connection with the 2011 Temporary Guarantee i.e. a balance of EUR 150 million.
(ii) a monthly fee, calculated at a rate per annum of 0.05% on the amount outstanding under the guaranteed obligations, both on the preexisting guaranteed amounts outstanding under the 2011 Temporary Guarantee and the new guaranteed amounts outstanding under guarantees issued in accordance with the Guarantees Issuance Agreement (it being understood that such monthly fee shall, with respect to the portion of the outstanding amount of the guaranteed obligations that would be held by BDF Gestion SA or by the Banque de France, the National Bank of Belgium, be calculated in accordance with the 2011 Temporary Guarantee Agreement (as long as the ECB accepts the all-in fee principle).

As was the case for the 2011 temporary guarantee, in order to be as transparent as possible, the outstanding amount of the guaranteed debt will be disclosed on a daily basis on the website of the Belgian National Bank (http://www.nbb.be/DOC/DQ/warandia/index.htm).

2008 Guarantee Agreement
On 9 December 2008, the French, Belgian and Luxembourg States and Dexia entered into a First Demand Guarantee Agreement implementing the principles set forth in the Protocol of 9 October 2008 between the three States and Dexia. Pursuant to this guarantee agreement, the three States guarantee severally, but not jointly, the performance by Dexia SA, Dexia Banque Internationale à Luxembourg, Dexia Bank Belgium and Dexia Crédit Local (including certain of their branches and issuance vehicles) of their repayment obligations resulting from certain financings provided by central banks, credit institutions and other institutional or professional investors, provided that these obligations arise from certain financings contracted or issued between 9 October 2008 and 31 October 2009 and maturing at the latest on 31 October 2011.

The States guarantee the repayment obligations in the following proportion:
(i) 60.5% for the Belgian State;
(ii) 36.5% for the French State; and
(iii) 3.0% for the Luxembourg State.

To supplement the Guarantee Agreement on operational and procedural aspects, the three States and Dexia have entered into an Operational Memorandum. This memorandum provides, among other things, for a monitoring process of the guaranteed financings on a daily basis, including a daily publication of the aggregate guaranteed amount and, with respect to guaranteed bond issues of Dexia, a system of eligibility certificates whereby the States issue, on Dexia's request, certificates confirming for each bond issue that it is covered by the Guarantee Agreement.

On 19 November 2008, the European Commission authorised this guarantee mechanism for a period of 6 months as from 3 October 2008, with an automatic extension until the Commission's definitive decision, on condition that a restructuring plan be filed with the Commission. In March 2009, the three States confirmed the extension of the guarantee in accordance with the decision of the European Commission of 13 March 2009.

By an Addendum to the above-mentioned Guarantee Agreement of 9 December 2008, dated 14 October 2009, the Belgian, French and Luxembourg States and Dexia agreed to renew the guarantee scheme for a period of one year, covering financings contracted or issued at the latest on 31 Octo-

ber 2010. The parties also wished to effect certain changes to the guarantee in order to limit the States' intervention to a strict minimum and to allow an orderly exit out of the guarantee within a credible time-horizon. The changes include:
(i) the decrease of the maximum of the total amount of guaranteed financings from EUR 150 billion to EUR 100 billion, with a commitment by Dexia to undertake its best efforts to limit this amount to EUR 80 billion;
(ii) the extension to 4 years of the maximum duration of the new financings contracted or issued; and
(iii) the waiver by Dexia of the benefit of the guarantee, as from 16 October 2009, for all new contracts with a maturity of less than one month and all contracts with an indefinite term.

The Guarantee Agreements provided for the following remuneration to be paid by Dexia to the States:
(i) for financings with a maturity of less than 12 months: 50 bps on an annual basis calculated on the average amount guaranteed financings outstanding; and
(ii) for financings with a maturity of 12 months or more: 50 bps on an annual basis, increased by the lowest of (i) the median of the Dexia CDS 5 years spread calculated between 1 January 2007 and 31 August 2008 or (ii) the median of the 5 years CDS spreads of all credit institutions with a long-term credit rating equivalent to that of Dexia, calculated on the average amount guaranteed financings outstanding.

The renewal and modifications as provided for in the Addendum of 14 October 2009 have been duly authorised by an interim decision of the European Commission for a period of 4 months as from 30 October 2009 (i.e. until 28 February 2010) or until the final decision – if such decision is adopted prior to 28 February 2010 – of the European Commission in the context of the State aid procedure opened on 13 March 2009.

By separate agreement dated 17 March 2010, the Belgian, French and Luxembourg States and Dexia amended and supplemented the above-mentioned Addendum to the Guarantee Agreement of 14 October 2009 to reflect the terms of the final decision of the European Commission in the context of the State aid procedure of 26 February 2010. The changes include:
(i) advancing the latest issue date for guaranteed financings to 31 May 2010 (for financings with a maturity of less than 12 months) resp. 30 June 2010 (for financings with a maturity equal to or of more than 12 months);
(ii) advancing the expiry date of the guarantee on deposits (and equivalents) to 1 March 2010;
(iii) a gradual increase of the remuneration payable by Dexia, *pro rata temporis*, if the outstanding amount of guaranteed obligations exceeds certain thresholds (by 50 bps on the portion of guaranteed obligations between EUR 60 billion and EUR 70 billion, 65 bps on the portion of guaranteed obligations between EUR 70 billion and EUR 80 billion, and 80 bps on the portion of guaranteed obligations above EUR 80 billion).

As at 30 June 2010, Dexia has fully exited the States' guarantee liquidity framework. All outstanding instruments issued pursuant to the 2008 Guarantee Agreement, as amended, before 30 June 2010 will continue to benefit from such guarantee in accordance with their terms and conditions.

As at 31 December 2012, the total outstanding amount of repayment obligations guaranteed by the States pursuant to the 2008 Guarantee Agreement, as amended, was EUR 19,7 billion and in 2012, Dexia paid a total remuneration of EUR 173.4 million to the States for this guarantee.

All the above mentioned agreements, as well as the total outstanding amount of guaranteed repayment obligations and the list of securities for which the States have issued eligibility certificates are available on the website *www.dexia.com*.

Guarantee for the financial products portfolio

Dexia entered into an agreement for the sale of the insurance activities of Financial Security Assurance (FSA) to Assured Guaranty Ltd (Assured) on 14 November 2008; the sale was completed on 1 July 2009. The Financial Products activity of FSA, managed by FSA Asset Management (FSAM), was carved out of the transaction and remains under Dexia's ownership.
In that context, the Belgian and French States agreed to provide a guarantee on the Financial Products assets portfolio. The terms of this guarantee are set out in two agreements (the First Demand Guarantee Agreement relating to the "financial products" portfolio of FSA Asset Management LLC and the Guarantee Reimbursement Agreement) entered into by the Belgian and French States and Dexia. The main relevant terms of these agreements have been described in the 2011 Annual Report page 165.
Pursuant to these agreements, the Belgian and French States each agreed to guarantee, severally and not jointly, the obligations of Dexia SA pursuant to a put agreement which gave FSAM the right to "put" to Dexia and/or DCL certain assets (the Put Portfolio Assets) included in the FSAM portfolio as at 30 September 2008 upon the occurrence of certain trigger events up to an aggregate amount equal to USD 16.98 billion and up to 62.3711% for the Belgian State and 37.6289% for the French State.
With the consent of the Belgian and French States, FSAM sold to DCL during 2011 all the remaining Put Portfolio Assets. DCL subsequently sold substantially all of the Put Portfolio Assets to third parties. As at 31 December 2011, there were no longer any Put Portfolio Assets held by FSAM that can be put to Dexia SA and DCL and (if those Dexia entities did not pay the required amount to FSAM) require the States to make a payment to FSAM. Dexia also no longer owes the States any guarantee fee with respect thereto. The guarantee by the Belgian and French States on the Put Portfolio Assets, however, technically remains outstanding. The States are thus still entitled to recover from Dexia any amounts paid pursuant to their guarantee. This recourse of the States can be exercised

either in cash or in the form of instruments representing Tier 1 capital of Dexia (ordinary shares or profit shares). The terms of the profit shares were approved by the Extraordinary Shareholders' Meeting of Dexia on 24 June 2009 and are set out in Article 4bis of the Articles of Association of Dexia. Dexia issued subscription rights (warrants) to each of the States for a period of 5 years, to allow the States to be compensated, through the issuance of new shares, following the contribution in kind to Dexia of their right of reimbursement. The agreements require that the re-issuance of the existing warrants for a new period of 5 years is submitted to the approval of the general meeting of shareholders every year. In case of failure to re-issue the warrants, a penalty will be applied (500 bps per annum for a period of two years, compounded on the guarantee commission). Since all Put Portfolio Assets held by FSAM and that could be put to Dexia SA and DCL and (if those Dexia entities did not pay the required amount to FSAM) could require the States to make a payment to FSAM, were sold by the Dexia Group to third parties in 2011, the Belgian and French States have agreed to waive the annual re-issue of the warrants for the year 2013. The warrants issued to the Belgian and French States at the general meeting of shareholders of 11 May 2011, however, remain outstanding for the remainder of their 5-year term.

This guarantee was approved by the European Commission on 13 March 2009.

For a more detailed description of the guarantee for the Financial Products portfolio, see the Special Board Report of 12 May 2009, as last updated by the Special Board Report of 18 March 2011 relating to the re-issue of the warrants, both available on the website of Dexia (*www.dexia.com*).

2012 Capital increase

At the occasion of the EUR 5 500 million capital increase approved by the Extraordinary Shareholders' Meeting of 21 December 2012, preference shares (class B shares) were subscribed by the Belgian and French State (see also chapter Highlights presented in the Management report). The terms and conditions of such class B shares are included in article 4 of the articles of association of Dexia SA (available on http://www.dexia.com/EN/shareholder_investor/regulated_information) and are summarized in note 9.5. Equity.

9.4. Acquisitions and disposals of consolidated companies – disposals groups held for sale – discontinued operations

A. MAIN ACQUISITIONS

There were no significant acquisitions in 2011 and 2012

B. MAIN DISPOSALS

Year 2011

In the framework of the restructural measures announced in October 2011, Dexia Bank Belgium group (now Belfius Bank and Insurance) (except its subsidiary Dexia Asset Management) was sold to the Belgian state represented by the SFPI (Société fédérale de Participations et d'Investissement/Federale Participatie- en Investeringsmaatschappij) for an amount of EUR 4 billion and an earn-out mechanism in favour of Dexia SA in the event of a potential resale within a deadline of five years.

Dexia Bank Belgium group is no longer consolidated since the 1st October 2011. Its results for the first nine months 2011 are presented together with the result of the sale in the "Net result from discontinued operations".

Following the closing of its sale to the Central European investment group Penta Investments, Dexia banka Slovensko (DBS) left the scope of consolidation as at 1st January 2011.

Following the agreement with MetLife, DenizEmeklilik is no longer consolidated since the 1st October 2011.

Year 2012

In 2012, Dexia continued actively to implement the plan to dispose of its main operating entities.

The sale of the 50% holding of Banque Internationale à Luxembourg in RBC Dexia investor Services (RBC-D) to the Royal Bank of Canada was finalised on 27 July 2012. Its results for the first six months 2012 are presented together with the result of the sale in the "Net result from discontinued operations".

On 28 September 2012, Dexia completed the sale of DenizBank and its subsidaries to Sberbank. Their results for the first nine months 2012 are presented together with the result of the sale in the "Net result from discontinued operations".

The sale of Banque Internationale à Luxembourg (BIL) was closed on 5 October 2012. The Dexia Group's 99,906% holding in BIL was sold to Precision Capital and the Grand Duchy of Luxembourg. The scope of the sale excluded the Legacy asset portfolio which was transferred to Dexia Credit Local as well as the subsidiaries RBC-D, Dexia Asset Management Luxembourg, Dexia LdG Banque , Popular banca Privada and Parfipar.

The assets and liabilities disposed were as follows:	2011 Dexia banka Slovensko	2011 DBB-DIB group	2011 Deniz Emeklilik	2012 RBC-D	2012 DenizBank	2012 Bil [(2)]
Cash and cash equivalents	90	2,313	51	8,574	3,150	4 735
Loans and advances due from banks	70	16,017		129	103	1 242
Loans and advances to customers	1,851	88,895		585	15,885	9 463
Financial assets measured at fair value through profit and loss	40	5,037	30	20	178	113
Financial investments	396	29,938	14	1,272	3,034	1 454
Derivatives		24,124		108	167	678
Fair value reevaluation of portfolio hedge		3,013				27
Tax assets	16	1,357		27	89	370
Other assets	36	5,057	9	288	1,761	635
Intercompany accounts - net assets less liabilities	(501)	42,998		531	(155)	256
Due to banks	(196)	(28,784)		(406)	(4,547)	(1 004)
Customer borrowings and deposits	(1,662)	(97,061)		(10,080)	(14,660)	(10 411)
Financial liabilities measured at fair value through profit and loss	(8)	(11,521)	(30)			(2 896)
Derivatives	(16)	(37,398)		(105)	(158)	(1 746)
Fair value reevaluation of portfolio hedge		(13)				(90)
Debt securities	(32)	(18,236)			(695)	(621)
Subordinated debts		(1,718)			(239)	(803)
Technical provisions of insurance companies		(16,825)	(38)			(3)
Other liabilities	(9)	(3,122)	(3)	(148)	(618)	(409)
NET ASSETS	**75**	**4,072**	**34**	**795**	**3,295**	**991**
Proceeds from sale (in cash)	43	4,000	180	838	3,025	730
Less: cost of the transaction [(1)]	(2)	(12)	(4)	(2)	(2)	(3)
Less: cash and cash equivalents in the subsidiary sold	(90)	(2,313)	(51)	(8,574)	(3,150)	(4 735)
NET CASH INFLOW ON SALE	**(49)**	**1,675**	**125**	**(7,739)**	**(127)**	**(4 009)**

(1) cost of transaction on RBC-D, DenizBank and BIL: only part of cost of the transaction accounted in 2012
(2) except subsidiaries Dexia Lettre de Gage, Parfipar and the Legacy portfolio of BIL
A capital increase of EUR 204 million was realised in October 2012 and is included in net assets and not in reduction of proceeds of sale.

C. ASSETS AND LIABILITIES INCLUDED IN DISPOSAL GROUPS HELD FOR SALE

In the context of the reorganisation of the group announced in October 2011, Dexia decided to sell most of its subsidiaries. According to IFRS5, a non current asset or a group of assets and liabilities from a disposal group can be recorded as held for sale only if the following conditions are met: the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups); and its sale must be highly probable.
Non-current assets and assets of the disposal groups are reported in one single line in the assets, liabilities of the disposal groups are reported in one single line in the liabilities, and the Other Comprehensive Income (OCI) relating to those disposal groups are reported in one single line in the OCI.
Amounts reported in the table are the contribution of the entities to the consolidation of Dexia, after elimination of intercompany accounts. Those intercompany accounts (assets – liabilities) are reported in the line "Intercompany accounts – net assets less liabilities". It must be noted that when the entities will be sold, the impact on the Dexia total balance sheet will depend on intercompany accounts existing at that date. If Dexia has still receivables, those receivables will no longer be eliminated and the total Dexia balance sheet will be increased by this amount. According to IFRS5, opening balance sheet must not be adjusted.

Year 2011
The entities included in the table are respecting those conditions. As at December 31, 2011 Deniz was not respecting the condition of highly probable sale and was therefore not classified as a disposal group held for sale.

Year 2012
In December 2012, Dexia announced the signature of a share purchase agreement with GCS Capital for the sale of Dexia Asset Management for an amount of EUR 380 million. The sale price will be subject to an adjustment at closing.
In January 2013, Dexia announced finalisation of the sale of Société de Financement Local SFIL, holding company owner of Dexia Municipal Agency.
In 2012, ADTS respects the conditions to be classified as disposal group held for sale.

The assets and liabilities from disposal groups held for sale contribute to Dexia consolidated accounts as follows:	2011	2011	2011	2011	2012	2012	2012
	BIL (1)	RBC-D	Dexia Asset Management	Dexia Municipal Agency	Dexia Asset Management	Dexia Municipal Agency	ADTS
Cash and cash equivalents	1,202	5,322	29	2,263	25	2,562	36
Loans and advances due from banks	1,528	184		1,140		939	
Loans and advances to customers	9,171	389		73,502		67,681	
Financial assets measured at fair value through profit and loss	97						
Financial investments	691	1,405	249	1,118	224	1,124	
Derivatives	1,434	155		10,191		11,493	
Fair value reevaluation of portfolio hedge	29			875		1,444	
Tax assets	291	24	24	219	23	115	6
Other assets	486	244	111	(622)	130	(1,271)	35
Intercompany accounts – net assets less liabilities	7,721	2,026	(1)	(2,778)	3	(5,064)	
Due to banks	(5,118)	(182)		(5,198)		(3,518)	(19)
Customer borrowings and deposits	(9,481)	(8,478)					
Financial liabilities measured at fair value through profit and loss	(2,997)						
Derivatives	(1,872)	(147)		(9,839)		(10,153)	
Fair value reevaluation of portfolio hedge	(68)			(2,340)		(2,873)	
Debt securities	(963)			(68,107)		(62,477)	
Subordinated debts	(802)						
Technical provisions of insurance companies	(1)						
Other liabilities	(448)	(146)	(112)	(51)	(100)	(10)	(65)
NET ASSETS	**899**	**796**	**301**	**374**	**304**	**(9)**	**(8)**

(1) except subsidiaries Dexia Lettre de Gage, Parfipar and the Legacy portfolio of BIL

D. DISCONTINUED OPERATIONS

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale and represents a separate major line of business or geographical area of operations or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations.
IFRS 5 requires the presentation of a single amount in the statement of comprehensive income comprising the total of the post-tax profit or loss of discontinued operations and the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation.
As a consequence, the result of entities representing major business lines of activities of the Group, which have been disposed or are classified as held for sales presented in the line "Net result from discontinued operations".
The result of Dexia Bank Belgium (including Dexia Insurance) was presented in this line for the 9 first months in 2011.
The result of the other entities representing major business lines of activities of the Group are presented in "net result from discontiued operations " for the whole year 2011;
Dexia Municipal Agency, Dexia Asset Management and Associated Dexia Technology Services (ADTS) which are still held, are also presented in this line for the whole year 2012.
RBC-D, BIL (excluding agreed carve-out assets) and DenizBank are presented in 2012 for their results attributable to Dexia, respectively, 6 months, 9 months and 9 months.

Net result from discontinued operations

31/12/11	DBB	BIL	RBC-D	Dexia Asset Management	Dexia Municipal Agency	Deniz-Bank	ADTS	Popular Banca Privada	TOTAL
Income	23	399	428	177	255	1,124	204	2	2,613
Expenses	(1,135)	(326)	(352)	(127)	(93)	(563)	(202)		(2,798)
Impairment and provisions	(93)	(41)	(6)	1	(1)	(74)			(214)
Result before tax	**(1,205)**	**31**	**71**	**50**	**162**	**487**	**2**	**2**	**(399)**
Attributable income tax expense	**287**	**(8)**	**(16)**	**(13)**	**(57)**	**(79)**	**(1)**		**113**
Discontinued operations net of tax	**(918)**	**23**	**55**	**38**	**105**	**409**	**0**	**2**	**(286)**
Loss on remeasurement to fair value less costs to sell			(197)		(1,100)				(1,297)
Result on disposal	(3,261)								(3,261)
Attributable income tax expense	(15)				33				18
Net result of discontinued operations	**(4,194)**	**23**	**(142)**	**38**	**(963)**	**409**	**0**	**2**	**(4,826)**
Attributable to non-controlling interests									6
Attributable to equity holders of the parent									(4,833)
Earnings per share from discontinued operations (in EUR)									
- basic									(2.48)
- diluted									(2.48)

31/12/12	BIL	RBC-D	Dexia Asset Manage-ment	Dexia Municipal Agency	DenizBank	ADTS	Popular Banca Privada	TOTAL
Income	138	185	169	265	871	201		1,830
Expenses	(234)	(187)	(135)	(91)	(463)	(200)		(1,310)
Impairment and provisions	4	(1)		(29)	(145)			(171)
Result before tax	**(91)**	**(3)**	**34**	**145**	**263**	**0**	**0**	**349**
Attributable income tax expense	**242**	**(2)**	**(9)**	**(48)**	**(62)**			**120**
Discontinued operations net of tax	**151**	**(5)**	**24**	**97**	**202**	**0**	**0**	**469**
Loss on remeasurement to fair value less costs to sell				(638)			(27)	(665)
Result on disposal	(205)	38			(801)			(968)
Net result of discontinued operations	**(54)**	**33**	**24**	**(541)**	**(599)**	**0**	**(27)**	**(1,163)**
Attributable to non-controlling interests								6
Attributable to equity holders of the parent								(1,169)
Earnings per share from discontinued operations (in EUR)								
- basic								(0.60)
- diluted								(0.60)

Cash flows from discontinued operations

	31/12/11	31/12/12
Net cash inflows from operating activities	2,641	6,300
Net cash inflows from investing activities	(2,196)	(15,508)
Net cash inflows from financing activities	(95)	(34)
NET CASH INFLOWS	**350**	**(9,242)**

9.5. Equity

By category of share	2011	2012	
		Class A	Class B
Number of shares authorized and not issued	1,948,984,474	1,948,984,474	28,947,368,421
Number of shares issued and fully paid	1,948,984,474	1,948,984,474	28,947,368,421
Number of shares issued and not fully paid			
Value per share	**no nominal value**	**no nominal value**	**no nominal value**
Outstanding as at 1 Jan.	1,846,406,344	1,948,984,474	
Number of shares issued (1)	102,578,130	28,947,368,421	
Number of shares cancelled			
Outstanding as at 31 Dec.	1,948,984,474	30,896,352,895	
Rights, preferences and restrictions, including restrictions on the distribution of dividends and the repayment of capital	0	0	28,947,368,421
Number of treasury shares	324,633	324,633	0
Number of shares reserved for issue under stock options and contracts for the sale of share	324,633	324,633	0

(1) 2011: issuance of bonus shares - 2012 issuance of Preference Shares Class B

See 9.3.C Transactions with the Belgian, French and Luxembourg States.
See 9.6 Stock option plan

CLASS B SHARES

The preferential rights of class B share can be summarized as follows:

• **Voting rights:** The new preference shares have the same voting rights as existing shares.

• **Dividends:** All dividend distributions made by Dexia SA will be allocated in priority to the holders of preference shares, up to an amount per preference share corresponding to 8% per annum of the subscription price paid for such share. Any potential surplus will then be allocated to the holders of ordinary shares up to an amount per share corresponding to the amount distributed to the preference shares and any remainder will then be distributed on a pari passu basis to the holders of both classes of shares.

• **Liquidation Supplement:** Any potential shortfall, in respect of the preference shares, between the amount corresponding to the 8% of the subscription price paid for such share and the effective amount of any yearly distribution, will not be carried forward to future annual distributions, but this difference and any other differences in subsequent years will constitute a liquidation supplement (the "Liquidation Supplement") payable in priority, in accordance with the terms set forth below, to the holders of preference shares.

• **Liquidation distributions:** Upon a subsequent liquidation of Dexia, any distributions in connection therewith will be allocated in priority to the holders of preference shares up to an amount per preference share equal to the subscription price paid for such share, increased by any Liquidation Supplement and reduced by any amounts already repaid in connection with a share capital reduction. Any remainder would then be allocated to the holders of ordinary shares up to an amount representing their right to a capital reimbursement in respect of such shares and then up to an amount corresponding to the Liquidation Supplement and, any remaining amount will then be allocated on a pari passu basis to holders of both classes of shares.

• **Share capital reductions in kind, share buy-backs:** The product of future share capital reduction operation by Dexia SA carried out by repayments to shareholders, will be booked in priority against the part of the share capital represented by the preference shares and will be allocated in priority to the holders of preference shares up to an amount equal to the subscription price paid for such share, reduced by any amounts already repaid pursuant to any share capital reductions.

Subject to the occurrence of the proposed share capital increase, future share buy-backs by the Company will be carried out in priority on preference shares.

Subject to the occurrence of the proposed share capital increase, no share capital reduction operation or share buy-back transactions may be carried out in respect of ordinary shares without the prior approval of at least 75% of votes attached to the preference shares.

• **Share capital reductions in order to set-off losses or create reserves:** Future share capital reduction operations of the Company with a view to setting of losses or to create reserves will be booked in priority against the ordinary shares, meaning that any right to the reimbursement of share capital in respect of each ordinary share will be reduced by the same amount. However, such share capital reduction transactions shall be carried out in such a way as to ensure that the total amount of the right to the repayment of share capital of all the shares of a given class shall remain strictly positive. For the rest, the rights attached to the shares shall not be affected.

