Annual report
2011

DEXIA BANK BELGIUM

Contents

Message from the chairmen

2011 was a year of uncertainty and turbulence – turbulence which culminated in October with the problems of the Dexia Group and with the government buying up our bank in order to protect our business and the deposits of our customers.

Thus since 20 October 2011 **Dexia Bank Belgium** has been an **autonomous bank** whose shares are no longer listed on the stock market and are now wholly owned by the Belgian Federal State through the Federal Participations and Investment Company. In terms of its shareholding structure, Dexia Bank Belgium has cut all its ties with the Dexia Group whose shares are still listed on the Stock Exchange. In order to avoid any confusion with the Dexia Group, of which we are now no longer a part, we thoughtfully came to the conclusion that we needed a new name, and so, from 1 March this year Dexia Bank Belgium has been operating under its new brand name of **"Belfius Bank & Insurance"**. A new name, a new logo and new colours denote a complete break with the past.

The results for 2011 bear the marks of the crisis that shook the financial world and our bank in particular, but they also demonstrate the strength of our commercial business. The net loss of 1.37 billion euros in 2011 can be attributed to the impairment on Greek government bonds and impairments on credit risk. Total impairments for 2011 amounted to 3.25 billion euros and are testimony to a prudent policy of provision-making. If one disregards those one-off items, net income for 2011 amounted to 493 million euros, by virtue of the good performances of our commercial business lines whose income achieved the same level as in 2010.

We are aware of the task that lies ahead, but we are also proud of the road we have travelled since the end of October. We have considerably reduced our exposure to the Dexia Group, concentrating our efforts in particular to the reduction in unsecured funding. By the beginning of March 2012, our unsecured exposure to the Dexia Group had been reduced to almost zero.

Otherwise, thanks to the support and renewed confidence shown in us by our customers, we have managed to stabilise our deposit base which is now beginning to show signs of recovery at the start of 2012. We therefore want to thank you for that confidence you have shown in us, because it is and remains crucial. At the time when the tempest was raging at its most furious, you continued to believe in us and that is something that we deeply appreciate.

We are convinced that we can offer our customers something unique. This new situation must be for us the springboard from which to launch a change of mentality. And it is with that in mind that we have sounded out the opinion of a large number of customers to know how they perceive us and what they expect from us in the future.

The answer has been quite clear:we must be a socially committed company that provides banking services based on close relations with local customers and that communicates in an open and transparent manner. Our aim is to take up that challenge because we are convinced that the experience, strengths and foundations of our bank will enable us to achieve that goal.

A socially committed bank

We are convinced that we have an important future role to play in the Belgian banking industry: a unique bank serving individuals, the self-employed and businesses, as well as the local authorities and social profit institutions. We are a bank with a social mission that operates on a healthy and profitable financial basis.

We have in fact always been that. For more than 150 years, even in difficult times like the 2008-2009 crisis, we have used the savings that our customers have entrusted with us to finance public-sector and social projects that benefit Belgian society and all its citizens. And we continue along the same path, as can be seen from the launching of our new savings bond for local projects.

Our commitment to society goes beyond that. Every year we carry out studies and continually develop our expertise in order to offer the local authorities and customers in the welfare sector a financial solution to the problems of society like the ageing of the population, the challenges to the environment and social integration.

We also aim to provide added social value through a variety of philanthropic initiatives. We have thus for instance established a Community Centre where we can offer our employees an opportunity to put their skills and expertise in a structured manner at the disposal of local initiatives, municipalities, hospitals, social welfare centers and so on. In addition to that, through the "Culture for All" scheme, our collection of modern Belgian art is accessible to the general public through loans to museums and local authorities and through exhibitions which we organise ourselves. And, in the framework of our Foundation, we aim at meeting solidarity expectations through the financing of projects deserving our support.

A locally anchored relationship bank

With a mainly Belgian balance sheet and customers from all segments, we are able to present ourselves as a bank "of and for Belgian society". And that is the direction we are going in.

As in the past, we will continue to **work together as partners** with our customers and to support them in all their issues relating to money. And we shall be laying even greater emphasis on personal relations through strong relationship management and tailored advice within a culture of sustainability, stability and long-term relations.

We remain a high-street bank, accessible through our vast network of branches and permanently contactable through our applications, old and new, such as Dexia Direct Net, Dexia Mobile Banking or again through our Contact Centre.

Clear and transparent communication

Continuing to earn your trust is a challenge but is essential in a customer-banker relationship. And being open about our strategy, our results and our policy is key to your satisfaction. Several measures have also been taken in the field of corporate governance: our Board of Directors has been thoroughly overhauled and no bonus is being paid to the management board and to senior management for 2011.

Finally, we wish to express our gratitude to all our staff. We are aware that this difficult period is a source of concern and we want to thank them for their commitment to serving the bank. It is thanks to their dedication and professionalism that we have been able to achieve our goals each day and that we will be able to meet the challenges of tomorrow.

Alfred Bouckaert

Chairman of the Board of Directors

Jos Clijsters

Chairman of the Management Board

2011 and early 2012 highlights

A year marked by increasing difficulties in the economy, the sovereign debt crisis and a new departure for Dexia Bank Belgium

1. Pursuit of the transformation plan, reduction in non-core assets and the sovereign debt crisis

Until the end of September 2011 Dexia Bank Belgium, still an integral part of the Dexia Group, continued to implement the Group's transformation plan that had been approved by the European Commission. The reduction in the Group's risk profile, notably through the divestment of non-core assets, continued in line with the objectives laid down. Dexia Bank Belgium played an active part in this divestment plan, selling EUR 5.7 billion of non-core assets between the beginning of January and the end of September 2011.

Further details on the investment portfolio are given in the chapter on "Risk Management" in this annual report on page 40.

The deterioration in the sovereign debt crisis at the beginning of the summer proved to be a breaking point, with the worrying position of Greece dealing a severe blow to the markets and particularly the banks.

An initial plan to rescue Greece proved to be insufficient to allow a return to greater market calm. It was consequently followed by the announcement of a second support plan involving a large haircut on Greek sovereign securities held by private creditors.

Given the uncertainties over whether this rescue plan could be carried out, Dexia Bank Belgium booked in 2011 a total impairment of around EUR 1.65 billion before tax on its Greek exposure, which represents a haircut of around 72% on the nominal exposure of Dexia Bank Belgium at 31 December 2011.

The deterioration in the sovereign debt crisis, combined with the uncertainties over growth and the substantial impact they would have on interest rates led to a rise in the refinancing risk of the Dexia Group. Investor risk aversion increased, leading to significant pressures on the short-term interbank market and to fewer amounts of long-term debt issues. Moreover, the fall in the level of long-term interest rates resulted in an appreciation in the fair value of interest rate derivatives paying the fixed rate and a rise in the amount of cash collateral posted, thereby adding further pressure to the liquidity of the Group. With these exceptional circumstances causing a strain on its liquidity, the Bank appealed for large amounts of funding from the central banks. Against this deteriorating background, the Dexia Group undertook in-depth changes to its structure from October 2011, notably including a funding guarantee scheme from the Belgian, French and Luxembourg states, the sale of Dexia Bank Belgium to the Belgian state, finalised on 20 October 2011and a programme for the disposal of certain of the Group's operational subsidiaries.

2. Purchase of Dexia Bank Belgium by the Belgian state

Given the risks incurred by the position of the Dexia Group for the commercial operations of Dexia Bank Belgium and considering the systemic nature of the Bank for the Belgian banking system as a whole, the Belgian government stepped in on 9 October 2011 with an offer to take over Dexia Bank Belgium.

The purchase was finalised on 20 October 2011 at EUR 4 billion. The proceeds from the sale were principally used by Dexia SA for the early redemption of loans granted by Dexia Bank Belgium to Dexia SA and Dexia Crédit Local.

The sale agreement covered all the assets and liabilities of Dexia Bank Belgium and its subsidiaries and shareholdings, except its 49% stake in Dexia Asset Management which was transferred to Dexia SA on 20 October 2011. Commercial and operational relations between Dexia Bank Belgium and Dexia Asset Management are nonetheless set to continue as before.

Both companies will maintain their long established partnership to offer tailor-made solutions to the Bank's customers. That partnership has been enshrined in a formal framework agreement.

Since 20 October 2011, therefore, the Federal Participations and Investment Company (SFPI – *Société Fédérale de Participations et d'Investissement*), holds all the shares in Dexia Bank Belgium on behalf of the Belgian state[1].

Given the close operating links between Dexia Bank Belgium and Dexia SA, a transition committee composed of representatives of Dexia SA, Dexia Bank Belgium and the Belgian state was appointed to ensure continuity of business and to oversee implementation of the severance arrangements in such key areas as IT, human resources and funding.

(1) By Royal Decree entrusting to the Société Fédérale de Participations et d'Investissement an assignment within the meaning of Article 2 §3 of the Law of 2 April 1962 on the Société Fédérale de Participations et d'Investissement and on regional investment companies.

Very soon after the purchase, and in order to avoid any confusion with the Dexia Group, Dexia Bank Belgium decided to change its name. Since 1 March 2012 Dexia Bank Belgium has been doing business under its new trading name of Belfius Bank & Insurance.

2.1. Reduction in the funding granted by Dexia Bank Belgium to the Dexia Group

Under the terms of the sale agreement, the refinancing agreements in place between Dexia Bank Belgium and the other entities within the Group were to be maintained but gradually reduced, with priority being given to the redemption of unsecured loans.

Accordingly, Dexia Bank Belgium has signed a contract with the Dexia Group to reduce its unsecured funding to the Dexia Group. That contract commits the Dexia Group to refunding all its unsecured borrowings from Dexia Bank Belgium by not later than 31 December 2012, subject to final approval by the European Commission of the state guarantee for the loans granted to Dexia SA and Dexia Crédit Local. The contract also stipulates that, insofar as is possible, the Dexia Group will reimburse those loans by 30 June 2012.

At 31 December 2011, the funding granted by Dexia Bank Belgium to the Dexia Group amounted to EUR 44 billion, a fall of EUR 12 billion from the position at 30 September 2011. The unsecured funding was reduced over the same period from EUR 13 billion to EUR 10 billion at 31 December 2011.

At the beginning of 2012 the efforts to reduce those loans continued, in particular with regard to the unsecured cash exposure which was reduced to almost zero by the end of March 2012.

Further details on the reduction in funding granted to the Dexia Group are given in the liquidity section of the chapter on Risk Management in this annual report on page 48.

2.2. Transfers of business and staff

Given the extent of Dexia Bank Belgium's integration within the Dexia Group, it is vital to ensure that the severance between the two entities is carried out as smoothly as possible and without any interruption of business.

Initially the staff currently employed by Dexia Bank Belgium and Dexia SA continue to operate on the basis of service level agreements.

Thereafter the severance of business links will be carried out through transfers of business and staff between the entities, in particular in the most integrated support lines such as Treasury and Financial Markets and Risk.

Furthermore, the sale agreement of Dexia Bank Belgium to the Belgian state stipulates that Dexia Bank Belgium and/or its subsidiaries will, under certain conditions, offer 323 employees of Dexia SA in Belgium the possibility of being transferred or retransferred to the Bank and/or its subsidiaries either as part of a collective transfer arrangement or through the possibility of applying for individual vacancies.

A Collective Agreement regulating the transfer of staff and certain activities of Dexia SA to Dexia Bank Belgium was concluded at the end of December 2011 between Dexia SA, Dexia Bank Belgium and the social partners. Most of the transfers will take place before the end of the first half of 2012.

2.3. Approval by the European Commission

In its decision of 17 October 2011, the European Commission opened a formal investigation into the purchase of Dexia Bank Belgium by the Belgian state which the latter had requested in order to ascertain whether or not the purchase constituted a state aid in favour of Dexia Bank Belgium. That investigation is still under way.

Should the Commission conclude that the purchase is a state aid in favour of Dexia Bank Belgium, it is probable that the Bank would be subject to restrictive measures imposed by the Commission in order to reduce any possible disruption of the market.

In the meantime, the European Commission has given temporary "emergency" approval to the purchase of Dexia Bank Belgium by the Belgian state on the grounds that the purchase was necessary to preserve the commercial business of the Bank and prevent personal customers from withdrawing their deposits.

The Commission is moreover aware that the purchase of Dexia Bank Belgium by the state could help restore the Bank's long-term viability.

Dexia Bank Belgium has therefore undertaken to prepare a business plan demonstrating such viability and to send it to the Belgian government for submission to the Commission for examination and approval.

The Bank considers it reasonable to assume that the European Commission will refrain from taking any measures that might undermine its stability and future development.

While awaiting the outcome of the Commission's investigation into the possibility of the purchase of Dexia Bank Belgium by the Belgian government being deemed to be a state aid and in view of the fact that the European Commission is of the opinion that its 26 February 2010 decision regarding Dexia SA still applies to Dexia Bank Belgium after its sale to the Belgian federal state, Dexia Bank has decided, pursuant to that decision, only to pay coupons on subordinated debt and hybrid capital instruments if there is a contractual obligation and not to exercise any call without the prior approval of the European Commission. This does not however mean that Dexia Bank itself is of the opinion that the European Commission's 26 February 2010 decision applies to it.

3. Other consequences of the difficulties encountered by the Dexia Group

The difficulties encountered by the Dexia Group, the announcement of the new structural measures and the substantial fall in the value of the Dexia share immediately following that announcement have resulted in the demise of two reference shareholders of Dexia SA. As a result, the shareholders of the Holding Communal, i.e. the Belgian provinces and communes, voted on 7 December 2011 to put the company into voluntary liquidation. The following day, on 8 December 2011, the shareholders of the cooperative companies Arcopar, Arcoplus, Arcosyn and Arcofin, which are all part of the ARCO Group, followed suit.

As the preferred banker of the Belgian local authorities, Dexia Bank Belgium is a major creditor of the Holding Communal. The liquidation of the company resulted in the booking of an adequate impairment in Dexia Bank Belgium's financial statements.

As a creditor of the ARCO Group, Dexia Bank Belgium has also entered a claim against the company's liquidators. Based on information currently available and taking account of the guarantees in favour of the Bank, it has not constituted any provision to cover any loss in the value of its claims on the ARCO Group.

A new departure

After several particularly difficult months both for the Bank and for its staff and customers, Dexia Bank Belgium has now found a new stability as an autonomous banking and insurance group whose shares are not listed on the stock market and whose sole shareholder is the Belgian state.

On the strength of this new situation and having learnt the lessons of the past, it is Dexia Bank Belgium's intention to turn over a new leaf, take the initiative and offer a vision of the future based on three specific commitments, stricter corporate governance and a new name.

1. The three commitments of the new bank

In November 2011 Dexia Bank Belgium made three clear commitments to help restore the confidence of its customers, to increase the motivation of its staff and to win back its business autonomy.

These three undertakings are closely linked to the long experience that the Bank has gained over the past 150 years in the public sector and in retail banking for the past 50 years.

1.1. Belfius seeks to be a locally anchored relationship bank

Dexia Bank Belgium aims, today more than ever, to make the personal relationship it maintains with its customers its principal priority, thanks to a personalised management of relations, an open and integrated approach, specialised advice and an extensive range of high quality products and services in a culture of sustainability and stability over the long term.

Being a relationship-based bank with its roots in the local community also implies that it has to be accessible 24/7. With 818 branches at 31 December 2011, 420 of which have already been converted to the open branch concept, Dexia Bank Belgium's presence is equally strong in Flanders, Brussels and Wallonia.

1.2. Dexia Bank Belgium seeks to be a bank that offers added value to society

Dexia Bank Belgium aims to be the partner of preference in the public and social profit sectors for its financial services. Savings bonds for local projects, successfully launched in December 2011, are a manifestation of that and enable the funds collected to be allocated to projects that benefit society (convalescent and nursing homes, hospitals, swimming pools, kindergartens, ...).

From a financial point of view, Dexia Bank Belgium also aims to meet the major challenges of society such as the ageing population, sustainable development and social integration.

Moreover, Dexia Bank Belgium will continue to offer additional added value to society through philanthropic initiatives such as the Foundation. The creation of a Community Service Centre will enable employees of Dexia Bank Belgium to offer their skills and expertise to local initiatives.

1.3. Dexia Bank Belgium supports clear and transparent communication

Confidence is essential in a banking relationship. Such confidence is created, deserved and consolidated through clear and transparent communication with customers at all times. Dexia Bank Belgium aims to communicate regularly about its strategy, its results and its corporate governance.

2. Stricter governance

Stricter corporate governance with a new professional Board of Directors lies at the heart of a simple one-to-one strategy in the interests of the Belgian economy.

To that end the Board of Directors has been completely overhauled, chaired by Alfred Bouckaert. One of the first tasks of the new Board of Directors will be to establish an exemplary model of corporate governance and an appropriate compensation policy for the management and the Directors.

Various measures have already been taken, notably the abolition of bonuses for 2011 for members of the Management Board and key and senior executives and the appointment of a Strategy Committee, an Appointments and Compensation Committee, a Capital and Risk Management Committee as well as an Audit Committee within the Board of Directors.

Further details on governance are given in the Chapter on "Corporate Governance" in this annual report, page 28.

3. A new name

A new start requires a new name. In addition to that there is also the fact that the "Dexia" brand continues to create confusion with the Group to which the Bank no longer belongs.

Since 1 March 2012 Dexia Bank Belgium has been operating under the brand name of "Belfius Bank & Insurance". A new name, a new logo and a new colour scheme represent a complete break with the past.

Within the name, "Bel" stands for "Belgium", "fi" for finance and "us" for us (as in "all of us"). A locally anchored Belgian banking and insurance group that is there for and on behalf of the community.

The second part of the name, "Fius", also refers to the Latin word "fides" and its French derivative "fiable" which means trustworthy and reliable.

The logo places the equals sign centre-stage, not only as a mathematical symbol, but above all as a symbol of a new equality between banker and customer, as a symbol of a new balance at the level of "value for money" that the Bank aims for in its relations with its customers. The colour combination of red on grey represents, on the one hand, the business environment in which the Bank aims to operate and, on the other, the relational, human dimension to which the Bank seeks to commit itself.

The costs involved in changing a name are considerable, but they must be seen as an investment in the future and are negligible in comparison with the added value that the name will bring in the long term.

The replacement of the old name by the new will be phased in gradually, though the company name will change legally with effect from 11 June 2012.

Key figures for Dexia Bank Belgium

Consolidated statement of income – key figures

(In millions of EUR)

	31/12/10	31/12/11	Change	Evolution in %
RESULT OF THE PERIOD				
Income				
Net interest income	2,110	2,141	31	1.5%
Net income on investment	207	(2,043)	(2,250)	-
Net commissions	368	332	(36)	-9.8%
Technical margin from insurance activities	(442)	(331)	111	25.1%
Other	143	(33)	(176)	-122.8%
Net income(1)	2,386	66	(2,320)	-97.2%
Expenses	(1,596)	(1,610)	(14)	-0.9%
GROSS OPERATING INCOME	**790**	**(1,544)**	**(2,334)**	**-295.4%**
Cost of risk	(26)	(555)	(529)	
NET INCOME – GROUP SHARE	**678**	**(1,367)**	**(2,045)**	**-301.5%**
KEY RATIOS				
Cost-income ratio(2)	66.9%	-	-	
Return on equity (ROE)(3)	9.3%	-19.7%	-29.0%	

(1) The figures as at 31 December 2010 have been restated.
(2) The ratio between the expenses and the income.
(3) The ratio between the annualised net income – group share and the weighted average of core shareholders' equity (estimated dividend for the period deducted).

Consolidated balance sheet – key figures

(In millions of EUR)

	31/12/10	31/12/11	Change	Evolution in %
TOTAL ASSETS	**247,902**	**232,509**	**(15,393)**	**-6.2%**
of which				
Loans and advances to customers	*99,472*	*91,933*	*(7,539)*	*-7.6%*
Loans and securities	*42,795*	*50,413*	*7,617*	*17.8%*
Derivatives	*30,313*	*34,933*	*4,620*	*15.2%*
TOTAL LIABILITIES	**242,450**	**229,234**	**(13,216)**	**-5.5%**
of which				
Customers borrowings and deposits	*82,877*	*70,265*	*(12,612)*	*-15.2%*
Debt securities	*28,958*	*24,362*	*(4,596)*	*-15.9%*
Derivatives	*34,903*	*41,373*	*6,470*	*18.5%*
TOTAL EQUITY	**5,452**	**3,275**	**(2,177)**	**-39.9%**
of which				
Core shareholders' equity	*7,950*	*6,591*	*(1,359)*	*-17.1%*
Total shareholders' equity	*5,432*	*3,259*	*(2,172)*	*-40.0%*

Solvency ratios – key figures

(In millions of EUR)

	31/12/10	31/12/11	Change
SOLVENCY RATIOS			
Core Tier 1 ratio	13.6%	11.8%	-1.8%
Tier 1 ratio	14.6%	12.7%	-1.9%
Capital adequacy ratio	15.7%	15.1%	-0.6%
Total regulatory capital	7,780	7,994	214
Risk weighted assets	49,551	53,024	3,473

Management report

Profile of Dexia Bank Belgium

Dexia Bank Belgium is a public limited company under Belgian law which collects savings from the public. It is an autonomous Belgian banking and insurance group which has been taken over by the Federal Participation and Investment Company on behalf of the Belgian State. The Federal Participation and Investment Company is the bank's sole shareholder and carries out its mandate in its own name but on behalf of the State. The bank's shares are not listed.

Dexia Bank Belgium is first and foremost a local bank and its business reflects that: collecting savings deposits and placements through its distribution networks and than reinvesting the funds in the community through the normal transformation function of a bank in the form of loans to personal customers (mainly mortgages), the self-employed, small and medium-sized businesses and the liberal professions, business companies and especially to institutions of the public and social profit sectors.

In order to ensure the future of the Bank, the management has given three commitments : to help restore the confidence of its customers, to increase the motivation of its staff and to win back its operational autonomy.

The three commitments (see also page 8) are closely linked to the rich expertise and long experience that the Bank has gained over the past 150 years in the public sector and from serving personal customers for the past 50 years:

- **Dexia Bank Belgium aims to be a locally grounded relationship bank;**
- **Dexia Bank Belgium aims to be a bank that provides added value to society;**
- **Dexia Bank Belgium aims to communicate in a clear and transparent manner.**

The operating segments of Dexia Bank Belgium

Dexia Bank Belgium's commercial activities are split into three segments: Retail and Commercial Banking (RCB), Public and Wholesale Banking (PWB), and Insurance Services.

1. Retail & Commercial Banking (RCB)

Dexia Bank Belgium is among the three leading banks in Belgium. Its customers number 4 million and include private individuals, members of the liberal professions, self-employed people and business companies and it serves them through a network of 818 branches, internet and mobile banking applications, a *contact centre* and a large number of automated teller machines, which makes the bank open 24 hours a day.

The customer, with his needs, his dreams and his plans are the centre of Dexia Bank Belgium's focus in the establishment of a long-term relationship. Through their knowledge and expertise, the relationship managers and specialists offer clear products and accessible, quality-driven services.

To secure the long-term relationship, Dexia Bank Belgium has defined a number of moments in the life of the customer or in the life of a product held by the customer at which the customer will automatically be contacted. Examples are the birth of a child, the first job, a maturity day of a product in the investment portfolio and the expiry of a mortgage.

Dexia Bank Belgium has a marked presence among young people. Young parents are regularly informed about how their child can be given a financial head start that will stand him in good stead when the time comes for him to stand on his own feet. Dexia Bank Belgium also offers appropriate solutions for teaching the young how to manage their money. When young adults enter the labour market, the customer advisers can even support first-timers with advice and efficient solutions.

For investors Dexia Bank Belgium brought out an innovation in the form of four investor profiles with increasing degrees of risk appetite with regard to capital and yield: safe, protected, tactical and dynamic.

Private Banking relies, on the one hand, on a local and competent network of Private Banking Officers in the branches who know the customer and provide him with support on a daily basis and, on the other, on the expertise of regional specialists in, say, the management of assets, inheritance planning or tailor-made loans.

Dexia Bank Belgium focuses specially on Business Banking for the self-employed, the liberal professions and small and medium sized undertakings with a turnover of less than EUR 10 million. Dexia Bank Belgium supports its business customers in a variety of ways (offering them long-term and short-term loans, day-to-day management, ...) depending on the life cycle.

Starting up as an entrepreneur is a crucial moment in the life of a customer when, in addition to his own funds, he will need to borrow funds from the Bank.

Thereafter Dexia Bank Belgium supports its entrepreneurial customers by regularly offering them proactive financial opportunities.

Finally the enterprise will sooner or later be sold on. This poses a double challenge to the Bank: turning the new owner into a customer and managing the funds acquired by the seller.

As a trusted partner of the health sector, Dexia Bank Belgium is also the preferred bank of many doctors, pharmacists, veterinary surgeons and other health carers. With its specific approach of the medical sector, Dexia Bank Belgium offers a range of tailor-made products and services which meet their specific needs.

2. Public and Wholesale Banking

Public and Wholesale Banking includes Public & Social Banking, Corporate Banking and certain specialised activities.

2.1. Public and Social Banking

Since its inception Dexia Bank Belgium has been the principal bank for most local authorities (at local, provincial and regional level) and of a number of related entities (intermunicipalities, municipal non-profit making organisations, subsovereigns institutions, ...). It is also the leading financial partner for a host of establishments in sectors such as education, the socio-medical sector (hospitals, rest homes, ...), the voluntary sector and non-profit organisations.

In this way Dexia Bank Belgium plays a unique role in Belgium by helping these customers to accomplish their social mission.

This role takes practical form in various ways:

- Dexia Bank Belgium has of old contributed to the funding of local authorities by helping them find funding solutions that are tailored to their needs;
- Strong support in the day-to-day management of customers through account management, payment solutions or electronic banking applications;
- With specific services such as studies on the state of finances of local entities or the financing of hospitals and nursing homes, Dexia Bank Belgium also offers support for the strategic management of the local authorities;
- Society has to grapple with a host of major challenges such as the ageing of the population, sustainable development and debt reduction. Here, too, Dexia Bank Belgium applies its expertise to finding solutions together that are adapted to customers' needs;
- Lastly Dexia Bank Belgium takes very seriously its role as partner to the Social Services. That partnership can be seen in the full range of social products that enable the Social Services to focus on their core mission.

Far more than just a banker, Dexia Bank Belgium seeks to be a full partner working in collaboration with organisations operating in the public and social sectors.

2.2. Corporate Banking

Corporate Banking is directed principally at businesses operating in Belgium with the focus particularly on medium sized firms (having a balance sheet total of between 10 million and 1 billion euros). In this way the Bank aims to contribute towards the sustainable development of corporate business activities in Belgium.

To that end the Bank relies on specialised commercial teams spread over four Belgian regional zones. The Corporate Bankers help their customers identify their needs and – in collaboration with a variety of specialised teams – offer them suitable solutions from its full range of banking and insurance products. Thus the Bank proposes a personal approach that is based on a long-term partnership with support teams for whom quality of service is an absolute must.

2.3. Specialised activities

Dexia Bank Belgium has established a high level of expertise in the field of real estate projects both for the private and the public sector, with increasing attention being paid to sustainable projects. The (Design)-Build-Finance-(Maintain) dossiers, building loans and urban development plans are essential in that respect in addition to pure project development and real estate financing products.

Structured finance covers a wide range of activities ranging from syndicated loans and acquisition finance, via project finance and public-private partnerships, to export finance. In addition to that, corporate finance and private equity business is also on the agenda.

3. Insurance Services

Insurance services are developed, managed and offered by Dexia Insurance Belgium, a wholly owned subsidiary of Dexia Bank Belgium. A full spectrum of insurance policies (life and non-life) is offered to retail, commercial and private banking customers as well as to customers in the public and semi-public sectors. They are sold under the bank-insurance scheme and through a network of associated agents.

Ratings

At the beginning of 2012 Dexia Bank Belgium had the following long-term ratings:

- **A-** from Fitch (stable outlook)
- **A-** from Standard and Poor's (with negative credit watch)
- **A3** from Moody's (with revision for uncertain direction).

Activity report

Activity report per segment

A business segment is a division of Dexia Bank Belgium:

- that is devoted to activities that can generate income and incur costs;
- that the management regularly evaluates in order to estimate performance and take decisions regarding the allocation of resources.

Dexia Bank has four business segments:

- Retail and Commercial Banking (RCB)
- Public and Wholesale Banking (PWB)
- Insurance
- Investment portfolio – Group Centre – TFM

Interest paid out by the Group Centre to the segments is proportional to allocated capital and reserves, i.e. economic equity.

Tangible and intangible assets are allocated to the Group Centre except where they are directly managed by a commercial or financial business segment.

Relations between the business segments, notably between the commercial business segments, financial markets and "sales and services centres", are subject to analytical transfers on the basis of commercial and market conditions.

Thus the results of each business segment also contain the commercial margin.

1. Retail and Commercial Banking (RCB)

1.1. Greater propensity to save in conventional savings and investment products

In the course of 2011 the economy shrank from buoyant expansion during the first half of the year to a rapid cooling off during the second. Increasing disquiet over the European debt crisis resulting from the absence of any credible solution, the monetary restrictions imposed by the ECB in order to curb the rise of inflation, the weakening US economy, the slowdown in the growth momentum of the emerging economies, the numerous cuts being made in government expenditure and investment as well as the rise in taxes due to the financial reconstruction schemes that had become necessary in a number of western countries, all led to a U-turn in the economy. Under such circumstances, households always tend to save more and spend less. According to the National Bank of Belgium the financial assets of households rose substantially (by as much as EUR 22 billion during the first 9 months of the year). The savings ratio as a percentage of disposable income continued to hover around 17% because wages increased by around 2% and because savings measures that might affect incomes had not yet been adopted in Belgium during 2011.

Investors are still traumatised by the financial crisis and above all by the collapse of the share markets at the end of 2008 and the beginning of 2009, so the preference for conventional savings and investment products such as savings accounts, term accounts, cash bonds and government bonds over shares, unit trusts, bonds in exotic currencies and structured loans was even more marked. Insurance-based investments increased thanks to the guaranteed yield and their tax advantages despite the relatively long-term nature of these investments. Corporate bonds performed well although they had to face with their spreads widening against government bonds.

The rise in long-term interest rates attracted Belgian investors once again to long-term investment during the first quarter. During the second quarter Dexia Bank Belgium encouraged this trend by lowering the entry costs for insurance investments and unit trusts and offering a guaranteed (3%) yield on Branch 21 products. As a result, in the outstanding amount in these investments rose from EUR 9.6 billion to EUR 10.4 billion.

This commercial action also gave a boost to the new lock-funds variant, a concept that is unique on the Belgian market and available since 14 February 2011.

Lock funds are intended for customers with a Tactical or Dynamic investor profile.

These are compartments of capitalisation trust funds with a specific class of shares that is fitted with a Lock mechanism. This locking mechanism seeks to limit any losses on the capital by automatically placing a sell order as soon as the net inventory value falls below a trigger price which the client has determined beforehand. The aim is to enable investors to derive the maximum benefit from the potential yield on open investment funds while at the same time endeavouring to limit the risk of loss in the case of a sharp fall in the stock market, but without getting out at the slightest jolt.

Funds held in unit trusts and Branch 23 products fell to EUR 9 billion at the end of 2011 both as a result of the negative effect of the market and of customers selling out. The range of unit trusts sold by Dexia Bank Belgium was further simplified through mergers. By bringing together a greater amount of capital it is possible to obtain a better diversification of the investment risk and achieve advantages of scale that have a beneficial effect on the net inventory value of the compartment.

In Private Banking, the benefit of having a local contact person in combination with additional expertise ensured that the level of funds under management remained stable.

In the autumn the ECB relaxed its policy, provided the banks with more liquidity and pursued its programme to buy up government debt in European countries in difficulty. The resulting fall in interest rates led to a flattening of the yield curve. The announcement of an increase in the withholding tax and other fiscal measures due to come into force in 2012 ensured investors an anxious end of the year.

The evolution of outstandings in all types of savings accounts at Dexia Bank Belgium (-7% to EUR 29.3 billion) was seriously affected by the difficult period through which Dexia Bank Belgium went at the beginning of October before being bought out by the Federal Participation and Investment Company. Some of the funds were reinvested in government bonds (with total sales by Dexia Bank amounting to EUR 777 million).

The "Go for Gold" action ran until 15 December 2011 and every saver – large or small – was able to increase his chances of walking away with the first price – a kilogram of gold.

For the year-end action it was decided again to organise a campaign to promote the 5 year Cash Bond for Local Projects under the motto "Build up your capital and benefit the community". The Cash Bond is a simple product that fits entirely in with the core activity and social role of Dexia Bank Belgium in Belgium: collecting funds from private individuals in order to lend them out to fund local projects. Specific examples of local projects that have been funded by Dexia Bank Belgium in the past can be seen on www.dexia.be. There is also an interactive application on Google Maps where they can be identified. Despite the success of this action, outstanding balances in cash bonds and long-term accounts fell respectively to EUR 11.4 billion and EUR 1.1 billion.

The volume of bonds issuance, whether structured or not, amounted to EUR 12 billion.

The announcement of government measures did much to stimulate the depositing of bearer securities prior to their dematerialization in December 2011, 61,000 securities were brought in, worth EUR 1.2 billion.

1.2. Strong lending activity despite the slowdown

In a situation of quite accommodative monetary policy, short-term interest rates remained fairly stable and low. Long-term interest rates fluctuated more with the widening and narrowing of the spread between Belgian and German government bond. The growth percentage in loans to businesses slowed down sharply from between 4 and 6% during the first half of the year to 2.6% at the end of November. This is entirely in line with the U-turn in the economy causing, on the one hand, a fall in demand for lending and, on the other, the ability of fewer loan applicants to meet the – albeit unchanged – approval criteria. What is striking is that the loans taken by small and medium sized businesses continued to rise (+11%). The volume of credit facilities granted rose by as much as 13.9%. Lending to large businesses fell sharply. The utilisation rate of loans by SMEs crumbled.

Mortgages did well thanks to continuing fairly low – though rising – interest rates, the energy-saving premiums, the greater confidence in property investment, the advantages of green loans and the absence of austerity measures. According to Febelfin, total lending in 2011 rose by 4% or around EUR 27 billion. The rise in the volume of consumer loans was fairly limited given the increased propensity to save and the decline in consumer confidence resulting in less consumer spending. However, in the final months of the year consumer spending picked up following the announcement to scrap certain tax benefits in 2012.

Lending continued the strong trend that had set in at the end of 2010. The momentum established by the *Batibouw* building trade fair (held annually at the Heyzel buildings in Brussels) was seized upon to highlight the role of our specialists. Dexia sessions were organised each day during which experts explained briefly everything one needed to know about energy-saving. In the regions, too, customers were able to register to participate in a Green Day.

The 2011 commercial lending calendar was in any case dominated by demonstrations of the Bank's expertise in green loans: at the Motor Show, as a partner in the *"Salon Passivehouse"* and with the increased exposure on the website and in the specialised press.

In 2011 Dexia Bank Belgium offered a choice between two types of "green loan": the home eco-loan (an instalment loan subject to the Law of 12 June 1991 on consumer credit) and the green mortgage (a mortgage loan subject to the Law of 4 August 1992 on mortgage credit). Both formulae have an advantageous interest rate and offer certain tax advantages.

The volume of outstanding mortgages rose from EUR 22.4 billion at the end of 2010 to EUR 24 billion at the end of 2011. Most of the mortgages concluded in 2011 had fixed interest rates, above all in the case of maturities of between 16 and 25 years on the one hand and 5 and 10 years on the other.

The volume of outstanding consumer loans amounted to EUR 1.7 billion at the end of 2011.

1.3. Continuing growth in Business Banking

The outstanding volume of loans to businesses rose to EUR 9.5 billion (+6% in comparison with 2010).

Over the past five years Dexia Bank Belgium has invested enormously in Business Banking, the segment intended for three target groups: the self-employed, the liberal professions and SMEs. The commercial approach is based on the complete life cycle of the entrepreneur or the firm.

This was recently highlighted through the collaboration agreement with the UCM[1].

Dexia Bank Belgium and the UCM aim to improve their services to the self-employed, the liberal professions and SMEs in Wallonia and Brussels:

- by exchanging their respective know-how: the UCM over support for project leaders, starters and sellers of businesses, and Dexia Bank Belgium over the range of tailor-made banking solutions;
- by organising joint events in order to sensibilise and inform entrepreneurs;
- by offering additional products and services that are adapted to the specific needs of particular business sectors.

Thus, for instance, the access to payments terminal Dexia Pay Pack has been made more easily accessible to UCM members.

(1) UCM= Union des Classes Moyennes = an organisation established to protect, represent and promote the self-employed, traders, SME business leaders and members of the liberal professions.

Dexia Pay Pack is a specific package involving payments terminals under which the money is paid directly into the customer's operating account. A portable variant exists so that the system can be used to pay for home deliveries. This service is perfectly suited to the aims of the financial sector to stimulate the use of electronic payment systems. Dexia Bank Belgium also actively recommends the Dexia Pay Pack payment terminal for the medical sector.

Dexia Bank Belgium has all that is required to set the self-employed and entrepreneurs on their way to a comfortable pension. The statutory pension can be supplemented by a tax-efficient supplementary pension through an occupational pension plan (pillar 2), a tax-deductible personal pension and/or long-term savings plan (pillar 3) or through an investment portfolio (pillar 4). Dexia Bank Belgium helps customers to make the correct choice from all the complex pension options available and is proactive in raising the matter with them. Thus at the end of 2011, action was taken to promote the tax efficient Dexia Business Future and Dexia Business Future Manager products. Both products are a Branch 21 life insurance product, with a guaranteed yield and a variable annual participation in profits .

1.4. Modern distribution channels

The revamped Dexia Direct Net was launched with light-hearted videos on Dexia.be. The most important innovation is the ease with which it is possible to navigate between the transaction and information sections. A central page gives a clear overview of all the products that the customer has with Dexia Bank Belgium. The customer is free to determine what he wants shown on his dashboard and how it is displayed (with his own photographs and colours). In addition the subjects of work, home, kids, and pension can be personalised. Each theme contains appropriate information, a selection of the solutions that Dexia Bank Belgium has to offer, as well as simulators and a list of useful links and the products which the customer has in the context of that theme.

Banking can now be done on the move, with a smartphone or a tablet. Since 30 March 2011 customers of Dexia Bank Belgium have been able to register with a smartphone and a DDN subscription (Dexia Direct Net, on-line banking) for Dexia Direct Mobile, a secure mobile internet access to their bank accounts. The customer can consult the balance on his account and a list of previous transactions, transfer funds to already identified accounts and consult the balance on his credit card. By the end of 2011, thirty thousand customers had registered to use the service.

In order to improve speed and userfriendliness, Dexia Bank Belgium has also launched Apps for Apple and Android. This means the customer can work directly on his device without going via the mobile website.

1.5. Relationship banking at the heart of our activity

Dexia Bank Belgium's aim is to be *par excellence* the bank based on relationships and specialists and to that end it continues to invest in new open-plan branches that facilitate social contact: 420 of the 818 branches situated in Belgium have been refurbished according to the *Open Branch Concept*. The fact is that even though self-service and internet banking now form part of everyday life, it is still crucial for the Bank to have a human face.

Every customer is unique, with his own projects, dreams and needs, …. And the range of services that best meets them must therefore also be unique. Which is why Dexia has launched the "Service Plan", a personal long-term plan whereby the customer can always have direct access to his financial adviser and receive the best possible service for his investments, his day-to-day banking transactions and his plans for the future.

Dexia Bank Belgium was also the first Belgian bank to adapt to the new family structures and meet their financial needs. The conventional family may well remain the predominant family form, but new family structures are gaining in importance: singles, reconstituted families or single parent families. By launching the New Family Plan, a range of products and services adapted to the "non-conventional" families of today, the expertise of the bank is made available to everyone. In offering solutions that respond to their specific situations, the Family Advisers in the branches endeavour above all to achieve the satisfaction of their customers.

Dexia Bank Belgium attends student festivals and fairs: *Nocturne* at the ULB, *Unfestival* in Liège, United Colours of Ghent, 24-hour race and *Lokomotion* in Leuven, *24 Heures vélo* at Louvain-la-Neuve, …in order to get the young to reflect on life after their studies. The fact is that starting out on one's professional career is a step towards independence and an income of one's own, as well as tax obligations, the management of one's own budget, possibly the purchase of a car of one's own or the rent of a dwelling and thus creates the increasing need to call on the services of a bank. This is an ideal opportunity for customer advisers to offer advice and efficient solutions to possible first-timers.

Finally, *2get'r* is a magazine launched in June and sent to a large number of customers, presenting interesting articles on money matters and life-style in an attractive format.

2. Public and Wholesale Banking (PWB)

Public and Wholesale Banking (PWB), which covers the relations with customers in the public and social profit sectors as well as corporate banking activities, produced some good results in 2011 in a widely fluctuating market in which the economic recovery that had begun in 2009 gave way to a substantial slowdown during the summer of 2011.

In line with its concern for sustainable development as well as the conviction that it must remain a loyal partner on the PWB-market, Dexia Bank Belgium responded to the investment needs of the local authorities, the social sector, of business corporations and project sponsors in an endeavour to achieve with them the long-term development plans of society and those who work in it.

2.1. Public and Social Sector

Despite the difficulties surrounding the government crisis and the position of the Dexia Group, in commercial terms 2011 turned out to be a good year.

Outstanding loans granted to the public and social sector at the end of 2011 amounted to EUR 32.7 billion.

Outstanding loans granted to the public and social sector showed a small though not inconsiderable growth in the light of an economic crisis that affected government funding and despite the increasingly stiff competition. The market shares in lending to local authorities remained quite respectable. The progress of investments was influenced on the one hand by an increase in the reserves that customers constituted for the payment of pensions and on the other by the normal cutbacks in cash surpluses that one may encounter in a period of crisis. 2011 was also a very successful year for Debt Capital Markets, working in collaboration with TFM, with respect to both treasury bills and long-term bonds.

In the social sector Dexia Bank obtained a specific credit line this year from the European Investment Bank to fund loans to hospitals, thereby enabling the bank to support this vital sector in the interests of the wellbeing of the Belgian population.

The specific credit lines are as follows:

- **Energy line**
  Solar panels again took the lion's share of the funding, but Green fleet considerably exceeded the budget and booked a historical record in rented vehicles; Green IT continued to produce good results because the innovative concept has recently become a clear must-have for any self-respecting administration. This year the bank also obtained a special line from the EIB to fund innovative projects in the field of renewable energy or energy saving.
- **Immoline**
  Thanks to our extensive range we were able to participate in a large number of government contracts either as tender leader or as funder of the contractors.
- **Social line**
  Professionals in the social services use this line because they see in it a cheap and simple means by which to enable those they are helping to gain access to the world of banking like the rest of us. Dexia Bank Belgium must be the only commercial bank in Europe to include a social approach in its range of services at that level.
- **IT line**
  Dexia Bank Belgium devoted itself this year to improving its existing instruments. The switchover to Papyrus which replaces paper-based statements, also went well.
- **People line**
  Dexia Bank Belgium has become one of the market leaders in the Life branch for public-sector pensions.

Institutions in the public and social sectors are the ones most keenly aware of the various demographic developments in our society. The bank has created a Socio-Demographic Profile for the benefit of local operators as well as of all institutions that are confronted with the problem of the ageing population or with of the increasing number of students in the educational system. This was a successful first, and the result of a lengthy study carried out by the Studies Department and the financial experts of the bank.

The autumn of 2011 saw the finalisation of the development of a new version of the financial analysis tool (the individual financial profile) which is designed to provide each local authority in the country with greater clarity over its financial situation.

2.2. Corporate Banking

At the end of 2011, the outstanding loans granted to the corporate sector amounted to EUR 10.8 billion. In a climate of the utmost difficulty, business was concentrated on maintaining the confidence of and relations with the bank's corporate customers. The effort involved has since paid off as the bank was able to sustain a satisfactory level of customer activity with regard to loans and accounts as well as other cross-selling activities.

Despite the worldwide financial crisis which accounted for a fall in foreign exchange transactions generally, business in the dealing room expanded thanks to the proactive approach adopted towards professional customers.

Various initiatives were also taken to improve the quality of our service towards corporate customers.

In addition, Dexia Bank evolved a full range of products and services specifically designed for and offered to enterprises supplying the public sector. Thanks to its experience and its reputation on the public sector market, as well as to its close links with its corporate customers, the initiative received a warm welcome.

The efforts deployed by the bank to support its customers also enabled it to expand its activities in the field of asset finance (leasing, commercial finance, auto lease).

2.3. Specialist business in PWB

2.3.1. Real Estate

The bank continued to provide active support in 2011 to both public and private sector real estate initiatives in whatever form. The focus on sustainable and 'greener' building practices has now become a structural parameter..

- **Public and Social Real Estate**
  The market in local property investments produced a remarkable growth in 2011 with a 50% increase in the number of (Design)-Build-Finance-(Maintain) applications, building loans and urban development projects in comparison with the year before. The rise is due to a catch-up operation in the investment programmes of the local authorities after cutting back their investments over the past few years. More and more subsidising authorities are recommending (D)BF(M) solutions. That is particularly the case in the education sector, the care-home sector and the sports infrastructure. The bank aims to play a lasting pioneering role in this field in order to ensure that these investments get financed at market-conform conditions. The fact that a large number of (D)BF(M) specifications never managed to get funding in 2011, either with difficulty, shows that the bank still has a large added value to offer in this market.
  With the "Immo Line" range the bank seeks to offer a full spectrum of solutions that meets the needs of customers in the public and social sectors. These range from merely offering advice, via providing technical and financial support in the development and implementation of building projects, to the long-term management of the building itself.
- **Project Development**
  In 2011 again the projects of Deximmo, a subsidiary of the bank that specialises in real estate development, were deliberately focused primarily on the residential sector with its lower risk profile. Thanks to the continuing low interest rates on the market, the building of houses and apartments in good locations is still a good proposition. The impact of energy-saving regulations obliged Deximmo to keep innovating, with the result that ecosites, "green" houses and sustainable materials became key elements. Many contractors have got the message and include them in their specifications.
  Because of its specific knowledge of the two market segments (public and private), the bank is increasingly putting itself forward as a go-between for the public and the private sectors, mainly in PPP[1]-applications for land development on unique sites.

(1) PPS = Public Private Partnership

- **Real Estate Finance**
  Like the year before, risks were cut to the absolute minimum, given the difficulties on the market in office premises. As a result, thanks to its clear positioning, the bank was able to direct its lending towards the better projects with top quality professional counterparties, and there were no unpleasant surprises. The impact of the European energy laws on Loan to Value required the bank to be extra cautious. With the gradual disappearance of foreign banks on the Belgian market, the bank has noted an increase in real estate refinancing applications, but not always with the correct risk profile.
  The building of houses and apartments maintained its level of previous years, with correctly-priced and well-located projects proving easy to sell.

2.3.2. Structured Finance

In 2011 Dexia Structured Finance continued to present itself as a leader in its various fields of activity ranging from syndicated loans and acquisition finance and the funding of a wide range of projects including public-private partnerships, to export finance.

In the field of Project Finance, Dexia Bank played important roles during 2011 in international transactions relating to renewable energy, such as the provider of payment guarantees, the account bank, or the lender.

In so doing, Dexia Bank Belgium supported its customers whether they were suppliers enjoying such payment guarantees, or the sponsors behind the projects.

In 2011 Dexia Bank Belgium remained faithful to its strategy of supporting funding to local infrastructure projects and was highly active on the Belgian public-private partnership (PPP) market, as witness, among other things, our involvement in the various prison-PPPs.

In the financing of exports for Belgian companies, Dexia Bank Belgium increased its business in 2011 on the one hand by confirming short-term documentary export credits and on the other by offering different medium and long-term export financing solutions.

In Acquisition Finance the focus in 2011 laid on the medium segment of transactions with corporate contract values ranging between EUR 25 and EUR 100 million. This strategy was carried out in collaboration with various investment companies of high repute with which a long-term relationship had been built up over recent years. In addition a number of supplementary credits were granted to industrial undertakings in the loan portfolio in order to support them in their growth through value-enhancing add-on takeovers.

On the Belgian market in syndicated loans, Dexia Bank Belgium took part in various refinancing operations during 2011 in order to continue its support for the long-term continuity of these customers.

2.3.3. Corporate Finance

2011 was a difficult year for Corporate Finance. The European sovereign debt crisis, the slowdown in the economy, and the increased volatility on the financial markets affected the confidence of investors. These environmental factors therefore had a serious impact on ECM (Equity Capital Market) business which was mainly characterised by the deferment or cancellation of a number of transactions. Various Merger & Acquisition transactions were prepared, a number of which should go through in 2012.

2.3.4. Private Equity

Despite the challenging economic environment in 2011, Dexia Private Equity (DPE) turned in some respectable results. It maintained its focus and continued to direct its investments towards its principal key sectors: infrastructure, utilities (with the emphasis on renewable energy), clean technologies and real estate. In the future, too, DPE will continue to favour partnership models.

3. Insurance

As far as Dexia Insurance Services (DIS) is concerned, 2011 confirmed the strong commercial results achieved in 2010 on the Belgian market, despite the unstable market environment.

Like Dexia Bank Belgium, DIS suffered a turbulent last quarter of 2011 with the dismantling of the Dexia Group. 2011 was also the year of the sovereign debt crisis resulting in substantial write-downs in the portfolio of Greek government bonds brought about by the fall in the value of government debt generally.

All this naturally had an impact on the insurance business of Dexia Bank Belgium, even though the Belgian outlets of DIS performed very well in this difficult year.

This was reflected in the rise in Life reserves from EUR 18.4 billion in 2010 to EUR 19.1 billion in 2011.

In addition to that, the operating indicators continue to move in the right direction, with Dexia Bank Belgium's cost efficiency rated among the best on the market. Through ongoing control of the claims ratio by applying a strict acceptance policy, by reviewing structurally loss-making relations and introducing well-considered tariff adjustments, the ratio improved, falling from 69.4% in 2010 to 66.2% in 2011.

Life premium income amounted to EUR 2.3 billion. The Belgian outlets produced the same results as the previous year. However, after enjoying an exceptional year in 2010 as a result of the European Savings Directive, Dexia Insurance's Luxembourg subsidiary, Dexia Life & Pensions, fell in line with the Luxembourg market. The non-life premium income amounted to EUR 0.5 billion.

3.1. Dexia Insurance Belgium (DIB)

3.1.1. Retail

- **Life**
  In 2011 new business in life and equity-linked insurance ended at the same level as in 2010 despite the difficult conditions on the market.
  Premium income through Dexia Bank Belgium closed at EUR 1.3 billion, mainly thanks to a strong first half with a successful campaign and the continuing focus of Dexia Bank Belgium on selling insurance products.
  The DVV outlet, too, reported a good year for new business, thanks to the success of the "Atlantica campaign".
  The collaboration begun in 2010 between Dexia Bank Belgium and twenty selected DVV branches in the small business and self-employed segment was consolidated further.

- **Non-life**
  Premium income by DVV rose by 4.4% to EUR 274.3 million (including small businesses and the self-employed), while the premium income collected by Dexia Bank Belgium rose by 4.3% to EUR 124.6 million, mainly thanks to continuing growth in the Dexia Car portfolio.
  Apart from adjustments to the index, both outlets continued their organic growth, thanks notably to an intensive sales training course organised by DVV.
  2011 saw a substantial improvement in the results for motor insurance (both third-party and comprehensive) because of a decline in the number of accidents.
  Fire insurance suffered the effects of the storms (in June, August and December) during 2011.
  Maintaining the balance between the increase in accidents and the increase in premiums is a task that faces insurance companies all the time. Implementation of the corrective measures decided in 2010 continued in 2011.

3.1.2. Organisations and Businesses

The "Organisations and Businesses" insurance segment had an excellent 2011 year.

A rise of 1.3% to EUR 235.7 million was reported thanks to higher premium income in Branch 26 (up 25.5%), mainly due to the successful action to prolong more than half the investments maturing in 2012.

Conventional life premiums collected fell slightly (-4.9%) to EUR 174.5 million, attributable to a single premium booked under a large contract (of ± EUR 30 million) in December 2010. That apart, Dexia tendered for and was awarded a major contract by the National Social Security Office of the Provincial and Local Public Service (RSZPPO) (with an initial premium of EUR 10 million) for the pension plans of around 50,000 people working under contract for some 500 local authorities.

Continued growth was established through the repurchase of the pension reserves.

Non-life again produced strong results (up 6.5% to EUR 86.6 million) thanks to successful collaboration with specialised brokers. The hospitalisation insurance policy for *De Lijn* with an initial annual premium was signed up. Another achievement was a successful pooling of the insurance policies of the Flemish Community. The contract pools policies that relate more specifically to industrial accidents, material damage and liability and was won in a consortium with two other insurance companies. It is an important contract because of the premium and because it confirms the role of Dexia Insurance Belgium as a major insurer in the public sector.

3.2. Corona

Corona Direct, the insurance subsidiary that focuses on alternative sales outlets, had a very good year in 2011. In its direct approach to customers the importance of the internet as a channel for doing business continues to grow. Mileage-based insurance, the only car insurance in Belgium under which the premium the customer pays is related to the mileage he actually covers, continues to be successful both with regard to uptake and with regard to customer satisfaction and accident statistics.

Corona Direct also had a good year in respect of its life premium income at EUR 18.8 million (up 5.5%), mainly thanks to the continuing success of its funeral insurance policies sold through funeral directors.

Non-life grew by 3.5% to EUR 41.5 million, thanks to the excellent results for material damage in the "affinity" channel.

3.3. Dexia Life and Pensions (Luxemburg) (DLP)

DLP's premium income amounted to EUR 353.6 million. This is a substantial fall (-66.6%) in line with the fall in the Luxembourg market and the difficult environment, in contrast to an exceptionally strong 2010 that was affected by the strong inflows of capital brought about by the European Savings Directive.

4. Investment portfolio – Group Centre – TFM

This segment includes:

- Treasury and Financial Markets
- All the supporting services for the various commercial Business Lines
- The bond portfolio in ALM and PMG.

The principal task of Treasury and Financial Markets (TFM) is to provide support for the two commercial business lines in Dexia Bank Belgium by providing quality financial products to customers of the different sales networks. In addition, TFM plays an essential role in the the bank's long and short-term liquidity management, in developing new sources of funding and liquidity and in ensuring that the best use is made of its working capital allocation. It also manages the Bank's securities portfolio under a management contract conferred upon it by the Management Board. The profits made by TFM are allocated to the commercial business lines Public and Wholesale Banking (PWB) and Retail and Commercial Banking (RCB) as well as the Group Centre and the Investment Portfolio.

TFM carries out its operations mainly at Dexia Bank Belgium in Brussels. Only the competence centre for the management of the Investment Portfolio (IP) is located in Dublin.

These run-off portfolios are part of the Legacy Portfolio Management (LPM) department which works closely with Risk Management. After validation by the Management Board, the LPM carries out the recommendations of the "Investments Committee" composed of experienced portfolio managers. The department works directly with the other activity lines of TFM to identify alternatives, if considered desirable, to reducing the risks on the portfolios.

In 2011 the emphasis for TFM laid principally on managing and reducing the liquidity risk, as well as on reducing the size of the non-commercial balance sheet.

In the first half of 2011 substantial progress was achieved in these fields. Thus during the first few months of the year the entire long-term funding programme originally scheduled for 2011 was accomplished and it was possible significantly to reduce dependence on the European Central Bank for short-term funding and exit the state guarantee system set in place at the end of 2008.

In order to continue to reduce the size of its balance sheet as part of a more global debt reduction programme and to limit the counterparty risk, Dexia Bank continued its programme of disinvestment in its bond portfolio as well as its policy to extend its use of central counterparties (of the LCH-Swapclear type) for its interbank transactions. The standardisation and automation of transaction settlements helps reduce not only capital requirements but also operational risks. In the same way, membership of TriReduce, a TriOptima service, has enabled the netting of multilateral transactions on derivatives between the various banking counterparties and made it possible to reduce the balance sheet total.

From the legal and operational point of view, special attention was devoted to the proper management of the different relations with counterparties (through framework-contracts such as the Global Master Repurchase Agreement, the International Swaps and Derivatives Agreement and the Credit Support Annex). The bank prepared for the entry into force of new rules and regulations such as the European Market Infrastructure Regulation and the extension of the MIFID in Europe or Frank Dodd in the United States.

The second half of 2011 was in great part influenced by the deterioration in the European sovereign debt crisis. The uncertainty over the solvency of the countries in the euro zone as well as the lack of any clarity over the rescue plans that were elaborated by the ECB and the European Commission in collaboration with the other Member States only served to increase the nervousness of investors. The extension and aggravation of the crisis led to greater volatility on the markets, a widening of the spreads and above all a lack of trust between the players on the financial market. So the interbank market in unsecured funding collapsed as those banks that did have cash surpluses preferred to deposit them at the central bank rather than take the risk of lending them out to other banks.

The Dexia Group which was heavily exposed to the involved governments, was seriously affected by the consequences of this new phase in the crisis. And that rubbed off on to Dexia Bank Belgium.

Given the substantially dwindling availability of unsecured short-term funding for the European banks, these were obliged to look instead for secured funding, with refuge being sought in the market for bilateral and triparty repos where the increasing tendency for transactions to be carried out on electronic platforms through an anonymous CCP (Central Counterparty) was even more marked. In parallel with that, the ECB also provided secured funding, among other things, through securitised loans. The European Central Bank continues to take drastic measures to guarantee the liquidity of the European banking system, as can be seen from the 3 year LTRO (long term refinancing operation) carried out in December 2011, at which the bank suscribed for huge amounts.

In addition TFM arranged various secured LT-funding transactions in EUR. These transactions enable the financing bank to borrow funds for medium and long-term periods from institutional counterparties at advantageous interest rates.

At the end of the second quarter and because of the expanding USD crisis, the funding of the bank in USD currency was hedged early by Forex swaps. Some of the maturities were replaced in December by a participation of 84 days in USD at the TAF-auctions (Term Auction Facility), which had also been anticipated by the ECB in December 2011 and at which the bank subscribed for huge amounts.

The TFM activities supporting the commercial business lines performed exceptionally well in a very difficult economic and regulatory climate. These good results could be attributed in the main to the sale of financial and structured products and to the issue and distribution of bonds to public sector, institutional, corporate and retail customers.

The aggravation of the crisis in 2011 also led to heavy demand for semi-public and corporate bonds. The fact is that many customers had to go for completely alternative funding for their financial needs following the smaller supply of lending and/or the increased credit spread as a result of the banking crisis.

For investors, too, 2011 was a challenge. Institutional investors who in the past had taken refuge in government bonds were suddenly faced with the European debt crisis and turned their attention to regulated utilities. In the case of private investors (individual savers) we note a persistent interest in bonds both corporate and government (success of the state bond).

TFM took successful advantage of this trend through its Debt Capital Markets (DCM) activities, where the bank acted as intermediary in organising stand-alone bond issues (as Arranger), launching bonds (as Bookrunner/Dealer) and managing financial services (as Domiciliary, Issuing, Paying & Listing Agent). Dexia Bank played an active part in 2011 in the Private Placement activity, among others for names as *Société Wallonne des Eaux*, the *Société Publique des Eaux*, TMVW and Aquafin.

In 2011 Dexia Bank took on the roles of joint lead manager and joint bookrunner in the benchmark bond issues of the French Community and Eandis, and was actively involved in the public retail bond issues of Befimmo (twice) and Delhaize.

In 2011 Dexia Bank enhanced its position as market leader on the Belgian market in public and semi-public sector treasury bills through its participation as seller of new municipal treasury bills for the cities of Mons and Sint-Truiden and the city and social services of Mechelen, as well as for operators in the semi-public sector like *Igretec*, *Société Régionale Wallonne du Transport*, *Infrax* and ORES. Dexia Bank Belgium was once again a major dealer in the Commercial Paper Programmes of all the regions and communities.

The worsening of the sovereign debt crisis finally led to the dismantling of the Dexia Group and the takeover of Dexia Bank by the Belgian government in October 2011. The splitting up of the Dexia Group, as well as the know-how and the efficient operating processes already in place at TFM Dexia Bank Belgium, offer an opportunity to optimise the strategy, ambitions and organisation of TFM.

5. Human Resources Management (HRM)

5.1. Key figures

At 31 December 2011 Dexia Bank Belgium had 5,870 employees of 18 different nationalities on its pay-roll.

14.3% of the active staff have worked for the Bank for less than ten years; the average length of service is 19.5 years.

13.4% of the active staff are below the age of 35 and 29.4% below the age of 40. The average age for men is 46 and for women 43.5; overall the average age is 44.9.

53.5% of the active employees of Dexia Bank Belgium are men.

2.4% of the active employees are on fixed-term contracts and 15.8% work part time.

5.2. Training and Development

The absolute priority for the commercial staff was to retain customers in a difficult banking environment, particularly in the last quarter of 2011. To that end they received support notably through the training package "The Colour of the Customer". All specialists in the New Distribution Model received that training in 2011.

Major investments in training were also made in order to increase the level of technical specialisation required in the various commercial functions.

The two-day "Open Branch Concept" training courses aimed specifically at the employees of the 108 Open Branch offices which had been opened in 2011 were designed to help branch employees as much as possible to find their feet in this new branch concept, with regard to both the technical and the commercial approach, so that customers could feel as comfortable as possible with the change.

The dissolution of the Dexia Group and the crisis on the financial markets caused a great deal of stress and uncertainty among our employees. Here, too, Training & Development offered support individually through coaching as well as through initiatives and tailor-made training.

Because of the legal requirements arising out of the Cauwenberghs Law, considerable investment was made in the training of staff at head office and in the cooperative companies on insurance matters. As regards the Cauwenberghs retraining courses, numerous initiatives were set up to achieve the number of points required.

5.3. Social Initiatives for Commitment Improvement

In 2011 as well, Dexia Bank Belgium sought to give greater space for actions designed to develop social initiatives in order to contribute, among other things, towards improving motivation and collaboration at the workplace. Various initiatives to achieve this were taken, including training of the management with specific reference to burn-out.

Dexia Bank Beglium also continued its actions to make managers and fellow staff members alike aware of the psycho-social load (such as the stress experienced in the wake of major changes) through the intranet site devoted to well-being at the workplace and by providing tools for supporting employees (such as coaching sessions or a help-network composed of specialists).

In 2011 the detailed analyses of the findings of the staff satisfaction survey on stress and harassment at the work were published and a plan of action was worked out.

5.4. Measures taken with regard to the Transformation Plan

Implementation of the transformation plan was pursued in 2011. Staff in the affected departments received support from the Human Resources Department in their search for new jobs. Discussions with the social partners resulted in the assisted departure of 128 employees.

Furthermore, some of the reforms having a major impact on staff in the Credit Operations, Direct Sales & Services and Securities departments were closely monitored with particular attention being paid to the increased workload in those departments.

From October 2011 attention was focused on members of the staff who were set to lose their jobs as a result of the dissolution of the Dexia Group. External recruitment was stopped and vacancies were filled as far as possible through internal mobility.

Following the crisis undergone by Dexia and the stand-alone position of the bank since October 2011, the Management Board decided to stop paying variable salaries to the members of the Management Board and the Senior Management. In the meantime work has begun on preparing the changes to the remuneration strategy of the bank to bring it into line with the new circumstances.

5.5. Continuing integration of the staff administration

Work on centralising the personnel management was continued in 2011 and concluded on 1 January 2012 with the incorporation into the system of nine entities (including Dexia Insurance Belgium, Elantis and Crefius). Since 1 January 2012 around 9,000 employees of the entities in Belgium are now managed centrally.

Such centralisation has a favourable impact on the overall cost of personnel management. In addition to that, the integrated processing of staff and salary data will raise the quality of the management and give all employees the ability to access an efficient and extensive E-HR portal.

Corporate governance

Composition of the Management Board and the Board of Directors

1. Management Board

1.1. Composition
The Management Board has a maximum of nine members who have all acquired experience in the banking and financial sector. The members of the Management Board form a college.

At 31 December 2011, the Management Board consisted of the following eight members:

Chairman
Jozef Clijsters

Vice Chairman
Marc Lauwers

Members
Ann De Roeck
Dirk Gyselinck
Roger Leyssens
Jean-François Martin(1)
Johan Vankelecom
Luc Van Thielen

Since 16 February 2012 the Management Board has consisted of the following nine members:

Chairman
Jozef Clijsters

Vice Chairman
Marc Lauwers

Members
Ann De Roeck
Dirk Gyselinck
Eric Hermann (since 1 January 2012, replacing Jean-François Martin)
Roger Leyssens
Dirk Vanderschrick (since 16 February 2012)
Johan Vankelecom
Luc Van Thielen

1.2. Role and Remit of the Management Board
The Board of Directors has delegated the management of the bank's business to a Management Board created from among its members.

Such delegation of its powers does not extend to supervision of the management or the business position of the bank, or to the determination of general policy, or to any other powers that are reserved under the law to the Board of Directors.

The Management Board is, as a result, responsible for the management of the bank whose various business lines and support activities it runs and coordinates, and for doing so in the light of the objectives and general policy laid down by the Board of Directors.

The Management Board delivers a prior opinion on all proposals that are to be discussed in the Board of Directors or the Strategy Committee in relation to the strategy or general policy of the bank, regardless of whether those proposals emanate from Chairman of the Management Board or from other Directors.

The members of the Management Board must carry out their duties in complete objectivity and independence and as a result may not serve exclusively the interests of the shareholders. This implies that the necessary conditions must be met in order to carry out the functions of a bank in a stable and continuous manner.

Subject to the supervision of the Board of Directors, the Management Board takes the necessary measures to ensure that the bank has an own management structure that is suited to the activities it pursues or intends to pursue, as well as an administrative and book-keeping organisation, systems of control and security relating to electronic data processing and internal audit.

The Management Board oversees the line management and the performance of the powers and responsibilities that have been assigned as well as reporting procedures.

2. Board of Directors(2)

2.1. Composition
2.1.1. Composition at 31 December 2011
At 31 December 2011 the Board of Directors of Dexia Bank Belgium consisted of nineteen members, of whom eight were members of the Management Board.

At 31 December 2011 the Board of Directors had the following membership:

Chairman
Alfred Bouckaert

(1) Jean-François Martin retired on 31 December 2011.
(1) Article 2 of the Law of 6 August, 1931 (Belgian Gazette of 14 August, 1931) forbids ministers, former ministers and State Ministers, as well as members or former members of Legislative Assemblies to mention their status as such in the deeds and publications of profit-making companies.

Members

Jozef Clijsters
Chairman of the Management Board of Dexia Bank Belgium

Marc Lauwers
Vice Chairman of the Management Board of Dexia Bank Belgium
Responsible for Retail and Commercial Banking

Johan Vankelecom
Member of the Management Board of Dexia Bank Belgium
Chief Financial Officer, Responsible for Finance, Research and Balance Sheet Management

Ann De Roeck
Member of the Management Board of Dexia Bank Belgium
Secretary General, Responsible for the Compliance, Legal and Tax Departments, the Department for Wealth Analysis & Planning and the General Secretariat & Participations

Dirk Gyselinck
Member of the Management Board of Dexia Bank Belgium
Responsible for Public and Wholesale Banking

Roger Leyssens
Member of the Management Board of Dexia Bank Belgium
Responsible for the Management of Human Resources

Jean-François Martin
Member of the Management Board of Dexia Bank Belgium
Chief Risk Officer

Luc Van Thielen
Member of the Management Board of Dexia Bank Belgium
Chief Operations Officer, Responsible for IT, Operations, Facility Management and Organisation

Wivina Demeester
Consultant, Independent Director and Chairman of the Audit Committee

Patrick Develtere(1)
Chief Executive Officer of the ACW

Thierry Jacques(1)
President of the Mouvement ouvrier chrétien

Patrick Janssens(1)
Mayor of Antwerp

Marc Justaert(1)
President of the Fédération des mutualités chrétiennes

Patrick Lachaert(1)
Lawyer and Municipal Councillor for Merelbeke

Luc Martens(1)
Mayor of Roeselare

Claude Rolin(1)
Secretary General of the Confédération des syndicats chrétiens de Belgique

Tony Van Parys(1)
Lawyer and Municipal Councillor for Ghent

Jean-Jacques Viseur(1)
Mayor of Charleroi

2.1.2. Composition at 16 February 2012

Following the takeover of the bank by the FPIC the Federal Government put forward the names of candidates for the position of Non-Executive Directors of Dexia Bank Belgium. Thereupon the Non-Executive Directors in office resigned as Directors of Dexia Bank Belgium with effect from 7 February 2012.

The appointments of the new Non-Executive Directors were approved at an Extraordinary General Meeting on 9 February 2012.

The Board of Directors in its new composition met for the first time on 16 February 2012 and consisted of nineteen members, nine of whom sit on the Management Board.

In view of the fact that the Board of Directors consists of professionals in the financial sector, it disposes of the knowledge and experience required to manage the various business activities of a bank.

Chairman

Alfred Bouckaert

Members

Jozef Clijsters
Chairman of the Management Board of Dexia Bank Belgium

Marc Lauwers
Vice Chairman of the Management Board of Dexia Bank Belgium
Responsible for Retail and Commercial Banking

Johan Vankelecom
Member of the Management Board of Dexia Bank Belgium
Chief Financial Officer, Responsible for Finance, Research and Balance Sheet Management

Ann De Roeck
Member of the Management Board of Dexia Bank Belgium
Secretary General, Responsible for the Compliance, Legal and Tax Departments, the Department for Wealth Analysis & Planning and the General Secretariat & Participations

Dirk Gyselinck
Member of the Management Board of Dexia Bank Belgium
Responsible for Public and Wholesale Banking

Dirk Vanderschrick
Member of the Management Board of Dexia Bank Belgium
Responsible for Treasury and Financial Markets

Eric Hermann
Member of the Management Board of Dexia Bank Belgium
Chief Risk Officer

Roger Leyssens
Member of the Management Board of Dexia Bank Belgium
Responsible for the Management of Human Resources

Luc Van Thielen
Member of the Management Board of Dexia Bank Belgium
Chief Operations Officer, Responsible for IT, Operations, Facility Management and Organisation

(1) As a result of the changes in the shareholding structure of the bank, the non-executive directors resigned on 7 February 2012.

Marie Gemma Dequae
Former Risk Manager of the Bekaert Group
Past President of the Federation of European Risk Management Associations

Wouter Devriendt
Independent consultant at the Federal Participations and Investment Company (FPIC)

Martine Durez
Chairman of the Board of Directors of bPost

Pierre Francotte
Former CEO of Euroclear and Professor at the Solvay Brussels School of Economics and Management

Guy Quaden(1)
Former Governor of the National Bank of Belgium

Chris Sunt
Lawyer

Lutgart Van Den Berghe
Executive Director at Guberna and Professor at the Vlerick Leuven Ghent Management School

Rudi Vander Vennet
Professor of Financial Economics and Banking

Serge Wibaut
Independent consultant

2.1.3. Changes in the composition of the Board of Directors from 01/01/2011 to 16/02/2012

Changes concerning Executive Directors

Mr Xavier de Walque resigned as Vice Chairman and member of the Management Board and as a Director of Dexia Bank Belgium with effect from 15 May 2011. Mr Johan Vankelecom was appointed on 19 May 2011 as member of the Management Board and as a Director of Dexia Bank Belgium to replace Mr Xavier de Walque. Mr Marc Lauwers was appointed as Vice Chairman of the Management Board of Dexia Bank Belgium on 5 September 2011 to replace Mr Xavier de Walque.

Mr Stefaan Decraene resigned as Chairman and member of the Management Board and as a Director of Dexia Bank Belgium with effect from 5 September 2011. Mr Jozef Clijsters was appointed as Chairman of the Management Board and as a Director of Dexia Bank Belgium on 5 September 2011 to replace Mr Stefaan Decraene.

Mr Benoît Debroise resigned as member of the Management Board and as a Director of Dexia Bank Belgium with effect from 21 October 2011. Mr Dirk Vanderschrick was appointed as member of the Management Board and as a Director of Dexia Bank Belgium on 16 February 2012 to replace Mr Benoît Debroise.

Mr Jean-François Martin resigned as member of the Management Board and as a Director of Dexia Bank Belgium with effect from 31 December 2011 to go into retirement. Mr Eric Hermann was appointed as member of the Management Board and as a Director of Dexia Bank Belgium on 1 January 2012 to replace Mr Jean-François Martin.

Changes concerning the Non-Executive Directors during the 2011 financial year and until 7 February 2012

Mr Jean-Luc Dehaene resigned as Vice Chairman and as member of the Board of Directors of Dexia Bank Belgium with effect from 10 October 2011.

Mr Pierre Mariani resigned as member of the Board of Directors of Dexia Bank Belgium with effect from 20 October 2011.

Mr Robert de Metz resigned as member of the Board of Directors of Dexia Bank Belgium and as member of the Audit Committee with effect from 20 October 2011.

Mrs Francine Swiggers and Messrs Bernard Thiry and Serge Kubla resigned as Directors of Dexia Bank Belgium with effect respectively from 14 November 2011, 21 October 2011 and 27 October 2011.

Mr Marc Deconinck resigned as Chairman of the Board of Directors of Dexia Bank Belgium, as a Director and as a member of the Audit Committee with effect from 29 November 2011. Mr Alfred Bouckaert was appointed on 29 November 2011 as a Director and as Chairman of the Board of Directors of Dexia Bank Belgium to replace Mr Marc Deconinck.

As noted above, the Federal Government put forward the names of candidates for the position of Non-Executive Directors of Dexia Bank Belgium following the takeover of the bank by FPIC. As a result the Non-Executive Directors in office resigned as Directors of Dexia Bank Belgium with effect from 7 February 2012.

The appointment of the new Non-Executive Directors was approved at an Extraordinary General Meeting on 9 February 2012.

2.2. Role, remit and powers of the Board of Directors

The Board of Directors defines the strategy and general policy of the bank on a proposal or recommendation of the Management Board and is responsible for the supervision of the management of the bank.

Relationship between the Board of Directors and the Management Board

The management of the activities of the bank are however the exclusive competence of the Management Board. Such management takes place without any outside intervention and is carried out within the confines of the general policy laid down by the Board of Directors.

2.3. Activities of the Board of Directors

In addition to the usual matters that fall within the remit of the Board of Directors (such as the follow-up of the quarterly results, the co-option of Directors, the decision to convene the Annual General Meeting of Shareholders, the reporting of the meetings of the Audit Committee), the Board of Directors considered among other things the following matters in 2011:

- the transformation plan and its impact on the bank;
- the policy regarding human resources;
- the approval by the European Commission of the Dexia transformation plan;

(1) Mr Guy Quaden takes up office on 1 April 2012.

- the Dexia plan;
- the remuneration policy of the Dexia Group;
- the insurance business plan and results;
- the memorandum on sound management (update);
- the liquidity situation of the bank and its intragroup risk exposure;
- the progress of the various activities of Retail & Commercial Banking and Public & Wholesale Banking in the wake of the financial crisis;
- the follow-up of the sale of Dexia Bank Belgium to the Belgian State;
- the merger between the bank and its subsidiary Dexia Investment Company (DIC);
- the liquidation of the Irish subsidiary Dexia Capital Ireland (DCI);
- the financial plan and the budget of Dexia Bank Belgium;
- the renewal of the appointment of the statutory auditors.

Specialised Committees set up by the Board of Directors

Following the takeover of Dexia Bank Belgium by the Belgian State, appropriate new principles of corporate governance will be introduced throughout 2012 in the context of the specific commitments that underlie the future of the bank.