A full description of the terms and conditions of the preference shares issued at the occasion of the December 2012 capital increase reserved for the Belgian and French State is included in article of the articles of association of Dexia SA (available on http://www.dexia.com/EN/shareholder_investor/regulated_information)

9.6. Share-based payments

Stock Option Plans settled in Dexia shares	31/12/11	31/12/12
	Number of Options	Number of Options
Outstanding at the beginning of the period	70,960,487	64,474,087
Expired during the period	(10,428,518)	(4,087,911)
Adjustment (1)	3,942,118	0
Outstanding at the end of the period	64,474,087	60,386,176
Exercisable at the end of the period	60,942,463	60,386,176

(1) In order to protect warrant holders against adverse economic consequences arising from the issue of bonus shares following the resolution passed by the extraordinary Shareholders' Meeting held on 11 May 2011, the exercise price for warrants was reduced and the number of warrants increased in accordance with an adjustment ratio determined in line with the Corporate Action Policy of Euronext NYSE Liffe.

31/12/11				31/12/12			
Range of exercise prices (EUR) (1)	Number of outstanding options	Weighted-average exercise price (EUR)	Weighted-average remaining contractual life (year)	Range of exercise prices (EUR)(1)	Number of outstanding options	Weighted-average exercise price (EUR)	Weighted-average remaining contractual life (year)
9.12 – 10.27	7,553,684	9.12	6.50	9.12 – 10.27	7,553,684	9.12	5.50
10.28 – 10.73	8,065,490	10.28	1.56	10.28 – 10.73	8,065,490	10.28	0.56
10.74 – 12.35	17,852,138	11.95	2.88	10.74 – 12.35	13,764,227	12.05	2.57
16.30 – 16.46	9,991,281	16.30	3.50	16.30 – 16.46	9,991,281	16.30	2.49
16.47 – 19.21	10,128,349	16.87	4.51	16.47 – 19.21	10,128,349	16.87	3.51
19.21 – 21.02	10,883,145	21.02	5.50	19.21 – 21.02	10,883,145	21.02	4.50

(1) In order to protect warrant holders against adverse economic consequences arising from the issue of bonus shares following the resolution passed by the extraordinary general meeting held on 11 May 2011, the exercise price for warrants was reduced and the number of warrants increased in accordance with an adjustment ratio determined in line with the Corporate Action Policy of Euronext NYSE Liffe.

	31/12/11	31/12/12
Cash-settled arrangements	(1)	
TOTAL EXPENSES	**(1)**	**0**

9.7. Non-controlling interests – Core equity

AS AT 1 JAN. 2011	**1,858**
- Increase of capital	7
- Dividends	(26)
- Net income for the period	(2)
- Variation of scope of consolidation	(18)
AS AT 31 DECEMBER 2011 [1]	**1,819**
AS AT 1 JAN. 2012	**1,819**
- Dividends	(7)
- Net income for the period	(21)
- Variation of scope of consolidation [2]	(176)
- Other [1]	(1,142)
AS AT 31 DECEMBER 2012 [1]	**473**

(1) This amount includes:
- in 2011, the undated deeply subordinated non-cumulative Notes for EUR 700 million, issued by DCL and booked for EUR 700 million. In 2012, Dexia Crédit Local repurchased EUR 644 million of the notes.
- in 2011, the undated subordinated non-cumulative Notes for EUR 500 million, issued by Dexia Funding Luxembourg and booked for EUR 498 million. In 2012, following the merge of Dexia Funding Luxembourg with Dexia SA, they have to be recognised in core shareholder's equity.
(2) mainly Dexia Sabadell

9.8. Management of capital

The information regarding management of capital is presented in the Management report pages 78 to 80.

9.9. Exchange rates

		31/12/11		31/12/12	
		Closing rate	**Average rate**	**Closing rate**	**Average rate**
Australian dollar	AUD	1.2708	1.3415	1.2735	1.2452
Canadian dollar	CAD	1.3220	1.3798	1.3169	1.2910
Swiss franc	CHF	1.2169	1.2318	1.2074	1.2040
Koruna (Czech republic)	CZK	25.5118	24.5628	25.1095	25.1541
Danish krone	DKK	7.4327	7.4495	7.4608	7.4448
EURO	EUR	1.0000	1.0000	1.0000	1.0000
Pound sterling	GBP	0.8359	0.8698	0.8137	0.8115
Hong Kong dollar	HKD	10.0801	10.8954	10.2451	10.0216
Forint	HUF	313.9378	280.2999	291.1000	288.1549
Shekel	ILS	4.9645	5.0079	4.9388	4.9687
Yen	JPY	100.1382	111.3213	114.2150	103.4577
Mexican peso	MXN	18.0986	17.4227	17.1702	16.9718
Norwegian Krone	NOK	7.7570	7.7812	7.3530	7.4658
New Zealand dollar	NZD	1.6721	1.7511	1.6041	1.5869
Swedish krona	SEK	8.8999	8.9948	8.5982	8.6794
Singapore dollar	SGD	1.6828	1.7530	1.6146	1.6074
Turkish lira	TRY	2.4531	2.3500	2.3575	2.3108
US dollar	USD	1.2978	1.4001	1.3220	1.2921

9.10. Compensation of the Auditor

We refer here to the table presented in the Management report on page 43

10. Note on the consolidated off-balance sheet items

(in millions of EUR – some amounts may not add up due to roundings off)

Following the restructuring of the Dexia Group and the application of the standard IFRS 5, the figures are disclosed separately for the continuing operations and for the activities held for sale.

10.1. Regular way trade

	31/12/11	31/12/11	31/12/12	31/12/12
	Continuing operations	Disposal groups held for sale	Continuing operations	Disposal groups held for sale
Loans to be delivered and purchases of assets	3,623	2,110	1,758	
Borrowings to be received and sales of assets	1,671	3,353	1,480	

10.2. Guarantees

	31/12/11	31/12/11	31/12/12	31/12/12
	Continuing operations	Disposal groups held for sale	Continuing operations	Disposal groups held for sale
Guarantees given to credit institutions	459	196	438	1
Guarantees given to customers	7,701	896	2,851	
Guarantees received from credit institutions	1,927	196	1,370	79
Guarantees received from customers	12,064	4,854	15,918	4,491
Guarantees received from the States [1]	44,942		74,377	

(1) See 9.3.C.

10.3. Loan commitments

	31/12/11	31/12/11	31/12/12	31/12/12
	Continuing operations	Disposal groups held for sale	Continuing operations	Disposal groups held for sale
Unused lines granted to credit institutions	206	29	7	
Unused lines granted to customers	17,945	4,110	7,127	317
Unused lines obtained from credit institutions	5,777	181	2,082	

10.4. Other commitments

	31/12/11	31/12/11	31/12/12	31/12/12
	Continuing operations	Disposal groups held for sale	Continuing operations	Disposal groups held for sale
Banking activity – Commitments given	66,180	9,879	89,696	50
Banking activity – Commitments received	80,739	10,114	17,138	230

11. Notes on the consolidated statement of income

(in millions of EUR – some amounts may not add up due to roundings off)

Following the announcement of the restructuring of the Group and the subsequent application of the standard IFRS 5, the discontinued operations did not contribute to the detailed lines of the statement of income and their net result was reported separately in the specific dedicated line for figures 2011 and 2012.
In 2012, DenizBank and ADTS qualified as discontinued operations. Their figures were presented in the specific line "Net result from discontinued operations" as at 31 December 2011 and 31 December 2012. All the notes 11 were restated accordingly to take into account this classification.

11.1. Interest income – Interest expense

	31/12/11	31/12/12
INTEREST INCOME	**22,366**	**17,179**
a) Interest income of assets not at fair value through profit and loss	**7,396**	**6,374**
Cash and balances with central banks	10	4
Loans and advances due from banks	743	436
Loans and advances to customers	5,145	4,648
Financial assets available for sale	1,347	1,214
Investments held to maturity	35	25
Interest on impaired assets	40	4
Other	76	43
b) Interest income of assets at fair value through profit and loss	**14,970**	**10,806**
Financial assets held for trading	60	50
Financial assets designated at fair value	6	2
Derivatives held for trading	8,124	6,510
Derivatives used for hedging	6,780	4,244
INTEREST EXPENSE	**(22,386)**	**(17,909)**
a) Interest expense of liabilities not at fair value through profit and loss	**(5,531)**	**(5,123)**
Due to banks	(1,927)	(1,497)
Customer borrowings and deposits	(272)	(188)
Debt securities	(2,953)	(2,839)
Subordinated debts	(41)	(15)
Expenses linked to the amounts guaranteed by the States	(327)	(555)
Other	(11)	(29)
b) Interest expense of liabilities at fair value through profit and loss	**(16,855)**	**(12,786)**
Financial liabilities designated at fair value	(231)	(195)
Derivatives held for trading	(7,990)	(6,387)
Derivatives used for hedging	(8,634)	(6,204)
NET INTEREST INCOME	**(20)**	**(730)**

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11.2. Dividend income

	31/12/11	31/12/12
Financial assets available for sale	6	7
TOTAL	**6**	**7**

11.3. Net income from financial instruments at fair value through profit and loss

	31/12/11	31/12/12
Net trading income	(1)	33
Net result of hedge accounting	(104)	(22)
Net result of financial instruments designated at fair value through profit or loss and result from the related derivatives (1)	14	19
Change in own credit risk (2)	43	(131)
Forex activity and exchange differences	20	22
TOTAL	**(28)**	**(80)**
(1) Among which trading derivatives included in a fair value option strategy	438	(138)

(2) See also note 12.2.H. Credit-risk information about financial liabilities designated at fair value through profit or loss.

RESULT OF HEDGE ACCOUNTING

	31/12/11	31/12/12
Fair value hedges	(24)	(14)
Fair value changes of the hedged item attributable to the hedged risk	*6,207*	*1,155*
Fair value changes of the hedging derivatives	*(6,232)*	*(1,169)*
Discontinuation of cash flow hedge accounting (Cash flows no longer expected to occur) (1)	(58)	0
Portfolio hedge	(22)	(8)
Fair value changes of the hedged item	*1,003*	*515*
Fair value changes of the hedging derivatives	*(1,025)*	*(523)*
TOTAL	**(104)**	**(22)**
Discontinuation of cash flow hedge accounting (cash flows still expected to occur) – amounts recorded in interest margin	7	2

(1) 2011: mainly composed of discontinued hedge relationships on Greek bonds.

11.4. Net income on investments

	31/12/11	31/12/12
Gains on loans and advances	8	75
Gains on financial assets available for sale	79	170
Gains on tangible fixed assets	14	25
Gains on assets held for sale	1	110
Gains on liabilities	105	249
Total Gains	**207**	**627**
Losses on loans and advances (1) (2)	(317)	(172)
Losses on financial assets available for sale (1) (2)	(220)	(3,234)
Losses on tangible fixed assets	(13)	(24)
Losses on assets held for sale (1)	(2,136)	(17)
Losses on liabilities	(114)	(78)
Total Losses	**(2,801)**	**(3,525)**
Net impairment (3)	**(2,796)**	**2,917**
TOTAL	**(5,389)**	**19**

(1) 2011: The Board of Directors of Dexia S.A. decided on 27 May 2011 to accelerate the financial restructuring of the Group and to anticipate assets disposals. Groups of assets were transferred in disposal groups held for sale under IFRS 5. Dexia FP sold its guaranteed portfolio with a loss of EUR - 1 928 million. The accelerated deleveraging of the legacy portfolio and of PWB loan portfolios generated a loss of EUR -438 million.
(2) In 2012, the exchange or the sale of the Greek sovereign bonds generated losses with a limited impact on the result as impairments have been recognised in 2011 for an amount of EUR -2,896 million. The net impact of results and write-backs of specific impairment amounted to EUR 58 million.
(3) 2011: The Greek sovereign debt crisis led to the recognition of impairments for EUR -2,896 million. The provision previously booked for Lehman securities was written-back following their sale in 1Q 2011 (EUR 89 million). This latter compensated the loss declared on financial assets available for sale.
2012 : The amount of net impairment is mainly due to the exchange or the sale of all Greek Sovereign debt instruments, for which specific impairments recognized in 2011 have been written back.

NET IMPAIRMENT

	Specific risk		Total
	Allowances	Write-backs	
As of December 31, 2011			
Securities held to maturity	(149)	0	(149)
Securities available for sale	(2,757)	111	(2,646)
TOTAL	**(2,906)**	**111**	**(2,796)**
As of December 31, 2012			
Securities held to maturity	0	141	141
Securities available for sale	(343)	3,119	2,776
TOTAL	**(343)**	**3,260**	**2,917**

11.5. Fee and commission income and expense

	31/12/11			31/12/12		
	Income	Expense	Net	Income	Expense	Net
Insurance activity	42	(2)	41	45	(2)	43
Credit activity	52	(8)	44	31	(6)	26
Purchase and sale of securities	0	(2)	(2)	0	(4)	(4)
Purchase and sale of unit trusts and mutual funds	2	0	2	1	0	1
Payment services	1	(5)	(4)	0	(5)	(5)
Financial engineering	8	0	8	1	0	1
Services on securities other than safekeeping	0	(4)	(4)	0	(3)	(2)
Custody	5	(1)	3	4	(1)	3
Issues and placements of securities	2	0	2	2	0	2
Securities lending	3	(5)	(2)	6	(18)	(13)
Other [1]	28	(241)	(213)	25	(209)	(185)
TOTAL	**144**	**(269)**	**(125)**	**115**	**(249)**	**(134)**

(1) of which EUR -200 million (EUR -225 million in 2011) as upfront commission for the setting up of the guarantee granted by the Belgian, French and Luxembourg States to Dexia's entities funding.

Fees and commissions related to financial assets and financial liabilities which are not at fair value through profit or loss are below materiality.

11.6. Other net income

	31/12/11	31/12/12
Other rental income	37	41
Other income on other activities	19	25
Other income	**57**	**67**
Exploitation taxes	0	(1)
Other banking expenses	0	(1)
Other expense on other activities [1]	(39)	(41)
Other expense	**(39)**	**(43)**
TOTAL	**18**	**24**

(1) Other expense on other activities includes depreciation and amortization on office furniture and equipment given in operational lease and other operational expenses.

11.7. Staff expense

	31/12/11	31/12/12
Wages and salaries	216	208
Social security and insurance costs	62	56
Pension costs-defined benefit plans	3	3
Pension costs-defined contribution plans	16	16
Long-term employee benefits	(1)	0
Restructuring expenses	47	61
Other expenses	25	4
TOTAL	**368**	**348**

(Average FTE)	**31/12/11**			**31/12/12**		
	Fully consolidated	**Proportionally consolidated**	**Total**	**Fully consolidated**	**Proportionally consolidated**	**Total**
Senior Executives	113	3	116	61	3	64
Employees	2,687	22	2,709	2,335	24	2,359
Other	14	0	14	6	0	6
TOTAL	**2,814**	**25**	**2,839**	**2,402**	**27**	**2,429**

(Average FTE) as at Dec. 31, 2011	**Belgium**	**France**	**Luxembourg**	**Other Europe**	**USA**	**Other**	**Total**
Senior Executives	64	21	5	12	9	5	116
Employees	283	1,757	22	404	187	56	2,709
Other	0	0	0	5	4	5	14
TOTAL	**347**	**1,778**	**27**	**421**	**200**	**66**	**2,839**

(Average FTE) as at Dec. 31, 2012	**Belgium**	**France**	**Luxembourg**	**Other Europe**	**USA**	**Other**	**Total**
Senior Executives	21	18	1	10	10	4	64
Employees	175	1,625	4	375	142	38	2,359
Other	0	0	0	0	1	5	6
TOTAL	**196**	**1,643**	**5**	**385**	**153**	**47**	**2,429**

11.8. General and administrative expense

	31/12/11	31/12/12
Occupancy	7	8
Operating leases (except technology and system costs)	19	18
Professional fees	58	52
Marketing advertising and public relations	8	5
Technology and system costs	36	36
Software costs and research and development costs	32	25
Repair and maintenance expenses	5	5
Restructuring costs other than staff (1)	(26)	6
Insurance (except related to pension)	5	9
Transportation of mail and valuable	2	2
Operational taxes	35	36
Other general and administrative expense	50	59
Net interco account: continued/discontinued operations (2)	(118)	(97)
TOTAL	**113**	**165**

(1) 2011: Utilisation of a provision following the closing of branches in Asia.
(2) Net intercompany accounts relating to operating result (expenses less revenues) of continuing activities with companies in discontinued operations.

11.9. Depreciation and amortization

	31/12/11	31/12/12
Depreciation on land and buildings	8	8
Depreciation on other tangible assets	7	6
Amortization of intangible assets	25	27
TOTAL	**40**	**41**

11.10. Impairment on loans and provisions for credit commitments

Collective impairment	31/12/11			31/12/12		
	Allowances	Reversal	Total	Allowances	Reversal	Total
Loans	(232)	175	(57)	(324)	238	(85)
TOTAL	**(232)**	**175**	**(57)**	**(324)**	**238**	**(85)**

Specific impairment	31/12/11				
	Allowances	Reversals	Losses	Recoveries	Total
Loans and advances due from banks	(5)	0	0	0	(5)
Loans and advances to customers	(519)	120	(63)	2	(460)
Other receivables (1) (2)	0	50	0	0	50
Commitments	(7)	1	0	0	(6)
TOTAL	**(531)**	**171**	**(63)**	**2**	**(421)**

(1) Is published in heading XI. of the Assets.
(2) Reversals related to Lehman receivables.

Specific impairment	31/12/12				
	Allowances	Reversals	Losses	Recoveries	Total
Loans and advances to customers	(253)	393	(367)	29	(198)
Other receivables [(1)]	(2)	2	0	0	(1)
Commitments	(2)	9	0	0	7
TOTAL	**(258)**	**404**	**(367)**	**29**	**(192)**

(1) Is published in heading XI. of the Assets.

11.11. Impairment on tangible and intangible assets

	31/12/11	31/12/12
Impairment on other tangible assets [(1)]	(2)	0
Impairment on intangible assets [(1)]	(3)	(1)
TOTAL	**(6)**	**(1)**

(1) 2011: Closing DCL Tokyo.

11.12. Impairment on goodwill

	31/12/11	31/12/12
Impairment on goodwill [(1)]	(183)	0

(1) Taking into consideration the financial crisis and the impact of the problems met by sovereign authorities in 2011, a review of all goodwill has been performed. The goodwill on Dexia Crediop (EUR 131 million), Dexia Credit Local (EUR 40 million) and Dexia Israel (EUR 12 million) were fully impaired. The goodwill on Sofaxis has not been impaired.

See also note 7.10. Intangible assets and goodwill.

11.13. Provisions for legal litigations

We refer here to the chapter Risk management – part Legal risk – presented pages 73 to 76.

11.14. Tax expense

	31/12/11	31/12/12
Income tax on current year [(1)]	121	(16)
Deferred taxes on current year	(157)	10
Tax on current year result (A)	**(36)**	**(6)**
Income tax on previous year	2	2
Deferred taxes on previous year	(15)	(24)
Provision for tax litigations	(34)	29
Other tax expense (B)	**(47)**	**8**
TOTAL (A)+(B)	**(83)**	**2**

(1) 2011: This amount includes a recuperation of tax coming from the carry back of losses generated by the French tax group.

EFFECTIVE CORPORATE INCOME TAX CHARGE

The standard tax rate applicable in Belgium in 2011 and 2012 was 33.99 %
Dexia effective tax rate was respectively -0.53 % and -0.35 % for 2011 and 2012.
The difference between the standard and the effective tax rate can be analysed as follows:

	31/12/11	31/12/12
Net income before tax	**(6,732)**	**(1,726)**
Impairment on goodwill	(183)	0
Tax base	**(6,549)**	**(1,726)**
Statutory tax rate	33.99%	33.99%
Tax expense (gain) using statutory rate	**(2,226)**	**(587)**
Tax effect of rates in other jurisdictions	21	170
Tax effect of non-taxable revenues	(45)	(17)
Tax effect of non-tax deductible expenses	706	66
Tax effect from reassessment of unrecognised deferred tax assets	1,818	(2,093)
Tax effect of change in tax rates	15	(12)
Items taxed at a reduced rate	(129)	(1)
Other increase (decrease) in tax charge [(1)]	(123)	2,481
Tax on current year result	**36**	**6**
Tax base	(6,549)	(1,726)
Effective tax rate	-0.53%	-0.35%

(1) Due to capital increase in December 2012 and major change in the Group's shareholder structure, the recoverability of tax losses carried forward is limited in US. Therefore, the amount of related deferred tax assets has been limited to deferred tax liabilities.

11.15. Earnings per share

BASIC

Basic earnings per share are calculated by dividing the net income attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by the company and held as treasury shares.

	31/12/11	31/12/12
Net income attributable to equity holders of the parent	(11,639)	(2,866)
Weighted average number of ordinary shares (millions)	1,949	1,949
Basic earnings per share (expressed in EUR per share)	(5.97)	(1.47)

	31/12/11	31/12/12
Net income from continuing operations attributable to equity holders of the parent	(6,806)	(1,697)
Weighted average number of ordinary shares (millions)	1,949	1,949
Basic earnings per share from continuing operations (expressed in EUR per share)	(3.49)	(0.87)

DILUTED

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares resulting from share options granted to employees. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average share price of the company's shares for the financial year) based on the monetary value of the subscription rights attached to outstanding share options.
The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the shares options.
The potential ordinary shares calculated as above are treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share.
They are antidilutive and not taken into account when their conversion to ordinary shares would decrease loss per share.
No adjustment is made to net income attributable to equity holders of the parent as there are no financial instruments convertible in Dexia shares.

	31/12/11	31/12/12
Net income attributable to equity holders of the parent	(11,639)	(2,866)
Weighted average number of ordinary shares (millions)	1,949	1,949
Adjustment for share options (millions)	0	0
Weighted average number of ordinary shares for diluted earnings per share (millions)	1,949	1,949
Diluted earnings per share (expressed in EUR per share)	(5.97)	(1.47)

	31/12/11	31/12/12
Net income from continuing operations attributable to equity holders of the parent	(6,806)	(1,697)
Weighted average number of ordinary shares (millions)	1,949	1,949
Adjustment for share options (millions)	0	0
Weighted average number of ordinary shares for diluted earnings per share (millions)	1,949	1,949
Diluted earnings per share from continuing operations (expressed in EUR per share)	(3.49)	(0.87)

12. Notes on risk exposure

(in millions of EUR – some amounts may not add up due to roundings off)

As requested by the standard IFRS 7 § 34, disclosures are based on information internally provided to key management. We also refer to the chapter "Risk management" in the management report.
Following the restructuring of the Dexia Group and the application of the standard IFRS 5, some information are disclosed separately for the continuing operations and for the activities held for sale.
In the disclosures presenting an evolution of the information from the beginning to the end of 2011, the amounts as at 1st January of the deconsolidated subgroup Dexia Bank Belgium (now Belfius Bank and Insurance) were reported in "*Change of consolidation scope*" and the amounts as at 1st January 2011 of the subsidiaries considered as disposal groups held for sale were disclosed in "*Transfers in disposal groups held for sale*". Regarding the disclosures presenting an evolution of the information in 2012, the amounts as at 1st January of the subgroup DenizBank and of ADTS were reported in "*Transfers in disposal groups held for sale*".

12.1. Fair value

A. BREAKDOWN OF FAIR VALUE

In accordance with our valuation rules, fair value is equal to accounting value for some kinds of items.

A.1. Breakdown of fair value of assets

	31/12/11			31/12/12		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Cash and balances with central banks	4,847	4,847	0	1,054	1,054	0
Loans and advances due from banks	45,728	44,964	(764)	47,027	46,591	(436)
Loans and advances to customers	173,550	171,079	(2,471)	150,019	145,824	(4,194)
Financial assets held for trading	2,541	2,541	0	2,198	2,198	0
Financial assets designated at fair value	148	148	0	27	27	0
Financial assets available for sale	39,640	39,640	0	36,061	36,061	0
Investments held to maturity	1,051	1,112	61	456	508	52
Derivatives	28,298	28,298	0	30,526	30,526	0
Fair value revaluation of portfolio hedge (1)	3,020	3,020	0	3,526	3,526	0
Other assets (2)	3,633	3,633	0	1,736	1,735	(1)
TOTAL CONTINUING OPERATIONS	**302,457**	**299,283**	**(3,174)**	**272,628**	**268,049**	**(4,579)**
Disposal groups held for sale	110,301	109,994	(307)	84,581	84,440	(142)
Cash and balances with central banks	*3,678*	*3,678*	*0*	*2,400*	*2,400*	*0*
Loans and advances due from banks	*7,927*	*7,930*	*3*	*1,176*	*1,176*	*0*
Loans and advances to customers	*82,798*	*82,488*	*(309)*	*67,787*	*67,643*	*(143)*
Financial assets held for trading	*63*	*63*	*0*	*0*	*0*	*0*
Financial assets designated at fair value	*34*	*34*	*0*	*0*	*0*	*0*
Financial assets available for sale	*3,006*	*3,006*	*0*	*1,348*	*1,348*	*0*
Investments held to maturity	*51*	*49*	*(1)*	*10*	*11*	*1*
Derivatives	*11,063*	*11,063*	*0*	*11,493*	*11,493*	*0*
Fair value revaluation of portfolio hedge	*904*	*904*	*0*	*1,444*	*1,444*	*0*
Investments in associates	*49*	*49*	*0*	*24*	*24*	*0*
Other assets (2) (3)	*729*	*729*	*0*	*(1,101)*	*(1,100)*	*1*
TOTAL	**412,759**	**409,277**	**(3,481)**	**357,210**	**352,489**	**(4,721)**

(1) The line "Fair value revaluation of portfolio hedge" corresponds to the remeasurement of the interest-rate risk on assets covered by portfolio hedges. These assets are included in the lines "Loans and advances due from banks" and "Loans and advances to customers".
(2) Includes Tangible fixed assets; Intangible assets and goodwill; Tax assets; Other assets and Non-current assets of the continuing operations.
(3) Includes also the loss recognised on the measurement to fair value less costs to sell of the disposal groups held for sale (see also note 9.4. Acquisitions and disposals of consolidated companies – disposal Groups held for sale – discontinued operations).

A.2. Breakdown of fair value of liabilities

	31/12/11			31/12/12		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Due to banks	106,384	105,557	(828)	87,478	86,451	(1,027)
Customer borrowings and deposits	19,419	19,155	(265)	11,110	10,676	(434)
Financial liabilities designated at fair value	5,200	5,200	0	3,931	3,931	0
Derivatives	56,037	56,037	0	59,660	59,660	0
Fair value revaluation of portfolio hedge (1)	445	445	0	372	372	0
Debt securities	105,288	99,980	(5,308)	109,651	107,230	(2,421)
Subordinated debts	1,691	1,594	(97)	707	376	(331)
Other liabilities (2)	2,265	2,265	0	1,633	1,632	(1)
TOTAL CONTINUING OPERATIONS	**296,729**	**290,232**	**(6,497)**	**274,543**	**270,330**	**(4,213)**
Liabilities included in disposal groups held for sale	116,350	114,603	(1,747)	79,357	76,909	(2,448)
Due to banks	*10,498*	*10,536*	*37*	*3,609*	*3,601*	*(8)*
Customer borrowings and deposits	*17,958*	*17,958*	*0*	*19*	*19*	*0*
Financial liabilities held for trading	*3*	*3*	*0*	*0*	*0*	*0*
Financial liabilities designated at fair value	*2,994*	*2,994*	*0*	*0*	*0*	*0*
Derivatives	*11,859*	*11,859*	*0*	*10,153*	*10,153*	*0*
Fair value revaluation of portfolio hedge (1)	*2,408*	*2,408*	*0*	*2,873*	*2,873*	*0*
Debt securities	*69,070*	*67,193*	*(1,877)*	*62,477*	*60,037*	*(2,440)*
Subordinated debts	*802*	*896*	*93*	*0*	*0*	*0*
Other liabilities (2)	*757*	*757*	*0*	*225*	*225*	*0*
TOTAL	**413,079**	**404,835**	**(8,245)**	**353,899**	**347,238**	**(6,661)**

(1) The line "Fair value revaluation of portfolio hedge" corresponds to the remeasurement of the interest-rate risk on liabilities covered by portfolio hedges. These liabilities are included in the lines "Due to banks", "Customer borrowings and deposits" and "Debt securities".
(2) includes Provisions and other obligations, Tax liabilities and Other liabilities.

B. ANALYSIS OF FAIR VALUE OF FINANCIAL INSTRUMENTS

The following tables provide an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

• Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

• Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

• Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

B.1. Assets - Continuing operations

	31/12/11				31/12/12			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets held for trading	201	13	2,328	2,541	1	0	2,198	2,198
Financial assets designated at fair value - other than equities	0	126	23	148	0	0	27	27
Financial assets available for sale – bonds	9,178	18,170	11,839	39,187	8,559	12,105	14,907	35,570
Financial assets available for sale – equities	31	71	352	453	28	130	332	490
Derivatives	0	26,646	1,652	28,298	0	28,508	2,018	30,526
TOTAL	**9,410**	**45,025**	**16,193**	**70,628**	**8,588**	**40,742**	**19,481**	**68,811**

B.2. Assets from disposal groups held for sale

	31/12/11				31/12/12			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets held for trading	13	21	28	62	0	0	0	0
Financial assets designated at fair value – equities	0	34	0	34	0	0	0	0
Financial assets available for sale – bonds	862	1,070	627	2,559	630	42	493	1,166
Financial assets available for sale – equities	265	32	150	447	151	31	0	182
Derivatives	4	9,908	1,151	11,063	0	10,113	1,380	11,493
TOTAL	**1,144**	**11,065**	**1,956**	**14,166**	**781**	**10,186**	**1,874**	**12,841**

B.3. Liabilities - Continuing operations

	31/12/11				31/12/12			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial liabilities designated at fair value	0	4,343	857	5,200	0	2,778	1,154	3,931
Derivatives	0	52,559	3,478	56,037	0	56,447	3,213	59,660
TOTAL	**0**	**56,902**	**4,335**	**61,237**	**0**	**59,225**	**4,367**	**63,592**

B.4. Liabilities included in disposal groups held for sale

	31/12/11				31/12/12			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial liabilities held for trading	3	0	0	3	0	0	0	0
Financial liabilities designated at fair value	0	2,294	700	2,994	0	0	0	0
Derivatives	3	6,652	5,203	11,859	0	6,000	4,153	10,153
TOTAL	**6**	**8,947**	**5,903**	**14,855**	**0**	**6,000**	**4,153**	**10,153**

C. TRANSFER BETWEEN LEVEL 1 AND LEVEL 2 FAIR VALUE HIERARCHY

Assets	31/12/11 – Continuing operations		31/12/12 – Continuing operations	
	From 1 to 2	From 2 to 1	From 1 to 2	From 2 to 1
Financial assets available for sale – bonds	109	0	0	770
TOTAL	**109**	**0**	**0**	**770**

In 2011, market for bonds issued by the Italian state in JPY became less active and motivated the transfer from level 1 to level 2 for an amount of EUR 109 million

In 2012, the market becomes more liquid for some Italian sovereign bonds which motivated their transfer from level 2 to level 1.

D. RECONCILIATION LEVEL 3 – CONTINUING OPERATIONS

D.1. Assets

	2011											
	Opening balance	Transfers in disposal groups held for sale (1)	Total gains/ losses in P&L	Total gains/ losses in OCI	Purchase	Sale	Settlement	Transfers in Level 3	Transfer out of Level 3 (2)	Changes in scope of consolidation (3)	Conversion differences	Closing
Financial assets held for trading	3,508	(53)	242	0	0	(661)	(91)	25	(8)	(689)	54	2,328
Financial assets designated at fair value – other than equities	287	(126)	(56)	0	0	(25)	0	2	0	(60)	1	23
Financial assets available for sale - bonds	42,639	(1,883)	(1,047)	(3,894)	151	(2,497)	(2,058)	31	(8,301)	(11,539)	238	11,839
Financial assets available for sale – equities	837	(210)	(2)	(22)	2	(4)	(11)	0	0	(238)	(1)	352
Derivatives	5,032	(1,440)	122		114	4	(70)	(19)	(60)	(2,048)	17	1,652
TOTAL	**52,303**	**(3,712)**	**(742)**	**(3,916)**	**267**	**(3,184)**	**(2,230)**	**40**	**(8,369)**	**(14,573)**	**310**	**16,193**

(1) Mainly Dexia Municipal Agency and Banque Internationale Luxembourg.
(2) Following the increase of the mark-to-market component in the valuation of sovereign debts, an important amount left level 3 category for level 2 category.
(3) Mainly Dexia Bank Belgium group.

	2012											
	Opening balance	Transfers in disposal groups held for sale (1)	Total gains/ losses in P&L	Total gains/ losses in OCI	Purchase	Sale	Settlement	Transfers in Level 3	Transfer out of Level 3	Changes in scope of consolidation	Conversion differences	Closing
Financial assets held for trading	2,328	(1)	(25)	0	0	(45)	(87)	0	0	0	28	2,198
Financial assets designated at fair value – other than equities	23	0	1	0	0	(1)	0	5	0	0	0	27
Financial assets available for sale – bonds	11,839	(39)	2,106	146	2,986	(554)	(1,032)	0	(492)	0	(52)	14,907
Financial assets available for sale – equities	352	(6)	25	(12)	12	(42)	0	4	0	0	0	332
Derivatives	1,652	0	(172)	0	59	0	0	437	0	16	26	2,018
TOTAL	**16,193**	**(46)**	**1,934**	**134**	**3,057**	**(642)**	**(1,119)**	**446**	**(492)**	**16**	**2**	**19,481**

(1) Group DenizBank.

D.2. Liabilities

	2011											
	Opening balance	Transfers in liabilities included in disposal groups held for sale[(1)]	Total gains/ losses in P&L	Total gains/ losses in OCI	Purchase	Direct origination	Settlement	Transfers in Level 3	Transfer out of Level 3	Changes in scope of consolidation [(2)]	Conversion differences	Closing
Financial liabilities designated at fair value	1,596	(775)	44	0	0	128	0	0	(15)	(121)	1	857
Derivatives	8,860	(4,922)	1,599	(1)	599	0	(1)	7	(13)	(2,654)	3	3,478
TOTAL	**10,456**	**(5,697)**	**1,643**	**(1)**	**599**	**128**	**(1)**	**7**	**(28)**	**(2,775)**	**4**	**4,335**

(1) Mainly Dexia Municipal Agency and Banque Internationale Luxembourg.
(2) Mainly Dexia Bank Belgium group.

	2012						
	Opening balance	Total gains/ losses in P&L	Purchase	Settlement	Transfers in Level 3	Conversion differences	Closing
Financial liabilities designated at fair value	857	0	0	(123)	446	(27)	1,154
Derivatives	3,478	(1,044)	631	0	113	35	3,213
TOTAL	**4,335**	**(1,044)**	**631**	**(123)**	**559**	**8**	**4,367**

E. SENSITIVITY OF LEVEL 3 VALUATIONS TO ALTERNATIVE ASSUMPTIONS

Dexia fair value applied to bonds and CDS is partly based on a mark to model. The sensitivity analysis described below measures the impact on fair value of alternative assumptions used for unobservable parameters at closing date.

Dexia decided to elaborate alternative assumptions on the following unobservable parameters :

- credit spreads, depending on availability of credit spreads for the same counterparty, or credit spreads based on similar counterparties, similar sectors or by using credit risk indexed on liquid CDS indexes;
- the basis Cash – CDS that allows to deduct bonds spreads from CDS spreads;
- liquidity of the financial instrument, depending on the activity of the instrument market.

Tests have been performed on all bonds and CDS classified in level 3. The main impacts are the following:

- For level 3 bonds in AFS, in 2012, the sensitivity of the AFS reserve to alternative assumptions is estimated between a positive impact of EUR +253 million and a negative impact of EUR -284 million, while in 2011, it was estimated beween a positive impact of EUR 236 million and a negative impact of EUR -233 million;
- Negative Basis Trades are considered as one single product, and are therefore tested for the bond and its related CDS together. The main assumption having an impact on their fair value is the unwinding impact. Based on the important number of unwinds performed by Dexia since 2009, and taking into account the stock of remaining NBT transactions, the positive impact (unwinds cost of 2009) is EUR +7.3 million whereas the negative impact (unwinds cost of 2011) gives an impact of EUR -39.7 million. For 2011, the positive impact (average unwind premium of 2009) was EUR +7 million whereas the negative impact (average unwind premium of 2011) gave an impact of EUR -41 million.

The impact of the credit spreads alternative assumptions on Dexia credit derivatives is estimated at EUR +3.3 million (positive scenario) versus EUR -3.4 million (negative scenario) before tax, while in 2011, it was estimated at EUR +3.7 million (positive scenario) versus EUR -3.7 million (negative scenario).

F. DISCLOSURE OF DIFFERENCE BETWEEN TRANSACTION PRICES AND MODELED VALUES (DEFERRED DAY ONE PROFIT) - CONTINUED OPERATIONS

No significant amounts are recognised as deferred Day One Profit (DOP) as at 31 December 2011 nor as at 31 December 2012.

DOP is recognised up-front on simple products, like Interest-Rate Swaps (IRS) or complex products (like structured transactions) that are backed-to-back.

Day one profit taken up-front amounted respectively EUR 19 million and EUR 3 million as at 31 December 2011 and as at 31 December 2012.

The amounts are recognised in Net trading income (disclosure 11.3).

12.2. Credit-risk exposure

A. ANALYSIS OF TOTAL DEXIA GROUP EXPOSURE

Credit-risk exposure is disclosed in the same way as reported to the Management and is:

- the net carrying amount for balance-sheet assets other than derivative contracts (i.e. accounting value after deduction of specific impairment);
- the fair value for derivatives contracts;
- the full commitment amount for off-balance-sheet commitments. The full commitment amount is either the undrawn part of liquidity facilities or the maximum amount Dexia is committed to pay for the guarantees it has granted to third parties.

Credit-risk exposure is broken down by geographical region and by counterpart taking into account the guarantees obtained and financial collateral (cash collateral and financial collateral for Repo and OTC instruments). This means that when credit-risk exposure is guaranteed by a third part whose weighted risk (for Basel reglementation) is lower than the one of the direct borrower, the exposure is then reported to the guarantor's geographical region and activity sector.

Credit-risk exposure is based on a scope that encompasses the fully-consolidated subsidiaries of Dexia Group and in 2011 included 50% of the joint venture RBC Dexia Investor Services.

A.1. Exposure by geographical region

	31/12/11		31/12/12	
	Continuing operations	Activities held for sale	Continuing operations	Activities held for sale
Belgium	29,020	8,208	10,692	5,227
France	39,596	55,267	33,489	51,303
Germany	26,999	2,357	24,448	956
Greece	1,203	3	227	0
Ireland	1,123	63	1,592	2
Italy	35,670	4,207	33,460	3,999
Luxembourg	221	10,359	516	14
Spain	25,158	750	22,975	518
Portugal	4,196	253	3,809	75
Hungary (1)	1,489	2	1,390	0
Austria	2,165	590	1,948	272
Central and eastern Europe (1)	4,895	61	4,201	132
Netherlands	1,058	336	980	0
Scandinavian countries	1,924	992	1,574	194
United Kingdom	17,816	1,800	18,198	696
Switzerland	359	4,442	176	3,801
Turkey	15,764	7	680	0
United States and Canada	38,991	7,184	31,513	690
South and Central America	2,059	152	1,110	0
Southeast Asia	1,828	299	1,220	0
Japan	7,225	72	7,296	25
Other (2)	14,396	974	8,601	129
TOTAL	**273,154**	**98,379**	**210,094**	**68,033**

(1) In 2011, Hungary was included in Central and eastern Europe, figures were restated accordingly
(2) Includes supranational entities, like European Central Bank

A.2. Exposure by category of counterpart

	31/12/11		31/12/12	
	Continuing operations	Activities held for sale	Continuing operations	Activities held for sale
Central governments	36,222	7,281	30,410	4,606
Local public sector	118,841 (1)	68,530	103,542 (2)	56,753
Corporate	21,394	3,535	8,425	145
Monoline	5,969	0	5,652	0
ABS/MBS	9,192	79	8,031	4,908
Project finance	16,763	235	15,939	18
Individuals, SME, self-employed	7,355	6,947	4	0
Financial institutions	57,192	11,758	38,091	1,603
Other	226	16	0	0
TOTAL	**273,154**	**98,379**	**210,094**	**68,033**

(1) Of which EUR 192 million on Greece, EUR 154 million on Hungary, EUR 17,208 million on Italy, EUR 1,801 million on Portugal and EUR 11,368 million on Spain.
(2) Of which EUR 87 million on Greece, EUR 143 million on Hungary, EUR 15,403 million on Italy, EUR 1,934 million on Portugal and EUR 10,698 million on Spain

B. CREDIT-RISK EXPOSURE BY CLASS OF FINANCIAL INSTRUMENTS

	31/12/11				31/12/12			
	Continuing operations		Activities held for sale		Continuing operations		Activities held for sale	
	Credit risk exposure	Financial effect of the collateral	Credit risk exposure	Financial effect of the collateral	Credit risk exposure	Financial effect of the collateral	Credit risk exposure	Financial effect of the collateral
Financial assets available for sale (excluding variable income securities)	38,597	0	2,947	0	35,661	0	1,124	0
Financial assets designated at fair value (excluding variable income securities)	148	0	0	0	26	0	0	0
Financial assets held for trading (excluding variable income securities)	2,485	0	17	0	2,198	0	0	0
Loans and advances (at amortised cost)	170,377	2,708	85,322	4,219	142,302	481	66,193	6
Investments held to maturity	1,054	0	51	0	453	0	10	0
Derivatives	6,241	1,680	826	2,421	5,698	2,137	314	3,335
Other financial instruments	762	1	394	2	974	0	73	0
Loan commitments granted	17,648	9	3,213	26	7,212	0	317	0
Guarantee commitments granted	35,842	12,910	5,610	25,104	15,572	17,349	1	0
TOTAL	**273,154**	**17,308**	**98,379**	**31,772**	**210,094**	**19,967**	**68,033**	**3,340**

Dexia holds financial collaterals.
The bulk of the financial collateral is composed of cash collaterals and term deposits, and to a lesser extent, of investment grade bonds (mainly AAA- AA sovereigns or banking issuers).
Only financial collaterals eligible under Basel II and directly held by Dexia are considered.

The figures in 'Credit risk exposure' have been decreased by the financial effect of the collateral. This explains why the amount of the financial effect of the collateral can be higher than the credit risk exposure amount.

C. CREDIT QUALITY OF FINANCIAL ASSETS NEITHER PAST DUE NOR IMPAIRED

Ratings indicated are either internal or external ones. Indeed, Dexia applies the AIRBA (Advanced Internal Ratings Based Approach) for the calculation of capital requirements for credit risk within the context of Pillar I of Basel II, except for ABS positions for which credit risk is calculated within the Ratings based Approach, based on external ratings (Fitch, Standard & Poors or Moody's) and part of its portfolio for which credit-risk exposure is calculated conforming the Basel II Standard method.

	31/12/11					
	AAA to AA-	A+ to BBB-	Non investment grade	Unrated	DenizBank(1)	Total
Financial assets available for sale (excluding variable income securities)	9,800	21,186	5,223	8	1,710	37,927
Financial assets designated at fair value (excluding variable income securities)	1	115	15	12	0	143
Financial assets held for trading (excluding variable income securities)	575	1,636	121	0	154	2,485
Loans and advances (at amortized cost)	71,720	69,365	12,496	1,421	13,537	168,539
Investments held to maturity	144	457	0	0	372	973
Derivatives	1,084	4,076	737	40	145	6,081
Other financial instruments	180	6	0	458	98	742
Loan commitments granted	8,700	4,897	913	82	2,954	17,546
Guarantee commitments granted	25,764	5,204	402	169	4,276	35,815
TOTAL CONTINUING OPERATIONS	**117,967**	**106,943**	**19,907**	**2,189**	**23,246**	**270,252**
TOTAL DISPOSAL GROUPS HELD FOR SALE	**39,487**	**47,403**	**8,694**	**1,664**	**0**	**97,248**
TOTAL	**157,454**	**154,345**	**28,601**	**3,853**	**23,246**	**367,500**

(1) As Dexia rating methodology was not yet fully implemented in DenizBank's organization, and as few external ratings were available on Turkish exposures, Dexia reported DenizBank in a separate column. However, the preservation of the internal scorings of DenizBank and of the credit risk monitoring systems allowed to keep a complete view on DenizBank's portfolio risks..
DenizBank portfolio was composed of 90% of Turkish assets. Therefore, the majority of the DenizBank financial assets belonged to the "Non-Investment Grade" category.
For a description of the credit quality of DenizBank's financial assets in 2011, we refer to Dexia's Annual Report 2011, page 197.

	31/12/12				
	AAA to AA-	A+ to BBB-	Non investment grade	Unrated	Total
Financial assets available for sale (excluding variable income securities)	6,221	21,235	8,178	0	35,634
Financial assets designated at fair value (excluding variable income securities)	0	6	16	4	26
Financial assets held for trading (excluding variable income securities)	880	1,232	77	0	2,189
Loans and advances (at amortized cost)	58,405	66,348	15,556	569	140,879
Investments held to maturity	88	364	0	0	453
Derivatives	617	4,071	694	23	5,405
Other financial instruments	173	16	3	764	956
Loan commitments granted	3,412	3,199	487	32	7,130
Guarantee commitments granted	3,461	11,396	537	163	15,557
TOTAL CONTINUING OPERATIONS	**73,258**	**107,867**	**25,547**	**1,556**	**208,228**
TOTAL DISPOSAL GROUPS HELD FOR SALE	**23,419**	**38,204**	**4,894**	**382**	**66,899**
TOTAL	**96,677**	**146,071**	**30,441**	**1,938**	**275,128**

D. INFORMATION ON PAST-DUE OR IMPAIRED FINANCIAL ASSETS

A financial asset is past due when the counterparty has failed to make a payment when contractually due. This is considered by contract.
As an example, if a counterpart fails to pay the required interests at due date, the entire loan is considered as past due.

	31/12/11			
	Past-due but not impaired financial assets			Carrying amount of individually impaired financial assets, before deducting any impairment loss
	≤ 90 days	> 90 days ≤ 180 days	> 180 days	
Financial assets available for sale (excluding variable income securities)				3,761
Loans and advances (at amortised cost)	407	19	248	2,388
Investments held to maturity				234
Other financial instruments				27
TOTAL CONTINUING OPERATIONS (1)	**407**	**19**	**248**	**6,410**
TOTAL DISPOSAL GROUPS HELD FOR SALE	**432**	**95**	**79**	**64**
TOTAL	**839**	**114**	**327**	**6,474**

(1) The carrying amount of individually impaired financial assets, before deducting any impairment loss includes depreciated Greek sovereign or assimilated exposures for an amount of EUR 4,199 million on which a depreciation of EUR 3,357 million has been recognized. Other impaired financial instruments are derivatives with banking counterparts and customers counterparts.

	31/12/12			
	Past-due but not impaired financial assets			Carrying amount of individually impaired financial assets, before deducting any impairment loss
	≤ 90 days	> 90 days ≤ 180 days	> 180 days	
Financial assets available for sale (excluding variable income securities)				160
Loans and advances (at amortised cost)	325	25	251	1,322
Other financial instruments				29
TOTAL CONTINUING OPERATIONS	**325**	**25**	**251**	**1,511**
TOTAL DISPOSAL GROUPS HELD FOR SALE	**135**	**148**	**425**	**354**
TOTAL	**460**	**173**	**676**	**1,865**

Past due outstandings are mainly related to local public sector. Financial assets are determined as impaired according to the description made in valuation rules (see note 1.6.5.).

E. COLLATERAL AND OTHER CREDIT ENHANCEMENTS OBTAINED BY TAKING POSSESSION OF COLLATERAL HELD – CONTINUING OPERATIONS

Dexia obtained property plant and equipment by taking possession of collateral for a carrying amount of respectively EUR 14 million and EUR 15 million as at 31 December 2011 and 31 december 2012.Usually, Dexia does not intend to keep the collateral and converts into cash the collaterals obtained, respecting the legal procedures thereon specific to each country for seizure of property and for seizure of goods.

F. ALLOWANCES MOVEMENTS FOR CREDIT LOSSES – CONTINUING OPERATIONS

	As at 1 Jan. 2011	Transfers in disposal groups held for sale	Utilisation	Amounts set aside for estimated probable loan losses	Amounts reversed for estimated probable loan losses	Changes in scope of consolidation	Other	As at 31 Dec. 2011	Recoveries directly recognised in profit or loss	Charge-offs directly recognised in profit or loss
SPECIFIC ALLOWANCES FOR FINANCIAL ASSETS	**3,960**	**(319)**	**(122)**	**3,564**	**(313)**	**(1,004)**	**(1,270)**	**4,497**	**2**	**(54)**
Loans and advances due from banks	25			5		(25)		5		
Loans and advances to customers(1)	3,214	(205)	(109)	653	(215)	(613)	(1,340)	1,385	2	(54)
Investments held to maturity	0			149			4	153		
Financial assets available for sale(2)	722	(114)	(13)	2,757	(98)	(366)	66	2,954		
of which fixed income instruments	*572*	*(93)*		*2,748*	*(98)*	*(292)*	*40*	*2,877*		
of which equity instruments	*150*	*(21)*	*(13)*	*9*		*(74)*	*27*	*78*		
ALLOWANCES FOR INCURRED BUT NOT REPORTED LOSSES ON FINANCIAL ASSETS	**1,308**	**(55)**	**(75)**	**276**	**(176)**	**(419)**	**(304)**	**555**		
Loans and advances due from banks	25			1	(2)	(14)	1	11		
Loans and advances to customers(3)	1,282	(55)	(75)	275	(174)	(405)	(305)	543		
TOTAL	**5,268**	**(374)**	**(197)**	**3,840**	**(489)**	**(1,423)**	**(1,574)**	**5,052**	**2**	**(54)**

(1) Other : of which EUR 1,210 million is related to the transfer of FP portfolio in "Non-current assets and disposal groups held for sale".
(2) Amounts set aside for estimated probable loan losses : mainly related to Greek sovereign bonds.
(3) Other : of which EUR 287 million is related to the transfer of FP portfolio in "Non-current assets and disposal groups held for sale".