These new principles approved by the Board of Directors on 28 March 2012 redefine the roles and responsibilities of the Board of Directors, the Management Board and the various Specialised Committees established by the Board of Directors.

1. Appointments and Compensation Committee

1.1. Situation during 2011 and to 16 February 2012

1.1.1. Derogation

On 26 February 2010 the Board of Directors approved the Dexia Group's new compensation policy in pursuance of the Circular of 26 November 2009 by the Banking, Finance and Insurance Commission (BFIC) on the recommendation regarding the adoption of a sound remunerations policy in the banks. That compensation policy was adapted to the new Circular by the BFIC of 14 February 2011 and approved by the Board of Directors on 3 March 2011.

Dexia Bank Belgium has requested the Committee for Systemic Risks and System-relevant Financial Institutions to exempt it from the need to set up a Compensation Committee within Dexia Bank Belgium, empowering, instead, Dexia SA's Compensation Committee to carry out the Bank's Compensation Committee duties and to regularly report back to the Bank. This was the situation that applied until the date of the sale of the bank to the Belgian State, i.e. 20 October 2011.

The Board of Directors of the bank has decided on the remuneration of the members of the Management Board of the bank on the basis of a recommendation by the Compensation Committee of Dexia SA.

Until 16 February 2012 Dexia Bank Belgium had no Appointments Committee. In order to meet its responsibilities in that regard, the Board of Directors itself took care to avail itself of Directors possessing the qualities essential to the running of a financial institution. The Board of Directors presented to the General Meeting of Shareholders the prospective Directors it had selected on the basis of a defined skills profile.

1.1.2. Composition of the Appointments and Compensation Committee in 2011

Until 20 October 2011 the Appointments and Compensation Committee of Dexia SA was also competent for Dexia Bank Belgium.

The Appointments and Compensation Committee of Dexia SA consists of 3 to 7 non-executive directors including the Chairman of the Board of Directors of Dexia SA. Most of the members are independent Directors.

That Committee has the requisite expertise regarding the compensation policy. The Chief Executive Officer of Dexia SA may attend the meetings of the Committee but he cannot be a member of it (since he has an executive function).

At 20 October 2011, the Appointments and Compensation Committee of Dexia SA had the following members:

Chairman

Jean-Luc Dehaene
Chairman of the Board of Directors of Dexia SA and an Independent Director of Dexia SA

Members

Christian Giacomotto
Independent Director of Dexia SA

Francine Swiggers
Director of Dexia SA and Dexia Bank Belgium SA

Augustin de Romanet de Beaune,
Director of Dexia SA

Francis Vermeiren
Director of Dexia SA

Catherine Kopp
Independent Director of Dexia SA

From 20 October 2011, in anticipation of the new composition of the Board of Directors, Dexia Bank Belgium had no Compensation Committee. A new Compensation Committee was established with effect from 16 February 2012.

1.2. New governance: position after 16 February 2012

1.2.1. New governance

On 16 February 2012 an Appointments and Compensation Committee was established within the bank consisting of three Non-Executive Directors including, as Vice Chairman, the Chairman of the Board of Directors of the bank. At least one of the members must be an Independent Director.

The Chairman of the Management Board may attend the meetings of the Committee, but he may not be a member of it.

The Committee must have the required expertise regarding compensation and appointments policy.

1.2.2. Composition

On 16 February 2012 the Appointments and Compensation Committee of Dexia Bank Belgium had the following membership:

Chairman

Martine Durez
Director of Dexia Bank Belgium

Vice Chairman

Alfred Bouckaert
Chairman of the Board of Directors of Dexia Bank Belgium

Members

Lutgart Van Den Berghe
Director of Dexia Bank Belgium

1.2.3. Independence and expertise

Three Independent Directors sit on the Appointments and Compensation Committee. The Committee is constituted in such a manner as to enable it to formulate a competent and independent judgement of the policies and practices of remuneration and on the incentives created for the management of risks, capital and reserves and liquidity.

Thus, Mrs Durez, a doctor of applied economics and commercial engineering at Solvay, is a member of the Corporate Governance Commission. She has also been a member of the Compensation Committee of bPost since 2006 and sits on the Remuneration Committee of Belgacom. Until February 2012 she was also a member of the Remuneration Committee of the National Bank of Belgium.

Mr Alfred Bouckaert, a graduate in applied economics, has professional experience in the compensation packages awarded to company directors and top managers which he acquired in particular through his activities as permanent representative of Consusco SA on the CFE Appointments and Compensation Committee of business enterprises and through the positions he has held within the Compensation Committees of other companies such Axa Belgium SA.

Baroness Lutgart Van Den Berghe, doctor in economics, is a professor at the University of Ghent and at the Vlerick Leuven Ghent School of Management. Her special field is Corporate Governance. She is a member of the General Board of the Vlerick Leuven Ghent School of Management and sits on the Board of Guberna (Institute of Directors).

In consequence, the members of the Appointments and Compensation Committee have, both individually and collectively, the skills required to carry out the tasks entrusted to this Committee.

1.3. Remit

The Appointments and Compensation Committee prepares the decisions of the Board of Directors that relate to:

- remuneration policy;
- the compensation paid to the Chairman of the Management Board and, at its proposal, the compensation of the members of the Management Board;
- the remuneration report published in the Annual Report.

The Appointments and Compensation Committee:

- regularly monitors with the management whether the compensation programme is achieving its aim and complies with the provisions in force;
- assesses each year the performance and activities of the members of the Management Board of the bank and of Dexia Insurance Belgium;
- determines the criteria for independence on the basis of which "independent" directors can be appointed and puts forward proposals to the General Meeting of Shareholders;
- makes proposals for the appointment or renewal of the term of office of the Chairman and members of the Management Board of the bank and of Dexia Insurance Belgium.

The Appointments and Compensation Committee is also competent for Dexia Insurance Belgium.

1.4. Remuneration of the Members of the Management Board

1.4.1. Introduction

1.4.1.1. Procedure

The Board of Directors of Dexia Bank Belgium fixes the remuneration of the members of the Management Board on a proposal from the Appointments and Compensation Committee.

The Appointments and Compensation Committee analyses the levels of remuneration of the members of the Management Board in the light of the level of remuneration in other companies in the sector. To that end a bureau of consultants is engaged to obtain information on the progress of pay on the labour market in the financial sector.

In order to offer remuneration packages that are in line with the market, the Appointments and Compensation Committee commissions a benchmark study every two years. This study was carried out at the end of 2010 with the support of Towers Watson, a specialised external consultant.

The Appointments and Compensation Committee determines the reference group of companies to be included in the benchmark as well as the positioning of Dexia in relation to that reference group. After analysing that benchmark, the Appointments and Compensation Committee proposes to the Board of Directors any increases in the fixed remuneration of members of the Management Board of Dexia Bank Belgium, and, if necessary, any adjustments to the extent of the variable remuneration as well as any changes that are justified by developments on the market.

In the year in which the Appointments and Compensation Committee requires no benchmark, its external consultant (who is specialised in matters relating to remuneration) keeps it abreast of any developments on the market regarding the level of executive pay.

1.4.1.2. Regulation

Executive pay in the banking sector has been the subject of extensive regulation over the past two years.

The Board of Directors immediately undertook to observe this regulatory framework as it evolved through the adoption of national and international provisions aimed at strengthening Corporate Governance particularly in terms of remuneration, as well as in Circulars from the Banking, Finance and Insurance Commission (BFIC).

Against that background, in 2010 Dexia Bank Belgium anticipated the obligations weighing on the financial sector in particular with regard to the deferral of variable compensation.

In the course of 2010, Dexia reviewed its compensation policy in the light of recent initiatives in the matter and sent the BFIC details of a global compensation policy for the Dexia Group complying with Belgian and European regulations as well as with recent principles of sound compensation practice.

In accordance with the regulations, Dexia Bank Belgium retroactively altered the conditions for variable compensation for 2010 paid in 2011 and as a consequence retroactively amended its compensation policy.

Dexia's compensation policy was prepared by the Human Resources department in collaboration with the *Audit, Risk and Legal, Compliance & Tax* departments and submitted to the Appointments and Compensation Committee of Dexia SA.

The proposals of the Appointments and Compensation Committee were submitted to the Boards of Directors of Dexia SA and Dexia Bank Belgium which validated the Group's compensation policy.

The compensation policy applicable to compensation paid from 2011 on the one hand sets out the general principles applicable to all employees of the Dexia Group. On the other hand, observing the principle of proportionality, it contains specific provisions, exclusively applicable to an identified group as being likely to impact the risk profile of the Dexia Group by virtue of the nature or level of their functions and/or compensation.

1.4.1.3. Policy guidelines adopted by the Board of Directors in accordance with the regulations

Considering the guidelines contained in particular in the Royal Decree of 22 February 2011[(1)], the Board of Directors has reviewed the balance of the compensation packages between executives and the senior management of the Group.

That revision aims to reduce the incentive to take excessive risks which might assume qualification for variable compensation that is out of proportion to the fixed compensation.

It also enables the extent of variable compensation to be reduced considerably, without any increase in costs, whilst maintaining a compensation package for executives that is in line with the market.

1.4.2. Compensation

1.4.2.1. Fixed and variable compensation

The compensation of members of the Management Board consists of a fixed part and a variable part.

The fixed and variable compensation of members of the Management Board constitutes a whole from which are deducted any attendance fees or directors' fees 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.

1.4.2.2. Compensation for the year 2011

Fixed compensation

Fixed compensation is determined considering the nature and importance of the responsibilities assumed by each person (and taking account of market benchmarks for comparable posts).

Function premium

In accordance with the above, the Board of Directors decided to reduce the variable compensation dependent on the performance of members of the Management Board in order to reduce the potential incentive to take excessive risks.

As a consequence, the Board of Directors decided to pay members of the Management Board a quarterly non-performance-related function premium. This function premium was paid for the first and only time on 1 April 2011 (year n+1) for the year 2010. The variable compensation and its extent is reduced accordingly. For 2011 the function premium was discontinued.

Variable compensation for 2011

Taking into account the results obtained in 2011, the Board of Directors accepted the proposal of the Management Board not to grant any variable compensation for 2011 to the members of the Management Board or to the senior management.

1.4.2.3. Deferred part of the variable compensation for 2010 payable in 2011

Deferral of variable compensation

The deferred part of the variable compensation corresponds to at least 40% of the total variable compensation.

The principle of deferring the variable compensation applies to the entire variable compensation.

Quantitative aggregate information on compensation, by "Management Committee member" and "Other" staff whose activities may significantly impact the institution's risk profile – **Compensation paid in 2011**

Staff category (In millions of EUR, unless otherwise specified)	Number of staff	Fixed compensation	Variable compensation[(3)]	Deferred variable compensation – 2009 performance	Deferred variable compensation – 2010 performance	Exceptional signing bonus	Compensation for loss of employment		
							Number of beneficiaries	Amounts paid	Highest amount paid
Members of the management committee of Dexia Bank Belgium	11[(2)]	3.09	0.00	0.25	0.32	0.00	1	0.72	0.72
Other	4	0.46	0.00	0.13	0.13	0.00	0	0.00	0.00

(1) Royal Decree of 22 February 2011 approving the CBFA regulation dated 8 February 2011 on the compensation policy for financial institutions.
(2) Including MC members with partial performance over FY 2011.
(3) For FY 2011, neither the members of the management committee nor the senior executives were granted variable compensation.

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The period of deferral is three years following the financial year to which the variable compensation relates. The deferred part of the variable compensation will be granted in the years 2012, 2013 and 2014, at one third each year, provided that the following conditions are met:

- On a proposal of the Appointments and Compensation Committee, the Board of Directors will satisfy itself on each date on which a deferred part becomes payable that the performance of the Management Board has not declined;
- The member of the Management Board is still in the employ of the Group at the time the different amounts are paid. The deferred parts will be lost if the beneficiary leaves the Group of his own volition or if his contract has been terminated on serious grounds, unless the Board of Directors decides otherwise on a proposal by the Appointments and Compensation Committee.

Despite these conditions, the Board of Directors may, on a proposal from the Appointments and Compensation Committee, make exceptions to this policy in application (i) of the BFIC regulation of 8 February 2011 on the remuneration policy of financial institutions, approved by Royal Decree of 22 February 2011, and (ii) of the BFIC circular of 26 November 2009 containing the recommendation on appropriate remuneration policies in financial institutions.

The Board of Directors will, on a proposal by the Appointments and Compensation Committee, take a final decision not later than 28 March 2012 over whether or not to authorise payment in 2012 of the deferred part of the variable compensation for 2010. With respect to the other senior executives (risk takers) that could materially impact the bank's risk profile, a decision will be taken at a later date.

Up to at least 50% of the variable compensation will be granted in the form of equity instruments.
These instruments will, at the beneficiary's choice, take the form of:

- a payment in cash indexed to the share price; or
- a payment in hybrid Tier 1.

Retention
The aforesaid equity instruments, regardless of the form in which they are taken as part payment of the variable compensation, may be held for a maximum of one year.

A posteriori adjustment of the variable compensation
The variable compensation may be adjusted in the case of poor individual or collective performance.

1.4.2.4. Deferred part of the variable compensation for 2009 payable in 2011
Principles
The Board of Directors decided in 2009 to apply principles enabling variable compensation to be linked to long-term performances. To do so, the payment of variable compensation was deferred and subject to certain conditions to be met over several years. To that end the deferred part is pegged to the Dexia share price and is liable to adjustment in the case of poor performance.

Conditions for the allocation and payment of the variable compensation
For 2009, the allocation and payment of variable compensation to members of the Management Board was subject not only to maintenance of a level of performance and fulfilment of undertakings made to the European Commission, but also to the non-renewal of the State guarantees on interbank loans and bond issues beyond 30 June 2010.

Deferral of variable compensation
In line with the principles stated above, the variable compensation of members of the Management Board for 2009 was deferred over three years, with the deferred part being determined as follows:

In 2010 (n+1) the member of the Management Board received:

- for the part not exceeding EUR 50,000: 100%;
- for the part exceeding EUR 50,000 but not EUR 100,000: 50%;
- for the part exceeding EUR 100,000: 33%.

The member of the Management Board can receive the balance, under the conditions described above, in 2011 (year +2) and in 2012 (year +3), provided he is still in the employ of the Group when payment of the deferred amounts falls due. The deferred parts are lost if the beneficiary leaves the Group of his own volition or if his contract has been terminated on serious grounds, unless the Board of Directors decides otherwise, on a proposal from the Appointments and Compensation Committee.

In order to index the deferred part to the share price over the deferral period and thus to link the interests of members of the Management Board closely to those of the shareholders (from a long-term perspective), the deferred part is converted into a number of Dexia shares[1].

When the deferred part is paid, it is valued on the basis of a benchmark price corresponding to the average closing price of the Dexia share on Euronext Brussels over the thirty days preceding 1 March of the year before.

The Board of Directors will, on a proposal by the Appointments and Compensation Committee, take a final decision not later than 28 March 2012 over whether or not to authorise payment of the deferred part of the variable compensation for 2009 payable in 2012. A decision as regards the other risk takers will be taken at a later date.

Option plans
Since its inception and on the last occasion in 2008, the Dexia Group has offered option plans to a certain category of employees. The options issued under these plans bestow a right for a limited period to purchase Dexia shares at a strike price equal to the value of a Dexia share at the time the option was granted.

During 2011 no options at all were exercised that matured or were granted to the members of the Management Board.

(1) At a benchmark price of EUR 4.253, corresponding to the average closing price of the Dexia share on Euronext Brussels over the thirty days preceding 1 March 2010.

2. Audit Committee

The Audit Committee, set up on 18 December 2002, is an advisory subcommittee of the Board of Directors consisting of three Non-Executive Directors.

In 2011 Mrs Wivina Demeester chaired the Audit Committee.

2.1. Composition

2.1.1. Composition of the Audit Committee at 31 December 2011

Chairman

Mrs Wivina Demeester
since 2 August 2010.

Members

Mr Marc Deconinck
(resigned on 29 November 2011 as Director, member of the Audit Committee and as Chairman of the Board of Directors of Dexia Bank Belgium).

Mr Robert de Metz
(resigned on 14 October 2011 as Director and member of the Audit Committee, with effect from the date of completion of the sale of Dexia SA's shareholding in Dexia Bank Belgium to the Federal Participation and Investment Company).

2.1.2. Composition of the new Audit Committee on 16 February 2012

Following the sale of Dexia Bank Belgium to the Federal Participation and Investment Company, a new Audit Committee was established at the first meeting of the new Board of Directors on 16 February 2012.

Chairman

Mr Guy Quaden(1)
Director of Dexia Bank Belgium

Members

Mr Chris Sunt
Director of Dexia Bank Belgium

Mr Rudi Vander Vennet
Director of Dexia Bank Belgium

2.2. Independence and expertise

In addition to having among its members an Independent Director with the individual expertise required for accountancy and/or auditing, the Audit Committee also has within its current membership a collective expertise in the fields of banking, as well as accounting and auditing.

On 2 August 2010, the Board of Directors determined that Mrs Wivina Demeester met the criteria of an "Independent Director" within the meaning of Article 526ter of the Companies Code. The Board of Directors considered that, in the light of her training and the professional experience she had gained in the field of accounting and/or audit when carrying out her past and current duties and professional activities, Mrs Wivina Demeester had the requisite individual expertise in the field of accounting and/or audit.

The Board of Directors is of the opinion that the members of the Audit Committee possess collective expertise in the field of banking as well as accounting and audit. Both Mr Marc Deconinck and Mr Bruno Flichy have among other things acquired auditing experience as members of the Audit Committee of the Bank. Mrs Wivina Demeester has experience in auditing acquired when carrying out her past and current duties and professional activities. In addition, Mr Robert de Metz has a thorough knowledge of the business of banking following the professional experience he has gained in the past in different executive management roles in the French banking sector. He also has experience in accounting and auditing as a former Inspector of Finances (in France) and as a member of the Accounts Committee of Dexia SA. Mr Marc Deconinck has acquired experience in accounting and auditing through his previous position in a public utility company and through his experience as Chairman and member of the Board of Directors of the Bank.

The Audit Committee set up on 16 February 2012 is composed of two Independent Directors, namely Baron Guy Quaden and Mr. Rudi Vander Vennet, each one with the requisite individual qualifications in the field of accounting and/or audit.

Baron Guy Quaden, doctor in economics and a graduate of the École pratique des hautes études in the Economic and Social Sciences Department of Sorbonne University (Paris), was for many years Professor Extraordinary at the Faculty of Economics at the University of Liège. He has professional experience in accounting and audit acquired in particular through the duties he carried out within or as representative of the National Bank of Belgium and in the European Central Bank.

Mr. Rudi Vander Vennet, doctor in economics, is Professor of Finance and the Banking Sector at the University of Ghent. He has professional experience in accounting and audit acquired in particular through the duties he carried out at the CGER Bank, at the OCCH and through his activities at Credibe, the OBK-Bank and the European Banking Authority.

Furthermore, Maître Chris Sunt is a barrister who has specialised in finance law for over twenty years and has a wide knowledge of banking.

The Audit Committee therefore has a collective expertise in the field of banking as well as in accounting and audit.

2.3. Tasks and remit

The Audit Committee assists the Board of Directors in its task of carrying out prudential controls and exercising general supervision.

2.3.1. Financial reporting

The Audit Committee monitors the integrity of the financial information provided by the company, in particular by evaluating the accounting standards used and the criteria governing the scope of the consolidation.

It also oversees the follow-up of regular financial information before its submission to the Bank's Board of Directors.

(1) Mr Guy Quaden takes up office on 1 April 2012.

2.3.2. Internal audit and risk management

At least once a year the Audit Committee examines the efficiency of the internal audit and risk management systems set up by the executive management to ensure that the main risks (including the risks linked to compliance with current laws and regulations) are properly identified and managed. To that end the Management Board submits to the Audit Committee a report on the internal audit system and risk management.

During 2011 the Audit Committee received reports on the activities of the Legal Department and on outstanding legal disputes, on the activities of the Compliance Department and on those of Audit and Supervision, on the monitoring of credit, market, liquidity and operational risks, and on the security of the IT system. It was also regularly informed about and consulted over the transformation plan of the Dexia Group and over its implementation.

2.3.3. Functioning of Internal audit

The Audit Committee assesses the operational efficiency and independence of the Internal Audit division. It also verifies the extent to which the management responds to the findings of the Audit Department and its recommendations. In 2011 the Audit Committee examined and approved the Annual Report for 2010, the Audit Plan for 2011, the Half-Yearly Activity Report for 2011 and the regular follow-up reports on the implementation of recommendations. These reports were also approved by the Audit Committee.

2.3.4. Statutory auditing of the annual and consolidated financial statements

In 2011 the Audit Committee reported to the Board of Directors on the consolidated financial statements of Dexia Bank Belgium as at 31 December 2010, 31 March 2011, 30 June 2011 and 30 September 2011. After considering the comments received from the management of the Bank and the auditors, the Audit Committee delivered a favourable opinion on the financial results and on the facts that had influenced them.

2.3.5. External audit function and monitoring of auditor independence

The Audit Committee satisfies itself that the external auditors carry out their audits properly.

The Audit Committee delivers opinions to the Board of Directors on the appointment or re-appointment of the auditor(s) by the General Meeting of Shareholders and on their independence and pay.

The Audit Committee monitors the independence of the auditor(s) and his (their) auditing programmes.

2.3.6. Supervision of the financial reporting process, the internal audit and risk management systems, the financial statements and the independence of the auditor of Dexia Funding Netherlands

Between August 2009 and January 2012 the Audit Committee, pursuant to European Directive 2006/43/EC, assumed the role and responsibilities of the Audit Committee of Dexia Funding Netherlands, a wholly-owned Dutch subsidiary and issuing vehicle for Dexia Bank Belgium.

2.4. Functioning of the Audit Committee

The Audit Committee may demand to see any useful information or supporting evidence and may carry out any inspection whatsoever. To that end it calls on the services of the Internal Audit department of Dexia Bank Belgium which reports to the Management Board.

In 2011 the Audit Committee met nine times. At those meetings, which were held prior to the meetings of the Board of Directors, the Audit Committee examined among other things the quarterly, half-yearly and annual financial statements.

Several extraordinary meetings were held in order to examine the progress made with the Dexia Group transformation plan and to deliver opinions thereon to the Board of Directors. In addition, a joint meeting was arranged with the Audit Committee of Dexia SA.

2.5. Internal audit

Dexia Bank Belgium has an audit function that meets the strictest standards on methodology and reporting.

The remit of the audit function is to promote internal supervision and constantly to ensure that existing auditing systems perform effectively and are efficiently applied.

Through internal audits and regular monitoring that the recommendations made have been carried out, Internal Audit ensures that the risks that Dexia Bank Belgium takes in the course of all its activities are duly identified, analysed and covered.

The audit function helps uphold the good reputation of Dexia Bank Belgium and maintain the effectiveness and integrity of its structures – values to which it attaches particular importance.

3. Strategy Committee

After the establishment of the new corporate governance of Dexia Bank Belgium, the Board of Directors set up a Strategy Committee. It has been operational since 16 February 2012.

3.1. Composition

The Strategy Committee consists of 4 non-executive members including the Chairman of the Board of Directors and 3 Non-Executive Directors.

The Committee meets if necessary at the invitation of the Chairman of the Management Board in order to examine matters of a strategic nature before they are submitted for consideration to the Board of Directors. These are confidential dossiers by virtue, among other things, of the impact they might have on the financial markets and/or on the positioning of the bank on the market.

Chairman

Alfred Bouckaert
Chairman of the Board of Directors of Dexia Bank Belgium

Members

Wouter Devriendt
Director of Dexia Bank Belgium

Guy Quaden[1]
Director of Dexia Bank Belgium

Serge Wibaut
Director of Dexia Bank Belgium

(1) Mr Guy Quaden takes up office on 1 April 2012.

3.2. Remit

The Committee meets in order to examine matters of a strategic or highly confidential nature before they are submitted to the Board of Directors, and does so with regard to their compliance with the statutory rules and regulations in force and with the bank's Articles of Association. It also monitors the implementation of the decisions taken thereon by the Board of Directors.

Main tasks:

- the Strategy Committee regularly examines the strategic aims of the company and its principal subsidiaries;
- it assesses the justification for and consequences of the most important strategic decisions that are proposed;
- it sees to it that the strategy is implemented.

4. Capital & Risk Management Committee

After the establishment of the new corporate governance of Dexia Bank Belgium, the Board of Directors set up a Capital & Risk Management Committee. It has been operational since 16 February 2012.

4.1 Composition

The Capital & Risk Management Committee consists of 3 Non-Executive Directors including the Chairman of the Board of Directors.

Chairman

Serge Wibaut
Director of Dexia Bank Belgium

Members

Alfred Bouckaert
Chairman of the Board of Directors of Dexia Bank Belgium

Pierre Francotte
Director of Dexia Bank Belgium

4.2. Remit

To assist the Board of Directors in the following tasks:

- the detection of risks inherent in the business of banking and insurance to which the bank is exposed;
- the supervision of the bank's risk policy (Risk Appetite and Risk Strategy) and the proper management of those risks;
- ensuring that the risks are proportional to the bank's capital;
- supervision of the effectiveness of the risk management function, infrastructure and organisation;
- examination of the main exposures to risk and the manner in which they are managed;
- alignment of the bank's risk profile with the approved risk appetite and risk strategy.

Internal audit and risk management systems applied to financial statements

Dexia Bank Belgium applies various internal audit and risk management systems to its financial statements. These audits are carried out at different levels.

Each day the inventory is automatically reconciled with the balances on the accounting ledger. This is carried out both in the set of accounts drawn up in accordance with the Belgian accounting standards and in the set of accounts drawn up in accordance with recognised international accounting standards (IFRS). The amounts of the inventory of on-balance-sheet and off-balance-sheet accounts are reconciled with those of the accounting ledger at the end of the month. A special application automatically reports amounts that have not been reconciled. The decentralised accounts department analyses the differences and makes any adjustments that may be required.

The (Belgian GAAP and IFRS) accounts are closed each month. An initial level of supervision is carried out by the Accounting Competence Centres (which have full responsibility for the accounting ledger and the inventory). As to the activities of the Treasury and Financial Markets division, the market risk management department is responsible for validating the profit and loss accounts and other items of overall income. The Accounting Competence Centre concerned is responsible for on-balance-sheet and off-balance-sheet accounts and for the inventory. The auditing procedures and activities are documented by each department concerned.

A second level of supervision is carried out by the Financial Data and Cost Control department in order to oversee the closure process and ensure the centralisation and final validation of all the accounting data and relevant information for reporting purposes. A risk-based approach is used to determine the type of supervision and how far it should go. For the most part audits analyse the difference between balances and ratios, carry out sample-based tests, examine supporting evidence and perform likelihood tests. The findings are set out in a progress report to the management. The auditing procedures and activities are recorded by each department.

The first and second levels of supervision provide a reasonable level of assurance regarding the exhaustiveness, accuracy and appropriate presentation of the accounting data in accordance with financial and prudential requirements.

External activities of directors – Article 27(2) of the Law of 22 March 1993 on the Status and Supervision of Credit Institutions

Under the Regulation by the Banking, Finance and Insurance Commission on the pursuit of external activities by bank directors, approved by Royal Decree on 19 July 2002, Dexia Bank Belgium is required to disclose any external appointment held by its directors and senior managers. Dexia Bank Belgium has chosen to publish such appointments in the Bank's Annual Report, which is deposited with the National Bank.

Deloitte (In EUR)	Services to Dexia Bank Belgium during 2011	Services to DBB Group (DBB and companies linked to DBB during 2011)
1. Auditing of the accounts	1,229,027	2,121,693
2. Certifications	-	3,043
3. Tax advice	-	16,393
4. Due Diligence	-	-
5. Other assignments (non-certification)	81,044	93,644
TOTAL	**1,310,071**	**2,234,773**

Auditor

The task of auditing the financial situation and financial statements of the Bank has been entrusted to Deloitte Reviseurs d'entreprises, SC s.f.d. SCRL, represented by Messrs Frank Verhaegen and Bernard De Meulemeester. Their term of office ends at the close of the General Meeting of Shareholders on 27 April 2014.

The table above gives a breakdown of the fees paid during 2011 to the Auditor for services to Dexia Bank Belgium and to the Belgian companies linked to Dexia Bank Belgium or to its foreign subsidiaries.

Compliance

Dexia Bank Belgium has a centralised compliance function that focuses on pursuing the fight against money laundering, on providing advice to the management and the business lines over the compliance risks linked to their segments of activity, and on monitoring the effectiveness of procedures and policies in those areas. The compliance function is backed by a specific unit that examines projects from an IT and organisational standpoint and by correspondents in various departments.

The bank is constantly on its guard against the risks of money laundering and its related risks. Steps have been taken to bring existing procedures into line with the provisions of the new "anti-money-laundering" law and with the new "anti-money laundering circular" by the Banking, Finance and Insurance Commission (BFIC).

In addition to its traditional task of advising the management and the business lines, Compliance is involved in developing its monitoring activities further.

Given the importance of the rules governing personal data – considering the ever-present risk to the Bank's good name in its day-to-day business – a Privacy Officer, who is also responsible for matters relating to professional ethics, has been appointed to the Compliance Department.

Preliminary notes to the consolidated financial statements

General

The result for the year amounted to EUR -1,366.8 million and was mainly the result of a substantial devaluation in Greek government bonds.

1. Changes to the scope of consolidation

A detailed overview of the changes that occurred to the scope of consolidation during 2011 is given in the "Notes to the Consolidated Financial Statements of Dexia Bank".

The major changes are the sale of Dexia Asset Management Luxembourg (Dexia AM) and the liquidation of Dexia Capital Ireland. Dexia AM was sold to Dexia SA as part of the deal in the negotiations for the takeover of the bank by the Federal Participations and Investment Company. Dexia Investment Company was merged with Dexia Bank Belgium.

In addition a number of names have been changed: Dexia Insurance Belgium Dublin Branch becomes Dexia Assurances Belgium Dublin Branch, Dexia Woonkredieten and Dexia Crédits Logement are now called Crefius, and SLF Participations SA and SLF Finances SA become Ecetia Participations SA and Ecetia Finances SA.

2. EU GAAP

The consolidated financial statements of Dexia Bank are drawn up in accordance with the IFRS standards as adopted by the European Union and on the assumption of continuity. The principal uncertainties of the bank are in particular its compliance with the statutory liquidity ratio at one month, the reduction in the concentration risk of the Dexia Group (since 20 October 2011 an external counterparty) and any recovery measures which the European Commission might impose on the bank if it finally comes to the conclusion that the bank has received state aid. These principal risks are explained in the management report (see pages 40-54).

Analysis of the balance sheet

At 31 December 2011, the consolidated balance-sheet total amounted to EUR 232.5 billion, down EUR 15.4 billion (6.21%) on the previous year.

1. Loans and advances / Debts to banks

"Interbank loans and deposits" amounted to EUR 46.2 billion, a decrease of EUR 21.8 billion on 2010, mainly due to a decline in lending to Dexia Crédit Local.

"Debts to banks" fell by EUR 3 billion at the end of 2011 to EUR 59.4 billion, mainly because of a fall in debts on the discounting of securities.

2. Loans and advances to, and borrowings and deposits from customers

"Loans and advances to customers" fell by EUR 7.5 billion to 91.9 billion as at 31 December 2011. This is due in the main to the sale of bonds under the "de-risking" policy. These bonds were reclassified as loans in 2008.

"Borrowings and deposits from customers" amounted at the end of 2011 to EUR 70.3 billion, a fall of EUR 12.6 billion from the end of 2010. The fall can be mainly ascribed to the reduced call on the interbank market.

3. Financial investments

"Financial investments" rose by EUR 8.5 billion to EUR 45 billion. Most of that rise can be attributed to the purchase of state guaranteed securities issued by Dexia Crédit Local (DCL) in substitution for non-guaranteed loans worth EUR 13.6 billion. This rise was in part offset by the sale of the securities portfolio under the de-risking policy.

4. Total capital and reserves

At 31 December 2011 the capital and reserves of Dexia Bank Belgium amounted to EUR 3.3 billion, against EUR 5.5 billion at 31 December 2010, a decrease of EUR 2.2 billion.

This decrease can be attributed above all to the booking of a loss during the year of EUR 1.4 billion. To that must be added the net loss of EUR 0.8 billion on investments, derivatives and other securities that are not included in the profit and loss account and are due above all to the tensions on the bond markets.

Consolidated balance sheet

(In millions of EUR)	31/12/10	31/12/11	Evolution in %
TOTAL LIABILITIES AND EQUITY	**247,902**	**232,509**	**-6.2%**
TOTAL LIABILITIES	**242,450**	**229,234**	**-5.5%**
Due to banks	62,368	59,415	-4.7%
Customers' borrowings and deposits	82,877	70,265	-15.2%
Negative value of derivatives	34,903	41,373	+18.5%
Debt securities	28,958	24,362	-15.9%
Subordinated and convertible debt	2,716	2,685	-1.1%
TOTAL EQUITY	**5,452**	**3,275**	**-39.9%**
Core shareholders' equity	7,950	6,591	-17.1%
Total shareholders' equity	5,432	3,259	-40.0%
Non-controlling interests	20	16	-22.2%
TOTAL ASSETS	**247,902**	**232,509**	**-6.2%**
Due from banks	67,937	46,175	-32.0%
Loans and advances to customers	99,472	91,933	-7.6%
Financial investments	36,475	4,491	23.1%
Positive value of derivatives	30,313	34 933	-15.2%

5. Total economic capital

Apart from the accounting capital and the prudential capital, Dexia Bank also calculates the economic capital requirement under Basel II – Pillar 2. This is done through ICAAP (the Internal Capital Adequacy Assessment Process), using Economic Capital (ECAP) and Available Financial Resources (AFR) as the parameters.

Analysis of the consolidated statement of income

1. Net profit share of the Group

The net loss during the period amounted to EUR -1,367 million in 2011, down EUR 2,045 million on 2010. The changes in the scope of consolidation during 2011 had a minimal impact on the net profit.

2. Income

Total income amounted to EUR 66 million in 2011 or EUR 2,320 million less than in 2010.

The "Net interest margin" and "Dividends" rose by EUR 31 million and EUR 3 million respectively. "Net income from associates" fell by EUR 31 million as a result, among other things, of the sale of Dexia AM.

The "Net profit on financial instruments measured on fair value through profit or loss" fell by EUR 33 million. Due to the impairments on the Greek government bonds, the "Net profit on investments" fell by EUR 2,250 million.

In addition, "Net commissions" fell by EUR 36 million while the "Technical margin on insurance activities" rose by EUR 111 million.

3. Expenses

Expenses amounted to EUR 1,610 million in 2011 or EUR 14 million more than in 2010.

Staff expenses and network costs fell respectively by EUR 9.1 and 2.5 million on the previous year. These cost reductions were however offset by the rise of EUR 25.5 million in other costs, mainly as a result of the booking of the provisions constituted for the dismantling of the Dexia Group.

4. Gross operating profit

The gross operating profit for 2011 was negative, amounting to EUR -1,544 million, a decrease of EUR 2,334 million.

5. Cost of risk

The cost of risk (impairment on loans and provisions for credit commitments) amounted to EUR 555 million in 2011, as opposed to EUR 26 million in 2010. It covers both specific and general impairments on loans.

6. Taxes

Taxes (including deferred taxes) amounted to EUR 779 million for 2011. The increase of EUR 860.4 million is entirely due to the impact of the negative result of the year.

Consolidated statement of income

(In millions of EUR)	31/12/10	31/12/11	Evolution
INCOME[(1)]	**2,386**	**66**	**(2,320)**
Of which net commissions	*368*	*332*	*(36)*
EXPENSES[(1)]	**(1,596)**	**(1,610)**	**(14)**
GROSS OPERATING INCOME	**790**	**(1,544)**	**(2,334)**
Impairments on risks	(26)	(555)	(529)
Impairments on (in)tangible assets	0	(47)	(47)
Provisions for litigation	(2)	1	2
Tax	(82)	779	860
NET INCOME	**680**	**(1,367)**	**(2,047)**
Non-controlling interests	(2)	0	2
NET INCOME – GROUP SHARE	**678**	**(1,367)**	**(2,045)**

(1) The figures as at 31 December 2010 have been restated.

7. Financial ratios

The return on equity (ROE) amounted to -19.70% (as opposed to +9.3% in 2010).

The solvency ratios at 31 December 2011 were as follows:

- the Core Tier 1 ratio (Basel II) amounted to 11.8%;
- the Tier 1 ratio (Basel II) amounted to 12.7%;
- the overall solvency ratio (Capital Adequacy Directive-ratio or CAD-ratio) amounted to 15.1%.

These ratios have been calculated on the basis of the consolidated IFRS figures pursuant to the amending decree published in the Belgian Gazette on 5 August 2005 and the BFIC decision of 17 October 2006. On 31 December 2010 the Core Tier 1 ratio amounted to 13.6%, the Tier 1 ratio to 14.6% and the CAD-ratio to 15.7%. Over the same period weighted risks rose by 7%.

Although Dexia Bank Belgium was not part of the EBA sample for September 2011 and thus not bound by the criteria fixed by the EBA, Dexia Bank Belgium confirms that as an autonomous unlisted bank it nevertheless meets the criteria set by the EBA.

Notes to the non-consolidated financial statements as at 31 December 2011

Balance sheet

At 31 December 2011 the balance-sheet total stood at EUR 197.4 billion, down EUR 15.0 billion, or 7.0% on that of the previous year.

1. Assets

"Interbank Loans and advances" fell by EUR 22.1 billion, mainly as a result of the reduction in claims on Dexia Group.

Outstanding "Loans to customers" fell by EUR 8.9 billion notably as a result of the securitisation of mortgage loans.

"Bonds and other fixed income securities" rose by EUR 16.7 billion, of which EUR 13.6 billion due to the purchase of state-guaranteed securities issued by DCL.

"Financial fixed assets" fell by EUR 6.4 billion as a result of the merger of the subsidiary Dexia Investment Company with the bank and the sale of Dexia Asset Management.

The increase of EUR 4.9 billion in "Deferred costs and accrued income" is due to the fall in interest rates on the market value of forward interest transactions.

2. Liabilities

'Interbank loans and advances' fell by EUR 2.9 billion following the fall in term deposits and debts on the discounting of securities ("repo-financing"), much of which was offset by the rise in funding by the central banks.

"Debts towards customers" fell by EUR 13.1 billion, mainly with respect to term deposits and debts on the discounting of securities, but also as regards regulated savings accounts which fell by EUR 1.5 billion.

The decrease of EUR 3.8 billion in "Debt securities" is due to the fall in balances invested in deposit certificates and other own issues in circulation.

The increase of EUR 5.5 billion in "Accrued costs and deferred income" is due to the impact of the fall in interest rates on the market value of forward interest transactions, as on the assets side.

Capital and reserves including the General Banking Risks Reserve amounted at the end of 2011 to EUR 6.4 billion, EUR 1.3 billion less than at the end of 2010 as a result of the appropriation of the loss for the year.

Statement of income

In 2011 the result for the year amounted to EUR -1,326 million. The total operating result amounted to EUR -879 million, down EUR 1,433 million on 2010.

1. Net interest margin

The net interest margin during 2011 amounted to EUR 1,317 million against EUR 1,078 million in 2010. The rise is due in the main to the improvement in the transformation margin on balance-sheet management transactions following the fall in interest rates.

2. Revenue from variable-income securities

Revenue from variable-income securities fell by EUR 510 million on 2010, mainly as a result of the fall in dividends received from subsidiaries.

3. Net commission

Net commission fell by EUR 29 million, in particular as a result of the fall in commission received from unit trust funds and in commissions on the lending and borrowing of securities.

4. Profit from financial transactions

The outcome from financial transactions was a loss of EUR 454 million, due in the main to the sale of securities from the investment portfolio of the Dublin office and a deterioration in the valuation of credit derivatives.

5. General management costs

General management costs amounted to EUR 1,088 million, an increase of EUR 6 million on 2010. Personnel costs fell by EUR 17 million while other management costs rose by EUR 23 million.

6. Write-downs

Write-downs amounted to EUR 691 million in 2011 as opposed to EUR 48 million in 2010. This unfavourable development is due essentially to the allocations booked in 2011 on sovereign Greek securities and on the claims on the Holding Communal.

7. Provisions for other risks and costs

This item reported a downturn of EUR 41 million on 2010, of which EUR 52 million as a result of an allocation to the provision for specific risks on financial instruments.

8. Extraordinary income and costs

Extraordinary income and costs fell by EUR 696 million, mainly as a result of the liquidation of the subsidiary Dexia Capital Ireland.

9. Tax

Tax fell by EUR 106 million of which EUR 75 million as a result of a write-back of deferred taxes.

Risk management

Introduction

History repeats itself. For the Risk Management teams, 2011 was another year of many challenges.

Although the financial markets never really returned to calm after the financial crisis of 2008, the real economy remarkably re-established itself during the following period, and above all in 2010. 2011 looked to become a growth year.

However, the first clouds began to appear rather soon, in the form of increasing anxiety as to the public finances of certain euro zone countries. The tone was set for a year marked by rising uncertainty, with successive European Union measures aimed at avoiding payment defaults by a number of European countries, to guarantee budgetary orthodoxy in Member States, in short to calm the markets and to protect the future of the euro zone. Major exposures by banking sector with regard to sovereign States, principally countries on the periphery of the euro zone, revived doubts as to the stability of the banking sector. This uncertainty had a negative effect on the liquidity of the financial markets. At the end of 2011, it turned out that the equity markets had endured one of the worst years in modern history.

Against this uncertain background, the euro crisis resulted on 20 October with the complete takeover of Dexia Bank Belgium SA and its subsidiaries by the Belgian State via the SFPI. Within the Dexia Group, the Risk division was one of the most integrated divisions. The primary concern for the local team at Dexia Bank Belgium was to ensure the continuity of effective risk management. As for "governance", the necessary measures were taken immediately to guarantee independence from the Dexia Group. The validation of certain decisions was in fact no longer necessary at that level. As for the mutual services provided by the former entities of the Dexia Group, existing service level agreements were again used.

Despite the general deterioration of the economic climate and these turbulent events, over the year 2011 the cost of risk was controlled overall, leaving aside events in Greece and at Holding Communal SA.

In this environment the main objectives of the Risk division at Dexia Bank Belgium for 2012 are clearly outlined; firstly to control of the cost of risk over an undeniably difficult year and then to establish a totally autonomous division within Dexia Bank Belgium.

Governance

In 2011, risk governance was to a large extent affected by the takeover of Dexia Bank Belgium by the federal authorities via the SFPI on 20 October. Before that date, strategic risk management lines had in fact been set at Dexia Group level. The entities were of course able to give their input and formally had a right of veto if they thought their interests might be harmed. In all respects the Risk division was one more integrated than others within the Dexia Group. That situation was reflected inter alia by Service Level Agreements concluded between various entities of the Dexia Group with regard to services provided in different fields. Indeed specialist teams of analysts provided credit analyses to other Group entities. A series of methodological teams were centralised at a Group level. As for reporting, there was close collaboration between central and local teams using integrated systems.

Against that background, measures were taken immediately on 20 October for the future protection of good governance in Dexia Bank Belgium. This was quite simple in some aspects. It was sufficient for committee decisions to be adapted to procedures so that Dexia Bank Belgium could henceforth decide autonomously. For other aspects, a separation in several phases was the chosen solution.

In order to facilitate the transition and to ensure continuity, the existing Service Level Agreements were again used until all the necessary processes will be operating autonomously.

Since the purchase by the Belgian State, balance sheet management, including liquidity and interest rate risk, became an exclusive competence of the *ALCo* (Assets and Liabilities Committee) of Dexia Bank Belgium. Before October 2011, balance sheet management had been centralised at a Dexia Group level. The *Funding and Liquidity Committee* (FLC) ran liquidity management at a Group level whilst the *ALCo Group* implemented decisions on rate risk management for the Dexia Group, after validation by the Management Board of Dexia Bank Belgium.

The impact of the takeover of Dexia Bank Belgium by the State on the organisation of market risk management is rather limited, given that market risk monitoring before 20 October was already performed to a large extent at Dexia Bank Belgium level.

Operational risk management is coordinated at Dexia Bank Belgium by Operational Risk Management (ORM). In the old Dexia organisation, this division was integrated within the Group's Risk support line. The takeover of Dexia Bank Belgium by the federal authorities only had a limited impact on everyday policy, given that operational risk management was above all performed by the entities. In certain fields, the necessary measures were taken to transfer know-how so that the ORM division could operate fully autonomously. Organisation within the general Risk division of Dexia Bank Belgium will be formalised during 2012.

The various activities associated with the dismantling of the Dexia Group are minutely monitored by ORM and are the subject of a report to the Management Board and the Transition Committee. A copy of the report is also sent to the NBB.

1. Credit risk

1.1. Definition

Credit risk is **defined** as the potential loss a bank might suffer following a deterioration of the quality of a counterparty with regard to which the bank has a credit commitment.

1.2. Organisation

Within Dexia Bank Belgium, the Credit Risk Management (CRM) division, headed by the Chief Risk Officer, is competent to define lines of strategy in relation to credit risks. Those lines are of course subject to approval by the bank's Management Board. Then CRM translates them into directives and procedures for the divisions concerned.

The bank's various commercial divisions play a major role in the composition of the credit portfolio. They are in fact in contact with clients and thus contribute to determining to which individual counterparties the bank might envisage making credit commitments.

Moreover, the analysis function occupies a central position in the process. Within the framework of a portfolio approach for retail files, the bank uses IT systems analysing the financial behaviour of counterparties. With the increasing complexity of credit files, human intervention in the analysis gains in importance.

The decision to grant credit is finally taken on the basis of two views, that of the commercial division and that of the CRM division.

1.3. Committees

Dexia Bank Belgium has created a structure of **credit committees**, organised hierarchically. The delegation of competences appears in detailed procedures. This means that the higher the amount of the credit transaction or the lower the quality of the counterparty, the higher the committee taking the final decision.

The general principle is that the credit committees are formed equally of staff from the commercial division and from CRM. A CRM staff member takes the chair. Essentially for credits to be granted in the Retail and Commercial Banking (RCB) segment, Dexia Bank Belgium increasingly uses an advanced and automated decisional logic. The parameters leading to a decision in these systems are of course determined by CRM.

Moreover, a very important role is played by the risk control function. Once the bank has credit commitments to a counterparty, it is vital to monitor and to check the development of that risk, possibly to take the necessary correctional measures in the event of a deterioration of quality and, as the case may be, to make provisions for forecast credit losses.

To that end, Dexia Bank Belgium has a system of behavioural indicators. Counterparties showing signs of weakness are monitored by the *watchlist committee*. Its main task is to detect risks arising as quickly as possible and to monitor them. The commercial divisions play a major role here because they maintain the closest contacts with clients. In this sense, they play the role of first-line risk controller.

If a counterparty does not comply with its financial obligations to Dexia Bank Belgium to a serious extend, it is placed on *default* status. The formal decision is for the *default committee* consisting of staff members of the CRM division. *Default* status is dictated on the one hand by a series of automatic criteria, such as the insolvency of the counterparty, but on the other hand by a discretionary decision on the basis of qualitative criteria.

For each party with *default* status, the bank must then check, considering the value of any guarantees provided by the counterparty, whether there are substantiated reasons to make provisions for an impairment. This assessment is performed by the impairment committee.

Methodological committees occupy a particular position in the operation of Dexia Bank Belgium. Principally, they validate internal rating systems and control quality, points which will be dealt with later in this report.

2. Market Risk

2.1. Definition and organisation

The **Market Risk Management (MRM)** division controls market risk and is responsible for the identification, analysis, monitoring and reporting of risks as well as the results (including the valuation) of market activities.

Market risk is **defined** as the exposure to impairments resulting from market price fluctuations and include general interest rate risk, specific interest rate risk, equity risk and foreign exchange risk.

General interest rate risk reflects exposure to overall rate fluctuations. The specific risk, also known as the spread risk, reflects exposure to changes in the solvency situation of individual issuers. The equity risk is the exposure to share price fluctuations. The foreign exchange risk is the exposure to exchange rate fluctuations.

Inter alia, monitoring includes the following activities: determination of the limit framework, calculation of risk indicators, control of limits, correspondence to strategic planning and accounting and reporting to the supervisory authority and the regulatory bodies. These activities are managed meticulously and documented in guidelines and procedures.

Within the Dexia Group, the following expertise centres are located in Dexia Bank Belgium:

- **Cash and Liquidity Management**
- **Trading, Structuring and Distribution**
- **Market Data Management**

These expertise centres will continue to play their role within Dexia Bank Belgium.

2.2. Committees

Within Dexia Bank Belgium, a **Market Risk and Guidelines Committee (MRGC)** meets twice a month. Among other things, it is responsible for the control of market risks, monitoring statement of income triggers[1], validating limit frameworks, monitoring limits, approving new products, guidelines, risk governance, risk concepts, risk methods and controlling the quality of the valuation process.

(1) Statement of income triggers warn of a deterioration of results and are expressed as a percentage of VaR limits: typically at 50%, 75% and 100% for triggers 1, 2 and 3 and stop the activity at 300% of VaR.

Ad hoc MRGC meetings can be called if necessary to deal with specific aspects of activity and/or risk management.

3. Balance sheet management

3.1. Definition

Balance sheet management consists of monitoring structural market risks (interest rate risk, foreign exchange risk and equity risk) and the liquidity risk (the capacity to meet current and future liquidity requirements) for the entire Dexia Bank Belgium balance sheet.

3.2. Organisation

Within "Finance", the "ALM" (Assets & Liabilities Management) division manages the structural risks and the balance sheet liquidity risk of Dexia Bank Belgium, excluding the balance sheet of the insurer Dexia Insurance Belgium (DIB), managed autonomously by DIB. The activities of the "Financial Markets" division are directly monitored and guide by "FMR" (Financial Market Risk) via a framework of specific risk limits.

Within the "Risk" department, "ALM Risk" defines the risk framework in which ALM management operates, in accordance with external regulations: risk factors, limits, investment universe, guidelines and so on. "ALM Risk" will also validate the models used for risk management, monitor positions, perform stress tests on various risk factors and check whether risk management by ALM Finance responds to the general framework.

Before Dexia Bank Belgium left the Dexia Group, the ALM Risk division was at a Dexia Group level.

3.3. Committees

The **Assets and Liabilities Committee** (ALCo) of Dexia Bank Belgium manages the above market risks as well as the liquidity position of Dexia Bank Belgium. This committee

- defines a framework for global ALM risk;
- fixes limits, in line with the risk appetite determined by the Management Board;
- validates the internal transfer price mechanism;
- analyses the risks and results of ALM positions on the balance sheet;
- checks whether the liquidity position is evolving in line with targets set by the Management Board;
- adapts the evolution of the liquidity position by drawing short, medium and long-term funding means and by establishing disinvestment and structuring strategies, in order to pass regulatory and internal stress tests;
- assesses the range of products of the commercial bank and formulates recommendations for adapting that range of products, considering the inherent market risk aspects and the objective of a balanced liquidity position.

The ALCo generally meets twice a month in the presence of two members of the Management Board of Dexia Bank Belgium (Chief Financial Officer and Chief Risk Officer).

The local ALCo of Dexia Insurance Belgium (DIB) manages risks specific to the DIB balance sheet, with the aid of the ALCo of Dexia Bank Belgium.

3.4. Changes expected in 2012

The takeover of Dexia Bank Belgium by the SFPI will result in major changes of governance in 2012, including:

- from the beginning of 2012, members of the Management Board responsible for Retail & Commercial Banking and Public & Wholesale Banking will also take part in the ALCo;
- the balance sheets of Dexia Insurance Belgium and financial markets will be included in the ALCo management of the bank;
- ALM Risk will be installed at a bank level and will no longer be entrusted to Dexia.

4. Operational risk

4.1. Definition

Dexia Bank Belgium **defines** operational risk as follows: risk of financial or non-financial impact arising from an inadequacy or a failure of internal processes, personnel and systems, or exogenous factors. The definition includes IT, legal and compliance risk but excludes strategic risk.

Dexia's definition of operational risk is based on, but not restricted to, the one used by the Basel Committee, which focuses on losses (negative financial impacts). Dexia Bank Belgium policy also assumes the collection of data concerning events which have generated financial gains.

4.2. Organisation

The coordination of operational risk management is entrusted in Dexia Bank Belgium to the **Operational Risk Management (ORM)** division. Its head reports directly to the Chief Risk Officer (CRO) of Dexia Bank Belgium.

The Operational Risk Management framework relies on strong governance with clearly defined roles and responsibilities.

The Risk organisation of the new Dexia Bank Belgium will be redefined in relation to new strategic and operational objectives.

4.3. Committees

In 2011, an **Operational Risk Acceptance Committee (ORAC)** had already been created at Dexia Bank Belgium. It consists of members of the Management Board of Dexia Bank Belgium.

The role of this committee is essentially the (quarterly) monitoring of all aspects of operational risk:

- fixing operational risk limits;
- accepting or not accepting identified risks (for example, RCSA or scenario analyses);
- monitoring operational risk incidents and measures proposed;
- organising all measures and projects necessary to limit operational risk.

The hierarchy of Dexia Bank Belgium is the first responsible for operational risk management. In order to assume those responsibilities, it appoints a correspondent within its field of activity to coordinate the different aspects of operational risk (for example, collecting risk data, performing Risk and Control Self-Assessment and so on), with the support of the operational risk management function.

Risk monitoring

1. Credit risk

1.1. Credit risk policy

Credit Risk Management (CRM) in Dexia Bank Belgium has established a general framework containing the strategic lines and procedures modelled on the bank's risk appetite. That framework sets the credit risk management regarding analysis, decision making and risk control.

CRM manages the credit granting process by attributing delegations within the limits imposed by the bank's management and by chairing credit committees. In its function of controlling credit risk, CRM checks the evolution of the credit risk of its portfolios by regularly analysing credit files and reviewing ratings. CRM also defines the policy for making provisions. In this sense, it decides on specific provisions and determines which files are qualified as in *default*.

1.2. Risk measurement

The risk approach of Dexia Bank Belgium is based on the bank's decision to apply the IRBA II Advanced method; this choice has been acknowledged by the regulators.

One of the fundamentals of this approach is the attribution of a rating to each of the bank's counterparties. This rating expresses the degree of probability that the counterparty concerned will default within a set period. This is the *Probability of Default* (PD). For counterparties in the Retail and Commercial Banking (RCB) segment, this rating is rather calculated by automated credit scoring systems, which principally record and analyse behavioural variables. For clients in the Public and Wholesale Banking (PWB) segment, the rating is attributed by credit analysts who have specialist knowledge of each segment. Within this framework, they use internal rating systems. These systems differ from one segment to another but generally consist of a quantitative financial aspect and a qualitative aspect. The analyst has the ultimate power to fix the rating and is allowed to overrule the rating proposed by the rating system as far as this is well argumented.

Each internal rating system is subject to high quality standards. This begins with the development and validation to which each system is subjected by a team working independently of the developers. Then the Quality Control division sees to the correct and consistent use of the internal rating system by the analysts. This is the role of the rating committee, the only body competent to alter a rating attributed by an analyst. The results of the internal rating system are periodically valuated by the division responsible for validation to back-testing. The aim is to check whether the ability of the internal rating model to predict the projected value is still sound. If necessary, changes or recalibrations can be made, and the cycle is then relaunched.

A second important concept is the *Loss Given Default* (LGD). This can be defined as the loss the bank expected statistically to suffer on a certain type of counterparty and for a certain type of credit commitment following the insolvency of the counterparty. The data used as a basis for calculating statistical LGD are recorded in the *Loss Database*. This is a database containing data on all the counterparties which were insolvent at one time or another vis-à-vis Dexia Bank Belgium, in order to retrieve statistical data such as average recovery percentages.

The combination of the probability that a counterparty will remain in default (PD) and the loss to be expected if such should be the case is called the *Expected Loss* (EL).

The *Expected Loss* is a crucial concept in determining the maximum risk the bank may be disposed to run and the equity which must be held to cover such risks.

In the credit portfolio and associated credit risk approach, Dexia Bank Belgium also sets a strict series of profitability requirements. Within this framework, it uses the RAROC methodology. RAROC means *Risk Adjusted Return on Capital* and measures the profitability of a credit transaction or even of an entire credit portfolio. Account is taken not only of the return expected in the form of interest margins but also the costs inter alia of losses to be expected on credits.

One of the fundamentals of modern risk management is the control of concentration risk. In the field of credits, concentration risks appear when the bank makes credit commitments to a counterparty which exceed a certain critical percentage compared to equity or the bank's current profitability. Concentration risks are not limited solely to individual counterparties however. The concept is broadened to groups of counterparties, economic sectors, countries and so on.

In order to control credit concentration risks, Dexia Bank Belgium has established a limit framework. An LMTR (Limite Maximale Théorique de Risque) has been attributed to each individual counterparty and group of counterparties. This is a maximum theoretical risk limit which is fixed in relation to the segment to which the counterparty belongs and/or the risk parameters of the counterparty concerned. The fact that the LMTR is "theoretical" on the one hand indicates that there is no automatic way in which this limit is "consumed" by the credit commitments made. On the other hand, it cannot be excluded that the limit is exceeded in justified and exceptional cases.

1.3. Fundamental elements of credit risk in 2011

2011 was undeniably the year of the euro crisis and increasing uncertainty as to the prospects of growth in the real economy.

Although interest rates were at historically low levels in the majority of European countries, and indeed the world, and although the labour market recovered relatively well from the crisis in 2009, a fall in confidence among business leaders and consumers throughout Europe was recorded as the year progressed. Only Germany did not really follow the trend and Belgium, for which Germany is one of its main trading partners, has certainly benefited from this.

All the business lines in which Dexia Bank Belgium is active have suffered from the macroeconomic climate.

The principal macroeconomic indicators influencing credit risk in the **Retail and Commercial Banking (RCB)** segment, namely the unemployment rate, GDP evolution and real estate values, were positively aligned during 2011. By way of a consequence, risk indicators (number of defaults, amount recovered and cost of risk) remained in the black for the entire period. On the other hand, indicators of confidence (among consumers and business leaders) and 2012 outlook (GDP reduction) appeared increasingly negative in the second half of 2011. Consequently an additional general provision was made in the fourth quarter 2011 on the portfolio of credits to medium-sized RCB enterprises, which seem to be more vulnerable in a significant economic slowdown.

Back-testing and stress tests under Basel parameters (PD, LGD, EL, EAD) in 2011 confirmed the robustness of the retail models and the degree of conservatism regarding regulatory and economic equity.

Credit demand has continued to grow (particularly mortgages and professional loans) with a positive affect on outstanding, despite a difficult margin context for Dexia Bank Belgium.

Credit granting policy therefore remained very stable in 2011 for the majority of individual and professional products. Only consumer credits of the revolving type and private loans saw acceptance rates fall. The introduction in the fourth quarter 2011 of a *responsible lending* procedure will accentuate this effect in 2012.

The year 2011 also saw a major revision of the process for granting professional credits with the aims of accelerating the decision process and increasing the specialisation of the commercial network, without any unfavourable impact at risk level. The process extended over a large part of the year 2011 and was framed by CRM (choice of specialists, introduction of decisional logics, guidelines and procedures, risk monitoring and control). The first results to be recorded are satisfactory regarding risk and suggest a positive evolution in 2012.

The objectives of maintaining franchises in 2012 on RCB clients, or even growth of certain market niches (for example liberal professions and small enterprises), coupled with an uncertain economic context, will require constant surveillance and sustained risk management over the year.

In the **Public and Wholesale Banking (PWB) segment** too, the costs of risk remained under control. Despite difficult circumstances, but loyal to its historical vocation, Dexia Bank Belgium remained very active in 2011 in granting credits to the public sector, principally local authorities and the social sector. And despite the profitability requirements imposed by the European Union under the Dexia Group transformation plan and pressure from more opportunist competitors, Dexia Bank Belgium succeeded in maintaining its credit portfolio both quantitatively and qualitatively. Dexia Bank Belgium considers this evolution to be the confirmation that clients appreciate the bank's specialist know-how for what it is. PPP are an example. In these public-private partnership schemes, the bank combines its knowledge of credit activity to the public and private sectors.

In the corporate segment, the cost of risk also remained under control in 2011 and well below budgeted cost. It should nonetheless be noted that the amount of impairments increased over the last quarter of the year. Disappointing growth prospects for the global economy combined with the portfolio's high granularity led the bank not to reduce its budgeted cost of risk for 2012.

Certain specific sectors continue to need particular attention from teams, including the maritime finance sector. In 2011, a single file was fully accounted as a loss for a relatively limited amount of EUR 8.8 million. The maritime sector is one where the already historically high volatility after 2008 only seems to have evolved in a complex play of supply and demand for loading capacity. The evolution of capacity not only follows the evolution of real flows of goods but also factors such as the value of scrap vessels, technological evolutions, oil prices and the considerable delay between taking the decision to build a ship and its launch and commissioning. In addition, market trends can be very different from one segment to another. The Dexia Bank Belgium portfolio is spread between container ships, bulk carriers, tankers and more technical vessels. It is a portfolio of recent ships which are the property of and operated by important sector operators. Dexia Bank Belgium reasonably considers that these characteristics, the result moreover of a deliberate portfolio composition strategy, curb any portfolio deterioration and the sector provision is sufficient.

Another sector in which Dexia Bank Belgium has been active over recent years is the financing of investments in sustainable energy. This extends from financing for project companies to standardised financing to companies or entities in the public or social sector. Until now, practically no default has been recorded in the project finance portfolio in its broadest sense. Almost all the projects finalised meet or even exceed expectations, and generate a sufficient repayment capacity. However, Dexia Bank Belgium closely follows sector developments. Particularly evolutions of subsidy policy, successive maturities regarding the value of green certificates and the evolution of prices of investment material, like solar panels, could cause a stir in the installer sector. The sector is in fact characterised by the presence of some young companies which are still undergoing rapid growth. Nonetheless they often present deficiencies in internal organisation and financial stability.

The bond portion of the **investment portfolio** of the banking arm of Dexia Bank Belgium is formed of the PMG portfolio (down from EUR 25.7 billion to EUR 18.3 billion) and the ALM portfolio (down from EUR 8.8 billion to EUR 6.7 billion) and amounts to a total of EUR 25.0 billion. The reduction of the PMG portfolio by EUR 7.4 billion arises from sales of EUR 5.8 billion and a natural decrease of EUR 1.7 billion. Exchange-rate differences and the increase of impairments are practically counterbalanced. In the ALM portion, EUR 1.6 billion has been sold, EUR 0.3 billion reached final maturity and EUR 0.2 billion represented the increase of impairments. In 2012, the de-risking policy will continue.

The investment portfolio has an average life of 11.9 years. A total of EUR -0.9 billion of impairments has been booked on that portfolio. The major part of the impairments arises from the 72% impairment on the notional amount of the portfolio of Greek government bonds. Unrealised gross losses on the investment portfolio amount to EUR 2.2 billion and those on the ALM portfolio to EUR 1.8 billion.

The asset class composition of the investment portfolio is as follows: 32% financial institutions and covered bonds, 35% public authorities and supranationals, 20% asset backed securities and finally 13% of project finance and public utility companies. The bond portfolio on financial institutions amounts to EUR 8.0 billion invested 47% in covered bonds with an average life of 7.6 years, and 53% in senior bank bonds with an average life of 4.4 years. The project finance and public utility company portfolio of EUR 3.2 billion is characterised by its long maturities. Credit protection has been purchased from Assured Guaranty Municipal for 58% of the project finance portfolio.

The Group Center segment also contains a portfolio of derivatives in an amount of EUR 12.9 billion, including EUR 11.6 billion of credit default swaps and EUR 1.3 billion of total return swaps. The portfolio's average life is 8.7 years. 91% of the portfolio are "investment grade" but after various hedges (above all the credit protection granted by Assured Guaranty), this percentage rises to 95%.

The bond part of the portfolio of the insurance arm of Dexia Bank Belgium rose from EUR 15.5 billion to EUR 16.2 billion. This portfolio is principally the consequence of the investment insurance reserves, but de-risking initiatives taken on the bank level are also extended to the insurance level.

The portfolio has an average life of 9.5 years. A total of EUR -0.9 billion in impairments has been booked on the portfolio. The major proportion of the impairments arises from the 72% impairment on the notional amount of the portfolio of Greek government bonds. Unrealised gross losses on the investment portfolio amount to EUR 153 million.

The asset class composition of the insurance portfolio is as follows: 55% public authorities and supranationals, 32% financial institutions and covered bonds, 5% asset backed securities and finally 8% corporates. The bond portfolio on financial institutions amounts to EUR 5.2 billion, invested 67% in covered bonds with an average life of 10.5 years and 33% in senior and subordinated banking bonds with an average life of 6.2 years.

Since 20 October 2011, the Dexia Group has become an external counterparty for Dexia Bank Belgium. Thanks to the approval of the provisional State guarantees at the end of 2011, Dexia Bank Belgium has been able to reduce its net exposure to the Dexia Group (without Dexia Bank Belgium), from initially more than EUR 22 billion to less than EUR 10 billion as at 31 December 2011. At the beginning of 2012 efforts to reduce this financing continued, particularly regarding non-secured finance which, at the end of March, had been reduced practically to zero. This decrease was achieved by converting non-covered lines of credit into State-guaranteed bonds issued by DCL. Fuller details of exposure to the Dexia Group are to be found in the Management part of the balance sheet in the present report.

In the past Dexia Bank Belgium granted loans to Holding Communal, reference shareholder of Dexia SA. Those loans historically financed the investment policy of Holding Communal which, before 2008, had decided to diversify its investment portfolio. The last increase of these credit facilities dates from October 2008, when Holding Communal subscribed to Dexia SA capital increase. To cover those loans, Dexia Bank Belgium had a diversified financial asset portfolio, including Dexia SA shares as guarantees. The public authorities also granted guarantees in several phases.

The problem for Holding Communal SA was twofold. On the one hand, profitability was compromised by the abandonment of dividends from Dexia SA; on the other hand, solvency came under pressure by virtue not only of the Dexia share price but also the many other financial assets which gave limited opportunities for disposal at a correct price following the financial crisis of 2008. These factors led the extraordinary shareholders' meeting of Holding Communal to decide on 7 December 2011 on a voluntary liquidation.

In order to anticipate the potential risk of loss, Dexia Bank Belgium made the appropriate impairment for this credit risk.

1.4. Credit risk exposure

Maximum Credit Risk Exposure (MCRE) includes:

- the net carrying amount for balance-sheet assets other than derivative contracts (i.e. the accounting value after deduction of specific provisions);
- the market value for derivative contracts;
- the total off-balance sheet commitment on bonds: the outstanding is the undrawn portion of liquidity facilities or the maximum amount which Dexia Bank Belgium is obliged to honour by virtue of the guarantees given to third parties. When credit risk exposure is guaranteed by a third party with a lower risk weight, the principle of substitution is applied.

Credit risks are based on the consolidation perimeter including the entirely consolidated subsidiaries of Dexia Bank Belgium.

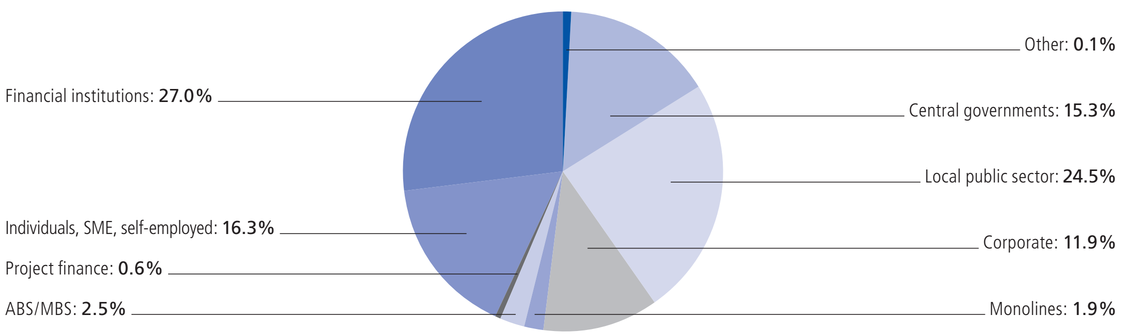
The total credit commitment of Dexia Bank Belgium was EUR 220,515 million as at 31 December 2011.

Exposure by category of counterparty

Concerning counterparties, the composition of the Dexia Bank Belgium portfolio is fairly stable. A portion of the credit risk regarding the Dexia Group was guaranteed by the States (cf. issue of Government Guaranteed Bonds, as explained in the section "Balance-sheet management"), so that the central governments portion of the portfolio rose from 9.5% at year-end 2010 to 15.3% at year-end 2011. The reduction of the investment portfolio increased the fall of the Financial Institutions portion to 27.0% at year-end 2011 against 35.2% at year-end 2010. The local public sector portion is 24.5%.

Note: the counterparty is the "final counterparty", i.e. after settling guarantees approved under Basel II regulations (principle of substitution). The risk on Monolines is essentially an indirect risk.

Exposure (MCRE) by type of counterparty (as at 31 December 2011)



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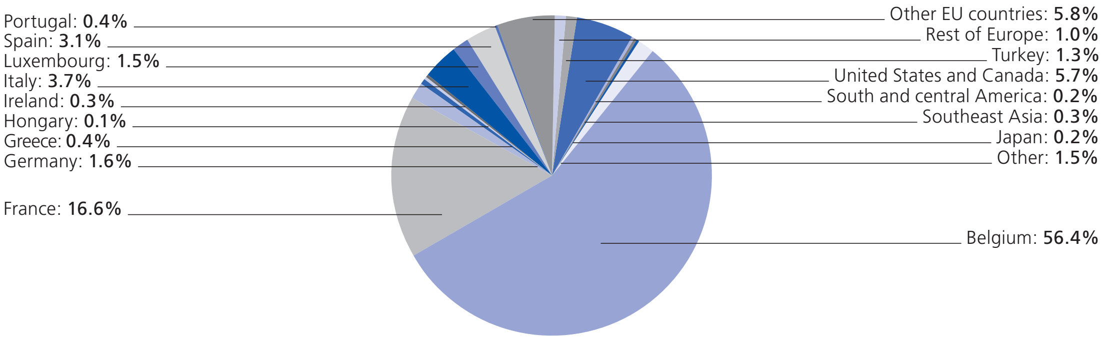
Exposure (MCRE) by geographic area (as at 31 December 2011)



Exposure by geographical region
As at 31 December 2011, Dexia Bank Belgium positions were concentrated principally in the European Union (90%, EUR 198.1 billion at year-end 2011), and above all Belgium (56%) and France (17%).

Government bond assets of the above countries fell 30% to a level of EUR 6.8 billion, by virtue of deleveraging, specific impairments (on Greek government bonds, for an amount of EUR 1.6 billion) and the evolution of fair value. Fair value was determined on 31 December 2011 using the method indicated in the valuation rules. It consists of a mark-to-market component and a mark-to-model component in line with the level of illiquidity observed as at 31 December 2011. The mark-to-model component is based on an LGD and a PD determined by the Credit Risk Management Competence Center.

Breakdown of the assets in the government bond portfolio on a selection of European countries (as at 31 December 2011, in MCRE)

(In millions of EUR)	31/12/10				31/12/11			
Country	Total	Of which banking book	Of which insurance book	Of which trading book	Total	Of which banking book	Of which insurance book	Of which trading book
Greece	1,810	981	828	1	670	332	338	0
Hungary	305	304	0	1	275	274	0	1
Ireland	326	0	326	0	352	0	352	0
Italy	5,659	4,510	1,143	6	4,355	3,682	672	1
Portugal	336	101	235	0	253	74	179	0
Spain	1,225	863	346	16	853	852	1	1
TOTAL	**9,661**	**6,759**	**2,878**	**24**	**6,759**	**5,214**	**1,543**	**3**

(In millions of EUR)	31/12/10					31/12/11				
Country	Total	Of which available for sale	Of which trading	Of which held to maturity	Of which loans, advances & claims	Total	Of which available for sale	Of which trading	Of which held to maturity	Of which loans, advances & claims
Greece	1,810	1,809	1	0	0	670	670	0	0	0
Hungary	305	304	1	0	0	275	274	1	0	0
Ireland	326	326	0	0	0	352	352	0	0	0
Italy	5,659	5,653	6	0	0	4,355	4,354	1	0	0
Portugal	336	336	0	0	0	253	253	0	0	0
Spain	1,225	990	16	0	219	853	649	1	0	204
TOTAL	**9,661**	**9,418**	**24**	**0**	**219**	**6,759**	**6,553**	**3**	**0**	**204**

Asset quality (degree of coverage)

In millions of EUR, unless indicated otherwise[1]	31/12/10	31/12/11
Loans and advances to clients on which a specific impairment has been applied	1,030	2,543
Specific impairments on loans and advances to clients	586	995
COVERAGE RATIO[2]	56.9 %	39.1%

(1) Insurances included.
(2) The ratio between specific impairments and loans and advances to clients on which a specific impairment has been applied.

The ratio of coverage has significantly deteriorated due to the situation of Holding Communal.

2. Market Risk

2.1. Market risk policy

Market risk management at Dexia Bank Belgium is based on the following elements:

- an appropriate structure of limits and procedures delimits the maximum risk profile. The system of limits is consistent with the entire risk measurement and management process, in line with capital requirements
- an efficient organisation of risk management enables risk to be identified, measured, controlled and reported. The global risk management framework is constantly adapted to respond to Dexia Bank Belgium objectives and strategy.

2.2. Risk measurement

Value at Risk (VaR) is one of the principal risk measurement criteria within Dexia Bank Belgium. VaR measures the potential loss in an interval of confidence of 99% and over a period of ten days. Dexia Bank Belgium applies various VaR approaches in order to be able to provide a precise measurement of the market risk inherent in various portfolios and activities.

- General interest rate and foreign exchange risks are measured using a parametric VaR approach.
- Specific interest rate risk (spread risk), equity risk and other risks in the trading portfolio are measured using an historic VaR approach.
- Non-linear risks (option risks) and specific risks (e.g. negative basis trade risk) are measured using specific and historic VaR methods, with a view to a better assessment and measurement of exposure to market volatility.

The Dexia Bank Belgium position concerning market risk measured using VaR essentially arises from general interest rate risk and specific interest rate risk (spread), which reflect current volatility on the credit markets. The market risk arising from equity trading positions, exchange prices and other risk factors remains much more limited.

Dexia Bank Belgium uses its internal VaR model to calculate regulatory capital for general interest rate risk and foreign exchange risk in the trading perimeter.

The VaR methodology is constantly being improved. By virtue of the "market risk engine" project, launched in 2010, the bank has an historic VaR for all risk factors (with a complete recalculation of non-linear risk factors), which constitutes a consistent and precise risk criterion. In addition, historic VaR is the norm for different banks. The new tool simplifies the following analyses: stress testing, external value analysis, stressed VaR (as demanded by the supervisory authority).

At the end of 2011, Dexia Bank Belgium introduced a file with the supervisory authority with the aim of obtaining authorisation to replace parametric VaR with historic VaR, both for risk monitoring and for determining capital requirements.

In 2011, hypothetical back-tests report a single exception for interest rate and foreign exchange risk (internal model), nine exceptions for equity risk and five for spread risk.

As a complement to VaR measures and statement of income triggers, Dexia Bank Belgium applies a wide range of other measures aimed at assessing the risks associated with various specific business lines and portfolios, including limits in terms of nominal amount, term, authorised market, product and sensitivity (*Greeks*).