	As at 1 Jan. 2012	Transfers in disposal groups held for sale	Utilisation	Amounts set aside for estimated probable loan losses	Amounts reversed for estimated probable loan losses	Other	As at 31 Dec. 2012	Recoveries directly recognised in profit or loss	Charge-offs directly recognised in profit or loss
SPECIFIC ALLOWANCES FOR FINANCIAL ASSETS	**4,497**	**(338)**	**(566)**	**597**	**(3,603)**	**(38)**	**549**	**29**	**(367)**
Loans and advances due from banks	5					(5)	0		
Loans and advances to customers	1,385	(334)	(515)	254	(393)	(2)	395	29	(367)
Investments held to maturity	153				(141)	(12)	0		
Financial assets available for sale (1)	2,954	(4)	(51)	343	(3,068)	(19)	154		
of which fixed income instruments	*2,877*	*(4)*		*335*	*(3,068)*	*(18)*	*121*		
of which equity instruments	*78*		*(51)*	*8*		*(1)*	*34*		
ALLOWANCES FOR INCURRED BUT NOT REPORTED LOSSES ON FINANCIAL ASSETS	**555**	**(203)**	**(4)**	**315**	**(238)**	**(2)**	**423**		
Loans and advances due from banks	11	(3)		4	(6)		6		
Loans and advances to customers	543	(200)	(4)	311	(232)	(2)	416		
TOTAL	**5,052**	**(541)**	**(570)**	**911**	**(3,842)**	**(40)**	**972**	**29**	**(367)**

(1) Amounts reversed for estimated probable loan losses : mainly related to Greeks sovereign bonds.

G. CREDIT-RISK INFORMATION FOR LOANS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS – CONTINUING OPERATIONS

	31/12/11	
Maximum exposure to credit risk	**Amount of change in loans at fair value through profit and loss attributable to changes in the credit risk**	
	Change of the period	**Cumulative amount**
16	(3)	(3)

	31/12/12	
Maximum exposure to credit risk	**Amount of change in loans at fair value through profit and loss attributable to changes in the credit risk**	
	Change of the period	**Cumulative amount**
5	0	(3)

No credit derivative is held to mitigate the maximum exposure to credit risk.
Dexia estimates the fair value of the loans by calculating the amount of future contractual cash flows from the assets and discounting the payments to a present value at a discount rate that reflects the uncertainty associated with those payments.

The change in credit spread is not significant and credit risk is not hedged.

H. CREDIT RISK INFORMATION ABOUT FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS – CONTINUING OPERATIONS

31/12/11			
Carrying amount	Amount of change in fair value attributable to changes in the credit risk of the liabilities		Difference between carrying amount and contractual amount required to be paid at maturity [1]
	Change of the period	Cumulative amount	
5,200	(54)	(320)	715

(1) This amount includes the premium/discount and the accumulated change in the market value.

31/12/12			
Carrying amount	Amount of change in fair value attributable to changes in the credit risk of the liabilities		Difference between carrying amount and contractual amount required to be paid at maturity [1]
	Change of the period	Cumulative amount	
3,931	134	(186)	685

(1) This amount includes the premium/discount and the accumulated change in the market value.

See also note 8.3. Financial liabilities measured at fair value through profit or loss Financial liabilities designated at fair value.

I. SOVEREIGNS – DIRECT EXPOSURES – CONTINUING OPERATIONS

	Greece		Hungary	Italy		Portugal	Spain
31/12/11	AFS[2]	L&R and HTM[3]	AFS[2]	AFS[2]	L&R and HTM[3]	AFS[2]	AFS[2]
Accounting value before fair value adjustments [1]	2,564	359	1,345	4,169	5,303	2,025	466
Interest rate hedged	902	77	95	1,596	610	560	52
Fair value adjustment (not hedged)			(305)	(2,069)		(961)	(40)
Impairment on accounting value	(1,920)	(268)					
Impairment on hedges (including CFH)	(902)	(77)					
BALANCE SHEET VALUE	**645**	**91**	**1,135**	**3,697**	**5,914**	**1,624**	**479**
Available for sale reserve (gross)			(305)	(2,069)	(71)	(961)	(40)
Deferred tax			23	396	23	54	11
Available for sale reserve (net)			(283)	(1,673)	(48)	(907)	(29)

(1) Acquisition cost, accrued interests and premium-discount.
(2) AFS: Available-for-sale.
(3) L&R: Loans and Receivables; HTM: Held to maturity.

Dexia sold to customers CDS on the Italian state for an amount of EUR 803 million. This position was reversed in the market.

31/12/12	Hungary	Italy		Portugal		Spain	
	AFS[2]	AFS[2]	L&R [3]	AFS[2]	L&R[3]	AFS[2]	L&R[3]
Accounting value before fair value adjustments [1]	1,181	4,083	9,498	1,806	46	453	19
Interest rate hedged	134	1,968	1,406	709	22	14	12
Fair value adjustment (not hedged)	(147)	(1,670)		(1,253)		(37)	
BALANCE SHEET VALUE	**1,169**	**4,381**	**10,904**	**1,262**	**68**	**431**	**30**
Available for sale reserve (gross)	(147)	(1,670)	(67)	(1,253)		(37)	
Deferred tax		12	20				
Available for sale reserve (net)	(147)	(1,658)	(47)	(1,253)		(37)	

(1) Acquisition cost, accrued interests and premium-discount.
(2) AFS: Available-for-sale.
(3) L&R: Loans and Receivables.

In 2012, on the occasion of the exchange plans negotiated by the Greek state, Dexia sold or exchanged all of its exposure on Greek sovereign bonds.
Increased exposure to the Italian sovereign in 2012 is mainly due to the assimilation of certain local authorities' claims to the State.

Dexia hasn't any net position on credit default swaps on Italian sovereign debt: Dexia sold to customers CDS on the Italian state for an amount of EUR 803 million. The position is reversed in the market.
Dexia has given loan commitments to some local Italian authorities for EUR 268 million. Dexia has no exposure on the sovereign debt of Ireland.

12.3. Information about collaterals - continuing operations

A. ASSETS RECEIVED AS COLLATERAL IF THIS COLLATERAL CAN BE SOLD OR REPLEDGED

Assets received as collateral	Collateral received as at Dec. 31, 2011		Collateral received as at Dec. 31, 2012	
	Fair value of collateral held	Fair value of collateral sold/ repledged	Fair value of collateral held	Fair value of collateral sold/ repledged
Debt instruments	479		1	
Loans and advances			115	
Cash collaterals	2,626	2,626	3,141	3,141
TOTAL	**3,105**	**2,626**	**3,257**	**3,141**

Collaterals are obtained within the framework of repurchase agreement activities and of bond lending activities.
Cash is obtained as collateral for derivatives within the framework of Credit Support Annex (CSA).
Contracts which determine the conditions of repledge are either standard Overseas Securities Lending Agreement (OSLA) – possibly amended by the legal department or contracts written by the legal department. Repledge is an usual market practice.

B. INFORMATION ON FINANCIAL ASSETS PLEDGED AS COLLATERAL

Carrying amount of financial assets pledged as collateral as at Dec. 31, 2011		Carrying amount of financial assets pledged as collateral as at Dec. 31, 2012	
for liabilities	for contingent liabilities	for liabilities	for contingent liabilities
79,416	0	116,760	0

In the framework of its liquidity management, Dexia pledges nearly all its debt instruments and an important part of its loans. The amount of EUR 117 billion represents the cash collaterals given for derivatives (see notes 7.3.A and 7.4.B) and the assets pledged to collateralize financing received from the Eurosystem, from the European Investment Bank, repurchase agreements or other secured funding and the States' guarantee mechanism. This amount does not include the assets pledged in favor of the covered bonds issued by Dexia Kommunalbank Deutschland or Dexia LdG Banque SA nor the Guaranteed Investment Contracts (GIC) of Dexia FP Holdings Inc. These assets amount around EUR 42 billion.

12.4. Interest-rate repricing risk: breakdown by remaining maturity until next refixing interest rate

Current accounts and saving deposits are presented in the column “At sight and on demand” as the information presented below takes into account the remaining maturity until the next date at which interest rates are reset from an accounting point of view, rather than on assumptions based on observed behavioral data. This latter approach is realized in the BSM sensitivity (see note12.5).

a. Assets	**31/12/11**									
	At sight and on demand	**Up to 3 months**	**More than 3 months to 1 year**	**More than 1 year to 5 years**	**Over 5 years**	**Undeter-mined maturity**	**Accrued interest**	**Fair value adjust-ment**	**Impair-ment**	**Total**
Cash and balances with central banks	4,845	2								4,847
Loans and advances due from banks	8,020	24,282	5,106	5,781	1,953		95	508	(17)	45,728
Loans and advances to customers	1,986	38,314	33,965	19,710	63,674	591	1,262	15,977	(1,928)	173,550
Financial assets held for trading	1	710	76	198	1,170	40	13	333		2,541
Financial assets designated at fair value	3	92	25	29	25		1	(26)		148
Financial assets available for sale	415	8,710	3,987	8,510	19,695	73	709	495	(2,954)	39,640
Investments held to maturity		47	326	595	135		101		(153)	1,051
Derivatives							2,475	25,823		28,298
Fair value revaluation of portfolio hedge								3,020		3,020
Tangible fixed assets						736				736
Intangible assets and goodwill						1,184				1,184
Tax assets						932				932
Other assets	224	301	123	1	1	87		3	(15)	724
Non-current assets		259				41		(243)		58
TOTAL CONTINUING OPERATIONS	**15,494**	**72,716**	**43,607**	**34,825**	**86,653**	**3,683**	**4,656**	**45,891**	**(5,068)**	**302,457**
Disposal groups held for sale	11,030	20,438	9,729	14,025	35,987	1,516	2,146	15,725	(294)	110,301
TOTAL	**26,524**	**93,154**	**53,337**	**48,850**	**122,640**	**5,199**	**6,802**	**61,615**	**(5,362)**	**412,759**

b. Liabilities	31/12/11								
	At sight and on demand	Up to 3 months	More than 3 months to 1 year	More than 1 year to 5 years	Over 5 years	Undeter-mined maturity	Accrued interest	Fair value adjustment	Total
Due to banks	961	74,749	8,908	20,165	1,370		193	39	106,384
Customer borrowings and deposits	2,855	9,594	2,491	2,108	2,106		141	123	19,419
Financial liabilities designated at fair value		993	22	1,140	2,222		94	729	5,200
Derivatives							3,128	52,909	56,037
Fair value revaluation of portfolio hedge								445	445
Debt securities	2	54,294	11,055	16,499	18,598		1,090	3,749	105,288
Subordinated debts		1,348	106	56	124		15	42	1,691
Provisions and other obligations						332			332
Tax liabilities						192			192
Other liabilities	617	731	77	18	86	209	3		1,741
TOTAL CONTINUING OPERATIONS	**4,436**	**141,709**	**22,659**	**39,986**	**24,506**	**734**	**4,663**	**58,037**	**296,729**
Liabilities included in disposal groups held for sale	19,752	14,896	8,091	23,283	31,453	231	2,077	16,566	116,350
TOTAL	**24,188**	**156,605**	**30,751**	**63,269**	**55,958**	**965**	**6,741**	**74,603**	**413,079**

c. Net position	31/12/11					
	At sight and on demand	Up to 3 months	More than 3 months to 1 year	More than 1 year to 5 years	Over 5 years	Undetermined maturity
On-balance-sheet sensitivity gap for continuing operations	11,058	(68,993)	20,948	(5,162)	62,148	2,950
On-balance-sheet sensitivity gap for disposal groups held for sale	(8,722)	5,541	1,638	(9,258)	4,534	1,284
Total on-balance sheet sensitivity gap	**2,336**	**(63,451)**	**22,586**	**(14,420)**	**66,682**	**4,234**

Balance-sheet sensitivity gap is hedged through derivatives.

a. Assets	31/12/12									
	At sight and on demand	Up to 3 months	More than 3 months to 1 year	More than 1 year to 5 years	Over 5 years	Undeter-mined maturity	Accrued interest	Fair value adjustment	Impairment	Total
Cash and balances with central banks	1,054									1,054
Loans and advances due from banks	1,407	38,556	1,311	3,313	1,706		66	675	(7)	47,027
Loans and advances to customers	238	26,022	25,169	17,921	63,313		870	17,295	(811)	150,019
Financial assets held for trading		1,850	3	27	33	1	8	277		2,198
Financial assets designated at fair value			6	27			1	(8)		27
Financial assets available for sale	19	5,882	2,965	8,471	16,825	36	539	1,480	(155)	36,061
Investments held to maturity		14	48	337	51		5			456
Derivatives							2,103	28,423		30,526
Fair value revaluation of portfolio hedge								3,526		3,526
Tangible fixed assets						501				501
Intangible assets and goodwill						102				102
Tax assets						229				229
Other assets	3	693	125	2		78		3	(18)	886
Non-current assets						18				17
TOTAL CONTINUING OPERATIONS	**2,720**	**73,017**	**29,627**	**30,099**	**81,928**	**964**	**3,592**	**51,671**	**(990)**	**272,628**
Disposal groups held for sale	2,455	13,035	8,355	12,573	29,848	473	1,900	15,992	(49)	84,581
TOTAL	**5,175**	**86,052**	**37,982**	**42,673**	**111,776**	**1,437**	**5,493**	**67,662**	**(1,040)**	**357,210**

b. Liabilities	31/12/12								
	At sight and on demand	Up to 3 months	More than 3 months to 1 year	More than 1 year to 5 years	Over 5 years	Undetermined maturity	Accrued interest	Fair value adjustment	Total
Due to banks	331	39,950	3,972	36,576	6,257		378	15	87,478
Customer borrowings and deposits	2,327	4,484	1,824	373	1,912		57	134	11,111
Financial liabilities designated at fair value		571	144	894	1,533		93	695	3,931
Derivatives							2,978	56,682	59,660
Fair value revaluation of portfolio hedge								372	372
Debt securities	19	29,456	23,666	33,252	17,306	1	1,016	4,936	109,651
Subordinated debts		30	5	425	213		8	26	707
Provisions and other obligations						251			251
Tax liabilities						234			234
Other liabilities	32	593	106	184	101	130	3		1,148
TOTAL CONTINUING OPERATIONS	**2,709**	**75,083**	**29,716**	**71,705**	**27,321**	**616**	**4,533**	**62,860**	**274,543**
Liabilities included in disposal groups held for sale		9,657	5,053	23,498	22,488	63	1,748	16,849	79,357
TOTAL	**2,709**	**84,740**	**34,769**	**95,202**	**49,809**	**679**	**6,282**	**79,709**	**353,900**

c. Net position	31/12/12					
	At sight and on demand	Up to 3 months	More than 3 months to 1 year	More than 1 year to 5 years	Over 5 years	Undetermined maturity
On-balance-sheet sensitivity gap for continuing operations	11	(2,066)	(89)	(41,605)	54,607	349
On-balance-sheet sensitivity gap for disposal groups held for sale	2,455	3,378	3,302	(10,924)	7,360	409
TOTAL ON-BALANCE SHEET SENSITIVITY GAP	**2,466**	**1,312**	**3,213**	**(52,530)**	**61,967**	**758**

Balance-sheet sensitivity gap is hedged through derivatives.

12.5. Market risk & BSM Overview

Market Risks' measures:

a) Treasury and Financial Market (TFM):

- Trading book risks: general interest rate, foreign exchange, equity, credit spread and other risks (inflation, CO_2) which are managed within Value at Risk (VaR) limits and adequate risk limits.
- Cash and Liquidity Management (CLM) – only banking – followed by means of Value at Risk (VaR) and interest-rate sensitivity limits.

b) Balance-Sheet Management (BSM)

- Interest-rate risk is followed within sensitivity limits for BSM and for the Dexia FP activities; in 2011, an indicative Value at Risk was also available.
- Equity exposure was followed within Value at Risk (VaR) limits. As from 1st october 2011 onwards, following the sale of Dexia Bank Belgium (now Belfius), there was no more need for this calculation.

c) Banking bond portfolio

- Bond Portfolio Spread Risk: managed through Credit Spread sensitivities and an indicative VaR.

A. TREASURY AND FINANCIAL MARKET ACTIVITIES

Treasury and Financial Market (TFM) activities of Dexia are oriented as a support function for the Group.
TFM assumes trading activities as well as non-trading risk positions that arise from cash and liquidity management activities.
For 2011, VaR was calculated on group level for 1Q, 2Q, 3Q. For 4Q 2011, Dexia provided VaR data split between the entities that were "Held for Sale" (BIL) and the entities which were "Continuing operations" (DCL & DENIZ).
DBB was not included anymore in the 4Q figures as its sale was concluded at the beginning of 4Q. The Global VaR limit was reduced to EUR 29 million after the sale of DBB, it consists of the limit for both "Held for Sale" and "Continuing operations".
For 2012 the global VaR limit has been set to EUR 22 million.

Dexia Group calculated:

- an Interest-Rate (IR) and Foreign Exchange (FX) VaR mainly based on parametrical method (99% 10 days), complemented by an historical full valuation VaR to measure the FX derivatives and IR volatility risk;
- an Equity VaR based on a full valuation historical method (in 2011);
- a historical credit-spread VaR based on sensitivities;
- a historical VaR on inflation based on sensitivities and a historical Var in full revaluation on carbon ($C0_2$) risks (in 2011).

The detailed VaR used by the Dexia Group is disclosed in the table below.

Value at Risk – 99% 10 days (in millions of EUR)

		2011																
		IR(1)&FX(2) (Trading and Banking) (3)					EQT(4) Trading				Spread Trading					Other risks (5)		
		1Q	2Q	3Q	4Q (6)	4Q (7)	1Q	2Q	3Q	4Q (6)	1Q	2Q	3Q	4Q (6)	4Q (7)	1Q	2Q	3Q
By risk factor	Average	13.3	12.3	14.0	4.4	1.5	1.7	2.7	1.8	0.0	18.8	13.3	11.7	2.6	0.0	3.2	2.0	2.1
	Max	18.6	18.6	24.5	6.6	7.3	3.6	5.6	4.1	0.1	20.7	19.0	14.2	2.7	0.1	3.8	3.1	2.3
Global	Average	26.4																
	Maximum	43.3																
	End period (6)	8.7																
	Limit (6)	29																

(1) IR: interest rate.
(2) FX: forex.
(3) IR & FX: without BSM.
(4) EQT: equities; following the sale of DBB group, this risk doesn't exist any more as from 4Q 2011
(5) Other risks: Inflation, commodities & CO_2; following the sale of DBB group, these risks don't exist any more as from 4Q 2011.
(6) Continuing operations.
(7) Activities held for sale.

		2012													
		IR(1)&FX(2) (Trading and Banking) (3)							Spread Trading						
		1Q (4)	1Q (5)	2Q (4)	2Q (5)	3Q (4)	3Q (5)	4Q (4)	1Q (4)	1Q (5)	2Q (4)	2Q (5)	3Q (4)	3Q (5)	4Q (4)
By risk factor	Average	3.8	1.5	2.7	2.5	5.1	1.1	2.0	2.6	0.3	5.9	0.3	8.3	0.3	8.2
	Max	6.0	2.6	5.2	3.5	10.3	1.1	3.8	2.7	1.6	8.3	1.2	8.8	0.3	8.4
Global	Average	9.7													
	Maximum	18.3													
	End period (4)	10.4													
	Limit (4)	22													

(1) IR: interest rate.
(2) FX: forex.
(3) IR & FX: without BSM.
(4) Continuing operations.
(5) Activies held for sale, these risks don't exist any more as from 4Q 2012 for activities held for sale as they have no TFM activities.

The CLM risk is also monitored using interest rate sensitivity limits.
As at 31/12/2011 the continuing operations' sensitivity to a 1% change in interest rates amounted to EUR -52 million compared to a limit of EUR 115 million.
As at 31/12/2012 the continuing operations' sensitivity to a 1% change in interest rates amounted to EUR -72 million compared to a limit of EUR 95 million.

B. BSM-INTEREST RATE AND EQUITY RISK
(in millions of EUR)

BSM falls under the direct decision and control authority of the ALCO Group and of the Funding and Liquidity Committee. The sensitivity measures the change in the balance-sheet net economic value if interest rates rise by 1 % across the entire interest-rate curve.

For the sensitivity calculation, residual maturity of the portfolio until next refixing interest-rate date is defined using assumptions on the observed behaviour of the customers and not on legal repayment date (see note 12.4).

		2011 (1)							
		Interest rate (3)					Equity (4)		
		1Q	2Q	3Q	4Q (6)	4Q (7)	1Q	2Q	3Q
Banking companies BSM (2)	Sensitivity	(36)	(68)	57	(19)	15			
	VaR 99% 10d	44	46	44	34	7	15	9	9
Insurance	Sensitivity	55	48	95					
	Mitigated VaR 99% 10d (5)						119	73	79

(1) Dexia Financial Products (DEXIA FP) excluded.
(2) CLM excluded.
(3) Sensitivities to 1% shift. As at 31 December 2011 the interest rate sensitivity limit for BSM continuing operations amounted to EUR 170 million / %.
(4) As from 4Q 2011, following the sale of DBB-DIB, no more equity risk is calculated, as mainly all shares were held by Dexia Insurance Belgium.
(5) The mitigated VaR takes into consideration the repartition of risks between the insurance policy holder and the insurer.
(6) Continuing operations.
(7) Activities held for sale.

	2012 (1)							
	Interest rate (3)							
	1Q (4)	1Q (5)	2Q (4)	2Q (5)	3Q (4)	3Q (5)	4Q (4)	4Q (6)
Sensitivity (2)	(32)	10	(25)	15	(20)	n.a.	(6)	10

(1) Dexia Financial Products (DEXIA FP) included. As at 31 December 2011, the sensitivity of Dexia Financial Products amounted to EUR 7 million.
(2) CLM excluded.
(3) Sensitivities to 1% shift. As at 31 December 2012 the interest rate sensitivity limit for BSM continuing operations amounted to EUR 266 million / %. As at 31 December 2011, the interest rate sensitivity limit for Dexia Financial Products amounted to EUR 26 million.
(4) Continuing operations.
(5) Activities held for sale: DenizBank and Banque Internationale Luxembourg. Due to the large integration of the processes within Dexia Crédit Local group, the sensitivity of the activities of Dexia Municipal Agency and Dexia Crédit Local were followed globally until 3Q 2012.
(6) Activities held for sale: Dexia Municipal Agency.

C. DEXIA BANKING BOND PORTFOLIO EXPOSURE

* Outstanding (*in billions of EUR*)	2011		2012	
	Continuing operations	Activities held for Sale	Continuing operations	Activities held for Sale
	98	14	87	11

*** Interest-rate sensitivity**

The interest-rate risk of the Bond portfolio is hedged & match funded on the coupon rolls, as its purpose is the credit spread; therefore it has a very limited sensitivity to change of interest rate.

*** Credit spread sensitivity (*in millions of EUR*)**

It estimates the sensitivity of the AFS reserve after a basis point spread increase.

	2011		2012	
	Continuing operations	Activities held for Sale	Continuing operations	Activities held for Sale
	(30)	(1)	(27)	(1)

12.6. Liquidity risk

We also refer to the chapter Risk Management in the Management report, page 69 which discusses Dexia's policy regarding liquidity risk, the measure of the risk, the regulatory ratio to which Dexia is submitted and the management of the liquidity needs since 2008.
Current accounts and saving deposits are included in the column "At sight and on demand" even though they have no fixed repayment date.

BREAKDOWN RESIDUAL MATURITY

Assets	31/12/11									
	Breakdown of gross amount and premium/discount						Accrued interest	Fair value adjustment	Impairment	Total
	At sight and on demand	Up to 3 months	More than 3 months to 1 year	More than 1 year to 5 years	Over 5 years	Undetermined maturity				
Cash and balances with central banks	4,196	650								4,847
Loans and advances due from banks	1,276	36,909	1,407	2,754	2,795		95	508	(17)	45,728
Loans and advances to customers	238	5,572	9,047	32,960	109,831	592	1,262	15,977	(1,928)	173,550
Financial assets held for trading		129	59	229	1,738	40	13	333		2,541
Financial assets designated at fair value	3		25	119	26		1	(26)		148
Financial assets available for sale	32	3,732	2,134	12,042	23,378	73	709	495	(2,954)	39,640
Investments held to maturity		205	76	646	177		101		(153)	1,051
Derivatives							2,475	25,823		28,298
Fair value revaluation of portfolio hedge								3,020		3,020
Tangible fixed assets						736				736
Intangible assets and goodwill						1,184				1,184
Tax assets						932				932
Other assets	197	327	123	1	1	87		3	(15)	724
Non-current assets held for sale				21	238	41		(243)		57
TOTAL CONTINUING OPERATIONS	**5,943**	**47,523**	**12,871**	**48,772**	**138,185**	**3,684**	**4,656**	**45,891**	**(5,068)**	**302,457**
Disposal groups held for sale	9,038	6,471	4,845	21,145	49,401	1,824	2,146	15,725	(294)	110,301
TOTAL	**14,981**	**53,994**	**17,716**	**69,917**	**187,586**	**5,508**	**6,802**	**61,615**	**(5,362)**	**412,759**

Liabilities	31/12/11								
	Breakdown of gross amount and premium/discount						Accrued interest	Fair value adjust-ment	Total
	At sight and on demand	Up to 3 months	More than 3 months to 1 year	More than 1 year to 5 years	Over 5 years	Undeter-mined maturity			
Due to banks	960	46,980	5,975	44,502	7,736		193	39	106,384
Customer borrowings and deposits	2,844	8,724	2,897	2,437	2,253		141	123	19,419
Financial liabilities designated at fair value		20	724	1,582	2,051		94	729	5,200
Derivatives							3,128	52,909	56,037
Fair value revaluation of portfolio hedge								445	445
Debt securities	2	27,193	5,855	43,088	24,310		1,090	3,749	105,288
Subordinated debts			16	252	1,365		15	42	1,691
Provisions and other obligations						332			332
Tax liabilities						192			192
Other liabilities	614	714	77	18	105	210	3		1,741
TOTAL CONTINUING OPERATIONS	**4,421**	**83,630**	**15,544**	**91,879**	**37,821**	**734**	**4,663**	**58,037**	**296,729**
Liabilities included in disposal groups held for sale	16,404	13,620	5,782	26,993	34,678	231	2,077	16,566	116,350
TOTAL	**20,824**	**97,251**	**21,326**	**118,872**	**72,499**	**965**	**6,741**	**74,603**	**413,079**

	31/12/11					
	At sight and on demand	Up to 3 months	More than 3 months to 1 year	More than 1 year to 5 years	Over 5 years	Undeter-mined maturity
Net liquidity gap from continuing operations	1,523	(36,107)	(2,673)	(43,107)	100,364	2,950
Net liquidity gap from assets held for sale	(7,366)	(7,150)	(936)	(5,848)	14,723	1,593
Total net liquidity gap	(5,843)	(43,257)	(3,610)	(48,955)	115,087	4,543

This table does not take into account the liquidity nor the eligibility to refinancing the asset; some listed long-term assets may be sold or refinanced with central banks in case of need of liquidity.

The liquidity position of a bank results from the difference between contractual maturities of assets and of liabilities. This allows the presentation of the liquidity gap.

A bank uses derivatives to hedge its risks. The cash flows are therefore dependent on the evolution of the underlying index (interest rate, exchange rate, credit spreads, etc.) for which expected cash flows can significantly change. As Dexia uses derivatives for banking and trading activities, including such expected cash flows in the table, would make the figures less relevant for readers. Dexia therefore reports the market value of derivatives in the column "Fair value adjustment", in the same way it is reported for fair value adjustments on other financial assets and liabilities.

Assets	31/12/12									
	Breakdown of gross amount and premium/discount						Accrued interest	Fair value adjust-ment	Impair-ment	Total
	At sight and on demand	Up to 3 months	More than 3 months to 1 year	More than 1 year to 5 years	Over 5 years	Undeter-mined maturity				
Cash and balances with central banks	364	690								1,054
Loans and advances due from banks	1,345	37,011	1,180	4,208	2,547		66	675	(7)	47,027
Loans and advances to customers	112	3,635	4,992	26,783	97,142		870	17,295	(811)	150,019
Financial assets held for trading		41	5	177	1,690	1	8	277		2,198
Financial assets designated at fair value				34			1	(8)		27
Financial assets available for sale	18	2,891	2,464	10,124	18,665	36	539	1,480	(155)	36,061
Investments held to maturity		14	48	337	51		5			456
Derivatives							2,103	28,423		30,526
Fair value revaluation of portfolio hedge								3,526		3,526
Tangible fixed assets						501				501
Intangible assets and goodwill						102				102
Tax assets						229				229
Other assets	2	691	128	2		78		3	(18)	886
Non-current assets held for sale						18				17
TOTAL CONTINUING OPERATIONS	**1,842**	**44,973**	**8,816**	**41,665**	**120,095**	**964**	**3,592**	**51,671**	**(991)**	**272,628**
Disposal groups held for sale	2,449	2,126	3,356	18,102	40,234	473	1,900	15,992	(49)	84,581
TOTAL	**4,291**	**47,099**	**12,172**	**59,766**	**160,329**	**1,437**	**5,493**	**67,663**	**(1,040)**	**357,210**

Liabilities	31/12/12								
	Breakdown of gross amount and premium/discount						Accrued interest	Fair value adjust-ment	Total
	At sight and on demand	Up to 3 months	More than 3 months to 1 year	More than 1 year to 5 years	Over 5 years	Undeter-mined maturity			
Due to banks	178	32,041	5,527	42,414	6,926		378	15	87,478
Customer borrowings and deposits	2,325	4,275	1,829	577	1,913		57	134	11,111
Financial liabilities designated at fair value		25	369	1,209	1,540		93	695	3,931
Derivatives							2,978	56,682	59,660
Fair value revaluation of portfolio hedge								372	372
Debt securities	19	23,056	20,179	40,827	19,617	1	1,016	4,936	109,651
Subordinated debts		10	5	425	232		8	26	707
Provisions and other obligations						251			251
Tax liabilities						234			234
Other liabilities	32	593	106	184	101	130	3		1,148
TOTAL CONTINUING OPERATIONS	**2,554**	**60,000**	**28,014**	**85,635**	**30,331**	**616**	**4,533**	**62,860**	**274,543**
Liabilities included in disposal groups held for sale		6,635	3,134	25,945	24,981	63	1,748	16,849	79,357
TOTAL	**2,554**	**66,635**	**31,149**	**111,580**	**55,312**	**679**	**6,282**	**79,709**	**353,900**

	31/12/12					
	At sight and on demand	Up to 3 months	More than 3 months to 1 year	More than 1 to 5 years	Over 5 years	Undetermined maturity
Net liquidity gap from continuing operations	(711)	(15,026)	(19,198)	(43,971)	89,765	349
Net liquidity gap from assets held for sale	2,449	(4,509)	222	(7,843)	15,253	409
TOTAL NET LIQUIDITY GAP	**1,738**	**(19,536)**	**(18,976)**	**(51,814)**	**105,017**	**758**

This table does not take into account the liquidity nor the eligibility to refinancing the asset; some listed long-term assets may be sold or refinanced with central banks in case of need of liquidity.

The liquidity position of a bank results from the difference between contractual maturities of assets and of liabilities. This allows the presentation of the liquidity gap.

A bank uses derivatives to hedge its risks. The cash flows are therefore dependent on the evolution of the underlying index (interest rate, exchange rate, credit spreads, etc.) for which expected cash flows can significantly change. As Dexia uses derivatives for banking and trading activities, including such expected cash flows in the table, would make the figures less relevant for readers. Dexia therefore reports the market value of derivatives in the column "Fair value adjustment", in the same way it is reported for fair value adjustments on other financial assets and liabilities.

12.7. Currency risk

	31/12/11				
	EUR	**Other EU currencies**	**USD**	**Other**	**Total**
Total assets	290,468	26,729	51,532	44,030	412,759
Total liabilities and equity	308,263	15,848	55,708	32,940	412,759
NET BALANCE POSITION	**(17,795)**	**10,881**	**(4,176)**	**11,090**	**0**

The on-balance position is hedged by derivatives, so that nearly all foreign exchange positions are closed, the main exception is the equity of Deniz in TRY which is too expensive to hedge (interest rate spread between EUR en TRY).

	31/12/12				
	EUR	**Other EU currencies**	**USD**	**Other**	**Total**
Total assets	270,519	25,588	37,805	23,297	357,210
Total liabilities and equity	281,304	14,759	44,359	16,787	357,210
NET BALANCE POSITION	**(10,785)**	**10,829**	**(6,554)**	**6,510**	**0**

The on-balance position is hedged by derivatives, so that nearly all foreign exchange positions are closed.
The sale of DenizBank group explains the decrease of assets and liabilities in other currencies (column other).

Dexia SA Statutory auditor's report to the shareholders' meeting on the consolidated financial statements for the year ended 31 December 2012

To the shareholders

As required by law, we report to you on the performance of our mandate of statutory auditor. This report includes our report on the consolidated financial statements as defined below together with our report on other legal and regulatory requirements.

Report on the consolidated financial statements – Unqualified opinion with an emphasis of matter paragraph on the application of the valuation rules in going concern

We have audited the accompanying consolidated financial statements of Dexia SA ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium. These consolidated financial statements comprise the consolidated balance sheet as at 31 December 2012, the consolidated statement of income, the consolidated statement of changes in equity, the consolidated statement of comprehensive income and the consolidated cash flow statement for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated balance sheet shows total assets of 357.210 million EUR and the consolidated income statement shows a consolidated loss (group share) for the year then ended of 2.866 million EUR.

Responsibility of the board of directors for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Statutory auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements. We have obtained from the company's officials and the board of directors the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unqualified opinion

In our opinion, the consolidated financial statements of Dexia SA give a true and fair view of the group's net equity and financial position as of 31 December 2012, and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Emphasis of matter paragraph on the application of the valuation rules in going concern

Without modifying the above unqualified opinion, we draw your attention to note 1 of the notes to the consolidated financial statements which states that the consolidated financial statements of Dexia SA as of 31 December 2012 have been prepared using the going concern principle according to IAS 1.

The justification of the going concern assumption is supported by a revised business plan approved by the board of directors on 14 December 2012 and by the European Commission on 28 December 2012. This revised business plan includes, notably, a liquidity guarantee granted by the States of Belgium, France and Luxembourg up to 85 billion EUR and a capital increase amounting to 5.5 billion EUR subscribed on 31 December 2012.

As described in note 1 of the notes to the consolidated financial statements, this plan is based on several assumptions of which the maintenance of the banking licences of the various entities, a macroeconomic scenario that assumes an aggravation of the recession in 2013 followed by a gradual recovery from 2014, and several other assumptions notably related to the refinancing capacity of the Dexia group. Some of the uncertainties included in the assumptions described above remain as to its realization. So the business plan will be updated regularly to take account of the latest external variables recorded in order to estimate its precise impact on the projections and their realisation potential.

The going concern assumption is only justified to the extent that the group succeeds in realizing its revised business plan based on the underlying assumptions described in note 1 of the notes to the consolidated financial statements. No adjustments have been recorded with respect to the valuation or the classification of certain balance sheet items, which would be required, should the group no longer be able to continue its operations.

Report on other legal and regulatory requirements

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements.

In the framework of our mandate, our responsibility is to verify, for all significant aspects, the compliance with some legal and regulatory requirements. On this basis, we provide the following additional comment which does not modify the scope of our audit opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements includes the information required by law, is, for all significant aspects, in agreement with the consolidated financial statements and is not in obvious contradiction with any information obtained in the performance of our mandate.
- As of 31 December 2012, Dexia SA does not meet the imposed requirements related to the stress test of the prudential liquidity ratio's of the National Bank of Belgium and the requirements related to the concentration risk on a single counterparty.

Diegem, 22 March 2013

The statutory auditor

DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by

Frank Verhaegen Bernard De Meulemeester

Annual financial statements
Financial statements as at 31 December 2012

Balance sheet
(before income appropriation)

ASSETS (in EUR)		31/12/11	31/12/12
Fixed assets		**8,953,531,494**	**5,290,805,037**
II.	Intangible fixed assets	8,287,297	619,455
III.	Tangible fixed assets	1,194,522	2,057,235
	B. Plant, machinery and equipment	63,468	60,031
	C. Furniture and vehicles	1,093,598	915,339
	E. Other tangible fixed assets	37,456	1,081,865
IV.	Financial fixed assets	8,944,049,675	5,288,128,347
	A. Affiliated enterprises	8,943,382,069	5,285,437,496
	1. Participating interests	8,943,382,069	5,285,437,496
	C. Other financial assets	667,606	2,690,851
	1. Shares	0	2,000,000
	2. Amounts receivable and cash guarantees	667,606	690,851
Current assets		**529,267,007**	**1,304,090,443**
V.	Amounts receivable after more than one year	56,103,444	131,446,164
	B. Other amounts receivable	56,103,444	131,446,164
VII.	Amounts receivable within one year	443,086,502	202,248,528
	A. Trade debtors	12,770,020	14,956,022
	B. Other amounts receivable	430,316,482	187,292,506
VIII.	Current Investments	0	882,484,975
	B. Other investments and deposits	0	882,484,975
IX.	Cash at bank and in hand	27,409,434	83,358,566
X.	Deferred charges and accrued income	2,667,627	4,552,210
TOTAL ASSETS		**9,482,798,501**	**6,594,895,480**

SHAREHOLDERS' EQUITY AND LIABILITIES (in EUR)		31/12/11	31/12/12
Equity		**2,775,642,926**	**2,722,880,172**
I.	Capital	4,618,136,425	6,000,000,000
	A. Issued capital	4,618,136,425	6,000,000,000
II.	Share premium account	13,649,466,563	1,900,000,000
IV.	Reserves	915,156,164	375,642,927
	A. Legal reserve	437,502,626	50,000,000
	D. Available reserves	477,653,538	325,642,927
V. bis.	Loss (-) for the year (1)	(16,407,116,226)	(5,552,762,755)
Provisions and deferred taxes		**2,202,938,344**	**105,329,844**
VII.	A. Provisions for liabilities and charges	2,202,938,344	105,329,844
	1. Pensions and similar obligations	279,796	0
	4. Other liabilities and charges	2,202,658,548	105,329,844
Amounts payable		**4,504,217,231**	**3,766,685,464**
VIII.	Amounts payable after more than one year	0	454,954,623
	A. Financial liabilities	0	454,954,623
	1. Subordinated loans	0	39,788,000
	4. Credit institutions	0	415,166,623
IX.	Amounts payable within one year	4,494,446,067	3,293,583,493
	B. Financial liabilities	3,891,191,930	754,589
	1. Credit institutions	3,891,191,930	754,589
	C. Trade debts	52,967,627	29,402,797
	1. Suppliers	52,967,627	29,402,797
	E. Taxes, remuneration and social security	14,722,970	10,321,787
	1. Taxes	1,485,411	1,233,589
	2. Remuneration and social security	13,237,559	9,088,198
	F. Other amounts payable	535,563,540	3,253,104,320
X.	Accrued charges and deferred income	9,771,164	18,147,348
TOTAL LIABILITIES		**9,482,798,501**	**6,594,895,480**

(1) See note 1 to the financial statements.

Off-balance-sheet items

(en EUR)	31/12/11	31/12/12
Miscellaneous rights and commitments:		
Temporary guarantees given by the French, Belgian and Luxemburg States (1)	PM	-
Guarantee given by the French, Belgian and Luxemburg States (1)	-	PM
Guarantee given by the French and Belgian States for the Financial Products portfolio (1)	PM	PM
Guarantees given by third parties on behalf of the company	-	248,793
Personal guarantees given on behalf of third parties	29,700	29,700
Personal guarantees given on behalf of Dexia Funding Lux SA	500,000,000	-
Real guarantees given on own assets	16,261	150,320,139
Foreign currency transactions receivable (USD)	1,944,559,699	-
Commitment to issue shares linked to stock options (exercise price)	925,882,456	880,172,897
Commitment to issue shares to the Belgian and French States	PM	PM
Commitment towards Dexia Bank Nederland NV	PM	PM
Commitment towards Dexia Crédit Local SA	2,268,249,716	-
Commitment to sell Dexia Asset Management Lux	-	PM
Commitment others (2)	PM	PM

(1) See note 9.3.C of the consolidated financial statements.
(2) See note 4.4. Off-balance-sheet items - Commitments

Statement of income

(en EUR)		31/12/2011	31/12/2012
I.	Operating income	55,568,739	18,781,666
	D. Other operating income	55,568,739	18,781,666
II.	Operating charges	(149,530,803)	(137,357,356)
	B. Services and other goods	(99,570,712)	(100,112,426)
	C. Remuneration, social security costs and pensions	(49,690,341)	(32,156,855)
	D. Depreciation of and amounts written off on formation expenses, intangible and tangible fixed assets	(6,425,130)	(4,650,460)
	F. Increase (-); decrease (+) in provisions for liabilities and charges	6,521,477	128,958
	G. Other operating charges	(366,097)	(566,573)
III.	Operating loss	(93,962,064)	(118,575,690)
IV.	Financial income	99,736,322	101,012,016
	A. Income from financial fixed assets	80,470,098	17,740,791
	B. Income from current assets	4,395,959	5,785,254
	C. Other financial income	14,870,265	77,485,971
V.	Financial charges	(69,789,695)	(114,375,031)
	A. Debt charges	(62,574,019)	(99,265,392)
	B. Amounts written off on current assets other than stocks, current orders and receivabes	(182,529)	(4,056,436)
	C. Other financial charges	(7,033,147)	(11,053,203)
VI.	Current loss (-) before taxes	(64,015,437)	(131,938,705)
VII.	Exceptional income	5,250,000	466,879,210
	B. Adjustments to amounts written off financial fixed assets	0	22,359,036
	C. Adjustments to provisions for extraordinary liabilities and charges	0	148,199,368
	D. Gains on disposal of fixed assets	0	173,948
	E. Other exceptional income	5,250,000	296,146,858
VIII.	Exceptional charges	(16,361,457,780)	(5,893,271,937)
	A. Exceptional depreciation of and exceptional amounts written off on formation expenses, intangible and tangible fixed assets	(3,864,154)	(4,272,760)
	B. Amounts written off on financial fixed assets	(8,935,553,217)	(5,129,999,999)
	C. Provisions for exceptional liabilities and charges	(2,047,155,420)	1,949,280,174
	D. Loss on disposal of fixed assets	(3,705,012,615)	(600,271,348)
	E. Other exceptional charges	(1,669,872,374)	(2,108,008,004)
IX.	Loss (-) for the period before taxes	(16,420,223,217)	(5,558,331,432)
X.	Income taxes	13,106,991	5,568,677
	A. Income taxes	(1,575)	(3,648,386)
	B. Adjustment of income taxes and write-back of tax provisions	13,108,566	9,217,063
XI.	Loss (-) for the period	(16,407,116,226)	(5,552,762,755)
XIII.	Loss (-) to be appropriated	(16,407,116,226)	(5,552,762,755)
	Result brought forward of the previous period	0	0
	Loss (-) for the period to be appropriated	(16,407,116,226)	(5,552,762,755)
LOSS (-) TO BE APPROPRIATED		**(16,407,116,226)**	**(5,552,762,755)**

Notes to the annual financial statements

1. Presentation of the financial statements

Dexia SA presents its financial statements before appropriation. The 2012 financial year closed with a loss of EUR 5,552.8 million. There was no profit carried over from the previous period. As a result the total loss to be appropriated is EUR 5,552.8 million.

2. Annual financial statements and chart of accounts

Dexia SA, a financial firm, is a company governed by Belgian law whose financial instruments are authorized for trading in a regulated Belgian market, and it is therefore subject to the obligation to publish yearly financial statements as prescribed by the Belgian Company Code and its decree of application dated 30 January 2001.
The chart of accounts conforms in its contents, presentation, and numbering with the chart of accounts described in the Royal Decree of 12 September 1983. The items provided for in the accounting plan that do not apply to Dexia SA have been excluded.
The financial statements are presented in EUR.

3. Accounting policies

3.1. General policies

3.1.1. LEGISLATION

The accounting policies are in conformity with the Royal Decree of 30 January 2001, in application of the Belgian Company Code. If legislation allows options or authorises a waiver, the accounting policies hereafter shall mention the option chosen or whether such a waiver has been applied.

3.1.2. FOREIGN CURRENCY TRANSLATION INTO EUR

Monetary assets, liabilities, rights and commitments denominated in foreign currencies are translated into EUR at the last day average year-end exchange rate.
Non-monetary items are translated into EUR based at the exchange rate ruling in effect on the transaction date.
Foreign currency income and expense are translated into EUR at the exchange rate ruling in effect on the date on which the income or expense is recognised in the statement of income.

3.2. Assets

3.2.1. FORMATION EXPENSES (ITEM I.)

Following the announcement of the restructuring plan on 3 October 2011, it was decided to implement exceptional amortisation on the balance of formation expenses to ensure that they were fully amortised. As from the year 2012, all formation expenses are booked into charges for 100% during the period in which they are incurred.

3.2.2. INTANGIBLE FIXED ASSETS (ITEM II.)

License acquisitions, external costs linked to software definition and to the development of the Dexia Group website are recorded as intangible fixed assets when the acquisition price is at least equal to EUR 495.79 per item or, when delivery is broken down into partial shipments representing less than EUR 495.79 each but the total delivery is at least EUR 495.79. Intangible fixed assets are depreciated over a maximum of five years.
Furthermore, the internal costs related to the development of software and the website are entirely charged in the financial year in which they are exposed.
Exceptional depreciations will be recorded in order to align the accounting value of the intangible fixed assets to their utilisation value for the company to take into account their alteration or changes in economic or technological circumstances. Exceptional depreciations are reversed if they are no longer justified.

3.2.3. TANGIBLE FIXED ASSETS (ITEM III.)

If necessary, exceptional depreciations will be recorded in order to align the accounting value of fixed assets to their utilisation value for the company to take into account their alteration or changes in economic or technological circumstances. Exceptional depreciations are reversed if they are no longer justified.

3.2.4. FINANCIAL ASSETS (ITEM IV.)

Participating interests and shares are recorded on the balance sheet at their acquisition cost or contribution cost. Accessory acquisition fees are charged to the period of acquisition.
Impairments are recorded in the case of capital losses or lasting depreciation. They are determined by reference to the financial position, profitability, and prospects of the company in which shares and/or equity interests are held.
Participating interests and shares may also be revalued. It is therefore required that their value, determined on the basis of their usefulness to the company, presents a certain and lasting surplus in relation to their book value.
Debts appearing under financial fixed assets are valued according to the same principles as debts at more than one year and up to one year.

3.2.5. AMOUNTS RECEIVABLE AFTER MORE THAN ONE YEAR AND WITHIN ONE YEAR (ITEMS V. ET VII.)

Receivables are stated on the balance sheet at their nominal value. Allowances are booked to cover any risk of non-recovery.

3.2.6. SHORT-TERM INVESTMENTS AND CASH ASSETS (ITEMS VIII. ET IX.)

Cash is stated at nominal value.
Securities are stated at acquisition cost, while accessorial acquisition costs are recorded in the statement of income of the year in which they are incurred.
At balance sheet date, impairments are recorded on short-term investments and liquid assets if their realisation value is lower than their book value.
Additional impairments are recorded on these assets in order to reflect either a change in their realisation or market value, or the risks inherent in the nature of the products concerned or the activities carried out.
Nevertheless, own shares acquired to be cancelled are valued at their acquisition price as they may only be destroyed with the approval of the Shareholders' Meeting.

3.3. Liabilities

3.3.1. REVALUATION SURPLUSES (ITEM III.)

Shares and participating interests recorded as long-term investments may be revaluated in the case of a certain, permanent increase in their fair value for the company compared with their book value.
Revaluation surpluses are maintained under this heading until the realisation of the assets concerned or their inclusion in capital.

3.3.2. PROVISIONS FOR LIABILITIES AND CHARGES (ITEM VII.)

At balance-sheet date, the Board of Directors, acting with prudence, sincerity and good faith, examines the provisions to be built up in order to cover all possible risks or losses that might have occurred during the financial year or previous financial years.
Provisions relating to previous financial years are regularly reviewed and reversed if they have become irrelevant.

3.3.3. DEBTS OF OVER ONE YEAR AND UP TO ONE YEAR (ITEMS VIII. AND IX.)

Debts are stated for their nominal value on the balance sheet.

3.4. Off-balance sheet items

Off-balance sheet items are recorded for the nominal value of the rights and commitments mentioned in the agreement or for their assessed value.