Value at Risk on market activities

	31/12/10				31/12/11			
VaR (10 days, 99 %)	IR[1] & FX[2] (Trading and Banking)[3]	EQT[4] Trading	Spread Trading	Other risks[5]	IR[1] & FX[2] (Trading and Banking)[3]	EQT[4] Trading	Spread Trading	Other risks[5]
By activity								
Average	14.3	2.0	15.4	3.5	12.2	1.9	10.9	2.3
Maximum	25.7	4.5	23.7	4.2	22.2	5.6	17.7	3.8
Global								
Average	35.2				27.2			
Maximum	47.3				37.6			
End of period	32.0				19.7			
Limit	85.0				65.0			

(1) IR: interest rate risk
(2) FX: foreign exchange risk
(3) IR & FX: without balance sheet (ALM) management.
(4) EQT: equities
(5) Other risks: inflation and CO_2.

Stress tests complete risk monitoring. Different events with a very low probability are examined. This is outside probability calculation framework used for VaR. VaR measures market risk in a normal market environment, whilst *stress testing* measures that risk in an abnormal market environment. Stress test scenarios are constantly revised and updated. The following scenarios were added in 2011: the sovereign debt crisis, the correlation of rates and the *Credit Value Adjustment* (CVA). The results of the stress tests are presented each quarter to the MRGC.

The bond portfolio in the *Banking Book* is not subject to VaR limits in view of its specific investment horizon. This portfolio is however subject to regular stress tests.

2.3. Market Risk Exposure

2.3.1. Value at Risk (VaR)

The VaR of Dexia Bank Belgium market activities (not including the bond portfolio in the Banking Book) is shown in the following table. The average VaR was EUR 27.2 million in 2011, against EUR 35.2 million in 2010. The VaR limit was reduced from EUR 85 million in 2010 to EUR 65 million in 2011.

2.3.2 Bond portfolios

As at 31 December 2011, Dexia Bank Belgium managed a bond portfolio of EUR 25.0 billion, compared to EUR 34.5 billion at the end of 2010.

The sensitivity of the economic value of these bond portfolios to interest rate variations is extremely limited, as the rate risk is systematically hedged. The sensitivity of the real value of the bond portfolio to a one basis point credit spread increase was EUR -20.0 million as at 31 December 2011 (compared to EUR -23.8 million as at 31 December 2010).

As at 31 December 2011, the insurance bond portfolio was EUR 16.2 billion, against EUR 15.5 billion as at 31 December 2010. The sensitivity of the real value to a one basis point credit spread increase was EUR -11.1 million as at 31 December 2011, against EUR -10.2 million as at 31 December 2010.

3. Balance-sheet management

3.1. Balance-sheet management policy

The bank’s balance-sheet risks are managed by the ALCo (Assets and Liabilities Committee). The ALM (Assets & Liabilities Management) department, in collaboration with TFM (Treasury and Financial Markets) implements the decisions taken by the ALCo. The banks structural interest rate and foreign exchange risks are also managed by the ALM department on the basis of decisions by the ALCo. The aim is to protect value and to stabilise bank income, without taking a voluntary position on interest rates.

3.2. Liquidity Risk

3.2.1. Risk measurement

Each day Dexia Bank Belgium sends the National Bank of Belgium (NBB) the indicator of internal liquidity (a forecast ratio between the net liquidity requirement and liquidity reserves available over a period of one day to four weeks, and in a basic and a stress scenario). Each month it also calculates and sends the required prudential liquidity ratio. These ratios are calculated in Finance, in the ALM Liquidity department, and examined and validated by ALM Risk.

Since September 2011, Dexia Bank Belgium has no longer observed the minimum prudential liquidity ratio imposed in the NBB stress test, principally as a consequence on the one hand of the sharp increase of the unsecured funding need of the Dexia Group (without Dexia Bank Belgium) and on the other hand as a result of the climate of falling rates which demands an increased payment of the cash collateral linked to historic derivatives contracts. The increase of the Dexia Group’s unsecured funding results from the fact that Dexia Bank Belgium acts as a competence centre in relation to liquidity for the Dexia Group. Dexia Bank Belgium obtained a temporary exemption for this breach from the NBB, whilst presenting a management plan aimed at sharply and rapidly reducing this funding allocated to the Dexia Group. On the basis of the action plan lodged by the bank in relation to liquidity, the NBB granted a provisional exemption for liquidity ratios, until 30 September 2012 inclusive, observing certain conditions.

Accordingly, the bank will prioritise liquidity management within the organisation, set up a robust liquidity plan with centralised liquidity management, reduce activities that strongly impact the liquidity needs should the action plan take longer than expected to execute, estimate in advance the impact of the transactions with Dexia Group on the liquidity needs and keep the National Bank regularly informed of the situation, of any changes to the bank’s liquidity needs and of the implementation of its action plan.

Moreover, Dexia Bank Belgium was able to participate in the first long-term refinance operation (LTRO) initiated by the European Central Bank in December for a significant amount.

3.2.2. Exposure to liquidity risk

At Dexia Bank Belgium, liquidity risk is principally influenced by:

- the amount of commercial funding gathered from Retail and Private clients, small, medium and large enterprises, public sector and assimilated clients;
- the volatility of the guarantee frozen with counterparties within the framework of derivatives and Repo transactions (so-called cash and securities collateral);
- the value of its liquidity reserves by virtue of which it can collect funding on the Repo market or from the ECB;
- the capacity to obtain interbank funding;
- the capacity of the Dexia Group to repay the unsecured funding it has obtained from Dexia Bank Belgium.

Measures aimed at reducing liquidity risk

In the near future, Dexia Bank Belgium will give greater priority to the structural improvement of its liquidity situation:

- by reducing credit risk with regard to the Dexia Group, as agreed contractually with that Group;
- by re-establishing the confidence of its clients and recovering commercial deposits lost during the crisis;
- by gathering short and long-term funding on the interbank market;
- by intensifying the transformation of certain parts of its assets into liquid reserves.

3.3. Credit risk with regard to the Dexia Group (without Dexia Bank Belgium).

Dexia Bank Belgium signed a contract with the Dexia Group aimed at reducing its non-guaranteed loans to the Dexia Group.

The major lines of this contract are as follows:

- the Dexia Group will make its best efforts to take its unsecured credit risk to zero with regard to Dexia Bank Belgium by 30 June 2012;
- the Dexia Group undertakes contractually to take its unsecured credit risk to zero by 31 December 2012, provided it has obtained an effective State guarantee for a total amount of EUR 90 billion;
- Dexia Bank Belgium reduced its unsecured loans to Dexia Crédit Local by purchasing the first tranche of a Government Guaranteed Bond (GGB) issued by Dexia Crédit Local for an amount of EUR 13.6 billion maturing at the end of February 2012. Dexia Bank Belgium can thus collect funding from the ECB and on the external Repo market for an amount of approximately EUR 12.7 billion; Dexia Bank Belgium subscribed to a second tranche (beginning in March 2012 and maturing in 2015) by renewing the first tranche of the GGB for an amount of EUR 12 billion.
- During the entire term of the contract and until the unsecured credit risk reaches zero, the unsecured credit risk may never increase;
- Finally, measures were introduced in the contract, on the one hand to offer greater legal security to Dexia Bank Belgium for the funding transactions for which it receives collateral and on the other hand to reduce the dependence of Dexia Bank Belgium on the ECB (as a consequence of the Dexia Group's funding requirement). The contract stipulates that:
  - the Repo transactions in which Dexia Bank Belgium is the intermediary between the Dexia Group and the Repo market or the ECB for a total amount of EUR 3.9 billion are ceased;
  - the long-term borrowing for which Dexia Bank Belgium received eligible ECB bonds for an amount of EUR 3.2 billion is ceased;
  - the long-term borrowing for which Dexia Bank Belgium receives non-eligible ECB bonds is ceased or converted into a legal Repo format for an amount of EUR 4.7 billion.

3.4. Concentration risk

The description of concentration risk is to be found in the Capital Management part of the present report.

3.5. Interest rate risk

3.5.1. Interest rate risk measures

The structural interest rate risk of Dexia Bank Belgium results from the structural imbalance between its assets and liabilities, their volumes and their respective terms.

The interest rate risk is constantly monitored on the basis of two complementary measures: the impact of rate movements on economic value and on income. The measure of sensitivity of balance sheet value to interest rates (Basis Point Value or BPV) is considered to be the main risk measurement tool. Nevertheless, an Earnings at Risk (EaR) approach, permitting knowledge to be gained on the impact of a value shock distributed over time on the results, is used as an additional indicator.

- **Sensitivity of economic value to interest rates: Basis Point Value approach**
  Interest rate variations affect the economic value of the bank's assets, liabilities and off-balance sheet items. This sensitivity to interest rate risk measures the net change of the economic value of the balance sheet as the result of a parallel movement of 1% on the interest rate curve. A sensitivity limit frames the interest rate risk of the ALM perimeter.

The rate curve may also vary in a non-parallel manner and cause a change of value despite sensitivity (BPV) seeming to be globally neutral. This is called curvature risk. This risk is learned by virtue of partial sensitivity measures of the curve (partial BPV) which measure expected variations of value following the evolution of a single point on the rate curve.

- **Sensitivity of earnings to interest rates: Earnings at Risk approach**
  Interest rate variations affect the bank's future earnings. This sensitivity of earnings consists of estimating the potential loss or gain of earnings over the current year and later years in relation to different interest rate shocks. This EaR approach enables the distribution over time of a value shock to be known.

3.5.2. Interest rate risk exposure

Interest rate sensitivity measures the net change in the balance sheet economic value if interest rates move by 1% across the entire curve. The sensitivity of the ALM perimeter was EUR -74 million as at 31 December 2011 (against EUR -148 million as at 31 December 2010), excluding positions of insurance companies and pension funds. The interest rate sensitivity limit as at 31 December 2011 was EUR -320 million/%.

The derivatives contracts in the ALM perimeter are concluded as an economic hedge of the balance sheet's interest rate risk. However, as the IFRS exclude certain balance sheet items (e.g. savings accounts) as a hedged underlying element, some of these derivatives cannot be defined as an "IFRS hedge relationship" under accounting norms and generate volatility in IFRS earnings. This sensitivity of IFRS earnings to a 1% rise across the rate curve was EUR +8 million/% as at 31 December 2011, against EUR -5 million/% as at 31 December 2010.

3.6. Foreign exchange risk

Although Dexia Bank's reporting currency is the euro, assets, liabilities, income and expenses are also denominated in other currencies. As last year, a systematic a systematic and ongoing hedge was made in line with such exposure.

The structural risks associated with the funding of participations with equity in foreign currencies as well as the volatility of the bank's solvency ratio are subject to regular monitoring.

3.7. Equity risk

3.7.1. Equity risk measures

Calculation of the VaR serves to measure the sensitivity of the portfolio to a negative evolution of the price, volatility or correlation of equities. The market risk management framework also in particular includes Earnings at Risk and stress test measures which provide an indication of the potential accounting loss in different scenarios. The equity portfolios of bank entities have been reduced. In the insurance perimeter, a pre-alert system has been introduced with a view to reallocating assets in stress scenarios, in order to protect solvency ratios.

3.7.2. Balance sheet sensitivity vis-à-vis equities (listed equities)

Equity-Value at Risk (VaR in a reliability interval of 99% over a period of ten days) measures the potential change of market value.

VaR (10 days, 99%)

	Insurance / Pension funds	
(In millions of EUR)	2010	2011
Average	99[1]	89
Maximum	116	119
End of period	116	85
Limit	150	160

(1) Figures as at 31 December 2010 have been restated.

3.8. Insurance companies and pension funds

Specific reports relating to insurance companies and pension funds are presented to the ALCo of the Dexia Bank Belgium group. They contain factors relating to interest rate and inflation risk and to equity risk. The calculation of risk indicators relies on a methodology harmonised at the level of Dexia Bank Belgium group, coupled with specific risk management factors.

4. Operational risk

4.1. Policy

Regarding operational risks, Dexia Bank Belgium policy involves various risks and controls being identified and regularly assessed, in order to check observance of the authorised risk level, determined by activity. Moreover, a rapid establishment of corrective measures is planned to return to acceptable risk levels.

4.2. Risk Measures and management

The operational risk management mechanism is based principally on the following elements.

4.2.1. Decentralised responsibility

The hierarchy of Dexia Bank Belgium is the first responsible for operational risk monitoring in its field of activity. It defines the organisation of its activities, particularly the controls to limit operational risk. It also determines the corrective measures necessary following serious incidents or when major risks have been identified. Operational Risk Management ensures the regular monitoring of risks and incidents and establishes a quarterly report for all activities. This process allows the internal control system to be constantly improved and the main risks effectively limited.

4.2.2. Collecting data on operational risks

The systematic collection and control of data on operational incidents is one of the main requirements of the Basel Committee, whatever the approach adopted for capital calculation ("Standardised Approach" or "Advanced Measurement Approach").

As a consequence, by virtue of the constant collection of risk data, Dexia Bank Belgium can not only respond to the requirements of the supervisory bodies but also obtain extremely valuable information with which to improve the quality of its internal control system. Strict reporting directives have been drawn up and implemented in order to ensure that management receives vital information in good time (the obligatory indication threshold is set at EUR 1,000). The main incidents are reported to the Management Board and the report contains an action plan aimed at limiting the risk in future and is elaborated by the hierarchy.

The following chart illustrates the distribution of the total amount of losses per standard category of incident over the last three years.

During that period, the largest proportions of operational loss are essentially due to incidents associated with management of execution, deliveries and processes, external fraud and client practices, products and activities. Other categories remain limited in number and amount. When major incidents occur, management validates the corrective action.

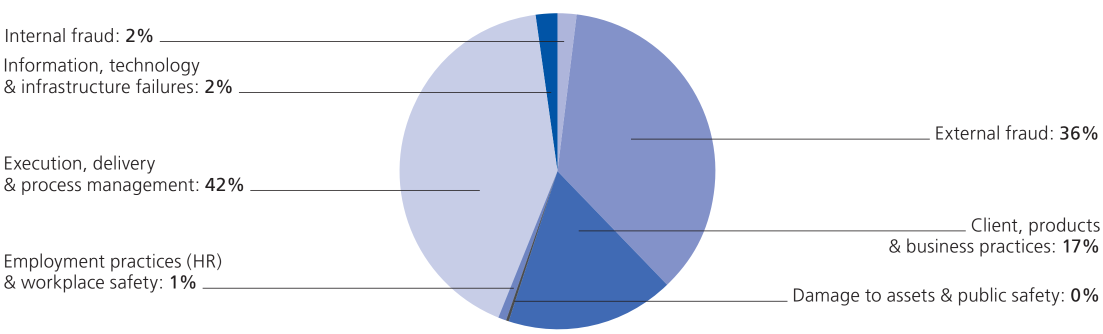
The greatest financial impact is in Retail activities.

4.2.3. Risk and Control Self-Assessment

Beyond the creation of a loss history, it is also necessary to list the principal potential risks to Dexia Bank Belgium. To that end, all the divisions and subsidiaries of Dexia Bank Belgium perform "bottom-up" Risk and Control Self-Assessment exercises. These can give rise to the elaboration of action plans to limit risk. They provide a view of all the main fields of risk in the different activities and the results at all levels of the company form the subject to a report to management. These Risk and Control Self-Assessments are performed each year.

It should also be added that the performance of scenario analyses has begun. Within that framework, risks are assessed in stress circumstances.

Split of the total amount of losses among standard event types



4.2.4. Information protection and business continuity

Policy on information protection and related instructions, norms and practices aim to secure the information assets[1] of Dexia Bank Belgium.

As for Information Security, a business process began in 2011 as part of the IAM (Identity & Access Management) project.

It includes the following actions:

- the increase of business awareness as to information security
- the identification of critical and sensitive information (data classification)
- the certification by owners and managers of existing access to information assets.

By virtue of security programmes and well-defined responsibilities, all business lines can work within a secure framework.

The policy of business continuity requires the different divisions to analyse the impact of critical activities on the business, to establish recovery plans and to provide the necessary documents so that business continuity plans can be tested and updated at least once per annum. On the basis of regular reporting, the Management Board validates recovery strategies, residual risks, and action plans for continuous improvement.

4.2.5. Insurance policy management

The operational risks of Dexia Bank Belgium are also limited by subscription to insurance policies principally covering professional liability, fraud, theft and activity interruption.

4.2.6. Increased coordination with other functions involved in the internal audit system

There is regular consultation between ORM, Compliance and Audit in order to assess risks and, so far as possible, to provide a coordinated approach.

4.2.7. Calculation of regulatory capital requirements

Dexia Bank Belgium has decided to use the standardised approach under Basel II to calculate regulatory capital within the context of operational risk management.

This calculation consists of applying a percentage (called the beta factor, within a range from 12% to 18%) to the gross income which is calculated for each of the eight business lines defined by the Basel Committee (Corporate Finance, Commercial Banking, Retail Banking, Trading and Sales, Asset Management, Agency Services, Retail Brokerage, Payment and Settlement).

Income consists principally of income from underlying activities, including commissions and net interest. Income from insurance activities is not taken into consideration, as it is not subject to Basel II regulation.

The total regulatory capital for each business line is used to calculate total capital requirements for operational risk. This is an average over the last three years. The calculation is updated each year.

The capital requirements for past periods are as follows:

Capital requirements

(In millions of EUR)	**2010**	**2011**
	255	230

Between 2010 and 2011, the capital requirement for operational risks fell from EUR 255 million to EUR 230 million. The calculation of this requirement is based on an average of income over the last three years. The fall between 2010 and 2011 is due to the fall of income since 2009 and losses on portfolios and impairments on public debt booked in 2011.

Basel III

The Basel III proposals encompass a vast range of reforms aimed at strengthening the regulation, supervision and management of banking sector risks. They aim for both micro and macroeconomic improvements. For individual institutions, it is a matter of reinforcing resistance to crisis situations, essentially with stricter capital requirements, more restrictive definitions of that same capital, higher risk weightings (RWA) and new liquidity norms. These reforms will have a profound impact on the profitability of institutions and often necessitate the transformation of business plans and risk management strategies.

These new provisions join other regulatory measures progressively introduced from 2011 to 2014. The more significant of them is the reform of large exposures, the main impact of which for the sector in Belgium, and for Dexia Bank Belgium in particular, is linked to the treatment of intra-group exposure, which is no longer exempted in Belgium, in contrast to neighbouring countries, and new securitisation requirements. Dexia Bank Belgium, which is active on this market as investor and as originator, is already applying these new norms, particularly with the retention of a minimum economic interest and observance of new qualitative requirements.

The Basel III proposals, to be applied during 2012 after adoption at the European level to revise the Capital Requirement Directive (CRD IV), again contain a large number of unknowns, associated in particular with national discretions in the modes of application and the level of new capital cushions. Indeed, the level of additional capital demanded of systemic banks, including Dexia Bank Belgium, is still unknown; similarly, the sector does not know whether the contra-cyclical cushion will be introduced in Belgium, and if so to what extent.

The Basel III proposals also provide for the introduction of a simple financial leverage ratio not linked to risk. Although it remains to be defined, this ratio is extremely controversial and relatively worrying for Dexia Bank Belgium, as it penalises certain low-risk credit activities which are at the heart of its activity (local public sector, retail banking), paradoxically encouraging arbitrage to more risky activities with higher margins.

(1) Information or data representing value to the company which must therefore be properly protected.

The new liquidity norms will also have a significant impact on activity and on credit strategy, the majority of facilities beyond one year requiring full cover by stable and by definition limited financial means.

So although Dexia Bank Belgium, with the importance of its Retail activity, will be less affected overall by the reform than many of its competitors, some of its credit activities will be impacted, particularly long-term finance, liquidity and credit lines and trade finance. More than ever, the bank must therefore integrate all risk parameters (credit, market, capital, funding) in its strategy, its decisions and its pricing. In particular this means the creation or transformation of credit products. The new Basel III parameters are therefore an integral part of strategic planning.

Stress tests

From the end of 2010, Dexia Bank Belgium has implemented strengthened governance of stress tests aimed at a transversal and integrated approach to the Group's risk management process.

Stress tests are aimed, in an adverse shock situation, at measuring the bank's sensitivity in terms of expected loss, weighted assets, liquidity or capital requirements.

In 2011, Dexia Bank Belgium performed a range of stress tests (sensitivity analysis, scenario analysis, potential vulnerability assessment) enabling it to assess the potential effects on its financial balances of an event or combination of hypothetical events. To that end, macroeconomic scenarios simulating crisis situations, common to the Group as a whole, were defined with the economists.

Beyond the stress tests for market and liquidity risks performed regularly and responding to regulatory requirements, in 2011 Dexia Bank Belgium performed stress tests covering the majority of credit portfolios. Under Pillar 1 of Basel II, exposures covered by the internal rating systems were subjected to stress tests and scenarios involving the unfavourable evolution of macro-economic variables.

Risk appetite

Risk appetite expresses the level of risk an institution is ready to take, given the expectations of the principal stakeholders (shareholders, creditors, regulators, rating agencies, clients and so on), in order to achieve its strategic and financial objectives.

Based on a global approach, risk appetite is a reference point:

- to guide strategy and planning;
- to frame performance in terms of growth and value creation;
- to facilitate daily investment decisions.

The risk appetite of Dexia Bank Belgium is illustrated by a series of ratios which constitute a key element in the definition of limits in major financial balances. This framework is based on a mix of accounting ratios (gearing), regulatory ratios (Tier 1, weighted risks) and economic ratios (economic equity, Earnings at Risk), and integrates liquidity and funding structure ratios, as well as credit concentration limits.

Limits have been defined on each of these ratios and are validated each year by the competent bodies. The Risk and Finance support lines are responsible for monitoring these ratios, and if necessary propose measures to the Management Board to ensure the limits are observed.

After deployment at Group level in 2010, the risk appetite approach was integrated in 2011 in the main subsidiaries of the Group and validated by their governance bodies.

Following the departure of Dexia Bank Belgium from the Dexia Group perimeter, the risk appetite framework will be adapted in 2012 with the new Board of Directors.

Insurance risks

1. Insurance risk management

When taking out insurance, the policyholder transfers the risks insured to the insurance company. In this way, the insurance company can group different insurance risks together and apply principles of solidarity or mutualisation of risks.

The insurance risk stems from the uncertainty, at the time an insurance policy is taken out, as to whether or not the risk that has been covered will materialise. If the insured risk materialises, there is additional uncertainty as to the date of occurrence and the extent of the damage on which the insurer should intervene. Often the full extent of a claim is not known for quite some time.

In order to protect itself against these major risks, the management of the insurance company has taken the measures necessary to ensure:

- a satisfactory up-to-date underwriting policy;
- the fixing of appropriate premium levels;
- ongoing monitoring whether the claims provisions constituted for each claim take into account all known aspects of the claim and are correctly valued;
- a reinsurance policy adapted to insurance risks subscribed by DIB and taking account of the own funds of DIB and its risk appetite.

In addition to that, the people fulfilling the actuarial function regularly analyse the technical insurance provisions, the profitability of insurance portfolios and the reinsurance programme. An actuarial opinion is also required whenever a new product is launched or an existing product changed.

1.1. Life insurance

The approach to controlling cost risks is principally based on periodic tests of the adequacy of the life insurance cost structure.

Furthermore, methodology and governance in relation to profit-sharing were developed in 2011 under the supervision of ALM.

The policy-lapse risk is monitored weekly via policy-lapse rates among the main bankinsurance life insurance portfolio. Contractual penalty clauses allow the risk run by DIB for the larger products more sensitive to interest rates to be limited. Moreover, a "cyclical" penalty clause (based on 8 years of OLO evolution) has been provided since the end of 2001 for the principal products, and applied since 2008. Policy lapses are modelled in the life model (based on best estimate assumptions) and specific stress tests are performed on those assumptions, particularly in the Exemption report.

The catastrophe risk is limited by the reinsurance programme. This programme, based on the reinsurance directives approved by the Management Board and the Board of Directors of DIB, is reviewed each year and approved by the latter.

The underwriting process is framed by various procedures applicable in the Life business units (in particular concerning integrated controls and the monitoring of certain indicators) and this permits adequate management of the related risk. Solvency II planning provides for the creation of a global risk management policy, for the structure of reports and for key controls which will be implemented in 2012.

The procedure relating to product development defines a specific role for the Risk department. The introduction of a new pricing policy reinforced this cycle.

1.2. Non-life insurance

The main risks that a non-life insurer faces are as follows: the underwriting risk, the risk of inadequate technical provisions and the risk of a catastrophe occurring.

Next to the management team of the business lines, in charge of the risk management, the Risk department maps the risks to which DIB is effectively subject. To this end, appropriate models have been implemented. The aim is to model the above-mentioned risks stochastically:

- future claims that will occur within a predetermined time, including the settlement of those claims;
- the future settlement of existing claims (declared or not) that have not yet been fully settled;
- the impact of reinsurance programmes on those claims.

The catastrophe risk is limited by the reinsurance programme. This programme, based on the reinsurance directives approved by the Management Board and the Board of Directors of DIB, is reviewed each year and approved by the latter.

The underwriting process is framed by various procedures applicable in the Non-Life business units (in particular concerning integrated controls and the monitoring of certain indicators) and this permits adequate management of the related risk. Solvency II planning provides for the creation of a global risk management policy, for the structure of reports and for key controls which will be implemented in 2012.

2. Risk models

The DIS Risk measurement entails quantifying risks in a consistent, enterprise-wide manner to determine whether the types and the extent of risk being assumed are in line with the defined risk appetite. The DIS Risk management department ensures that the complexity of the risk measurement system is proportional to the size, scope and specificity of the different areas of activity.

The types of risk measurement are chosen on the basis of their ability to cover the risks inherent in each branch of activity.

The authorised position adopted within the different local entities is aligned to the risk profile of DIB in line with an appropriate risk limit framework. Risk limits are the means by which the risk strategy and risk appetite are expressed and communicated to the different units and branches of activity.

Ongoing supervision is the backbone of an effective risk management system. Effective supervision ensures that any violation of the risk limits is immediately brought to the attention of the management and that appropriate remedial action is taken to re-establish the limits.

The imposition of risk limits is one of the main ways in which to ensure that DIS's capital is managed in the best possible manner. All actions taken are therefore subject to clear and unambiguous procedures that are applied in a disciplined manner and rigorously monitored.

DIB develops and uses models for the entirety of its asset and liability portfolio. Specifically in the case of life-insurance products, all cash-flow models are developed in a single environment covering the entire life portfolio. In addition, an ALM module has been developed which, coupled with an economic scenario generator, enables stochastic simulations to be made.

As for the non-life insurance portfolio, a model has been developed to assess reserve risk and premium risk for the main segments of the portfolio. An initial approach to modelling non-life catastrophe risk is assessed with the Reinsurance department, and was tested in 2011.

The models and the modelling environment are subject to regular updates, notably in response to existing recommendations and to recommendations that may be made during future validation exercises.

Risk models are increasingly used to develop applications which supervise the insurance entities of the Dexia Bank Belgium group in order to create added shareholder value.

These applications are for instance the following:

- calculating the ex post profitability of specific portfolios taking into account the return on the capital required;
- decision-making tools for reinsurance programmes;
- pricing insurance policies to take into account the return on economic capital in order to be able to estimate in advance what value is created.
- optimising the allocation of capital in budget exercices.

These models will also be used for internal and external reporting purposes (to support the opinion of the actuarial function and to provide information for the internal and external auditors, the prudential supervisory authorities and the rating agencies).

Within the context of the European "Solvency II" Directive, it was decided firstly to use the technical specifications of the standard model for the quantification of regulatory capital, based on Undertaking Specific Parameters as specified by EIOPA. At the same time, DIB continues to develop its model to be able in a second phase to submit its (partial) internal model for NBB approval.

3. Reinsurance policy

DIS insurance entities principally use reinsurance as a major risk management instrument with the aim of risk diversification and improved capital management as well as the associated advantages.

Reinsurance cover (mostly through major reinsurance brokers) is placed with a selection of high-quality reinsurers (with an S&P A- (A minus) or higher rating for long-tail business).

Reinsurance transactions must help achieve return on capital objectives. With the transfer of risks to reinsurers, DIS insurance entities widen their available capital base. This is important both for the statutory accounts and in terms of financial robustness or capital management for insurance entities within the Dexia Bank Belgium group.

3.1. Reinsurance in terms of the risk profile

For all DIS insurance entities, the reinsurance requirement is determined with the aid of risk analyses, both in the different insurance subsidiaries and at a DIB level.

Management is attentive to test scenarios and capital requirement calculations (taking account of any exceptional damage, insolvencies in the reinsurance sector and depreciations on investment portfolios).

3.2. Risk management and reinsurance guidelines

The directives and procedures to be followed regarding reinsurance activity, for reinsurance ceded and accepted, are determined within the Reinsurance Risk Committee, which prepares information for the executive committees of the different DIS insurance entities.

For a number of aspects, the management has an operating framework paying special attention to monitoring the processes and the "arm's length" character of the transactions in terms of the reinsurance coverage pricing, the claims of the transactions, the treaties and other related service providers (such as brokers and consultants).

Compared to other insurers, certain DIS insurance entities currently use all existing reinsurance opportunities with the DIS group. The major effect of this intra-muros reinsurance is that DIS insurers thus have a greater underwriting capacity at a statutory level.

The terms and conditions of reinsurance agreements comply with applicable local regulations and the recommendations of the Reinsurance Risk Committee.

3.3. Quality of reinsurers

The different DIS insurance entities endeavour to maximise purchasing power on the international reinsurance market.

In a reinsurance transaction, the cost is measured in terms of the quality of service and the solvency of the reinsurance company.

DIS insurance entities attach a great deal of importance to the impact of possible insolvencies or liquidity problems and tend to limit credit risk. As a consequence, all DIS insurance entities deal with reinsurers with an S&P A- (A minus) rating or better and make sure they include any element necessary or desirable for legal protection in reinsurance agreements.

In addition, DIS insurance entities demand from the majority of reinsurers, for certain specific risks, that they make a deposit for the provisions serving as an additional guarantee on their obligations.

DIS insurance entities also follow an active policy in the field of "recoverable reinsurance", which, if necessary, encourages reinsurers to settle their obligations rapidly in cash (in the case of uncertainty as to retaining a rating level or the imminence of the insolvency of a reinsurer).

DIS insurance entities limit the risk of their reinsurance portfolios at a major claims and risk accumulation level, by avoiding large concentrations of reinsurance commitments with a single reinsurer.

3.4. Reinsurance programmes

DIS insurance entities (regarding structure and tarification) follow conservative principles in their reinsurance transactions, which lead to a more foreseeable cost of reinsurance in view of the more limited impact of market cycles.

DIS insurance entities use traditional forms of reinsurance, namely "quota share", "surplus", "excess of loss by risk", "excess of loss by event" and "stop-loss". For large individual risks facultative reinsurance is used.

4. Stress tests

Stress tests measure the impact of certain economic and technical shocks and are based on an economic approach to net asset value (difference between total balance sheet assets and liabilities, which elements are measured in economic or market value).

A sensitivity analysis performed systematically by DIS consists of a number of stress scenarios associated with market, credit and insurance risks.

The following stress tests are performed:

Market and credit risks
- upward and downward shifts of yield curve;
- non-parallel movements of the yield curve (steepening, flattening);
- a fall in equity or real estate prices by 20%, 25%, 30% and 40%;
- 25 and 50 basis point increases in credit spreads;
- an increase of implicit volatilities in the order of 25%;
- a fall of exchange rates affecting non-euro assets of 10%.

Insurance technical risk

Non-life insurance
- Worst-case loss ratio (claims/premiums) over last 10 years multiplied by 1.5, remaining constant over the next 3 years;
- increase by 20% of general expenses and constant during a 3 year period.

Life insurance
- increase or decrease of 20% in the lapse rate of insurance policies, remaining constant over the next 3 years;
- increase by 20% of general expenses and constant during a 3 year period.

The impact of technical risks is measured before and after reinsurance.

The results are discussed by the ALCo and communicated to the competent authorities.

Capital Management

Solvency

Dexia Bank Belgium monitors its solvency in accordance with BFIC circular PPB-2007-1-CPB (BFIC decision of 17 October 2006). That circular is based on the rules and capital ratios defined by the Basel Committee for the supervision of banks and on the basis of the European Capital Requirement Directive (CRD).

These ratios, the CAD ratio (capital adequacy ratio) and the Tier 1 ratio, compare prudential capital (in total and Tier 1) with total weighted risks. For prudential purposes they should amount to a minimum of 8% for the CAD ratio and 4% for the Tier 1 ratio.

Another indicator used by Dexia Bank Belgium to monitor its solvency is the Core Tier 1 ratio, which compares prudential capital excluding hybrid capital, with total weighted risks.

The National Bank of Belgium (NBB) requires Dexia Bank Belgium to submit the calculation of capital necessary for the realisation of its activity in accordance with the prudential banking regulations.

1. Prudential capital

Prudential capital consists of:

- original own funds made up of hybrid (Tier 1) capital and including in particular share capital, issue premiums, retained earnings (including the profit for the current year), foreign currency conversion differences and non-controlling interests, less intangible fixed assets, accrued dividends, net long positions in own shares and goodwill;
- supplementary own funds (Tier 2 capital) which include the eligible part of subordinated long-term debt, less subordinated debt from and equities in financial institutions.

Under the IFRS standards adopted by the European Commission:

- unrealised gains and losses on bonds held for sale and on derivatives eligible for hedging cash flows are not part of prudential capital;
- unrealised gains and losses after tax on equities held for sale are added to Tier 2 capital if positive (limited to 90%) or deducted from Tier 1 capital if negative;
- certain IFRS balance-sheet items on subordinated debts, non-controlling interests and debts must be added in order to reflect the ability of those instruments to absorb losses;
- other elements (SPV, deferred taxes, etc.) are also taken into account on the basis of the NBB requirements.

On 1 January 2007, pursuant to the Capital Requirement Directive, the BFIC changed its definition of the prudential capital. The biggest impact for Dexia Bank Belgium was a transitional measure for items that are deducted from the total prudential capital: participations in banks accounted for by the equity method, participations in financial companies or subordinated loans issued by such financial companies. 50% of these items is deducted from Tier 1 capital and 50% from total prudential capital. For participations relating to insurance companies, the new deduction rule will apply from 1 January 2013.

Comparison total equity (financial statements) and total equity as calculated for regulatory requirements

	31/12/10		31/12/11	
(In millions of EUR)	**Financial statements**	**Regulatory purposes**	**Financial statements**	**Regulatory purposes**
Total shareholders' equity of the Dexia Bank Group	5,408	5,408	3,259	3,244
Non-controlling interests	20	0	16	0
of which Core equity	*21*	*0*	*17*	*0*
of which Gains and Losses not recognised in the statement of income	*(1)*	*0*	*(1)*	*0*
Discretionary participation features of insurance contracts	0	0	0	0
TOTAL EQUITY	**5,429**	**5,409**	**3,275**	**3,244**

For prudential purposes, insurance companies are accounted for by the equity method. Non-controlling interests therefore differ from that published in the financial statements.

Total regulatory capital

(In millions of EUR)	31/12/10	31/12/11
REGULATORY CAPITAL (AFTER PROFIT APPROPRIATION)	**7 780**	**7 994**
TIER 1 CAPITAL	**7 258**	**6 736**
Core shareholders' equity	7 950	6 591
Cumulative translation adjustments	1	0
Prudential filters	(584)	(36)
Non-controlling interests eligible in Tier 1	0	0
Dividends paid (non-controlling interests)	0	0
IRB (Internal Rating Based) provision shortfall 50% (-)	(42)	0
Available-for-sale reserve on equities – less-value (-)	0	0
Items to be deducted	(565)	(317)
Intangible and goodwill	*(216)*	*(206)*
Holdings > 10% in other credit and financial institutions (50%)	*(87)*	*(21)*
Subordinated claims and other items in other credit and financial institutions in which holdings > 10% (50%)	*(262)*	*0*
Subordinated claims and other instruments held by insurance in which holdings >10% (50%)	*0*	*(91)*
Innovative hybrid Tier 1 instruments	499	499
TIER 2 CAPITAL	**522**	**1 257**
Perpetuals	839	879
Subordinated debts	1 160	1 141
Available-for-sale reserve on equities (+)	54	48
IRB provision excess (+); IRB provision shortfall 50% (-)	(42)	11
Items to be deducted	(350)	(111)
Holdings > 10% in other credit and financial institutions (50%)	*(87)*	*(21)*
Excess on limit for holdings, subordinated claims and other items in credit and financial institutions in which holdings > 10% (50%)	*(262)*	*0*
Subordinated claims and other instruments held by insurance in which holdings >10% (50%)	*0*	*(91)*
PARTICIPATIONS IN INSURANCE UNDERTAKINGS	**(1 139)**	**(711)**

At the end of 2011, Tier 1 capital amounted to EUR 6,736 million, down 7.19%. Excluding hybrid Tier 1 instruments amounting to EUR 499 million, core Tier 1 capital amounted to EUR 6,237 million at the end of 2011. The hybrid Tier 1 instrument consists of a perpetual subordinated non-cumulative Note for EUR 500 million, issued by Dexia Funding Luxembourg and booked at EUR 499 million. The details of this Note are given in the table below:

Issuer	Booked amount (millions of EUR)	Rate	Call date	Rate applicable after the call
Dexia Funding Luxembourg SA	499	4.892%	2 November 2016	Euribor 3 months + 178 basis points

The agreement with the European Commission provides certain restrictions in relation to the payment of coupons and calls on Dexia hybrid capital instruments. These restrictions are detailed in the chapter "2011 and early 2012 highlights" in this annual report (page 6).

2. Weighted risks

Weighted risks have three components: credit risk, market risk and operational risk. Each of these risks is described in the chapter on "Risk Management" in this annual report (page 40).

At the end of 2011, Dexia Bank Belgium's total weighted risks amounted to EUR 54,8 billion against EUR 49,5 billion at the end of 2010, a rise of EUR 5.3 billion.

(In millions of EUR)	31/12/10	31/12/11
Weighted credit risks	44,104	46,652
Weighted market risks	2,260	3,494
Weighted operational risks	3,187	2,878
TOTAL	**49,551**	**53,024**

3. Solvency ratios

The Tier 1 ratio fell by 194 basis points in 2011 to 12.7%, following the fall of EUR 522 million (or 105 basis points) in Tier 1 capital and a rise in total weighted risks of EUR 3,473 million (or 89 basis points).

The core Tier 1 ratio was at 11.8%, down by 188 basis points compared to the end of 2010.

The Capital Adequacy Directive ratio was 15.1% at the end of 2011, down 63 basis points on the end of 2010.

Dexia was subject in 2011 (as in 2010) to the European Union-wide stress testing exercise, coordinated by the Committee of European Banking Supervisors (CEBS). The conclusion of that stress test, based on various scenarios of deteriorating credit quality(1), was that Dexia does not require any additional capital to withstand the CEBS adverse "what if?" scenario on a two-year horizon, including the additional shock in sovereign debt.

More detailed information on the stress tests is provided in the section dedicated to stress tests in the chapter Risk Management of this annual report (page 52).

	31/12/10	31/12/11
Tier 1 ratio	14.6%	12.7%
Core Tier 1 ratio	13.6%	11.8%
Capital adequacy ratio	15.7%	15.1%

Counterparty concentration risk

Until 20 October 2011 the bank, as part of the Dexia Group, was the competence centre for liquidity management as well as for the conclusion of derivative contracts (see page 45). The resulting exposure to former sister companies of the Dexia Group, which amounted to EUR 35.2 billion at 31 December 2011, must be tested against the limits applicable to risks in respect of one and the same counterparty.

Until 30 September 2010, under the Belgian transposition of the CRD 1 directive, the concentration of risk in sister companies had to be reported, but not restricted to the limit of 25% of total prudential capital.

Following the CRD 2 directive, however, the NBB requested the restriction to be applied as from 31 December 2010. But in the Belgian transposition of that directive, the NBB nevertheless deferred implementation of the limit applicable to sister companies until 31 December 2012, while in the meantime urging the institutions involved to limit their intra-group positions.

As a result of the takeover of Dexia Bank Belgium on 20 October 2011 by the Belgian government through the intermediary of the Federal Participations and Investment Company (FPIC), those amended rules no longer applied since the former sister companies had now become external counterparties.

Since the bank is no longer part of the Dexia Group, it is now unable to keep within the limits applicable to risks in respect of one and the same counterparty (having become an ordinary third party outside of any association group). In consultation with the NBB and the Dexia Group, the bank has drawn up a reduction plan whereunder the concentration of the risk on former sister companies will be reduced and Dexia Bank Belgium will in due time conform to the risk concentration limits. It is basically not possible to reduce that risk concentration in the short term because, when the bank was sold, it was agreed that Dexia should pay off the secured funding it receives from the bank out of the proceeds from the sale of its major assets, and the timing of that is an unknown quantity. The further reduction of the unsecured funding therefore depends among other things on how the restructuring plan by the Dexia Group being implemented in 2011 is carried out. As a result, the bank has requested the prudential authorities to grant it a temporary exemption from the requirement to comply with the limits on the concentration of its risks in respect of the Dexia Group.

On the basis of the information it has obtained, including the action plan regarding the concentration of risk in respect of the Dexia Group counterparty, the National Bank of Belgium has, subject to Dexia Bank's compliance with certain conditions, authorised it until 31 December 2012 to determine the risk concentration limits in respect of the Dexia SA counterparty in the same way that it would have done were it still a part of Dexia SA. The exemption also requires the bank to introduce a continuously decreasing limit equal to the lowest percentage achieved so far with respect to its own funds and, while precisely monitoring the situation and updating it on each occasion, to take account, whenever it enters into a transaction with the Dexia Group, of the impact that that transaction will have on the concentration risk.

EBA stress tests

The European Banking Authority (EBA) has asked around 70 European banks to estimate their capital requirements on the basis of data at 30 September 2010. Although Dexia Bank Belgium is not part of the sample and thus not bound to the criteria fixed by the EBA, Dexia Bank Belgium confirms that as an autonomous unlisted bank it nevertheless meets the criteria set by the EBA.

These criteria required all 71 banks tested:

- to strengthen their capital position by constituting a capital buffer to cover exposure to fluctuations in the value of sovereign debt on their books;
- to constitute a capital reserve by the end of June 2012 to enable them to achieve a Core Tier 1 capital ratio of 9%.

(1) The test was performed according to the scenarios, methodology and hypotheses provided by the CEBS, detailed in the global report published on the CEBS website: http://www.c-ebs.org/EU-wide-stress-testing.aspx.

General information

Equity capital and appropriation of profit

1. Equity capital and evolution of the capital during the accounting year 2011

In accordance with the provisions of the law, the Extraordinary Shareholders' Meeting authorised the Board of Directors on 27 February 2009 to increase the capital of the Bank in one or more stages to a maximum of three billion, four hundred and fifty-eight million, sixty-six thousand, two hundred and twenty-seven euros and forty-one cents (EUR 3,458,066,227.41). That authorisation is valid for five years.

No change was made to the capital of the bank in 2011.

The equity capital of Dexia Bank amounts to three billion, four hundred and fifty-eight million, sixty-six thousand, two hundred and twenty-seven euros and forty-one cents (EUR 3,458,066,227.41) and is represented by 359,412,616 registered shares.

The company has also issued 300,000 registered profit-sharing shares without face value.

2. Appropriation of the result

The financial year 2011 closed with an operating loss of EUR 1,325,725,670.35.

After deduction of the tax-free reserves of EUR 145,815,317.27, the loss to be appropriated for the accounting year amounts to EUR -1,179,910,353.08.

With the addition of the profit of EUR 1,159,226.25 brought forward from the previous year, the total loss to be appropriated amounts to EUR -1,178,751,126.83 which will be taken entirely out of the reserves.

3. Distribution of the yearly dividend

Taking account of the operating loss of EUR -1,326 million for 2011, the Board of Directors will propose at the Shareholders' Meeting on 25 April 2012 not to pay the shareholders any dividend. The Board of Directors will also propose at that meeting not to pay out any preferential dividend to holders of profit-sharing shares.

Changes to the Articles of Association of Dexia Bank Belgium

The Extraordinary Shareholders' Meeting of Dexia Bank Belgium held on 15 December 2011 adopted the following resolutions:

- The merger through absorption of the public limited company "Dexia Investment Company".
- Amendments to the Articles of Association:

Deletion in Article 6(1) of the second sentence stating that the majority of non-executive directors must be public officials representing the local authorities.

Replacement in Article 8(2) of the words "and on the approval of the Banking, Finance and Insurance Commission" by the words "in compliance with the regulations applicable to financial institutions" in the same sentences.

Replacement in Article 11(1) of the words "Banking, Finance and Insurance Commission" by the words "National Bank of Belgium".

Principal changes to the consolidation scope of Dexia Bank

2011 will undoubtedly go down on record as the year in which Dexia SA sold Dexia Bank to the Belgian government, or more specifically to the Federal Participations and Investment Company. As part of the deal, Dexia SA and the Belgian government agreed that the 49% stake held by Dexia Bank Belgium in Dexia AM Luxembourg should be excluded from the sale of Dexia Bank Belgium. Dexia Bank Belgium therefore transferred its share-holding to Dexia SA.

As part of the implementation of the transformation plan that was drawn up after the outbreak of the financial crisis in 2008, Dexia Bank Belgium took various steps towards simplifying the scope of its consolidation. Thus Dexia Bank Belgium took over Dexia Investment Company, a company holding a portfolio of long-term bonds denominated in EUR, and repurchased Dexia Capital Ireland's entire stake in Dexia Investments Ireland, an Irish company that manages bond portfolios. Thereafter Dexia Bank put Dexia Capital Ireland into liquidation.

Dexia Bank sold its entire holding in Parfipar (a portfolio management company based in Luxembourg) to Dexia BIL, as well as the 45% it held in Dexia Immorent (a company whose assets consisted of the buildings of five rest and care homes) to Cofinimmo.

Finally, Dexia Bank Belgium liquidated Dexia Securities Belgium.

In 2011 Dexia Bank Belgium entered into various financial transactions relating to the development and pursuit of its business. Thus Dexia Bank Belgium took part in the capital increases of Bancontact/Mistercash (in order to maintain the level of its participation in the company) and Dexipart (the former Artesimmo I) in order to gain a stake in a renewable energy fund.

Various transactions took place regarding real estate participations, including:

- The sale of its participation in Zinner;
- The capital increase of the Société Mixte de Développement Immobilier;
- The capital reductions at Vlabo Invest, Domus Flandria and Promotion Léopold;
- The merger between Lex 2000 and Société Espace Léopold;
- The liquidation of Park De Haan;
- The liquidation of the companies IP1 and IP2.

Litigation

Dexia Bank Belgium was involved in various ways in the bankruptcy of Lernout & Hauspie Speech Products SA (LHSP) and the consequences thereof. This was described in detail in the 2007, 2008, 2009 and 2010 annual reports.

The following important developments have taken place since the 2010 annual report:

1. Claim on Lernout & Hauspie Speech Products

At 31 December 2011, Dexia Bank Belgium has a claim in USD chargeable to the bankruptcy of LHSP for a principal sum of EUR 30,260,985.25 (exchange rate USD/EUR 1.29775), for which an impairment of EUR 25,937,364.92 has been booked. This claim originates in the participation taken by the former Artesia Banking Corporation (ABC) in the syndicated loan of USD 430,000,000 to LHSP on 5 May 2000. ABC's part amounted to USD 50,000,000.

Dexia Bank Belgium believes it will be able to recover the net accounting value of this claim.

The liquidation of LHSP's assets is subject to separate proceedings in Belgium and in the United States.

According to the LHSP Belgian bankruptcy receivers, Dexia Bank Belgium and the other unsecured creditors are unlikely to receive any reimbursement from the Belgian liquidation of LHSP.

In 2008, Dexia Bank Belgium waived its claim on the insolvency of LHSP in the United States, in exchange for a waiver by the American Litigation Trustee of LHSP of all its claims entered against Dexia Bank Belgium.

2. Criminal proceedings against Dexia Bank in Belgium

On 4 May 2007, Dexia Bank Belgium was summoned, together with 20 other parties, to appear before the Court of Appeal in Ghent. According to the writ, Dexia Bank was charged as the successor to the former ABC with complicity in the falsification of the financial statements of LHSP and other related offences including forgery, securities fraud and price-rigging.

On 20 September 2010, the Court of Appeal of Ghent passed judgment on the criminal case. It acquitted Dexia Bank Belgium and Mr Geert Dauwe, former member of the Management Board of Artesia Bank, of all criminal charges on the basis of a very detailed analysis it had carried out of the facts of the case.

No party has filed an appeal to the Supreme Court of Appeal against the acquittal of Dexia Bank Belgium and Mr Geert Dauwe, so their acquittal is final.

As a result of those acquittals, the Court of Appeal of Ghent is no longer competent to pronounce on the claims made in civil actions by the shareholders, creditors and receivers of LHSP against Dexia Bank Belgium and Mr Geert Dauwe. Deminor and Dolor, together representing the majority of the individuals bringing civil actions, consider that they can only appeal when the Court of Appeal in Ghent has pronounced on the civil case. Dexia Bank Belgium and its counsel are of the opinion that this position is untenable.

On 29 November 2011 the Supreme Court of Appeal delivered its judgement on the actions introduced by a number of parties who had been found criminally guilty by the Court of Appeal in Ghent. The Supreme Court of Appeal overruled the Court of Appeal on only one point which is discussed below in the chapter on "L&H Holding".

The decision by the Supreme Court of Appeal has no impact whatsoever on the acquittal of Dexia Bank Belgium and Mr Geert Dauwe, which was already final.

Considering the comprehensive legal and factual arguments contained in the judgment, the likelihood of Dexia Bank Belgium being ordered to pay damages to the receivers, creditors or shareholders of LHSP is extremely remote.

3. Civil proceedings against Dexia Bank in Belgium

3.1. Claim by the receivers of LHSP

In July 2005, the Belgian receivers of LHSP filed a civil action before the Commercial Court of Ypres against twenty-one parties including Dexia Bank Belgium. They claim compensation for the net liabilities of LHSP in bankruptcy. According to the receivers' provisional assessment of the claim, it would amount to approximately EUR 439 million. This claim, to a large extent duplicative of the claims introduced by the receivers in the criminal proceedings, has not progressed since then. No progress is likely until after the end of the criminal proceedings and settlement of the civil actions before the Court of Appeal. Considering the acquittal of Dexia Bank and the reasoning behind the judgement, the risk of that claim ever being declared as substantiated is considered extremely low.

3.2. Claims by individuals

During the criminal proceedings, certain civil claims were filed before the Commercial Courts of Brussels and Ypres against various parties, including Dexia Bank Belgium. The main claim was filed by Deminor on behalf of 4,941 investors. The plaintiffs wish to be compensated for their losses, the extent of which has not yet been established. Similarly, 151 investors affiliated to Spaarverlies (now named Dolor) and the liquidators of the company Velstra commenced civil actions as well. These claims, to a large extent duplicative of the claims introduced in the criminal proceedings, have not progressed since then. No progress is likely until after the end of the criminal proceedings and settlement of the civil action before the Court of Appeal.

Considering the acquittal of Dexia Bank and the reasoning behind the judgement, the risk of those claims ever being declared as substantiated is considered extremely low.

4. L&H Holding

On 27 April 2004, the receiver of L&H Holding summonsed Messrs Lernout, Hauspie and Willaert, along with Banque Artesia Nederland (BAN) and Dexia Bank Belgium, to return the Parvest shares (the value of which was estimated at USD 31.5 million at 31 December 2011) or, in default, to pay the principal sum of USD 25 million. The case, still pending before the Commercial Court of Ypres, has not progressed since then.

This action relates to a USD 25 million loan granted to Mr Bastiaens by BAN in July 2000 to enable Mr Bastiaens to acquire LHSP shares owned by L&H Holding. The selling price of USD 25 million was credited not to the account of L&H Holding but to three separate accounts opened by Messrs Lernout, Hauspie and Willaert. Taking the view that this money was due to L&H Holding, the L&H Holding bankruptcy receiver is claiming its repayment.

The order by the Court of Appeal in Ghent on 20 September 2010 awarded the said Parvest shares to the receivers of L&H Holding.

On 29 November 2011 the Supreme Court of Appeal ruled that the confiscation of the Parvest shares by the Court of Appeal in Ghent had not been ordered on the basis of the correct legal provisions. It therefore overruled the Court of Appeal's decision on that point and referred the case back to the Court of Appeal in Antwerp.

If the Parvest shares, on deposit in the Netherlands and seized by various parties, are still declared confiscated and are restored to the receivers of L&H Holding, their claim will be without substance and in principle it will lapse.

5. Provisions

In view of its acquittal on the basis of the facts in the case, it is extremely unlikely that Dexia Bank Belgium will still be ordered to pay damages in the pending civil actions. As a result no provision has been constituted to that end.

Transparency declaration

Transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market.

Pursuant to Directive 2004/109/EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market (hereinafter the "Transparency Directive") and to Directive 2007/14/EC of 8 March 2007 laying down detailed rules for the implementation of certain provisions of the Transparency Directive, Dexia Bank Belgium SA has chosen Luxembourg as its Member State of origin.

The Transparency Directive has been transposed into Luxembourg law by:

- the law of 11 January 2008 on the transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market;
- the regulation of the Grand-Duchy of 3 July 2008 officially designating the mechanisms for the central storage of regulated information within the meaning of the law of 11 January 2008; and
- CSSF Circular No 08/337 by the Commission de Surveillance du Secteur Financier (Financial Sector Supervisory Commission) of Luxembourg.

The aforesaid regulation lays down certain requirements regarding information and the publication of data.

The Management Board of Dexia Bank Belgium therefore declares that:

- Dexia Bank Belgium SA has chosen Luxembourg as its Member State of origin;
- to the best of their knowledge, the financial statements prepared in accordance with the applicable set of accounting standards give a true and fair view of the assets, liabilities, financial position and the profit or loss of the issuer and of all the undertakings included in the consolidation;
- to the best of their knowledge, the management report includes a fair review of the development and performance of the business and the position of the issuer and all the undertakings included in the consolidation, together with a description of the principal risks and uncertainties that they face.

Consolidated financial statements

AS AT 31 DECEMBER 2011

Consolidated balance sheet

Assets

(In thousands of EUR)		Note	31/12/10	31/12/11
I.	Cash and balances with central banks	7.2.	1,460,908	713,586
II.	Loans and advances due from banks	7.3.	67,936,784	46,174,903
III.	Loans and advances to customers	7.4.	99,472,471	91,933,190
IV.	Financial assets measured at fair value through profit or loss	7.5.	6,320,036	5,500,634
V.	Financial investments	7.6.	36,475,085	44,911,922
VI.	Derivatives	9.1.	30,313,229	34,933,281
VII.	Fair value revaluation of portfolio hedge		1,812,004	3,198,807
VIII.	Investments in associates	7.8.	277,969	93,154
IX.	Tangible fixed assets	7.9.	1,241,293	1,401,028
X.	Intangible assets and goodwill	7.10.	229,235	218,533
XI.	Tax assets	7.11. & 9.2.	953,365	2,062,324
XII.	Other assets	7.12. & 9.3.	1,393,092	1,344,716
XIII.	Non-current assets held for sale	7.13. & 9.6.	16,664	22,965
TOTAL ASSETS			**247,902,135**	**232,509,043**

Liabilities

(In thousands of EUR)		Note	31/12/10	31/12/11
I.	Due to banks	8.1.	62,368,244	59,415,413
II.	Customer borrowings and deposits	8.2.	82,876,531	70,264,724
III.	Financial liabilities measured at fair value through profit or loss	8.3.	12,194,667	11,082,012
IV.	Derivatives	9.1.	34,902,906	41,372,637
V.	Fair value revaluation of portfolio hedge		(42,023)	30,204
VI.	Debt securities	8.4.	28,957,883	24,361,727
VII.	Subordinated debts	8.5.	2,715,641	2,685,467
VIII.	Technical provisions of insurance companies	9.3.	15,619,891	16,786,233
IX.	Provisions and other obligations	8.6.	900,859	977,211
X.	Tax liabilities	8.7. & 9.2.	34,936	38,449
XI.	Other liabilities	8.8.	1,920,469	2,219,740
XII.	Liabilities included in disposal groups held for sale	8.9. & 9.6.	2	0
TOTAL LIABILITIES			**242,450,006**	**229,233,817**

The notes on pages 73 to 182 are an integral part of these consolidated financial statements.

Equity

(In thousands of EUR)		Note	31/12/10	31/12/11
XIV.	Subscribed capital	9.7.	3,458,066	3,458,066
XV.	Additional paid-in capital		209,232	209,232
XVI.	Treasury shares		0	0
XVII.	Reserves and retained earnings		3,604,061	4,290,275
XVIII.	Net income for the period		678,322	(1,366,816)
CORE SHAREHOLDERS' EQUITY			**7,949,681**	**6,590,757**
XIX.	Gains and losses not recognised in the statement of income		(2,517,932)	(3,331,416)
	a) Available-for-sale reserve on securities		*(1,247,197)*	*(2,368,136)*
	b) "Frozen" fair value adjustment of financial assets reclassified to Loans & receivables		*(1,254,618)*	*(952,603)*
	c) Other reserves		*(16,117)*	*(10,677)*
TOTAL SHAREHOLDERS' EQUITY			**5,431,749**	**3,259,341**
XX.	Non-controlling interests		20,380	15,865
XXI.	Discretionary participation features of insurance contracts	9.3.	0	20
TOTAL EQUITY			**5,452,129**	**3,275,226**
TOTAL LIABILITIES AND EQUITY			**247,902,135**	**232,509,043**

The notes on pages 73 to 182 are an integral part of these consolidated financial statements.

Consolidated statement of income

(In thousands of EUR)		Note	31/12/10	31/12/11
I.	Interest income	11.1.	25,238,192	26,888,549
II.	Interest expense	11.1.	(23,128,386)	(24,747,323)
III.	Dividend income	11.2.	66,133	69,218
IV.	Net income from associates	11.3.	28,672	(2,739)
V.	Net income from financial instruments at fair value through profit or loss	11.4.	(28,264)	(60,765)
VI.	Net income on investments	11.5.	207,150	(2,043,040)
VII.	Fee and commission income	11.6.	489,436	487,152
VIII.	Fee and commission expense	11.6.	(121,060)	(154,922)
IX.	Premiums and technical income from insurance activities	11.7. & 9.3.	3,449,474	2,698,278
X.	Technical expense from insurance activities (1)	11.7. & 9.3.	(3,891,767)	(3,029,733)
XI.	Other net income	11.8.	76,715	(38,407)
INCOME			**2,386,295**	**66,268**
XII.	Staff expense	11.9.	(669,167)	(660,055)
XIII.	General and administrative expense	11.10.	(502,982)	(528,474)
XIV.	Network costs (1)		(308,014)	(305,480)
XV.	Depreciation & amortisation	11.11.	(115,768)	(116,281)
EXPENSES			**(1,595,931)**	**(1,610,290)**
GROSS OPERATING INCOME			**790,364**	**(1,544,022)**
XVI.	Impairment on loans and provisions for credit commitments	11.12.	(26,371)	(555,289)
XVII.	Impairment on tangible and intangible assets	11.13.	(12)	(46,965)
XVIII.	Impairment on goodwill	11.14.	0	0
XIX.	Provisions for legal litigations	11.15.	(1,899)	572
NET INCOME BEFORE TAX			**762,082**	**(2,145,704)**
XX.	Tax expense	11.16.	(81,601)	778,791
NET INCOME OF CONTINUING OPERATIONS			**680,481**	**(1,366,913)**
XXI.	Discontinued operations (net of tax)		0	0
NET INCOME			**680,481**	**(1,366,913)**
	Attributable to non-controlling interests		2,159	(97)
	Attributable to equity holders of the parent		678,322	(1,366,816)

(1) Figures as at 31 December 2010 have been restated.

The notes on pages 73 to 182 are an integral part of these consolidated financial statements.

Consolidated statement of change in equity

Core shareholders' equity (In thousands 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 2009	**3,458,066**	**209,232**	**0**	**3,181,191**	**421,469**	**7,269,958**
Movements of the period						
Transfers to reserves	0	0	0	421,469	(421,469)	0
Share-based payments: value of employee services	0	0	0	972	0	972
Variation of scope of consolidation	0	0	0	422	0	422
Other movements	0	0	0	7	0	7
Net income for the period	0	0	0	0	678,322	678,322
As at 31 December 2010	**3,458,066**	**209,232**	**0**	**3,604,061**	**678,322**	**7,949,681**

Gains and losses not recognised in the statement of income (In thousands of EUR)	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)	Associates (AFS, CFH and CTA)	Cumulative translation adjustments (CTA)	Total gains and losses Group share
AS AT 31 DECEMBER 2009	**(257)**	**(203,483)**	**(1,406,971)**	**(11,693)**	**2,189**	**(7,168)**	**(1,627,383)**
Movements of the period							
Net change in fair value through equity – Available-for-sale investments	0	(916,824)	18	0	1,587	0	(915,219)
Transfers to income of available-for-sale reserve amounts due to impairments	0	27,858	3,529	0	0	0	31,387
Transfers to income of available-for-sale reserve amounts due to disposals	0	(150,664)	80,053	0	(2,518)	0	(73,129)
Amortisation of net fair value on reclassified portfolio in application of IAS 39 amended	0	0	130,825	0	0	0	130,825
Net change in fair value through equity – Cash flow hedges	0	0	0	(2,313)	0	0	(2,313)
Net change in cash flow hedge reserve due to transfers to income	0	0	0	(2,584)	0	0	(2,584)
Translation adjustments	0	(4,873)	(62,370)	(1,412)	(2)	3,987	(64,670)
Variation of scope of consolidation	257	(82)	0	0	0	3,810	3,985
Transfers	0	871	298	0	0	0	1,169
AS AT 31 DECEMBER 2010	**0**	**(1,247,197)**	**(1,254,618)**	**(18,002)**	**1,256**	**629**	**(2,517,932)**

The notes on pages 73 to 182 are an integral part of these consolidated financial statements.

Non-controlling interests

(In thousands of EUR)	Core equity	Gains and losses not recognised in the statement of income	Non-controlling interests	Discretionary participation features of insurance contracts
AS AT 31 DECEMBER 2009	**32,009**	**(376)**	**31,633**	**773**
Movements of the period				
Dividends	(4,327)	0	(4,327)	0
Net income for the period	2,159	0	2,159	0
Net change in fair value through equity	0	(610)	(610)	(773)
Transfers to income of available-for-sale reserve amounts due to disposals	0	(240)	(240)	0
Transfers to income of available-for-sale reserve amounts due to impairments	0	57	57	0
Translation adjustments	0	12	12	0
Variation of scope of consolidation	(8,424)	37	(8,387)	0
Amortisation of net fair value on reclassified portfolio in application of IAS 39 amended	0	66	66	0
Other	14	3	17	0
AS AT 31 DECEMBER 2010	**21,431**	**(1,051)**	**20,380**	**0**

Core shareholders' equity	7,949,681
Gains and losses not recognised in the statement of income attributable to equity holders of the parent	(2,517,932)
Non-controlling interests	20,380
Discretionary participation features of insurance contracts	0
TOTAL EQUITY AS AT 31 DECEMBER 2010	**5,452,129**

The notes on pages 73 to 182 are an integral part of these consolidated financial statements.

Core shareholders' equity (In thousands 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	**3,458,066**	**209,232**	**0**	**3,604,061**	**678,322**	**7,949,681**
Movements of the period						
Transfers to reserves	0	0	0	678,322	(678,322)	0
Share-based payments: value of employee services	0	0	0	162	0	162
Variation of scope of consolidation	0	0	0	(75)	0	(75)
Other movements	0	0	0	7,805	0	7,805
Net income for the period	0	0	0	0	(1,366,816)	(1,366,816)
AS AT 31 DECEMBER 2011	**3,458,066**	**209,232**	**0**	**4,290,275**	**(1,366,816)**	**6,590,757**

Gains and losses not recognised in the statement of income (In thousands of EUR)	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)	Associates (AFS, CFH and CTA)	Cumulative translation adjustments (CTA)	Total gains and losses Group share
AS AT 31 DECEMBER 2010	**0**	**(1,247,197)**	**(1,254,618)**	**(18,002)**	**1,256**	**629**	**(2,517,932)**
Movements of the period							
Net change in fair value through equity – Available-for-sale investments	0	(2,193,600)	154	0	(2,523)	0	(2,195,969)
Transfers to income of available-for-sale reserve amounts due to impairments	0	1,150,317	36,070	0	0	0	1,186,387
Transfers to income of available-for-sale reserve amounts due to disposals	0	(55,778)	153,439	0	(729)	0	96,932
Amortisation of net fair value on reclassified portfolio in application of IAS 39 amended	0	0	69,754	0	0	0	69,754
Net change in fair value through equity – Cash flow hedges	0	0	0	8,439	0	0	8,439
Net change in cash flow hedge reserve due to transfers to income	0	0	0	(67)	0	0	(67)
Translation adjustments	0	(20,181)	(17,169)	(800)	0	(868)	(39,018)
Variation of scope of consolidation	0	0	(2)	0	1,997	(9)	1,986
Transfers	(59,884)	(1,697)	59,769	0	0	0	(1,812)
Transfers to income following classification from assets held for sale	59,884	0	0	0	0	0	59,884
AS AT 31 DECEMBER 2011	**0**	**(2,368,136)**	**(952,603)**	**(10,430)**	**1**	**(248)**	**(3,331,416)**

The notes on pages 73 to 182 are an integral part of these consolidated financial statements.

Non-controlling interests

(In thousands of EUR)	Core equity	Gains and losses not recognised in the statement of income	Non-controlling interests	Discretionary participation features of insurance contracts
AS AT 31 DECEMBER 2010	**21,431**	**(1,051)**	**20,380**	**0**
Movements of the period				
Dividends	(911)	0	(911)	0
Net income for the period	(97)	0	(97)	0
Net change in fair value through equity	0	(1,251)	(1,251)	20
Cancellation of fair value following AFS disposals	0	(18)	(18)	0
Net change in fair value due to transfers to income	0	1,373	1,373	0
Translation adjustments	0	(18)	(18)	0
Variation of scope of consolidation	(2,263)	1	(2,262)	0
Amortisation of net fair value on reclassified portfolio in application of IAS 39 amended	0	78	78	0
Other	(1,405)	(4)	(1,409)	0
AS AT 31 DECEMBER 2011	**16,755**	**(890)**	**15,865**	**20**

Core shareholders' equity	6,590,757
Gains and losses not recognised in the statement of income attributable to equity holders of the parent	(3,331,416)
Non-controlling interests	15,865
Discretionary participation features of insurance contracts	20
TOTAL EQUITY AS AT 31 DECEMBER 2011	**3,275,226**

The notes on pages 73 to 182 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

(In thousands of EUR)	31/12/10 Before-tax amount	Tax (expense) benefit	Net-of-tax amount
NET RESULT RECOGNISED IN THE STATEMENT OF INCOME	**762,082**	**(81,601)**	**680,481**
Unrealised gains (losses) on available-for-sale financial investments and "frozen" fair value adjustment of financial assets reclassified to Loans and receivables	(1,274,845)	382,771	(892,074)
Gains (losses) on cash flow hedges	(9,681)	3,373	(6,308)
Cumulative translation adjustements	7,797	0	7,797
Gains (losses) from hedges on net investments	0	0	0
Other comprehensive income from associates	(934)	0	(934)
Other comprehensive income from assets held for sale	294	0	294
OTHER COMPREHENSIVE INCOME	**(1,277,369)**	**386,144**	**(891,225)**
TOTAL COMPREHENSIVE INCOME	**(515,287)**	**304,543**	**(210,744)**
Attributable to equity holders of the parent			(212,226)
Attributable to non-controlling interests			1,483

(In thousands of EUR)	31/12/11 Before-tax amount	Tax (expense) benefit	Net-of-tax amount
NET RESULT RECOGNISED IN THE STATEMENT OF INCOME	**(2,145,704)**	**778,791**	**(1,366,913)**
Unrealised gains (losses) on available-for-sale financial investments and "frozen" fair value adjustment of financial assets reclassified to Loans and receivables	(1,131,258)	312,496	(818,762)
Gains (losses) on cash flow hedges	11,117	(3,545)	7,572
Cumulative translation adjustements	(878)	0	(878)
Gains (losses) from hedges on net investments	0	0	0
Other comprehensive income from associates	(1,255)	0	(1,255)
Other comprehensive income from assets held for sale	0	0	0
OTHER COMPREHENSIVE INCOME	**(1,122,274)**	**308,951**	**(813,323)**
TOTAL COMPREHENSIVE INCOME	**(3,267,978)**	**1,087,742**	**(2,180,236)**
Attributable to equity holders of the parent			(2,180,301)
Attributable to non-controlling interests			65

The notes on pages 73 to 182 are an integral part of these consolidated financial statements.

Consolidated cash flow statement

(In thousands of EUR)	Note	31/12/10	31/12/11
CASH FLOW FROM OPERATING ACTIVITIES			
Net income after income taxes		680 481	(1 366 913)
Adjustment for			
Depreciation, amortisation and other impairment		130 930	179 977
Impairment on bonds, equities, loans and other assets		(130 870)	1 860 848
Net gains or losses on investments		(71 119)	211 373
Charges for provisions (mainly insurance provision)		2 201 528	1 275 893
Unrealised gains or losses		(44 996)	20 644
Income from associates		(28 672)	2 739
Dividends from associates		31 384	38 474
Deferred taxes		43 244	(789 719)
Other adjustments		912	151
Changes in operating assets and liabilities		7 621 874	(11 808 865)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		**10 434 696**	**(10 375 398)**
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(293 540)	(425 375)
Sales of fixed assets		260 312	114 951
Acquisitions of unconsolidated equity shares		(1 049 261)	(461 840)
Sales of unconsolidated equity shares		1 509 824	807 923
Acquisitions of subsidiaries and of business units		0	0
Sales of subsidiaries and of business units		(12 857)	19 577
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		**414 478**	**55 236**
CASH FLOW FROM FINANCING ACTIVITIES			
Issuance of new shares		0	0
Issuance of subordinated debts		1 354	0
Reimbursement of subordinated debts		(315 482)	(101 888)
Purchase of treasury shares		0	0
Sale of treasury shares		0	0
Dividends paid		(4 327)	(911)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES		**(318 455)**	**(102 799)**
NET CASH PROVIDED		**10 530 719**	**(10 422 961)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**7.1.**	**27 504 177**	**38 035 992**
Cash flow from operating activities		10 434 696	(10 375 398)
Cash flow from investing activities		414 478	55 236
Cash flow from financing activities		(318 455)	(102 799)
Effect of exchange-rate changes and change in scope of consolidation on cash and cash equivalents		1 096	0
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**7.1.**	**38 035 992**	**27 613 031**
ADDITIONAL INFORMATION			
Income tax paid		5 620	(11 750)
Dividends received		97 517	107 692
Interest received		25 708 999	28 200 125
Interest paid		(24 533 728)	(25 910 012)

The notes on pages 73 to 182 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

I. Accounting principles on a consolidated basis

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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.

The financial statements have been approved of by the Board of Directors on 28 February 2012.

IFRS accounting policies

1. Basis of accounting

1.1. General

The consolidated financial statements of Dexia Bank are prepared in accordance with all IFRSs as 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 Bank's financial statements have therefore been prepared "in accordance with all IFRSs as adopted by the EU" and endorsed by the European Commission up to 31 December 2011 including the conditions of application of interest-rate portfolio hedging.

The Royal Decree of 5 December 2004 compels Dexia Bank to publish its consolidated accounts according to the IFRS approved by the European Union as from 31 December 2006.

The consolidated financial statements are prepared on a going-concern basis. They are stated in thousands of euro (EUR) unless otherwise stated.

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 Bank's intention (see section 6);
- Determination on whether there is an active market or not based on criteria such as volume, actual trade, market liquidity, bid offer spread for financial instruments measured at fair value (see section 7);
- Determination of fair value for financial instruments measured at fair value by means of valuation techniques (see section 7);
- Determination on whether Dexia Bank controls the investee, including SPEs (see section 3);
- Identification of non-current assets and disposal groups held for sale and discontinued operations (IFRS 5) (see section 17);
- The appropriateness of designating derivatives as hedging instruments (see section 12 and 13);
- Existence of a present obligation with probable outflows in the context of litigations (see section 24);
- Identification of impairment triggers (see section 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 section 6.5. and 17);
- Determination of the useful life and the residual value of property, plant and equipment, investment property and intangible assets (see section 15 and 16);
- Determination of the market-value correction to adjust for market value and model uncertainty (see section 7);
- Measurement of liabilities for insurance contracts (see section 10);
- The measurement of hedge effectiveness in hedging relations (see section 12 and 13);
- Actuarial assumptions related to the measurement of employee benefits obligations and plan assets (see section 23 + note 8.6.);
- Estimate of future taxable profit for the recognition and measurement of deferred tax assets (see section 22);
- Estimate of the recoverable amount of cash-generating units for goodwill impairment (see section 18.2.).

2. Changes in accounting policies since the previous annual publication that may impact Dexia Bank Group

The overview of the texts below is made until the reporting date of 31 December 2011.

2.1. IASB and IFRIC texts endorsed by the European Commission and applied as from 1 January 2011

The following standards, interpretations or amendments have been endorsed by the European Commission and are applied as from 1 January 2011.

- "Improvements to IFRSs" (issued by IASB in May 2010), which are a collection of amendments to existing International Financial Reporting Standards. These amendments are effective as from 1 January 2011 and the impact mainly relates to disclosures.
- IAS 24 "Related Party Disclosures". This standard supersedes IAS 24 "Related Party Disclosures" (as revised in 2003) and this amendment does not significantly impact Dexia Bank.
- Amendment to IFRIC 14 "Prepayments of a Minimum Funding Requirements". This amendment does not impact Dexia Bank.
- Amendment to IFRS 1 "Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters". This amendment has no impact on Dexia Bank, which is not a first-time adopter anymore.
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" applicable as from 1 January 2011. This interpretation has no impact on Dexia Bank.
- Amendment to IAS 32 "Financial instruments: presentation: classification of rights issue". This amendment does not impact Dexia Bank.

2.2. IASB and IFRIC texts endorsed by the European Commission during the current year but not yet applicable as from 1 January 2011

- Amendment to IFRS 7 "IFRS Disclosures – Transfers of Financial Assets". This amendment will impact Dexia Bank by requiring more detailed disclosures on transferred assets.

2.3. New IFRS standards, IFRIC interpretations and amendments issued during the current year but not yet endorsed by the European Commission

- Amendments to IAS 32 "Financial Instruments – Presentation: Offsetting Financial Assets and Financial Liabilities" clarify the application of the offsetting rules of financial instruments and remove certain aspects of diversity in application. The amended IAS 32 will be applicable as from 1 January 2014 and its impact will be assessed.
- Amendments to IFRS 7 "Financial Instruments: Disclosures: Offsetting Financial Assets and Financial Liabilities" require additional disclosures of recognised financial instruments that are set off and of recognised financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS 32. The amended IFRS 7 will be applicable as from 1 January 2013 and will expand the disclosures of Dexia Bank regarding offsetting of financial instruments in the annual and interim reporting.
- Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date and Transition Disclosures" defer the mandatory effective date of IFRS 9 to 1 January 2015 and requires modified disclosures on transition from IAS 39 to IFRS 9 which vary upon the date of transition. The amendments also require reclassification disclosures to allow reconciliations between the measurement categories in accordance with IAS 39 and IFRS 9 and individual line items in the financial statements or classes of financial instruments. This amendment will impact Dexia Bank.
- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine". This interpretation has no impact on Dexia Bank.
- Amendments to IAS 19 "Employee Benefits" principally changes the recognition and measurement of post-employment defined benefit plans (e.g. removal of corridor mechanism) and enhances the disclosure requirements for these plans. The amended IAS 19 will be applicable as from 1 January 2013 and will impact Dexia Bank. Under this amendment, Dexia Bank will report the net defined benefit liability or asset on its balance sheet. Dexia Bank will no longer be allowed to apply the corridor approach because under the amended standard the full amount of actuarial gains or losses is recognised directly in Other Comprehensive Income.