4. Notes to the annual financial statements

Dexia SA is a cross-border holding company which has two permanent establishments in Paris and Luxembourg. From an accounting point of view, the financial statements of Dexia SA include the accounts of Brussels, the Dexia SA head office, and those of the two permanent establishments in Paris and Luxembourg.
As in 2011, the corporate and consolidated accounts of Dexia SA as at 31 December 2012 have been established in accordance with the accounting rules applicable to a going concern. This hypothesis of continuity was supported by a revised business plan, constructed on the initial plan described in the 2011 Annual Report of the Dexia Group but with certain parameters amended to integrate the principal changes associated with the environment. This revised business plan was ratified by the Group's board of directors at its meeting on 14 December 2012. It relies on certain structural hypotheses and uncertainties, the major lines of which are described below.
Like the initial business plan, this revised business plan includes the 2013 liquidity guarantee granted by the States without collateral. This guarantee was limited by the States to EUR 85 billion, taking account of the EUR 5.5 billion recapitalisation at the end of December 2012. As previously indicated, and as with all of the hypotheses of the revised business plan, this guarantee was subject to definitive ratification by the European Commission on 28 December 2012, and this was one of the central hypotheses of the initial business plan presented to the various stakeholders including the European Commission.
The plan assumes maintenance of the banking licences of the various entities and, as the case may be, despite non-observance of certain regulatory ratios. It also assumes maintenance of the ratings of Dexia SA and Dexia Crédit Local.
The underlying macroeconomic scenario of the revised business plan is constructed from market data observable at the end of September 2012, and assumes an aggravation of the recession in 2013 followed by a gradual recovery from 2014. Credit margins are assumed to be constant until 2014, before falling towards their historic average (2004-2011) until 2018 and maintaining that level over the following years. The macroeconomic scenario also foresees migrations from negative ratings in 2013 on different sectors, in particular the local public sector, with a return to the levels of September 2012 in 2014. No major negative credit event is retained for the projection period.
The business plan is sensitive to the evolution of interest rates and the credit environment, in particular:
- a 10 basis point fall of the 10-year interest rate would generate an EUR 1 billion increase of the cash collateral requirement which, financed at the Emergency Liquidity Assistance (ELA) rate (the most costly source of finance), would generate an additional cost of EUR 135 million over the period 2013-2020;
- projections are also sensitive to margins between the Eonia rate, the European Central Bank (ECB) intervention rate and the Euribor 3-month rate;
- more conservative hypotheses as to the improvement of ratings and/or the tightening of credit margins from 2014 would have a negative impact on the income statement and the available liquidity reserves and would increase the level of regulatory capital required as from 2014.

Furthermore, the business plan relies on the hypothesis of a restoration of confidence on the capital markets enabling, on the one hand, a portion of the Dexia assets to be funded via covered borrowings (Repo) and, on the other hand, short and long-term placement of its guaranteed debt on the markets, the outstanding issued under the 2013 guarantee scheme reaching EUR 40 billion in 2015.
If the market's absorption capacity proves to be insufficient, Dexia would then have to call on more costly funding sources which would directly impact the profitability projected in the business plan. Indeed, EUR 5 billion per annum financed at the rate for the emergency Liquidity Assistance (ELA) rather than the rate for short-term guaranteed funding would have an impact on the result in the order of EUR -450 million over the period 2013-2020. Conversely, if the market's appetite for Dexia guaranteed debt enabled a larger amount of that guaranteed debt to be placed, permitting Dexia's dependence on the ELA to be reduced or even eliminated, the impact on the profitability projected in the plan would be positive. The increase of the issue ceiling for short-term guaranteed debt by EUR 5 billion would reduce the funding cost by EUR 190 million over the period 2013-2020.
Beyond the hypotheses on volumes, the business plan integrates hypotheses on the costs of the various funding sources. By way of illustration, a 10 basis point reduction of the issue cost of the debt guaranteed by the State compared to the cost projected in the business plan would result in an improvement of the Group's funding cost in the order of EUR 180 million over the period 2013-2020. Similarly, the improvement of conditions on the market for collateralized borrowings (Repo) and the tightening of credit margins on sovereigns observed in the last quarter of 2012 suggest that the scenario retained in the business plan is currently relatively conservative.
The business plan thus revised concludes the viability of the Dexia Group, on the basis of the hypotheses and scenarios retained. Some of the uncertainties included those described above remain as to its realization. So the business plan will be updated regularly to take account of the latest external variables recorded in order to estimate its precise impact on the projections and their realisation potential.

4.1. Balance sheet total (before income appropriation)

The balance sheet total is EUR 6,594.9 million as at 31 December 2012 against EUR 9,482.8 million as at 31 December 2011, a decrease of 30%.

4.2. Assets

FIXED ASSETS

4.2.1. FORMATION EXPENSES

As from 2012, all expenses related to capital increases are directly booked in the income statement in the bookkeeping year wherein they were made.

4.2.2. INTANGIBLE FIXED ASSETS

Intangible fixed assets totalled EUR 0.6 million and concerned the acquisition and the development of software as well as external costs related to the development of the Dexia website. These intangible fixed assets are depreciated on a straight-line method over a period of three years.
Following the restructuring plan of the Dexia Group and the disintegration of the information systems, an exceptional amortization of EUR 4.2 million had to be performed on intangible assets.

4.2.3. TANGIBLE FIXED ASSETS

Tangible fixed assets which have a net book value of EUR 2.1 million have a gross acquisition value of EUR 9.7 million. Property, plant and equipment contribute a gross acquisition value of EUR 3.3 million and are depreciated on a straight-line basis over a period of ten years.
Office, IT and audiovisual equipment represent a gross investment of EUR 4.7 million, depreciated on a straight-line basis at a rate of 25%.
Other tangible fixed assets involving the installation of the leased premises, notably the new premises located in the Bastion Tower in Brussels (gross acquisition value of EUR 1.7 million), are depreciated on a straight-line basis over the period of the lease contracts.

4.2.4. FINANCIAL FIXED ASSETS

Participation interests in affiliated companies

The item "Participating Interest" respresenting EUR 8,943.4 million as at 31 December 2011 is EUR 5,285.4 million on 31 December 2012.
It includes the following equity interests:
- EUR 2 772.1 million : 100% of Dexia Participation Belgique SA (DPB), Brussels, Belgium.

Following the merger by absorption of Dexia Participation Luxembourg by Dexia SA on 9 May 2012, Dexia SA increased its participation in DPB by 4.61%, which corresponds to an amount of EUR 127.7 million.
Moreover, the participation of 99.84% in DenizBank AS held by DPB at 31 December 2011 was sold on 28 September 2012 to Sberbank, the largest bank in Russia for an amount of EUR 2,975 million. The liquidation of DPB in provided for 31 March 2013.
- EUR 2 000.0 million: 100% of Dexia Crédit Local SA (DCL), Paris, France.

The Dexia SA 's take in DCL was valued at EUR 5 billion at 31 December 2011. This valuation was based on future positive cash flows forecasts for DCL which were, in turn, based upon the assumptions established by the Dexia group in the context for the Orderly Resolution Plan.
Given the increase in the Dexia group's funding costs, the assumptions will not materialize and the participation in DCL was subject to an evaluation which caused an impairment of 5 billion on 30 september 2012, approved by the board of director on November 7th, 2012.
On 31 December 2012, Dexia SA increased the capital of its subsidiary Dexia Crédit Local for an amount of EUR 2 000 million through a cash contribution. At the end of 2012, a total impairment of EUR 14 953.8 million was recorded on DCL.

- EUR 370.0 million: 100% of Dexia Asset Management Luxembourg SA (DAM LU), Luxembourg.

On 31 December 2011, Dexia SA held 49% or EUR 245 million of DAM LU. Following the sale of the Banque Internationale à Luxembourg SA (BIL) (formerly Dexia BIL), Dexia SA acquired from BIL, on 21 September 2012, the remaining 51% of DAM LU for an amount of EUR 255 million. Taking into account the estimated sale price of DAM LU, an impairment of EUR 130 million was recorded on DAM.

- EUR 93.0 million: 100% of Dexia Nederland BV, Amsterdam, The Netherlands.
- EUR 48.8 millions: 40% of Popular Banca Privada (PBP), Madrid, Spain

In accordance with the conditions of the sale of BIL, the participation of 40 % in PBP held by BIL was sold to Dexia SA on 21 September 2012.

- EUR 1.5 million: 99.40% of Associated Dexia Technology Services SA (ADTS), Luxembourg.
- PM : 100% of DCL investissements, Paris, France.
- PM : 100% of Dexiarail, Paris, France.
- PM : 100% of Parfipar, Luxembourg.

The sale agreement of BIL provided for the purchase by Dexia SA of the participation in Parfipar by BIL. This acquisition took place on 21 September 2012.
Parfipar was liquidated on 6 December 2012 and this liquidation was finalized on 24 January 2013.

- PM : 0.01% of Dexia Asset Management SA (DAM BE), Brussels, Belgium

As part of the sale of BIL, the single share held by BIL of DAM BE was sold by BIL to Dexia SA on 2 October 2012.

At the Extraordinary General Shareholders' Meeting of May 9, 2012, the cross-border merger by absorption of Dexia Funding Luxembourg SA (DFL) and Dexia Participation Luxembourg SA (DPL) were approved by Dexia SA. Following the acquisition of DPL, the net share of BIL held by Dexia SA increased by EUR 308.2 million in order to reach EUR 787 million which represents 99.91%.

Following the imposed resolution plan of Dexia Group, Dexia SA, on 5 October 2012, sold its interest in Banque Internationale à Luxembourg (BIL) for EUR 730 million to Precision Capital, a bank holding company under Luxembourg law, held by the Al Thani family of Qatar and the Grand Duchy of Luxembourg. Prior to this sale, Dexia SA proceeded to a capital increase of BIL of EUR 203.8 million on 2 October 2012 to partially offset the one-off losses generated by the sale of the "Legacy" portfolio and to take the Core Tier 1 ratio of BIL to a level of 9% under fully-applied Basel III rules, in accordance with the transfer agreements. The sale of BIL resulted in a loss of EUR 260.8 million increased with this costs associated with the sale (EUR 0.9 million) of which the impact of the sale of the portfolio "Legacy" needs to be subtracted, which amounts to EUR 33.6 million.

On 27 December 2012, Dexia SA proceeded to a capital increase of its subsidiary Dexia Holdings Inc. (DHI), New York, United States, for an equivalent amount of EUR 372.1 million. This as a result of the letter of comfort in favour of DHI signed by Dexia SA and Dexia Crédit Local on 1 February 2010, as well as intragroup agreements put in place as of 1 April 2011, which resulted from the sale of Financial Security Assistance Inc. to Assured Guaranty following the implementation of the imposed resolution plan of the Dexia Group. The capital increase of DHI has enabled Dexia SA to withdraw from the contract without compensation and to transfer the 10% interest in DHI to DCL, which resulted in a loss of EUR 372.1 million.

The 0.01% interest acquired in DenizBank following the merger by absorption of Dexia Participation Luxembourg by Dexia SA on 9 May 2012 was sold on 28 September 2012 which resulted in a gain of EUR 0.2 million.

Receivables on affiliated companies

In 2011, Dexia SA contributed EUR 39 million to its sub-subsidiary Dexia Kommunalkredit Bank AG (DKB) in relation to the prosecution against Dexia Banka Slovensko by customers in June 2009. An impairment of the same amount was recorded on the receivable in 2011.
Additionally in 2011, Dexia SA tranferred USD 3,296.5 million (EUR 2,314.3 million) to its subsidiary Dexia Holdings Inc. of which USD 2,000 million (EUR 1,404.1 million) was object of a debt waiver in 2011, the remaining balance of USD 1,296.5 million (EUR 910.2 million) has also been impaired in 2011. In 2012, following the favourable outcome of certain litigations in the United States, DHI recovered funds which allowed it to reimburse USD 31.8 million (EUR 22.4 million) to Dexia SA which resulted in a reversal of impairment (see section 4.5.3.). The balance of the receivable from DHI, USD 1,264.7 million (EUR 887.8 million), has, amongst other, been object of a debt waiver in 2012.

OTHER FINANCIAL ASSETS

Shares and participations

In order to cover the responsibilities and risks incurred by its directors and officers, Dexia SA has resorted to an alternative structure of insurance coverage including the creation of a cell (Protected Cell Company (PCC)) with a capital of EUR 2 million in an insurance company White Rock Insurance Ltd.

Receivables and cash guarantees

Dexia SA paid EUR 0.7 million by way of rental guarantee for the offices located in the Dexia Tower – CBX.

CURRENT ,ASSETS

4.2.5. RECEIVABLES AFTER MORE THAN ONE YEAR

Other amounts receivables

Since 2002, the permanent establishment of Dexia SA in Paris has headed the tax consolidation group in France. As at 31 December 2011, the group included the following companies:

- CBX Gestion
- CBXIA1
- CBXIA2
- CLF Immobilier (ex Dexia CLF Immo)
- CLF Marne-la-Vallée Participation
- DCL Investissements
- Dexia Bail
- Dexia CLF Avenir
- Dexia CLF Banque
- Dexia CLF Développement
- Dexia CLF Organisation
- Dexia Crédit Local
- Dexia DS Formation
- Dexia DS Services
- Dexia Éditions

- Dexia Établissement Stable Paris
- Dexia Flobail
- Dexia Municipal Agency
- Dexia Projets
- Dexiarail
- Dexia Sofaxis
- Dexint Développement
- Floral
- Genebus Lease
- Guide Pratique de la Décentralisation.

Given that the commitments made by Dexia Crédit Local and its subsidiaries allow Dexia SA, through its permanent establishment, to lock in temporary tax savings, it was agreed that the resources produced by the permanent establishment would be lent to the tax consolidation Group's subsidiaries that made it possible to realise the tax savings through advances called "tax deferred advances".
The total of tax deferred advances granted by the permanent establishment with contractual maturity after 31 December 2013 amounted to EUR 66.1 million on 31 December 2012.

Dexia Funding Luxembourg (DFL), a subsidiary held for 100% by Dexia SA, had issued fixed rate / floating rate perpetual non-cumulative securities in 2006 for an amount of EUR 500 million, guaranteed by Dexia SA (DFL securities). The profit from the issuance of these DFL securities were lent to Dexia Bank Belgium SA (now Belfius Bank & Insurance) under a subordinated loan. Following the sale of Dexia Bank Belgium (DBB) on 20 October 2011 to the Federal Holding and Investment Company, DBB has launched two public offers for DFL securities and reimbursed the subordinated loan for an amount equal to the nominal value of the DFL securities obtained under the offer and acquired by DBB. Dexia SA has agreed to buy from DBB the DFL securities obtained under the offer. These buy-back have allowed to reduce the exposure of the group on DBB. Following the merger by absorption of DFL by Dexia SA, the DFL securities acquired from DBB for a total amount of EUR 460.2 million have been destroyed. There remains in the accounts of Dexia SA, under the form of a senior loan to Belfius Bank of EUR 39.8 million representing the remaining DFL securities which remain outstanding.

In order to ensure the operational continuity of Dexia SA and carry out the imposed resolution plan of the group, a trust Hyperion was founded on 29 November 2012 with the objective to provide to all staff of Dexia SA who accepted to stay at least untill October 2014. The same leaving conditions, agreed on 21 December 2012, which have been provided to those who left the group after the decision to dismantlement was taken. A loan of EUR 25.5 million was granted to Hyperion to finance its activities.

4.2.6. AMOUNTS RECEIVABLE WITHIN ONE YEAR

Trade debtors

The item "Trade debtors" covers commercial receivables (EUR 4.7 million) and invoices to be created (EUR 5.3 million) to be charged to subsidiaries from the Group, also receivables from outside the Group (EUR 4.9 million) for the balance.

Other amounts receivable

The permanent establishment of Dexia SA in Paris is the head of the tax consolidation group in France. It is, as a result, solely liable for corporation tax and the lump-sum annual taxation due from the Group in relation to its fiscal integration, given that taxes due from companies included in the tax consolidation must be paid to the permanent establishment. On 31 December 2012, the permanent establishment in Paris had a receivable of EUR 175.1 million to the French tax authorities as the lead company for French tax consolidation. Of this amount, EUR 173.3 million is the result of the allocation of losses starting in 2008 to profits from previous years. The counterparty to the EUR 173.3 million carry back is a debt to Dexia Crédit Local. As soon as it is refunded by the tax authorities, the EUR 173.3 million will be paid to Dexia Crédit Local as described in the addendum dated 13 December 2011 of the tax consolidation agreement.

The subordinated loan of EUR 170 million to Belfius Insurance also the short-term advances dédicated to subsidiaries on 31 December 2011 were reimbursed during the year 2012. Dexia SA disposes also of a receivable of EUR 4.6 million of Hyperion.

The headquarters also have a VAT receivable of EUR 3.1 million to recover.

Furthermore, as from 1 January 2007 until 31 December 2011, the permanent establishment of Dexia SA in Luxembourg was the head of the Group within the scope of tax integration in Luxembourg. As a consequence, it alone was also liable for corporation tax and local commercial tax on group companies integrated in Luxembourg.
The companies forming part of the Group fiscally integrated in Luxembourg were:

- BIL Ré SA
- Dexia SA, Luxembourg branch
- Dexia Participation Luxembourg SA
- Experta Corporate and Trust Services SA

Also, on 31 December 2012, the permanent establishment in Luxembourg still has a claim of EUR 2.8 million on the companies which were included in the tax consolidation in Luxembourg, which corresponds to the tax due from those companies on their share of the consolidated tax result.

The work rules state that salary is to be paid in advance. These represent a claim of EUR 1 million as at 31 December 2012.

The senior loan initially granted by Dexia Funding Luxembourg (DFL) to Belfius Bank and Insurance and included in the assets of Dexia SA following the merger between Dexia SA and DFL gives rise to an interest receivable of EUR 0.3 million at 31 December 2012. The balance of other short-term receivables consists of miscellaneous receivables (EUR 0.4 million).

4.2.7. CURRENT INVESTMENTS

Other investments and deposits

Cash surpluses of Dexia SA were deposited at short term with DCL (EUR 774.9 million).
In addition, Dexia SA acquired bonds for EUR 111.7 million, which were valued at their net realizable value at 31 December 2012, thereby resulting in an impairment of EUR 4.1 million.

These bonds were pledged to he insurance company White Rock Insurance PCC Ltd.

Dexia SA still holds Dexia VVPR strips in portfolio on which an impairment loss of EUR 0.2 million had already been recorded in 2011 to reduce the book value to zero.

4.2.8. CASH AT BANK AND IN HAND

Available cash at banks and in hand totalled EUR 83.4 million.

4.2.9. DEFERRED CHARGES AND ACCRUED INCOME

Deferred charges totalled EUR 4.5 million and includes insurance (EUR 4.3 million) and also other general expenses (EUR 0.2 million).
The accrued income totalled EUR 0.1 million consist of interests on tax deferred advances.

4.3. Shareholders' equity and liabilities

SHAREHOLDERS' EQUITY

As at 31 December 2012, the holding company's shareholders' equity including 2012 net result before profit appropriation totalled EUR 2,722.9 million and is composed of the following items:

`4.3.1. CAPITAL

The subscribed capital as at 31 December 2012 amounts to EUR 6,000 million against EUR 4,618.1 million on 31 December 2011.

In accordance with the decision of the Extraordinary Shareholders' Meeting of 9 May 2012, the share capital of Dexia SA was reduced by EUR 500 million in order to compensate for the reported loss of the year 2011 (EUR 4,118.1 million).

At 31 December 2012, a capital was increased by EUR 5,500 million following the issuance of preferred shares designated as Class B shares, as decided by the Extraordinary General Shareholders' Meeting of 21 December 2012.

As at 31 December 2012, capital is thus represented by 1,948 984,474 Class A shares and 28,947,368,421 class B shares of which 1,170,506 bearer shares, 1,624,986,962 dematerialised shares and 29,270,195,427 registered shares. The total number of Dexia VVPR strips was 684,333,504.

4.3.2. SHARE PREMIUM ACCOUNT

The previous capital increases generally involved an issue premium so the total of these premiums amount to EUR 1.900 million as at 31 December 2012.
On 9 May 2012, the Extraordinary General Shareholders' Meeting decided to discharge the deferred loss through a transfer of EUR 11 749.5 million from share premiums.

4.3.3. RESERVES AND RETAINED EARNINGS

The item "Reserves" includes the legal reserves (EUR 50 million) and an available reserve amounting to EUR 325.6 million.

The Extraordinary General Shareholders' Meeting of 9 May 2012 decided to proceed with a capital decrease of EUR 4,118.1 million in order to partially discharge the loss carried forward as it appeared on the annual statements which were closed on 31 December 2011. Following this decision, the share capital of Dexia SA was reduced to EUR 500 million and, thereafter the Meeting decided to decrease the legal reserves of EUR 437.5 million at 31 December 2011 by EUR 387.5 million to bring them at EUR 50 million corresponding to 10% of the new share capital. This decrease of the legal reserve was realised by a transfer to available reserves.

Available reserves amounted to EUR 477.7 million at 31 December 2011 before result appropriation. The loss of the year 2011, which amounted to EUR 16,407.1 million has been discharged through a transfer of EUR 477.7 million from available reserves, the remaining balance of EUR 15,929.5 million was allocated to losses carried forward. Following the capital decrease decided by the Extraordinary General Shareholders' Meeting of 9 May 2012, EUR 387.5 million was transferred from legal reserves to available reserves, which was followed by a reduction of the same available reserves of EUR 61.9 million in order to discharge for the losses carried forward. Following these transactions, the available reserves amounted to EUR 325.6 million at 31 December 2012.

The loss for the year 2011 amounted to EUR 16,407.1 million and has thus been reduced by EUR 477.7 million from a transfer from available reserves, the balance of the loss, namely EUR 15,929.5 million has been allocated to loss carried forward. Following the Extraordinary General Shareholders' Meeting of 9 May 2012, the discharge of the losses carried forward is realised through the capital decrease of EUR 4,118.1 million, issuance premiums of EUR 11,749.5 million and the available reserves for the amount of EUR 61.9 million.

4.3.4. NET RESULT FOR THE YEAR

The loss for 2012 is EUR 5,552.8 million. This loss arises from the financial results (EUR -13.4 million), exceptional results (EUR -5,426.3 million) and net tax income (EUR +5.6 million) from which are deducted the holding company's net operating expenses (EUR -118.7 million).

PROVISIONS AND DEFERRED TAXES

4.3.5. PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Within the context of the Group restructuring, individual agreements were signed in 2010, in accordance with the collective agreements negotiated with the social partners. These agreements provide that certain employees will be exempt from future performance, with or without a proportional reduction of their remuneration. Consequently Dexia SA set up provisions with a balance in the amount of EUR 0.3 million to cover payment of the remunerations to be paid in the context of the undertakings made. This provision has been used during the year 2012 as these agreements came to an end.

4.3.6. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

Succeeding Dexia Crédit Local at the head of the tax consolidation group in France on 1 January 2002, Dexia SA, through its permanent establishment, assumed vis-à-vis the former head of the tax consolidation group commitments initially subscribed by Dexia Crédit Local within the context of tax leverage operations carried out in France with the approval of French tax authorities. Since then, new operations for the purpose of fiscal leverage were carried out by Dexia Credit Local, housed in subsidiaries of the consolidated tax group. These operations have as implications, for the financial year 2012, realisation of tax savings for EUR 0.2 million included in the amount of EUR 9.2 million, mentioned in paragraph "4.5.4. Corporate income tax" and a provision for the same amount. In total, these commitments amounted to EUR 0.7 million on 31 December 2012.
On 1 February 2010, Dexia SA and Dexia Crédit Local confirmed in a letter of comfort, their intention to do the necessary to ensure that Dexia Holdings Inc. will be able to meet its financial commitments vis-à-vis third parties. This comfort letter was issued in favour of Dexia Holdings Inc. as a direct subsidiary of Dexia SA and Dexia Crédit Local, Dexia Holdings Inc. is the sole beneficiary. Dexia SA and Dexia Crédit Local have made this commitment individually and not jointly. Given this commitment and intragroup agreements concluded on 1 April 2011, Dexia had to proceed to a capital increase of its subsidiary DHI and subsequently transferred its participation in DHI to DCL. Following the capital increase and the disposal of DHI, Dexia SA has withdrawn from the above contracts and proceeded to a reversal of the exceptional provision established in 2011 (EUR 208.6 million) for EUR 148.1 million resulting in a balance of EUR 60.5 million representing a provision for guarantees related to the disposal of subsidiaries (see note “Legal Risks” of the chapter “Risk Management” page 73).

Amongst others, an additioanl provision for risks and exceptional charges has been set up for EUR 15 million to cover the expenses related to guarantees granted on the sale of investments (see note “Legal Risks” of the chapter “Risk Management” page 73).

Following the transformation plan implemented in late 2008, an exceptional provision of EUR 1.3 million was set up in 2011 to cover legal fees. This provision has been used for EUR 0.1 million resulting in a remaining balance of EUR 1.2 million.

The announcement of the dismantling of the group in October 2011 resulted in an exceptional provision of EUR 58.5 million to cover the costs of severance payments, studies, removals and accelerated depreciations. A portion of these costs were incurred during the year 2012 (EUR 41.4 million) and an additional exceptional provision was recorded for EUR 8.8 million, bringing the provision to EUR 25.9 million.

Furthermore, an additional EUR 2 million was provisioned to cover dismissal fees.

The permanent establishment of Dexia SA in Paris committed in 2011 to counter-guarantee the commitments made by its subsidiary Dexia Crédit Local towards Dexia Kommunalbank Deutschland AG (DKD) and Dexia Municipal Agency (DMA) for the risks they run by their exposure to the Greek crisis. As part of this commitment, Dexia SA Paris set up a provision for risks and exceptional charges of EUR 1,933.7 million. DCL has bought the shares held by DKD and DMA in early 2012 and then participated in the PSI program (restructuring Greek debt consisting of a bond swap with a loss of 70% for the creditors), which resulted in exchange of securities held against securities from the EFSF (European debt securities issued by the European Financial Stability Facility), new Greek bonds and securities / warrants "GDP Linked" (rate instruments indexed to gross domestic product). The conclusion of a new contract provided that Dexia SA would compensate DCL for the loss of the PSI program. Dexia SA has honoured this commitment and paid EUR 1,942.1 million to DCL, the exceptional provision of EUR 1,933.7 million has been used.