The net interest on the net defined benefit liability will be calculated by using as a discount rate the interest rate on high quality corporate bonds. Finally, taxes payable by the plan on contributions relating to service before the reporting date or on benefits resulting from that service will be included in the measurement of defined benefit obligations.

- Amendments to IAS 1 "Presentation of Items of Other Comprehensive Income" 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 will be applicable as from 1 January 2013 and will impact Dexia Bank's presentation of other comprehensive income.
- IFRS 13 "Fair Value Measurement" describes how to measure fair value under IFRS and introduces new and enhanced disclosure requirements. IFRS 13 will be applicable as from 1 January 2013 and will impact Dexia Bank on how fair value is measured.
- A "package of five" new and revised standards on the accounting treatment and disclosure requirements of interests in other entities will be applicable as from 1 January 2013. This publication could impact Dexia Bank's accounting for certain interests and the level of disclosures to be provided and comprises the following:
  - IFRS 10 "Consolidated Financial Statements" introduces one single consolidation model for all entities, based on control and regardless of the nature of the investee. Dexia Bank does not expect a material impact of this standard on its financial reporting.
  - IFRS 11 "Joint Arrangements" will no longer admit the proportionate consolidation method when accounting for jointly controlled entities. Only the equity method will be allowed for Dexia Bank's joint ventures. The new accounting treatment leads to a reduction in total balance-sheet amount and the way revenue and expenses are reported. There is no significant impact for Dexia Bank.
  - IFRS 12 "Disclosures of Interests in Other Entities" will require enhanced disclosures about Dexia Bank's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities in which Dexia Bank has an involvement.
  - Revised IAS 27 "Separate Financial Statements" continues to be a standard dealing solely with separate financial statements: the existing guidance is unchanged.
  - Revised IAS 28 "Investments in Associates and Joint Ventures" is amended for conforming changes based on the issuance of IFRS 10, IFRS 11 and IFRS 12.

3. Consolidation

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 Bank, the liabilities incurred by Dexia Bank to former owners of the acquiree and the equity interests issued by Dexia Bank 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 Bank 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 Bank's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date on which Dexia Bank 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.

3.2. Subsidiaries

Subsidiaries are those entities over whose financial and operating policies Dexia Bank, directly or indirectly, may exercise control.

Subsidiaries are fully consolidated as at the date on which effective control is transferred to Dexia Bank and are no longer consolidated as at the date on which Dexia Bank's control ceases. Intercompany transactions, balances and unrealised gains and losses on transactions among Dexia Bank'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 Bank.

Changes in the Dexia Bank's ownership interests in subsidiaries that do not result in Dexia Bank losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of Dexia Bank'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 Bank 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.

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 Bank.

3.4. Associates

Investments in associates are initially measured at cost and accounted for using the equity method. Associates are investments in which Dexia Bank has significant influence, but does not exercise control. This is usually the case, when Dexia Bank 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 Bank and its "equity method investments" are eliminated to the extent of Dexia Bank's interest. The recognition of losses from associates is discontinued when the carrying amount of the investment reaches zero, unless Dexia Bank 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 Bank.

3.5. Special purpose entities (SPEs)

An SPE shall be consolidated when the substance of the relationship between Dexia Bank and the SPE indicates that the SPE is controlled by Dexia Bank.

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 Bank controls an SPE (which it should consequently consolidate):

- The activities of the SPE are being conducted on behalf of Dexia Bank according to its specific business needs;
- Dexia Bank has the decision-making powers or delegated these powers to obtain the majority of the benefits of the activities of the SPE;
- Dexia Bank has the right to obtain the majority of the benefits of the SPE and may be exposed to its risks; or
- Dexia Bank retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.

4. Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset (and consequently, the net amount only is reported) when Dexia Bank 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.

5. Foreign currency translation and transactions

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 Bank's presentation currency are translated into Dexia Bank'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.

5.2. Foreign currency transactions

For individual Dexia Bank 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.

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.

6.1. Recognition and derecognition of financial instruments

Dexia Bank recognises and derecognises financial assets measured at fair value through P&L on trade date. For these financial assets, Dexia Bank recognises in the statement of income and as at the trade date, any unrealised gains or losses arising from revaluing the contract to fair value at the reporting date. Dexia Bank 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 Bank.

Dexia Bank recognises the financial liabilities on its balance sheet when it becomes party to the contractual provisions of the instrument. Dexia Bank derecognises financial liabilities only when it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires.

6.2. Loans and advances due from banks and customers

Dexia Bank 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 Bank intends to sell immediately or in the near term, which are classified as held for trading, and those that Dexia Bank, upon initial recognition, designates as being at fair value through profit or loss;
- those that Dexia Bank, upon initial recognition, designates as available for sale; or
- those for which Dexia Bank might not substantially recover all of its initial investment, other than because of credit deterioration, such L&R then being classified as available for sale.

Dexia Bank 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.

6.3. Financial instruments measured at fair value through profit or loss

6.3.1. Loans and securities held for trading

Dexia Bank 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 Bank 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".

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".

6.3.3. Loans and securities designated at fair value through profit or loss

In some cases and if appropriately documented, Dexia Bank 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.

In order to avoid volatility in its equity and results, Dexia Bank has designated the assets and liabilities of unit-linked contracts (Branch 23) at fair value through profit or loss.

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 item "Financial instruments measured at fair value through profit or loss".

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 Bank, 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 Bank reports derivatives as assets when fair value is positive and as liabilities when fair value is negative.

Dexia Bank 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.

6.4. Financial investments

6.4.1. Held to maturity

Dexia Bank 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 Bank 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".

6.4.2. Available for sale

Dexia Bank 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 Bank 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 Bank recognises dividend income from equities under "Dividend income".

Dexia Bank subsequently re-measures available-for-sale financial assets at fair value (cf. 1.6.7. 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 item "Gains and losses not recognised in the statement of income". When securities are disposed of, or impaired, Dexia Bank recycles the related accumulated fair value adjustments in the statement of income as "Net income on investments".

6.5. Impairments on financial assets

Dexia Bank 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.

6.5.1. Financial assets valued at amortised cost

Dexia Bank first assesses whether objective evidence of impairment exists individually for financial assets. If no such evidence exists, the financial asset 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 but not yet reported" on segments (portfolios) where there is objective evidence of potential future losses. Dexia Bank estimates these impairments based on 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 Bank 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 when defining the way inherent losses are modelled and to determine the required parameters, based on historical experience.

Accounting treatment of the impairment

Dexia Bank 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 item "Impairment on loans and provisions for credit commitments" and the net loss is recorded under the same item. Subsequent recoveries are also accounted for under this item.

6.5.2. Reclassified financial assets

In rare circumstances, Dexia Bank 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 Bank 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 item "Impairment on loans and provisions for credit commitments" as a part of the impairment.

6.5.3. Available-for-sale assets

Dexia Bank 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 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 Bank in the statement of income as "Net income on investments". Additional decline in fair value is recorded under the same item 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.

Please refer to chapter Risk Monitoring - Credit Risk for further information on how credit risk is monitored by Dexia Bank.

6.5.4. Off-balance-sheet exposures
Dexia Bank 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 Bank 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.

6.6. Borrowings
Dexia Bank 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 Bank 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.

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 Bank.

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 Bank's approach to the valuation of its financial instruments (direct profit or loss, AFS and disclosures) can be summarised as follows:

7.1. Financial instruments measured at fair value (trading, designated at fair value, AFS, derivatives)

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.

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 determination whether or not there is an active market is based on criteria such as volume, actual trade, market liquidity, bid-offer spread. The models that Dexia Bank uses range from standard market models (discount models) to in-house developed valuation models. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and the uncertainty associated with the determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is subject to changes based on specific events and general conditions in the financial markets.

Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of the expected future cash flows on the financial instrument being valued, determination of the probability of counterparty default and prepayments and selection of appropriate discount rates.

Inclusion in level 2 requires two conditions to be met: first a model must have either passed a successful validation by the Validation department or comply with the price reconciliation process run by the Financial Markets Risk department that has been installed to test the reliability of its valuations. Second, level 2 valuations need to rely significantly on observable market data. The market data that Dexia Bank 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 traded in inactive markets, these are valued using Dexia Bank's valuation techniques. 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 liquidity of the market considering the bond characteristics.

For its price derived from valuation techniques, Dexia Bank uses a discount cash-flow model, based on a discounted spread that incorporates both credit and liquidity risk. 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 liquidity component is added to the credit component to obtain the instrument's spread. The weight of the liquidity component depends on the instrument's central bank eligibility character.

Due to the financial crisis of 2008, many assets and liabilities for which quoted prices were available became illiquid. Risk Management developed models in 2008 to value those illiquid financial instruments. Risk Management adjusted its classification between fair value levels in 2009 based on the recommendations included in the amendment to IFRS 7 published in March 2009 and included in the Exposure Draft on Fair Value, published in May 2009.

Regarding structured derivatives, Risk Management together with the Modelling team continue to implement the action plan validated by the Management Board, focussing on the development of internal valuation models, the conducts of a robust external price reconciliation process and the use of qualitative market data for its valuations.

7.2. Financial instruments measured at amortised cost (valuations in IFRS disclosures on fair value)

7.2.1. Financial instruments reclassified from Trading or AFS to L&R

As a response to the financial crisis, the IASB issued on 13 October 2008 an amendment to IAS 39 permitting the reclassification of certain illiquid financial assets. Dexia Bank 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.

7.3. Financial instruments classified in HTM and L&R since inception

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 reflects 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 loans 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 and no credit losses have been recognised on the public sector where Dexia Bank is present.

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.

9. Fee and commission income and expense

Commissions and fees arising from most of Dexia Bank'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.

10. Insurance and reinsurance activities

10.1. Insurance

Dexia Bank is mainly active in banking products. Some insurance products sold by insurance companies have been requalified as financial instruments as they do not meet the requirements of insurance products under IFRS 4.

IFRS 4 allows a company to account for insurance contracts under local GAAP if they qualify as such under IFRS 4.

Hence, Dexia Bank has elected to use the local accounting policies to evaluate the technical provisions for contracts that fall under IFRS 4 and investment contracts with discretionary participation features (DPF).

A contract that complies with the conditions of an insurance contract remains an insurance contract until all rights and obligations cease to exist or expire. An insurance contract is a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

A contract can start out as an investment contract and become an insurance contract when containing significant insurance components as time passes.

The amounts received and paid relating to insurance products (including non-life claims) are reported respectively under "Premiums and technical income from insurance activities" or under "Technical expense from insurance activities", whereas losses and changes in provisions for credit enhancement activities, which are similar to banking activities, are reported under "Impairment on loans and provision for credit commitments".

All other items arising from insurance activities are classified according to their nature in the balance sheet, except for technical provisions, which are identified under a separate item.

Dexia Bank's insurance activities are mainly performed by Dexia Insurance Services (DIS) for life and non-life products.

10.1.1. DIS activities: life and non-life

DIS insurance products are recorded under Local GAAP. DIS comprises principally the Belgian and Luxembourg entities, which are governed by Local GAAP, if they are qualified as such under IFRS 4. However, provisions for catastrophes and equalisations are reversed.

The life insurance portfolio features:

- Insurance contracts, including reinsurance contracts, and the accepted reinsurance treaties, with the exception of the in-house defined employee benefit plans;
- Financial instruments issued with a discretionary profit-sharing (a discretionary participation feature (DPF));
- Unit-linked (UL) contracts stipulating that the policyholder can switch at all times, at no expenses, to an investment product with a guaranteed interest rate and a probable profit-sharing.

10.1.2. Classification

Classification is done policy by policy, whereas, for group insurances, classification is done at employer level.

- Type 1: branch 21: guaranteed insurance products with or without DPF;
- Type 2: branch 21: investment products with profit sharing;
- Type 3: branch 21: investment products without profit sharing;
- Type 4: branch 23: investment products with risk – UL products;
- Type 5: branch 23: investment products without risk;
- Type 6: branch 23: investment products convertible to a branch 21 investment product with risk (class 23);
- Type 7: branch 23: investment products convertible to a branch 21 investment product with profit sharing.

The non-life insurance portfolio features include only insurance contracts that contain significant insurance risk.

Insurance contracts measured in accordance with IFRS 4 – phase 1

Deposit accounting rules apply to financial instruments that do not include a discretionary participation feature (Type 3). In deposit accounting this part of the premium is not accounted to the statement of income, nor is the resulting increase of the liability. The liability is not mentioned in the item Technical provisions but is entered as a financial liability deposit. Management fees and commissions are recognised immediately in the statement of income. Settlements are not accounted to the statement of income but will result in a decrease in the carrying amount of the liability.

Financial instruments with a discretionary participation feature (Type 2) are measured according to local rules for normal insurance contracts (as Type 1). This means, these contracts are not unbundled into a deposit and an insurance component.

10.1.3. Shadow accounting

Insurers are permitted, but not required, to change their accounting policies so that a recognised but unrealised gain or loss on an asset affects those measurements in the same way as a realised gain or loss does. The related adjustment to the insurance liability (or deferred acquisition costs or intangible assets) shall be recognised in equity if, and only if, the unrealised gains or losses are recognised directly in equity.

Dexia Bank will limit the application of shadow accounting, if under legal and/or contract conditions, the realisation of gains on an insurer's assets has a direct effect on the measurement of some or all of its DPF insurance contracts and investment contracts with discretionary participation features.

10.1.4. Shadow-loss adjustment

To determine the need for a shadow-loss adjustment, Dexia Bank first has to determine whether additional liabilities would be required, assuming current market investment yields rather than the estimated return of the assets. If the level of liabilities required is higher than the total liabilities, then the deficiency should decrease the unrealised gains recorded in equity and increase the liabilities through a shadow premium deficiency adjustment.

This requires the liability adequacy test (see 9.1.9. Liability Adequacy Test – below) to be performed after all (if any) shadow adjustments. Should there be insufficient unrealised capital gains left in equity to accommodate the shadow-loss adjustment, the additional liability increase should be charged to the statement of income.

10.1.5. Discretionary participation feature (DPF)

Discretionary participation feature is a contractual right to receive, as a supplement to the guaranteed benefits, additional benefits:

- that are likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the issuer; and
- that are contractually based on:
  - the performance of a specified pool of contracts or a specified type of contract; or
  - realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
  - the profit or loss of the company, fund or other entity that issues the contract.

All unrealised gains and losses coming from investments backing insurance contracts and investment contracts with DPF are categorised proportionally for the part related to the insurance contracts and investment contracts with DPF in a separate line of the equity.

Proportional calculation is performed on the basis of the carried reserves and by separated management of the assets.

10.1.6. Insurance contracts with deposit component (unbundling)

All unit-linked products that contain both an insurance contract and a deposit component will be unbundled (Type 4 & 6). Accounting policies for insurance contracts (IFRS 4) are applied to the insurance component (as for Type 1).

Accounting policies for financial instruments (IAS 39) are applied to the deposit component. The liabilities and the investments are measured at fair value on the balance sheet.

This fair value is determined by multiplying the number of units by the value of the unit, which is based on the fair value of the underlying financial instruments. When the value of unit-linked investments fluctuates subsequently, both the change on the asset side and the resulting change on the liabilities side are accounted to the statement of income immediately (at fair value through profit or loss).

Management fees and commissions are recognised immediately in the statement of income. Settlements are not accounted to the statement of income but will result in a decrease in the carrying amount of the liability.

The unit-linked products that can be converted into a guaranteed investment product (insurance class 21) with profit sharing (Type 7) fall under the same rules as financial instruments with discretionary participation feature (Type 2) and are not unbundled.

10.1.7. Embedded derivatives

IAS 39 applies to derivatives embedded in an insurance contract unless the embedded derivative is itself an insurance contract. The requirements for insurance contracts with DPF also prevail for financial instruments with DPF elements.

As an exception to the IAS 39 requirement, Dexia Bank does not need to separate, and measure at fair value, a policyholder's option to surrender an insurance contract for a fixed amount (or for an amount based on a fixed amount and an interest rate), even if the exercise price differs from the carrying amount of the host insurance liability. However, the IAS 39 requirement does apply to any put option or cash-surrender option embedded in an insurance contract if the surrender value varies in response to a change in a financial variable (such as an equity or commodity price or index), or a non-financial variable that is not specific to a party to the contract.

10.1.8. DPF in financial instruments

If the issuer classifies part of, or the entire feature as a separate component of equity, the liability recognised for the whole contract shall not be less than the amount that would result from applying IAS 39 to the guaranteed element.

At each reporting date, Dexia Bank checks whether this minimum requirement has been met: if it has not, the corresponding liabilities are adjusted accordingly.

10.1.9. Liability Adequacy Tests

An insurer applies a liability adequacy test (LAT) to its insurance products and investment contracts with DPF. Dexia Bank assesses at each reporting date whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts.

If that assessment (based on all individual life and non-life insurance portfolios) shows that the carrying amount of its insurance liabilities (less the related deferred acquisition costs and related intangible assets) is inadequate in the light of the estimated future cash flows, the entire deficiency shall be recognised in profit or loss.

If an adequacy test of the life obligations imposed by the local authorities is available, it will show whether or not the insurance liabilities are sufficient.

If this test is not available, a test such as the one described below will be carried out in order to examine if the current value of the future cash flows is covered by the concordant technical provision. Should this prove not to be the case, the entire deficiency would be recognised in profit or loss.

For life insurance liabilities set up where no local LAT test is imposed by the authorities, an IFRS LAT test will be carried out using the following parameters:

- premiums: collected premiums plus contractually provided future premiums;
- interest rate for actualisation cash flows: average OLO on 10 year during the last (consecutive) year until the 15th before closing;
- mortality table: Assuralia experience table;
- costs: calculation based on the latest tariff costs and the booked costs;
- tariff costs take into account the inventory surcharges, commercial surcharges and fixed sums;
- real assigned costs take into account management expenses, claims handling expenses and commissions. These costs are stipulated by product group and are indexed. Taking into account lapses, death and the expiry period the annual delta is stipulated as being somewhere between the tariff costs and the real assigned costs. Deltas are then actualised to the LAT-rate.

For non-life insurance, the LAT that examines whether the premium and claim provisions are sufficient to settle definitively the opened claim files and the claims that will occur within the contractual duration of the contracts.

All products are subject to LAT. The test is subdivided into two parts. Dexia Bank first examines whether the built-up reserves for claim files already opened are sufficient, then makes an estimation of the expected loss burden for the insurance portfolios and examines whether the unearned premium reserves are sufficient.

Regarding reserves for the files already opened, Dexia Bank performs run-off calculations, using estimates for the claims handling expenses.

10.1.10. Technical provisions

- **Provisions for unearned premiums**
  For primary business, the provision for unearned premiums is calculated on a daily basis, based on the premiums, net of commissions.
  For inward treaties the provision for unearned premiums is calculated on the basis of the information communicated by the ceding company.
  The provision for unearned premiums for the life insurance business is accounted to the life insurance provisions.

- **Life insurance provision**
  Except for unit-linked insurance products this provision is calculated according to the current actuarial principles, taking into account the provision for unearned premiums, the ageing reserves etc.
  In theory, this provision is calculated separately for every insurance contract.
  The life insurance provision is calculated taking into account the legal restrictions and measures.
  The following rules apply:
  - Valuation according to the prospective method: this method is applied to the provisions for conventional non-unit-linked life insurances and modern non-unit-linked universal life insurances offering a guaranteed interest rate on future premium payments. The calculations are based on the technical assumptions made in the contracts.
  - Valuation according to the retrospective method: this method is applied to the provision for the other modern non-unit-linked universal life insurances. Calculations are based on the technical assumptions made in the contracts, but do not take into account the future payments.

  Besides the rules set out above, an additional provision for low interest risks is constituted as required by local regulations.
  For accepted business, a provision is constituted for each individual contract based on the information supplied by the ceding company.
- **Provision for claims outstanding**
  The amount of the provision for claims outstanding for direct life business is equal to the amount due to the policyholder, increased by the costs of settling claims.
  For claims reported in the non-life business, the provision is measured separately in each case or as an additional provision for a set of policies, taking into account the costs of settling claims.
  When benefits have to be paid in the form of an annuity, the amounts to be constituted for that purpose are calculated using recognised actuarial methods.
  For claims incurred but not reported at balance-sheet date, a provision is constituted. The calculations are based on past experience. For extraordinary events, additional amounts are added to the IBNR provision.
  For claims incurred but not enough reserved at balance-sheet date (IBNER), an provision is constituted if the procedures demonstrate that the other provisions are insufficient to meet future liabilities.
  If necessary, a provision is constituted on a prudent basis for liabilities possibly related to claims files that are already created.
  A provision for the internal cost of settling claims is calculated at a percentage that is based on past experience.
  Additional provisions are also constituted as required by law, such as supplementary workmen's compensation provisions.
- **Provision for bonuses related to participation features and rebates**
  This item includes the provision for bonuses related to participation features that have been allocated but not yet awarded at the balance-sheet date.
  The bonuses are awarded according to the procedures submitted to the official authorities.

10.2. Reinsurance

Dexia Bank's reinsurance contracts with third parties that contain enough insurance risk to be classified as an insurance contract continue to be accounted for in accordance with Local GAAP.

A reinsurance asset is impaired if, and only if:

- there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the cedant may not receive all amounts due to it under the terms of the contract; and
- that event has a reliably measurable impact on the amounts that the cedant will receive from the reinsurer.

To measure the solvency of a reinsurer, Dexia Bank refers to its attributed credit rating and the impairment rules.

11. Network costs

This item records the commission paid to intermediaries associated by exclusive sales mandate for drumming up business.

12. 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 Bank 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 Bank 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 Bank 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 Bank 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 item "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.

13. Hedge of the interest-rate risk exposure of a portfolio

As explained in 1.1. General, Dexia Bank 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 Bank 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 Bank 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 Bank 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 Bank 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 Bank 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 Bank recognises the hedging items at fair value with adjustments accounted for in the statement of income.

Dexia Bank 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".

14. 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 Bank 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 Bank 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 Bank 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 Bank will recognise in the statement of income the part of the day one profit or loss relating to the partial early termination.

15. 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 Dexia Bank 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: 1 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.

The exchange losses on liabilities for the acquisition of an asset are expensed immediately. The interest on specific or general borrowings to finance the construction of qualifying assets, as far as the commencement date for capitalisation is before 1 January 2009 is also expensed immediately. If the commencement date for capitalisation is on or after 1 January 2009, the interest is included in the valuation basis of the qualifying tangible fixed assets.

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 Dexia Bank 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 Bank 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 Bank holds an insignificant portion for its own use.

Investment properties are recorded at their 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".

16. Intangible assets

Intangible assets consist mainly of (a) internally generated and (b) acquired software. The costs associated with maintaining computer software programmes are recognised as expense as incurred. However, expenditure that enhances or extends the benefits of computer software programmes 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 amortisation 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".

17. Non-current assets held for sale and discontinued operations

If the carrying amount of a non-current asset (or disposal group) is recovered principally through a sale transaction, rather than through continuing use, it will be classified as "held for sale".

Dexia Bank 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. These assets are no longer depreciated once they qualify as assets (or disposal groups) held for sale.

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 statement of income.

18. Goodwill

18.1. 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,
  - fair value of the acquirer's previously held equity interest in the acquiree (if any), and
- 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.

18.2. Impairment of goodwill

The carrying amount of goodwill is reviewed at year-end. For the purpose of this impairment testing, Dexia Bank 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. Expected cash flows used by Dexia Bank are those of the 3-year management-improved financial plan.

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 Bank defined under a dividend discount model. For subsidiaries operating in emerging markets, a specific discount rate is applied on a case-by-case basis.

19. 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.

20. 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.

20.1. Dexia Bank is the lessee

Dexia Bank 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 Bank. 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.

20.2. Dexia Bank is the lessor

Dexia Bank 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 Bank 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.

21. 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 are 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 item.

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”.

22. 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.

23. Employee benefits

23.1. 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.

23.2. Post-employment benefits
If Dexia Bank has a legal or constructive obligation to pay post-employment benefits, the plan is either classified as "defined benefit" or "defined contribution plan". Dexia Bank 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 Bank and its employees.

In some cases, Dexia Bank provides post-retirement health care benefits to its retirees.

23.2.1. 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 build 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 is recorded separately if this asset is held by a Group entity.

Any assets recognised are 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 Bank that ensures that all calculations are harmonised and calculated in compliance with IAS 19.

23.2.2. Defined contribution pension plans
Dexia Bank'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 Bank's obligations are limited to the contributions that Dexia Bank agrees to pay into the fund on behalf of its employees.

23.2.3. 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.

23.3. Other long-term benefits
These mainly include 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.

23.4. Termination benefits
A termination benefit provision is only recorded when Dexia Bank 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 Bank has a detailed formal plan and no realistic possibility of withdrawal.

23.5. Share-based payment
Dexia Bank offered 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 was measured at grant date by reference to the fair value of the underlying equity instrument based on valuation techniques and on market data and took into account market-based vesting conditions. The impact of other vesting conditions was 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, was credited against equity.

In cash-settled share-based payments, the services received and the liability incurred to pay for those services, were measured at the fair value of the liability. This fair value was measured at the grant date and at each reporting date until settled. The fair value was recognised as a remuneration expense with a corresponding increase in liabilities.

24. 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 Bank 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.

25. Share capital and treasury shares

25.1. 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.

25.2. Dividends on Dexia Bank's ordinary shares

Dexia Bank 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.

25.3. Insurance discretionary participation features

Dexia Bank classifies any unrealised gains and losses relating to assets classified as available for sale and backing insurance contracts with discretionary participation feature by Dexia Bank as follows:

- As a liability in respect of the return guaranteed to the contract holders;
- As a separate component of equity to the extent of that feature.

26. 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 Bank acts in a fiduciary capacity such as nominee, trustee or agent.

27. 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 included within cash and balances with central banks, interbank loans and advances, financial assets available for sale.

II. Significant changes in scope of consolidation and list of subsidiaries and affiliated enterprises of Dexia Bank Belgium

2.1. Significant changes in scope of consolidation

1. As at 31 December 2010

Following its sale in April 2010, Dexia Épargne Pension left the scope of consolidation. Its results for the first three months 2010 have been consolidated.

Dexia Bank Belgium sold its 51% stake in Adinfo. Adinfo's results for the first six months 2010 have been consolidated.

On 16 July 2010, Dexia Real Estate Capital Markets (DRECM) has been sold to Dexia Crédit Local.

On 25 November 2010, Dexia Bank Belgium signed an agreement relating to the sale of Parfipar to Dexia Banque Internationale à Luxembourg.

The transaction is expected to be finalised in the first semester of 2011.

As required by IFRS 5, the assets and liabilities of Parfipar have been recorded as a group held for sale as from 31 December 2010.

2. As at 31 December 2011

Parfipar was sold to Dexia Banque Internationale à Luxembourg in the first quarter of 2011.

In addition, some other companies have been sold in 2011: Dexia Immorent was sold in the second quarter and Dexia Asset Management Luxembourg was sold to Dexia SA in the fourth quarter. The Dexia AM group's results for the first nine months 2011 have been consolidated. Dexia Ingénierie Sociale was sold in November, consolidating its results up to November.

Dexia Investment Company merged with Dexia Bank Belgium (DBB) as at 30 June 2011. In July Realex merged with Dexia Insurance Belgium (DIB). Assurance Asset Management Company also merged with DIB in October. During the fourth quarter the participation of DBB and DIB in Lex 2000 was sold to Société Espace Leopold, and afterwards these two companies also merged.

Dexia Capital Ireland and Dexia Securities Belgium were liquidated in 2011.

2.2. Subsidiaries, equity accounted enterprises, affiliated enterprises and enterprises in which the Group holds rights representing at least 20% of the issued capital

1. Fully-consolidated subsidiaries

Name	Head office	% of capital held(1)	Business code
Audit en Ingénierie Sociale Consulting SA	99bis, avenue du Général Leclerc F-75014 Paris	100	30
Copharma Industries Unlimited	International Financial Services Centre 6 George's Dock IRL-Dublin 1	15,41	28
Corona SA	Avenue de la Métrologie 2 B-1130 Bruxelles	100	28
Crefius SA (ex Dexia Crédits Logement)	Boulevard Pachéco 44 B-1000 Bruxelles	100	6
Delp Invest SCRL	Namur Office Park Avenue des Dessus de Lives 2 B-5101 Loyers	92,88	21
Dexia Asset Finance Holding SA	Boulevard Pachéco 44 B-1000 Bruxelles	100	10
Dexia Auto Lease SA	Place Rogier 11 B-1210 Bruxelles	100	5
Dexia Commercial Finance SA	Place Rogier 11 B-1210 Bruxelles	100	15
Dexia Financial Products Inc.	1209 Orange Street Wilmington, New Castle US – Delaware	100	21
Dexia Funding Netherlands NV	Atrium 7th floor Strawinskylaan 3105 NL-1077 ZX Amsterdam	100	49
Dexia Insurance Belgium SA	Avenue Galilée 5 B-1210 Bruxelles	99,79	28
Dexia Insurance Belgium Invest SA	Avenue Galilée 5 B-1210 Bruxelles	100	21
Dexia Insurance Services Finance SA (DIS Finance)	2, rue Nicolas Bové L-1253 Luxembourg	100	28
Dexia Investments Ireland Unltd	International Financial Services Centre 6 George's Dock IRL-Dublin 1	100	49
Dexia Lease Belgium SA	Place Rogier 11 B-1210 Bruxelles	100	5
Dexia Lease Services SA	Place Rogier 11 B-1210 Bruxelles	100	5
Dexia Life & Pensions SA	2, rue Nicolas Bové L-1253 Luxembourg	100	25
Dexia Re SA	2, rue Nicolas Bové L-1253 Luxembourg	100	28
Dexia Secured Funding Belgium SA	Boulevard Pachéco 44 B-1000 Bruxelles	10	49
Deximmo SA	Boulevard Pachéco 44 B-1000 Bruxelles	100	31
Dublin Oak Ltd	International Financial Services Centre 6 George's Dock IRL-Dublin 1	0	49
Elantis SA	Rue des Clarisses 38 B-4000 Liège	100	6

(1) % of capital held by holding company.

Name	Head office	% of capital held(1)	Business code
Eurco Ireland Ltd	International Financial Services Centre 6 George's Dock IRL-Dublin 1	100	28
Eurco Re Ltd	International Financial Services Centre 6 George's Dock IRL-Dublin 1	100	28
Eurco Rück AG	Beethovenstrasse 49 CH-8002 Zürich	99,98	28
Ibro Holdings Unltd	International Financial Services Centre 6 George's Dock IRL-Dublin 1	99,98	10
Livingstone Building NV	Sudermanstraat 5 B-2000 Antwerpen	100	28
Penates Funding SA	Avenue Louise 486 B-1050 Bruxelles	0	49

2. Non-consolidated subsidiaries

Name	Head office	% of capital held(1)	Reason for exclusion	Business code
Atrium 1	Rue des Colonies 40 B-1000 Bruxelles	0	non-significant	21
Atrium 2	Rue des Colonies 40 B-1000 Bruxelles	0	non-significant	21
Boonefaes Verzekeringen NV	Sint-Walburgapark 1 B-8360 Veurne	100	non-significant	30
Bureau Laveaux & Martin SPRL	Ravensteinstraat 2 bus 3 B-9000 Gent	100	non-significant	30
Caring people SA	Avenue de la Métrologie 2 B-1130 Bruxelles	100	non-significant	47
Dexia Overseas SA	42, rue de la Vallée L-2261 Luxembourg	100	non-significant	49
Dexia Public Facilities Financing US SA	Boulevard Pachéco 44 B-1000 Bruxelles	100	non-significant	10
Dexipart SA (ex Artesimmo I)	Boulevard Pachéco 44 B-1000 Bruxelles	100	non-significant	31
DVV Kantoor Eke NV	Steenweg 117 B-9810 Nazareth	100	non-significant	30
Fiduciaire Dexia SA	Boulevard Pachéco 44 B-1000 Bruxelles	100	non-significant	23
Fynergie SA	Boulevard Pachéco 44 B-1000 Bruxelles	100	non-significant	32
GCC II Feeder BV	Herengracht 338 NL-1016 CG Amsterdam	100	non-significant	41
Immorente SA	Boulevard Pachéco 44 B-1000 Bruxelles	100	non-significant	31
MBS NV	Z1 Research Park 110 B-1731 Asse	0	non-significant	21
Sci St-Mesmin Immobilier	13, rue Croquechâtaigne F-45380 La Chapelle Saint-Mesmin	100	non-significant	32
Service Communal de Belgique SC	Avenue Louise 106 B-1050 Bruxelles	63,59	disproportional costs	47
Shop Equipments NV	Boulevard Pachéco 44 B-1000 Bruxelles	100	non-significant	31
VDL – Interass NV	Brusselsesteenweg 346C B-9090 Melle	100	non-significant	30

(1) % of capital held by holding company.

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3. Joint subsidiaries consolidated by the proportional method

Name	Head office	% of capital held (1)	Business code
Erasmus Gardens SA	Avenue Hermann-Debroux 42 B-1160 Bruxelles	33,33	31
Société Espace Léopold SA	Avenue Louise 416 B2 B-1050 Bruxelles	50	31

4. Non-consolidated joint subsidiaries

Name	Head office	% of capital held (1)	Reason for exclusion	Business code
Arlinvest NV	Hamiltonpark 24-26 B-8000 Brugge	49	non-significant	19
Finimmo NV	Boulevard Pachéco 44 B-1000 Bruxelles	50	non-significant	16
Himba NV	Hamiltonpark 24-26 B-8000 Brugge	48,94	non-significant	31
Inforum GIE	Rue d'Arlon 53 B-1040 Bruxelles	50	non-significant	41
Leskoo SA	Avenue des Communautés 100 B-1200 Bruxelles	50	non-significant	31
Rainbow ICT-Services GIE	Rue Royale 192 B-1000 Bruxelles	50	disproportional costs	47
Sepia SA	Avenue Galilée 5 B-1210 Bruxelles	50	non-significant	28

5. Affiliated companies accounted for by the equity method

Name	Head office	% of capital held (1)	Business code
Auxipar SA	Avenue Britsiers 5 B-1030 Bruxelles	39,69	10
Aviabel SA	Avenue Louise 54 B-1050 Bruxelles	20	25
Bogey SA	Chaussée d'Alsemberg 1021 B-1420 Braine-l'Alleud	49	31
Dexia Auto Lease Luxembourg SA	136, route d'Arlon L-1150 Luxembourg	49	5
Ecetia Finances SA (ex SLF Finances)	Rue Sainte-Marie 5 B-4000 Liège	27,99	43
Ecetia Participations SA (ex SLF Participations)	Rue Sainte-Marie 5 B-4000 Liège	20,57	10
Esplanade 64 SA	Avenue Louise 416 B2 B-1050 Bruxelles	25	31
Isabel SA	Boulevard de l'Impératrice 13-15 B-1000 Bruxelles	24	39
Promotion Léopold SA	Avenue Louise 416 B2 B-1050 Bruxelles	35,5	31

(1) % of capital held by holding company.

6. Affiliated companies not accounted for by the equity method

Name	Head office	% of capital held (1)	Reason for exclusion	Business code
Arkafund NV	Alfons Gossetlaan 30 B-1702 Groot-Bijgaarden	25	non-significant	32
Bancontact-Mistercash SA (ex Brand & Licence Company)	Rue d'Arlon 82 B-1040 Bruxelles	20	non-significant	48
Banking Funding Company SA	Rue d'Arlon 82 B-1040 Bruxelles	21,59	non-significant	48
Bedrijvencentrum Regio Mechelen NV	De Regenboog 11 B-2800 Mechelen	24,33	non-significant	41
Ecetia Immobilier SA (ex SLF Immo)	Rue Sainte-Marie 5 B-4000 Liège	20,49	non-significant	31
IDE Lux Finances SCRL	Drève de l'Arc-en-Ciel 98 B-6700 Arlon	36,87	non-significant	16
IHF SC	Hôtel de Ville B-7100 La Louvière	24,62	non-significant	43
Immo Foire SA	48, boulevard Grande Duchesse Charlotte L-1330 Luxembourg	20	non-significant	31
Inframan SA	Boulevard Pachéco 44 B-1000 Bruxelles	50	non-significant	47
IP-1 SA	Rue Sainte-Marie 5 B-4000 Liège	20,33	non-significant	31
IP-2 SA	Rue Sainte-Marie 5 B-4000 Liège	20,33	non-significant	31
Justinvest Antwerpen NV	Heistraat 129 B-2610 Antwerpen	33,33	non-significant	32
Ondernemerstalent NV	P/A Universiteit Hasselt Agoralaan gebouw D B-3590 Diepenbeek	44,29	non-significant	10
Rabot Invest NV	Heistraat 129 B-2610 Antwerpen	25	non-significant	46
Re-Vive Brownfield CVBA	Oude Brusselseweg 71 B-9050 Ledeberg	25	non-significant	31
Société Mixte de Développement Immobilier SA	Avenue Maurice Destenay 13 B-4000 Liège	25,04	non-significant	32
Sofibru SA	Rue de Stassart 32 B-1050 Bruxelles	20	non-significant	16
Vlabo Invest NV	Pater Damiaanstraat 5 B-3130 Betekom	41,43	non-significant	32
Wandelaar Invest SA	Vieux Marché aux Grains 63 B-1000 Bruxelles	25	non-significant	5
Zakenkantoor Vandepitte-Laplae NV	Astridlaan 37 B-8310 Assebroek	26	non-significant	30

(1) % of capital held by holding company.

7. DBB Branches

Name	Head office	% of capital held[1]	Business code
Dexia Aéropole SCRL	Avenue Georges Lemaitre 58 B-6041 Gosselies	26	4
Dexia Antwerpen Berchem CVBA	Grote Steenweg 456 B-2600 Berchem	26	4
Dexia Antwerpen Zuidrand CVBA	Kioskplaats 49 B-2660 Hoboken	26	4
Dexia Auderghem-Boisfort SCRL	Boulevard du Souverain 282 B-1160 Bruxelles	26	4
Dexia Basilix SCRL	Boulevard de Smet de Nayer 2A B-1090 Bruxelles	26	4
Dexia Binche Mariemont SCRL	Avenue Charles Deliège 56 B-7130 Binche	26	4
Dexia Borinage SCRL	Rue J. Dufrane 3-5 B-7080 Frameries	26	4
Dexia Brugmann SCRL	Avenue Brugmann 247 B-1180 Bruxelles	26	4
Dexia Brugs Ommeland-Oudenburg CVBA	Gistelse Steenweg 447 B-8200 Brugge Sint-Andries	26	4
Dexia Bruxelles-Anderlecht SCRL	Place de la Vaillance 35 B-1070 Bruxelles	26	4
Dexia Centre Ardenne SCRL	Avenue de Bouillon 16 B-6800 Libramont	26	4
Dexia Charleroi Pont-à-Nôle SCRL	Avenue Paul Pastur 114 B-6032 Mont-sur-Marchienne	26	4
Dexia Charleroi-Sud SCRL	Boulevard Joseph Tirou 76-82 B-6000 Charleroi	26	4
Dexia Condroz-Famenne SCRL	Rue Saint-Eloi 1 B-5590 Ciney	26	4
Dexia Dilbeek-Lennik CVBA	Ninoofsesteenweg 117 B-1700 Dilbeek	26	4
Dexia Druivenstreek CVBA	Stationsplein 17 B-3090 Overijse	26	4
Dexia Durmevallei CVBA	Marktplein 3 B-9220 Hamme	26	4
Dexia Eeklo Gent-Oost CVBA	Grondwetlaan 9 B-9040 Sint-Amandsberg	26	4
Dexia Entre Sambre & Meuse SCRL	Rue de France 50-52 B-5600 Philippeville	26	4
Dexia Etterbeek SCRL	Rue des Champs 6 B-1040 Bruxelles	26	4
Dexia Famenne-Semois SCRL	Rue des Ardennes 2 B-5570 Beauraing	26	4
Dexia Fléron-Beyne-Soumagne SCRL	Avenue des Martyrs 257 B-4620 Fléron	26	4
Dexia Geer-Visé SCRL	Rue Saint Hadelin 1 B-4600 Visé	26	4
Dexia Gent-Centrum & Noordwest CVBA	Zonnestraat 23-25 B-9000 Gent	26	4
Dexia Geraardsbergen-Ninove CVBA	Oudenaardsestraat 4-6 B-9500 Geraardsbergen	26	4
Dexia Groot Deurne CVBA	André Hermanslaan 1 B-2100 Deurne	26	4
Dexia Hageland Noord CVBA	Bogaardenstraat 26 B-3200 Aarschot	26	4

(1) % of capital held by holding company.

Name	Head office	% of capital held[1]	Business code
Dexia Hainaut Centre & Senne SCRL	Rue Albert Ier 23 B-7100 La Louvière	26	4
Dexia Haspengouw-West CVBA	Clockemstraat 38 B-3800 Sint-Truiden	26	4
Dexia Haute-Ardenne SCRL	Rue du Vieux Marché 21C B-6690 Vielsalm	26	4
Dexia Hesbaye SCRL	Grand-Place 5 B-4280 Hannut	26	4
Dexia Kempen Noord CVBA	Gemeenteplaats 6 B-2960 Brecht	26	4
Dexia Kempen Oost CVBA	Markt 27 B-2400 Mol	26	4
Dexia Klein Brabant CVBA	Nieuwstraat 21 B-2830 Willebroek	26	4
Dexia Kortrijk CVBA	Wijngaardstraat 52 B-8500 Kortrijk	26	4
Dexia Lambermont-Laeken SCRL	Avenue H. Conscience 182 B-1140 Bruxelles	26	4
Dexia Leeuw-Calevoet-Rode CVBA	Alsembergsesteenweg 1410 B-1620 Drogenbos	26	4
Dexia Leuven CVBA	Brusselsestraat 2 B-3000 Leuven	26	4
Dexia Liège Centre & Sud SCRL	Rue des Mineurs 12 B-4000 Liège	26	4
Dexia Liège Nord & Est SCRL	Chaussée de Tongres 391 B-4000 Liège	26	4
Dexia Limburg Centrum CVBA	Dorpsstraat 1A B-3530 Houthalen-Helchteren	26	4
Dexia Louise SCRL	Place Flagey 28B B-1050 Bruxelles	26	4
Dexia Mandel-Leie CVBA	Holdestraat 19 B-8760 Meulebeke	26	4
Dexia Meuse Ourthe Amblève SCRL	Place Joseph Thiry 47 B-4920 Aywaille	26	4
Dexia Midden-Brabant CVBA (en liquidation)	Tervuursesteenweg 202 B-3001 Heverlee	51	4
Dexia Namur-Eghezée SCRL	Chaussée de Louvain 440 B-5004 Bouge	26	4
Dexia Namur Gembloux SCRL	Avenue de la Faculté d'Agronomie 12 B-5030 Gembloux	26	4
Dexia Namur Haute-Meuse SCRL	Rue de Marchovelette 1 B-5000 Namur	26	4
Dexia Netevallei CVBA	Grote Markt 13 B-2500 Lier	26	4
Dexia Nivelles-Tubize SCRL	Rue de Mons 55 B-1480 Tubize	26	4
Dexia Noord-Limburg CVBA	Hertog Janplein 45 B-3920 Lommel	26	4
Dexia Nord Picardie SCRL	Rue de la Station 52 B-7700 Mouscron	26	4
Dexia Ostbelgien SCRL (en liquidation)	Rue Belle-Vue 30B B-4840 Welkenraedt	26	4
Dexia Pays de Mons SCRL	Avenue Jean d'Avesnes 9 B-7000 Mons	26	4

(1) % of capital held by holding company.

Name	Head office	% of capital held[1]	Business code
Dexia Regio Aalst CVBA	Stationsstraat 4 B-9300 Aalst	26	4
Dexia Regio Asse-Ternat CVBA	Kattestraat 2 B-1730 Asse	26	4
Dexia Regio Dendermonde Buggenhout CVBA	Zuidlaan 2 B-9200 Dendermonde	26	4
Dexia Regio Erpe-Mere CVBA	Marktplein 36 B-9520 St.-Lievens-Houtem	26	4
Dexia Regio Genk-Maaseik CVBA	Fruitmarkt 7 B-3600 Genk	26	4
Dexia Regio Hasselt CVBA	Havermarkt 36 B-3500 Hasselt	26	4
Dexia Regio Leie Schipdonk CVBA	Volhardingslaan 72 bus 1 B-9800 Deinze	26	4
Dexia Regio Mechelen CVBA	Grote Markt 31 B-2800 Mechelen	26	4
Dexia Regio Menen-Wevelgem CVBA	Kerkomtrek 16 B-8930 Menen	26	4
Dexia Regio Mortsel Kontich CVBA	Mechelsesteenweg 56 B-2640 Mortsel	26	4
Dexia Regio Noord-Antwerpen CVBA	Antwerpsesteenweg 49 B-2950 Kapellen	26	4
Dexia Regio Oostende-Oostkust CVBA	Monnikenwerve 200 B-8000 Brugge	26	4
Dexia Regio Roeselare Izegem CVBA	Hendrik Consciencestraat 23 B6 B-8800 Roeselare	26	4
Dexia Regio Sint-Niklaas CVBA	Parklaan 33 B-9100 St.-Niklaas	26	4
Dexia Regio Tienen CVBA	Nieuwstraat 36 B-3300 Tienen	26	4
Dexia Regio Torhout Middelkerke CVBA	Markt 28 B-8820 Torhout	26	4
Dexia Regio Turnhout-Hoogstraten CVBA	Vrijheid 109 B-2320 Hoogstraten	26	4
Dexia Regio Waregem-Kruishoutem CVBA	Markt 12 B-8790 Waregem	26	4
Dexia Regio Westhoek CVBA	Grote Markt 31 B-8600 Diksmuide	26	4
Dexia Regio Zuid-Gent CVBA	Koning Albertlaan 142 B-9000 Gent	26	4
Dexia Région Huy-Andenne SCRL	Avenue des Ardennes 33 B-4500 Huy	26	4
Dexia Région Liège Airport SCRL	Chaussée du Roi Albert 50 B-4431 Loncin	26	4
Dexia Région Spa-Pays de Herve SCRL	Place du Marché 22 B-4651 Battice	26	4
Dexia Scheldeland CVBA	Kalkendorp 21 B-9270 Kalken	26	4
Dexia Sille & Dendre SCRL	Grand Place 72 B-7850 Enghien	26	4
Dexia Stockel SCRL	Place Dumon 22 B-1150 Bruxelles	26	4
Dexia Sud Luxembourg SCRL	Rue de la Poste 13 B-6700 Arlon	26	4
Dexia Tournai-Val de Verne SCRL	Rue Royale 105-109 B-7500 Tournai	26	4

(1) % of capital held by holding company.

Name	Head office	% of capital held[1]	Business code
Dexia Uccle-Rhode SCRL	Avenue de Fré 173 B-1180 Bruxelles	26	4
Dexia Val de Sambre SCRL	Rue de la Station 15-17 B-5060 Sambreville	26	4
Dexia Val d'Haine et Haut-Pays SCRL	Rue Grande 49 B-7380 Quiévrain	26	4
Dexia Val d'Heure SCRL (en liquidation)	Rue de Mettet 17A B-5620 Florennes	26	4
Dexia Val du Piéton SCRL	Grand-Rue 12 B-6183 Trazegnies	26	4
Dexia Vallée de la Dyle SCRL	Avenue Einstein 8 B-1300 Wavre	26	4
Dexia Verviers-Heusy SCRL (en liquidation)	Rue de la Chapelle 36 B-4650 Herve	26	4
Dexia Vilvoorde-Zaventem CVBA	Portaelsplein 68 B-1800 Vilvoorde	26	4
Dexia Vlaamse Ardennen CVBA	Nederstraat 17 B-9700 Oudenaarde	26	4
Dexia Waterloo SCRL	Chaussée de Bruxelles 306 B-1410 Waterloo	26	4
Dexia Wemmel-Meise-Strombeek CVBA	Markt 60-62 B-1780 Wemmel	26	4
Dexia West-Limburg CVBA	Kerkstraat 2 B-3560 Lummen	26	4
Dexia Woluwe SCRL	Parvis St Henri 49 B-1200 Bruxelles	26	4
Dexia Zennevallei CVBA	Basiliekstraat 13 B-1500 Halle	26	4
Dexia Zottegem Land van Rhode CVBA	Heldenlaan 22 B-9620 Zottegem	26	4
Dexia Zuid-Oost Limburg CVBA	Visésteenweg 204 B1 B-3770 Riemst	26	4

(1) % of capital held by holding company.

Business code
1. Bank, credit institution
2. Private savings bank
3. Government credit institution
4. Banking agency
5. Leasing
6. Home loans
7. Development capital
8. Consumer credits
9. Other lending activities
10. Investment company
11. Stock broking
12. Variable-capital investment company
13. Mutual funds
14. Fund manager
15. Factoring
16. Infrastructure and construction financing
17. Other specific financing
18. Financial market administration
19. Asset and portfolio management, financial advisory services
20. Financial engineering, consultancy, financial research
21. Other professional services in financial sector
22. Guarantee company
23. Trust company
24. Foreign currency exchange
25. Life insurance
26. Non-life insurance
27. Captive reinsurance
28. General insurance
29. Financial product agency and broking
30. Insurance agency and broking
31. Real estate (proprietary portfolio)
32. Real estate agency (third party)
33. Health and welfare
34. Computer business
35. Banking associations
36. Other associations
37. Sewage. road cleaning and maintenance and waste management
38. Recreation
39. Telecommunications
40. Transportation
41. Other services
42. Energy
43. Economic development
44. Water
45. Book publishing and multimedia
46. Research and development
47. Other service activities
48. Production, management, distribution of computerised payment media
49. Financing
50. Merchant banking

III. Business reporting

A business line is a distinguishable component of Dexia Bank Belgium that is engaged either in providing products or services (business segment).

Major changes compared to previous segmentation

Dexia Bank Belgium is now split in:

- Retail & Commercial Banking (RCB);
- Public & Wholesale Banking (PWB) which includes Public Banking and Corporate Banking;
- Insurance activities;
- Investment portfolio composed of the Asset & Liabilities Management portfolio and the PMG portfolio;
- Group Center which includes CLM including cash collateral, CST, Dublin Oak & Wise, Trading PWB, Central Assets, not allocated ALM Liquidity, Financial Products and other ALM's activities.

1. Business reporting

	31/12/10			31/12/11		
(In thousands of EUR)	Assets	o/w investments in associates	Liabilities	Assets	o/w investments in associates	Liabilities
Retail and Commercial Banking	23,496,507	1,542	51,430,482	22,641,001	1,943	48,061,113
Public and Wholesale Banking	39,116,921	85,907	21,405,399	38,723,784	82,641	17,327,125
Insurances	19,650,422	8,271	19,650,422	20,149,998	8,570	20,149,998
Investment portfolio	62,706,781	0	11,967,606	59,665,557	0	16,946,438
Group Center	102,931,504	182,250	143,448,226	91,328,703	0	130,024,369
TOTAL	**247,902,135**	**277,969**	**247,902,135**	**232,509,043**	**93,154**	**232,509,043**

Figures as at 31 December 2010 have been restated.

	31/12/10			
(In thousands of EUR)	Income	o/w net income from associates	o/w net interest income and dividend income	Net income before tax
Retail and Commercial Banking	1,383,360	230	1,065,429	286,084
Public and Wholesale Banking	502,282	(994)	315,836	302,573
Insurances	379,838	1,461	719,504	197,342
Investment portfolio	49,221	0	(28,467)	42,274
Group Center	71,593	27,975	103,637	(66,190)
TOTAL	**2,386,295**	**28,672**	**2,175,939**	**762,082**
Net income before tax				762,082
Taxes				(81,600)
Non-controlling interests				(2,159)
NET INCOME GROUP SHARE				**678,323**

Figures as at 31 December 2010 have been restated.

	31/12/11			
(In thousands of EUR)	Income	o/w net income from associates	o/w net interest income and dividend income	Net income before tax
Retail and Commercial Banking	1,379,926	316	1,067,123	235,345
Public and Wholesale Banking	415,014	1,572	331,267	177,051
Insurances	(387,227)	(15,257)	774,902	(612,414)
Investment portfolio	(1,080,626)	0	28,288	(1,107,256)
Group Center	(260,820)	10,631	8,863	(838,430)
TOTAL	**66,268**	**(2,739)**	**2,210,444**	**(2,145,704)**
Net income before tax				(2,145,704)
Taxes				778,791
Non-controlling interests				97
NET INCOME GROUP SHARE				**(1,366,816)**

2. Other segment information

(In thousands of EUR)	31/12/10 Capital expenditures	Depreciation and amortisation	Impairments(1)	Other non-cash expenses(2)
Retail and Commercial Banking	(25,403)	(72,220)	(38,691)	3,090
Public and Wholesale Banking	(167,244)	(7,538)	(7,441)	(1,480)
Insurances	0	(20,531)	(7,542)	20
Investment portfolio	0	(415)	24,564	(1,320)
Group Center	(3,629)	(14,961)	29,923	(28,860)
TOTAL	**(196,276)**	**(115,665)**	**812**	**(28,550)**

Figures as at 31 December 2010 have been restated.

(In thousands of EUR)	31/12/11 Capital expenditures	Depreciation and amortisation	Impairments(1)	Other non-cash expenses(2)
Retail and Commercial Banking	(17,284)	(70,890)	(102,798)	900
Public and Wholesale Banking	(187,873)	(11,112)	(40,852)	(100)
Insurances	(128,000)	(8,277)	(826,236)	(260)
Investment portfolio	0	(472)	(641,014)	0
Group Center	(2,469)	(25,531)	(382,254)	(46,010)
TOTAL	**(335,626)**	**(116,281)**	**(1,993,153)**	**(45,470)**

(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 costs linked to share-based payments, net allowances to provisions for restructuring costs, capital losses on exchange of assets and provisions for legal litigations. Net allowances IAS 19 are not longer included in the non-cash expenses.

Relations between business lines, and especially between commercial business lines, financial markets and production and service centres 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 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.

IV. Significant items included in the statement of income

The year 2011 ended with a loss of EUR 1,366.8 million. This loss includes significant but non-recurring items that had a major impact on the result of 2011.

These significant items were mainly recorded in "VI. Net income on investments".

This item contains both the impairment loss recognised on Greek sovereign bonds for EUR 1,645 million and the impact of the further derisking during 2011 of the bond portfolio for EUR -253 million.

In addition, due to the purchase of DBB by the government via FPIM, the participation in Dexia Asset Management had to be sold to Dexia SA, resulting in a loss of EUR 147 million.

Furthermore, due to credit events in 2011, in particular impairments on loans to certain shareholders of DSA, an amount of EUR 555 million was recorded in "XVI. Impairments on loans and provisions for credit commitments".

V. Post-balance-sheet events

On 21 February 2012, an agreement was reached between the "Private Sector Involvement" (PSI) group, in which Dexia Bank participates, and the Greek authorities. In general the agreement can be summarised as follows:

- new Government Guaranted Bonds (GGBs) issued by the Hellenic Republic with a total face value equal to 31.5% of the face value of the old GGBs;
- notes issued by the European Financial Stability Facility (EFSF) having a face value equal to 15% of the face amount of the old GGBs;
- detachable GDP-linked securities of the Hellenic Republic with a notional amount equal to the face value of the new GGBs;
- short-term EFSF notes in discharge of all unpaid interests accrued up to 24 February 2012 on the old GGBs.

The AFS classification of the GGB resulted in a negative AFS reserve which was recorded in P&L as a result of the impairment. This classification entailed that no additional correction is needed due to the subsequent exchange. Nevertheless, the PSI of 21 February 2012 might still have an impact on the P&L of 2012.

Following the restructuring plan of DSA, DBB launched on 20 February an offer to repurchase the Tier 1 hybrid bond issued by Dexia Funding Luxembourg. DBB offered to repurchase the notes at a price of 25% on the notional value of the bonds. The repurchase was a great success with a participation rate of 91.8%, resulting in additional core Tier 1 for DBB.

The accelerated decrease of the amount of unsecured funding to DSA continued in 2012. While it amounted to EUR 10 billion as at 31 December 2011, it has been reduced to pratically zero in the first quarter of 2012. We refer to the management report for further information.

In the first quarter of 2012, preparatory work with respect to the sale of International Wealth Insurer (IWI) has been started. A business partner has been requested to help with the sale of this subsidiary of DIS in Luxembourg.

VI. Litigation

We refer to the chapter General information – Litigation, page 59.

VII. Notes on the assets of the consolidated balance sheet

(some amounts may not add up due to roundings-off)

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 term.

1. Analysis by nature

(In thousands of EUR)	31/12/10	31/12/11
Cash and balances with central banks	1,459,314	713,120
Loans and advances due from banks	36,276,833	12,563,718
Financial assets available for sale	299,845	14,336,193
Non-current assets held for sale	0	0
TOTAL	**38,035,992**	**27,613,031**

2. Of which restricted cash

(In thousands of EUR)	31/12/10	31/12/11
Mandatory reserves(1)	1,005,415	213,389
Other	0	0
TOTAL	**1,005,415**	**213,389**

(1) Mandatory reserves: minimum reserve deposits credit institutions must have with the European Central Bank or with other central banks.

7.2. Cash and balances with central banks

Analysis by nature

(In thousands of EUR)	31/12/10	31/12/11
Cash in hand	453,899	499,731
Balances with central banks other than mandatory reserve deposits	0	0
Mandatory reserve deposits	1,007,009	213,855
TOTAL	**1,460,908**	**713,586**
of which included in cash and cash equivalents	*1,459,314*	*713,120*

7.3. Loans and advances due from banks

1. Analysis by nature

(In thousands of EUR)	31/12/10	31/12/11
Nostro accounts and cash collaterals	13,459,180	21,168,900
Reverse repurchase agreements	19,847,039	8,514,823
Loans and other advances	33,215,832	15,278,505
Debt instruments	1,418,315	1,193,058
Impaired loans	12,811	13,149
Impaired debt instruments	22,291	45,793
Less:		
Specific impairment on impaired loans or impaired debt instruments	(25,122)	(24,008)
Collective impairment	(13,562)	(15,317)
TOTAL	**67,936,784**	**46,174,903**
of which included in cash and cash equivalents	*36,276,833*	*12,563,718*
of which included in finance lease	*0*	*0*

2. Analysis of quality

See note 7.15.

3. Analysis by maturity and interest rate

See notes 12.4., 12.5. and 12.6.

4. Analysis of the fair value

See note 12.1.

5. Reclassification of financial assets (IAS 39 amended)

See note 7.7.

7.4. Loans and advances to customers

1. Analysis by counterparty

(In thousands of EUR)	31/12/10	31/12/11
Public sector	18,743,753	19,216,903
Other	80,681,545	71,608,286
Impaired loans	966,135	2,444,838
Impaired debt instruments	63,819	98,515
Less:		
Specific impairment on impaired loans or impaired debt instruments	(586,150)	(994,529)
Collective impairment	(396,631)	(440,823)
TOTAL	**99,472,471**	**91,933,190**
of which included in finance lease	*2,875,089*	*2,914,276*

2. Analysis by nature

(In thousands of EUR)	31/12/10	31/12/11
Cash collaterals	3,881,592	2,427,642
Reverse repurchase agreements	1,327,993	689,403
Loans and other advances	81,532,081	78,677,660
of which bills and own acceptances	*25,902*	*40,230*
of which finance leases	*2,875,089*	*2,914,276*
of which securitised loans	*19,256,413*	*21,530,139*
of which consumer credit	*1,396,495*	*1,481,775*
of which mortgage loans	*10,875,801*	*9,642,145*
of which term loans	*42,793,593*	*38,550,721*
of which current accounts	*3,719,742*	*3,669,387*
of which other loans and advances	*589,046*	*848,987*
Debt instruments	12,683,633	9,030,484
Impaired loans	966,134	2,444,838
Impaired debt instruments	63,819	98,515
Less:		
Specific impairment on impaired loans or impaired debt instruments	(586,150)	(994,529)
Collective impairment	(396,631)	(440,823)
TOTAL	**99,472,471**	**91,933,190**

3. Analysis of quality

See note 7.15.

4. Analysis by maturity and interest rate

See notes 12.4., 12.5. and 12.6.

5. Analysis of the fair value

See note 12.1.

6. Reclassification of financial assets (IAS 39 amended)

See note 7.7.

7.5. Financial assets measured at fair value through profit or loss

(In thousands of EUR)	31/12/10	31/12/11
Financial assets held for trading	2,405,982	2,068,297
Financial assets designated at fair value	3,914,054	3,432,337
TOTAL	**6,320,036**	**5,500,634**

FINANCIAL ASSETS HELD FOR TRADING

1. Analysis by counterparty

(In thousands of EUR)	31/12/10	31/12/11
Public sector	363,396	129,720
Banks	578,277	225,670
Other	1,464,309	1,712,907
TOTAL	**2,405,982**	**2,068,297**
of which included in finance lease	*0*	*0*

2. Analysis by nature

(In thousands of EUR)	31/12/10	31/12/11
Loans	214,405	74,382
Bonds issued by public bodies	297,039	124,887
Other bonds and fixed-income instruments	1,867,542	1,850,778
Equity and variable-income instruments	26,996	18,250
TOTAL	**2,405,982**	**2,068,297**

3. Treasury bills and other eligible bills for refinancing to the central banks

(In thousands of EUR)	31/12/10	31/12/11
Treasury bills and other eligible bills for refinancing to the central banks	25,253	14,923

4. Securities pledged under repurchase agreements with other banks

	Fair value	
(In thousands of EUR)	31/12/10	31/12/11
Included in bonds issued by public bodies	51,659	16,538
Included in other bonds and fixed-income instruments	0	0

5. Analysis by maturity and interest rate

See notes 12.4., 12.5. and 12.6.

6. Analysis of the fair value

See note 12.1.

7. Reclassification of financial assets (IAS 39 amended)

See note 7.7.

FINANCIAL ASSETS DESIGNATED AT FAIR VALUE

1. Analysis by counterparty

(In thousands of EUR)	31/12/10	31/12/11
Public sector	3,547	42,122
Banks	114,908	14,023
Other	3,795,599	3,376,192
TOTAL	**3,914,054**	**3,432,337**
of which included in finance lease	*0*	*0*

2. Analysis by nature

(In thousands of EUR)	31/12/10	31/12/11
Loans	331,177	299,756
Bonds issued by public bodies	3,547	0
Other bonds and fixed-income instruments	56,540	189
Equity and variable-income instruments	0	0
Unit-linked products Insurance – bonds and loans	458,750	320,725
Unit-linked products Insurance – equity and variable-income instruments	3,064,040	2,811,667
TOTAL	**3,914,054**	**3,432,337**

Financial assets on public sector are disclosed in "Bonds issued by public bodies" and also partially in "Loans" and in "Unit-linked products".

3. Treasury bills and other eligible bills for refinancing to the central banks

Nil

4. Securities pledged under repurchase agreements with other banks

Nil

5. Analysis by maturity and interest rate

See notes 12.4., 12.5. and 12.6.

6. Analysis of the fair value

See note 12.1.

"Financial assets designated at fair value" is mainly used in the following situations:

- by the insurances business for unit-linked products (Branch 23). The return of the unit-linked product belongs entirely to its policyholder.
- 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 the "Notes to the consolidated financial statements – Accounting policies – 7. Fair value of financial instruments".

7.6. Financial investments

1. Analysis by counterparty

(In thousands of EUR)	31/12/10	31/12/11
Public sector	17,580,991	16,419,735
Banks	10,237,238	19,533,683
Other	8,441,478	8,194,345
Impaired financial investments	581,557	2,538,947
TOTAL FINANCIAL INVESTMENTS BEFORE IMPAIRMENT	**36,841,264**	**46,686,710**
Less:		
Specific and collective impairment on impaired financial investments	(366,179)	(1,774,788)
TOTAL	**36,475,085**	**44,911,922**
of which included in cash and cash equivalents	299,845	14,336,193

2. Analysis of quality

See note 7.15.

3. Analysis by maturity and interest rate

See notes 12.4., 12.5. and 12.6.

4. Analysis by nature

	Available for sale		Held to maturity		Total	
(In thousands of EUR)	31/12/10	31/12/11	31/12/10	31/12/11	31/12/10	31/12/11
Loans	42,436	20,436	0	0	42,436	20,436
Bonds issued by public bodies	17,403,089	18,623,695	0	0	17,403,089	18,623,695
Other bonds and fixed-income instruments	17,716,465	27,004,937	0	0	17,716,465	27,004,937
Equity and variable-income instruments	1,679,274	1,037,642	0	0	1,679,274	1,037,642
TOTAL FINANCIAL INVESTMENTS BEFORE IMPAIRMENT	**36,841,264**	**46,686,710**	**0**	**0**	**36,841,264**	**46,686,710**
Specific and collective impairment on impaired financial investments	(366,179)	(1,774,788)	0	0	(366,179)	(1,774,788)
TOTAL FINANCIAL INVESTMENTS	**36,475,085**	**44,911,922**	**0**	**0**	**36,475,085**	**44,911,922**

5. Convertible bonds included in the available-for-sale portfolio (position greater than EUR 50 million)

Nil

6. Reclassification (IFRS 7, 12)

Nil

7. Analysis of the fair value

See note 12.1.

8. Reclassification of financial assets (IAS 39 amended)

See note 7.7.

7.7. Reclassification of financial assets (IAS 39 amended)

(In thousands of EUR)	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, as at 1 October 2008	2,800,549	0	15,446,859
Carrying amount of assets reclassified, as at 1 January 2009	0	0	872,647
Carrying amount of reclassified assets as at 31 December 2010 (A)	1,151,337	0	11,456,038
Fair value of reclassified assets as at 31 December 2010 (B)	979,748	0	11,052,666
AMOUNT NOT TAKEN IN INCOME (1)&(2) DUE TO RECLASSIFICATION (B)-(A)	**(171,589)**	**0**	**n.a.**
AMOUNT NOT TAKEN IN AFS RESERVE (3) DUE TO RECLASSIFICATION (B)-(A)	**n.a.**	**n.a.**	**(403 372)**
P/D amortisation in P&L during the year	2,220	0	n.a.
P/D amortisation in AFS reserve during the year	n.a.	n.a.	159,574

(In thousands of EUR)	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 reclassified assets as at 31 December 2011 (A)	575,919	0	8,564,853
Fair value of reclassified assets as at 31 December 2011 (B)	433,393	0	7,062,969
CUMULATED AMOUNT NOT TAKEN IN INCOME (1)&(2) DUE TO RECLASSIFICATION (B)-(A)	**(142,526)**	**0**	**n.a.**
CUMULATED AMOUNT NOT TAKEN IN AFS RESERVE (3) DUE TO RECLASSIFICATION (B)-(A)	**n.a.**	**n.a.**	**(1 501 884)**
P/D amortisation in P&L during the year	730	0	0
P/D amortisation in AFS reserve during the year	n.a.	n.a.	87,806

Dexia Bank Belgium decided to apply the amendment of IAS 39 & IFRS 7 – Reclassification of Financial Assets for some financial assets.

1. Impact of reclassifications of 2008 and 2009 equity and results

A. Transfer from Held for trading to Loans and receivables

The difference between the carrying amount at reclassification date and the reimbursement amount is amortised over the remaining life of the asset. The impact of this amortisation on the result of the period is shown in the line "Premium/Discount amortisation in P&L during the year".

The difference between the "carrying amount" and the "fair value" of reclassified assets represents the cumulated changes in fair value as from reclassification date until 31 December 2011 and includes the cumulated amortisation of the discount/premium since reclassification.

The difference is negative for trading assets reclassified in "Loans and receivables" as markets remain illiquid.

B. Transfer from Available for sale (AFS) to Loans and receivables (L&R)

Dexia Bank 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 in "Cost of risk" is the net of the allocation and the use of collective and specific impairments. Due to the reclassification of these assets to "Loans and receivables", the "Cost of risk" of Dexia Bank was better for EUR 19 million in 2010 and for EUR 17 million in 2011.

If there is objective evidence of impairment for a financial asset initially classified as "Available for sale" but reclassified to "Loans and receivables" in accordance with the amended IAS 39, any difference between the net present value of expected future cash flows, discounted at the effective interest rate at date of reclassification, and the carrying amount is recognised as an impairment loss.

Consequently any oustanding non-amortised amount recognised in the available-for-sale reserve is recognised as an impairment loss as well.

The decrease of the carrying amount of reclassified assets results mainly from repayments, prepayments and the derisking policy management.

As a result of an increased deleveraging policy, an amount of approximately EUR 1 billion of reclassified L&R bonds was transferred to "Assets held for sale". However, due to the acquisition of DBB by the government through FPIM, the accelerated deleveraging has been reassessed. The management of DBB decided at the end of 2011 to reclassify this portfolio back to "Loans and receivables", resulting in a P&L impact of EUR -68 million. The negative cumulated amount not taken in AFS reserve reflects the decrease of credit and liquidity spreads on the markets.

2. Impact on interest margin

For assets transferred from AFS to L&R, the amortisation of the premium/discount on the bond is compensated by the amortisation of the frozen AFS reserve, so that the net impact on result is zero. For assets transferred from trading to L&R, the positive impact on the interest margin of the amortisation of the premium/discount amounts to EUR 2 million in 2010 and EUR 1 million in 2011.

7.8. Investments in associates

1. Carrying value

(In thousands of EUR)	2010	2011
CARRYING VALUE AS AT 1 JANUARY	**284,014**	**277,969**
Acquisitions	617	490
Disposals[1]	(3,550)	(139,964)
Change in scope of consolidation (in)	6	0
Change in scope of consolidation (out)	0	0
Share of result before tax	33,435	(2,101)
Share of tax	(4,763)	(638)
Dividend paid	(31,380)	(38,444)
Changes in goodwill (see below)	0	0
Share of gains and losses not recognised in the statement of income	(931)	(3,253)
Translation adjustments	429	(905)
Other	92	0
CARRYING VALUE AS AT 31 DECEMBER	**277,969**	**93,154**

(1) Disposals in 2011 contains mainly Dexia Asset Management Luxembourg and its subsidiaries.

2. Positive goodwill included in carrying value

Nil

3. List of major associates

ASSOCIATES	2010		2011		Website
(In thousands of EUR)	Book value	Fair value of investment	Book value	Fair value of investment	
Dexia Asset Management Luxembourg SA	75,059	75,059	0	0	www.dexia-am.com
Ecetia Finances SA	63,369	63,369	63,962	63,962	www.ecetia.be
Dexia Asset Management Belgium SA	39,507	39,507	0	0	www.dexia-am.com
Dexia Asset Management France SA	33,845	33,845	0	0	www.dexia-am.com
Ecetia Participations SA	13,911	13,911	13,850	13,850	www.ecetia.be
Aviabel SA	8,271	8,271	8,570	8,570	www.aviabel.be
TOTAL	**233,962**	**233,962**	**86,382**	**86,382**	

4. Discontinuation of recognition of share of loss (negative equity)

Nil

7.9. Tangible fixed assets

1. Net book value

(In thousands of EUR)	Land and buildings: Own use owner	Land and buildings: Own use finance lease	Office furniture and other equipment: Own use owner	Office furniture and other equipment: Own use finance lease	Office furniture and other equipment: Operating lease	Investment property	Total
ACQUISITION COST AS AT 1 JANUARY 2010(1)	**1,919,700**	**3,377**	**689,431**	**554**	**1,590**	**118,906**	**2,733,558**
Acquisitions	162,734	1	21,192	1	225	12,137	196,290
Subsequent expenditures	18,740	0	0	0	0	31,944	50,684
Post-acquisition adjustment	0	0	0	0	0	0	0
Disposals	(245,258)	(196)	(847)	0	(1)	(35,459)	(281,761)
Change in scope of consolidation (in)	0	0	0	0	0	0	0
Change in scope of consolidation (out)	(13,359)	(742)	(6,958)	(126)	(1,736)	0	(22,921)
Transfers and cancellations(1)	9,398	0	(219,358)	(407)	(78)	24,923	(185,522)
Translation adjustments	0	67	95	0	0	0	162
Other	0	0	0	0	0	0	0
ACQUISITION COST AS AT 31 DECEMBER 2010 (A)(1)	**1,851,955**	**2,507**	**483,555**	**22**	**0**	**152,451**	**2,490,490**
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 1 JANUARY 2010(1)	**(818,924)**	**(979)**	**(556,608)**	**(541)**	**(978)**	**(21,317)**	**(1,399,347)**
Post-acquisition adjustment	0	0	0	0	0	0	0
Booked	(45,726)	(28)	(31,195)	(13)	(158)	(15,768)	(92,888)
Impairment	0	0	0	0	0	(1,191)	(1,191)
Write-back	0	0	0	0	0	545	545
Disposals	1,939	197	769	0	0	27,546	30,451
Change in scope of consolidation (in)	0	0	0	0	0	0	0
Change in scope of consolidation (out)	9,311	736	5,905	125	1,058	0	17,135
Transfers and cancellations(1)	(8,301)	0	219,349	416	78	(15,279)	196,263
Translation adjustments	0	(67)	(83)	0	0	0	(150)
Other	0	0	0	0	0	(15)	(15)
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31 DECEMBER 2010 (B)(1)	**(861,701)**	**(141)**	**(361,863)**	**(13)**	**0**	**(25,479)**	**(1,249,197)**
NET BOOK VALUE AS AT 31 DECEMBER 2010 (A)+(B)(1)	**990,254**	**2,366**	**121,692**	**9**	**0**	**126,972**	**1,241,293**

(1) The buildings of Dexia Bank, where the local offices are settled, contain both office space and apartments. Through a combination of accelerated investments in the offices and a decrease due to sales of flats, the proportion between both has changed. As a result these buildings were reclassified from "Investment property" to "Land and buildings – own use/owner".

(In thousands of EUR)	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		
ACQUISITION COST AS AT 1 JANUARY 2011	**1,851,955**	**2,507**	**483,555**	**22**	**0**	**152,451**	**2,490,490**
Acquisitions	194,189	0	16,789	0	0	124,648	335,626
Subsequent expenditures	44,450	0	0	0	0	10,334	54,784
Post-acquisition adjustment	0	0	0	0	0	0	0
Disposals	(112,001)	0	(3,345)	0	0	(2,552)	(117,898)
Change in scope of consolidation (in)	0	0	0	0	0	0	0
Change in scope of consolidation (out)	0	0	(675)	0	0	0	(675)
Transfers and cancellations	(43,403)	0	(17,020)	0	0	1,243	(59,180)
Translation adjustments	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0
ACQUISITION COST AS AT 31 DECEMBER 2011 (A)	**1,935,190**	**2,507**	**479,304**	**22**	**0**	**286,124**	**2,703,147**
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 1 JANUARY 2011	**(861,701)**	**(141)**	**(361,863)**	**(13)**	**0**	**(25,479)**	**(1,249,197)**
Post-acquisition adjustment	0	0	0	0	0	0	0
Booked	(43,235)	(25)	(25,190)	(32)	0	(21,318)	(89,800)
Impairment[1]	(48,384)	0	0	0	0	0	(48,384)
Write-back	181	0	0	0	0	0	181
Disposals	28,282	0	3,272	0	0	346	31,900
Change in scope of consolidation (in)	0	0	0	0	0	0	0
Change in scope of consolidation (out)	0	0	408	0	0	0	408
Transfers and cancellations	31,560	0	16,992	29	0	4,192	52,773
Translation adjustments	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31 DECEMBER 2011 (B)	**(893,297)**	**(166)**	**(366,381)**	**(16)**	**0**	**(42,259)**	**(1,302,119)**
NET BOOK VALUE AS AT 31 DECEMBER 2011 (A)+(B)	**1,041,893**	**2,341**	**112,923**	**6**	**0**	**243,865**	**1,401,028**

(1) For more information regarding this impairment, see disclosure 11.13.