Taking into account the previous, the balance of provisions for other liabilities and charges at 31 December 2012 amounts to EUR 105.3 million compared to EUR 2,202.7 million at 31 December 2011.

LIABILITIES

4.3.7. AMOUNTS PAYABLE WITHIN MORE THAN ONE YEAR

Subordinated debt

As stated in item 4.2.5., Dexia Funding Luxembourg (DFL), a subsidiary held for 100% by Dexia SA, had issued fixed rate / floating rate perpetual non-cumulative securities in 2006 for an amount of EUR 500 million, guaranteed Dexia SA (DFL securities). The proceeds from the issuance of these DFL securities were lent to Dexia Bank Belgium SA (now Belfius Bank & Insurance) as part of a subordinated loan. Following the sale of Dexia Bank Belgium (DBB) on 20 October 2011 to the Federal Holding and Investment Company, DBB has launched two public offers for DFL securities and Dexia SA has agreed to buy from DBB the DFL securities obtained under the offer. Following the merger by absorption of DFL by Dexia SA, approved by Extraordinary General Shareholders' meeting of 9 May 2012, the DFL securities bought from DBB for a total amount of EUR 460.2 million have been cancelled by Dexia SA. The securities which have not been offered by their owners amount to EUR 39.8 million at 31 December 2012, and remain in the accounts of Dexia SA.

Credit institutions

Dexia SA has a loan contract of EUR 415.2 million with DCL maturing at 31 December 2017

4.3.8. AMOUNTS PAYABLE WITHIN ONE YEAR

Financial liabilities

These liabilities relate to a short term financing for a counter-value corresponding to EUR 0.8 million.

Trade liabilities

Suppliers’ invoices not yet paid amount to EUR 12.3 million and invoices to be received EUR 17.1 million. Among trade liabilities are invoices for intercompany services for an amount of EUR 10.8 million.

Taxes, remuneration and social security

This item includes:

- Taxes on communities, commercial municipal tax and wealth tax payable by DPL and DFL as these two subsidiaries were absorbed by Dexia SA on 9 May 2012 (EUR 1 million);
- professional withholding tax due (EUR 0.2 million);
- liabilities for remuneration and social contributions (EUR 9.1 million).

Other amounts payable

Following the sale of Dexiabank the cash received by DPB were borrowed to Dexia SA (EUR 2,965.2 million) at short term. The liquidation of DPB is planned on 31 March 2013.

As mentioned, the permanent establishment of Dexia SA in Paris is the head of the tax consolidation group in France. The permanent establishment is therefore solely liable to the French tax authorities for the corporate tax and the annual lump-sum tax due by the tax group in France.
For the subsidiaries, membership in the tax consolidation group is neutral with respect to the tax situation they would be subject to if there was no consolidation. In fact, subsidiary companies must pay the corporate tax to companies within the scope of consolidation to the permanent establishment of Dexia SA in Paris. The advances paid by subsidiaries in 2012 were in short of the estimated tax they owed the parent company. In addition, following the allocation of recent losses to the profit of previous years (carry back), the tax being recovered from the tax authorities includes a tax liability payable to the subsidiary companies of the consolidation group. The permanent establishment has therefore a liability of EUR 193.3 million to its subsidiary companies as at 31 December 2012, of which EUR 173.3 million concerns the carry back.

The balance of dividends remaining to be paid for previous financial years is EUR 94.5 million.

The remaining balance of EUR 0.1 million is related to miscellaneous liabilities due to other Group companies.

4.3.9. ACCRUED CHARGES AND DEFERRED INCOME

This item consists exclusively of expenses to be accrued as follows:

- financial charges linked to liabilities (EUR 17.9 million);
- pro rata operating expenses attributable to the 2012 fiscal year (EUR 0.2 million).

4.4. Off-balance-sheet items – commitments

Dexia SA has significant commitments that are recorded off-balance sheet:

4.4.1. On 2 November 2006, Dexia SA (DSA) issued a subordinated guarantee within the context of a subordinated "hybrid Tier 1" issue by Dexia Funding Luxembourg SA (DFL), a 100% subsidiary of Dexia SA (perpetual non-cumulative securities at a guaranteed fixed/floating rate, for a global amount of EUR 500 million). This subordinated guarantee was issued in favour of the security holders who subscribed to the said securities and cover the payment by DFL of (i) any coupon which has not been waived in accordance with the issue conditions and (ii) the redemption price in the case of liquidation or insolvency of DFL (or similar situations) or (iii) the redemption price in the case of purchase in accordance with the issue conditions. Following the merger of DFL and Dexia SA at 9 May 2012, the guarantee has automatically expired (Dexia becomes the issuer).

4.4.2. As at 31 December 2012, the number of options attributed to staff and management and not yet exercised stood at 60,386,176. Taking exercise prices into account, this operation generates an off-balance sheet of EUR 880.2 million. In order to protect warrant holders against adverse economic consequences arising from the issue of bonus shares following the decisions of the Extraordinary Shareholder's Meetings of 12 May 2010 and 11 May 2011, the exercise price for the warrants has been reduced and the number of warrants increased in accordance with an adjustment ratio determined in line with the Corporate Action Policy of Euronext NYSE Liffe.

4.4.3. On 18 May 2005, Dexia SA purchased 100% of the shares of Dexia Nederland Holding NV (today called Dexia Nederland BV) from Dexia Financière SA based on a valuation made of these at EUR 93 million subject to a return to better fortune clause granted to Dexia BIL and Dexia Bank, also shareholders of Dexia Financière, for the case where the value of Dexia Nederland Holding, including the Dexia Bank Nederland (DBnl), should be revised upwards as a consequence in favour of DBnl.

4.4.4. On 5 December 2002, Dexia SA committed to its subsidiary Dexia Bank Nederland NV, and to each of the entities resulting from the split-up of Dexia Bank Nederland, excluding any other entity, to ensure that Dexia Bank Nederland or the entities are at any time, in a position to meet their commitments to third parties and to continue their activities, including maintenance of their relationships with account holders and other clients; in particular, the aim of this undertaking was to prevent third parties being prejudiced by the demerger of Dexia Bank Nederland. The amendment or withdrawal of this undertaking was subject to prior agreement of DNB (De Nederlandsche Bank). The sale of Kempen & Co NV to a group of financial investors and management was finalised on 15 November 2004. Within the context of this sale, Dexia SA reconfirmed by letter dated the same day its commitment towards Dexia Bank Nederland, which remains a 100% subsidiary of Dexia to the exclusion of any other entity.
In addition to the usual guarantees given to purchasers to which Dexia SA is also bound, Dexia SA will indemnify Kempen & Co against the risks relating to share leasing contracts sold by Dexia Bank Nederland NV, formerly Labouchere, and committed to compensate Kempen & Co for damage resulting from a limited and identified number of elements.

4.4.5. TRANSACTIONS WITH THE BELGIAN, FRENCH AND LUXEMBOURG STATES

See note 9.3.C. of the consolidated financial statements.
Dexia SA commits itself collect from the issuers of guaranteed funding the fee payable under the Guarantee Agreements signed at 9 December 2008 and at 16 December 2011 with the governments and for paying it to those governments.

4.4.6. DISPOSAL OF DEXIA ASSET MANAGEMENT

On 12 December 2012, Dexia announced the signing of a sales agreement of Dexia Asset Management (DAM) with GCS Capital, for an amount of EUR 380 million. This sale price will be subject to an adjustment at closing, usual for this type of transaction. For this reason an impairment of EUR 130 million was recorded on DAM. It should be noted that the scope of the disposal includes the full perimeter of Dexia Asset Management (DAM).

4.4.7. LEASE GUARANTEES

The transfer of the registered office of Dexia SA to the Bastion Tower, Place du Champ de Mars 5, B-1050 Brussels required the deposit of an unconditional guarantee payable on first demand of EUR 0.2 million in favour of the owner of the premises.

4.4.8. REAL GUARANTEES ON OWN FUNDS

In order to cover its commitments, Dexia SA has pledged bonds which it holds in its treasury portfolio (EUR 107.6 million) to White Rock Insurance Company PCC Ltd as well as the available value included in a dedicated account for this purpose up to an amount of EUR 150 million. Otherwise cash frozen on ad hoc accounts is given as surety to Belfius Bank and third parties for lease guarantees (EUR 0.3 million).

4.4.9. LITIGATIONS

See chapter Risk management – page 56 – in the Management Report.

4.5. Statement of income

4.5.1. OPERATING RESULT

Other operating income includes the services provided by Dexia SA during 2012 as part of its steering mission in the transformation plan implemented during the second half of 2010 (EUR 14.8 million). Also included in this item is the recovery of costs from Group companies (EUR 3.5 million) as well as structural reductions regarding the professional withholding tax (EUR 0.5 million).

Services and other goods amounting to EUR 99.6 million as at 31 December 2011 have been well contained and only amount EUR 100.1 million at 31 December 2012, representing an insignificant increase of 0,5%, and this despite the significant increase of costs related to insurance and restructuring (+ EUR 21.3 million).

This item includes fees paid to consultants, experts, auditors and Group subsidiaries for their services, as well as compensations paid to the members of the Management Board and Board of Directors, or EUR 46.9 million against EUR 58.4 million in 2011, corresponding to a decrease of 20%.
The Dexia Corporate University, which is intended to develop top-level training programmes for members of staff of the entire Dexia Group generated a cost of EUR 0.3 million compared to EUR 0.7 million in 2011.
Other operating costs (rental of buildings, telecommunications, travel, trainings, insurance, etc.) decreased to EUR 29.4 million compared to EUR 31.6 million in 2011.
Printing and advertising costs linked to corporate publications totalled EUR 0.1 million compared to EUR 0.2 million in 2011, whilst costs associated with the Group transformation plan are EUR 23.4 million.

The cost of **remunerations and social charges** decreased from EUR 49.7 million in 2011 to EUR 32.2 million in 2012, a drop of 35%. This reduction in remuneration charges is the direct consequence of a significant reduction is FTEs following the transformation plan announced in October 2010 (196 FTEs in 2012 against 366 FTEs in 2011), which is partly compensated in 2011 by the retake of the 2010 variable provision excess (+EUR 12.2 million).

Amortisation of intangible assets amounts to EUR 4.2 million and **depreciation** of tangible fixed assets EUR 0.5 million.

Provisions for risks and charges are commented in note "4.3.5. Provisions for pensions and similar obligations" and "4.3.6. Provisions for other liabilities and charges".

Other operating expenses include the wealth tax payable by DPL for previous years (EUR 0.2 million) and other miscellaneous taxes (EUR 0.4 million).

4.5.2. FINANCIAL RESULT

Income from financial fixed assets consists of dividends and interim dividens distributed by DAM Lux (+ EUR 17.1 million) and interest received and earned on subordinated loans (EUR 0.6 million).

Income from current assets includes the interest generated from long-term advances granted by DFL to Belfius Bank (EUR 3.9 million), from short-term advances to Dexia Crédit Local (EUR 1.7 million) and from tax deferred advances (EUR 0.2 million).

Other financial income results from the foreign currency hedge acquired by Dexia SA related to the sale of DenizBank (EUR 72.8 million), foreign exchange gains on the U.S. dollar (EUR 4.6 million) and other financial income (EUR 0.1 million).

Debt charges include interest paid and due for loans and advances granted by Group entities (EUR 81.5 million), by third parties (EUR 5.3 million), interest on the currency swap hedging the exchange risk on the sale of DenizBank (EUR 12.3 million and other interest charges (EUR 0.2 million).

Impairments on current assets are related to bonds kept in portfolio (EUR 4,1 millions).

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Other financial charges include the acquisition cost of the hedge for foreign currency risk related to the sale of DenizBank (EUR 10.2 million), charges linked to the quotation of the Dexia share (EUR 0.1 million), service costs related to management of shares (EUR 0.3 million), the contribution payable as a financial company (EUR 0,3 million) and also other financial charges (EUR 0.2 million).

4.5.3. EXCEPTIONAL RESULT

Reversal of impairment on financial assets

This reversal of impairment of EUR 22.4 million relates to the partial repayment of the receivable from Dexia Holdings Inc. (DHI), subsidiary of Dexia SA (See item 4.2.4. Receivables on affiliated companies).

Reversal of provisions for exceptional liabilities and charges

The provision for other risks and charges of EUR 208.6 million as at 31 December 2011, which concerned DHI, has been reversed for EUR 148,1 million following a capital increase for this subsidiary (See item 4.3.6.).
Similarly, the provision of EUR 1.3 million set up in 2011 for legal fees arising from the transformation plan implemented in late 2008 was reversed for EUR 0.1 million.

Realised gains on disposal of fixed assets

The securities held in DenizBank after the merger between Dexia SA and DPL have been sold, resulting in a realised gain of EUR 0.2 million.

Other exceptional income

The item "other exceptional income" includes the re-invoicing to subsidiaries of the commitment fee of the guarantee agreement between the Belgium, the France, the Luxembourg states and Dexia SA at 16 December 2011 and also guarantee fees for guaranteed debt issued by subsidiaries covered by the temporary guarantee between the above mentioned states (EUR 274.7 million).

Additionally, commissions related to counter-guarantee granted by Dexia SA to DCL to cover the Greek risk that DCL has guaranteed to its subsidiaries (EUR 8.1 million).

Costs incurred by Dexia SA for the sale of subsidiaries following the dismantling announced in October 2011 were recovered from subsidiaries which held the sold participations (EUR 8.7 million).

Dismissal fees which are transferred to third parties (EUR 2.3 million).

Following a communication from the European Commission dated 8 October 2009 ("State Aid : Commission recalls rules concerning Tier 1 and Tier 2 capital transactions for banks subject to a restructuring aid investigation "), Dexia Funding Lux did not proceed to pay interests on its subordinated instrument "hybrid Tier 1" for which Dexia SA issued a subordinated guarantee. The terms of the subordinated loan issuance provide that the interests paid to Dexia Funding Lux by Dexia Group entities that borrowed the proceeds received by DFL, must be paid to the Guarantor of the issuance, namely Dexia SA. It follows that exceptional income was recognised for EUR 2.1 million in respect of Dexia SA as guarantor under this issuance as mentioned in the prospectus of the subordinated loan.

The cross-border merger between Dexia SA and DPL resulted in a gain of EUR 0.2 million.

Exceptional amortisation on intangible assets

Certain intangible assets have been subject to exceptional amortization (EUR 4.2 million) taking into account the restructuring plan announced in October 2011, which shows its full impact at December 31, 2012. Amongst others, an impairment of EUR 0.1 million as a result of disposal of furniture was recognised.

Impairment on financial fixed assets

Taking into account the rules of valuation, it was decided to perform an exceptional impairment on the participation in Dexia Crédit Local for the amount of EUR 5,000 million in order to align the value with the value in use (see item 4.2.4. above).

In addition, an impairment of EUR 130 million was recorded on Dexia Asset Management Luxembourg to align its carrying value to its estimated disposal amount.

Provisions for exceptional liabilities and charges

The counter-guarantee granted by Dexia to Dexia Crédit Local related to the commitments made by the latter towards its subsidiaries Dexia Kommunalbank Deutschland AG (DKD) and Dexia Municipal Agency (DMA) concerning the Greek risk, has given rise to a payment justifying the use of the exceptional provision for EUR 1,933.7 million which had been set up at the end of 2011.

Extraordinary expenses include an additional provision of EUR 8.8 million for termination benefits, but also the use of EUR 41.4 million related to dismissal costs accrued in 2011 and taken into account in 2012.

In addition, a provision of EUR 15 million was set up to cover the expenses related to guarantees granted on the sale of participations and a provision of EUR 2 million for restructuring costs was also foreseen.

Loss on disposal of fixed assets

The sale of participations held in BIL and DHI resulted in realised losses of respectively EUR 228.2 million and EUR 372.1 million.

Other exceptional charges

As mentioned earlier, the counter-guarantee granted by Dexia to Dexia Credit Local on commitments made by the latter towards its subsidiaries Kommunalbank Deutschland AG (DKD) Dexia Municipal Agency (DMA) concerning Greek risk, has given rise to a payment of EUR 1,933.7 million and interests of EUR 9.6 million.

The increase of the ceiling of the temporary guarantee to EUR 55 billion on December 16, 2011 between the Belgian, the French and the Luxembourg state on the one hand and Dexia

SA and DCL on the other hand resulted in the payment of a commitment fee of EUR 50 million.

The cross-border merger between DPL and Dexia SA generated a loss of EUR 42.3 million.

Termination benefits related to dismantling have led to exceptional charges of EUR 41.5 million, while expenses related to pension liabilities of persons transferred to another entity amounted to EUR 10.1 million.

Costs incurred for the disposal of participations amounted to EUR 10.6 million and costs related to the termination of the lease contract were EUR 1.9 million.

4.5.4. CORPORATE INCOME TAX

Taxes

Taxes include estimated taxes owed by DFL for the year 2012 (EUR 0.9 million), withholding tax on dividends received from DAM Lux (EUR 2.5 million) and also an additional tax for the permanent establishment in Paris for the year 2011 (EUR 0.3 million).

Adjustment of income taxes

The tax adjustments result from the fact that the permanent establishment in Paris is the head of the group tax consolidation group in France, generating tax savings which represent an immediate gain of EUR 9.2 million, of which EUR 8.8 million for 2012 and EUR 0.4 million for the prior years.

4.5.5. LOSS FOR THE FINANCIAL YEAR

Considering the above, the 2012 financial year closed with a loss of EUR 5,552.8 million.

The 2011 financial year also closed with a loss of EUR 16 407.1 million, so it is necessary to justify application of the continuity accounting rules provided in Article 96, § 1, 6° of the Companies Code. Given the capital increase of EUR 5,5 billion which was approved by the extraordinary general shareholders' meeting and realised by 31 December 2012 and the revised business plan (see item 4 of the financial statements), "going concern" basis has been confirmed.

4.6. Statement of intangible fixed assets (licences)

(in EUR)	Amounts
ACQUISITION VALUE AS AT 31/12/11	**22,833,792**
Movements during the period:	
- Acquisitions, including produced fixed assets	755,913
ACQUISITION VALUE AS AT 31/12/12	**23,589,705**
DEPRECIATION AS AT 31/12/11	**14,546,495**
Movements during the period:	
- Recorded	8,423,755
DEPRECIATION AS AT 31/12/12	**22,970,250**
NET BOOK VALUE AS AT 31/12/12	**619,455**

4.7. Statement of tangible fixed assets

(in EUR)	Plant, machinery and equipment	Furniture and vehicles	Other tangible fixed assets
ACQUISITION VALUE AS AT 31/12/11	**288,850**	**7,783,715**	**458,744**
Movements during the period:			
- Acquisitions, including capitalized production	12,395	149,120	1,200,663
- Sales and disposals	0	(220,739)	0
ACQUISITION VALUE AS AT 31/12/12	**301,245**	**7,712,096**	**1,659,407**
DEPRECIATION AS AT 31/12/11	**225,382**	**6,690,117**	**421,288**
Movements during the period:			
- Recorded	15,832	327,379	156,254
- Canceled due to sales and disposals	0	(220,739)	0
DEPRECIATION AS AT 31/12/12	**241,214**	**6,796,757**	**577,542**
NET BOOK VALUE AS AT 31/12/12	**60,031**	**915,339**	**1,081,865**

4.8. Statement of financial fixed assets

1. PARTICIPATING INTERESTS AND SHARES

(in EUR)	1. Affiliated	2. Other enterprises
ACQUISITION VALUE AS AT 31/12/11	21,252,883,402	0
Movements during the period:		
- Acquisitions	3,007,501,230	2,000,000
- Sales and disposals	(3,891,122,879)	0
ACQUISITION VALUE AS AT 31/12/12	20,369,261,753	2,000,000
	1. Affiliated	2. Other enterprises
AMOUNTS WRITTEN DOWN AS AT 31/12/11	12,309,501,333	0
Movements during the period:		
- Recorded	5,129,999,999	0
- Cancelled due to sales and disposals	(2,355,677,075)	0
AMOUNTS WRITTEN DOWN AS AT 31/12/12	15,083,824,257	0
NET BOOK VALUE AS AT 31/12/12	5,285,437,496	2,000,000

2. AMOUNTS RECEIVABLE

(in EUR)	1. Affiliated	2. Other enterprises
NET BOOK VALUE AS AT 31/12/11	0	667,606
Movements during the period:		
- Additions	0	23,245
- Repayments	(24,537,035)	0
- Recorded writing-off	0	0
- Recorded writing-off - reversal	22,359,036	0
- Exchange differences	2,177,999	0
NET BOOK VALUE AS AT 31/12/12	0	690,851
ACCUMULATED WRITING-OFF'S ON RECEIVABLES AT 31/12/12	39,000,000	0

4.9. Share in the capital and other rights in other companies

List of enterprises in which the enterprise holds a participating interest, and other enterprises in which the enterprise holds rights in the amount of at least 10% of the capital issued.

Name, full address of the registered office and for the enterprise governed by Belgian law, the company number	Shares held by			Information from the most recent period for which annual accounts are available			
	The enterprise (directly)		Sub-sidiaries	Primary financial statement	Monetary unit	Capital and reserve	Net result
	Number	%	%			(+) or (-) (in monetary unit)	
Associated Dexia Technology Services SA - FC [1] 23, Z.A. Bourmicht L-8070 Bertrange Common shares	1,491	99.40	0.27	31/12/11	EUR	1,578,488	5,976
DCL Investissements SA - FC [1] 1, passerelle des Reflets, Tour Dexia La Défense 2 F-92919 Paris Common shares	2,500	100.00	0.00	31/12/11	EUR	23,198	(4,400)
Dexia Asset Management Belgium SA place Rogier 11 B - 1210 Bruxelles BE 0462.569.739 Common shares	1	0.01	99.99	31/12/11	EUR	49,870,000	1,151,000
Dexia Asset Management Luxembourg SA - FC [1] Route d'Arlon 136 L-1150 Luxembourg Common shares	15,386	100.00	0.00	31/12/11	EUR	249,669,875	24,896,925
Dexia Crédit Local SA – FC [1] 1, passerelle des Reflets, Tour Dexia La Défense 2 F-92919 Paris Common shares	223,657,776	100.00	0.00	31/12/11	EUR	890,091,425	(4,435,388,577)
Dexia Nederland BV – FC [1] Parnassusweg 819 NL-1082 LZ Amsterdam Common shares	50,000	100.00	0.00	31/12/11	EUR	385,137,000	(3,657,000)
Dexia Participation Belgique SA Place du Champs de Mars 5 B-1050 Bruxelles BE 0882.068.708 Common shares	108,515	100.00	0.00	31/12/11	EUR	2,768,638,257	(91,006)
Dexiarail SA - FC [1] 1, passerelle des Reflets, Tour Dexia La Défense 2 F-92919 Paris Common shares	2,500	100.00	0.00	31/12/11	EUR	24,863	(3,899)
Parfipar SA - FC [1] route d'Esch 69 L - 1470 Luxembourg Common shares	128,157	100.00	0.00	31/12/11	EUR	162,306	3,202,818
Popular Banca Privada SA - FC [1] Juan Ignacio Luca de Tena 11 S - 28027 Madrid Common shares	9,111,552	40.00	0.00	31/12/11	EUR	51,582,000	5,722,000
White Rock Insurance PCC Ltd - FC [1] Cell Dexia 913 Europort Gibraltar Common shares	1	100,00	0,00				

(1) FC: Foreign Company.