2. Fair value of investment properties

(In thousands of EUR)	31/12/10	31/12/11
TOTAL[1]	**141,568**	**253,621**
Fair value subject to an independent valuation	0	124,192
Fair value not subject to an independent valuation[1]	141,568	129,429

(1) The buildings of Dexia Bank, where the local offices are settled, contain both office space and apartments. Through a combination of accelerated investments in the offices and a decrease due to sales of flats, the proportion between both has changed. As a result these buildings were reclassified from "Investment property" to "Land and buildings – own use/owner".

3. Expenditures

Nil

4. Contractual obligations relating to investment property at the end of the period

Nil

5. Contractual obligations relating to property, plant and equipment at the end of the period

Nil

7.10. Intangible assets and goodwill

(In thousands of EUR)	Positive goodwill[1]	Internally developed software	Other intangible assets[2]	Total
ACQUISITION COST AS AT 1 JANUARY 2010	**129,886**	**465,160**	**110,426**	**705,472**
Acquisitions	0	37,137	8,527	45,664
Disposals	0	(2,860)	(16)	(2,876)
Change in scope of consolidation (in)	0	0	0	0
Change in scope of consolidation (out)	0	(9,945)	(1,217)	(11,162)
Transfers and cancellations	0	(11,217)	(47,489)	(58,706)
Translation adjustments	0	0	18	18
Post-acquisition adjustment	0	0	0	0
Other	0	0	0	0
ACQUISITION COST AS AT 31 DECEMBER 2010 (A)	**129,886**	**478,275**	**70,249**	**678,410**
ACCUMULATED AMORTISATION AND IMPAIRMENT AS AT 1 JANUARY 2010	**(25,919)**	**(361,769)**	**(89,277)**	**(476,965)**
Booked	0	(30,285)	(8,724)	(39,009)
Change in scope of consolidation (in)	0	0	0	0
Change in scope of consolidation (out)	0	7,085	915	8,000
Write-back	0	0	0	0
Disposals	0	111	1	112
Transfers and cancellations	0	11,216	47,489	58,705
Translation adjustments	0	0	(17)	(17)
Post-acquisition adjustment	0	0	0	0
Other	(1)	0	0	(1)
ACCUMULATED AMORTISATION AND IMPAIRMENT AS AT 31 DECEMBER 2010 (B)	**(25,920)**	**(373,642)**	**(49,613)**	**(449,175)**
NET BOOK VALUE AS AT 31 DECEMBER 2010 (A)+(B)	**103,966**	**104,633**	**20,636**	**229,235**

(In thousands of EUR)	Positive goodwill[1]	Internally developed software	Other intangible assets[2]	Total
ACQUISITION COST AS AT 1 JANUARY 2011	**129,886**	**478,275**	**70,249**	**678,410**
Acquisitions	0	29,384	5,394	34,778
Disposals	0	(2,265)	0	(2,265)
Change in scope of consolidation (in)	0	0	0	0
Change in scope of consolidation (out)	0	0	(94)	(94)
Transfers and cancellations	0	0	(9,572)	(9,572)
Translation adjustments	0	0	0	0
Post-acquisition adjustment	0	0	0	0
Other	0	0	0	0
ACQUISITION COST AS AT 31 DECEMBER 2011 (A)	**129,886**	**505,394**	**65,977**	**701,257**
ACCUMULATED AMORTISATION AND IMPAIRMENT AS AT 1 JANUARY 2011	**(25,920)**	**(373,642)**	**(49,613)**	**(449,175)**
Booked	0	(34,992)	(8,220)	(43,212)
Change in scope of consolidation (in)	0	0	0	0
Change in scope of consolidation (out)	0	0	91	91
Write-back	0	0	0	0
Disposals	0	0	0	0
Transfers and cancellations	0	0	9,572	9,572
Translation adjustments	0	0	0	0
Post-acquisition adjustment	0	0	0	0
Other	0	0	0	0
ACCUMULATED AMORTISATION AND IMPAIRMENT AS AT 31 DECEMBER 2011 (B)	**(25,920)**	**(408,634)**	**(48,170)**	**(482,724)**
NET BOOK VALUE AS AT 31 DECEMBER 2011 (A)+(B)	**103,966**	**96,760**	**17,807**	**218,533**

(1) "Positive goodwill" relates only to the goodwill on the group DIS.
(2) "Other intangible assets" includes purchased software.

7.11. Tax assets

(In thousands of EUR)	31/12/10	31/12/11
Current taxes	16,464	26,938
Deferred tax assets (see note 9.2.)	936,901	2,035,386
TOTAL	**953,365**	**2,062,324**

Deferred tax assets (DTA) relate for an amount of EUR 931 million (EUR 619 million in 2010) to DTA from mainly negative AFS reserves on securities. Other amounts relate generally to recoverable tax losses and provisions.

7.12. Other assets

(In thousands of EUR)	31/12/10	31/12/11
Other assets	1,149,655	1,119,673
Other assets specific to insurance companies	243,437	225,043
TOTAL	**1,393,092**	**1,344,716**

1. Other assets

Analysis by nature

(In thousands of EUR)	31/12/10	31/12/11
Accrued income	57,193	53,165
Deferred expenses	26,996	21,177
Other accounts receivables	659,723	888,001
Plan assets(1)	6,151	6,157
Long-term construction contracts	0	0
Inventories	1,662	1,038
Operational taxes	32,284	45,429
Other assets	365,646	104,706
TOTAL	**1,149,655**	**1,119,673**

(1) See note 8.6.5.i.

2. Other assets specific to insurance companies

Analysis by nature (acquisition costs and share of reinsurers)

(In thousands of EUR)	31/12/10	31/12/11
Share of the reinsurers in the technical reserves	75,017	84,708
Receivables resulting from direct insurance transactions	45,311	42,442
Premiums still to be issued	49,699	23,029
Deferred acquisition costs	1,839	4,013
Other insurance assets	71,571	70,851
Impaired insurance assets	487	419
Less:		
Specific impairment	(487)	(419)
Provisions on not impaired insurance assets	0	0
TOTAL	**243,437**	**225,043**

7.13. Non-current assets held for sale

(In thousands of EUR)	31/12/10	31/12/11
Assets of subsidiaries held for sale(1)	770	0
Tangible and intangible assets held for sale	15,385	21,504
Discontinued operations	0	0
Other assets	509	1,461
TOTAL	**16,664**	**22,965**

(1) 2010: Parfipar. See note 9.6.3. Assets and liabilities included in disposal groups held for sale.

7.14. Leasing

1. Dexia as a lessor

A. Finance lease

(In thousands of EUR)	31/12/10	31/12/11
Gross investment in finance leases		
Not later than 1 year	767,115	798,106
Later than 1 year and not later than 5 years	1,462,089	1,499,251
Later than 5 years	1,322,485	1,309,077
SUBTOTAL (A)	**3,551,689**	**3,606,434**
UNEARNED FUTURE FINANCE INCOME ON FINANCE LEASES (B)	**681,777**	**697,608**
NET INVESTMENT IN FINANCE LEASES (A)-(B)	**2,869,912**	**2,908,826**

(In thousands of EUR)	31/12/10	31/12/11
The net investment in finance leases may be analysed as follows:		
Not later than 1 year	651,433	679,473
Later than 1 year and not later than 5 years	1,167,947	1,190,084
Later than 5 years	1,050,532	1,039,269
TOTAL	**2,869,912**	**2,908,826**

(In thousands of EUR)	31/12/10	31/12/11
Amount of contingent rents recognised in the statement of income during the period	0	0
Amount of uncollectible finance lease receivables included in the provision for loan losses at end of period	43,942	97,192
Residual values unguaranteed by lessees	0	0
Estimated fair value of finance lease	2,668,767	2,819,886
Accumulated allowance for uncollectible minimum lease payments receivable	22,398	26,933

B. Operating lease

(In thousands of EUR)	31/12/10	31/12/11
Future net minimum lease receivables under non-cancellable operating leases are as follows:		
Not later than 1 year	3,461	9,333
Later than 1 year and not later than 5 years	10,969	34,388
Later than 5 years	33,051	227,484
TOTAL	**47,481**	**271,205**
Amount of contingent rents recognised in the statement of income during the period(1)	0	0

(1) Figures as at December 2010 have been restated.

2. Dexia as a lessee

A. Finance lease

Amounts involved are immaterial. See note 7.9.

B. Operating lease

(In thousands of EUR)	31/12/10	31/12/11
Future net minimum lease payments under non-cancellable operating leases are as follows:		
Not later than 1 year	19,638	8,265
Later than 1 year and not later than 5 years	24,962	27,347
Later than 5 years	18,014	19,736
TOTAL	**62,614**	**55,348**
Amount of future minimum sublease payments expected to be received under non-cancellable subleases at the balance-sheet date	5,359	8,084
Lease and sublease payments recognised as an expense during the period		
Minimum lease payments	22,432	23,046
Contingent rents	79	69
Sublease payments	(1,074)	(694)
TOTAL	**21,437**	**22,421**

7.15. Quality of financial assets

1. Analysis of normal loans and securities

(In thousands of EUR)	Gross amount (A) 31/12/10	Gross amount (A) 31/12/11
Normal loans and advances due from banks	67,940,366	46,155,287
Normal loans and advances to customers	99,425,298	90,825,189
Normal investments held to maturity	0	0
Normal financial assets available for sale	36,259,707	44,147,763
of which fixed-income instruments	*34,731,176*	*43,180,007*
of which equity instruments	*1,528,531*	*967,756*
Collective impairment on not specifically impaired loans (-)	(410,193)	(456,140)
TOTAL	**203,215,178**	**180,672,099**

2. Analysis of impaired loans and securities

	Gross amount (B)		Specific loan loss allowance (C)		Total (B)+(C)	
(In thousands of EUR)	31/12/10	31/12/11	31/12/10	31/12/11	31/12/10	31/12/11
Impaired loans and advances due from banks	35,102	58,942	(25,122)	(24,008)	9,980	34,934
Impaired loans and advances to customers	1,029,954	2,543,352	(586,150)	(994,529)	443,804	1,548,823
Impaired investments held to maturity	0	0	0	0	0	0
Impaired financial assets available for sale	581,556	2,538,947	(366,179)	(1,774,788)	215,377	764,159
of which fixed-income instruments	*430,813*	*2,469,061*	*(292,647)*	*(1,732,318)*	*138,166*	*736,743*
of which equity instruments	*150,743*	*69,886*	*(73,532)*	*(42,470)*	*77,211*	*27,416*
TOTAL	**1,646,612**	**5,141,241**	**(977,451)**	**(2,793,325)**	**669,161**	**2,347,916**

3. Normal + impaired

	Gross amount (A)+(B)		Specific loan loss allowance (C)		Total (A)+(B)+(C)	
(In thousands of EUR)	31/12/10	31/12/11	31/12/10	31/12/11	31/12/10	31/12/11
Loans and advances due from banks	67,975,468	46,214,229	(25,122)	(24,008)	67,950,346	46,190,221
Loans and advances to customers	100,455,252	93,368,541	(586,150)	(994,529)	99,869,102	92,374,012
Investments held to maturity	0	0	0	0	0	0
Financial assets available for sale	36,841,263	46,686,710	(366,179)	(1,774,788)	36,475,084	44,911,922
of which fixed-income instruments	*35,161,989*	*45,649,068*	*(292,647)*	*(1,732,318)*	*34,869,342*	*43,916,750*
of which equity instruments	*1,679,274*	*1,037,642*	*(73,532)*	*(42,470)*	*1,605,742*	*995,172*
Collective impairment on not impaired loans (-)	(410,193)	(456,140)	0	0	(410,193)	(456,140)
TOTAL	**204,861,790**	**185,813,340**	**(977,451)**	**(2,793,325)**	**203,884,339**	**183,020,015**

VIII. Notes on the liabilities of the consolidated balance sheet

(some amounts may not add up due to roundings-off)

8.1. Due to banks

1. Analysis by nature

(In thousands of EUR)	31/12/10	31/12/11
On demand	7,750,236	316,297
Term	9,353,074	1,225,838
Repurchase activity	31,970,073	5,925,994
Central banks	6,800,250	42,500,827
Other borrowings	6,494,611	9,446,457
TOTAL	**62,368,244**	**59,415,413**

2. Analysis by maturity and interest rate

See notes 12.4., 12.5. and 12.6.

3. Analysis of the fair value

See note 12.1.

8.2. Customer borrowings and deposits

1. Analysis by nature

(In thousands of EUR)	31/12/10	31/12/11
Demand deposits	17,299,488	15,876,331
Savings deposits	27,544,617	26,089,100
Term deposits	11,966,184	7,233,514
Other customer deposits	7,760,015	4,942,635
TOTAL CUSTOMER DEPOSITS	**64,570,304**	**54,141,580**
Repurchase activity	18,282,711	16,087,986
Other borrowings	23,516	35,158
TOTAL CUSTOMER BORROWINGS	**18,306,227**	**16,123,144**
TOTAL	**82,876,531**	**70,264,724**

2. Analysis by maturity and interest rate

See notes 12.4., 12.5. and 12.6.

3. Analysis of the fair value

See note 12.1.

8.3. Financial liabilities measured at fair value through profit or loss

(In thousands of EUR)	31/12/10	31/12/11
Financial liabilities held for trading	701,356	199,660
Financial liabilities designated at fair value	11,493,311	10,882,352
TOTAL	**12,194,667**	**11,082,012**

FINANCIAL LIABILITIES HELD FOR TRADING

1. Analysis by nature

(In thousands of EUR)	31/12/10	31/12/11
Bonds issued by public bodies	457,238	109,709
Other bonds	231,589	89,951
Repurchase agreements	0	0
Equity instruments	12,529	0
TOTAL	**701,356**	**199,660**

2. Analysis by maturity and interest rate

See notes 12.4., 12.5. and 12.6.

3. Analysis of the fair value

See note 12.1.

FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE

1. Analysis by nature

(In thousands of EUR)	31/12/10	31/12/11
Non-subordinated liabilities	7,638,525	7,433,998
Subordinated liabilities	331,502	315,962
Unit-linked products	3,523,284	3,132,392
TOTAL	**11,493,311**	**10,882,352**

2. Analysis by maturity and interest rate

See notes 12.4., 12.5. and 12.6.

3. Analysis of the fair value

See note 12.1. and 12.2.h. for own credit risk.

"Financial liabilities designated at fair value" is mainly used in the following situations:

- at the insurance business for unit-linked contracts (branch 23);
- for companies issuing debt.

8.4. Debt securities

1. Analysis by nature

(In thousands of EUR)	31/12/10	31/12/11
Certificates of deposit	1,850,128	124,411
Customer savings certificates	12,387,064	11,786,022
Convertible debts	0	0
Other dilutive instruments	0	0
Non-convertible bonds	14,720,691	12,451,294
TOTAL	**28,957,883**	**24,361,727**

2. Analysis by maturity and interest rate

See notes 12.4., 12.5. and 12.6.

3. Analysis of the fair value

See note 12.1.

8.5. Subordinated debts

1. Analysis by nature

(In thousands of EUR)	31/12/10	31/12/11
Non-convertible subordinated debt		
Loan capital perpetual subordinated notes	1,047,217	1,133,093
Other	1,165,823	1,049,537
TOTAL	**2,213,040**	**2,182,630**
Hybrid capital and redeemable preference shares	502,601	502,837

2. Analysis of subordinated debt convertible in Dexia shares

Nil

3. Analysis by maturity and interest rate

See notes 12.4., 12.5. and 12.6.

4. Analysis of the fair value

See note 12.1.

5. Data for each subordinated debt

Ref. No.	Currency	Amount in thousands of currency units	Maturity date or method for determining the duration	a) Circumstances for early redemption b) Conditions for subordination c) Conditions for convertibility	Conditions of compensations
1.	EUR	5,286	2012	a) not applicable b) no specific conditions c) none	variable
2.	EUR	203	2013	a) not applicable b) no specific conditions c) none	variable
3.	EUR	35,000	15/12/2014	a) not applicable b) no specific conditions c) none	CMS linked
4.	EUR	15,000	15/12/2015	a) not applicable b) no specific conditions c) none	basket-linked (Nikkei, Eurostoxx50, S&P 500)
5.	EUR	15,000	15/07/2019	a) not applicable b) no specific conditions c) none	CMS linked
6.	EUR	40,000	03/12/2019	a) not applicable b) no specific conditions c) none	• if GBP Libor 12 months < 5%: rate = GBP Libor 12 months + 20 bp • if GBP Libor 12 mois ≥ 5%: rate = 7.55%
7.	EUR	11,000	16/12/2019	a) not applicable b) no specific conditions c) none	CMS linked
8.	EUR	29,914	01/03/2022	a) not applicable b) no specific conditions c) none	Euribor 3 month + 43 bp
9.	EUR	44,915	04/04/2022	a) not applicable b) no specific conditions c) none	6%
10.	EUR	20,000	02/04/2037 (call date: 02/04/2017)	a) possible, with the agreement of the NBB, from the date of the call, then at the end of each period of 5 years b) no specific conditions c) none	4.86%
11.	EUR	20,000	01/03/2047 (call date: 01/03/2017)	a) possible, with the agreement of the NBB, from the date of the call, then at the end of each period of 5 years b) no specific conditions c) none	5.04%
12.(1)	EUR	17,500	undetermined (call date: 29/12/2023)	a) possible, with the agreement of the NBB, from the date of the call, then at the end of each period of 12 years b) no specific conditions c) none	IRS 12 year + 200 bp
13.	EUR	17,500	undetermined (call date: 29/12/2019)	a) possible, with the agreement of the NBB, from the date of the call, then at the end of each period of 10 years b) no specific conditions c) none	IRS 10 year + 200 bp
14.	EUR	42,768	undetermined		
15.(1)	EUR	50,000	undetermined (call date: 15/07/2023)	a) possible, with the agreement of the NBB, from the date of the call, then at the end of each period of 12 years b) no specific conditions c) none	IRS 12 year + 250 bp
16.	EUR	94,701	undetermined		

(1) This issue falls within the scope of the restrictions on early redemption (call) on Dexia's subordinated debt as agreed with the European Commission.

Ref. No.	Currency	Amount in thousands of currency units	Maturity date or method for determining the duration	a) Circumstances for early redemption b) Conditions for subordination c) Conditions for convertibility	Conditions of compensations
17.	EUR	170,000	undetermined (call date: 07/08/2016)	a) possible, with the agreement of the NBB, from the date of the call, then at the end of each interest period b) no specific conditions c) none	Euribor 3 month + 90 bp; after 07/08/2016: Euribor 3 month + 190 bp
18.	EUR	498,803	undetermined (call date: 02/11/2016)	a) possible, with the agreement of the NBB, from the date of the call, then at the end of each interest period b) no specific conditions c) possible in profit-sharing certificates	4.922% till 02/11/2016, then Euribor 3 month + 181 bp
19.(1)(2)	EUR	228,674	undetermined (call date: 18/05/2012)	a) possible, with the agreement of the NBB, from the date of the call, then at the end of each interest period b) no specific conditions c) none	Euribor 6 month + 187 bp
20.	GBP	150,000	09/02/2017 (call date: 09/02/2012)	a) possible, with the agreement of the NBB, from the date of the call, then at the end of each interest period b) no specific conditions c) none	5.875% till 09/02/2012, then GBP Libor 3 month + 70 bp
21.(1)	USD	50,000	undetermined (call date: 25/02/2012)	a) possible, with the agreement of the NBB, from the date of the call, then at the end of each interest period b) no specific conditions c) none	USD Libor 3 month + 175 bp
22.(1)	USD	100,000	undetermined (call date: 21/03/2012)	a) possible, with the agreement of the NBB, from the date of the call, then at the end of each interest period b) no specific conditions c) none	USD Libor 3 month + 175 bp
23.	JPY	10,022,576	11/09/2025	a) not applicable b) no specific conditions c) none	6.10%
24.	JPY	10,022,576	11/09/2025	a) not applicable b) no specific conditions c) none	6.05%
25.(2)	JPY	15,000,000	undetermined (call date: 29/01/2029)	a) possible, with the agreement of the NBB, from the date of the call, then at the end of each interest period b) no specific conditions c) none	4.50% (in USD) till 29/01/2029, then JPY Libor 6 month + 190 bp
26.(1)	JPY	10,000,000	undetermined (call date: 29/01/2012)	a) possible, with the agreement of the NBB, from the date of the call, then at the end of each interest period b) no specific conditions c) none	JPY Libor 6 month + 210 bp
27.(1)	JPY	5,000,000	undetermined (call date: 29/01/2012)	a) possible, with the agreement of the NBB, from the date of the call, then yearly; after 29/01/2031, every 5 years b) no specific conditions c) none	JPY Libor 6 month + 210 bp
28.(2)	JPY	15,000,000	undetermined (call date: 28/11/2027)	a) possible, with the agreement of the NBB, at the date of the call, then at the end of each period of 5 years b) no specific conditions c) none	5% till 28/11/2027, then 5 year JPY swap + 250 bp

(1) This issue falls within the scope of the restrictions on early redemption (call) on Dexia's subordinated debt as agreed with the European Commission.
(2) This issue falls within the scope of the restrictions on coupon payments on Dexia's subordinated debt as agreed with the European Commission.

Ref. No.	Currency	Amount in thousands of currency units	Maturity date or method for determining the duration	a) Circumstances for early redemption b) Conditions for subordination c) Conditions for convertibility	Conditions of compensations
29.	EUR	289,496	20/06/2018 (call date: 20/06/2013)	a) possible, with the agreement of the NBB, from the date of the call, then at the end of each interest period b) no specific conditions c) none	5.25% till 20/06/2013, then Euribor 12 month + 150 bp
30.	EUR	180,000	30/09/2018 (call date: 30/09/2013)	a) possible, with the agreement of the NBB, from the date of the call, then at the end of each interest period b) no specific conditions c) none	Euribor 3 month + 300 bp till 30/09/2013, then Euribor 3 month + 350 bp
31.	USD	100,000	30/09/2018 (call date: 30/09/2013)	a) possible, with the agreement of the NBB, from the date of the call, then at the end of each interest period b) no specific conditions c) none	USD Libor 3 month + 300 bp till 30/09/2013, then USD Libor 3 month + 350 bp

8.6. Provisions and other obligations

1. Analysis by nature

(In thousands of EUR)	31/12/10	31/12/11
Litigation claims[1]	88,693	131,269
Restructuring	91,999	94,787
Long-term defined benefit plans	526,146	548,586
Other post-retirement obligations	49,182	51,068
Other long-term employee benefits	16,641	17,267
Provision for off-balance-sheet credit commitments	23,211	30,417
Onerous contracts	35,029	14,849
Other provisions (non-insurance)	69,958	88,968
TOTAL	**900,859**	**977,211**

(1) We refer here to the chapter Risk Management – part Legal Risk.

2. Analysis of movements

(In thousands of EUR)	Litigation claims	Restructuring	Pensions and other employee benefits	Provision for off-balance-sheet credit commitments	Onerous contracts	Other provisions	Total
AS AT 1 JAN. 2010	**108,898**	**86,217**	**578,663**	**23,233**	**51,530**	**63,010**	**911,551**
Exchange difference	91	139	0	1,494	175	145	2,044
Additional provisions	10,826	35,511	94,678	231	975	16,629	158,850
Unused amounts reversed	(19,938)	(1,138)	(4,760)	(1,700)	(8,711)	(5,331)	(41,578)
Utilised during the year	(11,184)	(28,237)	(68,611)	(47)	(8,940)	(6,309)	(123,328)
Changes in scope of consolidation (in)	0	0	0	0	0	0	0
Changes in scope of consolidation (out)	0	(688)	(6,207)	0	0	0	(6,895)
Transfers	0	195	(1,794)	0	0	1,814	215
Other movements	0	0	0	0	0	0	0
AS AT 31 DEC. 2010	**88,693**	**91,999**	**591,969**	**23,211**	**35,029**	**69,958**	**900,859**

(In thousands of EUR)	Litigation claims	Restructuring	Pensions and other employee benefits	Provision for off-balance-sheet credit commitments	Onerous contracts	Other provisions	Total
AS AT 1 JAN. 2011	**88,693**	**91,999**	**591,969**	**23,211**	**35,029**	**69,958**	**900,859**
Exchange difference	29	4	0	706	30	64	833
Additional provisions	63,687	31,475	95,614	7,636	0	36,539	234,951
Unused amounts reversed	(19,243)	(4,645)	(1,168)	(1,119)	(10,367)	(6,095)	(42,637)
Utilised during the year	(2,091)	(23,817)	(69,500)	(17)	(9,843)	(11,451)	(116,719)
Changes in scope of consolidation (in)	0	0	0	0	0	0	0
Changes in scope of consolidation (out)	(41)	(276)	0	0	0	0	(317)
Transfers	0	47	6	0	0	(47)	6
Other movements	235	0	0	0	0	0	235
AS AT 31 DEC. 2011	**131,269**	**94,787**	**616,921**	**30,417**	**14,849**	**88,968**	**977,211**

3. Analysis by maturity
See note 12.4.

4. Analysis by liquidity
See note 12.6.

5. Provisions for pensions and other long-term benefits

A. Change in benefit obligation

(In thousands of EUR)	31/12/10	31/12/11
Benefit obligation at beginning of year	1,491,493	1,536,208
Current service cost	58,025	55,218
Interest cost	71,677	68,549
Plan participants' contributions	2,966	3,028
Amendments	(42)	942
Actuarial (gains)/losses	7,511	37,955
Benefits paid	(55,149)	(56,771)
Expenses paid	0	0
Taxes paid	0	0
Premiums paid	(3,061)	(3,366)
Acquisitions/divestitures	(37,277)	1,927
Plan curtailments	(1,032)	0
Plan settlements	0	(804)
Exchange-rate changes	1,097	903
BENEFIT OBLIGATION AS AT END OF YEAR	**1,536,208**	**1,643,789**

B. Change in plan assets

(In thousands of EUR)	31/12/10	31/12/11
Fair value of plan assets as at beginning of year	924,018	940,075
Expected return on plan assets	45,064	44,418
Actuarial gains/(losses) on plan assets	(6,328)	(58,510)
Employer contributions	57,956	59,812
Member contributions	2,966	2,275
Benefits paid	(55,149)	(56,019)
Expenses paid	0	0
Taxes paid	0	0
Premiums paid	(3,061)	(3,366)
Plan settlements	0	(793)
Acquisitions/divestitures	(26,401)	0
Exchange-rate changes	1,010	851
FAIR VALUE OF PLAN ASSETS AS AT END OF YEAR	**940,075**	**928,743**

C. Amounts recognised in the balance sheet

(In thousands of EUR)	31/12/10	31/12/11
Present value of funded obligations	1,046,086	1,125,710
Fair value of plan assets	940,074	928,743
Deficit/(surplus) for funded plans	106,012	196,967
Present value of unfunded obligations	490,121	518,081
Unrecognised net actuarial gains/(losses)	(17,699)	(109,266)
Unrecognised past service (cost)/benefit	0	0
Effect of paragraph 58b limit	7,384	4,982
NET LIABILITY/(ASSET)	**585,818**	**610,764**
Amounts in the balance sheet		
Liabilities	591,969	616,921
Assets	(6,151)	(6,157)
NET LIABILITY/(ASSET)	**585,818**	**610,764**

D. Components of pension cost

(In thousands of EUR)	31/12/10	31/12/11
AMOUNTS RECOGNISED IN THE STATEMENT OF INCOME		
Current service cost	58,025	55,218
Interest cost	71,677	68,549
Expected return on plan assets	(45,064)	(44,418)
Expected return on reimbursement assets	0	0
Amortisation of past service cost incl. §58a	(42)	942
Amortisation of net (gain)/loss incl. §58a	1,076	4,754
Effect of paragraph 58b limit	(720)	(2,402)
Curtailment (gain)/loss recognised	810	0
Settlement (gain)/loss recognised	0	68
TOTAL PENSION COST RECOGNISED IN THE STATEMENT OF INCOME	**85,762**	**82,711**
ACTUAL RETURN ON ASSETS		
Actual return on plan assets	38,737	(14,092)
Actual return on reimbursement assets	0	0

E. Balance-sheet reconciliation

(In thousands of EUR)	31/12/10	31/12/11
Balance-sheet liability/(asset) as at beginning of year	569,449	585,818
Pension expense recognised in the statement of income in the financial year	85,761	82,711
Amounts recognised in SORIE in the financial year	0	0
Employer contributions made in the financial year	(39,317)	(40,254)
Benefits paid directly by company in the financial year	(18,639)	(19,558)
Credit to reimbursements	0	0
Net transfer in/(out) (including the effect of any business combinations/divestitures)	(11,363)	2,087
Exchange-rate adjustment – (gain)/loss	(73)	(40)
Plan participants contributions – defined contribution plans Belgium	0	0
BALANCE-SHEET LIABILITY/(ASSET) AS AT END OF YEAR	**585,818**	**610,764**

F. Plan assets

Asset category	Percentage of plan assets	
	31/12/10	31/12/11
Equity securities	12.51%	10.50%
Debt securities	86.90%	87.67%
Real estate	0.00%	0.00%
Other[1]	0.59%	1.83%

(1) Includes qualifying insurance policies.

G. History of experience gains and losses

(In thousands of EUR)	31/12/10	31/12/11
DIFFERENCE BETWEEN THE ACTUAL AND EXPECTED RETURN ON PLAN ASSETS		
Amount	(6,328)	(58,510)
Percentage of plan assets	-0.67%	-6.30%
EXPERIENCE GAINS (-) AND LOSSES ON PLAN LIABILITIES		
Amount	5,335	20,929
Percentage of present value of plan liabilities	0.38%	1.30%

H. Range of assumptions to determine pension expense

31/12/10	Discount rate	Inflation	Expected return on assets	Expected return on bonds	Expected return on shares	Salary increase rate
Europe	3.25% - 4.50%	2,00%	3.75% - 5.55%	2.25% - 4,25%	5.75% - 7.38%	2.50% - 5.50%
United Kingdom	5.30%	3.70%	6.46%	4.10%	8.30%	5.10%

31/12/11	Discount rate	Inflation	Expected return on assets	Expected return on bonds	Expected return on shares	Salary increase rate
Europe	2.75% - 4.25%	2.00%	4.38% - 4.68%	2.75% - 4.25%	5.75% - 7.25%	2.00%
United Kingdom	4.60%	3.20%	5.94%	3.98%	7.00%	5.70%

Comment on assumptions:

- Discount rates have been reduced by 25 bp to 50 bp in comparison with 2010.
- The expected return on shares takes a risk premium into account.
- The expected return on assets is based on the mix of return on bonds and shares of the portfolio.

I. Reconciliation with financial statements

(In thousands of EUR)	31/12/10	31/12/11
Long-term obligations		
Outstanding liability relating to defined benefit plans	526,146	548,586
Outstanding liability relating to other post-retirement obligations	49,182	51,068
Outstanding liability relating to other long-term employee benefits	16,641	17,267
TOTAL OUTSTANDING LIABILITY REPORTED IN THE FINANCIAL STATEMENTS(1)	**591,969**	**616,921**
TOTAL LIABILITY CALCULATED BY ACTUARIES	**591,969**	**616,921**
TOTAL LIABILTIY RELATING TO INSIGNIFICANT PLANS	**0**	**0**
Outstanding asset reported in the financial statements(2)	6,151	6,157
TOTAL ASSETS ANALYSED BY ACTUARIES	**6,151**	**6,157**
TOTAL ASSETS RELATING TO INSIGNIFICANT PLANS	**0**	**0**

(1) See note 8.6.1.
(2) See note 7.12.1.

J. Concentration risk

Some of the Dexia Bank defined benefit plans are insurance policies issued by Ethias.
The fair value of the plan assets amounts to EUR 799.84 million as at 31 December 2011.

Sensibility to changes of interest rates

A decrease or increase of 25 bp of interest rate would lead to the following consequences calculated on 2011 amounts:

	-25 bp	+25 bp
Defined benefit obligation as at 31 December 2011	2.68%	-2.54%
Provision as at 31 December 2011(1)	nil	nil
Service cost for the year 2012	2.62%	-2.51%
Interest cost for the year 2012	-3.50%	3.01%
Expected return on plan assets for the year 2012	-5.54%	5.54%
Total net pension cost with amortisation of actuarial results for the year 2012	8.57%	-5.93%
Total net pension cost for the year 2012 without amortisation of actuarial results	3.13%	-3.52%

(1) Actuarial gains and losses would absorb the difference.

6. Defined contribution plan

Contributions to legal pensions are not included in the amounts.
For 2010 and 2011, the amount recognised as an expense for defined contribution plans is respectively EUR 13,592,234 and EUR 13,968,515.

8.7. Tax liabilities

Analysis by nature

(In thousands of EUR)	31/12/10	31/12/11
Current income tax	31,540	35,274
Deferred tax liabilities (see note 9.2.)	3,396	3,175
TOTAL	**34,936**	**38,449**

8.8. Other liabilities

(In thousands of EUR)	31/12/10	31/12/11
Other liabilities (except relating to insurance companies)	1,722,171	2,050,397
Other liabilities specific to insurance activities	198,298	169,343
TOTAL	**1,920,469**	**2,219,740**

1. Other liabilities (except relating to insurance activities)

(In thousands of EUR)	31/12/10	31/12/11
Accrued costs	44,823	98,484
Deferred income	30,541	24,470
Subsidies	0	0
Other accounts payable	1,196,105	1,484,860
Other granted amounts received	500	550
Salaries and social charges (payable)	150,985	142,214
Shareholder dividends payable	0	0
Operational taxes	71,334	90,659
Long-term construction contracts	0	0
Other liabilities	227,883	209,160
TOTAL	**1,722,171**	**2,050,397**

2. Liabilities specific to insurance activities

(In thousands of EUR)	31/12/10	31/12/11
Debts for deposits from assignees	63,880	67,959
Debts resulting from direct insurance transactions	120,997	89,747
Debts resulting from reinsurance transactions	13,421	11,637
Other insurance liabilities	0	0
TOTAL	**198,298**	**169,343**

8.9. Liabilities included in disposal groups held for sale

(In thousands of EUR)	31/12/10	31/12/11
Liabilities of subsidiaries held for sale (1)	2	0
Discontinued operations	0	0
TOTAL	**2**	**0**

(1) 2010: Parfipar. See note 9.6.3. Assets and liabilities included in disposal groups held for sale.

IX. Other notes on the consolidated balance sheet

(some amounts may not add up due to roundings-off)

9.1. Derivatives

1. Analysis by nature

	31/12/10		31/12/11	
(In thousands of EUR)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Derivatives held for trading	28,457,498	29,448,857	32,421,541	32,864,817
Derivatives designated as fair value hedges	91,728	262,519	68,425	307,794
Derivatives designated as cash flow hedges	8,698	31,607	14,103	19,173
Derivatives of portfolio hedge	1,755,305	5,159,923	2,429,212	8,180,853
Derivatives designated as hedge of a net investment in foreign entities				
TOTAL	**30,313,229**	**34,902,906**	**34,933,281**	**41,372,637**

2. Detail of derivatives held for trading

	31/12/10			
	Notional amount		**Assets**	**Liabilities**
(In thousands of EUR)	**To receive**	**To deliver**		
Foreign exchange derivatives	41,359,456	41,621,760	2,196,806	2,447,755
of which fx forward	*13,694,367*	*13,736,922*	*27,362*	*33,058*
of which cross-currency swaps	*26,873,967*	*27,093,716*	*2,151,157*	*2,396,410*
of which fx option	*791,122*	*791,122*	*18,287*	*18,287*
of which fx forward rate agreements	*0*	*0*	*0*	*0*
Interest-rate derivatives	783,102,323	805,543,067	24,081,709	24,608,394
of which option/cap/floor/collar/swaption	*101,565,734*	*122,906,272*	*1,264,443*	*1,628,516*
of which interest-rate swaps	*601,362,703*	*601,493,638*	*22,773,787*	*22,938,021*
of which forward rate agreements	*57,682,285*	*58,170,048*	*41,231*	*40,781*
of which forwards	*0*	*0*	*0*	*0*
of which interest futures	*22,491,601*	*22,973,109*	*2,248*	*1,076*
of which other interest-rate derivatives	*0*	*0*	*0*	*0*
Equity derivatives	4,636,254	5,620,569	339,720	400,417
of which equity forwards	*16,687*	*45,358*	*13,791*	*8,006*
of which equity futures	*77,777*	*11,503*	*307*	*116*
of which equity options	*1,189,876*	*2,042,748*	*107,392*	*130,469*
of which warrants	*53,264*	*222,266*	*13*	*5,989*
of which other equity	*3,298,650*	*3,298,694*	*218,217*	*255,837*
Credit derivatives	16,065,716	14,115,633	1,835,184	1,988,280
of which credit default swaps	*12,340,036*	*10,389,952*	*1,549,554*	*1,596,665*
of which total return swaps	*3,725,680*	*3,725,681*	*285,630*	*391,615*
Commodity derivatives	1,004	1,004	4,079	4,011
TOTAL	**845,164,753**	**866,902,033**	**28,457,498**	**29,448,857**

(In thousands of EUR)	31/12/11 Notional amount To receive	To deliver	Assets	Liabilities
Foreign exchange derivatives	32,839,278	33,205,692	2,293,258	2,569,060
of which fx forward	*3,390,446*	*3,390,918*	*12,542*	*20,593*
of which cross-currency swaps	*28,657,456*	*29,023,398*	*2,260,274*	*2,528,025*
of which fx option	*791,376*	*791,376*	*20,442*	*20,442*
of which fx forward rate agreements	*0*	*0*	*0*	*0*
Interest-rate derivatives	666,319,854	686,485,052	28,702,662	28,724,187
of which option/cap/floor/collar/swaption	*178,119,182*	*197,957,803*	*2,142,469*	*2,533,474*
of which interest-rate swaps	*471,646,864*	*471,312,712*	*26,557,148*	*26,185,679*
of which forward rate agreements	*2,484,000*	*1,989,559*	*1,273*	*3,755*
of which forwards	*0*	*0*	*0*	*0*
of which interest futures	*14,069,808*	*15,224,978*	*1,772*	*1,279*
of which other interest-rate derivatives	*0*	*0*	*0*	*0*
Equity derivatives	4,581,613	5,522,346	213,534	288,451
of which equity forwards	*5,210*	*22,390*	*23,709*	*13,120*
of which equity futures	*53,105*	*7,765*	*636*	*1,352*
of which equity options	*1,772,136*	*2,440,594*	*23,092*	*39,847*
of which warrants	*31,892*	*332,327*	*5*	*7,037*
of which other equity	*2,719,270*	*2,719,270*	*166,092*	*227,095*
Credit derivatives	11,966,171	9,703,702	1,211,079	1,282,119
of which credit default swaps	*10,372,843*	*8,110,374*	*1,200,099*	*1,183,656*
of which total return swaps	*1,593,328*	*1,593,328*	*10,980*	*98,463*
Commodity derivatives	1,033	1,024	1,008	1,000
TOTAL	**715,707,949**	**734,917,816**	**32,421,541**	**32,864,817**

3. Detail of derivatives designated as fair value hedges

(In thousands of EUR)	31/12/10 Notional amount To receive	To deliver	Assets	Liabilities
Foreign exchange derivatives	1,020,248	1,172,510	56,914	99,257
of which cross-currency swaps	*1,020,248*	*1,172,510*	*56,914*	*99,257*
Interest-rate derivatives	1,794,517	1,880,902	11,872	108,519
of which option/cap/floor/collar/swaption	*13,500*	*13,500*	*0*	*49*
of which interest-rate swaps	*1,781,017*	*1,867,402*	*11,872*	*108,470*
Equity derivatives	574,918	1,194,120	22,942	54,743
of which equity option	*0*	*619,202*	*0*	*27,291*
of which other equity	*574,918*	*574,918*	*22,942*	*27,452*
Credit derivatives	0	0	0	0
Commodity derivatives	0	0	0	0
TOTAL	**3,389,683**	**4,247,532**	**91,728**	**262,519**

(In thousands of EUR)	31/12/11 Notional amount To receive	To deliver	Assets	Liabilities
Foreign exchange derivatives	1,015,913	1,186,945	58,942	173,863
of which cross-currency swaps	*1,015,913*	*1,186,945*	*58,942*	*173,863*
Interest-rate derivatives	1,373,307	1,477,325	9,483	133,931
of which option/cap/floor/collar/swaption	*0*	*0*	*0*	*0*
of which interest-rate swaps	*1,373,307*	*1,477,325*	*9,483*	*133,931*
Equity derivatives	0	0	0	0
of which equity option	*0*	*0*	*0*	*0*
of which other equity	*0*	*0*	*0*	*0*
Credit derivatives	0	0	0	0
Commodity derivatives	0	0	0	0
TOTAL	**2,389,220**	**2,664,270**	**68,425**	**307,794**

4. Detail of derivatives designated as cash flow hedges

	31/12/10			
	Notional amount		Assets	Liabilities
(In thousands of EUR)	To receive	To deliver		
Foreign exchange derivatives	0	0	0	18,262
of which fx forward	*0*	*0*	*0*	*0*
of which cross-currency swaps	*0*	*0*	*0*	*18,262*
Interest-rate derivatives	7,241,606	7,241,606	8,698	13,345
of which interest-rate swaps	*7,241,606*	*7,241,606*	*8,698*	*13,345*
Equity derivatives	0	0	0	0
Credit derivatives	0	0	0	0
Commodity derivatives	0	0	0	0
TOTAL	**7,241,606**	**7,241,606**	**8,698**	**31,607**

	31/12/11			
	Notional amount		Assets	Liabilities
(In thousands of EUR)	To receive	To deliver		
Foreign exchange derivatives	1,352,350	1,443,078	14,103	19,173
of which fx forward	*1,352,350*	*1,443,078*	*14,103*	*2,685*
of which cross-currency swaps	*0*	*0*	*0*	*16,488*
Interest-rate derivatives	0	0	0	0
of which interest-rate swaps	*0*	*0*	*0*	*0*
Equity derivatives	0	0	0	0
Credit derivatives	0	0	0	0
Commodity derivatives	0	0	0	0
TOTAL	**1,352,350**	**1,443,078**	**14,103**	**19,173**

5. Detail of derivatives of portfolio hedge(1)

	31/12/10			
	Notional amount		Assets	Liabilities
(In thousands of EUR)	To receive	To deliver		
Foreign exchange derivatives	0	0	0	0
Interest-rate derivatives	88,863,474	88,863,474	1,755,305	5,159,923
TOTAL	**88,863,474**	**88,863,474**	**1,755,305**	**5,159,923**

(1) Used only in a fair value hedge strategy.

	31/12/11			
	Notional amount		Assets	Liabilities
(In thousands of EUR)	To receive	To deliver		
Foreign exchange derivatives	0	0	0	0
Interest-rate derivatives	86,879,417	86,879,421	2,429,212	8,180,854
TOTAL	**86,879,417**	**86,879,421**	**2,429,212**	**8,180,854**

6. Detail of derivatives designated as hedge of a net investment in foreign entities

Nil

9.2. Deferred taxes

1. Analysis

(In thousands of EUR)	31/12/10	31/12/11
NET DEFERRED INCOME TAX ASSETS/(LIABILITIES)	**933,505**	**2,032,211**
of which deferred income tax liabilities	*(3,396)*	*(3,175)*
of which deferred income tax assets	*940,863*	*2,249,509*
of which deferred tax	*937,467*	*2,246,334*
of which unrecognised deferred tax assets	*(3,962)*	*(214,123)*

2. Movements

(In thousands of EUR)	2010	2011
AS AT 1 JANUARY	**597,965**	**933,505**
Movements of the year		
Statement-of-income charge/credit	(41,961)	789,725
Items directly computed by equity	385,066	308,981
Effect of change in tax rates – statement of income	264	0
Effect of change in tax rates – equity	38	0
Changes in consolidation scope	(8,218)	0
Exchange differences	282	0
Other movements	69	0
AS AT 31 DECEMBER	**933,505**	**2,032,211**

A. Deferred tax coming from assets of the balance sheet

	31/12/10		31/12/11	
(In thousands of EUR)	Total	o/w impact in result	Total	o/w impact in result
Cash, loans and loan loss provisions	(37,115)	0	(68,103)	(30,988)
Securities	444,439	0	505,999	(254,065)
Derivatives	(4,144,126)	0	(4,721,357)	(573,687)
Investment in associates	0	0	0	0
Tangible and intangible fixed assets	(102,370)	0	1,046	93,908
Other assets specific to insurance companies	(643)	0	(1,377)	(734)
Other	(22,282)	0	5,884	28,166
TOTAL	**(3,862,097)**	**0**	**(4,277,908)**	**(737,400)**

B. Deferred tax coming from liabilities of the balance sheet

	31/12/10		31/12/11	
(In thousands of EUR)	Total	o/w impact in result	Total	o/w impact in result
Securities	72,427	0	20,787	(51,640)
Derivatives	4,407,893	0	5,310,122	902,229
Borrowings, deposits and issuance of debt securities	36,066	0	69,349	33,283
Provisions	93,878	0	131,767	47,397
Pensions	70,493	0	64,986	(5,507)
Other liabilities specific to insurance companies	17,158	0	42,681	28,569
Legal tax-free provisions	0	0	0	0
Entities with special tax status	0	0	0	0
Non-controlling interest, reserves of associates and treasury shares	0	0	0	0
Other	31,377	0	24,014	(7,263)
TOTAL	**4,729,292**	**0**	**5,663,706**	**947,068**

C. Deferred tax coming from other elements

(In thousands of EUR)	31/12/10 Total	31/12/10 o/w impact in result	31/12/11 Total	31/12/11 o/w impact in result
Tax losses carried forward	70,272	0	860,536	790,550
Tax credit carried forward	0	0	0	0
Entities with special tax status	0	0	0	0
TOTAL	**70,272**	**0**	**860,536**	**790,550**
TOTAL DEFERRED TAX	**937,467**	**(71,986)**	**2,246,334**	**1,000,218**

3. Expiry date of unrecognised deferred tax assets

Nature

(In thousands of EUR)	Less than 1 year	Between 1 to 5 years	Over 5 years	Unlimited maturity	Total
Temporary difference	0	0	0	(2,200)	(2,200)
Tax losses carried forward	0	0	(45,556)	(166,367)	(211,923)
TOTAL	**0**	**0**	**(45,556)**	**(168,567)**	**(214,123)**

9.3. Insurance contracts

(In thousands of EUR)	31/12/10 Life contracts	31/12/10 Non-life contracts	31/12/10 Total	31/12/11 Life contracts	31/12/11 Non-life contracts	31/12/11 Total
Gross reserves [1]	14,791,115	828,776	15,619,891	15,906,269	879,964	16,786,233
Gross reserves – share of reinsurers [2]	10,747	64,270	75,017	11,921	72,787	84,708
Premiums and contributions received [3]	2,414,579	469,066	2,883,645	2,080,089	498,526	2,578,615
Claims incurred and changes in technical reserves – part of reinsurers [3]	46,305	18,058	64,363	47,782	23,078	70,860
Premiums transferred to reinsurers [4]	(110,319)	(36,121)	(146,440)	(111,637)	(35,585)	(147,222)
Claims incurred [4]	(845,525)	(281,734)	(1,127,259)	(1,168,647)	(293,765)	(1,462,412)
Change in technical reserves [4]	(2,322,620)	(59,283)	(2,381,903)	(1,136,289)	(51,591)	(1,187,880)

(1) Liabilities VIII. Technical provisions of insurance companies.
(2) See note 7.12. Other assets, table B.
(3) See note 11.7. Technical margin of insurance contracts – Premiums and technical income from insurance activities.
(4) See note 11.7. Technical margin of insurance contracts – Technical expense from insurance activities.

1. Life contracts

A. Income and expenses

Premium income

	31/12/10				
	Insurance contracts		Investment contracts with DPF[1]		Total
(In thousands of EUR)	Individual	Group	Individual	Group	
Gross premiums written	257,693	376,929	1,740,927	39,030	2,414,579
Premiums ceded to reinsurers	(3,174)	(106,315)	(830)	0	(110,319)
Change in gross unearned premium reserves (UPR)	(131)	(5)	0	0	(136)
Share of reinsurer in change of unearned premium reserves (UPR)	(27)	11	0	0	(16)
NET PREMIUM AFTER REINSURANCE	**254,361**	**270,620**	**1,740,097**	**39,030**	**2,304,108**

(1) Discretionary participation features.

	31/12/11				
	Insurance contracts		Investment contracts with DPF[1]		Total
(In thousands of EUR)	Individual	Group	Individual	Group	
Gross premiums written	320,782	444,673	1,277,600	37,034	2,080,089
Premiums ceded to reinsurers	(2,514)	(109,108)	0	(15)	(111,637)
Change in gross unearned premium reserves (UPR)	(22)	41	0	0	19
Share of reinsurer in change of unearned premium reserves (UPR)	0	(9)	0	0	(9)
NET PREMIUM AFTER REINSURANCE	**318,246**	**335,597**	**1,277,600**	**37,019**	**1,968,462**

(1) Discretionary participation features.

Life premiums

(In thousands of EUR)	31/12/10	31/12/11
Gross earned premiums, less premium reserves		
Direct business	2,186,613	1,852,882
Accepted reinsurance	227,830	227,227
Breakdown of direct business		
Individual contracts	1,998,489	1,598,360
Group contracts	188,124	254,521

Management report

Consolidated financial statements

Non-consolidated financial statements

Claims expenses

(In thousands of EUR)	2010				
	Insurance contracts		Investment contracts with DPF		Total
	Individual	Group	Individual	Group	
Gross claims paid	(180,097)	(142,964)	(504,845)	(17,619)	(845,525)
Claims reserve as at 1 January	38,145	6,329	25,632	0	70,106
Variation in opening due to variation of scope of consolidation	0	0	0	0	0
Claims reserve as at 31 December	(40,769)	(5,942)	(31,046)	0	(77,757)
Transferred claims reserves	0	0	0	0	0
Share of reinsurers	3,252	42,821	403	0	46,476
NET CLAIMS INCURRED	**(179,469)**	**(99,756)**	**(509,856)**	**(17,619)**	**(806,700)**

(In thousands of EUR)	2011				
	Insurance contracts		Investment contracts with DPF		Total
	Individual	Group	Individual	Group	
Gross claims paid	(184,995)	(235,454)	(733,362)	(14,836)	(1,168,647)
Claims reserve as at 1 January	40,769	5,942	31,046	0	77,757
Variation in opening due to variation of scope of consolidation	0	0	0	0	0
Claims reserve as at 31 December	(47,866)	(29,013)	(158,143)	0	(235,022)
Transferred claims reserves	0	(1,451)	0	0	(1,451)
Share of reinsurers	1,637	44,685	0	0	46,322
NET CLAIMS INCURRED	**(190,455)**	**(215,291)**	**(860,459)**	**(14,836)**	**(1,281,041)**

Changes in technical reserves

Change in life insurance reserve

(In thousands of EUR)	2010 Insurance contracts Individual[3]	Insurance contracts Group	Investment contracts with DPF Individual	Investment contracts with DPF Group	Total
Life insurance reserve as at 1 January	2,446,246	888,081	8,983,272	131,650	12,449,249
Variation in opening due to conversion rate and to variation of scope of consolidation	0	0	0	0	0
Life insurance reserve as at 31 December	(2,478,614)	(1,049,834)	(10,861,774)	(190,902)	(14,581,124)
Transferred life insurance reserve	2,682	(20,960)	9,552	912	(7,814)
Share of reinsurers in life insurance reserve as at 1 January	(6,520)	(3,087)	0	0	(9,607)
Variation in opening due to conversion rate and to variation of scope of consolidation	0	0	0	0	0
Share of reinsurers in life insurance reserve as at 31 December	6,054	2,795	0	0	8,849
Share of reinsurers in transferred life insurance reserve	0	0	0	0	0
NET CHANGE IN LIFE INSURANCE RESERVE	**(30,153)**	**(183,005)**	**(1,868,949)**	**(58,340)**	**(2,140,447)**
Change in other technical reserves – Life[1]	219	0	0	0	219
Change in life insurance reserve 2010 due to Dexia Épargne Pension[2]	(6,070)	0	(116,720)	(4,730)	(127,520)
Change in share of reinsurers in life insurance reserve 2010 due to Dexia Épargne Pension[2]	373	0	218	0	591

(1) Delays or errors in claim processing can give rise to disputed claims. To cover this event, a reserve is held.
(2) Dexia Épargne Pension was transferred to held-for-sale in application of IFRS 5 in 2009 and consolidated until 31 March 2010.
(3) Figures as at 31 December 2010 have been restated.

(In thousands of EUR)	2011 Insurance contracts Individual	Insurance contracts Group	Investment contracts with DPF Individual	Investment contracts with DPF Group	Total
Life insurance reserve as at 1 January	2 478 614	1 049 834	10 861 774	190 902	14 581 124
Variation in opening due to conversion rate and to variation of scope of consolidation	0	0	0	0	0
Life insurance reserve as at 31 December	(2 559 582)	(1 192 359)	(11 640 572)	(198 463)	(15 590 976)
Transferred life insurance reserve	3 282	(21 183)	(8 260)	(911)	(27 072)
Share of reinsurers in life insurance reserve as at 1 January	(6 054)	(2 795)	0	0	(8 849)
Variation in opening due to conversion rate and to variation of scope of consolidation	0	0	0	0	0
Share of reinsurers in life insurance reserve as at 31 December	5 808	4 505	0	0	10 313
Share of reinsurers in transferred life insurance reserve	0	0	0	0	0
NET CHANGE IN LIFE INSURANCE RESERVE	**(77 932)**	**(161 998)**	**(787 058)**	**(8 472)**	**(1 035 460)**
Change in other technical reserves – Life[1]	(77)	0	0	0	(77)

(1) Delays or errors in claim processing can give rise to disputed claims. To cover this event, a reserve is held.

Change in profit-sharing reserve

	2010				
	Insurance contracts		Investment contracts with DPF		Total
(In thousands of EUR)	Individual	Group	Individual	Group	
Profit-sharing reserve as at 1 January	4,390	8,204	74,080	830	87,504
Variation in opening due to variation of scope of consolidation	0	0	0	0	0
Profit-sharing reserve as at 31 December	(5,442)	(11,284)	(108,682)	(1,240)	(126,648)
Paid profit share	0	0	0	0	0
Transferred profit-sharing reserve	0	(31)	(7,757)	(911)	(8,699)
Share of reinsurers in profit-sharing reserve as at 1 January	(20)	0	0	0	(20)
Variation in opening due to variation of scope of consolidation	0	0	0	0	0
Share of reinsurers in profit-sharing reserve as at 31 December	32	0	0	0	32
Share of reinsurers in paid profit share	0	0	0	0	0
Share of reinsurers in transferred profit-sharing reserve	0	0	0	0	0
NET CHANGE IN PROFIT-SHARING RESERVE	**(1,040)**	**(3,111)**	**(42,359)**	**(1,321)**	**(47,831)**

	2011				
	Insurance contracts		Investment contracts with DPF		Total
(In thousands of EUR)	Individual	Group	Individual	Group	
Profit-sharing reserve as at 1 January	5,442	11,284	108,682	1,240	126,648
Variation in opening due to variation of scope of consolidation	0	0	0	0	0
Profit-sharing reserve as at 31 December	(3,062)	(9,086)	(61,751)	(1,977)	(75,876)
Paid profit share	0	0	0	0	0
Transferred profit-sharing reserve	0	(31)	7,757	911	8,637
Share of reinsurers in profit-sharing reserve as at 1 January	(32)	0	0	0	(32)
Variation in opening due to variation of scope of consolidation	0	0	0	0	0
Share of reinsurers in profit-sharing reserve as at 31 December	37	0	0	0	37
Share of reinsurers in paid profit share	0	0	0	0	0
Share of reinsurers in transferred profit-sharing reserve	0	0	0	0	0
NET CHANGE IN PROFIT-SHARING RESERVE	**2,385**	**2,167**	**54,688**	**174**	**59,414**

Losses resulting from Liability Adequacy Test (LAT)

Nil

B. Assets and liabilities

Gross reserves

	31/12/10				
	Insurance contracts		Investment contracts with DPF		Total
(In thousands of EUR)	Individual	Group	Individual	Group	
Life insurance reserve local GAAP	2,478,614	1,049,834	10,861,774	190,902	14,581,124
Reserves due to results of LAT (Liability Adequacy Test)	0	0	0	0	0
Reserves due to shadow-accounting adjustments	0	5,087	0	0	5,087
Reserves due to results of IAS 39	0	0	0	0	0
TOTAL LIFE INSURANCE RESERVE	**2,478,614**	**1,054,921**	**10,861,773**	**190,902**	**14,586,210**
Claims reserves	40,769	5,942	31,046	0	77,757
Gross unearned premium reserves (UPR)	404	65	0	0	469
Other insurance reserves	5,473	11,284	108,682	1,240	126,679
TOTAL GROSS RESERVES	**2,525,260**	**1,072,212**	**11,001,501**	**192,142**	**14,791,115**

	31/12/11				
	Insurance contracts		Investment contracts with DPF		Total
(In thousands of EUR)	Individual	Group	Individual	Group	
Life insurance reserve local GAAP	2,559,583	1,192,359	11,640,572	198,464	15,590,978
Reserves due to results of LAT (Liability Adequacy Test)	0	0	0	0	0
Reserves due to shadow-accounting adjustments	0	3,835	0	0	3,835
Reserves due to results of IAS 39	0	0	0	0	0
TOTAL LIFE INSURANCE RESERVE	**2,559,583**	**1,196,194**	**11,640,572**	**198,464**	**15,594,813**
Claims reserves	47,866	29,014	158,143	0	235,023
Gross unearned premium reserves (UPR)	425	25	0	0	450
Other insurance reserves	3,169	9,086	61,751	1,977	75,983
TOTAL GROSS RESERVES	**2,611,043**	**1,234,319**	**11,860,466**	**200,441**	**15,906,269**

Share of reinsurers

	31/12/10				
	Insurance contracts		Investment contracts with DPF		Total
(In thousands of EUR)	Individual	Group	Individual	Group	
Share of reinsurers in life insurance reserve	6,054	2,795	0	0	8,849
Share of reinsurers in claims reserves	1,708	147	0	0	1,855
Share of reinsurers in unearned premium reserves (UPR)	0	11	0	0	11
Share of reinsurers in other technical reserves	32	0	0	0	32
TOTAL SHARE OF REINSURERS	**7,794**	**2,953**	**0**	**0**	**10,747**

	31/12/11				
	Insurance contracts		Investment contracts with DPF		Total
(In thousands of EUR)	Individual	Group	Individual	Group	
Share of reinsurers in life insurance reserve	5,808	4,505	0	0	10,313
Share of reinsurers in claims reserves	1,425	144	0	0	1,569
Share of reinsurers in unearned premium reserves (UPR)	0	2	0	0	2
Share of reinsurers in other technical reserves	37	0	0	0	37
TOTAL SHARE OF REINSURERS	**7,270**	**4,651**	**0**	**0**	**11,921**

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Discretionary participation feature included in equity

	31/12/10			31/12/11		
	Contracts with DPF			Contracts with DPF		
(In thousands of EUR)	Individual	Group	Total	Individual	Group	Total
Net discretionary participation feature included in equity	0	0	0	11	11	22

Insurance or investment contracts with DPF that have embedded derivatives that need to be separated and fair valued through profit or loss are limited to two products. Their amounts are not significant.

Reconciliation of changes in life insurance reserve

	2010			2011		
(In thousands of EUR)	Gross amount	Reinsurance amount	Net amount	Gross amount	Reinsurance amount	Net amount
LIFE INSURANCE RESERVE AS AT 1 JANUARY	**12,456,992**	**9,608**	**12,447,384**	**14,586,211**	**8,849**	**14,577,362**
Variation in opening due to variation of scope of consolidation	0	0	0	0	0	0
Net payments received/premiums receivable	1,783,545	1,023	1,782,522	1,652,881	6,239	1,646,642
Additional reserves due to shadow-accounting adjustments	(405)	0	(405)	(1,251)	0	(1,251)
Additional reserves due to results of LAT (Liability Adequacy Test)	0	0	0	0	0	0
Claims paid	(659,690)	(1,975)	(657,715)	(1,087,397)	(2,162)	(1,085,235)
Results on death and on life	(81,692)	(149)	(81,543)	(80,494)	(2,806)	(77,688)
Attribution of technical interest	426,649	389	426,260	444,579	377	444,202
Other changes	660,812	(47)	660,859	80,284	(183)	80,467
Variation of scope of consolidation	0	0	0	0	0	0
LIFE INSURANCE RESERVE AS AT 31 DECEMBER	**14,586,211**	**8,849**	**14,577,362**	**15,594,813**	**10,314**	**15,584,499**

Classification of the reserve for life insurances branches 21 and 26 by guaranteed interest rate

Guaranteed interest rate	4.75%	4.50%	3.75%	3.50%	3.30%	3.25%	3.00%	2.80%	2.75%	2.50%	2.25%	2.00%	0%	Other rates	Total
Classification of the reserve	9%	3%	12%	6%	6%	11%	14%	2%	12%	5%	5%	0%	9%	6%	100%

2. Non-life contracts

A. Income and expenses

Premium income

(In thousands of EUR)	31/12/10	31/12/11
Gross premiums written	469,067	498,526
Premiums ceded to reinsurer	(36,122)	(35,585)
NET PREMIUMS AFTER REINSURANCE (A)	**432,945**	**462,941**
Change in gross Unearned Premium Reserves (UPR)	(4,992)	(5,902)
Share of reinsurers in change of Unearned Premium Reserve (UPR)	(70)	(100)
CHANGE IN NET UNEARNED PREMIUM RESERVE (UPR) (B)	**(5,062)**	**(6,002)**
TOTAL NET EARNED PREMIUMS (A)+(B)	**427,883**	**456,939**

Claims expenses

(In thousands of EUR)	2010	2011
Gross claims paid	(281,734)	(293,765)
Claims reserve as at 1 January	649,883	703,531
Claims reserve as at 31 December	(703,531)	(748,150)
Transferred claims reserves	0	0
Share of reinsurers	18,128	23,237
NET CLAIMS INCURRED	**(317,254)**	**(315,147)**

Change in other non-life insurance reserves

(In thousands of EUR)	2010	2011
Other non-life insurance reserves (incl. profit sharing) as at 1 January	20,751	21,396
Other non-life insurance reserves as at 31 December	(21,396)	(22,466)
Transferred other non-life insurance reserves	0	0
Share of reinsurers in other non-life insurance reserves as at 1 January	(707)	(707)
Share of reinsurers in other non-life insurance reserves as at 31 December	707	648
Share of reinsurers in transferred other non-life insurance reserves	0	0
NET CHANGES IN INSURANCE LIABILITIES	**(645)**	**(1,129)**

Losses resulting from Liability Adequacy Test (LAT)

Nil

Non-life insurance by product group

(In thousands of EUR)	Gross earned premiums	Claims incurred	Technical result reinsurance	Costs	Net income on capital	Other	Total P&L
TOTAL AS AT 31 DECEMBER 2010	**464,074**	**(335,699)**	**(15,543)**	**(144,992)**	**39,819**	**(5,607)**	**2,052**
Accepted reinsurance	2,434	(5,725)	18	(16)	933	(290)	(2,646)
Direct business	461,640	(329,974)	(15,560)	(144,976)	38,886	(5,317)	4,699
All risks/accidents	67,329	(34,537)	(2,409)	(26,440)	7,610	(1,477)	10,076
Cars/third-party liability	134,569	(110,972)	1,382	(44,145)	19,853	(2,446)	(1,759)
Cars/other branches	67,689	(53,558)	(298)	(21,083)	2,061	(1,798)	(6,987)
Credit and suretyship	1,013	(4,963)	2,979	(22)	55	(35)	(973)
Non-life distribution	0	0	0	(190)	0	5,277	5,087
Health	22,836	(17,092)	(26)	(5,901)	1,937	(370)	1,384
Fire and other damage to property	146,157	(88,432)	(15,888)	(43,544)	5,097	(3,936)	(546)
Accidents at work	22,047	(20,420)	(1,300)	(3,651)	2,273	(532)	(1,583)

(In thousands of EUR)	Gross earned premiums	Claims incurred	Technical result reinsurance	Costs	Net income on capital	Other	Total P&L
TOTAL AS AT 31 DECEMBER 2011	**492,624**	**(339,042)**	**(9,898)**	**(95,564)**	**(6,857)**	**(62,658)**	**(21,395)**
Accepted reinsurance	2,159	(1,834)	274	(12)	471	(310)	748
Direct business	490,465	(337,208)	(10,172)	(95,552)	(7,328)	(62,348)	(22,143)
All risks/accidents	72,093	(31,774)	(4,128)	(18,148)	(1,936)	(11,430)	4,677
Cars/third-party liability	141,112	(111,515)	1,389	(28,219)	(1,551)	(19,803)	(18,587)
Cars/other branches	73,748	(43,100)	(620)	(14,547)	(340)	(10,044)	5,097
Credit and suretyship	1,213	(6,723)	4,688	(53)	(33)	(42)	(950)
Non-life distribution	0	0	0	(169)	0	4,872	4,703
Health	25,000	(20,871)	(270)	(4,371)	(594)	(1,579)	(2,685)
Fire and other damage to property	153,807	(100,307)	(10,420)	(26,608)	(1,639)	(23,288)	(8,455)
Accidents at work	23,492	(22,918)	(811)	(3,437)	(1,235)	(1,034)	(5,943)

B. Assets and liabilities

Gross reserves

(In thousands of EUR)	31/12/10	31/12/11
Claims reserves	635,952	678,605
Reserves Unallocated Loss Adjustment Expenses (ULAE)	25,479	26,617
Premium deficiency reserves (non-life LAT)	0	0
Reserves for claims Incurred But Not Reported (IBNR)	42,100	42,928
TOTAL CLAIMS RESERVES	**703,531**	**748,150**
Other technical reserves	21,396	22,466
Unearned Premium Reserve (UPR)	103,849	109,348
TOTAL GROSS RESERVES	**828,776**	**879,964**

Share of reinsurers

(In thousands of EUR)	31/12/10	31/12/11
Share of reinsurers in claims reserves	61,839	70,514
Share of reinsurers in reserves ULAE	0	0
Share of reinsurers in IBNR	0	0
SHARE OF REINSURERS IN TOTAL CLAIMS RESERVE	**61,839**	**70,514**
Share of reinsurers in other technical reserves	707	648
Share of reinsurers in UPR	1,724	1,625
TOTAL SHARE OF REINSURERS	**64,270**	**72,787**

Reconciliation of changes in claims reserves

	2010			2011		
(In thousands of EUR)	Gross amount	Reinsurance amount	Net amount	Gross amount	Reinsurance amount	Net amount
Claims reserves as at 1 January	**649,882**	**60,775**	**589,107**	**703,531**	**61,839**	**641,692**
Claims paid on previous years	(123,232)	(1,701)	(121,531)	(138,647)	(9,099)	(129,548)
Change in claim charges on previous years	(46,792)	(1,465)	(45,327)	(28,714)	10,810	(39,524)
Liabilities on claims current year	223,673	4,230	219,443	211,980	6,964	205,016
CLAIMS RESERVES AS AT 31 DECEMBER	**703,531**	**61,839**	**641,692**	**748,150**	**70,514**	**677,636**

Claims development

Run-off triangle total costs (gross figures)

Overview per occurence year of the paid non-life claims and the remaining non-life claims reserves

Liquidation year	Occurrence year					
(In thousands of EUR)	Previous	2007	2008	2009	2010	2011
2007	485,117	267,153	0	0	0	0
2008	372,607	144,342	285,228	0	0	0
2009	302,023	77,447	167,197	330,317	0	0
2010	256,373	57,905	93,392	161,536	377,007	0
2011	221,441	48,400	69,979	81,698	217,994	368,628

The run-off shows us that the estimated claims increased in 2010 and 2011 due to storms and flood.

9.4. Related parties transactions

During the fourth quarter of 2011, the Belgian government acquired 100% of Dexia Bank Belgium's (DBB) shares from Dexia SA through the Société Fédérale de Participations et d'Investissement/Federale Participatie- en Investeringsmaatschappij (SFPI/FPIM).

As a consequence of this change in the Group structure, the related parties of DBB changed as well.

Therefore, DBB presents 2 tables with related parties: one with our present related parties at the end of December 2011 and one with our former related parties until the end of September 2011.

The revised standard IAS 24 "Related Parties Disclosures" provides a partial exemption from the disclosure requirements for government-related entities.

Consequently these related entities are not included in the table "Related parties transactions December 2011". The exposure of DBB on Belgian Government bonds can be found in the Management Report on Risk Management, Follow-up on Risk.

1. Related parties transactions

	Directors and key management personnel(1)		Subsidiaries	
(In thousands of EUR)	31/12/10	31/12/11	31/12/10	31/12/11
Loans(2)	1,398	841	6,760	7,527
Interest income	50	35	80	145
Deposits(2)	7,068	2,404	68,094	66,094
Interest expense	(141)	(53)	(2,507)	(2,555)
Net commission	0	0	198	182
Guarantees issued and commitments provided by the Group(3)	0	0	823	297
Guarantees and commitments received by the Group	0	0	0	0

	Associates		Joint ventures in which the entity is a venturer	
(In thousands of EUR)	31/12/10	31/12/11	31/12/10	31/12/11
Loans(2)	235,256	128,763	20,980	19,389
Interest income	10,719	10,083	891	816
Deposits(2)	131,255	199,050	6,366	6,101
Interest expense	(1,405)	(1,714)	(25)	(61)
Net commission	102,365	18,495	31	33
Guarantees issued and commitments provided by the Group(3)	67,507	65,700	3,580	3,519
Guarantees and commitments received by the Group	14,607	64,526	29,708	28,965

(1) Key management includes the Board of Directors and the Management Board.
(2) Transactions with related parties are concluded at general market conditions.
(3) Unused lines granted.

No provisions were recorded on loans given to related parties.

2. Key management compensations

(In thousands of EUR)	31/12/10	31/12/11
Short-term benefits	6,094	4,935
Post-employment benefits	35	104
Other long-term benefits	0	0
Termination benefits	0	0
Share-based payments	0	0

Short-term benefits include the salaries, bonuses and other advantages.
Post-employment benefits: service cost calculated in accordance with IAS 19.
Share-based payments include the cost of stock options and the discount given on capital increase allowed to the key management.

3. Former related parties transactions September 2011

	Former parent company		Former entities with joint control or significant influence over the entity[1]		Former other related parties	
(In thousands of EUR)	31 Dec. 2010	30 Sep. 2011	31 Dec. 2010	30 Sep. 2011	31 Dec. 2010	30 Sep. 2011
Loans[2]	1,981,057	4,225,195	1,509,036	1,809,282	55,079,241	52,483,981
Interest income	32,497	33,789	57,047	43,808	534,937	531,243
Deposits[2]	23,309	8,506	21,762	137,461	17,265,819	14,161,083
Interest expense	(6,330)	(57)	(204)	(361)	(60,952)	(79,980)
Net commission	1,807	1,299	352	49	1,276	9,194
Guarantees issued and commitments provided by the Group[3]	0	0	239,650	9,484	4,571,996	6,317,788
Guarantees and commitments received by the Group	0	0	533,534	812,796	21,556,823	18,844,071

(1) Includes the main shareholders of Dexia: Arcofin, Holding Communal, Caisse des Dépôts et Consignations.
(2) Transactions with related parties are concluded at general market conditions.
(3) Unused lines granted.

DBB has recorded an impairment on certain shareholders of Dexia SA; we refer to the management report on the key events for more information.

4. Dexia Real Estate Capital Markets

Dexia Real Estate Capital Markets (DRECM) was sold by DBB in July 2010 to Dexia Holding, Inc. (Delaware).

Because DRECM and Dexia Holding, Inc. (Delaware) are no longer related parties to DBB, an overview of the remaining engagements of DBB towards the former activities of DRECM is presented.

A. The purpose and context of the comfort letters

In the framework of 5 Commercial Real Estate Mortgage Loans securitisation operations in which DRECM is involved, DRECM entered into a Mortgage Loan Purchase Agreement as a seller of Commercial Mortgage Loans and into an Indemnification agreement.

In these agreements DRECM has given certain representation and warranties in respect to some aspects of corporate standing and on some characteristics of the Commercial Mortgage Loans to certain CMBS trusts.

Under the Mortgage Loan Purchase Agreement a loan seller would be obliged under the reps and warranties to repurchase a loan if there was a material breach of the reps and warranties or a material document defect that can not be remedied, or cured, within a certain period of time (usually 90 days with extensions possible).

Given the fact that this is a kind of operational ongoing obligation of DRECM and DRECM is a non-rated entity, rating agencies required a larger first loss tranch (economically expensive for DRECM) or a counter-guarantee from a rated entity.

In this context Dexia Bank Belgium SA as a successor of Artesia Banking Corporation SA has delivered the said comfort letters because the bank had a sufficient rating to reduce the requirement of the rating agencies with respect to the credit enhancement.

B. The legal nature of the comfort letters

The first obligation to respect the terms of the Mortgage Loan Purchase Agreements and the Indemnification Agreements is the responsibility of DRECM.

It is only in case DRECM would not be performing that Dexia Bank Belgium SA promised to intervene with all means be it, human, technical or financial. The obligations of DBB are obligations to perform or to pay. It is not a guarantee on first demand, nor an obligation to buy any non-performing loan but a stand-by back-up agreement for performance or payment.

Although the shares of DBB in DRECM were sold to Dexia Holding Inc. (Delaware) on 16 July 2010, these comfort letters are still in place. However, we believe that the risks for DBB are extremely remote, seen only one repurchase is outstanding and no previous transactions have led to any repurchases and DRECM is sufficiently capitalised to meet its contractual obligations.

9.5. Securitisation

Dexia Bank has five securitisation vehicles: Atrium-1, Atrium-2, MBS, Dexia Secured Funding Belgium and Penates Funding. The total assets of these companies amount to EUR 21,500 million as at 31 December 2011 compared to EUR 20,100 million as at 31 December 2010.

The assets of Dexia Secured Funding Belgium and Penates Funding are included in the consolidated financial statements. Dexia Bank's other securitisation vehicles have been deconsolidated due to their non-significant amounts.

Atrium-1 is a Belgian securitisation transaction of social housing loans pursuant to a long-term credit facility between Dexia Bank and Domus Flandria NV (the borrower) and guaranteed by the Flemish Region. The guarantee of the Flemish Region was transferred to the special purpose entity (SPE). The original size of the transaction was EUR 188 million. Two classes of fixed-rate notes were issued on 30 April 1996, both carrying a Moody's rating equal to that of the Flemish government (initially Aa2sf, currently Aa2sf as well). As at 31 December 2011 EUR 64.2 million is still outstanding under class A2 while class A1 has been repaid.

Atrium-2 is a Belgian securitisation transaction of social housing loans pursuant to a long-term credit facility between Dexia Bank and Domus Flandria NV (the borrower) and guaranteed by the Flemish Region. The guarantee of the Flemish Region was transferred to the SPE. The original size of the transaction was EUR 129.3 million. Two classes of fixed-rate notes were issued on 19 June 1997, both carrying a Moody's rating equal to that of the Flemish government (initially Aa2sf, currently Aa2sf as well). As at 31 December 2011 EUR 51.6 million is still outstanding under class A2.

The Belgian securitisation vehicle MBS has six compartments. The last active compartment, MBS-4, has exercised its clean-up call in January 2010. As such there are no outstanding issues anymore under the MBS programme at the end of 2011.

Dexia Secured Funding Belgium NV (DSFB) is a Belgian securitisation vehicle (*société d'investissement en créances (SIC)* under Belgian law) with currently six compartments, of which three with activity.

DSFB-1 (using the first ring-fenced compartment of DSFB) is a securitisation transaction of loans granted to public entities in Belgium or 100% guaranteed by such public entities. This EUR 1,700 million transaction was launched on 28 June 2007. One tranche of floating rate notes, rated AA/Aa1/AA+ at closing by respectively S&P, Moody's and Fitch, was issued. Dexia Bank has guaranteed the full and timely payment of principal and interest on the notes. As at 31 December 2011 there is EUR 1,441 million outstanding and the notes have a rating of Asf/A-/A3.

DSFB-2 (using the second ring-fenced compartment of DSFB) is a securitisation transaction of loans granted to Belgian entities (public and other). All the loans are 100% guaranteed by one of the three Belgian regions. This EUR 1,621 million transaction was launched on 28 April 2008. One tranche of floating rate notes, rated at closing AA/Aa1/AA+ by respectively S&P, Moody's and Fitch, was issued. Dexia Bank has guaranteed the full and timely payment of principal and interest on the notes. As at 31 December 2011 EUR 1,404 million is still outstanding and the notes have a rating of Asf/A-/A3.

DSFB-4 (using the fourth ring-fenced compartment of DSFB) is a securitisation transaction of loans granted to Belgian public entities. This EUR 5,060 million transaction was launched on 14 December 2009. Three classes of floating rate notes were issued: EUR 4,700 million Class A notes (rated AAsf by Fitch Ratings), EUR 300 million non-rated Class B notes and EUR 60 million non-rated Class C notes. As at the end of December 2011, EUR 4,224 million is still outstanding.

The DSFB transactions have been fully subscribed by Dexia Bank and by Dexia Municipal Agency (part of Dexia Group).

Penates Funding NV is a Belgian securitisation vehicle (SIC) with currently six compartments. Two compartments, Penates-1 and Penates-4, had outstanding notes at the end of 2011. Penates-2 has been called in April 2010 and Penates-3 has been called in December 2011.

On 27 October 2008, Dexia Bank closed a EUR 8,080 million RMBS securitisation transaction. The SPE, Penates Funding acting through its compartment Penates-1, securitised Belgian residential mortgage loans originated by Dexia Bank and issued five classes of notes: EUR 7,600 million Class A Mortgage-Backed Floating Rate Notes due 2041 (Fitch AAAsf/ S&P AAAsf), EUR 160 million Class B Mortgage-Backed Floating Rate Notes due 2041 (Fitch AAsf), EUR 120 million Class C Mortgage-Backed Floating Rate Notes due 2041 (Fitch Asf), EUR 120 million Class D Mortgage-Backed Floating Rate Notes due 2041 (Fitch BBBsf) and EUR 80 million Subordinated Class E Floating Rate Note due 2041 (not rated). As at 31 December 2011 the Class A notes have been downgraded by S&P to A+sf due to S&P's revised counterparty criteria. All the notes still have their initial Fitch rating. The outstanding amounts for all classes of notes are still at their initial amount except for the Class A notes where the balance decreased to EUR 5,156.9 million. There is hence EUR 5,636.9 million outstanding under Penates-1 as at 31 December 2011.

On 19 December 2011, Dexia Bank closed a EUR 9,117 million RMBS securitisation transaction. The SPE, Penates Funding acting through its compartment Penates-4, securitised Belgian residential mortgage loans originated by Dexia Bank and issued four classes of notes: EUR 8,077.5 million Class A Mortgage-Backed Floating Rate Notes due 2045 (Fitch AAAsf/ Moody's Aaasf/ DBRS AAAsf), EUR 472.5 million Class B Mortgage-Backed Floating Rate Notes due 2045 (Fitch Asf/ Moody's A3sf/ DBRS Asf), EUR 450 million Class C Mortgage-Backed Floating Rate Notes due 2045 (not rated) and EUR 117 million Subordinated Class D Floating Rate Notes due 2045 (not rated). As at December 2011, Fitch has put the Class B Notes on "RWN" (Rating Watch Negative) due to the direct link between the rating of Dexia Bank Belgium and the rating of the Class B Notes. All of the notes were still at their initial balance as at 31 December 2011.

The Penates transactions have been fully subscribed by Dexia Bank and its subsidiary Dexia Investments Ireland.

The notes can be used as collateral in repurchase agreements with the European Central Bank.

9.6. Acquisitions and disposals of consolidated companies

1. Main acquisitions

There were no significant acquisitions in 2010 nor in 2011.

2. Main disposals

Year 2010

On 30 April 2010, Dexia Épargne Pension has been sold to BNP Paribas Assurance.
On 16 July 2010, Dexia Real Estate Capital Markets (DRECM) has been sold to Dexia Crédit Local.
On 6 September 2010, the 51% stake in the group Adinfo has been sold to Network Research Belgium.
Adinfo is a group active in IT services for Belgian local authorities.

Year 2011

On 16 March 2011, Parfipar has been sold to Dexia BIL.
On 1 December 2011, Dexis has been sold to Verspieren.

The assets and liabilities disposed are as follows:

	2010			2011	
(In thousands of EUR)	DRECM	Groupe Adinfo	Dexia Épargne Pension	Parfipar	Dexis
Cash and cash equivalents	20 524	102	65 525	4	6 534
Loans and advances due from banks	1 896	12 639	752	459	0
Loans and advances to customers	436 493	0	369 269	0	0
Financial assets measured at fair value through profit or loss	39 025	0	1 768 825	0	0
Financial investments	139	0	2 146 905	0	251
Derivatives	1 311	0	4	0	0
Tax assets	7 846	3 447	5 045	0	243
Other assets	19 817	24 936	58 599	307	15 528
Due to banks	(461 719)	(1 818)	(86 364)	0	(371)
Customer borrowings and deposits	0	0	0	0	0
Financial liabilities measured at fair value through profit or loss	0	0	0	0	0
Derivatives	(6 524)	0	(314)	0	0
Debt securities	0	0	0	0	0
Subordinated debts	0	0	(108 127)	0	0
Technical provisions of insurance companies	0	0	(4 224 195)	0	0
Other liabilities	(4 154)	(14 939)	(26 548)	(2)	(7 529)
NET ASSETS	**54 654**	**24 367**	**(30 624)**	**768**	**14 656**
Proceeds from sale (in cash)	54 543	26 349	0	3 267	22 750
Less: cost of the transaction	0	(275)	0	0	0
Less: cash and cash equivalents in the subsidiary sold	(20 524)	(102)	0	(4)	(6 534)
NET CASH INFLOW ON SALE	**34 019**	**25 972**	**0(1)**	**3 263**	**16 216**

(1) In accordance with the sale contract, the sale conditions can not be disclosed.

3. Assets and liabilities included in disposal groups held for sale

Year 2010
As required by IFRS 5, the assets and liabilities of Parfipar have been recorded as a group held for sale as from 31 December 2010.

On 25 November 2010, Dexia Bank signed an agreement relating to the sale of Parfipar to Dexia Bank Internationale à Luxembourg.

The transaction has been finalised in the first semester of 2011.

Year 2011
There were no subsidiaries recorded as a group held for sale as from 31 December 2011.

The assets and liabilities included in the group held for sale are as follows:

(In thousands of EUR)	2010 Parfipar	2011
Cash and cash equivalents	461	0
Loans and advances due from banks	2	0
Loans and advances to customers	0	0
Financial assets measured at fair value through profit or loss	0	0
Financial investments	0	0
Other assets	307	0
XIII. NON-CURRENT ASSETS HELD FOR SALE	**770**	**0**
Due to banks	0	0
Subordinated debts	0	0
Technical provisions of insurance companies	0	0
Other liabilities	(2)	0
XII. LIABILITIES INCLUDED IN DISPOSAL GROUPS HELD FOR SALE	**(2)**	**0**
NET ASSETS	**768**	**0**

9.7. Equity

(In thousands of EUR)	2010	2011
By category of share		
Number of shares authorised and not issued	0	0
Number of shares issued and fully paid	359,412,616	359,412,616
Number of shares issued and not fully paid	0	0
VALUE PER SHARE	**no nominal value**	**no nominal value**
Outstanding as at 1 January	359,412,616	359,412,616
Number of shares issued	0	0
Number of shares cancelled	0	0
Outstanding as at 31 December	359,412,616	359,412,616
Rights, preferences and restrictions, including restrictions on the distribution of dividends and the repayment of capital	0	0
Number of treasury shares	0	0
Number of shares reserved for issue under stock options and contracts for the sale of share	0	0

9.8. Share-based payments

Due to the acquisition of DBB by the Belgian government through SFPI/FPIM, DBB is no longer a member of Dexia Group. Given the granted options are on Dexia shares, IFRS 2 "Share-based payments" is not longer applicable.

1. Stock option plans settled in Dexia shares

	31/12/10 Number of options	31/12/11 Number of options
Outstanding at beginning of period	24,172,357	
Granted during the period	0	
Exercised during the period	0	
Expired or forfeited during the period	(822,519)	
Adjustment(1)	1,112,914	
Outstanding at the end of the period	24,462,752	
Exercisable at the end of the period	21,065,449	

(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 12 May 2010, 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.

2. Range of exercise prices (EUR)

Range of exercise prices (EUR)(1)	31/12/10		
	Number of outstanding options	Weighted average options exercise price (EUR)	Weighted average remaining contractual life (year)
9.63	3,108,950	0.00	7.5
10.47 – 10.85	3,692,080	10.85	2.56
11.34 – 13.04	5,330,394	12.49	3.08
13.18 – 13.92	0	0.00	0.00
14.48 – 15.16	0	0.00	0.00
16.45 – 17.05	1,785,838	17.05	1
17.21 – 17.37	3,728,144	17.21	4.5
17.77 – 20.28	3,562,985	17.77	5.23
22.19	3,254,361	22.19	6.5

(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 12 May 2010, 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.

Range of exercise prices as at 31 December 2011
Nil

(In thousands of EUR)	31/12/10	31/12/11
Equity-settled arrangements	(912)	0
Cash-settled arrangements	(508)	0
Arrangements with settlement alternatives	0	0
TOTAL EXPENSES	**(1,420)**	**0**
Liabilities for cash-settled arrangements	508	0
Liabilities for arrangements with settlement alternatives	0	0
TOTAL LIABILITIES	**508**	**0**

9.9. Non-controlling interests – Core equity

(In thousands of EUR)	
AS AT 1 JANUARY 2010	**32,009**
Increase of capital	0
Dividends	(4,327)
Net income for the period	2,159
Translation adjustments	0
Variation of scope of consolidation	(8,424)
Other	14
AS AT 31 DECEMBER 2010	21,431

(In thousands of EUR)	
AS AT 1 JANUARY 2011	**21,431**
Increase of capital	0
Dividends	(911)
Net income for the period	(97)
Translation adjustments	0
Variation of scope of consolidation	(2,263)
Other	(1,405)
AS AT 31 DECEMBER 2011	16,755

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9.10. Contribution by activity

(In thousands of EUR)	31/12/10 Banking and other activities	Other insurance activities(1)	Total
I. Cash and balances with central banks	1,460,900	8	1,460,908
II. Loans and advances due from banks	67,343,372	593,412	67,936,784
III. Loans and advances to customers	97,494,163	1,978,308	99,472,471
IV. Financial assets measured at fair value through profit or loss	2,797,246	3,522,790	6,320,036
V. Financial investments	21,289,201	15,185,884	36,475,085
VI. Derivatives	30,312,735	494	30,313,229
VII. Fair value revaluation of portfolio hedge	1,812,004	0	1,812,004
VIII. Investments in associates	244,656	33,313	277,969
IX. Tangible fixed assets	1,093,388	147,905	1,241,293
X. Intangible assets and goodwill	111,796	117,439	229,235
XI. Tax assets	709,036	244,329	953,365
XII. Other assets	1,097,635	295,457	1,393,092
XIII. Non-current assets held for sale	16,664	0	16,664
TOTAL ASSETS	**225,782,796**	**22,119,339**	**247,902,135**
I. Due to banks	62,329,301	38,943	62,368,244
II. Customer borrowings and deposits	82,793,358	83,173	82,876,531
III. Financial liabilities measured at fair value through profit or loss	8,671,383	3,523,284	12,194,667
IV. Derivatives	34,902,890	16	34,902,906
V. Fair value revaluation of portfolio hedge	(42,023)	0	(42,023)
VI. Debt securities	28,957,883	0	28,957,883
VII. Subordinated debts	2,496,733	218,908	2,715,641
VIII. Technical provisions of insurance companies		15,619,891	15,619,891
IX. Provisions and other obligations	562,973	337,886	900,859
X. Tax liabilities	31,426	3,510	34,936
XI. Other liabilities	1,619,931	300,538	1,920,469
XII. Liabilities included in disposal groups held for sale	2	0	2
TOTAL LIABILITIES	**222,323,857**	**20,126,149**	**242,450,006**

(In thousands of EUR)	31/12/11 Banking and other activities	Other insurance activities(1)	Total
I. Cash and balances with central banks	713,576	10	713,586
II. Loans and advances due from banks	45,627,579	547,324	46,174,903
III. Loans and advances to customers	90,008,535	1,924,655	91,933,190
IV. Financial assets measured at fair value through profit or loss	2,368,242	3,132,392	5,500,634
V. Financial investments	29,010,110	15,901,812	44,911,922
VI. Derivatives	34,933,281	0	34,933,281
VII. Fair value revaluation of portfolio hedge	3,198,807	0	3,198,807
VIII. Investments in associates	84,584	8,570	93,154
IX. Tangible fixed assets	1,143,026	258,002	1,401,028
X. Intangible assets and goodwill	101,921	116,612	218,533
XI. Tax assets	1,714,798	347,526	2,062,324
XII. Other assets	1,056,716	288,000	1,344,716
XIII. Non-current assets held for sale	22,965	0	22,965
TOTAL ASSETS	**209,984,140**	**22,524,903**	**232,509,043**
I. Due to banks	59,375,949	39,464	59,415,413
II. Customer borrowings and deposits	70,205,243	59,481	70,264,724
III. Financial liabilities measured at fair value through profit or loss	7,949,620	3,132,392	11,082,012
IV. Derivatives	41,372,637	0	41,372,637
V. Fair value revaluation of portfolio hedge	30,204	0	30,204
VI. Debt securities	24,361,727	0	24,361,727
VII. Subordinated debts	2,466,421	219,046	2,685,467
VIII. Technical provisions of insurance companies	0	16,786,233	16,786,233
IX. Provisions and other obligations	616,621	360,590	977,211
X. Tax liabilities	25,348	13,101	38,449
XI. Other liabilities	1,903,303	316,437	2,219,740
XII. Liabilities included in disposal groups held for sale	0	0	0
TOTAL LIABILITIES	**208,307,073**	**20,926,744**	**229,233,817**

(1) The item "Insurance" includes Dexia Insurance Services Group.

(In thousands of EUR)	31/12/10 Banking and other activities	Other insurance activities[1]	Total
Interest margin	1,443,759	666,047	2,109,806
Dividend income	12,676	53,457	66,133
Net income from associates	26,887	1,785	28,672
Net income from financial instruments at fair value through profit or loss	(35,078)	6,814	(28,264)
Net income on investments	148,331	58,819	207,150
Net fees and commissions	342,917	25,459	368,376
Premiums and technical income from insurance activities	6,872	3,442,602	3,449,474
Technical expense from insurance activities[2]	0	(3,891,767)	(3,891,767)
Other net income	59,768	16,947	76,715
INCOME	**2,006,132**	**380,163**	**2,386,295**
Staff expense	(567,869)	(101,298)	(669,167)
General and administrative expense	(449,993)	(52,989)	(502,982)
Network costs[2]	(308,014)	0	(308,014)
Depreciation & amortisation	(95,151)	(20,617)	(115,768)
EXPENSES	**(1,421,027)**	**(174,904)**	**(1,595,931)**
GROSS OPERATING INCOME	**585,105**	**205,259**	**790,364**
Impairment on loans and provisions for credit commitments	(19,089)	(7,282)	(26,371)
Impairment on tangible and intangible assets	(12)	0	(12)
Impairment on goodwill	0	0	0
Provisions for legal litigations	(1,588)	(311)	(1,899)
NET INCOME BEFORE TAX	**564,416**	**197,666**	**762,082**
Tax expense	(81,278)	(323)	(81,601)
NET INCOME OF CONTINUING OPERATIONS	**483,138**	**197,343**	**680,481**
Discontinued operations (net of tax)	0	0	0
NET INCOME	**483,138**	**197,343**	**680,481**
Attributable to non-controlling interests	748	1,411	2,159
Attributable to owners of the parent	482,390	195,932	678,322

(1) The item "Insurance" includes Dexia Insurance Services Group.
(2) Figures as at 31 December 2010 have been restated.

The contribution to financial statements is presented under IFRS after elimination of intercompany balances and transactions, and therefore does not correspond to the published financial statements of Dexia Insurance Belgium published under Belgian GAAP.

(In thousands of EUR)	31/12/11 Banking and other activities	Other insurance activities[1]	Total
Interest margin	1,427,339	713,887	2,141,226
Dividend income	8,203	61,015	69,218
Net income from associates	20,884	(23,623)	(2,739)
Net income from financial instruments at fair value through profit or loss	(73,140)	12,375	(60,765)
Net income on investments	(1,192,910)	(850,130)	(2,043,040)
Net fees and commissions	310,123	22,107	332,230
Premiums and technical income from insurance activities	0	2,698,278	2,698,278
Technical expense from insurance activities	0	(3,029,733)	(3,029,733)
Other net income	(38,639)	232	(38,407)
INCOME	**461,860**	**(395,592)**	**66,268**
Staff expense	(562,846)	(97,209)	(660,055)
General and administrative expense	(464,204)	(64,270)	(528,474)
Network costs	(305,480)	0	(305,480)
Depreciation & amortisation	(97,695)	(18,586)	(116,281)
EXPENSES	**(1,430,225)**	**(180,065)**	**(1,610,290)**
GROSS OPERATING INCOME	**(968,365)**	**(575,657)**	**(1,544,022)**
Impairment on loans and provisions for credit commitments	(510,428)	(44,861)	(555,289)
Impairment on tangible and intangible assets	(46,965)	0	(46,965)
Impairment on goodwill	0	0	0
Provisions for legal litigations	833	(261)	572
NET INCOME BEFORE TAX	**(1,524,925)**	**(620,779)**	**(2,145,704)**
Tax expense	578,958	199,833	778,791
NET INCOME OF CONTINUING OPERATIONS	**(945,967)**	**(420,946)**	**(1,366,913)**
Discontinued operations (net of tax)	0	0	0
NET INCOME	**(945,967)**	**(420,946)**	**(1,366,913)**
Attributable to non-controlling interests	0	(97)	(97)
Attributable to owners of the parent	(945,967)	(420,849)	(1,366,816)

(1) The item “Insurance” includes Dexia Insurance Services Group.

The contribution to financial statements is presented under IFRS after elimination of intercompany balances and transactions, and therefore does not correspond to the published financial statements of Dexia Insurance Belgium published under Belgian GAAP.

9.11. Exchange rates

		31/12/10		31/12/11	
		Closing rate	Average rate	Closing rate	Average rate
Australian dollar	AUD	1.3118	1.4388	1.2708	1.3415
Canadian dollar	CAD	1.3346	1.3675	1.3220	1.3798
Swiss franc	CHF	1.2490	1.3700	1.2169	1.2318
Koruna (Czech republic)	CZK	25.0425	25.2419	25.5118	24.5628
Danish krone	DKK	7.4531	7.4477	7.4327	7.4495
Euro	EUR	1.0000	1.0000	1.0000	1.0000
Pound sterling	GBP	0.8573	0.8570	0.8359	0.8698
Hong Kong dollar	HKD	10.4144	10.2718	10.0801	10.8594
Forint	HUF	278.3240	276.2157	313.9378	280.2999
Shekel	ILS	4.7457	4.9283	4.9645	5.0079
Yen	JPY	108.7690	115.2675	100.1382	111.3213
Mexican peso	MXN	16.5478	16.7025	18.0986	17.4227
Norwegian Krone	NOK	7.8065	8.0048	7.7570	7.7812
New Zealand dollar	NZD	1.7245	1.8343	1.6721	1.7511
Swedish krona	SEK	8.9795	9.4884	8.8999	8.9948
Singapore dollar	SGD	1.7174	1.7955	1.6828	1.7530
Turkish lira	TRY	2.0551	1.9880	2.4531	2.3500
US dollar	USD	1.3399	1.3221	1.2978	1.4001

X. Notes on the consolidated off-balance-sheet items

(some amounts may not add up due to roundings-off)

10.1. Regular way trade

(In thousands of EUR)	31/12/10	31/12/11
Loans to be delivered and purchases of assets	2,915,616	4,571,596
Borrowings to be received and sales of assets	6,352,034	11,097,652

10.2. Guarantees

(In thousands of EUR)	31/12/10	31/12/11
Guarantees given to credit institutions	2,144,987	3,174,723
Guarantees given to customers	5,533,953	6,199,986
Guarantees received from credit institutions	22,197	12,063
Guarantees received from customers	36,804,608	38,827,725
Guarantees received from the States	2,012,071	7,989

10.3. Loan commitments

(In thousands of EUR)	31/12/10	31/12/11
Unused lines granted to credit institutions	121,192	56,630
Unused lines granted to customers	26,548,956	30,584,934
Unused lines obtained from credit institutions	7,215,132	2,034
Unused lines obtained from customers	0	0

10.4. Other commitments

(In thousands of EUR)	31/12/10	31/12/11
Insurance activity – Commitments given	0	0
Insurance activity – Commitments received	31,008	35,765
Banking activity – Commitments given (1)	123,658,536	140,772,805
Banking activity – Commitments received (1)	78,242,308	65,779,310

(1) Mainly related to repurchase agreements and collateralisation of debts with central banks and the European Central Bank.

XI. Notes on the consolidated statement of income

(some amounts may not add up due to roundings-off)

11.1. Interest income – Interest expense

(In thousands of EUR)	31/12/10	31/12/11
INTEREST INCOME	**25,238,192**	**26,888,549**
INTEREST INCOME OF ASSETS NOT AT FAIR VALUE THROUGH PROFIT OR LOSS	**5,422,070**	**5,671,763**
Cash and balances with central banks	15,030	17,247
Loans and advances due from banks	609,675	958,888
Loans and advances to customers	3,252,042	3,301,736
Financial assets available for sale	1,488,697	1,325,849
Investments held to maturity	0	0
Interest on impaired assets	37,193	58,307
Other	19,433	9,736
INTEREST INCOME OF ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**19,816,122**	**21,216,786**
Financial assets held for trading	97,835	78,350
Financial assets designated at fair value	14,518	1,318
Derivatives held for trading	18,125,751	19,270,775
Derivatives used for hedging	1,578,018	1,866,343
INTEREST EXPENSE	**(23,128,385)**	**(24,747,323)**
INTEREST EXPENSE OF LIABILITIES NOT AT FAIR VALUE THROUGH PROFIT OR LOSS(1)	**(2,205,983)**	**(2,550,192)**
Due to banks	(432,620)	(576,350)
Customer borrowings and deposits	(882,674)	(1,094,480)
Debt securities	(745,055)	(768,353)
Subordinated debts	(74,558)	(68,578)
Preferred shares and hybrid capital	(24,610)	(24,599)
Expenses linked to the amounts guaranteed by the States	(34,512)	(8,913)
Other	(11,954)	(8,919)
INTEREST EXPENSE OF LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	**(20,922,402)**	**(22,197,131)**
Financial liabilities held for trading	(9,201)	(7,322)
Financial liabilities designated at fair value	(328,563)	(325,576)
Derivatives held for trading	(17,903,242)	(19,150,382)
Derivatives used for hedging	(2,681,396)	(2,713,851)
NET INTEREST INCOME	**2,109,807**	**2,141,226**

(1) In 2010 and 2011, an amount of respectively EUR -73 million and EUR -75 million was booked as a contribution to the Belgian deposit guaranty mechanism.

11.2. Dividend income

(In thousands of EUR)	31/12/10	31/12/11
Financial assets available for sale	65,207	68,549
Financial assets held for trading	926	669
Financial assets designated at fair value through profit or loss	0	0
TOTAL	**66,133**	**69,218**

11.3. Net income from associates

(In thousands of EUR)	31/12/10	31/12/11
Income from associates before tax	33,435	(2,101)
Share of tax	(4,763)	(638)
Impairment on goodwill	0	0
TOTAL	**28,672**	**(2,739)**

11.4. Net income from financial instruments at fair value through profit or loss

(In thousands of EUR)	31/12/10	31/12/11
Net trading income	(63,523)	(70,307)
Net result of hedge accounting	45,216	(20,749)
Net result of financial instruments designated at fair value through profit or loss and result from the related derivatives (1)	7,328	23,651
Change in own credit risk(2)	(34,686)	(19,330)
Forex activity and exchange differences	17,401	25,970
TOTAL	**(28,264)**	**(60,765)**
(1) Among which trading derivatives included in a fair value option strategy	(8,070)	(54,158)

(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

(In thousands of EUR)	31/12/10	31/12/11
FAIR VALUE HEDGES	**34,914**	**1,429**
Fair value changes of the hedged item attributable to the hedged risk	60,966	63,077
Fair value changes of the hedging derivatives	(26,052)	(61,648)
CASH-FLOW HEDGES	**0**	**2,698**
Fair value changes of the hedging derivatives – ineffective portion	0	2,698
DISCONTINUATION OF CASH-FLOW HEDGE ACCOUNTING (CASH FLOWS NO LONGER EXPECTED TO OCCUR)	**3,845**	**0**
HEDGES OF NET INVESTMENTS IN A FOREIGN OPERATION	**0**	**0**
Fair value changes of the hedging derivatives – ineffective portion	0	0
PORTFOLIO HEDGE	**6,457**	**(24,876)**
Fair value changes of the hedged item	644,773	2,466,758
Fair value changes of the hedging derivatives	(638,316)	(2,491,634)
TOTAL	**45,216**	**(20,749)**

(In thousands of EUR)	31/12/10	31/12/11
Discontinuation of cash-flow hedge accounting (cash flows still expected to occur) – amounts recorded in interest margin	(220)	104

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11.5. Net income on investments

(In thousands of EUR)	31/12/10	31/12/11
Gains on loans and advances	179,966	27,191
Gains on financial assets available for sale	365,620	199,027
Gains on investments held to maturity	0	0
Gains on tangible fixed assets	1,206	25,424
Gains on intangible fixed assets	0	0
Gains on assets held for sale	14,155	0
Gains on liabilities	6,126	65
Other gains	0	0
TOTAL GAINS	**567,073**	**251,707**
Losses on loans and advances	(175,638)	(215,291)
Losses on financial assets available for sale	(279,508)	(603,152)
Losses on investments held to maturity	0	0
Losses on tangible fixed assets	(99)	(448)
Losses on intangible fixed assets	(3)	0
Losses on assets held for sale	(225)	(67,625)
Losses on liabilities	(6,874)	(1)
Other losses	(56)	(167)
TOTAL LOSSES	**(462,403)**	**(886,684)**
NET IMPAIRMENT	**102,480**	**(1,408,063)**
TOTAL	**207,150**	**(2,043,040)**

Net impairment

	Specific risk		Total
(In thousands of EUR)	Allowances	Write-backs	
AS AT 31 DECEMBER 2010			
Securities held to maturity	0	0	0
Securities available for sale	(39,219)	141,699	102,480
TOTAL	**(39,219)**	**141,699**	**102,480**

	Specific risk		Total
(In thousands of EUR)	Allowances	Write-backs	
AS AT 31 DECEMBER 2011			
Securities held to maturity	0	0	0
Securities available for sale	(1,664,317)	256,254	(1,408,063)
TOTAL	**(1,664,317)**	**256,254**	**(1,408,063)**

11.6. Fee and commission income and expense

	31/12/10			31/12/11		
(In thousands of EUR)	Income	Expense	Net	Income	Expense	Net
Management of unit trusts and mutual funds	100,359	(2,433)	97,926	92,662	(3,312)	89,350
Administration of unit trusts and mutual funds	19,180	(101)	19,079	14,422	(42)	14,380
Insurance activity	10,780	(414)	10,366	11,739	(943)	10,796
Credit activity	40,453	(5,820)	34,633	47,563	(5,998)	41,565
Purchase and sale of securities	26,671	(3,517)	23,154	24,339	(3,301)	21,038
Purchase and sale of unit trusts and mutual funds	16,493	(2,868)	13,625	12,449	(2,492)	9,957
Payment services	128,825	(40,484)	88,341	129,426	(38,222)	91,204
Commissions to non-exclusive brokers	24,876	(23,194)	1,682	20,900	(21,680)	(780)
Financial engineering	0	0	0	0	0	0
Services on securities other than safekeeping	3,837	(1,571)	2,266	3,193	(892)	2,301
Custody	15,616	(4,444)	11,172	13,584	(7,721)	5,863
Issues and placements of securities	434	(51)	383	11,481	(637)	10,844
Servicing fees of securitisation	440	0	440	641	0	641
Private banking	8,594	(2,997)	5,597	8,377	(2,904)	5,473
Clearing and settlement	3,659	(11,703)	(8,044)	10,775	(20,689)	(9,914)
Securities lending	9,231	(20,500)	(11,269)	17,543	(45,141)	(27,598)
Other	79,988	(963)	79,025	68,058	(948)	67,110
TOTAL	**489,436**	**(121,060)**	**368,376**	**487,152**	**(154,922)**	**332,230**

11.7. Technical margin of insurance activities

1. Premiums and technical income from insurance activities

(In thousands of EUR)	31/12/10	31/12/11
Premiums and contributions received(1)	2,883,645	2,578,615
Claims incurred – part of reinsurers(1)	62,964	61,170
Changes in technical reserves – part of reinsurers(1)	1,399	9,691
Other technical income	501,466	48,802
INCOME	**3,449,474**	**2,698,278**

(1) See also note 9.3. Insurance contracts.

2. Technical expense from insurance activities

(In thousands of EUR)	31/12/10	31/12/11
Premiums transferred to reinsurers(1)	(146,440)	(147,222)
Commissions and contributions paid(2)	(231,202)	(205,695)
Claims incurred(1)	(1,127,259)	(1,462,410)
Change in technical reserves(1)	(2,381,903)	(1,187,883)
Other technical expenses	(4,963)	(26,523)
EXPENSES	**(3,891,767)**	**(3,029,733)**

(1) See also note 9.3. Insurance contracts.
(2) Figures as at 31 December 2010 have been restated.

Insurance activities are reported in the Dexia banking scheme. Financial income is presented under the various items of the profit and loss account whilst technical income is to be found in the technical margin on insurance activities. Technical income is negative in life insurance.

Insurance activities consist of receiving premiums which are invested in financial assets generating revenues to cover:

- obligations to life insurance clients: a certain return on investments in Life or to hedge mortality or inactivity risk;
- obligations to non-life insurance clients in case of claim;
- the company's operating costs.

In Life, technical accounts are negative in view of the reservation mechanism: the premium is placed in a reserve and the reserve is capitalised to cover the guaranteed rate (and the profit-sharing obligation) due to the client. Financial income generated on life assets offsets the negative technical accounts. The result of the insurance activity should be assessed taking into account that financial income.

11.8. Other net income

(In thousands of EUR)	31/12/10	31/12/11
Changes in inventory	0	0
Write-back of impairment on inventory	0	0
Exploitation taxes	696	710
Rental income from investment properties	10,764	12,588
Other rental income	12,879	10,229
Other banking income	0	0
Other income on other activities(1)	228,838	152,603
OTHER INCOME	**253,177**	**176,130**
Changes in inventory	(41)	0
Impairment on inventory	(1)	(1)
Exploitation taxes	(21,523)	(20,340)
Repair and maintenance on investment properties that generated income during the current financial year	(8)	(42)
Other banking expenses	0	0
Other expense on other activities(2)	(154,889)	(194,154)
OTHER EXPENSE	**(176,462)**	**(214,537)**
TOTAL	**76,715**	**(38,407)**

(1) "Other income on other activities" includes other operational income and write-back of provisions for other litigation claims.
(2) "Other expenses on other activities" includes other operational expenses for operating lease (other than rental expenses and contingent rents), depreciation and amortisation on office furniture and equipment given in operational lease, other operational expenses, provisions for other litigation claims and depreciation and amortisation on investment property.

11.9. Staff expense

(In thousands of EUR)	31/12/10	31/12/11
Wages and salaries	(474,577)	(457,005)
Social security and insurance costs	(145,733)	(141,353)
Pension costs – defined benefit plans	(43,530)	(38,666)
Pension costs – defined contribution plans	(1,016)	(825)
Other post-retirement benefits	(1,487)	(1,886)
Stock compensation expense	(981)	(137)
Long-term employee benefits	131	(626)
Restructuring expenses	(6,174)	(3,408)
Other expenses	4,200	(16,149)
TOTAL	**(669,167)**	**(660,055)**

(Average FTE)	**31/12/10**			**31/12/11**		
	Fully consolidated	**Proportionally consolidated**	**Total**	**Fully consolidated**	**Proportionally consolidated**	**Total**
Senior executives	200	1	201	189	1	190
Employees	7,638	0	7,638	7,223	0	7,223
Other	20	0	20	15	0	15
TOTAL	**7,858**	**1**	**7,859**	**7,427**	**1**	**7,428**

(Average FTE) As at 31 December 2010	Senior executives	Employees	Other	Total
Belgium	187	7,425	1	7,613
France	3	73	19	95
Luxembourg	4	87	0	91
Ireland	4	25	0	29
United Kingdom	1	9	0	10
Other European countries	2	19	0	21
TOTAL DEXIA BANK	**201**	**7,638**	**20**	**7,859**

(Average FTE) As at 31 December 2011	Senior executives	Employees	Other	Total
Belgium	179	7,037	0	7,216
France	2	82	15	99
Luxembourg	5	79	0	84
Ireland	4	25	0	29
United Kingdom	0	0	0	0
Other European countries	0	0	0	0
TOTAL DEXIA BANK	**190**	**7,223**	**15**	**7,428**

11.10. General and administrative expense

(In thousands of EUR)	31/12/10	31/12/11
Occupancy	(39,623)	(37,212)
Operating leases (except technology and system costs)	(21,110)	(23,039)
Professional fees	(36,395)	(79,585)
Marketing advertising and public relations	(45,579)	(52,474)
Technology and system costs	(169,819)	(155,375)
Software costs and research and development costs	(18,179)	(14,845)
Repair and maintenance expenses	(927)	(456)
Restructuring costs other than staff	0	0
Insurance (except related to pension)	(7,139)	(5,435)
Transportation of mail and valuable	(37,836)	(36,994)
Operational taxes	(52,920)	(53,677)
Other general and administrative expense	(73,455)	(69,382)
TOTAL	**(502,982)**	**(528,474)**

11.11. Depreciation and amortisation

(In thousands of EUR)	31/12/10	31/12/11
Depreciation on land and buildings	(45,795)	(47,848)
Depreciation on other tangible assets	(31,331)	(25,222)
Amortisation of intangible assets	(38,642)	(43,211)
TOTAL	**(115,768)**	**(116,281)**

11.12. Impairment on loans and provisions for credit commitments

1. Collective impairment

	31/12/10			31/12/11		
(In thousands of EUR)	Allowances	Reversal	Total	Allowances	Reversal	Total
Loans	(118,437)	140,879	22,442	(217,322)	171,375	(45,947)
TOTAL	**(118 437)**	**140,879**	**22,442**	**(217,322)**	**171,375**	**(45,947)**

2. Specific impairment

	31/12/10				
(In thousands of EUR)	Allowances	Reversal	Losses	Recoveries	Total
Loans and advances due from banks	(17,500)	650	0	0	(16,850)
Loans and advances to customers	(151,542)	149,667	(49,721)	4,844	(46,752)
Assets from insurance companies(1)	(202)	181	0	0	(21)
Other receivables(1)	(193)	47,106	(33,607)	0	13,306
Commitments	(1,082)	2,586	0	0	1,504
TOTAL	**(170,519)**	**200,190**	**(83,328)**	**4,844**	**(48,813)**

	31/12/11				
(In thousands of EUR)	Allowances	Reversal	Losses	Recoveries	Total
Loans and advances due from banks	(36,453)	15,094	(14,825)	0	(36,184)
Loans and advances to customers	(552,803)	121,192	(40,620)	5,537	(466,694)
Assets from insurance companies(1)	(6)	74	0	0	68
Other receivables(1)	(196)	164	0	0	(32)
Commitments	(8,528)	2,028	0	0	(6,500)
TOTAL	**(597,986)**	**138,552**	**(55,445)**	**5,537**	**(509,342)**

(1) Is published in item XII. of the Assets.

11.13. Impairment on tangible and intangible assets

(In thousands of EUR)	31/12/10	31/12/11
Impairment on investment property	(646)	0
Impairment on land and buildings	0	(48,204)
Impairment on other tangible assets	0	0
Impairment on assets held for sale	1,612	1,239
Impairment on long-term construction contracts	0	0
Impairment on intangible assets	(978)	0
TOTAL	**(12)**	**(46,965)**

Impairments are recorded when the criteria of IAS 36 are met. An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value and its value in use. A review of the market and sales conditions and value in use is performed on a regular basis, at least once a year. Based on this review an impairment was accounted for on "land and buildings". If the recoverable amount exceeds the carrying amount again, a reversal of the impairment is recognised.

11.14. Impairment on goodwill

Nil

11.15. Provisions for legal litigation

The information regarding the provisions for legal litigations is presented in the management report, page 60.

11.16. Tax expense

(In thousands of EUR)	31/12/10	31/12/11
Income tax on current year	(58,085)	(13,905)
Deferred taxes on current year	(38,957)	649,058
TAX ON CURRENT YEAR RESULT (A)	**(97,042)**	**635,153**
Income tax on previous year	2,345	9,135
Deferred taxes on previous year	(4,288)	140,660
Provision for tax litigations	17,384	(6,157)
OTHER TAX EXPENSE (B)	**15,441**	**143,638**
TOTAL (A)+(B)	**(81,601)**	**778,791**

Effective corporate income tax charge

The standard tax rate applicable in Belgium in 2010 and 2011 was 33.99%.
Dexia Bank effective tax rate was respectively 13.2% and 29.6% for 2010 and 2011.
The difference between these two rates can be analysed as follows:

(In thousands of EUR)	31/12/10	31/12/11
NET INCOME BEFORE TAX	**762,082**	**(2,145,705)**
Income and losses from companies accounted for by the equity method	28,672	(2,740)
TAX BASE	**733,410**	**(2,142,965)**
Statutory tax rate	33.99%	33.99%
TAX EXPENSE USING STATUTORY RATE	**249,286**	**(728,394)**
Tax effect of rates in other jurisdictions	(39,474)	79,612
Tax effect of non-taxable revenues[1]	(114,140)	(255,645)
Tax effect of non-tax deductible expenses	132,917	134,665
Tax effect of utilisation of previously unrecognised tax losses	0	668
Tax effect on tax benefit not previously recognised in profit or loss	0	0
Tax effect from reassessment of unrecognised deferred tax assets	(30,239)	210,492
Tax effect of change in tax rates	11	148
Items taxed at a reduced rate	(11)	0
Impairment on goodwill	0	0
Other increase (decrease) in statutory tax charge	(101,308)	(76,699)
TAX ON CURRENT YEAR RESULT	**97,042**	**(635,153)**
Tax base	733,410	(2,142,965)
EFFECTIVE TAX RATE	**13.2%**	**29.6%**

(1) Mainly non-taxable gains on sales of equity shares.

XII. Notes on risk exposure

(some amounts may not add up due to roundings-off)

As requested by IFRS 7 § 34 disclosures are based on information internally provided to key management.

12.1. Fair value

In accordance with our valuation rules, the fair value is equal to the accounting value for some assets and liabilities (see Accounting policies).

1. Breakdown of fair value

A. Breakdown of fair value of assets

	31/12/10			31/12/11		
(In thousands of EUR)	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Cash and balances with central banks	1,460,908	1,460,908	0	713,586	713,586	0
Loans and advances due from banks	67,936,784	68,200,953	264,169	46,174,903	46,302,157	127,254
Loans and advances to customers	99,472,471	98,943,482	(528,989)	91,933,190	92,256,954	323,764
Financial assets held for trading	2,405,983	2,405,983	0	2,068,297	2,068,297	0
Financial assets designated at fair value	3,914,054	3,914,054	0	3,432,337	3,432,337	0
Financial assets available for sale	36,475,084	36,475,084	0	44,911,922	44,911,922	0
Investments held to maturity	0	0	0	0	0	0
Derivatives	30,313,229	30,313,229	0	34,933,281	34,933,281	0
Fair value revaluation of portfolio hedge	1,812,004	1,812,004	0	3,198,807	3,198,807	0
Investments in associates	277,969	277,969	0	93,154	93,154	0
Other assets(1)	3,816,985	3,816,985	0	5,026,601	5,026,601	0
Non-current assets held for sale	16,664	19,163	2,499	22,965	51,631	28,666
TOTAL	**247,902,135**	**247,639,814**	**(262,321)**	**232,509,043**	**232,988,727**	**479,684**

(1) Includes "Tangible fixed assets", "Intangible assets and goodwill", "Tax assets" and "Other assets".

The item "Fair value revaluation of portfolio hedge" corresponds to the remeasurement of the interest-rate risk on assets hedged via portfolio hedges. These assets are included in the items "Loans and advances due from banks" and "Loans and advances to customers".

B. Breakdown of fair value of liabilities

	31/12/10			31/12/11		
(In thousands of EUR)	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Due to banks	62,368,244	62,370,976	2,732	59,415,413	59,419,572	4,159
Customer borrowings and deposits	82,876,531	82,903,754	27,223	70,264,724	70,370,795	106,071
Financial liabilities held for trading	701,356	701,356	0	199,660	199,660	0
Financial liabilities designated at fair value	11,493,311	11,493,311	0	10,882,352	10,882,352	0
Derivatives	34,902,906	34,902,906	0	41,372,637	41,372,637	0
Fair value revaluation of portfolio hedge	(42,023)	(42,023)	0	30,204	30,204	0
Debt securities	28,957,883	28,339,116	(618,767)	24,361,727	24,884,685	522,958
Subordinated debts	2,715,641	2,943,824	228,183	2,685,467	1,436,186	(1,249,281)
Other liabilities(1)	18,476,155	18,476,154	(1)	20,021,633	20,021,633	0
Liabilities included in disposal groups held for sale	2	2	0	0	0	0
TOTAL	**242,450,006**	**242,089,376**	**(360,630)**	**229,233,817**	**228,617,724**	**(616,093)**

(1) Includes "Technical provisions from insurance companies", "Provisions and other obligations", "Tax liabilities" and "Other liabilities".

Except for liabilities "designated at fair value", the own credit risk on liabilities is considered as unchanged for the determination of the fair value.

The item "Fair value revaluation of portfolio hedge" corresponds to the remeasurement of the interest-rate risk on liabilities hedged via portfolio hedges. These liabilities are included in the items "Customer borrowings and deposits" and "Debt securities".

2. Analysis of fair value of financial instruments

The following table provides an analysis of financial instruments measured at fair value, grouped in Level 1 to 3 depending on the observability of the fair value.

A. Assets

	31/12/10				31/12/11			
(In thousands of EUR)	Level 1(1)	Level 2(2)	Level 3(3)	Total	Level 1(1)	Level 2(2)	Level 3(3)	Total
Financial assets held for trading	1,034,937	682,140	688,906	2,405,983	344,730	1,081,401	642,166	2,068,297
Financial assets designated at fair value – equities	3,050,819	13,221	0	3,064,040	2,811,667	0	0	2,811,667
Financial assets designated at fair value – other instruments	458,750	331,177	60,087	850,014	320,725	299,756	189	620,670
Financial assets available for sale – loans & receivables	0	42,436	0	42,436	0	20,436	0	20,436
Financial assets available for sale – bonds	14,785,702	8,046,473	11,994,731	34,826,906	13,441,360	23,139,777	7,315,177	43,896,314
Financial assets available for sale – equities	1,279,388	88,860	237,495	1,605,743	709,861	3,447	281,864	995,172
Derivatives	2,555	28,167,300	2,143,373	30,313,228	2,408	32,824,947	2,105,926	34,933,281
TOTAL	**20,612,151**	**37,371,607**	**15,124,592**	**73,108,350**	**17,630,751**	**57,369,764**	**10,345,322**	**85,345,837**

(1) Instruments classified in Level 1 are those whose fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
(2) Instruments classified in Level 2 are those whose fair value is derived from inputs other than quoted prices and that are observable, either directly (i.e. prices) or indirectly (i.e. derived from prices).
(3) Instruments classified in Level 3 are those whose fair value is derived from valuation techniques that include inputs not based on observable market data (unobservable inputs).

B. Liabilities

	31/12/10				31/12/11			
(In thousands of EUR)	Level 1(1)	Level 2(2)	Level 3(3)	Total	Level 1(1)	Level 2(2)	Level 3(3)	Total
Financial liabilities held for trading	450,101	251,245	10	701,356	117,606	82,054	0	199,660
Financial liabilities designated at fair value	217,532	11,019,584	256,195	11,493,311	0	10,691,983	190,368	10,882,351
Derivatives	1,192	32,179,431	2,722,283	34,902,906	4,905	38,858,669	2,509,064	41,372,638
TOTAL	**668,825**	**43,450,260**	**2,978,488**	**47,097,573**	**122,511**	**49,632,706**	**2,699,432**	**52,454,649**

(1) Instruments classified in Level 1 are those whose fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
(2) Instruments classified in Level 2 are those whose fair value is derived from inputs other than quoted prices and that are observable, either directly (i.e. prices) or indirectly (i.e. derived from prices).
(3) Instruments classified in Level 3 are those whose fair value is derived from valuation techniques that include inputs not based on observable market data (unobservable inputs).

3. Transfer between Level 1 and Level 2 fair value

A. Assets

	31/12/10		31/12/11	
(In thousands of EUR)	From 1 to 2	From 2 to 1	From 1 to 2	From 2 to 1
Financial assets held for trading	1,858	31,608	40,933	11,887
Financial assets designated at fair value – equities	0	27	0	0
Financial assets designated at fair value – other instruments	0	0	0	0
Financial assets available for sale – loans and receivables	0	0	0	0
Financial assets available for sale – bonds	913,293	70,374	610,245	0
Financial assets available for sale – equities	0	3,438	2	0
Derivatives	0	0	0	0
TOTAL	**915,151**	**105,447**	**651,180**	**11,887**

B. Liabilities

	31/12/10		31/12/11	
(In thousands of EUR)	From 1 to 2	From 2 to 1	From 1 to 2	From 2 to 1
Financial liabilities held for trading	0	0	0	0
Financial liabilities designated at fair value	0	0	230,633	0
Derivatives	0	0	0	0
TOTAL	**0**	**0**	**230,633**	**0**

4. Reconciliation Level 3

A. Assets

(In thousands of EUR)	31/12/10 Opening balance	Total gains/ losses in P&L	Total gains/ losses in OCI	Purchase	Sale	Settle-ment	Transfers in Level 3	Transfers out of Level 3	Conver-sion differ-ences	Other	Closing
Financial assets held for trading	1,099,747	5,625	0	9,510	(558,694)	(33)	132,750	0	0	0	688,905
Financial assets designated at fair value – equities	0	0	0	0	0	0	0	0	0	0	0
Financial assets designated at fair value – other instruments	0	0	0	0	0	0	60,087	0	0	0	60,087
Financial assets available for sale – loans and receivables	0	0	0	0	0	0	0	0	0	0	0
Financial assets available for sale – bonds	14,619,891	109,606	45,982	701,425	(2,613,467)	(522,512)	99,287	(566,777)	121,299	(2)	11,994,732
Financial assets available for sale – equities	336,665	(39)	7,514	3,053	(108,000)	(366)	0	(1,333)	0	0	237,494
Derivatives	1,657,407	473,502	0	0	0	0	0	0	12,465	0	2,143,374
TOTAL	**17,713,710**	**588,694**	**53,496**	**713,988**	**(3,280,161)**	**(522,911)**	**292,124**	**(568,110)**	**133,764**	**(2)**	**15,124,592**

(In thousands of EUR)	31/12/11 Opening balance	Total gains/ losses in P&L	Total gains/ losses in OCI	Purchase	Sale	Settle-ment	Transfers in Level 3	Transfers out of Level 3	Conver-sion differ-ences	Other	Closing
Financial assets held for trading	688,905	11,298	0	18,090	(79,926)	0	4,260	(461)	0	0	642,166
Financial assets designated at fair value – equities	0	0	0	0	0	0	0	0	0	0	0
Financial assets designated at fair value – other instruments	60,087	(68)	0	0	(59,830)	0	0	0	0	0	189
Financial assets available for sale – loans and receivables	0	0	0	0	0	0	0	0	0	0	0
Financial assets available for sale – bonds	11,994,732	(267)	42,971	448,318	(2,819,555)	(27,955)	287,081	(2,612,342)	2,194	0	7,315,177
Financial assets available for sale – equities	237,494	100	7,585	21,783	(11,735)	(3)	26,639	0	0	0	281,863
Derivatives	2,143,374	(43,732)	0	0	0	0	0	0	6,284	0	2,105,926
TOTAL	**15,124,592**	**(32,669)**	**50,556**	**488,191**	**(2,971,046)**	**(27,958)**	**317,980**	**(2,612,803)**	**8,478**	**0**	**10,345,321**

B. Liabilities

(In thousands of EUR)	31/12/10 Opening balance	Total gains/ losses in P&L	Purchase	Sale	Direct origina- tion	Settle- ment	Transfers in Level 3	Transfers out of Level 3	Conver- sion differ- ences	Closing
Financial liabilities held for trading	1,088	0	10	(1,088)	0	0	0	0	0	10
Financial liabilities designated at fair value	577,973	(1,470)	0	0	108,525	(25,231)	59,908	(463,510)	0	256,195
Derivatives	2,131,209	591,019	0	0	0	0	0	0	55	2,722,283
TOTAL	**2,710,270**	**589,549**	**10**	**(1,088)**	**108,525**	**(25,231)**	**59,908**	**(463,510)**	**55**	**2,978,488**

(In thousands of EUR)	31/12/11 Opening balance	Total gains/ losses in P&L	Purchase	Sale	Direct origina- tion	Settle- ment	Transfers in Level 3	Transfers out of Level 3	Conver- sion differ- ences	Closing
Financial liabilities held for trading	10	0	0	0	0	0	0	(10)	0	0
Financial liabilities designated at fair value	256,195	(1,490)	0	0	22,701	(16,820)	78,436	(148,654)	0	190,368
Derivatives	2,722,283	(213,204)	0	0	0	0	0	0	(16)	2,509,063
TOTAL	**2,978,488**	**(214,694)**	**0**	**0**	**22,701**	**(16,820)**	**78,436**	**(148,664)**	**(16)**	**2,699,431**

Comments

Evolution of Level 3 instruments:

- The column "Total gains/losses in P/L" cannot be analysed on a stand-alone basis, as some assets/liabilities classified at amortised cost or in Level 1 or 2 may be hedged by derivatives classified in Level 3. We refer to the note 11.4. "Result of hedge accounting" to have an economic view on the P/L impact;
- Improvement in internal model as well as an increased back-testing resulted in a transfer between levels, mainly from Level 3 to Level 2, for the bond portfolio;
- High sales and low purchases of financial instruments are mainly explained by the impact of the further derisking of the bond portfolio.

Note that the impact in P&L of Level 3 items is rather limited due to the fact that structured financial instruments are fully hedged: not only for the interest-rate risk but also the risks attached to the structure via back-to-back derivatives.

5. Sensitivity of Level 3 valuations to alternative assumptions

The fair value applied by Dexia Bank 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 Bank 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 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, the sensitivity of the AFS reserve to alternative assumptions is estimated between a positive impact of EUR 98 million and a negative impact of EUR 115 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 Bank since 2009, and taking into account the stock of remaining NBT transactions, the positive impact (positive scenario) is EUR 6 million whereas the negative impact (negative scenario) gives an impact of EUR 32 million.

Dexia Bank tested the impact of different unobservable parameters for its derivatives, like exotic currencies, interest-rate volatility (unobservable vega and smile) and correlation, model uncertainties, extrapolation for long-term periods, equities' sensitivities (unobservable vega, dividend volatility, correlation, etc.).

The main impacts relate to credit spread on CDS, where the impact is estimated at EUR 1.1 million (positive scenario) versus EUR 1.4 million (negative scenario) before tax.

6. Disclosure of difference between transaction prices and model values (deferred day-one profit)

No significant amounts are recognised as deferred Day-One Profit (DOP) in 2010 nor in 2011.

More specifically, as Dexia Bank sells plain vanilla products, like Interest-Rate Swaps (IRS) or perfectly Backed-to-Back complex products (like structured transactions), the day-one profit is recognised up-front. Only a few transactions of unsignificant amounts have non-observable parameters.

Consequently the deferred DOP is immaterial.

12.2. Credit risk exposure

1. Analysis of total Dexia Bank exposure

Maximum credit risk exposure is disclosed in the same way as it is reported to the Management and reports:

- the net carrying value for balance-sheet assets other than derivative contracts (i.e. accounting value after deduction of specific impairment);
- the fair value of derivatives and financial collateral;
- 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 Bank is committed to pay for the guarantees it has granted to third parties.

Credit risk exposure is broken down by geographical region and by counterparty taking into account the guarantees obtained. This means that when credit risk exposure is guaranteed by a third-part whose weighted risk (for Basel regulations) is lower than that of the direct borrower, the exposure is based on the guarantor's geographical region and activity sector.

The maximum credit risk exposure includes the fully-consolidated subsidiaries of Dexia Bank.

A. Exposure by geographical region

(In thousands of EUR)	31/12/10	31/12/11
Belgium	109,476,440	124,323,711
France	38,398,451	36,666,803
Germany	9,140,343	3,499,645
Greece	2,053,548	896,095
Hungary	330,210	276,659
Ireland	1,308,062	595,823
Italy	9,220,827	8,179,371
Luxembourg	7,079,237	3,262,361
Spain	11,393,491	6,786,231
Portugal	1,006,513	812,042
Other EU countries	13,935,440	12,775,954
Rest of Europe	2,503,972	2,192,686
Turkey	1,750,388	2,879,894
United States and Canada	14,396,563	12,587,856
South and Central America	600,704	516,357
Southeast Asia	722,374	559,413
Japan	388,788	400,516
Other(1)	4,086,616	3,303,680
TOTAL	**227,791,967**	**220,515,097**

(1) Includes supranational entities, like the European Central Bank.

B. Exposure by category of counterparty

(In thousands of EUR)	31/12/10	31/12/11
Central governments	21,664,524	33,631,558
Local public sector	52,799,990	53,964,263
Corporate	25,284,665	26,250,513
Monolines	3,277,133	4,190,231
ABS/MBS	9,218,078	5,593,632
Project finance	1,158,385	1,246,906
Individuals, SME, self-employed	34,261,224	35,931,097
Financial institutions	80,114,029	59,556,809
Other	13,939	150,087
TOTAL	**227,791,967**	**220,515,097**

2. Credit-risk exposure by class of financial instruments

(In thousands of EUR)	31/12/10 Maximum credit risk exposure	31/12/10 Effect of physical collateral	31/12/11 Maximum credit risk exposure	31/12/11 Effect of physical collateral
Financial assets available for sale (excluding variable-income securities)	34,016,309	0	43,807,160	0
Financial assets designated at fair value (excluding variable-income securities)	169,202	0	9,855	0
Financial assets held for trading (excluding variable-income securities)	2,105,523	0	1,642,364	0
Loans and advances (at amortised cost)	132,872,142	2,241,660	113,830,272	2,652,061
Investments held to maturity	0	0	0	0
Derivatives	4,755,991	0	7,282,137	0
Other financial instruments – at cost	1,490,064	0	2,849,846	0
Loan commitments granted	22,282,040	148,485	29,948,637	97,252
Guarantee commitments granted	30,100,696	31,726	21,144,825	35,263
TOTAL	**227,791,967**	**2,421,871**	**220,515,097**	**2,784,576**

Dexia Bank holds financial collateral as well as physical collateral, covering both on-balance and off-balance-sheet commitments.

The majority of the financial collateral is composed of cash and term deposits, as well as obligations of investment grade bonds (mainly AAA/A- sovereigns/local authorities and credit institutions in the framework of Repo/Reverse Repo operations and Derivatives).

Physical collateral consists mainly of mortgages on residential or small commercial real estate and pledges on various other assets (ex. business goodwill).

The amounts mentioned above concern only the physical collateral. Indeed, the effect of financial guarantees is already taken into account in the calculation of the amount of credit risk which is not the case for physical collateral. Adding to this the financial guarantees gives a total of EUR 20.1 billion, and of EUR 76.5 billion as at 31 December 2010. The evolution is explained by the decrease in Repo/Reverse Repo operations and Derivatives in the year 2011.

The mentioned amount is considered after the haircut under the Basel II regulations. Their relative severity explains the low amount of collateral reported.

3. Credit quality of financial assets neither past due nor impaired

(In thousands of EUR)	31/12/10 AAA to AA-	A+ to BBB-	Non-investment grade	Unrated	Total
Financial assets available for sale (excluding variable-income securities)	17,386,460	15,099,283	1,436,401	41,219	33,963,363
Financial assets designated at fair value (excluding variable-income securities)	59,303	109,876	0	23	169,202
Financial assets held for trading (excluding variable-income securities)	1,171,839	875,486	48,801	9,398	2,105,524
Loans and advances (at amortised cost)	48,050,129	68,958,812	13,232,038	1,502,756	131,743,735
Investments held to maturity	0	0	0	0	0
Derivatives	1,929,330	2,638,638	166,832	20,127	4,754,927
Other financial instruments – at cost	9,814	33,813	74,336	1,372,089	1,490,052
Loan commitments granted	12,041,428	7,254,622	2,593,421	346,762	22,236,233
Guarantee commitments granted	8,049,964	19,617,638	2,088,920	264,178	30,020,700
TOTAL	**88,698,267**	**114,588,168**	**19,640,749**	**3,556,552**	**226,483,736**

(In thousands of EUR)	31/12/11 AAA to AA-	A+ to BBB-	Non-investment grade	Unrated	Total
Financial assets available for sale (excluding variable-income securities)	25,369,062	15,613,726	2,108,135	15,586	43,106,509
Financial assets designated at fair value (excluding variable-income securities)	119	9,685	42	9	9,855
Financial assets held for trading (excluding variable-income securities)	1,134,143	502,898	2,865	2,209	1,642,115
Loans and advances (at amortised cost)	45,759,971	51,416,607	13,274,151	1,371,887	111,822,615
Investments held to maturity	0	0	0	0	0
Derivatives	2,496,241	4,519,746	240,012	17,489	7,273,488
Other financial instruments – at cost	609,515	1,446,819	16,448	777,063	2,849,846
Loan commitments granted	15,101,193	11,477,449	2,883,090	385,421	29,847,154
Guarantee commitments granted	774,837	18,928,196	1,271,777	105,322	21,080,132
TOTAL	**91,245,082**	**103,915,125**	**19,796,520**	**2,674,987**	**217,631,713**

The indicated ratings are either internal or external based. In fact, Dexia Bank 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 the credit risk is calculated based on external ratings (Fitch, Standard & Poors or Moody's).

4. 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 on a contract-by-contract basis. For example, if a counterparty fails to pay the required interests at due date, the entire loan is considered as past due.

	31/12/10			
	Past-due but not impaired financial assets			Carrying amount of individually impaired financial assets, before deducting any impairment loss
(In thousands of EUR)	≤ 90 days	> 90 days ≤ 180 days	> 180 days	
Financial assets available for sale (excluding variable-income securities)	0	0	0	430,813
Loans and advances (at amortised cost)	463,069	50,675	36,730	1,065,055
Investments held to maturity	0	0	0	0
Other financial instruments – at cost	0	0	0	38,280
TOTAL	**463,069**	**50,675**	**36,730**	**1,534,148**

	31/12/11			
	Past-due but not impaired financial assets			Carrying amount of individually impaired financial assets, before deducting any impairment loss
(In thousands of EUR)	≤ 90 days	> 90 days ≤ 180 days	> 180 days	
Financial assets available for sale (excluding variable-income securities)	0	0	0	2,469,061
Loans and advances (at amortised cost)	520,963	50,100	36,229	2,602,294
Investments held to maturity	0	0	0	0
Other financial instruments – at cost	0	0	0	38,081
TOTAL	**520,963**	**50,100**	**36,229**	**5,109,436**

Past-due outstandings relate mainly to retail and corporate assets. Financial assets are considered as impaired according to the valuation rules "Impairments on financial assets".

5. Collateral and other credit enhancements obtained by taking possession of collateral

Nature of the assets obtained during the period by taking possession of a collateral

(In thousands of EUR)	Carrying value 31/12/10	Carrying value 31/12/11
Cash	954	926
Equity instrument	0	0
Debt instruments	42	82
Loans and advances	0	0
Property, plant and equipment	4,729	4,506
Other	0	76
TOTAL	**5,725**	**5,590**

Concerning collateral taken into possession, the adopted methodology is based upon the Judicial Code (seizure of property) and the Financial Guarantees Code (seizure of securities).

6. Movements in allowances for credit losses

(In thousands of EUR)	As at 1 Jan. 2010	Utilisation	Amounts set aside for estimated probable loan losses	Amounts reversed for estimated probable loan losses	Other	As at 31 Dec. 2010	Recoveries directly recognised in profit or loss	Charges-offs directly recognised in profit or loss
SPECIFIC ALLOWANCES FOR INDIVIDUALLY AND COLLECTIVELY ASSESSED FINANCIAL ASSETS	**(1,064,650)**	**130,836**	**(204,034)**	**163,348**	**(2,952)**	**(977,452)**	**4,844**	**(19,265)**
Loans and advances due from banks	(9,095)	0	(15,094)	650	(1,583)	(25,122)	0	0
Loans and advances to customers	(589,679)	30,455	(149,914)	121,381	1,607	(586,150)	4,844	(19,265)
Investments held to maturity	0	0	0	0	0	0	0	0
Financial assets available for sale	(465,876)	100,381	(39,026)	41,317	(2,976)	(366,180)	0	0
of which fixed income instruments	*(354,682)*	*26,171*	*(2,608)*	*41,317*	*(2,846)*	*(292,648)*	*0*	*0*
of which equity instruments	*(111,194)*	*74,210*	*(36,418)*	*0*	*(130)*	*(73,532)*	*0*	*0*
ALLOWANCES FOR INCURRED BUT NOT REPORTED LOSSES ON FINANCIAL ASSETS	**(445,908)**	**0**	**(118,411)**	**140,880**	**13,246**	**(410,193)**	**0**	**0**
Loans and advances due from banks	(41,604)	0	(3,897)	31,939	0	(13,562)	0	0
Loans and advances to customers	(404,304)	0	(114,514)	108,941	13,246	(396,631)	0	0
Investments held to maturity	0	0	0	0	0	0	0	0
TOTAL	**(1,510,558)**	**130,836**	**(322,445)**	**304,228**	**10,294**	**(1,387,645)**	**4,844**	**(19,265)**

(In thousands of EUR)	As at 1 Jan. 2011	Utilisation	Amounts set aside for estimated probable loan losses	Amounts reversed for estimated probable loan losses	Other	As at 31 Dec. 2011	Recoveries directly recognised in profit or loss	Charges-offs directly recognised in profit or loss
SPECIFIC ALLOWANCES FOR INDIVIDUALLY AND COLLECTIVELY ASSESSED FINANCIAL ASSETS	**(977,452)**	**281,248**	**(2,206,520)**	**111,292**	**(1,893)**	**(2,793,325)**	**5,537**	**(7,041)**
Loans and advances due from banks	(25,122)	15,094	(13,515)	0	(465)	(24,008)	0	0
Loans and advances to customers	(586,150)	33,579	(528,689)	87,613	(882)	(994,529)	5,537	(7,041)
Investments held to maturity	0	0	0	0	0	0	0	0
Financial assets available for sale	(366,180)	232,575	(1,664,316)	23,679	(546)	(1,774,788)	0	0
of which fixed income instruments	*(292,648)*	*188,960*	*(1,651,772)*	*23,679*	*(537)*	*(1,732,318)*	*0*	*0*
of which equity instruments	*(73,532)*	*43,615*	*(12,544)*	*0*	*(9)*	*(42,470)*	*0*	*0*
ALLOWANCES FOR INCURRED BUT NOT REPORTED LOSSES ON FINANCIAL ASSETS	**(410,193)**	**0**	**(217,322)**	**171,375**	**0**	**(456,140)**	**0**	**0**
Loans and advances due from banks	(13,562)	0	(6,117)	4,362	0	(15,317)	0	0
Loans and advances to customers	(396,631)	0	(211,205)	167,013	0	(440,823)	0	0
Investments held to maturity	0	0	0	0	0	0	0	0
TOTAL	**(1,387,645)**	**281,248**	**(2,423,842)**	**282,667**	**(1,893)**	**(3,249,465)**	**5,537**	**(7,041)**

For 2011 two major events can be noticed: an additional specific impairment for EUR 528 million on Loans and advances to customers due to particular events and the specific impairments on Greek sovereign bonds for EUR 1,645 million (Financial assets AFS – fixed income instruments).

7. Credit-risk information for loans designated at fair value through profit or loss

As at 31 Dec. 2010 (In thousands of EUR)	Maximum exposure to credit risk	Amount by which any related credit derivatives mitigate the maximum exposure to credit risk declared in Maximum exposure to credit risk	Amount of change in the loans at fair value through profit or loss attributable to changes in the credit risk		Amount of change in the fair value of any related credit derivative or similar instrument which mitigate the maximum credit risk exposure	
			Change of the period	Cumulative amount	Change of the period	Cumulative amount
	330,863	0	(1,085)	0	0	0

As at 31 Dec. 2011 (In thousands of EUR)	Maximum exposure to credit risk	Amount by which any related credit derivatives mitigate the maximum exposure to credit risk declared in Maximum exposure to credit risk	Amount of change in the loans at fair value through profit or loss attributable to changes in the credit risk		Amount of change in the fair value of any related credit derivative or similar instrument which mitigate the maximum credit risk exposure	
			Change of the period	Cumulative amount	Change of the period	Cumulative amount
	9,575	0	0	0	0	0

No credit derivative is held to mitigate the maximum exposure to credit risk. In fact, the change in credit spread is not significant, so that the credit risk is not hedged.

Dexia Bank estimates the fair value of the loans by calculating the amount of future 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.

8. Credit risk information about financial liabilities designated at fair value through profit or loss

As at 31 Dec. 2010 (In thousands of EUR)	Carrying value	Amount of change in the fair value attributable to changes in the credit risk of the liability – Change of the period	Amount of change in the fair value attributable to changes in the credit risk of the liability – Cumulative amount	Difference between carrying value and the contractual value required to be paid at maturity[1]
	11,493,311	34,686	(26,684)	165,658

(1) This amount includes the premium/discount and the change in the market value.

As at 31 Dec. 2011 (In thousands of EUR)	Carrying value	Amount of change in the fair value attributable to changes in the credit risk of the liability – Change of the period	Amount of change in the fair value attributable to changes in the credit risk of the liability – Cumulative amount	Difference between carrying value and the contractual value required to be paid at maturity[1]
	10,882,351	19,330	(7,353)	107,534

(1) This amount includes the premium/discount and the change in the market value.

12.3. Information about collateral

1. Assets received as collateral which can be sold or repledged

	Collateral received as at 31 Dec. 2010		Collateral received as at 31 Dec. 2011	
(In thousands of EUR)	Fair value of collateral held	Fair value of collateral sold/repledged	Fair value of collateral held	Fair value of collateral sold/repledged
Equity instruments	595,748	0	447,151	0
Debt instruments	23,798,125	22,532,288	11,127,989	9,622,664
Loans and advances	178,604	178,604	184,548	157,116
Cash collaterals	7,426,373	7,426,373	9,554,607	9,554,607
TOTAL	**31,998,850**	**30,137,265**	**21,314,295**	**19,334,387**

Collateral is obtained within the framework of repurchase agreement activities and bond lending activities.

Cash is obtained as collateral within the framework of Credit Support Annex (CSA).

Contracts determining the conditions of repledge are based on Overseas Securities Lending Agreement (OSLA) – possibly amended by the legal department – or are written directly by the legal department.

Repledge is a common market practice.

2. Information on financial assets pledged as collateral

	Carrying value of financial assets pledged as collateral as at 31 Dec. 2010		Carrying value of financial assets pledged as collateral as at 31 Dec. 2011	
(In thousands of EUR)	For liabilities	For contingent liabilities	For liabilities	For contingent liabilities
	108,013,098	0	136,997,240	0

Assets are mainly pledged to collateralise debts to Central banks and the European Central Bank.

The carrying value is not limited to the amount effectively borrowed.

Cash is given as collateral within the framework of Credit Support Annex (CSA).

12.4. Interest-rate repricing risk: breakdown by remaining maturity until next interest-rate refixing date

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 behavioural data. These latter assumptions are used in the BSM sensitivity (see note 12.5.).

1. 2010

A. Assets

	31/12/10									
(In thousands of EUR)	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	Undeter-mined maturity	Accrued interest	Fair value adjust–ment	Impair-ment	Total
Cash and balances with central banks	1,459,314	0	0	0	0	0	1,594	0	0	1,460,908
Loans and advances due from banks	19,022,025	38,884,527	5,525,038	3,820,218	550,681	37,356	108,576	27,047	(38,684)	67,936,784
Loans and advances to customers	12,908,841	24,007,244	13,511,167	22,271,345	26,347,339	1,018,313	367,712	23,292	(982,782)	99,472,471
Financial assets held for trading	708	1,233,637	48,863	695,120	391,926	29,493	18,840	(12,604)	0	2,405,983
Financial assets designated at fair value	20,527	126,316	17,496	6,000	222,310	3,522,790	257	(1,642)	0	3,914,054
Financial assets available for sale	142,202	4,111,458	1,552,753	6,293,210	22,799,126	1,704,085	676,916	(438,486)	(366,179)	36,475,085
Investments held to maturity	0	0	0	0	0	0	0	0	0	0
Derivatives							3,624,878	26,688,351	0	30,313,229
Fair value revaluation of portfolio hedge								1,812,004	0	1,812,004
Investments in associates						277,969				277,969
Tangible fixed assets						1,241,293				1,241,293
Intangible assets and goodwill						229,234				229,234
Tax assets						953,365			0	953,365
Other assets	129,119	103,710	38,900	33,476	9,531	1,105,695	7	6,152	(33,498)	1,393,092
Non-current assets held for sale						57,866	0	0	(41,202)	16,664
TOTAL	**33,682,736**	**68,466,892**	**20,694,217**	**33,119,369**	**50,320,913**	**10,177,459**	**4,798,780**	**28,104,114**	**(1,462,345)**	**247,902,135**

B. Liabilities

(In thousands of EUR)	31/12/10 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	Undeter-mined maturity	Accrued interest	Fair value adjustment	Total
Due to banks	23,757,481	35,634,049	2,148,572	733,586	55,224	2,947	34,698	1,687	62,368,244
Customer borrowings and deposits	61,436,155	14,572,591	3,220,324	2,453,272	569,587	72,259	552,343	0	82,876,531
Financial liabilities held for trading	0	2,600	6,844	427,654	251,419	12,694	7,961	(7,816)	701,356
Financial liabilities designated at fair value	8,954	268,139	300,228	4,259,286	2,809,126	3,523,284	156,506	167,788	11,493,311
Derivatives							4,570,234	30,332,672	34,902,906
Fair value revaluation of portfolio hedge								(42,023)	(42,023)
Debt securities	143,359	4,029,287	1,701,198	15,051,078	7,757,363	0	295,541	(19,943)	28,957,883
Subordinated debts	337	133,216	340,969	167,376	1,410,934	554,410	55,205	53,194	2,715,641
Technical provision of insurance companies						15,619,891			15,619,891
Provisions and other obligations						900,859			900,859
Tax liabilities						34,936			34,936
Other liabilities	1,203,548	147,496	77,004	16,999	1,936	471,951	1,535	0	1,920,469
Liabilities included in disposal groups held for sale						2	0	0	2
TOTAL	**86,549,834**	**54,787,378**	**7,795,139**	**23,109,251**	**12,855,589**	**21,193,233**	**5,674,023**	**30,485,559**	**242,450,006**

C. Net position

(In thousands of EUR)	31/12/10 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
On-balance-sheet sensitivity gap	(52,867,098)	13,679,514	12,899,078	10,010,118	37,465,324	(11,015,774)

The balance-sheet sensitivity gap is hedged through derivatives.

2. 2011

A. Assets

(In thousands of EUR)	31/12/11									
	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	Undeter-mined maturity	Accrued interest	Fair value adjust–ment	Impair-ment	Total
Cash and balances with central banks	713,120	0	0	0	0	0	466	0	0	713,586
Loans and advances due from banks	22,815,031	16,418,360	2,602,226	4,117,394	113,400	18,438	84,714	44,665	(39,325)	46,174,903
Loans and advances to customers	11,214,792	17,980,731	11,944,299	22,106,267	27,306,759	2,402,869	348,736	64,089	(1,435,352)	91,933,190
Financial assets held for trading	5,228	1,532,671	36,234	364,231	155,080	27,396	11,572	(64,115)	0	2,068,297
Financial assets designated at fair value	147	3,665	0	6,000	291,237	3,131,750	721	(1,183)	0	3,432,337
Financial assets available for sale	129,700	16,745,781	1,839,482	5,063,346	21,919,663	1,136,684	651,077	(799,023)	(1,774,788)	44,911,922
Investments held to maturity	0	0	0	0	0	0	0	0	0	0
Derivatives							2,135,242	32,798,039	0	34,933,281
Fair value revaluation of portfolio hedge								3,198,807	0	3,198,807
Investments in associates						93,154				93,154
Tangible fixed assets						1,401,028				1,401,028
Intangible assets and goodwill						218,533				218,533
Tax assets						2,062,324			0	2,062,324
Other assets	129,715	80,853	46,100	26,208	6,427	1,082,446	0	6,158	(33,191)	1,344,716
Non-current assets held for sale						29,151	0	0	(6,186)	22,965
TOTAL	**35,007,733**	**52,762,061**	**16,468,341**	**31,683,446**	**49,792,566**	**11,603,773**	**3,232,528**	**35,247,437**	**(3,288,842)**	**232,509,043**

B. Liabilities

	31/12/11								
(In thousands of EUR)	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	Accrued interest	Fair value adjustment	Total
Due to banks	51,470,221	5,202,300	1,172,348	1,485,832	52,366	1,934	27,203	3,209	59,415,413
Customer borrowings and deposits	53,938,036	10,516,219	3,576,355	1,121,430	492,992	69,347	550,345	0	70,264,724
Financial liabilities held for trading	0	4,978	196	168,679	80,501	0	1,603	(56,297)	199,660
Financial liabilities designated at fair value	8,886	706,241	2,935,176	3,443,917	389,229	3,132,393	157,387	109,123	10,882,352
Derivatives							3,152,621	38,220,016	41,372,637
Fair value revaluation of portfolio hedge								30,204	30,204
Debt securities	185,392	9,148,345	5,602,272	8,591,899	521,920	0	311,180	719	24,361,727
Subordinated debts	118	171,337	3,830	50,203	817,511	1,514,977	52,644	74,847	2,685,467
Technical provision of insurance companies						16,786,233			16,786,233
Provisions and other obligations						977,211			977,211
Tax liabilities						38,449			38,449
Other liabilities	1,326,280	281,801	65,541	16,174	359	529,319	266	0	2,219,740
Liabilities included in disposal groups held for sale						0	0	0	0
TOTAL	**106,928,933**	**26,031,221**	**13,355,718**	**14,878,134**	**2,354,878**	**23,049,863**	**4,253,249**	**38,381,821**	**229,233,817**

C. Net position

	31/12/11					
(In thousands of EUR)	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
On-balance-sheet sensitivity gap	(71,921,200)	26,730,840	3,112,623	16,805,312	47,437,688	(11,446,090)

The balance-sheet sensitivity gap is hedged through derivatives.