4.10. Investments : other investments and deposits

(in EUR)	Previous period	Period
Fixed income		**107,618,175**
Fixed term deposits with credit institutions with a residual maturity or period of notice of:	**0**	**774,866,800**
avec une durée résiduelle ou de préavis :		
- More than one month but within one year	0	774,866,800

4.11. Deferred charges and accrued income from the assets

(in EUR)	Period
Deferred charges	4,517,503
Accrued income: Interest	34,707

4.12. Statement of capital and shareholder's structure

A. ISSUED CAPITAL

	Amounts (in EUR)	Number of shares
ISSUED CAPITAL AS AT 31/12/11	**4,618,136,425**	**1,948,984,474**
Changes during the period:		
- capital increase	5,500,000,000	28,947,368,421
- clearance of the deferred loss	(4,118,136,425)	
ISSUED CAPITAL AS AT 31/12/12	**6,000,000,000**	**30,896,352,895**

B. STRUCTURE OF THE CAPITAL

	Amounts (in EUR)	Number of shares
Different categories of shares		
Common shares class A without indication of nominal value, each representing 1/1.948.984.474 of the issued capital	500,000,000	1,948,984,474
Preferred shares class B without indication of nominal value, each representing 1/28.947.368.421 of the issued capital	5,500,000,000	28,947,368,421
Registered shares		29,270,195,427
Bearer shares and/or dematerialized		1,626,157,468

C. OWN SHARES HELD BY:

	Amount of capital (in EUR)	Number of shares
- the company itself	0	0
- its direct subsidiaries	61,680	324,633

D. COMMITMENTS TO ISSUE SHARES

	Amount of capital (in EUR)	Number of shares
Following the exercising of subscription rights		
- Number of outstanding subscription rights		60,386,178
- Amount of capital to be issued	11,473,374	
- Corresponding maximum number of shares to be issued		60,386,178

E. AMOUNT OF AUTHORIZED CAPITAL, NOT ISSUED

Amounts (in EUR)
6,000,000,000

F. STRUCTURE OF SHAREHOLDINGS OF THE ENTERPRISE AS AT THE ANNUAL BALANCING OF THE BOOKS, AS IT APPEARS FROM THE STATEMENT RECEIVED BY THE ENTERPRISE

Caisse des Dépôts et Consignations: 1.111%
Holding Communal: 0.644%
Group Arco : 0.642%
Société de Prise de Participation de l'État (SPPE) : 44.397%
Société Fédérale de Participations et d'investissement (SFPI) : 50.018%
Ethias Group : 0.246%
CNP Insurances : 0.187%
Walloon Region: 0.127%
Flemish Region (through Vlaams Toekomstfonds) : 0.181%
Brussels-Capital Region : 0.054%

4.13. Provisions for liabilities and charges

(in EUR)	Period
Provision for guarantees related to the sale of investments (DHI)	60,516,661
Provision for guarantees related to the sale of investments (others)	15,000,000
Provision legal fees	1,232,000
Commitment as head of a fiscal consolidation (France)	703,911
Severance payments and related costs	27,877,272

4.14. Statement of debts

Analysis of debts with an original maturity of more than one year according to their residual maturity (in EUR)	**Amounts payable after more than 1 year but less than 5 years**
Financial debts	**454,954,623**
Subordinated loans	39,788,000
Credit institutions	415,166,623

4.15. Amounts payable for taxes, remuneration and social security

(in EUR)	Period
Taxes	
a) Expired taxes payable	0
b) Non-expired taxes payable	226,799
c) Estimated taxes payable	1,006,790
Remuneration and social security	
a) Amounts due to the National Office of Social Security	0
b) Other amounts payable relating to remuneration and social security	9,088,198

4.16. Accrued charges and deffered income in the liabilities

(in EUR)	Period
Accrued charges: interest	17,877,004
Accrued charges: general operating expense	270,344

4.17. Operating results

(in EUR)	Previous period	Period
OPERATING INCOME		
Other operating income		
Whereof: the total amount of subsidies and compensatory amounts obtained from public authorities	375,112	439,127
OPERATING CHARGES		
Employees for which the enterprise has declared a DIMONA-statement or employees recorded in a general personnel register in Belgium		
a) Total number at the closing date	348	89
b) Average number of employees in full-time equivalents	332,4	183,3
c) Number of actual working hours	486,413	268,096
Personnel charges		
a) Remuneration and direct social benefits	30,920,968	21,280,906
b) Employers' contribution for social security	11,378,462	6,273,759
c) Employers' premium for extra statutory insurance	6,669,391	4,222,941
d) Other personnel charges	721,520	379,249
e) Old-age and widow's pensions	0	0
Provisions for pensions		
Additions (uses and write-back)	(435,704)	(279,796)
Provisions for liabilities and charges		
Increases	150,838	150,838
Decreases	6,672,315	279,796
Other operating charges		
Taxes related to operations	352,838	545,114
Other charges	13,259	21,459
Temporary personnel and persons placed at the disposal of the enterprise		
a) Total number at the closing date	0	0
b) Average number of employees in full-time equivalents	0,2	0,1
c) Number of actual working hours	347	101
d) Charges to the enterprise	11,112	5,188

4.18. Financial and exceptional results

(in EUR)	Previous period	Period
Other financial income		
Exchange differences, including the hedge for foreign currency on the sale of Deniz in 2012	14,295,684	77,485,956
Commissions on counter guarantee	259,361	0
Conversion differences	48,547	0
Commissions on temporary guarantee of the States recovered from Dexia Local Credit	266,673	0
Other financial income	0	15
Amounts written of on currents assets		
- Recorded	182,529	4,056,436
Other financial charges		
Charges linked to the payment of dividends	13,267	21,335
Exchange differences	43,284	67,749
Other financial charges	346,943	27,439
Service costs related to the management of actions	292,609	320,743
Abandonment of liabilities	6,236,209	
Charges in connection with the quotation of the Dexia share quota	100,835	112,480
Commission sales actions Assured Guaranty		10,188,000
Hedging on the sale of Deniz		315,457
Membership fees paid to financial companies		
Ventilation of other exceptional income		
Remuneration related to the quality of guarantor of Dexia SA as part of an issue of securities		2,145,406
Cost recovery on disposal of participations		8,676,868
Commissions for counter-guarantee		8,055,733
Commission on temporary State guarantee recovered from Dexia Credit Local		274,740,639
Other exceptionnal income		217,458
Recovery of dismissal fees		2,310,754
Ventilation of other exceptional charges		
Dismissal fees related to the structural measures		41,522,977
Expenses related to the sale of participations		10,587,332
Commission of the setting up of the temporary guarantee of the States		50,000,000
Benefits related to the termination of leases		1,880,676
Disadvantage on the absorption of Dexia Participation Luxembourg		42,275,006
Expenses related to pension obligations for persons transferred		10,051,239
Compensation of Dexia Credit Local for loss on the exchange of securities of the Greek states		1,951,690,774

4.19. Income taxes

(in EUR)	Period
Income taxes of the current period:	**3,467,707**
a) Taxes and withholding taxes due or paid	2,586,587
b) Excess of income tax prepayments and withholding taxes capitalized	881,120
Income tax of previous years	**180,679**
a) Additional tax due or paid	180,679
Impact of the exceptional results in the taxes on the profit of the year	
Only the other exceptional income is taxable except for the merger surplus resulting from the absorption of Dexia Funding Luxembourg (EUR 171.746).	
Related to the exceptional costs are only the depreciation and other exceptional charges tax deductible	
Status of deferred taxes:	
a) Deferred taxes representing assets	735,668,125
Accumulated tax losses deductible from future taxable profits	516,920,392
Other deferred taxes representing assets	
- Surplus of revenues definitively taxed	217,253,390
- Surplus on depreciations	1,494,343

4.20. Value added tax and taxes borne by third parties

(en EUR)	Previous period	Period
Total amount of value added tax charged during the period :		
1. To the enterprise (deductible)	41,150	209,153
2. By the enterprise	1,729	368,911
Amounts retained on behalf of third parties for:		
1. Payroll withholding taxes	15,161,368	17,033,105
2. Withholding taxes on investment income	0	0

4.21. Rights and commitments not reflected in the balance sheet

(in EUR)	Period
Personal guarantees, provided or irrevocably promised by the enterprise, as security for debt and commitments of third parties	29,700
Guarantees given or irrevocably promised by the enterprise on its own assets collateral for own debts and liabilities of the company	
Pledging of other assets - Book value of assets pledged	150,320,139

Information concerning important litigations and other commitments.
See note 4.4. of the annual financial statements

If there is a supplementary retirement or survivor's pension plan in favour of the personnel or the executives of the enterprise, a brief description of such plan and of the measures taken by the enterprise to cover the resulting charges.

Members of staff benefit from a supplementary retirement and survival pension scheme for wich both employees and staff premiums have been paid to a group insurance. Some members of the Management Board also benefit from a supplementary scheme of which the contributions are paid to an external insurance company.

5. Financial relationships

5.1. Relationships with affiliated enterprises and enterprises linked by participating interests

	Affiliated enterprises	
(in EUR)	Previous period	Period
FINANCIAL FIXED ASSETS	**8,943,382,069**	**5,285,437,496**
Investments	8,943,382,069	5,285,437,496
AMOUNTS RECEIVABLE	**149,413,904**	**76,083,770**
After one year	56,103,444	66,103,697
Within one year	93,310,460	9,980,073
CURRENT INVESTMENTS	**0**	**774,866,800**
Amounts receivable	0	774,866,800
AMOUNTS PAYABLE	**1,968,427,358**	**3,584,397,889**
After one year	0	415,166,623
Within one year	1,968,427,358	3,169,231,266
PERSONAL GUARANTEES		
Provided or irrevocably promises by the enterprise, as security for debts or commitments of affiliated enterprises	2,768,249,716	0
FINANCIAL RESULTS		
Income from financial fixed assets	79,388,832	17,740,791
Income from current assets	4,386,840	1,910,145
Other financial income	526,032	0
Debt charges	49,394,798	93,803,343
Other financial charges	6,609,261	10,206,456
DISPOSAL OF FIXED ASSETS		
Realized losses	0	372,120,356

5.2. Transactions with related parties outside of normal market conditions

The guarantees given to DCL related to the exposures of Greece and to the equity of some sub-branches were exercised in 2012.

5.3. Relationships with directors and managers, individuals or bodies corporate who control the enteprise without being associated therewith or other enterprises controlled by the mentioned persons without being associated therewith

Amount of direct and indirect remuneration and pensions, included in the income statement, as long as this disclosure does not concern exclusively or mainly, the situation of a single identifiable person

To the directors	4 340 120

5.4. Relationships with affiliated auditor

Remuneration of the Statutory Auditor	**472 560**
Remuneration for exceptional tasks executed within the enterprise by the Statutory Auditor	
Other missions external to the audit	40 000

6. Declaration concerning the consolidated accounts

The enterprise has established and published the consolidated accounts and a consilidated financial statement.

7. Social report

Number of the joint commission of the company: 218.

7.1. Statement of the persons employed in 2012

A. EMPLOYEES FOR WHICH THE ENTERPRISE HAS DECLARED A DIMONA-STATEMENT OR EMPLOYEES RECORDED IN THE GENERAL STAFF REGISTER

1. During the period	Total	1. Male	2. Female
a. Average number of employees			
Full-time	154.2	102.0	52.2
Part-time	42.7	24.4	18.3
TOTAL FULL-TIME EQUIVALENTS (FTE)	**183.3**	**118.8**	**64.5**
b. Number of actual working hours			
Full-time	261,658	176,728	84,930
Part-time	6,438	1,559	4,879
TOTAL	**268,096**	**178,287**	**89,809**
c. Personnel charges			
Full-time	28,094,728	18,975,629	9,119,099
Part-time	691,220	167,383	523,837
TOTAL	**28,785,948**	**19,143,012**	**9,642,936**

2. During the previous year	P. Total	1. Male	2. Female
Average number of employees in FTE	332.4	205.6	126.8
Number of actual working hours	486,413	311,939	174,474
Personnel charges	44,237,312	28,369,601	15,867,711

3. As at the closing date of the period	Full-time	Part-time	Total of full-time equivalents
a. Number of employees recorded in the personnel register	62	27	79.6
b. By nature of the employment contract			
Contract of indefinite period	58	26	74.8
Contract of definite period	4	1	4.8
c. According to gender and by level of education			
Male	43	17	54.0
secondary education	4	0	4.0
higher non-university education	8	2	9.6
university education	31	15	40.4
Female	19	10	25.6
secondary education	2	0	2.0
higher non-university education	5	1	5.8
university education	12	9	17.8
d. By professional category			
Management staff	10	10	16.1
Employees	52	17	63.5

B. HIRED TEMPORARY STAFF AND PERSONNEL PLACED AT THE ENTERPRISE'S DISPOSAL

During the period	1. Temporary personnel	2. Persons placed at the disposal of the enterprise
Average number of employees	0.1	0
Number of hours actually worked	101	0
Charges of the enterprise (in EUR)	5,188	0

7.2. Table of personnel movements during the period

A. ENTRIES

	Full-time	Part-time	Total of full-time equivalents
a. Number of employees for which the enterprise has declared a DIMONA-statement or employees recorded in the general staff register during the period	13	3	15.3
b. By nature of the employment contract			
Contract for an indefinite period	13	3	15.3

B. DEPARTURES

	Full-time	Part-time	Total of full-time equivalents
a. Number of employees for which the enterprise declared a DIMONA-statement or number of employees with a in the general staff register listed date of termination of the contract during the period	221	54	260.7
b. By nature of the employment contract			
Contract for an indefinite period	218	54	257.7
Contract for an definite period	3		3.0
c. According to the reason for termination of the employment contract			
Pension	2		2.0
Dismissal	85	26	103.9
Other reason	134	28	154.8
Of which: the number of persons who continue to render services to the enterprise at least half-time on a self-employed basis	-	-	-

7.3. Information on training provided during the financial year to employees recorded on the staff register

Total of formal continuing vocational training initiatives for workers paid by the employer	Male	Female
Number of employees involved	27	26
Number of training hours	302	462
Costs for the enterprise (in EUR)	70,459	78,038
- whereof gross costs directly associated with the company (in EUR)	70,459	78,038
Total of less formal and informal continuing vocational training initiatives for workers paid by the employer		
Number of employees involved	0	2
Number of training hours	0	5
Costs for the enterprise (in EUR)	0	12,984

Dexia SA Statutory auditor's report to the shareholders' meeting on the annual financial statements for the year ended 31 December 2012

To the shareholders

As required by law and the company's articles of association, we report to you on the performance of our mandate of statutory auditor. This report includes our report on the annual financial statements as defined below together with our report on other legal and regulatory requirements.

Report on the annual financial statements – Unqualified opinion with an emphasis of matter paragraph

We have audited the annual financial statements of Dexia SA ("the company") for the year ended 31 December 2012, prepared in accordance with the financial reporting framework applicable in Belgium, which show total assets of 6,594,895,480 EUR and a loss for the year of 5,552,762,755 EUR.

Responsibility of the board of directors for the preparation of the annual financial statements

The board of directors is responsible for the preparation and fair presentation of annual financial statements in accordance with the financial reporting framework applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

Statutory auditor's responsibility

Our responsibility is to express an opinion on these annual financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the annual financial statements. We have obtained from the company's officials and the board of directors the explanations and information necessary for performing our audit.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unqualified opinion

In our opinion, the annual financial statements of Dexia SA give a true and fair view of the company's net equity and financial position as of 31 December 2012 and of its financial performance for the year then ended, in accordance with the financial reporting framework applicable in Belgium.

Emphasis of matter paragraph on the application of the valuation rules in going concern

Without modifying the above unqualified opinion, we draw your attention to note 4 of the notes to the annual financial statements which states that the annual financial statements of Dexia SA as of 31 December 2012 have been prepared using the going concern principle according to article 96, §1, 6° of the Companies Code.
The justification of the going concern assumption is supported by a revised business plan approved by the board of directors on 14 December 2012 and by the European Commission on 28 December 2012. This revised business plan includes, notably, a liquidity guarantee granted by the States of Belgium, France and Luxembourg up to 85 billion EUR and a capital increase amounting to 5.5 billion EUR subscribed on 31 December 2012.
As described in note 4 of the notes to the annual financial statements, this plan is based on several assumptions of which the maintenance of the banking licences of the various entities, a macroeconomic scenario that assumes an aggravation of the recession in 2013 followed by a gradual recovery from 2014, and several other assumptions notably related to the refinancing capacity of the Dexia group. Some of the uncertainties included in the assumptions described

above remain as to its realization. So the business plan will be updated regularly to take account of the latest external variables recorded in order to estimate its precise impact on the projections and their realisation potential.
The going concern assumption is only justified to the extent that the group succeeds in realizing its revised business plan based on the underlying assumptions described in note 4 of the notes to the annual financial statements. No adjustments have been recorded with respect to the valuation or the classification of certain balance sheet items, which would be required, should the group no longer be able to continue its operations.

Report on other legal and regulatory requirements

TThe board of directors is responsible for the preparation and the content of the directors' report on the annual financial statements, for maintaining the company's accounting records in compliance with the legal and regulatory requirements applicable in Belgium and for the company's compliance with the Companies Code and the company's articles of association.
In the framework of our mandate, our responsibility is to verify, for all significant aspects, the compliance with some legal and regulatory requirements. On this basis, we provide the following additional comments which do not modify the scope of our opinion on the annual financial statements:
• The directors' report includes the information required by law, is, for all significant aspects, in agreement with the annual financial statements and is not in obvious contradiction with any information obtained in the performance of our mandate.
• Without prejudice to certain formal aspects of minor importance, the accounting records are maintained in accordance with the legal and regulatory requirements applicable in Belgium.
• The appropriation of the results proposed to the general meeting is in accordance with the requirements of the law and the company's articles of association.
• No transactions have been undertaken or decisions taken in violation of the company's articles of association or the Companies Code such as we would be obliged to report to you.
• As of 31 December 2012, Dexia SA does not meet the imposed requirements related to the stress test of the prudential liquidity ratio's of the National Bank of Belgium and the requirements related to the concentration risk on a single counterparty.
• Regarding the legal requirements concerning conflicts of interests (articles 523 and 524ter of the Companies Code) the board of directors and the management committee of Dexia SA have taken the following decisions:
– The decision of the board of directors on 27 June 2012 relating to the conditions of departure of M. Pierre Mariani, as described in the Declaration of corporate governance section on page 23 of the management report, has the following financial consequences :
"On a proposal by the Appointments and Compensation Committee, the Board unanimously (less the vote against by O. BOURGES and the abstention of A. GOSSET- GRAINVILLE) approves the terms of departure of P. MARIANI who abstains from participating in the deliberations and vote on this point, namely:
- postponement of the taking effect of the resignation of P. MARIANI until approval of the half-yearly financial statements for 2012;
- waves the 6 month notice period as from that date;
- payment of a sum of 675,000 euros;
- in consideration of the exercise of a mandate as director within DAM Luxembourg and the chairmanship of the Board of Directors of DenizBank until the closing of the disposals of those two entities;
- agreement on the other terms of departure of P. MARIANI described in the draft response to the letter of resignation from P. MARIANI distributed and discussed in the meeting."
– The decision of the board of directors on 2 August 2012 relating to fixing the compensation of Karel De Boeck as Chairman of the Management Board, and Robert de Metz as Chairman of the Board of Directors, as described in the Declaration of corporate governance section on pages 23-24 of the management report, has the following financial consequences :
"1/ On the proposal by the Appointments and Compensation Committee, the Board unanimously [1] approves the appointment of K. DE BOECK as CEO and Chairman of the Management Board, replacing P. MARIANI, with immediate effect. On the proposal of the Appointments and Compensation Committee, the Board approves (with 3 votes against) the annual fixed compensation of K. DE BOECK at an amount of EUR 600,000.
2/ On the proposal of the Appointments and Compensation Committee, the Board unanimously [1] approves the appointment of R. de METZ as Chairman of the Board, replacing K. DE BOECK who had assumed that post as interim since 2 July 2012. On the proposal of the Appointments and Compensation Committee, the Board approves the annual fixed compensation granted to R. de METZ at an amount of EUR 250,000."
– The decision of the board of directors on 24 January 2013 relating to the guarantee agreement concluded by the Belgian, French and Luxembourg States, as described in the Declaration of corporate governance section on pages 24-25 of the management report, has the following financial consequences:
"The Chairman recalls that the Opinion was sent to the directors on 23 January 2013. He summarises its principal points:
(i) A number of significant amendments were made in the Agreement, generally favourable to the Company, compared to the provisional guarantee agreement dated 16 December 2011. In particular these were (i) the increase of the guarantee ceiling to €85 billion, (ii) the reduction of the monthly fee due on the outstanding at 5 basis points (unless there was an exception), and (iii) the extension of the issue window to 31 December 2021.

(1) Unanimously of the present directors participating to the vote.

(ii) The financial charges associated with the Guarantee are limited to guarantee fees, the total amount of which may be estimated at €150 million payable in 2013 and, according to the provisions of the revised orderly resolution plan, to approximately €189 million payable over the period 2013-2020. The level of these guarantees is significantly lower than guarantees of this type on the one hand and the recommendations of the European Commission on the other hand.

(iii) The Guarantee undoubtedly constitutes a gain for the Company and for its shareholders, since it is vital to the survival of the Group and insolvency would have negative consequences for the Company and for all its stakeholders, including the shareholders, the staff and the guarantor States."

– The decision of the management board on 9 July 2012 relating to Terms of insurance cover proposed for the D&O liability of directors and officers of Dexia and its subsidiaries and BBB/PI risks, as described in the Declaration of corporate governance section on pages 29-31 of the management report, has the following financial consequences:

"The Chairman recalls the context of the proposals submitted for the approval of the Management Board.

(i) The insurance covering the liability of directors and officers of Dexia SA ("DSA") and its subsidiaries, and the insurance covering DSA and its subsidiaries for the consequences of frauds committed by their employees and covering third party victims of certain losses caused by DSA and its subsidiaries ("BBB/PI"), were renewed with effect from 31 May 2012. However, certain exclusions were imposed.

(ii) It is proposed to use the structure of a Protected Cell Company ("PCC"), through an entity created in 2002 under Gibraltar law in the name of 'White Rock (Gibraltar) PCC Limited'.

(iii) The accounting and fiscal treatment of the operation was made subject to an internal study, and a legal opinion was obtained from the external advisers of DSA.

For the financial consequences, we refer to the Declaration of corporate governance section on pages 29-31 of the management report in which it is stated : 'With respect to risk management, Dexia has optimised, in collaboration with a reputable broker, the insurance cover with captive insurance. Given the structure of captive insurance, the patrimonial impact of the additional cover will essentially be limited to the payment of a management fee to the broker for managing the structure. The fee will not be in excess of approximately EUR 180,000 in the first year and a guarantee permitting to the captive to honor the liabilities in the framework of this insurance policy for a maximal covered amount of EUR 150 millions'."

Diegem, 22 March 2012

The statutory auditor

DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by

Frank Verhaegen | Bernard De Meulemeester

Additional information

Certificate from the responsible person

I the undersigned, Karel De Boeck, Chief Executive Officer and Chairman of the Management Board of Dexia SA, certify that to the best of my knowledge:

a) the financial statements, established in accordance with applicable accounting standards, present a true and fair view of the assets, the financial situation and the earnings of the company and of all the companies included in the consolidation;

b) the management report contains a true and fair view of changes in the revenues, earnings and financial position of the company and of all the companies included in the scope of consolidation and a description of the main risks and uncertainties to which they are exposed.

Brussels, 23 March 2013

For the Management Board

Karel De Boeck
Chief Executive Officer and Chairman of the Management Board
Dexia SA

General data

Name

The company is called “Dexia”.

Registered office

The registered office of the company is in Belgium at
Place du Champ de Mars, 5, 1050 Brussels
(RPM Brussels VAT BE 0458.548.296).

Legal form, incorporation, duration

The company is a limited company under Belgian law that makes a public appeal for investment. It was incorporated on 15 July 1996 for an indefinite period. The company has two permanent offices located in France and in Luxembourg.

Corporate object

Article 3 of the articles of association reads as follows:

“The company has the object, both in Belgium and in other countries, of:

1. the acquisition, holding, management and sale, by whatever means, of all equity interests in companies or any other legal entities, whatever their legal form, existing or to be created, which operate as credit institutions, insurance or reinsurance companies or which carry on financial, industrial, commercial or civil, administrative or technical activities, as well as all types of shares, bonds, public funds and any other financial instruments of whatever nature;

2. the provision of assistance or administrative, commercial and financial services and accomplishment of all research on behalf of third parties and in particular on behalf of companies and other legal entities, whatever their legal form, in which it holds a direct or indirect equity interest, as well as the provision of loans, advances, guarantees or securities, in whatever form;

3. the conducting of all movable property, real property, financial, industrial, commercial or civil transactions including the acquisition, management, leasing and sale of all movable and real property, related directly or indirectly to the realisation of its corporate object or likely to contribute to such realisation.”

Places where the public may consult documents

The articles of association of the company are available at the office of the Clerk to the Commercial Court of Brussels and at the company’s registered office. The annual reports as well as the annual financial statements and the consolidated financial statements are lodged with the National Bank of Belgium. These documents may also be obtained from the company’s registered office. Decisions in relation to appointments and resignations of members of the Board of Directors are published in the Appen-dix to the Belgian Official Journal. Financial notices concerning the company are published on its website (*www.dexia.com*). The convocations to Shareholders’ Meetings are published on the website and in the financial newspapers, the daily press and periodicals.

Dexia's annual report 2012 has been published by the Financial Communication Department of Dexia SA. This report is also available in Dutch and French. It just needs to be requested at The Dexia head office in Brussels or in Paris or via the company website : *www.dexia.com.*

In case of discrepancy between the English version and the French and Dutch versions of the Annual Report, the text of the French and Durch versions shall prevail.

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FINANCIAL CALENDAR

Ordinary Shareholder's Meeting for the 2012 financial year
8 may 2013

Results as at 31 march 2013
8 may 2013

Results as at 30 june 2013
7 august 2013

Results as at 30 september 2013
15 november 2013

Results as at 31 december 2013
20 february 2014

Ordinary Shareholder's Meeting for the 2013 financial year
7 may 2014

Results as at 31 march 2014
7 may 2014