12.5. Market risk and ALM

Market risk measures:

- Treasury and Financial Markets:
  - Risk on trading activities: general interest rate, foreign exchange, equity, credit spread and other risks (inflation, CO_2) which are managed within Value at Risk limits and other adequate risk limits;
  - Cash and Liquidity Management (CLM) – only banking – is followed by means of Value at Risk (VaR) and interest-rate sensitivity limits;
- Asset and Liabilities Management (ALM):
  - Interest-rate risk is followed within sensitivity limits and indicative Value at risk (VaR);
  - Equity exposure is followed within Value at Risk (VaR) limits.
- Investment portfolio:
  - Bond Portfolio Spread Risk is managed within spread sensitivity.

1. Treasury and Financial Markets

Treasury and Financial Markets (TFM) activities of Dexia Bank are oriented as a support function for the commercial activities. TFM assumes trading activities as well as non-trading risk positions that arise from cash and liquidity management activities.

Since end 2008, the Global TFM limit has been reduced from EUR 89 to 85 million. During 2011, the global VaR limit has been further reduced to EUR 65 million. TFM also manages the Bond Portfolio on banking books which has been largely put in run-off.

Trading book and CLM

Dexia Bank calculated following VaR-types:

- 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 Foreign Exchange derivatives and Interest Rate volatility risk;
- an Equity VaR based on a full valuation historical method;
- a historical credit-spread VaR based on sensitivities;
- a historical VaR on inflation based on sensitivities and an historical Var in full revaluation on carbon (CO_2) risks.

The detailed VaR usage of Dexia Bank is disclosed in the table below.

Value at Risk

VaR (99% 10 days)	**2010**															
	IR(1)&FX(2) (Trading and Banking)(3)				**EQT(4) Trading**				**Spread Trading**				**Other risks**			
(In millions of EUR)	**1Q**	**2Q**	**3Q**	**4Q**	**1Q**	**2Q**	**3Q**	**4Q**	**1Q**	**2Q**	**3Q**	**4Q**	**1Q**	**2Q**	**3Q**	**4Q**
By risk factor																
Average	12.6	14.1	17.1	13.2	1.7	2.0	2.5	1.9	15.7	14.8	17.0	14.2	3.3	3.6	3.4	3.7
Maximum	18.1	25.7	22.1	17.5	2.9	3.8	4.5	4.2	23.7	22.8	22.5	17.8	3.9	3.4	3.8	4.2
Global																
Average	35.2															
Maximum	47.3															
End period	32.0															
Limit	85															

(1) IR: interest rate.
(2) FX: forex.
(3) IR & FX: without ALM.
(4) EQT: equities.

Management report

Consolidated financial statements

Non-consolidated financial statements

Value at Risk

VaR (99% 10 days)	2011															
	IR[1]&FX[2] (Trading and Banking)[3]				EQT[4] Trading				Spread Trading				Other risks			
(In millions of EUR)	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
By risk factor																
Average	10.9	10.9	13.0	13.8	1.6	2.7	1.7	1.7	15.3	9.9	9.6	8.8	3.2	2.0	2.1	1.8
Maximum	16.1	17.6	22.2	21.1	3.5	5.5	4.0	3.3	17.7	15.6	11.6	10.3	3.8	3.1	2.3	2.3
Global																
Average	27.2															
Maximum	37.6															
End period	19.7															
Limit	65															

(1) IR: interest rate.
(2) FX: forex.
(3) IR & FX: without ALM.
(4) EQT: equities.

The CLM and trading risks are also followed on sensitivity limits.
As at 31 December 2011 the CLM sensitivity was of EUR -18 million/% against a limit of EUR 90 million/%.

2. ALM-interest rate and equity risk

ALM falls under the direct decision and control authority of the ALCO 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 interest-rate refixing date is defined using assumptions on the observed behaviour of the customers and not on legal repayment date (see note 12.4.).

Banking and insurance companies

	2010							
	Interest rate[2]				Equity[3]			
(In millions of EUR)	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Banking companies ALM[1]								
Sensitivity	(17)	(44)	59	(148)				
VaR 99% 10d.	34	34	14	94	2.0	0.4	0.4	0.4
Insurance								
Sensitivity	22	45	168	84				
Mitigated VaR 99% 10d.					102	89	101	116

(1) CLM excluded.
(2) Sensitivities to 1% shift.
(3) Equity risks are detailed below.

	2011							
	Interest rate[2][3]				Equity[4]			
(In millions of EUR)	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Banking companies ALM[1]								
Sensitivity	(60)	(82)	54	83				
VaR 99% 10d.	35	53	27	30	0.4	0.3	0.3	0.3
Insurance								
Sensitivity	55	48	95	110				
Mitigated VaR 99% 10d.					119	73	79	85

(1) CLM excluded.
(2) Sensitivities to 1% shift.
(3) As at 31 December 2011 the interest-rate sensitivity limit for ALM amounted to EUR 320 million/%.
(4) Equity risks are detailed below.

ALM equity exposure – Listed shares sensitivity

The Equity Value at Risk (VaR) measures the potential change in market value, whereas the Equity Earnings at Risk (EaR) measures the impact in the accounting result if the VaR materialises.

The Equity VaR calculated by Dexia Bank is a measure of the potential loss that can be experienced with a level of confidence of 99% over a holding period of 10 days.

Banking companies (ALM portfolio) (In millions of EUR)	**Market value**	**VaR**	**% VaR**	**EaR**	**Acquisition value**
31 December 2010	3	0.4	14.0%	0	9
31 March 2011	3	0.4	14.3%	0	4
30 June 2011	3	0.3	13.0%	0	4
30 September 2011	2	0.3	12.6%	0	4
31 December 2011	2	0.3	13.4%	0	4

Insurance companies portfolio(1) (In millions of EUR)	**Market value**	**VaR**	**Mitigated VaR**(2)	**% VaR**	**EaR**	**Acquisition value**
31 December 2010	1,359	127	116	9.3%	(32)	1,392
31 March 2011	1,393	133	119	9.6%	(13)	1,390
30 June 2011	1,416	84	73	5.9%	(26)	1,441
30 September 2011	791	89	79	11.3%	(65)	960
31 December 2011	819	91	85	11.1%	(66)	965

(1) The VaR limit for ALM Insurance portfolio amounted to EUR 130 million as at 31 December 2011. The limit is applied to the mitigated VaR as the gross VaR captures additionally the risk which is not born by Dexia Bank (the risk is supported by the policy holders). The equity VaR limit for the insurance unit remained unchanged compared to 2010.
(2) Mitigated VaR takes into consideration the repartition of risks between the insurance policy holder and the insurer.

3. Dexia Bank Bond portfolio (excl. Dexia Insurances)

A. Outstanding

(In billions of EUR)	**31/12/10**	**31/12/11**
Outstanding	34.5	25

B. Interest-rate sensitivity

The Bond portfolio is systematically hedged for the interest-rate risk, as its purpose is the credit spread; therefore it has a very limited sensitivity to change of interest rate.

C. Credit spread sensitivity (in millions of EUR)

This calculation estimates the sensitivity of the AFS reserve of the Bond portfolio after a basis point spread increase, in millions of EUR. The table below shows the credit-spread sensitivity of this Bond portfolio.

(In millions of EUR)	**31/12/10**	**31/12/11**
Credit spread sensitivity	(23.8)	(20.0)

12.6. Liquidity risk

Dexia Bank's approach to liquidity risk management has been reviewed in the light of the financial and liquidity crisis.

Overall policy is that its future funding needs should never exceed its proven secured funding capacity.

Since 2009, Dexia Bank is subject to reporting liquidity to the Belgian regulator (NBB).

Breakdown residual maturity

Current accounts and saving deposits are included in the column "At sight and on demand" even though they have no fixed repayment date.

A. 2010
Assets

	31/12/10									
	Breakdown of gross amount and premium/discount						Accrued interest	Fair value adjust-ment	Impair-ment	Total
(In thousands of EUR)	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	Undeter-mined maturity				
Cash and balances with central banks	1,459,314	0	0	0	0	0	1,594	0	0	1,460,908
Loans and advances due from banks	17,383,461	31,469,470	5,540,511	11,585,651	1,823,396	37,356	108,576	27,047	(38,684)	67,936,784
Loans and advances to customers	12,088,567	10,910,642	5,641,361	21,271,570	49,055,145	1,096,964	367,712	23,292	(982,782)	99,472,471
Financial assets held for trading	658	45,974	59,230	748,257	1,516,134	29,493	18,841	(12,604)	0	2,405,983
Financial assets designated at fair value	0	14,764	78,788	15,331	283,766	3,522,791	256	(1,642)	0	3,914,054
Financial assets available for sale	12,502	303,142	859,013	9,360,309	24,363,783	1,704,084	676,916	(438,486)	(366,179)	36,475,084
Investments held to maturity	0	0	0	0	0	0	0	0	0	0
Derivatives							3,624,878	26,688,351	0	30,313,229
Fair value revaluation of portfolio hedge								1,812,004	0	1,812,004
Investments in associates						277,969				277,969
Tangible fixed assets						1,241,293				1,241,293
Intangible assets and goodwill						229,235				229,235
Tax assets						953,365				953,365
Other assets	129,119	102,790	38,895	34,401	9,531	1,105,695	7	6,152	(33,498)	1,393,092
Non current assets held for sale						57,866	0	0	(41,202)	16,664
TOTAL	**31,073,621**	**42,846,782**	**12,217,798**	**43,015,519**	**77,051,755**	**10,256,111**	**4,798,780**	**28,104,114**	**(1,462,345)**	**247,902,135**

Liabilities

(In thousands of EUR)	31/12/10 Breakdown of gross amount and premium/discount: 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	Accrued interest	Fair value adjustment	Total
Due to banks	23,757,480	35,634,049	1,332,651	731,907	872,825	2,947	34,698	1,687	62,368,244
Customer borrowings and deposits	61,379,456	14,011,591	3,386,323	2,894,972	579,587	72,259	552,343	0	82,876,531
Financial liabilities held for trading	0	2,411	6,814	427,843	251,448	12,694	7,961	(7,815)	701,356
Financial liabilities designated at fair value	0	14,210	270,157	4,459,852	2,901,515	3,523,284	156,506	167,787	11,493,311
Derivatives							4,570,234	30,332,672	34,902,906
Fair value revaluation of portfolio hedge								(42,023)	(42,023)
Debt securities	123,359	1,913,011	3,224,885	15,486,939	7,934,091	0	295,541	(19,943)	28,957,883
Subordinated debts	337	103,310	4,795	55,428	964,784	1,478,588	55,205	53,194	2,715,641
Technical provision of insurance companies	4,859	267,143	792,590	6,279,772	7,793,047	482,480			15,619,891
Provisions and other obligations						900,859			900,859
Tax liabilities						34,936			34,936
Other liabilities	1,145,623	205,009	77,009	17,406	1,936	471,951	1,535	0	1,920,469
Liabilities included in disposal groups held for sale						2	0	0	2
TOTAL	**86,411,114**	**52,150,734**	**9,095,224**	**30,354,119**	**21,299,233**	**6,980,000**	**5,674,023**	**30,485,559**	**242,450,006**

Net liquidity gap

(In thousands of EUR)	31/12/10 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	(55,337,493)	(9,303,952)	3,122,574	12,661,400	55,752,522	3,276,111

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 liabilities. This allows the presentation of the liquidity gap.

Dexia Bank uses derivatives to hedge its risks. The market value of these derivatives is reported in the column "Fair value adjustment" as the expected cash flows can significantly change due to the evolution of the underlying index (interest rate, exchange rate, credit spreads, etc.).

B. 2011

Assets

(In thousands of EUR)	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 to 5 years	Over 5 years	Undetermined maturity				
Cash and balances with central banks	713,120	0	0	0	0	0	466	0	0	713,586
Loans and advances due from banks	22,513,148	5,993,285	2,752,350	14,323,308	484,320	18,438	84,714	44,665	(39,325)	46,174,903
Loans and advances to customers	10,694,685	6,598,914	5,929,325	20,880,254	46,449,670	2,402,869	348,736	64,089	(1,435,352)	91,933,190
Financial assets held for trading	1,912	20,824	108,697	453,383	1,508,628	27,396	11,572	(64,115)	0	2,068,297
Financial assets designated at fair value	0	0	3,589	6,000	291,460	3,131,750	721	(1,183)	0	3,432,337
Financial assets available for sale	0	14,351,172	1,098,802	7,357,943	22,890,055	1,136,684	651,077	(799,023)	(1,774,788)	44,911,922
Investments held to maturity							0	0	0	0
Derivatives							2,135,242	32,798,039	0	34,933,281
Fair value revaluation of portfolio hedge								3,198,807	0	3,198,807
Investments in associates						93,154				93,154
Tangible fixed assets						1,401,028				1,401,028
Intangible assets and goodwill						218,533				218,533
Tax assets						2,062,324			0	2,062,324
Other assets	129,715	80,853	45,916	26,208	6,427	1,082,630	0	6,158	(33,191)	1,344,716
Non current assets held for sale						29,151	0	0	(6,186)	22,965
TOTAL	**34,052,580**	**27,045,048**	**9,938,679**	**43,047,096**	**71,630,560**	**11,603,957**	**3,232,528**	**35,247,437**	**(3,288,842)**	**232,509,043**

Liabilities

(In thousands of EUR)	31/12/11								
	Breakdown of gross amount and premium/discount						Accrued interest	Fair value adjustment	Total
	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			
Due to banks	40,170,221	6,502,388	433,865	11,487,438	789,155	1,934	27,203	3,209	59,415,413
Customer borrowings and deposits	53,881,562	9,980,722	3,950,355	1,222,720	609,713	69,307	550,345	0	70,264,724
Financial liabilities held for trading	0	4,968	168	168,689	80,529	0	1,603	(56,297)	199,660
Financial liabilities designated at fair value	886	2,222	34,989	6,878,439	566,913	3,132,393	157,387	109,123	10,882,352
Derivatives							3,152,621	38,220,016	41,372,637
Fair value revaluation of portfolio hedge							0	30,204	30,204
Debt securities	165,391	1,731,687	3,512,910	13,230,973	5,408,867	0	311,180	719	24,361,727
Subordinated debts	118	1,337	3,830	50,203	987,511	1,514,977	52,644	74,847	2,685,467
Technical provision of insurance companies	459	468,410	1,387,507	6,973,764	7,458,128	497,965			16,786,233
Provisions and other obligations						977,211			977,211
Tax liabilities						38,449			38,449
Other liabilities	1,326,943	280,912	65,779	16,174	1,261	528,405	266	0	2,219,740
Liabilities included in disposal groups held for sale						0	0	0	0
TOTAL	**95,545,580**	**18,972,646**	**9,389,403**	**40,028,400**	**15,902,077**	**6,760,641**	**4,253,249**	**38,381,821**	**229,233,817**

Net liquidity gap

(In thousands of EUR)	31/12/11					
	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	(61,493,000)	8,072,402	549,276	3,018,696	55,728,483	4,843,316

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 liabilities. This allows the presentation of the liquidity gap.

Dexia Bank uses derivatives to hedge its risks. The market value of these derivatives is reported in the column "Fair value adjusment" as the expected cash flows can significantly change due to the evolution of the underlying index (interest rate, exchange rate, credit spreads, etc.).

More detailed information regarding liquidity is available in the Management report – Risk management.

12.7. Currency risk

(In thousands of EUR)	31/12/10 EUR	Other EU currencies	USD	Other	Total
Total assets	210,894,170	13,665,421	19,511,070	3,831,474	247,902,135
Total liabilities and equity	213,098,553	7,075,235	22,948,037	4,780,310	247,902,135
NET ON-BALANCE POSITION	**(2,204,383)**	**6,590,186**	**(3,436,967)**	**(948,836)**	**0**
Off-balance sheet – to receive	13,909,806	3,548,870	18,409,283	6,609,829	42,477,788
Off-balance sheet – to deliver	13,143,685	9,451,585	14,706,298	5,635,025	42,936,593
OFF-BALANCE SHEET – NET POSITION	**766,121**	**(5,902,715)**	**3,702,985**	**974,804**	**(458,805)**
NET POSITION	**(1,438,262)**	**687,471**	**266,018**	**25,968**	

Figures as at 31 December 2010 have been restated.

(In thousands of EUR)	31/12/11 EUR	Other EU currencies	USD	Other	Total
Total assets	200,775,681	10,187,252	17,015,241	4,530,869	232,509,043
Total liabilities and equity	209,152,005	4,178,622	14,533,799	4,644,617	232,509,043
NET ON-BALANCE POSITION	**(8,376,324)**	**6,008,630**	**2,481,442**	**(113,748)**	**0**
Off-balance sheet – to receive	16,443,104	2,331,361	12,057,367	5,893,806	36,725,638
Off-balance sheet – to deliver	9,537,686	7,694,116	14,289,487	5,835,969	37,357,258
OFF-BALANCE SHEET – NET POSITION	**6,905,418**	**(5,362,755)**	**(2,232,120)**	**57,837**	**(631,620)**
NET POSITION	**(1,470,906)**	**645,875**	**249,322**	**(55,911)**	

12.8. Insurance risks

Insurance activities are performed in Dexia Bank by Dexia Insurance Services group (DIS) (see Accounting principles "Insurance and reinsurance activities" and Management report – Risk management).

DIS is active in life (81% of gross premium written) and non-life activities and has no major concentration of risks. Regarding the activities of Dexia Bank group, non-life insurance activities are not significant.

Some of the risks are reinsured (see note 9.3.). Because of its activities, the reinsurance of a part of the risks and the size of DIS activities in comparison with total activities and risks of Dexia Bank, change of insurance-technical variables will not have a significant impact on the financial position of Dexia Bank.

Dexia Bank Belgium SA

Statutory auditor's report on the consolidated financial statements for the year ended 31 December 2011
The original text of this report is in Dutch and French

Dexia Bank Belgium SA
Statutory auditor's report on the consolidated financial statements for the year ended 31 December 2011 to the Shareholders' Meeting

To the shareholders

As required by law and the company's articles of association, we are pleased to report to you on the audit assignment which you have entrusted to us. This report includes our opinion on the consolidated financial statements together with the required additional comment and information.

Unqualified audit opinion on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Dexia Bank Belgium 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. Those consolidated financial statements comprise the consolidated balance sheet as at 31 December 2011, 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 232,509,043 (000) EUR and the consolidated income statements shows a consolidated loss (Group share) for the year ended of 1,366,816 (000) EUR.

The Board of Directors of the company is responsible for the preparation of the consolidated financial statements. This responsibility includes among other things: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with legal requirements and auditing standards applicable in Belgium, as issued by the "Institut des Réviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren". Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our 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, we have considered 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. We have assessed the basis of the accounting policies used, the reasonableness of accounting estimates made by the company and the presentation of the consolidated financial statements, taken as a whole.

Finally, the Board of Directors and responsible officers of the company have replied to all our requests for explanations and information. We believe that the audit evidence that we have obtained provides a reasonable basis for our opinion.

In our opinion the consolidated financial statements give a true and fair view of the group's financial position as of 31 December 2011, 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.

Additional comment and information

The preparation and the assessment of the information that should be included in the Directors' report on the consolidated financial statements are the responsibility of the Board of Directors.

Our responsibility is to include in our report the following additional comment and information which do not change 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 and is in agreement with the consolidated financial statements. However, we are unable to express an opinion on the description of the principal risks and uncertainties confronting the group, or on the status, future evolution, or significant influence of certain factors on its future development. We can, nevertheless, confirm that the information given is not in obvious contradiction with any information obtained in the context of our appointment.
- As disclosed in the annual accounts, we note that Dexia Bank Belgium SA as per yearend 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. Related to this matter the bank established an action plan and submitted it to the National Bank of Belgium. Based on this plan, the bank received temporary derogations of the National Bank of Belgium for not respecting both type of regulatory ratio's.

Diegem, 30 March 2012

The statutory auditor

DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises
SC s.f.d. SCRL
Represented by

Frank Verhaegen

Bernard De Meulemeester

Non-consolidated financial statements (BE GAAP)

AS AT 31 DECEMBER 2011

Balance sheet (after appropriation)

Assets

(In thousands of EUR)

		31/12/10	31/12/11
I.	Cash in hand, balances with central banks and Post Office banks	454,055	499,809
II.	Treasury bills eligible for refinancing with central banks	24,098	12,674
III.	Loans and advances to credit institutions	66,671,567	44,567,346
	A. Repayable on demand	2,009,512	21,089,942
	B. Other loans and advances (with agreed maturity dates)	64,662,055	23,477,404
IV.	Loans and advances to customers	77,609,157	68,747,904
V.	Debt securities and other fixed-income securities	34,781,689	51,473,863
	A. Issued by public bodies	702,636	7,566,946
	B. Issued by other borrowers	34,079,053	43,906,917
VI.	Shares and other variable-yield securities	55,212	53,381
VII.	Financial fixed assets	8,754,610	2,358,791
	A. Participating interests in affiliated enterprises	8,041,827	1,994,770
	B. Participating interests in other enterprises linked by participating interests	161,051	154,086
	C. Other shares held as financial fixed assets	27,155	28,935
	D. Subordinated loans to affiliated enterprises and to other enterprises linked by participating interests	524,577	181,000
VIII.	Formation expenses and intangible fixed assets	10,893	8,347
IX.	Tangible fixed assets	807,259	770,923
X.	Own shares	0	0
XI.	Other assets	1,895,546	2,594,393
XII.	Deferred charges and accrued income	21,360,135	26,304,548
	TOTAL ASSETS	**212,424,221**	**197,391,979**

Liabilities

(In thousands of EUR)		31/12/10	31/12/11
I.	Amounts owed to credit institutions	62,046,700	59,134,468
	A. Repayable on demand	11,349,231	29,029,207
	B. Amounts owed as a result of the rediscounting of trade bills	0	0
	C. Other debts with agreed maturity dates or periods of notice	50,697,469	30,105,261
II.	Amounts owed to customers	99,042,611	85,926,035
	A. Savings deposits	27,900,856	26,409,525
	B. Other debts	71,141,755	59,516,510
	1. Repayable on demand	18,721,405	17,592,360
	2. With agreed maturity dates or periods of notice	52,420,350	41,924,150
	3. As a result of the rediscounting of trade bills	0	0
III.	Debts evidenced by certificates	16,080,443	12,281,296
	A. Debt securities and other fixed-income securities in circulation	14,491,292	12,075,742
	B. Other	1,589,151	205,554
IV.	Other liabilities	2,081,539	2,826,918
V.	Accrued charges and deferred income	22,541,282	27,997,907
VI.	A. Provisions for liabilities and charges	227,385	268,411
	1. Pensions and similar obligations	67,136	75,788
	2. Taxation	1,607	7,765
	3. Other liabilities and charges	158,642	184,858
	B. Deferred taxes	81,214	6,132
VII.	Fund for General Banking Risks	988,737	988,737
VIII.	Subordinated liabilities	2,595,674	2,549,165
CAPITAL AND RESERVES		**6,738,636**	**5,412,910**
IX.	Capital	3,458,066	3,458,066
	A. Subscribed capital	3,458,066	3,458,066
	B. Uncalled capital (-)	0	0
X.	Share premium account	209,232	209,232
XI.	Revaluation surpluses	231	228
XII.	Reserves	3,069,948	1,745,384
	A. Legal reserve	295,264	295,264
	B. Reserves not available for distribution	2,344	2,344
	1. In respect of own shares held	0	0
	2. Other	2,344	2,344
	C. Untaxed reserves	183,892	38,077
	D. Reserves available for distribution	2,588,448	1,409,699
XIII.	Profits (losses (-)) brought forward	1,159	0
TOTAL LIABILITIES		**212,424,221**	**197,391,979**

Off-balance sheet

(In thousands of EUR)		31/12/10	31/12/11
I.	Contingent liabilities	23,735,861	25,845,506
	A. Non-negotiated acceptances	0	565,004
	B. Guarantees serving as direct credit substitutes	21,913,271	23,257,359
	C. Other guarantees	1,660,037	1,912,118
	D. Documentary credits	127,317	101,754
	E. Assets charged as collateral security on behalf of third parties	35,236	9,271
II.	Commitments which could give rise to a risk	31,188,370	35,165,956
	A. Firm credit commitments	1,929,779	1,826,024
	B. Commitments as a result of spot purchases of transferable or other securities	712,884	475,212
	C. Undrawn margin on confirmed credit lines	28,330,707	32,464,720
	D. Underwriting and placing commitments	215,000	400,000
	E. Commitments as a result of open-ended sale and repurchase agreements	0	0
III.	Assets lodged with the credit institution	103,724,440	98,085,286
	A. Assets held by the credit institution for fiduciary purposes	0	0
	B. Safe custody and equivalent items	103,724,440	98,085,286
IV.	Uncalled amounts of share capital	37,795	37,317

Statement of income (presentation in list form)

(In thousands of EUR)		31/12/10	31/12/11
I.	Interest receivable and similar income	3,680,124	4,254,752
	of which: from fixed-income securities	*821,374*	*958,263*
II.	Interest payable and similar charges (-)	(2,601,887)	(2,937,194)
III.	Income from variable-yield securities	642,894	132,711
	A. From shares and other variable-yield securities	2,036	1,690
	B. From participating interests in affiliated enterprises	626,605	120,890
	C. From participating interests in other enterprises linked by participating interests	11,777	8,077
	D. From other shares held as financial fixed assets	2,476	2,055
IV.	Commissions receivable	465,109	467,989
V.	Commissions payable (-)	(452,118)	(483,793)
VI.	Profit (Loss (-)) on financial transactions	(51,036)	(454,960)
	A. On trading of securities and other financial instruments	(206,224)	(168,196)
	B. On disposal of investment securities	155,188	(286,765)
VII.	General administrative expenses (-)	(1,082,546)	(1,088,339)
	A. Remuneration, social security costs and pensions	(618,967)	(602,050)
	B. Other administrative expenses	(463,579)	(486,290)
VIII.	Depreciation/amortisation of and other write-downs on (-) formation expenses, intangible and tangible fixed assets	(81,822)	(83,081)
IX.	Decrease/(Increase (-)) in write-downs on receivables and in provisions for off-balance-sheet items "I. Contingent liabilities" and "II. Commitments which could give rise to a risk"	(38,717)	(438,479)
X.	Decrease/(Increase (-)) in write-downs on the investment portfolio of debt securities, shares and other fixed-income or variable-yield securities	(9,603)	(252,269)
XI.	Utilisation and write-backs of provisions for liabilities and charges other than those included in the off-balance-sheet items "I. Contingent liabilities" and "II. Commitments which could give rise to a risk"	54,261	63,270
XII.	Provisions for liabilities and charges other than those included in the off-balance-sheet items "I. Contingent liabilities" and "II. Commitments which could give rise to a risk"	(40,457)	(90,096)
XIII.	Transfer from (Transfer to) the Fund for General Banking Risks	0	0
XIV.	Other operating income	204,015	152,669
XV.	Other operating charges	(133,521)	(121,845)
XVI.	Profits (Losses (-)) on ordinary activities before taxes	554,696	(878,665)
XVII.	Extraordinary income	157,138	110,099
	A. Adjustments to depreciation/amortisation of and to other write-downs on intangible and tangible fixed assets	1,277	3,902
	B. Adjustments to write-downs on financial fixed assets	1	19,544
	C. Adjustments to provisions for extraordinary liabilities and charges	0	0
	D. Gain on disposal of fixed assets	155,860	86,653
	E. Other extraordinary income	0	0
XVIII.	Extraordinary charges (-)	(5,390)	(654,831)
	A. Extraordinary depreciation/amortisation of and extraordinary write-downs on formation expenses and intangible and tangible fixed assets	(1,294)	(25,067)
	B. Write-downs on financial fixed assets	(3,349)	(3,802)
	C. Provisions for extraordinary liabilities and charges	0	0
	D. Loss on disposal of fixed assets	(374)	(625,816)
	E. Other extraordinary charges	(373)	(146)
XIX.	Profits (Losses (-)) for the period before taxes	706,444	(1,423,397)
XIX*bis*.	A. Transfer to deferred taxes (-)	(6,163)	0
	B. Transfer from deferred taxes	3,118	75,082
XX.	Income taxes	(5,381)	22,590
	A. Income taxes (-)	(24,120)	(6,341)
	B. Adjustment of income taxes and write-back of tax provisions	18,739	28,930
XXI.	Profits (Losses (-)) for the period	698,018	(1,325,726)
XXII.	Transfer to untaxed reserves (-)	(11,969)	0
	Transfer from untaxed reserves	6,051	145,815
XXIII.	Profits (Losses (-)) for the period available for approbation	692,100	(1,179,910)

Approbation account

(In thousands of EUR)		31/12/10	31/12/11
A.	Profits (Losses (-)) to be appropriated	695,755	(1,178,751)
	1. Profits (Losses (-)) for the period available for approbation	692,100	(1,179,910)
	2. Profits (Losses (-)) brought forward	3,655	1,159
B.	Transfers from capital and reserves	0	1,178,751
	1. From capital and share premium account	0	0
	2. From reserves	0	1,178,751
C.	Appropriations to capital and reserves (-)	(679,605)	0
	1. To capital and share premium account	0	0
	2. To legal reserve	(34,605)	0
	3. To other reserves	(645,000)	0
D.	Result to be carried forward	(1,159)	0
	1. Profits to be carried forward (-)	(1,159)	0
	2. Losses to be carried forward	0	0
E.	Shareholders' contribution in respect of losses	0	0
F.	Distribution of profits (-)	(14,991)	0
	1. Dividends(1)	0	0
	2. Director's entitlements(1)	0	0
	3. Other allocations(1)	(14,991)	0

(1) Only applicable to Belgian limited liability companies.

Accounting principles

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General rules

1. Applicable law

The present accounting principles are based on the Royal Decree dated 23 September 1992 relating to the annual accounts of credit institutions, published in the *Belgian Official Gazette* on 6 October 1992. If no explicit reference is made to specific accounting principles, then the provisions of that Royal Decree shall apply. If the law provides options or an exception, reference is made thereto in the present accounting principles.

2. Structure of the accounting principles

The structure of the accounting principles is based on the Internal Accounting Plan of Dexia Bank Belgium The Internal Accounting Plan responds to the scheme imposed by the Banking, Finance and Insurance Commission in the periodic reports of credit institutions (scheme A) and the structure imposed by the Royal Decree dated 23 September 1992 (scheme B) for the annual accounts of credit institutions.

3. Currency components

3.1. Accounting

Currency transactions are accounted up to the amount in the currency in which they are denominated. Upon their conversion into EUR, a distinction is made between monetary and non-monetary components. The currencies are the monetary units of States that are not members of the European Union as well as the monetary units of Member States that have not adopted the single currency in accordance with the treaty establishing the Union.

3.2. Monetary components

Monetary components include the assets, liabilities and deferred charges and accrued income accounts, off-balance sheet rights and commitments relating to an amount to be received or paid, expressed in a certain number of currency units, as well as shares and other variable-income securities in the trading portfolio. These securities are also recorded as monetary components in the payment currency.

The monetary assets, debts, rights and commitments of Dexia Bank denominated in foreign currencies are converted into EUR at the average indicative rate on the balance sheet date. The average indicative rate of non-exotic currencies is calculated on the basis of the sale and purchase prices as they appear on the Reuters Screen on the last working day of the month at 10 a.m. The indicative rates of exotic currencies are sent to us by the Belgian National Bank on the last working day before 10 a.m.

3.3. Non-monetary components

The following assets denominated in currencies are considered to be non-monetary items: stocks, formation expenses, tangible, intangible and financial fixed assets, variable-income securities and other securities in the investment portfolio, the reimbursement of which does not have the character of interest income. Non-monetary components are converted into EUR at the rate on the date of the transaction.

When non-monetary assets are funded by lasting financing in the corresponding currency, it is permitted to adopt a valuation method by which translation differences relating to those loans are not taken into account in determining the balance of translation differences, but are recorded in adjustment accounts.

3.4. Statement of income

Proceeds and charges in foreign currencies are converted into EUR at the rate on the date of the statement of income.

4. Write-downs for credit risks in deduction from the relevant asset items

Write-downs for commercial and country risks are made systematically. Write-downs for country risks are calculated on the basis of the percentages published by the Banking, Finance and Insurance Commission. If these corrections of value should prove to be insufficient, the receivables are reduced to their probable realisation value.

If no individual valuation is possible, a write-down is calculated on the basis of a statistical assessment of the risk.

5. Internal agreements

Internal agreements are transactions concluded between two departments within the same entity. A distinction is drawn between symmetric and asymmetric agreements. The first type of agreement relates to internal agreements concluded between departments applying the same valuation rule. Asymmetric internal agreements are agreements between departments applying a different valuation method. Only asymmetric internal agreements are recorded as autonomous results. The results from internal agreements are qualified as autonomous when they themselves affect the results of the institution.

The accounting record of asymmetric internal agreements is in accordance with the circular letter from the Banking, Finance and Insurance Commission dated 8 July 1996.

6. Valuation of closed transactions

A closed transaction is a whole of two or more linked and generally opposed transactions, which enable the contracting parties to know the net result of the transaction when it is being concluded, and thus before its expiry date. The transaction is not therefore influenced by market price variations. A closed transaction not being influenced by market price variations, it is possible to depart from the underlying valuation principles. The result of the transaction is then spread over the term of the transaction.

7. Recording of compound financial transactions

Compound financial transactions are transactions composed of several components that nonetheless constitute a whole. From an accounting point of view, these transactions are processed as a whole. In accordance with current Belgian accounting legislation they are not therefore split into different components.

8. Valuation of forward transactions

The valuation of forward transactions on the basis of currencies, rates, stocks or indices depends on the aim upon conclusion of the transaction and varies according to whether they are hedging transactions or trading transactions.

8.1. Hedging transactions

Hedging transactions are concluded to hedge all or part of any fluctuations of currency, rate or price. The recording of profits and losses on hedging transactions in the statement of income is symmetric with the accounting of the proceeds and charges of the component hedged. The hedging transaction must in particular be documented and tested in terms of efficiency.

Transactions intended to hedge trading transactions are themselves processed as trading transactions.

8.2. Trading transactions

Trading transactions are concluded with a view to realising price gains in the short term. Such transactions are valued at their market value on the balance sheet date. In the case of transactions on a liquid market, both the positive and the negative valuation differences are taken into income. In the case of transactions on a non-liquid market, only the negative valuation differences are taken into income, positive valuation differences being recorded in the deferred charges and accrued income account.

8.3. Management transactions

By way of exemption to article 36bis § 2 of the Royal Decree dated 23 September 1992 relating to the annual accounts of credit institutions, the Banking, Finance and Insurance Commission, by letter dated 18 January 2002, granted Dexia Bank the following exemption, in accordance with article 38 of the said Royal Decree and its framework decision dated 14 June 1994.

- Forward rate transactions concluded within the context of cash management. These are transactions for a term less than or equal to one year. The results are recorded pro rata temporis over the corresponding term of the transaction under the item "Interest and related income".
- Forward rate transactions concluded in EUR within the context of general balance sheet management (ALM) and reducing interest risk or not reducing interest risk but

within a limit established in relation to the profitability and solvency of the bank. All these transactions must be validated by the ALCo. These transactions must also be documented. The results are recorded pro rata temporis over the corresponding term of the transaction under the item "Interest and related income".

- Forward rate transactions in foreign currencies which reduce rate risk. All these transactions must be validated and documented by the ALCo. The results are recorded pro rata temporis over the corresponding term of the transaction under the item "Interest and related income".

8.4. Strategic transactions

Forward rate transactions are concluded with the intention of achieving an additional return on the basis of strategic positions. By way of exemptions granted by the Banking, Finance and Insurance Commission from article 36bis §2 of the Royal Decree dated 23 September 1992 relating to the annual accounts of credit institutions, strategic transactions are admitted as a specific category of ALM transactions, in the sense that these transactions must be validated by an ALCo.

In the case of a multi-currency or EUR strategy, the results are recorded pro rata temporis over the corresponding term of the transaction with an additional valuation on the basis of the lower of the cost price or the market price (the "lower of cost or market") of the individual forward transaction.

In the case of a single currency strategy (with the exception of the EUR), the results are recorded pro rata temporis over the corresponding term of the transaction with an additional valuation on the basis of the lower of the cost price or the market price (the "lower of cost or market") of the forward transaction taking into account any potential gains resulting from the valuation at market value of the assets and liabilities managed globally.

The sum of potential losses is recorded under the item "Results from financial transactions".

Balance sheet

1. Cash in hand, balances with central banks and giro offices (item 111)

Cash amounts are stated in the balance sheet at their nominal value.

Cash amounts at branch offices are stated in the balance sheet for the amount recorded after the last transaction on the workstation related to the branch.

Balances due from central banks and giro offices are stated in the balance sheet for the amount of the funds made available to those institutions.

2. Claims on credit institutions (item 112)

Claims on credit institutions are stated in the balance sheet at the amount of the funds made available to them, less reimbursements already made and plus outstanding interest.

2.1. Write-downs on claims

The necessity to record write-downs in the books is determined on the basis of the follow-up of files, the classification criteria of the credits (type of customer, rating) and the limits established for those customers. Write-downs are deducted from the asset item concerned.

3. Claims on customers (item 120)

Claims are stated in the balance sheet at the amount of the funds made available to customers, less reimbursements already made and plus outstanding interest.

3.1. Other debtors

Other claims which arise from the normal activity of the credit institution but which are related to services rendered are stated in the balance sheet at the amount of the claim charged to the customers. The amounts for which the debtor could not be identified at the balance sheet date are stated in the suspense accounts. These include non-attributable amounts due to technical or computer-related reasons. The amounts due that cannot be entered into customers' accounts are also recorded in the suspense accounts.

3.2. Write-downs on claims

At regular intervals, but at least at the end of each quarter, all claims and off-balance sheet commitments are valued according to their potential credit risk. Each claim is subject to individual examination.

Write-downs are recorded for receivables with an uncertain future. The valuation is on an individual basis. For this purpose, the claim is reduced to the value for which, in relation to objective criteria, there is still a certainty as to collection.

If an individual valuation is not possible, a general write-down is calculated on the basis of a statistical assessment of the risk.

Write-downs are cancelled if they are no longer necessary, either as a result of an updated valuation or a realisation of the assets concerned.

3.3. Reserved income

On some receivables with an uncertain future, the interest is calculated and recorded as an effective claim on the debtor. In accordance with the prudence principle, this interest is not included in income but entered into an asset correction account.

4. Securities portfolio (item 130)

A distinction is drawn with regard to the securities portfolio between the trading portfolio and the investment portfolio.

4.1. Trading portfolio

4.1.1. Definition

A distinction is drawn within the trading portfolio between:

- securities to be placed: fixed-income or non-fixed-income securities acquired in connection with an issue to be placed among third parties. After the closing date of the issue, or at the expiry of the usual time limit necessary for placing securities, those that have not been placed must receive another appropriation.
- securities to be realised: fixed-income and non-fixed-income securities acquired with a view to their resale for a short-term yield over a period normally not exceeding six months.

4.1.2. Acquisition price

The price in the case of sale is determined according to the principle of the average weighted price.

Additional transaction costs relating to the securities portfolio are recorded in the statement of income of the financial year during which they are incurred.

4.1.3. Accounting principles

Securities to be placed or realised, for which a liquid market exists, are valued at their market value on balance sheet date. Positive as well as negative valuation differences are recorded in the statement of income.

If no liquid market exists, they are valued according to the principle of "lower of cost or market". This means that only negative valuation differences are recorded in the statement of income.

4.2. Investment portfolio

4.2.1. Definition

Securities which do not belong to the trading portfolio and are not financial assets.

A distinction is drawn within the investment portfolio between:

- investment portfolio, liquidity support portion: by way of a precaution and in relation to liquidity needs exceeding normal requirements, the credit institution may allocate a portion of the investment securities to liquidity support; and
- the investment portion of the portfolio.

4.2.2. Acquisition price

For securities in the investment portfolio, the price in case of sale is determined according to the principle of individualised price (item per item) except for variable rate securities which are stated in accordance with their average acquisition price.

Additional costs relating to the acquisition of securities are immediately recorded for the financial year.

4.2.3. Accounting principles

- Securities which are used as liquidity support are valued according to their acquisition price or their market value at the balance sheet date if this is lower.
- Variable-income securities belonging to the investment portfolio are valued at their acquisition price or their market value at the balance sheet date if this is lower.
- Fixed-income securities in the investment portfolio are valued on the basis of their actuarial yield, calculated at purchase, taking into account their repayment value at maturity. The difference between acquisition price and repayment value is recorded pro rata temporis over the residual term of the securities as a component of the interest margin. This is recorded on an actuarial basis, taking into account the real rate of yield at purchase. This paragraph is also applicable to zero bonds in the trading portfolio.
- Fixed-income securities in the investment portfolio may be subject to arbitrage transactions as defined in article 35 § 5: any combined buy/sell transaction involving fixed-income securities carried out during a relatively short space of time which lead to a real improvement in the return from those investment securities.
- The results of these arbitrage transactions, to the extent that they might occur, are treated in accordance with the provisions of article 35 § 5. Gains or losses resulting from the sale of fixed-income investment securities are spread in the statement of income with the future income from securities acquired within the context of the arbitrage.
- For securities in the investment portfolio, write-downs are recorded if a permanent loss is established. Write-downs are deducted from the assets concerned. For fixed-income securities in the investment portfolio which might be difficult to value on the basis of their actuarial yield, write-downs are recorded in the case of a permanent loss. Perpetual loans and other similar instruments are valued according to the principle of "lower of cost or market".
- For securities where the repayment terms are variable and/or maturity is not fixed, any possible difference between acquisition price and repayment value is recorded pro rata temporis over the residual weighted term which is determined in relation to the estimated rate of repayment. The latter is determined on the basis of market conditions on the balance sheet date.
- For a synthetic security, composed of a fixed-income security and an interest rate swap, this is recorded on a pro rata straight-line basis.
- For variable-income securities in the investment portfolio, any possible difference between acquisition price and repayment value is recorded on a straight line basis pro rata temporis over the residual term of those securities.
- For securities belonging to the "hybrid securities" category, the difference between acquisition price and repayment value is recorded pro rata temporis if the acquisition price is higher than the repayment value. Hybrid securities are securities with a coupon differing from an index-plus-margin or a fixed interest rate or securities with a coupon equal to an index plus margin which is considered as "volatile".

4.3. Portfolio transfers

Transfers between the investment portfolio and the trading portfolio take place on the basis of the market value at the time of transfer.

Transfers between investment portfolio and financial fixed assets are done according to the principle of "lower of cost or market". This means that the transfer of these securities is done on the basis of cost or market value if the latter is lower at the date of transfer. The transfer is only possible after explicit approval by the Management Committee.

5. Other assets (item 140)

Tradable gold is booked in the balance sheet under item 141 at the price of gold on the last day of the month as published by the Belgian National Bank and is valued on a daily basis. The result is booked under the item "Other financial costs and income".

Medals are booked at their acquisition value less any write-downs.

Item 142 "Real estate intended for sale and/or leasing", comprises buildings purchased, built or under construction. On the balance sheet date, the valuation of these buildings is at acquisition price or market value if the latter is lower. If, according to the contracts, the acquisition price may be recovered from the purchaser, the acquisition price is maintained. No depreciation is recorded.

The amount of premiums paid for options acquired is included under item 143. The premium is valued according to the aim of the transaction periodically from the date of the transaction.

6. Doubtful or unrecoverable claims (item 150)

The assets mentioned under items 110, 120, 130 and 140 but which must be considered as doubtful or unrecoverable are transferred to this item. These claims which are subject to litigation and which are almost certain not to be collected or proceedings enforced, are subject to write-downs. Write-downs are deducted from the asset items concerned.

Without prejudice to the administrative procedure of each division, write-downs accounted for certain losses are debited via the credit side of the unrecoverable debt. If debts are entirely or partly recovered after closure of the file, the amounts received are recorded in the other operating income item.

7. Deferred charges and accrued income accounts (item 160)

In order to take account of all income and charges relating to the financial year, irrespective of the day on which they are effectively received or collected, the charges to be deferred and the income acquired are recorded in the deferred charges and accrued income accounts.

8. Financial fixed assets (item 171)

Financial fixed assets are stated in the balance sheet at acquisition price. The additional costs of acquisition are chargeable to the financial year of acquisition.

For shares and participating interests appearing under this item, write-downs are recorded in the case of a permanent reduction in value. They are determined on the basis of the financial position, profitability and prospects of the company concerned. Shares and participating interests may also be revalued, if their value, established on the basis of their utility, shows a definite and lasting increase of their book value.

In the case of a sale of shares and participating interests, the acquisition price to be taken into account is determined according to the principle of individualised price (item per item).

Claims and fixed-income securities in financial fixed assets may also be written down, if their collection at balance sheet date is entirely or partly uncertain.

9. Tangible fixed assets (item 172)

9.1. Principle

Tangible fixed assets are valued at their acquisition value. This can be the acquisition price, the manufacturing cost or the contribution value.

Fixed assets presenting a definite and lasting gain in value vis-à-vis their book value may be revalued. In order to do this, account is taken of the utility of that appreciation and the profitability of the company. In this case, the valuation is done at the revalued cost.

Tangible fixed assets pertain to purchases for an acquisition value which is equal to or more than EUR 250 by component or if the installation or creation of the equipment consists of components of less than EUR 250 in value but the total of which is equal to or exceeds that value.

Other real rights over real estate acquired against a single payment are valued at the acquisition value.

9.2. Depreciation

Normal depreciation of the asset is according to the following two different depreciation methods:

- straight-line depreciation: the acquisition value of the component to be written down is spread on the basis of a constant depreciation rate over the financial years during which the company is using the component of the asset within the context of its operation.
- declining balance depreciation involves a higher starting rate of depreciation in relation to the technological devaluation of that component.

Differing past depreciation methods are maintained until their extinction.

9.2.1. Land and buildings (item 172.1)

This item includes built and unbuilt land, as well as the buildings and their furnishings, owned by the company and used entirely or partially for professional purposes on a lasting basis.

Revaluation surpluses consist of unrealised capital gains as established by a surveyor's report.

Other real rights over real estate acquired against a single payment are also recorded under this item.

9.2.2. Plant, machines, equipment, furniture and vehicles (item 172.2)

Straight-line depreciation and depreciation on a declining basis are applied to plant, machines, equipment, furniture and vehicles. More detailed information is available in the appendix.

9.2.3. Lease finance and related rights (item 172.3)

Lease finance

Rights of use regarding tangible fixed assets by virtue of lease finance agreements are stated under the item "Tangible fixed assets" for the proportion of payments due under the contract which guarantees reconstitution of capital.

The corresponding commitments entered under liabilities are valued each year up to the amounts to be paid during the following financial year to reconstitute capital.

Long lease

Property acquired on long lease is written down over the term of the long lease. Additional acquisitions made for a building on long lease are written down over the residual term of the long lease.

Life annuity

For property acquired against payment of a life annuity, the acquisition value is the capital necessary at the time of the acquisition to pay the annuity increased by the amount paid on acquisition as well as costs.

A provision is constituted up to the amount of the said capital, which is adjusted annually.

9.2.4. Other tangible fixed assets (item 172.4)
This item comprises installation costs for rented buildings, buildings on operational lease, buildings and land not related to the business as well as leased equipment.

Straight-line and depreciations on a declining balance are applied to other tangible fixed assets. More detailed information is available in the appendix.

9.2.5. Assets under construction and advances (item 172.5)
This item includes intangible fixed assets under construction which have not been completed yet. Once they can be put into service, they will be transferred to the final item.

Advances received on the final acquisition value are also posted here.

9.3. Additional or extraordinary depreciations/ write-downs
Additional or extraordinary depreciations may be recorded if, due to technical wear and tear or to changes in economic or technological circumstances, the book value of the assets is higher than their use value. For fixed assets with an unlimited use, extraordinary write-downs are only permitted in the case of depreciation or lasting reduction in value.

Purchase costs for land shall be integrally charged to the year of acquisition through write-down.

9.4. Interim interest
Interim interest is not included in assets or used in the valuation basis for tangible fixed assets.

10. Formation expenses (item 173)

Formation expenses are included in the assets and written down at 100% over the financial year during which they were incurred.

Loan floatation costs are also recorded during the financial year in which the loans were granted.

End of mandate indemnities paid within the context of branch network restructuring is included in assets. They are written down on a straight line basis over five years.

11. Intangible fixed assets (item 174)
Licence acquisitions are recorded as intangible fixed assets if the acquisition value is at least equal to EUR 500 per component, or if delivery is carried out in part deliveries of less than EUR 500 but the total amount is at least EUR 500. Software included in assets is written down over a maximum period of five years.

Research and development costs for internal software are charged entirely to the financial year during which they were incurred.

Payments made for bringing in transactions with customers are charged entirely to the financial year during which they were incurred.

12. Debts to credit institutions (item 210)

Debts to credit institutions are stated in the balance sheet at the amount made available.

Debts vis-à-vis subsidiaries are recorded in the balance sheet at the amounts made available.

13. Debts owed to customers (item 220)

Debts vis-à-vis customers are stated in the balance sheet at the amount of the funds made available by customers, less repayments already made.

Debts due to other creditors resulting from the normal activity, other than deposits, are stated in the balance sheet at the amount due.

This rule is also applicable to matured securities (securities and coupons) that are repayable to customers.

Amounts of which the beneficiary could not be identified at the balance sheet date are recorded at suspense accounts. These include non-attributable costs due to technical or computer-related reasons.

Amounts due that cannot be credited to customers' accounts are also mentioned in suspense accounts.

14. Debts represented by securities (item 230)

Debts represented by securities without issue price are recorded in the balance sheet at their nominal value.

Debts represented by securities for which the repayment value is different from the issue price are recorded in the balance sheet at the amounts made available to the credit institution. These securities are revalued periodically on the basis of their actuarial yield calculated at the time of sale, taking into account their repayment value at maturity.

The result of this valuation is recorded pro rata temporis over the residual term of the securities as a constituent of the interest margin.

Outstanding savings bonds are increased by the subscriptions prior to value date and reduced by repayments already made.

For savings bonds with compulsory capitalisation, the capitalised interest is added to the outstanding amount. In the case of optional capitalisation, the unclaimed outstanding interest is also added to the outstanding amount.

15. Other liabilities (item 240)

Taxes, wages and social liabilities (item 241) are stated on the balance sheet at their nominal value. Premiums received on options written are entered under item 242 for the amount received. The further valuation of the premium depends on the intention at the moment of writing the option.

16. Provisions and deferred taxes (items 251 to 253)

Provisions for risks and charges are constituted to cover clearly defined losses and charges which are either likely or certain at balance sheet date, but of which the amount is not yet definite.

The Board of Directors alone decides on the creation of provisions of any sort. The following provisions in particular are constituted:

- **Legal or extra-legal advantages to staff**
  Each year, provisions are constituted in relation to agreements concluded with regard to legal and extra-legal advantages granted to staff.
- **Provisions for risks inherent in exchange business**
  For considerations of caution, a provision is constituted to cover the exchange risk on the stock of bank notes in currencies. This provision represents 5% of the countervalue of the stock in EUR.
- **Provision for reductions in interest on mortgage loans under home savings contracts**
  A provision is constituted to cover future reductions of interest on mortgage loans concluded in respect of a home savings contract. It is calculated each year on the basis of a statistical assessment taking into account the probability of the customer entering into a mortgage loan, pro rata to the volume of savings agreed and the percentage reduction to which the customer is entitled.
- **Provision for litigation and current disputes**
  This provision is constituted to cover the risks relating to compensation claims from third parties in respect of disputed mandate indemnities and breach of contract concerning the delivery of goods or services to Dexia Bank. The provision is valued on an individual case basis.
- **Provision for major renovation and maintenance work**
  A provision is constituted and spread out in time. The amount of this provision depends on the type of building. The entire provision is written down on total or partial completion of the work.
- **Provision for life annuities**
  When assets are acquired in the form of a life annuity contract, a provision is constituted to cover that contract. The provision is valued on the basis of an actuarial calculation. It is adjusted each year on the basis of the mortality tables.
- **Provisions for taxes**
  This item includes provisions constituted to cover fiscal obligations which might arise from a change to the taxation basis or tax calculation.
- **Provision for indemnities to be paid at the end of the mandate term**
  This provision is constituted to cover the future payment of the balance of the indemnity paid by Dexia Bank to branch managers who cease their activities.
- **Provision for commitment credits**
  This provision is constituted to cover the risks on commitment credits granted to customers whose financial situation has deteriorated.
- **Deferred taxes**
  This item comprises the taxes deferred to subsequent financial years and relating to realised capital gains on assets when the facility to defer taxes is chosen. The valuation of this item is in accordance with the rules defined in notice number 165/1 of the Commission for Accounting Standards (February 1992) and the amount of deferred tax at the liabilities included here is therefore adjusted each year according to the tax situation of Dexia Bank, the applicable rate of corporation tax and the write-downs recorded on reinvested assets.
- **Provision for restructuring costs**
  The provision for restructuring costs includes the costs relating to the integration of Artesia. The Management Board has defined the nature and the amount of these costs in a detailed plan.

17. Fund for general banking risk (item 254)

The Fund for General Banking Risk is a contingency fund to safeguard solvency against future risks which, though not yet materialised, are nonetheless considered to be inherent in the business of a credit institution.

The balance of the general banking risks reserve must amount to a minimum 1% of the Bank's weighted risk volume. A departure from this rule must be justified by the Board of Directors.

18. Deferred charges and accrued income accounts (item 260)

In order to take account of all income and charges relating to the financial year, irrespective of the day on which they are effectively received or paid, the charges to be allocated and income to be deferred are recorded in deferred charges and accrued income accounts in the balance sheet.

19. Subordinated debts (item 270)

Subordinated debts are debts which are only paid after the unsecured creditors have been paid in the event of liquidation. They are stated in the balance sheet at the amount of the funds made available to the credit institution.

Subordinated liabilities for which the repayment value is different from the issue price are stated in the balance sheet at the amount of the funds made available to the credit institution.

These items are revalued periodically on the basis of their actuarial yield calculated at the time of issue for subordinated debts represented by a security, and on a straight line basis for subordinated debts not represented by a security, taking account of their repayment value at maturity. The result of this valuation is recorded pro rata temporis in the statement of income over the residual term, as a constituent of the interest margin.

20. Capital (item 281)

This item includes the capital of Dexia Bank SA.

21. Revaluation surpluses (item 283)

Tangible fixed assets and shares and participating interests that are part of the financial fixed assets may be revalued if their value, determined on the basis of their use value for the institution, is greater than their book value in a definite and lasting way. They are kept under this item until the realisation of the assets concerned or their incorporation into capital.

The amount of these revaluation surpluses is reduced each year by transfer to the available reserves of the amount of the depreciation recorded on the revalued assets.

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22. Reserves (item 284)

The legal reserve is constituted by appropriations of 5% from net profit, until this reserve reaches 10% of the share capital.

The available and unavailable reserves as well as the untaxed reserves are constituted by the total of the appropriations, less any possible disbursements.

23. Profit carried forward (item 285)

The profit carried forward is constituted by the profit which has not been distributed or appropriated.

Off-balance-sheet items

1. Spot transactions (item 310)

1.1. General remarks

This item comprises the spot transactions for which Dexia Bank acts as counterparty in its own name and on its own account or in its own name and on behalf of third parties, and which are liquidated within the normal time limits on the local markets.

The amounts recorded in the off-balance sheet accounts are those subject to agreement between the parties.

1.2. Spot transactions in course of settlement in relation to the securities in the trading portfolio

Spot transactions in course of settlement in relation to the securities in the trading portfolio, for which there is a liquid market, are valued at their market value at the balance sheet date. The results are recorded under the item "Results from financial transactions".

1.3. Exchange transactions

Spot exchange transactions are agreements in which two currencies are exchanged at a fixed rate, the spot rate. The customary period does not exceed two bank working days.

The principal amounts in currencies are incorporated as monetary components in the accounts at the average market price on the spot market as at the balance sheet date. The differences resulting from conversion are entered under the item "Results from financial transactions".

2. Forward transactions (item 320)

2.1. General remarks

This item comprises the forward transactions for which Dexia Bank acts as counterparty in its own name and on its own account or in its own name and on behalf of third parties, and which are not liquidated within the normal time limits on the local markets. The time limits are agreed between the parties.

The amounts recorded in the off-balance sheet accounts are those subject to agreement between the parties.

2.2. Forward transactions in course of settlement in relation to the securities in the trading portfolio

Forward transactions in course of settlement in relation to the securities in the trading portfolio, for which there is a liquid market, are valued at their market value at the balance sheet date. The results are recorded under the item "Results from financial transactions".

2.3. Forward exchange transactions

2.3.1. Simple forward exchange transactions

The forward exchange transactions are recorded off-balance sheet at the date of the transaction.

A distinction should be drawn according to the purpose for which the transaction is carried out.

- **Trading transactions**
  Trading transactions are valued at market value, at the forward rate corresponding to the residual term. The balance of positive or negative differences resulting from the valuation is recorded under the item "Results from financial transactions". For contracts in a currency for which there is no liquid market, the positive difference is recorded in the accruals (liabilities) as income to be carried forward.
- **Hedging transactions**
  The results of hedging transactions are recorded symmetrically to those of the component hedged.

2.3.2. Combined forward exchange transactions

Combined forward exchange transactions are a combination of spot and forward transactions concluded at the same time and reciprocally with the same counterparty.

A distinction should be drawn between trading transactions and hedging transactions according to the object at the date of conclusion of the transaction.

In the case of trading transactions, the transaction is considered as a currency swap. In the case of hedging transactions, if the component hedged is a loan or lending the transaction is considered as a treasury swap.

- **Trading transactions**
  Trading transactions are valued at market value: the spot part and the forward part are respectively valued at the spot price and the forward price corresponding to the residual term of the transactions and applicable at the balance sheet date. The resulting balance of positive or negative differences is recorded in the statement of income under the item "Results from financial transactions". For contracts relating to a currency for which there is no liquid market, the positive difference is recorded through accruals (liabilities) as income to be carried forward.
- **Hedging transactions**
  For hedging transactions, the spot part and the forward part are valued at the spot price at the balance sheet date. The difference between the spot price and the forward price constitutes the report or deport, which is recorded pro rata temporis on a straight line basis over the term of the transaction and is recorded as a component of interest income and charges. At the date of conclusion the report/deport is split into two amounts of interest, amounts which are recorded in the exchange accounts through off-balance sheet items "Charges and income hedged in advance". This is interest to be received and paid for the respective parts of the claims and debts hedged. Through these two amounts of interest, the report or deport is allocated as income and charges similar to interest income and charges, pro rata temporis over the term between the maturity date of the spot transaction and the maturity date of the forward transaction.

2.3.3.Currency and interest rate swaps

A distinction should be drawn between trading and hedging transactions according to the object at the date of conclusion of the transaction.

In these two cases, the nominal amounts of the spot part and the forward part are valued at the spot price at the balance sheet date.

- **Trading transactions**
  Periodic reciprocal payments are recorded pro rata temporis under the item "Results from financial transactions" as well as the balance of positive and negative valuation differences arising from the market valuation.
  At the end of the swap, the result achieved is immediately charged to the item "Results from financial transactions".
- **Hedging transactions**
  Periodic reciprocal payments are recorded pro rata temporis under the items "Interest income and charges" (hedging of components not valued at market value) or "Results from financial transactions" (hedging of components valued at market value). In the case of hedging of components valued at market value, the revaluation of interest rate conditions is recorded under the item "Results from financial transactions".

2.3.4. Currency options

A distinction should be drawn between trading and hedging transactions according to the object at the date of conclusion of the transaction.

In these two cases, the nominal amounts of the spot part and the forward part are valued at the spot price at the balance sheet date.

- **Trading transactions**
  For options traded on a liquid market, fluctuations in the value of the premium, both positive and negative, are recorded under the item "Results from financial transactions". For options trade on a non-liquid market, only negative fluctuations in the value of the premium are recorded under the item "Results from financial transactions". Positive fluctuations are recorded by crediting the deferred charges and accrued income accounts.
- **Hedging transactions**
  For hedging transactions concerning claims or debts, the results of periodic valuation are recorded symmetrically in relation to the valuation of the component hedged. The results at settlement of the contract are recorded under the same items in the statement of income as the component hedged. This also applies to premiums on exercise of the contract.

2.4. Interest rate transactions

2.4.1. Interest rate swaps

A distinction should be drawn between the following types of transactions, in relation to the intention at the date of conclusion of the transaction.

- **Trading transactions**
  Periodic reciprocal payments are recorded pro rata temporis under the item "Results from financial transactions" as well as the balance of positive or negative differences of the complementary valuation of interest rate conditions. Gains or losses realised on cancelled transactions are recorded immediately in the statement of income.
- **Hedging transactions**
  Periodic reciprocal payments are recorded pro rata temporis under the items "Interest income and charges" (hedging of components not valued at market value) or "Results from financial transactions" (hedging of components valued at market value).
  In the case of hedging components valued at market value, the revaluation of interest rate conditions is recorded under the item "Results from financial transactions".
  Hedging transactions are re-qualified as trading transactions if the hedged component is transferred or comes to maturity.
- **Management transactions**
  Periodic reciprocal payments are recorded pro rata temporis under the item "Interest income and charges". There is no valuation at market value and, in the case of early settlement, the penalty received or paid is recorded pro rata temporis under the item "Interest income and charges" until maturity of the terminated swap.
  If there is an economic link between the sale of hedged items and the early termination of the swap, the paid or received balancing cash adjustment is integrated "upfront" in the profit.
- **Strategic transactions**
  Periodic reciprocal payments are recorded pro rata temporis under the item "Interest income and charges". In addition, swaps must be valued at the lower of cost or market (LOCOM) per strategy (multi-currency strategy) or per currency (single currency strategy). In the case of the single currency strategy (with the exception of the EUR), the LOCOM valuation of interest rate swaps must also take account of potential gains resulting from the valuation at market value of assets and liabilities managed globally within the same portfolio.
  The sum of potential losses is recorded under the item "Results from financial transactions".
  In the case of early settlement, gains and losses realised are immediately charged to the item "Results from financial transactions".

2.4.2. Interest futures on money and capital markets

A distinction should be drawn between the following types of transactions, in relation to the intention at the date of conclusion of the transaction.

- **Trading transactions**
  For trading transactions, the results of the valuation are recorded under the item "Results from financial transactions".
- **Hedging transactions**
  In the case of hedging of a component not valued at market value, daily fluctuations of value are recorded in accruals until maturity or settlement of the contract. From that moment, the net result is recorded symmetrically with the income/charges of the hedged component.
  In the case of hedging a component valued at market value, daily fluctuations of value are recorded immediately under the item "Results from financial transactions".
  Hedging transactions are re-qualified as trading transactions if the hedged component is transferred or comes to maturity.
- **Management transactions**
  Within the context of Cash Management, interest income and charges are recorded as from the date of maturity of futures until the date of final maturity of the underlying instrument. This straight line pro rata is based on a breakdown of the futures in the borrowing and the loan which they comprise.

Within the context of ALM, interest income and charges are recorded in the statement of income in a straight line manner as from the date of settlement of the futures until the date of final maturity of the underlying instrument.
In the case of early settlement, the penalty is recorded pro rata temporis under the item "Interest income and charges".

- **Strategic transactions**
In the case of strategic transactions, the results of the valuation are recorded under the item "Results from financial transactions". In the case of early settlement, the penalty is immediately charged to the item "Results from financial transactions".
No use is made at present of the exemption.

2.4.3. Forward Rate Agreement (FRA)

A distinction should be drawn between following types of transaction, in relation to the intention at the date when the transaction was concluded.

- **Trading transactions**
Trading transactions are valued at market value between the date of the transaction and the eve of the day when the interest difference to be paid or received is determined, or the transaction is cancelled. On that latter date, the difference between the market valuation on the eve of the day and the amount which is settled is immediately recorded in the statement of income under the item "Results from financial transactions".
- **Hedging transactions**
No valuation of hedging transactions takes place between the transaction date and the fixing date. The amount to be paid or received on settlement of the contract is recorded in accruals and then periodically and symmetrically recorded pro rata temporis with the charges and income of the hedged component, and recorded under the item "Interest income and charges".
- **Management transactions**
Within the context of Cash Management, interest income and charges are recorded as from the value date until the date of final maturity of the FRA. This interest results from the fictitious loan and borrowing which compose the FRA, according to the recommendations made by the Banking, Finance and Insurance Commission.
Within the context of ALM, interest income and charges are recorded as from the date of settlement until the date of final maturity of the FRA.
In these two cases, the penalty in the case of early settlement is recorded pro rata temporis under the item "Interest income and charges" as from the date of the terminating transaction until the final date of maturity of the terminated FRA.
- **Strategic transactions**
Interest income and charges are recorded in the same manner as for ALM management.
In addition, the FRA must be valued on the basis of the lower of cost or market (LOCOM) per strategy (multi-currency strategy) or per currency (single currency strategy).
In the case of a single currency strategy (with the exception of the EUR), the LOCOM valuation of interest rate swaps must also take account of potential gains resulting from the valuation at market value of assets and liabilities managed globally within the same portfolio.
The sum of potential losses is recorded under the item "Results from financial transactions". In the case of early settlement, gains and losses realised are immediately charged to the item "Results from financial transactions".

2.4.4. Interest rate options

A distinction should be drawn between trading and hedging transactions according to the intention of the transaction at the date of conclusion of the transaction.

- **Trading transactions**
If the market is liquid, premium value fluctuations, both positive and negative, are recorded under the item "Results from financial transactions".
If the market is not liquid, the "lower of cost or market" principle is applied, so that only negative premium value fluctuations are recorded under the item "Results from financial transactions". In the case of early settlement, the penalty paid or received is immediately recorded under the item "Results from financial transactions".
- **Hedging transaction**
Premiums are recorded symmetrically with the charges and income of the component covered. In the case of hedging a component valued at market value and traded on a liquid market, a "mark-to-market" valuation is applied so that fluctuations of value, both positive and negative, are recorded under the item "Results from financial transactions". If the hedged component is traded on a non-liquid market, positive fluctuations of value are recorded under the item "Results from financial transactions" and negative fluctuations of value are recorded through accruals ("higher of cost or market" principle).
- **Management transactions**
For management transactions, the premium paid as from the deal date until the date of exercise is recorded pro rata temporis in the statement of income.
In the case of early settlement, the penalty paid or received is recorded pro rata temporis in a straight line manner under the item "Interest income and charges" as from the date of the settlement transaction until the date of final maturity of the option.
- **Strategic transactions**
In the case of strategic transactions, in addition to the pro rata recording of the premium under the item "Interest income and charges", there is an additional recording of the negative valuation differences calculated per strategy (multi-currency strategy) or per currency (single-currency strategy) under the item "Results from financial transactions".
In the case of a single-currency strategy (with the exception of the EUR), the LOCOM valuation of interest rate swaps must also take account of potential gains resulting from the valuation at market value of assets and liabilities managed globally within the same portfolio.
In the case of early settlement, the penalty paid or received is immediately charged to the item "Results from financial transactions".

In the case of exercise by physical delivery of the underlying, the rules for valuation of the underlying are then applicable, which means for swaptions that the valuation rules relating to the swaps must be applied. For options on securities, it is the valuation rules relating to the securities which are applicable and for options on futures, the rules for valuation of the futures.

In the case of exercise by cash settlement, a distinction must be drawn in relation to the purpose of the deal at the date of payment of the cash settlement.

- **Trading transactions**
The cash settlement is recorded immediately in the statement of income.

- **Hedging transactions**
In the case of hedging a component which is not valued at market value, the cash settlement is recorded in accruals and then recorded pro rata temporis over the term of the hedged component under the item "Interest income and charges". In cases where the hedging relates to components which are valued at market value, the cash settlement is recorded under the item "Results from financial transactions".
- **Management transactions**
The cash settlement is always recorded in accruals, is recorded pro rata temporis from that account over the term of the underlying financial instruments and is recorded under the item "Interest income and charges".
- **Strategic transactions**
The cash settlement is immediately recorded under the item "Interest income and charges".

2.5. Other transactions

2.5.1. Raw material swaps

The nominal amounts are recorded under the item "Other forward purchases and sales".

The results of the transaction are recorded under the item "Results from financial transactions". There is no intermediate valuation because the positions are entirely hedged.

2.5.2. Options on stocks and stock exchange indices

A distinction should be drawn between trading and hedging transactions according to the object of the transaction at the date of conclusion of the transaction.

The nominal amounts of the underlying component are recorded at the date of the transaction under the off-balance sheet item "Other options".

- **Trading transactions**
Premiums received or paid are recorded in the balance sheet at the date of the transaction and valued at market value if the underlying instrument or option is traded on a liquid market, or according to the LOCOM principle, if the market is not liquid. The results are charged to the item "Results from financial transactions."
In the case of exercise of physical delivery, the share is recorded at the exercise price.
If the share is intended for the trading portfolio, it is then valued at the market price at the balance sheet date.
If the share is intended for the investment portfolio, it is transferred at the market price from the trading portfolio to the investment portfolio and then valued according to the LOCOM principle.
In the case of exercise by cash settlement, the amounts received or paid are immediately charged to income under the item "Results from financial transactions on options".
In the case of close out, the difference between, on the one hand, the premium paid or received on close out and, on the other hand, the book value of the premium initially received or paid, is recorded at the date of the transaction under the item "Results from financial transactions on options".
- **Hedging transactions**
For a stock option used for hedging purposes the recording in the statement of income is done symmetrically with the valuation of the hedged component.
When the hedged component is valued at market value at reporting date, the option is also valued at market value, and fluctuations of value, both positive and negative, are recorded symmetrically with the fluctuation of value of the hedged component.
When the hedged component is valued according to the "lower of cost or market" principle, the valuation at market value only takes into income the positive fluctuations of value between market value and book value.
In the case of exercise of the option by way of physical delivery, the gain or loss, income and charges relating to the underlying financial instrument are recorded under the items relating to the underlying financial instrument.

2.5.3. Index/equity swaps

An index or equity swap consists of a forward interest rate transaction (Debt portion) and a forward transaction on an index or equities (Equity portion).

The nominal amounts are recorded in the off-balance sheet item "Other options".

A distinction should be drawn between trading and hedging transactions according to the intention at the date when the transactions were concluded.

- **Trading transactions**
The "index/equity" portion of each swap is valued at market value. For the "debt" portion, the interest outstanding on each swap is recorded in income pro rata temporis. In addition, the "debt" portion is valued at market value.
- **Hedging transactions**
For an equity swap or an index swap used for hedging, the result is recorded according to the principle of symmetry, in the same manner and under the same items in the statement of income as the component hedged.

Substitution dividends received or paid are recorded under the item "Results from financial transactions".

2.5.4. Forward transactions on securities

- **Forward transactions**
Forward transactions are valued according to the intention at the date of the transaction.
Forward transactions on securities which will be taken into the trading portfolio at the value date of the forward transaction to which they relate are valued on the basis of the forward price applicable at the balance sheet date.
Forward transactions on securities which will be taken into the investment portfolio at value date are valued at the price agreed between the parties and not at market price.
As from the value date of the forward transactions on securities, the accounting principles of the portfolio which includes the securities are applicable.
- **Unit trusts**
Forward purchases of fixed-income securities, concluded with the unit trusts which invest in securities which mature after the date of maturity of the unit trust, are recorded in the statement of income at the present value of future flows to be received or paid.

2.5.5. Spread option

- **Trading transactions**
In the case of a liquid market, the "mark-to-market" principle is applied so that fluctuations of the value of the premium, both negative and positive, are recorded in the statement of income under the item "Results from financial transactions".

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In the case of a non-liquid market, the "lower of cost or market" principle is applied and negative fluctuations of the value of the premium are recorded under the item "Results from financial transactions". Positive fluctuations of the value of the premium are recorded in accruals.

The exercise of the option occurs by cash settlement and its recording depends on the aim of the transaction.

- **Trading transactions**
  The cash settlement is recorded immediately in the statement of income under the item "Results from financial transactions".

2.5.6. Credit derivatives

Credit derivatives include the following types of contracts: credit default swaps, credit spread options and credit linked notes.

Credit Default Swaps

- **Trading portfolio**
  Credit Default Swaps concluded within the context of the trading portfolio are recorded according to the rules applicable to financial instruments. The nominal amounts of the underlying instruments are recorded in the off-balance sheet items under "Other options" on the date of transaction.
  The premiums received or paid are recorded in the balance sheet on the date of transaction. They are reassessed at market value if the market is liquid and at lower cost or market if the market is illiquid.
  The results of these transactions are recorded under the item "Results from financial transactions". In the case of exercise through delivery of the underlying instrument, the corresponding valuation rules are applicable.
  In the case of exercise through cash settlement, the results are immediately recorded in the statement of income.
- **Investment**
  Credit Default Swaps (protection purchase/risk sale) are recorded in the off-balance sheet items as personal securities received for the amount of the commitment.
  If the premium is to be paid afterwards and conditionally, it is entirely recorded in the statement of income on the date of payment. If the premium is paid or determined beforehand, it is recorded pro rata temporis in the statement of income. The premium paid is recorded in the item "Fees paid relating to financial services".
  In the case of exercise by cash settlement, the indemnity received is recorded under the item "Results from financial transactions".
  Credit Default Swaps (protection sale/risk purchase) are recorded in the off-balance sheet items as guarantees in the nature of credit substitutes for the amount of the commitment.
  If the premium is to be received afterwards and conditionally, it is entirely recorded in the statement of income on the date of receipt. If the premium is received or determined beforehand, it is recorded pro rata temporis in the statement of income.
  The premium received is recorded as in the item "Fees received relating to financial services". The results arising from early settlement are recorded under the item "Results from financial transactions".
  If necessary, a reserve for credit commitments will be booked periodically to cover the credit risk incurred.

Credit Spread Options

- **Trading portfolio**
  Credit Spread Options concluded in the context of the trading portfolio are recorded according the rules applicable to Credit Default Swaps in the trading portfolio.

Credit Linked Notes

Credit Linked Notes (protection sale/risk purchase) are recorded in the trading or investment portfolio according to the usual rules applicable to fixed-income securities.

3. Used credit commitments (item 340)

A credit commitment is an operation whereby an institution promises someone (the beneficiary of the credit) to undertake to pay, on behalf of the latter, a sum of money to a third party or to remit an instrument which makes it possible to obtain payment.

Commitments to a third party entered into for the purpose of such operations must be booked as used credit commitments.

3.1. Non-negotiated acceptances (item 341)

Included in this item are:

- the institution's commitments due to its having been accepted as the drawee of trade bills accepted on its behalf (sub-item 341.1);
- the institution's commitments due to its having been accepted as the drawee of trade bills without discounting these bills (sub-item 341.2). Both bills accepted by order of credit institutions and those accepted by order of clients must be booked here. Own acceptances which the institution has discounted itself must be booked on the assets side under sub-item 121.2 (Own acceptances).

3.2. Personal guarantees (item 342)

Accounted under this item are commitments whereby the institution is required to honour somebody's commitment or to pay a sum of money by way of replacement if that party does not do so. This also applies to guarantee endorsements "avals" on bills of exchange and promissory notes.

With regard to guarantees provided by the lodging of real security, further information is provided in the comments under item 361 (Assets encumbered with secured guarantees).

Commitments resulting from credit and cheque guarantee cards must not be booked here. Guarantees which relate to commitments of third parties resulting from borrowings or periods allowed for payment of debts must be booked as a guarantee in the nature of credit substitutes under item 342.1. Commitments which the reporting institution has entered into owing to the mobilisation of loans in accordance with the conditions states in the notes to sub-item 121.63 must also be booked here. Commitments other than credit substitutes must be recorded under sub-item 342.2. Referred to here are among other things guarantees granted for the tender and carrying out of work, guarantees granted within the framework of the customs and excise legislation and lease guarantees.

Guarantees other than those in the nature of credit substitutes must be booked under sub-item 342.2. This applies, in particular, to guarantees given with regard to the awarding and performance of works, guarantees given in connection with customs and excise legislation and rental guarantees.

3.3. Documentary credits (item 343)

A documentary credit is an operation whereby the institution, acting at the request of and in accordance with the instructions of a third party, is required, where appropriate through the intermediary of another credit institution, either to make a payment to the creditor of this third party or to its order, or to pay, accept or negotiate trade bills drawn by it, upon remittance of the required documents. The commitments referred to in the first indent must be broken down according to whether the principal is a credit institution (sub-item 343.1) or a client (sub-item 343.2).

Sub-items 343.11 and 343.21 (with a credit risk for the institution) must record commitments for which the principal has not paid full cover.

4. Undrawn margin on confirmed credit lines (item 350)

The undrawn margin on confirmed credit lines corresponds to the amount of the credit line which has not been taken up.

5. Guarantees (item 360)

Registered guarantees are referred to up to the amounts provided in the deeds. Other guarantees are valued at the contractually agreed amount.

Credit default swaps (purchase of protection/sale of risk) are recorded in the off-balance sheet items as guarantees received for the amount of the right.

6. Assets and receivables lodged (item 370)

Receivables whether represented or not by securities are stated to the amount of the receivables concerned. Other assets are recorded at their value at the time they are entrusted to the institution. Their value is reviewed at least annually.

7. Other rights and commitments (item 384)

Other real rights on real estate (e.g. right of building) acquired by a non-single payment are recorded under item 384 and taken into expenses on the occasion of the yearly payment.

Statement of income

1. Interest received and similar income (item 411)

Valuation is done the following way:

- Interest received is recorded at its gross amount (including taxes).
- The difference between the acquisition value and the redemption value of the fixed-income securities in the investment portfolio and all zero bonds is recorded in the statement of income on the basis of their actuarial yield as calculated at their purchase, taking into account their redemption value on the maturity date. This difference is recorded pro rata temporis in the statement of income over the remaining term of the securities.
- The difference between the issue price and the redemption value for debts represented by securities is recorded in the statement of income on the basis of their actuarial yield as calculated at their purchase, taking into account their redemption value on maturity date. This amount is recorded pro rata temporis in the statement of income over the remaining term of the securities. In the case of debts not represented by a security, the difference is recorded pro rata temporis in a straight line manner.
- Similar income is recorded for the amounts charged. As a result, reinvestment charges received on early repayment of due balances of mortgage loans, investment loans and consumer loans are recorded in the statement of income at the date of collection.
- Income from forward transactions for hedging purposes:
  - interest is recorded at its the gross amount;
  - the (positive) valuation differences resulting from the valuation at market value of the hedging transactions for which the legislation concerning the annual accounts of credit institutions stipulates this valuation principle.

2. Income from shares and other variable-income securities (item 412)

The dividends and other income are recorded at the gross amount received. Potential taxes are charged against the results of the financial year concerned.

The capital gains that arise from the sale of these securities are not recorded under this item, but under item 414.

3. Commissions received for financial services (item 413)

This item comprises income resulting from the rendering of financial services other than those which are ancillary to principal operations and which have to be recorded under item 411.

The fees for issues and placings are recorded at their net value, i.e. less remunerations paid to other financial intermediaries for intermediation.

4. Other financial income (item 414)

- **From the exchange business**
  This is the income representing the positive balance from spot and forward exchange transactions.
- **From trading in fixed-yield securities and negotiable instruments**
  This includes realised capital gains and positive valuation differences resulting from the valuation at market price of securities to be realised for which there is a liquid market. Their amount is the difference between the book value and the higher selling price (for realised capital gains) or market value (valuation differences).
- **From trading in exchange and interest rate transactions**
  The positive valuation differences resulting form the valuation at market value and the conclusion of trading transactions in foreign exchange and interest rates.
- **From trading in variable yield securities**
  This comprises realised capital gains and positive valuation differences resulting from the valuation at market price of securities to be realised for which there is a liquid market. This amount is determined by the difference between the book value and the higher selling price (capital gains) or market value (valuation differences).

- **From securities and negotiable investment instruments**
  The capital gains on securities and negotiable investment instruments are recorded under this item.
- **From securitisation transactions**
  The capital gains and losses realised within the context of securitisation transactions are recorded at the time of sale of the credits.

5. Income from financial fixed assets (item 415)

This item comprises the dividends, the interest and similar income from financial fixed assets.

6. Write-backs of amounts written down and release/use of provisions (item 416)

See commentary under point 11, hereafter.

7. Interest and similar charges (item 511)

The definitions under item 411 apply here mutatis mutandis.

8. Commissions paid for financial services (item 512)

Commissions paid to intermediaries which are not associated by an exclusive sales mandate, for bringing in transactions with customers, are completely charged to the financial year concerned.

9. Other financial charges (item 513)

The definitions under item 414 apply here mutatis mutandis.

10. Depreciation and write-downs on tangible and intangible fixed assets (item 515)

Depreciation costs are recorded on the basis of the depreciation rules as stated under the items in the assets.

11. Write-downs and provisions (item 517)

This item comprises the write-downs and provisions charged to the spot financial year, without being offset with write-backs of amounts recorded in previous financial years (= item 416). The valuation is based on the rules defined for the assets and provisions concerned.

Losses arising from the conclusion of unrecoverable or doubtful debts are also entered here.

The discount on receivables in respect of cash deposits and advances over more than one year, which are not represented by negotiable instruments and have been acquired at an abnormally high price, considering the market rate at the time of the their acquisition, is also stated under this item as a write-down.

12. Appropriation to the general banking risks reserve (item 518)

- **Appropriation to the Fund for General Banking Risks**
  The amount of the appropriation must make it possible to maintain the general provision for risks at the level for covering general risks as defined in the relevant valuation rule.

Notes to the non-consolidated financial statements

I. Statement of loans and advances to credit institutions (Assets item III.)

1. For the item as a whole

(In thousands of EUR)	31/12/10	31/12/11
a) Loans and advances to affiliated enterprises	50,135,787	0
Loans and advances to other enterprises linked by participating interests	162,244	59
b) Subordinated loans and advances	0	527,342

2. Other loans and advances to credit institutions (with agreed maturity dates or periods of notice) (Assets item III.B.)

a) Trade bills eligible for refinancing with the central bank of the country or countries where the credit institution is established

Nil

(In thousands of EUR)	31/12/11
b) Analysis according to the remaining maturity	
Up to 3 months	6,998,649
Over 3 months up to 1 year	2,453,716
Over 1 year up to 5 years	13,278,115
Over 5 years	4,736
Undated	742,188

II. Statement of loans and advances to customers (Assets item IV.)

1. Loans and advances

(In thousands of EUR)	31/12/10	31/12/11
To affiliated enterprises	17,981,514	8,786,555
To other enterprises linked by participating interests	2,271,821	739,769

2. Subordinated loans

Nil

3. Trade bills eligible for refinancing with the central bank of the country or countries where the credit institution is established

Nil

4. Analysis according to the remaining maturity

(In thousands of EUR)	31/12/10	31/12/11
Up to 3 months	25,246,902	16,778,884
Over 3 months up to 1 year	4,547,702	5,312,485
Over 1 year up to 5 years	15,363,872	14,870,659
Over 5 years	27,447,186	26,088,922
Undated	5,003,495	5,696,954

5. Analysis by type

(In thousands of EUR)	31/12/10	31/12/11
Trade bills (including own acceptance)	27,164	39,509
Loans and advances as a result of leasing and similar agreements	582,382	549,949
Fixed-rate loans	1,427,152	1,513,853
Mortgage loans	10,516,330	9,290,191
Other term loans with a maturity over 1 year	35,148,396	35,368,131
Other loans and advances	29,907,733	21,986,271

6. Country analysis(1)

(In thousands of EUR)	31/12/10	31/12/11
To Belgium	62,055,219	57,537,155
Foreign countries	15,553,938	11,210,749

(1) Trade bills should be analysed by reference to the beneficiary of the credit.

7. Details of mortgage loans with reconstitution of capital or linked to life insurance and capitalisation contracts

Nil

8. Analysis by nature of the debtors

(In thousands of EUR)	31/12/10	31/12/11
Loans and advances to public bodies	12,260,197	13,075,136
Loans and advances to private individuals	13,858,968	12,355,307
Loans and advances to enterprises	51,489,992	43,317,461

III. Statement of debt securities and other fixed-income securities (Assets item V.)

1. Securities issued by

(In thousands of EUR)	31/12/10	31/12/11
Affiliated enterprises	1,328,789	15,225,929
Other enterprises linked by participating interests	500	500

2. Securities representing subordinated loans

(In thousands of EUR)	31/12/10	31/12/11
Securities representing subordinated loans	330,947	275,644

3. Country analysis of the securities issued

(In thousands of EUR)	Belgium	Foreign countries
By public bodies (V.A.)	848,259	6,718,686
By other borrowers (V.B.)	14,907,832	28,999,086

4. Listing and maturity

(In thousands of EUR)	Carrying value	Market value
a) Listed securities	51,045,398	48,709,560
Unlisted securities	428,465	

(In thousands of EUR)	31/12/11
b) Remaining maturity of up to 1 year	15,140,217
Remaining maturity of over 1 year	36,333,646

5. Analysis by portfolio

(In thousands of EUR)	31/12/11
Trading portfolio	2,695,091
Investment portfolio	48,778,772

6. Trading portfolio

(In thousands of EUR)	31/12/11
Difference between market value (if higher) and acquisition cost (for securities mark-to-market)	94,458

7. Investment portfolio

(In thousands of EUR)	31/12/11
Difference between redemption value (if higher) and carrying value	183,433
Difference between redemption value (if lower) and carrying value	612,796

8. Analysis of the carrying value of investment securities

(In thousands of EUR)	31/12/11
A. ACQUISITION COST	
As at end of preceding period	31,979,395
Movements during the period	
Acquisitions	30,079,853
Sales (-)	(12,738,712)
Realised exchange gains/losses (+/-)	89,325
AS AT END OF PERIOD (A)	49,409,861
B. TRANSFERS BETWEEN PORTFOLIOS (B)	
Nil	
C. WRITE-DOWNS	
As at end of preceding period	91,421
Movements during the period	
Recorded	558,107
Excess written back (-)	(18,439)
AS AT END OF PERIOD (C)	631,089
D. CARRYING VALUE AS AT END OF PERIOD (A)+(B)-(C)	48,778,772

IV. Statement of shares and other variable-yield securities (Assets item VI.)

1. Country analysis of the issuers of securities

(In thousands of EUR)	31/12/10	31/12/11
Belgian issuers	23,789	37,701
Foreign issuers	31,423	15,680

2. Listing

(In thousands of EUR)	Carrying value	Market value
Listed securities	23,103	24,472
Unlisted securities	30,278	

3. Analysis by portfolio

(In thousands of EUR)	31/12/10	31/12/11
Trading portfolio	27,421	18,508
Investment portfolio	27,791	34,873

4. Trading portfolio

(In thousands of EUR)	31/12/11
Difference between market value (if higher) and acquisition cost (for securities mark-to-market)	258

5. Analysis of the carrying value of investment securities

(In thousands of EUR)	31/12/11
A. ACQUISITION COST	
As at end of preceding period	37,341
Movements during the period	
Acquisitions	10,638
Sales (-)	(8,724)
AS AT END OF PERIOD (A)	**39,255**
B. TRANSFERS BETWEEN PORTFOLIOS (B)	
Nil	
C. WRITE-DOWNS	
As at end of preceding period	9,550
Movements during the period	
Recorded	706
Excess written back (-)	(5,874)
AS AT END OF PERIOD (C)	**4,382**
D. CARRYING VALUE AS AT END OF PERIOD (A)+(B)-(C)	**34,873**

V. Statement of financial fixed assets (Assets item VII.)

1. Analysis of assets items VII.A., B., C.

A. Economic sector of items

	Credit institutions		Other	
(In thousands of EUR)	31/12/10	31/12/11	31/12/10	31/12/11
Participating interests in other enterprises	0	0	8,041,827	1,994,770
Participating interests in other enterprises linked by participating interests	23,939	23,939	137,112	130,147
Other shares held as financial fixed assets	124	124	27,031	28,811

B. Listing

	Listed		Unlisted	
(In thousands of EUR)	31/12/10	31/12/11	31/12/10	31/12/11
Participating interests in other enterprises	37,489	32,926	8,004,338	1,961,843
Participating interests in other enterprises linked by participating interests	39,363	33,826	121,688	120,260
Other shares held as financial fixed assets	7,262	7,262	19,893	21,673

2. Analysis of the carrying value, as at end of period, of assets items VII.A., B. and C

	Enterprises		
(In thousands of EUR)	Affiliated (VII.A.)	Linked by participating interests (VII.B.)	Other (VII.C.)
A. ACQUISITION COST			
As at end of preceding period	8,062,767	166,503	28,598
Movements during the period			
Acquisitions	477,256	2,206	1,780
Sales and disposals (-)	(6,543,854)	(5,369)	(4)
AS AT END OF PERIOD (A)	**1,996,169**	**163,340**	**30,374**
B. REVALUATION SURPLUSES (B)			
Nil			
C. WRITE-DOWNS			
As at end of preceding period	20,940	5,452	1,443
Movements during the period			
Recorded	0	3,802	0
Cancellations (-)	(19,541)	0	(4)
AS AT END OF PERIOD (C)	**1,399**	**9,254**	**1,439**
D. NET CARRYING VALUE AS AT END OF PERIOD (A)+(B)-(C)	**1,994,770**	**154,086**	**28,935**

3. Analysis of assets item VII.D.

A. Subordinated loans to

(In thousands of EUR)	Credit institutions 31/12/10	Credit institutions 31/12/11	Other 31/12/10	Other 31/12/11
Affiliated enterprises	524,338	0	0	181,000
Other enterprises linked by participating interests	0	0	239	0

B. Amount of subordinated loans evidenced by listed securities

Nil

C. Details of subordinated loans

(In thousands of EUR)	Affiliated enterprises	Enterprises linked by participating interests
NET CARRYING VALUE AS AT END OF PRECEDING PERIOD	**524,338**	**239**
Movements during the period		
Additional	181,000	0
Reimbursements (-)	0	(239)
Other (+/-)	(524,338)	0
NET CARRYING VALUE AS AT END OF PERIOD	**181,000**	**0**

4. Declaration on consolidated financial statements

A. To be completed by all credit institutions

The credit institution prepares and publishes consolidated financial statements and a consolidated director's report in accordance with the Royal Decree of 23 September 1992 on the consolidated financial statements of credit institutions: **YES**.

B. To be completed by credit institutions which are solely- or jointly-held subsidiaries

- Name and full address of the registered office and, for enterprises governed by Belgian law, the enterprise number of the parent company or companies preparing and publishing the consolidated financial statements in which the financial statements of the reporting institution are consolidated[1]:

  n.a.

- If the parent company or companies are governed by foreign law, state the place where the above-mentioned consolidated financial statements may be obtained[1]:

  n.a.

(1) If the financial statements are consolidated at several levels, give details of the largest and smallest aggregate to which the reporting institution belongs as a subsidiary and for which consolidated financial statements are prepared and published.

VI. §1. List of enterprises in which the credit institution holds a participating interest

All enterprises in which the reporting institution holds a participating interest within the meaning of the Royal Decree of 23 September 1992, and other enterprises in which it has rights representing at least 10% of their issued capital, shall be listed hereafter.

Name, Registered office and Company number	Rights				Data from the most recent financial statements available			
	Held directly			Held by subsidiaries	Financial statements	Currency	Capital and reserves	Net result
	Type[1]	Number	%	%			(thousands of currency units) (+) or (-)	
AIA-POOL SCRL Chaussée de Jette 221 B-1080 Bruxelles 0453.634.752				10.00	31/12/10	EUR	427	(17)
ARKAFUND nv Alfons Gossetlaan 30 B-1702 Groot-Bijgaarden 0878.929.173	os	5,000	25.00		31/12/10	EUR	8,829	(1,407)
Arlinvest nv Hamiltonpark 24-26 B-8000 Brugge 0480.175.140	os	595,210	49.00		30/12/10	EUR	1,869	16
Audit en Ingénierie Sociale Consulting 99 bis, avenue du Général Leclerc F-75014 Paris				100.00	31/12/10	EUR	12,118	1,312
Auxiliaire de participations SA Avenue Britsiers 5 B-1030 Bruxelles 0414.259.878	os	144,660	13.60	26.09	31/12/10	EUR	60,980	3,501
Aviabel SA Avenue Louise 54 B-1050 Bruxelles 0403.248.004				20.00	31/12/10	EUR	38,341	4,512
Bancontact-Mistercash SA Rue d'Arlon 82 B-1040 Bruxelles 0884.499.250	os	5,123	20.00		31/12/10	EUR	185	35
Banking Funding Company SA Rue d'Arlon 82 B-1040 Bruxelles 0884.525.182	os	13,278	21.59		31/12/10	EUR	801	55
BedrijvenCentrum Mechelen nv De Regenboog 11 B-2800 Mechelen 0428.667.645	os	500	24.33		31/12/10	EUR	557	30
BedrijvenCentrum Waregem nv Kalkhoevestraat 1 B-8790 Waregem 0436.674.895	os	500	16.64		31/12/10	EUR	1,354	101
BEM – Flemish Construction & Investment Company SA Rue du Lombard 34-42 B-1000 Bruxelles 0416.612.904	os	2,793	12.05		31/12/10	EUR	3,983	(210)
BEM II SA Rue du Lombard 34-42 B-1000 Bruxelles 0832.115.686	os	2,000	15.04		-	EUR	-	-

(1) os = ordinary shares.

Name, Registered office and Company number	Rights				Data from the most recent financial statements available			
	Held directly			Held by subsidiaries	Financial statements	Currency	Capital and reserves	Net result
	Type[1]	Number	%	%			(thousands of currency units) (+) or (-)	
Berlaymont 2000 SA Rue Guimard 9 boîte 6 ET B-1040 Bruxelles 0441.629.617	os	150	14.85		31/12/10	EUR	13,581	(352)
Bervoets Real Estate SA Avenue Maurice 8 B-1050 Bruxelles 0884.639.010	os	30	15.00		31/12/10	EUR	54	(5)
Bogey SA Chaussée d'Alsemberg 1021 B-1420 Braine-l'Alleud 0447.921.551	os	32,046	49.00		30/11/10	EUR	3,374	(9)
Boonefaes Verzekeringen nv Sint-Walburgapark 1 B-8630 Veurne 0448.670.530				100.00	31/12/10	EUR	185	21
Bureau Laveaux & Martin bvba Ravensteinstraat 2 bus 3 B-9000 Gent 0429.260.830				100.00	31/12/10	EUR	112	29
Caring People SA Avenue de la Métrologie 2 B-1130 Bruxelles 0899.572.456				100.00	31/12/10	EUR	157	(117)
Copharma Industries Unltd 6 George's Dock IRL-Dublin 1				15.41	31/12/10	EUR	1,875	80
Corona SA Avenue de la Métrologie 2 B-1130 Bruxelles 0403.263.939				100.00	31/12/10	EUR	21,734	4,035
Crefius SA Boulevard Pachéco 44 B-1000 Bruxelles 0405.549.377	os	17,724	99.99	0.01	31/12/10	EUR	29,054	12,246
DELP Invest SCRL Avenue des Dessus de Lives (LO) 2 B-5101 Loyers 0890.583.427				92.88	31/12/10	EUR	142,981	7,441
Dexia Aéropole SCRL Avenue Georges Lemaitre 58 B-6041 Gosselies 0476.491.813	os	770	25.67	0.33	31/12/10	EUR	315	54
Dexia Antwerpen Berchem cvba Grotesteenweg 456 B-2600 Berchem 0475.204.681	os	770	25.67	0.33	31/12/10	EUR	494	638
Dexia Antwerpen Zuidrand cvba Kioskplaats 49 B-2660 Hoboken 0473.526.977	os	770	25.67	0.33	31/12/10	EUR	473	65
Dexia Asset Finance Holding SA Boulevard Pachéco 44 B-1000 Bruxelles 0893.860.839	os	6,379,943	100.00		30/06/11	EUR	72,695	14,660

(1) os = ordinary shares.

Name, Registered office and Company number	Rights				Data from the most recent financial statements available			
	Held directly			Held by subsidiaries	Financial statements	Currency	Capital and reserves	Net result
	Type[1]	Number	%	%			(thousands of currency units) (+) or (-)	
Dexia Auderghem-Boitsfort SCRL Boulevard du Souverain 282 B-1160 Bruxelles 0473.622.393	os	770	25.67	0.33	31/12/10	EUR	580	452
Dexia Auto Lease SA Place Charles Rogier 11 B-1210 Bruxelles 0461.783.247	os	1	0.02	99.98	31/12/10	EUR	1,363	2,221
Dexia Auto Lease Luxembourg SA Route d'Arlon 136 L-1150 Luxembourg LU 24414619				49.00	-	EUR	-	-
Dexia Basilix SCRL Boulevard de Smet de Naeyer 2A B-1090 Bruxelles 0463.693.850	os	770	25.67	0.33	31/12/10	EUR	339	147
Dexia Binche-Mariemont SCRL Avenue Charles Deliège 56 B-7130 Binche 0475.737.983	os	770	25.67	0.33	31/12/10	EUR	624	436
Dexia Borinage SCRL Rue J. Dufrane 3-5 B-7080 Frameries 0464.955.642	os	770	25.67	0.33	31/12/10	EUR	509	119
Dexia Brugmann SCRL Avenue Brugmann 247 B-1180 Bruxelles 0466.378.374	os	770	25.67	0.33	31/12/10	EUR	694	430
Dexia Brugs Ommeland-Oudenburg cvba Gistelse Steenweg 447 B-8200 Brugge 0463.669.995	os	770	25.67	0.33	31/12/10	EUR	474	440
Dexia Bruxelles-Anderlecht SCRL Place de la Vaillance 35 B-1070 Bruxelles 0466.378.176	os	770	25.67	0.33	31/12/10	EUR	219	113
Dexia Centre Ardenne SCRL Avenue de Bouillon 16 B-6800 Libramont-Chevigny 0475.723.731	os	770	25.67	0.33	31/12/10	EUR	458	113
Dexia Charleroi Pont-à-Nôle SCRL Avenue Paul Pastur 114 B-6032 Mont-sur-Marchienne 0468.860.683	os	770	25.67	0.33	31/12/10	EUR	422	102
Dexia Charleroi-Sud SCRL Boulevard Joseph Tirou 76-82 B-6000 Charleroi 0468.859.495	os	770	25.67	0.33	31/12/10	EUR	511	187
Dexia Commercial Finance SA Place Charles Rogier 11 B-1210 Bruxelles 0440.627.349	os			100.00	31/12/10	EUR	6,693	2,441
Dexia Condroz-Famenne SCRL Rue Saint-Éloi 1 B-5590 Ciney 0471.656.362	os	770	25.67	0.33	31/12/10	EUR	365	470

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Name, Registered office and Company number	Rights: Held directly Type(1)	Rights: Held directly Number	Rights: Held directly %	Rights: Held by subsidiaries %	Data from the most recent financial statements available: Financial statements	Currency	Capital and reserves (thousands of currency units) (+) or (-)	Net result (thousands of currency units) (+) or (-)
Dexia Dilbeek-Lennik cvba Ninoofsesteenweg 117 B-1700 Dilbeek 0476.492.308	os	770	25.67	0.33	31/12/10	EUR	487	99
Dexia Druivenstreek cvba Stationsplein 17 B-3090 Overijse 0468.523.064	os	770	25.67	0.33	31/12/10	EUR	244	3
Dexia Durmevallei cvba Marktplein 3 B-9220 Hamme (O.-Vl.) 0465.017.505	os	770	25.67	0.33	31/12/10	EUR	456	365
Dexia Eeklo – Gent-Oost cvba Grondwetlaan 9 B-9040 Sint-Amandsberg 0468.561.864	os	770	25.67	0.33	31/12/10	EUR	230	115
Dexia Entre Sambre et Meuse SCRL Rue de France 50-52 B-5660 Philippeville 0461.504.521	os	770	25.67	0.33	31/12/10	EUR	552	284
Dexia Etterbeek SCRL Rue des Champs 6 B-1040 Bruxelles 0455.967.405	os	770	25.67	0.33	31/12/10	EUR	819	874
Dexia Famenne-Semois SCRL Rue des Ardennes 2 B-5570 Beauraing 0474.536.866	os	770	25.67	0.33	31/12/10	EUR	390	187
Dexia Financial Products Inc. 1209 Orange Street Wilmington, New Castle US – Delaware	os	20	100.00		31/12/10	USD	1,736	(20)
Dexia Fléron-Beyne-Soumagne SCRL Avenue des Martyrs 257 B-4620 Fléron 0460.950.928	os	770	25.67	0.33	31/12/10	EUR	514	412
Dexia Funding Netherlands nv 3105 Strawinskylaan NL-1077 ZX Amsterdam 33194789	os	1,000	100.00		31/12/10	EUR	5,838	2,859
Dexia Geer-Visé SCRL Rue Saint-Hadelin 1 B-4600 Visé 0468.670.247	os	770	25.67	0.33	31/12/10	EUR	498	599
Dexia Gent Centrum & Noord-West cvba Zonnestraat 23-25 B-9000 Gent 0456.775.473	os	770	25.67	0.33	31/12/10	EUR	476	423
Dexia Geraardsbergen-Ninove cvba Oudenaardsestraat 4-6 B-9500 Geraardsbergen 0468.504.258	os	770	25.67	0.33	31/12/10	EUR	669	182
Dexia Groot Deurne cvba André Hermanslaan 1 B-2100 Deurne 0473.611.705	os	770	25.67	0.33	31/12/10	EUR	252	60

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	Held directly			Held by subsidiaries	Financial statements	Currency	Capital and reserves	Net result
	Type(1)	Number	%	%			(thousands of currency units) (+) or (-)	
Dexia Hageland Noord cvba Bogaardenstraat 26 B-3200 Aarschot 0461.505.214	os	770	25.67	0.33	31/12/10	EUR	767	579
Dexia Hainaut Centre et Senne SCRL Rue Albert 1er 23 B-7100 La Louvière 0465.013.743	os	770	25.67	0.33	31/12/10	EUR	594	191
Dexia Haspengouw-West cvba Clockemstraat 38 B-3800 Sint-Truiden 0464.680.280	os	770	25.67	0.33	31/12/10	EUR	372	81
Dexia Haute-Ardenne SCRL Rue du Vieux Marché 21 C B-6690 Vielsalm 0464.665.929	os	770	25.67	0.33	31/12/10	EUR	330	157
Dexia Hesbaye-Centre SCRL Grand'Place 5 B-4280 Hannut 0459.659.640	os	770	25.67	0.33	31/12/10	EUR	767	451
Dexia Insurance Belgium SA Avenue Galilée 5 B-1210 Bruxelles 0405.764.064	os	2,574,640	99.79		31/12/10	EUR	1,129,595	67,989
Dexia Insurance Belgium Invest SA Avenue Galilée 5 B-1210 Bruxelles 0878.881.762				100.00	31/12/10	EUR	3,098,534	101,689
Dexia Insurance Services Finance SA 2, rue Nicolas Bové L-1253 Luxembourg				100.00	31/12/10	EUR	115,307	25,811
Dexia Investments Ireland Unltd 6 George's Dock IRL-IFSC Dublin 1 IE 4886676 P	os	1,062,285,802	100.00		31/12/10	EUR	702,608	31,291
Dexia Kempen Noord cvba Gemeenteplaats 6 B-2960 Brecht 0475.811.328	os	770	25.67	0.33	31/12/10	EUR	415	197
Dexia Kempen Oost cvba Markt 27 B-2400 Mol 0466.424.597	os	770	25.67	0.33	31/12/10	EUR	428	228
Dexia Klein Brabant cvba Nieuwstraat 21 B-2830 Willebroek 0475.123.519	os	770	25.67	0.33	31/12/10	EUR	267	94
Dexia Kortrijk cvba Wijngaardstraat 52 B-8500 Kortrijk 0466.460.726	os	770	25.67	0.33	31/12/10	EUR	494	310
Dexia Lambermont-Laeken SCRL Avenue H. Conscience 182 B-1140 Bruxelles 0462.793.631	os	770	25.67	0.33	31/12/10	EUR	663	492

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	Held directly			Held by subsidiaries	Financial statements	Currency	Capital and reserves	Net result
	Type(1)	Number	%	%			(thousands of currency units) (+) or (-)	
Dexia Lease Belgium SA Place Charles Rogier 11 B-1210 Bruxelles 0431.916.551				100.00	31/12/10	EUR	6,565	4,537
Dexia Lease Services SA Place Charles Rogier 11 B-1210 Bruxelles 0427.903.127				100.00	31/12/10	EUR	14,495	6,116
Dexia Leeuw, Calevoet, Rode cvba Alsembergsesteenweg 1410 B-1620 Drogenbos 0456.766.763	os	770	25.67	0.33	31/12/10	EUR	439	394
Dexia Leuven cvba Brusselsestraat 2 B-3000 Leuven 0465.019.978	os	770	25.67	0.33	31/12/10	EUR	536	120
Dexia Liège Centre et Sud SCRL Rue des Mineurs 12 B-4000 Liège 0460.558.473	os	770	25.67	0.33	31/12/10	EUR	796	655
Dexia Liège Nord et Est SCRL Chaussée de Tongres 391 B-4000 Rocourt 0462.372.967	os	770	25.67	0.33	31/12/10	EUR	334	316
Dexia Life & Pensions Luxembourg SA 2, rue Nicolas Bové L-1253 Luxembourg LU 18421978				100.00	31/12/10	EUR	80,856	2,115
Dexia Limburg Centrum cvba Dorpsstraat 1 B-3530 Houthalen-Helchteren 0473.708.210	os	770	25.67	0.33	31/12/10	EUR	553	453
Dexia Louise SCRL Place Flagey 28 B B-1050 Bruxelles 0465.123.116	os	770	25.67	0.33	31/12/10	EUR	763	821
Dexia Mandel-Leie cvba Holdestraat 19 B-8760 Meulebeke 0468.495.449	os	770	25.67	0.33	31/12/10	EUR	363	50
Dexia Meuse-Ourthe-Amblève SCRL Place Joseph Thiry 47 B-4920 Aywaille 0463.712.062	os	770	25.67	0.33	31/12/10	EUR	753	1,119
Dexia Midden-Brabant cvba (en liquidation) Tervuursesteenweg 202 B-3001 Leuven 0459.671.419	os	755	50.33	0.67	31/12/10	EUR	(39)	-
Dexia Namur-Eghezée SCRL Chaussée de Louvain 440 B-5004 Bouge 0464.982.366	os	770	25.67	0.33	31/12/10	EUR	633	693

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	Held directly			Held by subsi-diaries	Financial state-ments	Currency	Capital and reserves	Net result
	Type[(1)]	Number	%	%			(thousands of currency units) (+) or (-)	
Dexia Namur-Gembloux SCRL Avenue de la Faculté d'Agronomie 12 B-5030 Gembloux 0464.656.922	os	770	25.67	0.33	31/12/10	EUR	726	425
Dexia Namur Haute-Meuse SCRL Rue de Marchovelette 1 B-5000 Namur 0464.103.329	os	770	25.67	0.33	31/12/10	EUR	575	638
Dexia Netevallei cvba Grote Markt 13 B-2500 Lier 0468.248.296	os	770	25.67	0.33	31/12/10	EUR	451	264
Dexia Nivelles-Tubize SCRL Rue de Mons 55 B-1480 Tubize 0466.977.596	os	770	25.67	0.33	31/12/10	EUR	752	500
Dexia Noord-Limburg cvba Hertog Janplein 45 B-3920 Lommel 0473.590.424	os	770	25.67	0.33	31/12/10	EUR	509	272
Dexia Nord Picardie SCRL Rue de la Station 52 B-7700 Mouscron 0472.305.767	os	770	25.67	0.33	31/12/10	EUR	609	473
Dexia Ostbelgien SCRL (en liquidation) Rue Belle-Vue 30 B B-4840 Welkenraedt 0476.578.519	os	770	25.67	0.33	31/12/10	EUR	34	2
Dexia Overseas Ltd 42, rue de la Vallée 2261 Luxembourg	os	150,000	100.00		31/12/10	EUR	1,339	92
Dexia Pays de Mons SCRL Avenue Jean d'Avesnes 9 B-7000 Mons 0464.187.263	os	770	25.67	0.33	31/12/10	EUR	337	227
Dexia Public Facilities Financing US SA Boulevard Pachéco 44 B-1000 Bruxelles 0894.448.678	os	19,999	99.99	0.01	31/12/10	EUR	6,119	1,163
Dexia Re SA 2, rue Nicolas Bové L-1253 Luxembourg				100.00	31/12/10	EUR	44,753	41,710
Dexia Regio Aalst cvba Stationsstraat 4 B-9300 Aalst 0464.206.861	os	770	25.67	0.33	31/12/10	EUR	822	878
Dexia Regio Asse-Ternat cvba Kattestraat 2 B-1730 Asse 0464.672.659	os	770	25.67	0.33	31/12/10	EUR	415	175
Dexia Regio Dendermonde-Buggenhout cvba Zuidlaan 2 B-9200 Dendermonde 0463.700.184	os	770	25.67	0.33	31/12/10	EUR	587	309

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	Type[1]	Number	%	%			(thousands of currency units) (+) or (-)	
Dexia Regio Erpe-Mere cvba Marktplein 36 B-9520 Sint-Lievens-Houtem 0466.990.959	os	770	25.67	0.33	31/12/10	EUR	536	386
Dexia Regio Genk-Maaseik cvba Fruitmarkt 7 B-3600 Genk 0466.987.001	os	770	25.67	0.33	31/12/10	EUR	470	198
Dexia Regio Hasselt cvba Havermarkt 36 B-3500 Hasselt 0473.588.444	os	770	25.67	0.33	31/12/10	EUR	427	390
Dexia Regio Leie-Schipdonk cvba Volhardingslaan 72 Bus 1 B-9800 Deinze 0463.653.367	os	770	25.67	0.33	31/12/10	EUR	336	31
Dexia Regio Mechelen cvba Grote Markt 31 B-2800 Mechelen 0475.734.025	os	770	25.67	0.33	31/12/10	EUR	558	554
Dexia Regio Menen-Wevelgem cvba Kerkomtrek 16 B-8930 Menen 0464.214.482	os	770	25.67	0.33	31/12/10	EUR	499	342
Dexia Regio Mortsel Kontich cvba Mechelsesteenweg 56 B-2640 Mortsel 0476.374.720	os	770	25.67	0.33	31/12/10	EUR	550	637
Dexia Regio Noord-Antwerpen cvba Antwerpsesteenweg 49 B-2950 Kapellen 0862.652.375	os	770	25.67	0.33	31/12/10	EUR	275	179
Dexia Regio Oostende-Oostkust cvba Monnikenwerve 200 B-8000 Brugge 0465.840.025	os	770	25.67	0.33	31/12/10	EUR	808	370
Dexia Regio Roeselare Izegem cvba Hendrik Consciencestraat 23 Bus 6 B-8800 Roeselare 0456.777.750	os	770	25.67	0.33	31/12/10	EUR	620	161
Dexia Regio St-Niklaas cvba Parklaan 33 B-9100 Sint-Niklaas 0865.262.368	os	770	25.67	0.33	31/12/10	EUR	695	72
Dexia Regio Tienen cvba Nieuwstraat 36 B-3300 Tienen 0459.668.350	os	770	25.67	0.33	31/12/10	EUR	328	137
Dexia Regio Torhout-Middelkerke cvba Markt 28 B-8820 Torhout 0468.461.401	os	770	25.67	0.33	31/12/10	EUR	551	56
Dexia Regio Turnhout-Hoogstraten cvba Vrijheid 109 B-2320 Hoogstraten 0463.702.758	os	770	25.67	0.33	31/12/10	EUR	659	497

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	Type[1]	Number	%	%			(thousands of currency units) (+) or (-)	
Dexia Regio Waregem-Kruishoutem cvba Markt 12 B-8790 Waregem 0473.703.458	os	770	25.67	0.33	31/12/10	EUR	419	537
Dexia Regio Westhoek cvba Grote Markt 31 B-8600 Diksmuide 0464.991.373	os	770	25.67	0.33	31/12/10	EUR	508	411
Dexia Regio Zuid-Gent cvba Koning Albertlaan 142 B-9000 Gent 0464.994.937	os	770	25.67	0.33	31/12/10	EUR	373	304
Dexia Région Huy-Andenne SCRL Avenue des Ardennes 33 B-4500 Huy 0464.663.058	os	770	25.67	0.33	31/12/10	EUR	605	526
Dexia Région Liège-Airport SCRL Chaussée du Roi Albert 50 B-4431 Loncin 0475.741.448	os	770	25.67	0.33	31/12/10	EUR	575	511
Dexia Région Spa-Pays de Herve SCRL Place du Marché 22 B-4651 Battice 0474.573.488	os	770	25.67	0.33	31/12/10	EUR	302	132
Dexia Scheldeland cvba Kalkendorp 21 B-9270 Laarne 0463.671.480	os	770	25.67	0.33	31/12/10	EUR	634	499
Dexia Secured Funding Belgium SA Boulevard Pachéco 44 B-1000 Bruxelles 0890.181.767	os	6,200	10.00		31/12/10	EUR	62	6
Dexia Sille et Dendre SCRL Grand'Place 72 B-7850 Enghien 0473.630.907	os	770	25.67	0.33	31/12/10	EUR	489	333
Dexia Stockel SCRL Place Dumon 22 B-1150 Bruxelles 0458.895.815	os	770	25.67	0.33	31/12/10	EUR	399	183
Dexia Sud-Luxembourg SCRL Rue de la Poste 13 B-6700 Arlon 0466.444.195	os	770	25.67	0.33	31/12/10	EUR	593	407
Dexia Tournai-Val de Verne SCRL Rue Royale 105/107/109 B-7500 Tournai 0473.660.007	os	770	25.67	0.33	31/12/10	EUR	502	370
Dexia Uccle-Rhode SCRL Avenue de Fré 173 B-1180 Bruxelles 0469.209.883	os	770	25.67	0.33	31/12/10	EUR	448	160
Dexia Val de Sambre SCRL Rue de la Station 15-17 B-5060 Tamines 0461.824.423	os	770	25.67	0.33	31/12/10	EUR	418	295

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	Held directly			Held by subsi-diaries	Financial state-ments	Currency	Capital and reserves	Net result
	Type[1]	Number	%	%			(thousands of currency units) (+) or (-)	
Dexia Val d'Haine et Haut-Pays SCRL Rue Grande 49 B-7380 Quiévrain 0468.851.874	os	770	25.67	0.33	31/12/10	EUR	524	241
Dexia Val d'Heure SCRL (dissous) Rue de Mettet 17 A B-5620 Florennes 0473.617.247	os	770	25.67	0.33	31/12/09	EUR	292	100
Dexia Val du Piéton SCRL Grand-Rue 12 B-6183 Trazegnies 0475.739.567	os	770	25.67	0.33	31/12/10	EUR	518	199
Dexia Vallée de la Dyle SCRL Place Alphonse Bosch 15 B-1300 Wavre 0459.668.845	os	770	25.67	0.33	31/12/10	EUR	773	230
Dexia Verviers-Heusy SCRL (en liquidation) Rue de la Chapelle 36 B-4650 Herve 0475.224.378	os	770	25.67	0.33	31/12/10	EUR	586	282
Dexia Vilvoorde-Zaventem cvba Portaelsplein 68 B-1800 Vilvoorde 0476.492.110	os	770	25.67	0.33	31/12/10	EUR	440	221
Dexia Vlaamse Ardennen cvba Nederstraat 17 B-9700 Oudenaarde 0459.674.288	os	770	25.67	0.33	31/12/10	EUR	759	336
Dexia Waterloo SCRL Chaussée de Bruxelles 306 B-1410 Waterloo 0465.137.368	os	770	25.67	0.33	31/12/10	EUR	540	343
Dexia Wemmel-Meise-Strombeek cvba Markt 60-62 B-1780 Wemmel 0465.156.966	os	770	25.67	0.33	31/12/10	EUR	418	296
Dexia West-Limburg cvba Kerkstraat 2 B-3560 Lummen 0467.006.597	os	770	25.67	0.33	31/12/10	EUR	538	289
Dexia Woluwe SCRL Parvis Saint-Henri 49 B-1200 Bruxelles 0468.589.479	os	770	25.67	0.33	31/12/10	EUR	606	537
Dexia Zennevallei cvba Basiliekstraat 13 B-1500 Halle 0454.765.692	os	770	25.67	0.33	31/12/10	EUR	445	359
Dexia Zottegem-Land van Rhode cvba Heldenlaan 22 B-9620 Zottegem 0460.956.965	os	770	25.67	0.33	31/12/10	EUR	422	80
Dexia Zuid-Oost Limburg cvba Viséesteenweg 204 Bus 1 B-3770 Riemst 0464.705.323	os	770	25.67	0.33	31/12/10	EUR	333	233

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	Held directly			Held by subsidiaries	Financial statements	Currency	Capital and reserves	Net result
	Type[1]	Number	%	%			(thousands of currency units) (+) or (-)	
Deximmo SA Boulevard Pachéco 44 B-1000 Bruxelles 0436.006.090	os	338,866	100.00		31/12/10	EUR	77,768	454
Dexipart SA Boulevard Pachéco 44 B-1000 Bruxelles 0419.838.467	os	1,249	99.92	0.08	31/12/10	EUR	100	(8)
DG INFRA+ SA Boulevard Pachéco 44 B-1000 Bruxelles 0894.555.972	os	8,400	18.05		31/12/10	EUR	27,710	(1,257)
Domus Flandria SA Rue des Colonies 40 B-1000 Bruxelles 0436.825.642	os	35,000	17.46		31/12/10	EUR	26,975	1,842
DVV Kantoor Eke bvba Steenweg 117 B-9810 Nazareth 0831.374.924				100.00	-	EUR	-	-
Ecetia Finances SA Rue Sainte-Marie 5 B-4000 Liège 0203.978.726	os	85,993	27.99		31/12/10	EUR	220,641	7,958
Ecetia Immobilier SA Rue Sainte-Marie 5 B-4000 Liège 0480.029.838	os	101	20.49		31/12/10	EUR	162	13
Ecetia Participations SA Rue Sainte-Marie 5 B-4000 Liège 0480.029.739	os	42,289	20.57		31/12/10	EUR	63,082	4,275
Elantis SA Rue des Clarisses 38 B-4000 Liège 0404.228.296	os	6,463	99.98	0.02	31/12/10	EUR	27,024	7,114
Erasmus Gardens SA Avenue Hermann-Debroux 42 B-1160 Bruxelles 0891.137.515				33.33	31/12/10	EUR	2,236	(173)
Esplanade 64 SA Avenue Louise 416 boîte 2 B-1050 Bruxelles 0888.411.419	os	300	5.00	40.00	31/12/10	EUR	904	351
Eurco Ltd 6 George's Dock IRL-Dublin 1				100.00	31/12/10	EUR	1,515	2,375
Eurco Re Ltd 6 George's Dock IRL-Dublin 1				100.00	31/12/10	EUR	56,928	14,883
Eurco Rück AG Beethovenstrasse 49 CH-8002 Zürich				99.98	31/12/10	CHF	26,530	844

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	Type(1)	Number	%	%			(thousands of currency units) (+) or (-)	
Europay Belgium SCRL Rue d'Arlon 82 B-1040 Bruxelles 0434.197.536	os	4,592	13.28		31/12/10	EUR	1,255	5,278
Fiduciaire Dexia Belgium SA Boulevard Pachéco 44 B-1000 Bruxelles 0416.799.201	os	1,499	99.93	0.07	31/12/10	EUR	279	12
FINIMMO SA (anciennement Gimogem) Boulevard Pachéco 44 B-1000 Bruxelles 0436.044.197	os	505	50.00		31/12/10	EUR	757	47
Fynergie SA Boulevard Pachéco 44 B-1000 Bruxelles 0455.739.850	os	1,249	99.92	0.08	31/12/10	EUR	105	16
GCC II Feeder bv Herengracht 338 NL-1016 CG Amsterdam 51510332	os	180,000	100.00		-	EUR	-	-
HIMBA nv Hamiltonpark 24-26 B-8000 Brugge 0870.505.516				99.00	31/12/10	EUR	316	(21)
IBRO Holdings Unltd 6 George's Dock IRL-IFSC Dublin 1				99.98	31/12/09	EUR	260	10
IDE Lux SCRL Drève de l'Arc-en-Ciel 98 B-6700 Arlon 0205.797.475	os	1,092	13.67		31/12/10	EUR	39,530	651
IDE Lux Finances SCRL Drève de l'Arc-en-Ciel 98 B-6700 Arlon 0258.258.738	os	3,719	36.87		31/12/10	EUR	27,617	620
IHF SCRL Hôtel de Ville B-7100 La Louvière 0245.830.563	os	558	24.62		31/12/10	EUR	4,784	(2)
Immo Foire SA 48, boulevard Grande-Duchesse Charlotte L-1330 Luxembourg Lux B 127.782	os	161	20.00		31/12/10	EUR	171	(26)
Immorente SA Boulevard Pachéco 44 B-1000 Bruxelles 0406.206.306	os	999	99.90	0.10	31/12/10	EUR	117	(7)
Inforum GIE Rue d'Arlon 53 boîte 4 B-1040 Bruxelles 0472.721.679	os	50	50.00		31/12/10	EUR	372	60
Inframan SA Boulevard Pachéco 44 B-1000 Bruxelles 0891.786.920	os	1,000	50.00		31/12/10	EUR	272	270

(1) os = ordinary shares.

Name, Registered office and Company number	Rights				Data from the most recent financial statements available			
	Held directly			Held by subsi-diaries	Financial state-ments	Currency	Capital and reserves	Net result
	Type(1)	Number	%	%			(thousands of currency units) (+) or (-)	
IP-1 SPRL (dissous) Rue Sainte-Marie 5 B-4000 Liège 0899.503.368	os	50	20.33	49.59	31/12/09	EUR	6	(2)
IP-2 SPRL (dissous) Rue Sainte-Marie 5 B-4000 Liège 0899.506.536	os	50	20.33	49.59	31/12/09	EUR	2	(11)
Isabel SA Boulevard de l'Impératrice 13-15 B-1000 Bruxelles 0455.530.509	os	240,034	24.00		31/12/10	EUR	12,732	1,561
Justinvest nv Heistraat 129 B-2610 Antwerpen-Wilrijk 0476.658.097	os	50	33.33		31/12/10	EUR	201	30
Leskoo SA Avenue des Communautés 100 B-1200 Bruxelles 0439.077.824				50.00	31/12/10	EUR	870	516
Livingstone Building nv Sudermanstraat 5 B-2000 Antwerpen 0441.221.920				100.00	30/12/10	EUR	14,013	541
Notre Maison SCRL Boulevard Tirou 167 B-6000 Charleroi 0240.277.017				11.90	31/12/10	EUR	13,919	642
Ondernermerstalent nv P/A Universiteit Hasselt – Agoralaan gebouw D B-3590 Diepenbeek 0883.079.288	os	310	44.29		31/12/10	EUR	53	(11)
Orfival SA Avenue Jean-Étienne Lenoir 2 A B-1348 Louvain-la-Neuve 0441.784.223				18.22	31/12/10	EUR	337	(10)
Park De Haan SA (dissous) Place Sainte-Gudule 19 B-1000 Bruxelles 0438.533.436	os	300	15.00		31/12/09	EUR	210	(48)
Promotion Léopold SA Avenue Livingstone 6 B-1000 Bruxelles 0439.904.896	os	220,400	19.00	16.50	31/12/10	EUR	4,865	1,883
Publipart SA Rue Royale 55 boîte 14 B-1000 Bruxelles 0875.090.844	os	209,993	10.76		30/09/11	EUR	158,137	(6,521)
Rabot Invest nv Heistraat 129 B-2610 Wilrijk 0479.758.733	os	60	25.00		31/12/10	EUR	637	34

(1) os = ordinary shares.

Name, Registered office and Company number	Rights				Data from the most recent financial statements available			
	Held directly			Held by subsidiaries	Financial statements	Currency	Capital and reserves	Net result
	Type[1]	Number	%	%			(thousands of currency units) (+) or (-)	
Rainbow ICT-Services GIE Rue Royale 192 B-1000 Bruxelles 0473.453.139				50.00	31/12/10	EUR	25	-
Re-Vive Brownfield Fund cvba Oude Brusselseweg 71 B-9050 Ledeberg 0824.442.986	os	1,120,000	25.00		31/12/10	EUR	220	(136)
SCI Saint Mesmin Immobilier 13, rue Croquechâtaigne F-45380 La Chapelle Saint-Mesmin				100.00	31/12/10	EUR	(350)	(64)
Sepia SA Avenue Galilée 5 B-1210 Bruxelles 0403.251.467				50.00	31/12/10	EUR	4,942	376
Service Communal de Belgique SC Avenue Louise 106 B-1050 Bruxelles 0226.308.918	os	34,351	63.59		31/12/10	EUR	(3,603)	(18)
Shop Equipments SA Boulevard Pachéco 44 B-1000 Bruxelles 0424.304.625	os	224	99.56	0.44	31/12/10	EUR	234	49
Société Mixte de Développement Immobilier SA Avenue Maurice Destenay 13 B-4000 Liège 0816.917.469	os	154	25.04		31/12/10	EUR	37	(25)
Sofibail SA – Société wallonne de location-financement Rue Dewez 49 B-5000 Namur 0426.091.207	os	2,000	19.42		31/12/10	EUR	2,287	(42)
Sofibru SA Rue de Stassart 32 B-1050 Bruxelles 0447.389.833	os	25	20.00		31/12/10	EUR	1,741	26
VDK Spaarbank nv Sint-Michielsplein 16 B-9000 Gent 0400.067.788	os	8,771	17.79		31/12/10	EUR	236,568	14,517
VDL – Interass nv Brusselsesteenweg 346 C B-9090 Melle 0431.686.127				100.00	31/12/10	EUR	1,038	40
Vennootschap Leopoldruimte SA Avenue Louise 416 boîte 2 B-1050 Bruxelles 0435.890.977	os	6,660	33.30	16.70	31/12/10	EUR	6,305	(48)
Visa Belgium SCRL Rue d'Arlon 82 B-1040 Bruxelles 0435.551.972	os	26	14.53		31/12/10	EUR	900	2,773

(1) os = ordinary shares.

Management report

Consolidated financial statements

Non-consolidated financial statements

Name, Registered office and Company number	Rights				Data from the most recent financial statements available			
	Held directly			Held by subsidiaries	Financial statements	Currency	Capital and reserves	Net result
	Type[(1)]	Number	%	%			(thousands of currency units) (+) or (-)	
Vivendo cvba Koningin Astridlaan 134 bus 1 B-8200 Brugge 0406.062.883	os			12.18	31/12/10	EUR	50,937	2,613
Vlabo-Invest nv Pater Damiaanstraat 5 B-3130 Betekom 0441.188.464	os	145	41.43		31/12/10	EUR	1,337	659
Wandelaar Invest SA Rue du Vieux Marché aux Grains 63 B-1000 Bruxelles 0811.706.589				25.00	31/12/10	EUR	2,329	(68)
Zakenkantoor Vandepitte-Leplae nv Astridlaan 37 B-8310 Assebroek-Brugge 0466.037.092				26.00	31/12/10	EUR	51	13
Zonnige Kempen cvba Grote Markt 39 B-2260 Westerlo 0404.221.368				16.29	31/12/09	EUR	30,023	1,216

(1) os = ordinary shares.

VI. §2. Enterprises for which the credit institution has unlimited liability in its capacity of fully liable partner or member

Nil

VII. Statement of formation expenses and intangible fixed assets (Assets item VIII.)

1. Formation expenses

Nil

2. Intangible fixed assets

(In thousands of EUR)	Goodwill	Other intangible fixed assets	Of which commissions for attracting new business art. 27*bis*[1]
A. ACQUISITION COST			
As at end of preceding period	0	36,324	0
Movements during the period			
Acquisitions, including own construction	0	1,905	0
AS AT END OF PERIOD (A)	**0**	**38,229**	**0**
B. AMORTISATION AND WRITE-DOWNS			
As at end of preceding period	0	25,431	0
Movements during the period			
Recorded	0	4,451	0
AS AT END OF PERIOD (B)	**0**	**29,882**	**0**
C. NET CARRYING VALUE AS AT END OF PERIOD (A)-(B)	**0**	**8,347**	**0**

(1) If the amounts are significant.

VIII. Tangible fixed assets (Assets item IX.)

(In thousands of EUR)	Land and buildings	Plant, machinery and equipment	Furniture and vehicles	Leasing and other similar rights	Other tangible fixed assets	Assets under construction & advance payment	Costs for rented buildings
A. ACQUISITION COST							
As at end of preceding period	1,176,375	330,210	134,172	22	185,153	25,054	78,263
Movements during the period							
Acquisition, including own construction	50,219	8,636	7,809	0	0	8,156	7,784
Sales and disposals (-)	(34,413)	(6,546)	(2,757)	0	(16,090)	(33)	(4,623)
Transfers from one item to another (+/-)	(18,328)	0	0	0	544	(14,981)	486
AS AT END OF PERIOD (A)	**1,173,853**	**332,300**	**139,224**	**22**	**169,607**	**18,196**	**81,910**
B. REVALUATION SURPLUSES							
As at end of preceding period	73,874	0	0	0	124	0	0
Movements during the period							
Cancellations (-)	(4,658)	0	0	0	(387)	0	0
Transfers from one item to another (+/-)	(689)	0	0	0	387	0	0
AS AT END OF PERIOD (B)	**68,527**	**0**	**0**	**0**	**124**	**0**	**0**
C. DEPRECIATION AND WRITE-DOWNS							
As at end of preceding period	646,087	297,821	95,958	13	88,668	6,597	60,844
Movements during the period							
Recorded	39,061	20,492	7,297	4	4,768	2,145	6,290
Excess written back (-)	(985)	0	0	0	0	0	(1,503)
Cancellations (-)	(28,513)	(6,547)	(2,730)	0	(15,913)	(6)	(3,118)
Transfers from one item to another (+/-)	343	0	0	0	349	(3,225)	(1,357)
AS AT END OF PERIOD (C)	**655,993**	**311,766**	**100,525**	**17**	**77,872**	**5,511**	**61,156**
D. NET CARRYING VALUE AS AT END OF PERIOD (A)+(B)-(C)	**586,387**	**20,534**	**38,699**	**5**	**91,859**	**12,685**	**20,754**
of which							
Plant, machinery and equipment				*5*			

IX. Other assets (Assets item XI.)

(In thousands of EUR)	31/12/11
Analysis (if the amount in this item is significant)	
Precious metals	103,092
Assets for resale	291,891
Premiums paid for swaptions written out	1,378,038
Premiums paid for options	808,977
Deferred taxes – assets	9,477
Other assets	2,918

X. Deferred charges and accrued income (Assets item XII.)

(In thousands of EUR)	31/12/11
Deferred charges	296,118
Accrued income	26,008,430

X.*Bis* Reinvestment of segregated clients funds

Nil

XI. Statement of amounts owed to credit institutions (Liabilities item I.)

1. For the item as a whole

(In thousands of EUR)	31/12/10	31/12/11
Amounts due to affiliated enterprises	16,657,726	1,809
Amounts due to other enterprises linked by participating interests	3,436	3,804

2. For amounts owed to credit institutions (other than those repayable on demand), analysis of their remaining maturity (Liabilities item I.B. and C.)

(In thousands of EUR)	31/12/11
Up to 3 months	17,466,006
Over 3 months up to 1 year	424,916
Over 1 year up to 5 years	11,465,437
Over 5 years	748,902

XII. Statement of amounts owed to customers (Liabilities item II.)

1. Amounts owed to

(In thousands of EUR)	31/12/10	31/12/11
Affiliated enterprises	14,280,512	14,766,551
Other enterprises linked by participating interests	225,494	185,801

2. Country analysis

(In thousands of EUR)	31/12/10	31/12/11
Customers in Belgium	60,289,852	55,268,894
Customers in foreign countries	38,752,759	30,657,141

3. Analysis according to the remaining maturity

(In thousands of EUR)	31/12/10	31/12/11
Repayable on demand	30,156,048	30,441,758
Up to 3 months	14,434,117	10,511,614
Over 3 months up to 1 year	4,079,341	4,746,813
Over 1 year up to 5 years	11,834,905	12,343,772
Over 5 years	4,191,079	1,338,594
Undated	34,347,121	26,543,484

4. Analysis by nature of creditors

(In duizend EUR)	31/12/10	31/12/11
Debts to public bodies	7,997,608	7,029,040
Debts to private individuals	36,380,166	34,831,567
Debts to enterprises	54,664,837	44,065,428

XIII. Statement of debts evidenced by certificates (Liabilities item III.)

1. Debts which, to the best of the reporting institution's knowledge, are due to affiliated enterprises or other enterprises linked by participating interests

Nil

2. Analysis according to the remaining maturity

(In thousands of EUR)	31/12/10
Up to 3 months	1,470,321
Over 3 months up to 1 year	2,598,013
Over 1 year up to 5 years	7,700,314
Over 5 years	512,648

XIV. Other liabilities (Liabilities item IV.)

1. Taxes, remuneration and social security: amounts due to the tax authorities

(In thousands of EUR)	31/12/11
Expired debts	0
Non-expired debts	39,822

2. Taxes, remuneration and social security: amounts due to the National Social Security Office

(In thousands of EUR)	31/12/11
Expired debts	0
Non-expired debts	124,311

3. Taxes

(In thousands of EUR)	31/12/11
Taxes payable	7,268

4. Other liabilities

(In thousands of EUR)	31/12/11
Analysis (if the amount in this item is significant)	
Premiums received from issued options	1,155,989
Suppliers	55,417
Premiums received from issued swaptions	1,441,899
Other	9,480

XV. Accrued charges and deferred income (Liabilities item V.)

(In thousands of EUR)	31/12/10	31/12/11
Accrued charges	21,169,248	26,209,488
Deferred income	1,372,034	1,788,419

XVI. Provisions for other liabilities and charges (Liabilities item VI.A.3.)

(In thousands of EUR)	31/12/10	31/12/11
Analysis (if the amount in this item is significant)		
Current disputes	43,660	42,956
Costs of lawyers and experts	6,971	6,071
Loss-making contracts	27,406	14,849
Dismantlement of buildings	4,132	4,100
Provision banking activities	11,666	11,066

XVII. Statement of subordinated liabilities (Liabilities item VIII.)

(In thousands of EUR)	31/12/10	31/12/11
A. FOR THE ITEM AS A WHOLE, AMOUNTS DUE TO		
Affiliated enterprises	1,973,927	1,169,521
Other enterprises linked by participating interests	85,000	0
B. CHARGES AS A RESULT OF SUBORDINATED LIABILITIES	114,503	107,160

C. SUBORDINATED LOANS (LIABILITIES ITEM VIII. CONTINUED)

Ref. No.	Currency	Amount in thousands of currency units	Maturity date or method for determining the duration	a) Circumstances for early redemption b) Conditions for subordination c) Conditions for convertibility	Conditions of compensations
1.[(1)(2)]	EUR	228,674	undetermined (call date 18/05/2011)	a) early redemption starting from call date, with approval of the NBB, thereafter on each following coupon date b) no specified conditions c) none	Euribor 6 months + 187 bp
2.	EUR	40,000	03/12/2019	a) not applicable b) no specified conditions c) none	• if GBP Libor 12 months < 5%: rate = GBP Libor 12 months + 20 bp • if GBP Libor 12 months ≥ 5%: rate = 7.55%
3.	JPY	10,000,000	11/09/2025	a) not applicable b) no specified conditions c) none	multicurrency 6.135%
4.	JPY	10,000,000	11/09/2025	a) not applicable b) no specified conditions c) none	multicurrency 6.085%
5.	JPY	15,000,000	undetermined (call date 28/11/2027)	a) early redemption starting from call date, with approval of the NBB, thereafter at the end of each following period of 5 years b) no specified conditions c) none	till 28/11/2007: 5%; thereafter: 5 years JPY swap + 2.5%; may be changed every 5 years
6.	EUR	35,000	15/12/2014	a) not applicable b) no specified conditions c) none	CMS linked
7.	EUR	15,000	15/12/2015	a) not applicable b) no specified conditions c) none	Index linked on Nikkei, Eurostoxx 50, S&P500
8.	EUR	15,000	15/07/2019	a) not applicable b) no specified conditions c) none	CMS linked
9.	EUR	11,000	16/12/2019	a) not applicable b) no specified conditions c) none	CMS linked

(1) This issue falls within the scope of the restrictions on early redemption (call) on Dexia's subordinated debt as agreed with the European Commission.
(2) This issue falls within the scope of the restrictions on coupon payments on Dexia's subordinated debt as agreed with the European Commission.

Ref. No.	Currency	Amount in thousands of currency units	Maturity date or method for determining the duration	a) Circumstances for early redemption b) Conditions for subordination c) Conditions for convertibility	Conditions of compensations
10.[1]	EUR	50,000	undetermined (call date 15/07/2023)	a) early redemption starting from call date, with approval of the NBB, thereafter at the end of each following period of 12 years b) no specified conditions c) none	IRS 12 years + 250 bp
11.	EUR	17,500	undetermined (call date 29/12/2019)	a) early redemption starting from call date, with approval of the NBB, thereafter at the end of each following period of 10 years b) no specified conditions c) none	IRS 10 years + 200 bp
12.[1]	EUR	17,500	undetermined (call date 29/12/2023)	a) early redemption starting from call date, with approval of the NBB, thereafter at the end of each following period of 12 years b) no specified conditions c) none	IRS 12 years + 200 bp
13.[1]	JPY	10,000,000	undetermined (call date 29/01/2012)	a) early redemption starting from call date, with approval of the NBB, thereafter on each following coupon date b) no specified conditions c) none	3.68%; after 29/01/2031: JPY Libor 6 months + 213 bp
14.[1]	JPY	5,000,000	undetermined (call date 29/01/2012)	a) early redemption starting from call date, with approval of the NBB, thereafter each year and from 29/01/2031, each 5 years b) no specified conditions c) none	3.68%; after 29/01/2031: JPY Libor 6 months + 213 bp
15.[2]	JPY	15,000,000	undetermined (call date 29/01/2029)	a) early redemption starting from call date, with approval of the NBB, thereafter on each following coupon date b) no specified conditions c) none	4.53% (in USD); after 29/01/2029: JPY Libor 6 months + 193 bp
16.[1]	USD	50,000	undetermined (call date 25/02/2012)	a) early redemption starting from call date, with approval of the NBB, thereafter on each following coupon date b) no specified conditions c) none	USD Libor 3 months + 178 bp
17.[1]	USD	100,000	undetermined (call date 21/03/2012)	a) early redemption starting from call date, with approval of the NBB, thereafter on each following coupon date b) no specified conditions c) none	USD Libor 3 months + 178 bp
18.	EUR	29,906	01/03/2022	a) not applicable b) no specified conditions c) none	Euribor 3 months + 43 bp
19.	EUR	44,914	04/04/2022	a) not applicable b) no specified conditions c) none	6.00%
20.[3]	EUR	498,556	undetermined (call date 02/11/2016)	a) early redemption starting from call date, with approval of the NBB, thereafter on each following coupon date b) no specified conditions c) none	4.922%; after 02/11/2016: Euribor 3 months + 181 bp
21.	EUR	5,286	2012	a) not applicable b) no specified conditions c) none	variable

(1) This issue falls within the scope of the restrictions on early redemption (call) on Dexia's subordinated debt as agreed with the European Commission.
(2) This issue falls within the scope of the restrictions on coupon payments on Dexia's subordinated debt as agreed with the European Commission.
(3) Hybrid subordinated debt.

Ref. No.	Currency	Amount in thousands of currency units	Maturity date or method for determining the duration	a) Circumstances for early redemption b) Conditions for subordination c) Conditions for convertibility	Conditions of compensations
22.	EUR	203	2013	a) not applicable b) no specified conditions c) none	variable
23.	GBP	150,000	09/02/17 (call date 09/02/2012)	a) early redemption starting from call date, with approval of the NBB, thereafter on each following coupon date b) no specified conditions c) none	5.9075%; from 09/02/2012: GBP Libor 3 months + 73.25 bp
24.	EUR	20,000	01/03/2047 (call date 01/03/2017)	a) early redemption possible from the call date and at the end of each period of 5 years following the call date and with the approval of the NBB b) no specified conditions c) none	5.04%
25.	EUR	20,000	02/04/2037 (call date 02/04/2017)	a) early redemption possible from the call date and at the end of each period of 5 years following the call date and with the approval of the NBB b) no specified conditions c) none	4.86%
26.	USD	100,000	30/09/18 (call date 30/09/2013)	a) early redemption possible from the call date, on each following coupon date and with the approval of the NBB b) no specified conditions c) none	till 30/09/2013: USD Libor 3 months + 300 bp; thereafter: USD Libor 3 months + 350 bp
27.	EUR	180,000	30/09/18 (call date 30/09/2013)	a) early redemption possible from the call date, on each following coupon date and with the approval of the NBB b) no specified conditions c) none	till 30/09/2013: USD Euribor 3 months + 300 bp; thereafter: USD Euribor 3 months + 350 bp
28.	EUR	300,000	20/06/18 (call date 20/06/2013)	a) early redemption possible from the call date, on each following coupon date and with the approval of the NBB b) no specified conditions c) none	till 20/06/2013: 5.2825%; thereafter: Euribor 12 months + 153.25 bp

XVIII. Statement of capital

1. Capital

	Amounts in thousands of EUR
A. SUBSCRIBED CAPITAL (LIABILITIES ITEM IX.A.)	
As at end of preceding period	3,458,066
Changes during the period	0
AS AT END OF PERIOD	**3,458,066**

	Amounts in thousands of EUR	Number of shares
B. STRUCTURE OF THE CAPITAL		
1. Categories of shares		
Category A	3,458,066	359,412,616
2. Registered or bearer shares		
Registered shares	0	359,412,616
Bearer shares and/or dematerialised form	0	0

2. Capital not paid up

Nil

3. Own shares held

Nil

4. Share issuance commitments

Nil

5. Authorised capital non-issued

	Amounts in thousands of EUR
Authorised capital non-issued	3,458,066

6. Shares not representing capital

Nil

XIX. Currency analysis

(In thousands of EUR)	In EUR	In foreign currencies (equivalent in EUR)
Total assets	171,878,877	25,513,102
Total liabilities	179,147,775	18,244,204

XX. Fiduciary transactions within the meaning of article 27*ter* §1 paragraph 3

Nil

XXI. Secured debts and commitments

Reporting institution's own assets given or irrevocably promised as collateral security

(In thousands of EUR)	Mortgages (1)	Floating charges (2)	Other assets charged or pledged (3)	Future assets charged or pledged (4)
A. TO SECURE THE REPORTING INSTITUTION'S DEBTS AND COMMITMENTS				
1. Liabilities items				
Sales of loans	0	0	70,939,669	0
Other deposits	0	0	19,523,663	0
2. Off-balance-sheet items				
Lines of credit	0	0	31,489,862	0
Derivatives	0	0	19,799,701	0
Other	0	0	0	0
B. TO SECURE THIRD-PARTY DEBTS AND COMMITMENTS				
1. Liabilities items	0	0	0	0
2. Off-balance-sheet items				
Derivatives	0	0	9,271	0

(1) Lower of the hypotecated amount of the mortgage and the carrying value of the immovable properties mortgaged.
(2) Hypotecated amount of mortgage.
(3) Carrying value of the assets concerned.
(4) Amount of the assets concerned.

XXII. Statement of any liabilities and of the commitments which could give rise to a risk (Off-balance-sheet items I. and II.)

(In thousands of EUR)	31/12/10	31/12/11
Total contingent liabilities on behalf of affiliated enterprises	17,062,164	2,964,166
Total contingent liabilities on behalf of other enterprises linked by participating interests	3,507	23,739
Total commitments towards affiliated enterprises	3,215,243	2,026,035
Total commitments towards other enterprises linked by participating interests	399,200	84,128

XXIII. Information on operating results (Statement-of-income items I. to XV.)

	31/12/10	31/12/11
A. 1. EMPLOYEES RECORDED IN THE PERSONNEL REGISTER		
Number of employees recorded in the personnel register at the closing date	6,600	6,437
Average number of employees in full-time equivalent (FTE)	5,974.85	5,742.49
Number of actual working hours	8,448,172	8,336,258
1*BIS*. TEMPORARY PERSONNEL AND PERSONS PLACED AT THE DISPOSAL OF THE ENTERPRISE		
Number of employees recorded in the personnel register at the closing date	0	1
Average number of employees in full-time equivalent (FTE)	0.00	0.55
Number of actual working hours	0	975
Charges to the enterprise (in thousands of EUR)	0	39,625
2. PERSONNEL CHARGES (in thousands of EUR)		
Remuneration and direct social benefits	413,773	401,953
Employer's contribution for social security	116,409	114,536
Employer's premiums for extra-statutory insurance	80,982	77,694
Other personnel charges	6,267	6,043
Pensions	1,536	1,824
3. PROVISIONS FOR PENSIONS (in thousands of EUR)		
Decrease (-)	(36)	(35)
B. 1. OTHER OPERATING INCOME (in thousands of EUR)		
Analysis of statement-of-income item XIV., if the amount is significant		
Rents received	27,971	26,383
Cost recovery of affiliates	28,006	31,085
Compensation received missing coupon equities	27,791	34,967
Other	120,247	60,234
2. OTHER OPERATING CHARGES (STATEMENT-OF-INCOME ITEM XV.) (in thousands of EUR)		
Taxes	71,471	71,509
Other operating charges	62,050	50,336
Analysis of other operating charges if the amount is significant		
Compensation missing coupon equities	28,451	35,576
C. OPERATING RESULTS IN RELATION TO AFFILIATED ENTERPRISES (in thousands of EUR)		
Income	20,421,353	12,306,077
Charges	17,201,528	11,039,244

	31/12/10		31/12/11	
(In thousands of EUR)	Belgian operations	Foreign operations	Belgian operations	Foreign operations
D. OPERATING RESULTS BY ORIGIN				
I. Interests receivable and similar income	3,112,611	567,513	3,806,885	447,867
III. Income from variable-yield securities				
From shares and other variable-yield securities	2,036	0	1,690	0
From participating interests in affiliated enterprises	626,605	0	120,890	0
From participating interests in other enterprises linked by participating interests	11,777	0	8,077	0
From other shares held as financial fixed assets	2,476	0	2,055	0
IV. Commissions receivable	449,715	15,394	456,345	11,644
VI. Profit on financial transactions				
Profit on trading of securities and other financial instruments	(127,084)	(79,140)	(77,901)	(90,295)
Profit on disposal of investment securities	157,077	(1,889)	7,240	(294,005)
XIV. Other operating income	202,476	1,539	151,408	1,261

Notes:

- With regard to foreign operations, the notes to the standard chart of financial statements should include a separate analysis by category of activity and geographical market, if the sale and provision of ordinary banking activities are organised in a significantly different manner form one market category to another.
- The notes to the standard chart of financial statements should include a country analysis of items III.B. and C. with reference to the location of the head office of the enterprises concerned.

XXIV. Forward off-balance-sheet transactions on securities, currencies and other financial instruments which are not commitments that could give rise to a risk within the meaning of off-balance-sheet item II.

1. Type of transaction

(In thousands of EUR)	Amount as at end of period	Of which transactions not intended as hedges
A. SECURITIES TRANSACTIONS		
Forward purchases and sales of transferable and negotiable securities	27,600	27,600
B. CURRENCY TRANSACTIONS(1)		
Forward foreign exchange transactions	14,435,907	14,435,907
Cross currency interest-rate swaps	21,026,624	20,364,086
Currency options	791,376	791,376
C. OTHER FINANCIAL INSTRUMENTS		
Interest-rate transactions(2)		
Interest-rate swaps	576,552,877	537,062,466
Interest-rate futures	29,294,787	4,571,896
Forward rate agreements	4,473,559	4,473,559
Interest-rate options	376,336,464	376,321,764
Other forward purchases and sales(3)		
Other options contracts	27,780,671	27,550,571
Other futures contracts	60,870	60,870

2. Effect on results of exemption from the valuation rule referred to in article 36*bis*, § 2, relating to interest-rate transactions

(In thousands of EUR)	Amount as at end of period(2)	Difference between market value and carrying value(4)
As part of cash management	12,314,680	(8,601)
As part of asset and liability management	138,641,338	(4,013,980)

(1) Amounts to be delivered.
(2) Nominal/notional reference amount.
(3) Agreed buying/selling price.
(4) +: Positive difference between the market value and results accounted for.
-: Negative difference between the market value and results accounted for.

XXV. Extraordinary results

(In thousands of EUR)	31/12/10	31/12/11
A. GAINS ON TRANSFERS OF FIXED ASSETS TO AFFILIATED ENTERPRISES	132,847	63,342
LOSSES ON TRANSFERS OF FIXED ASSETS TO AFFILIATED ENTERPRISES	1	625,414
B. OTHER EXTRAORDINARY INCOME (STATEMENT-OF-INCOME ITEM XVII.E.)		
Nil		
OTHER EXTRAORDINARY CHARGES (STATEMENT-OF-INCOME ITEM XVIII.E.)		
Nil		

XXVI. Income taxes

(In thousands of EUR)	31/12/10	31/12/11
A. ANALYSIS OF STATEMENT-OF-INCOME ITEM XX.A.		
1. Income taxes of the current period		
Taxes and withholding taxes due or paid	24,758	183
Excess of income tax prepayments and withholding taxes included in assets	0	0
Estimated additional charges for income taxes (included in liabilities item IV.)	(1,528)	0
2. Income taxes on prior periods		
Additional charges for income taxes due or paid	90	5,357
Additional charges for income taxes, estimated (included in liabilities item IV.) or for which provision has been established (included in liabilities item IV.A.2.)	800	800
B. MAIN SOURCES OF DIFFERENCES BETWEEN THE PROFITS BEFORE TAXES AS STATED IN THE FINANCIAL STATEMENTS AND THE ESTIMATED TAXABLE PROFITS, WITH SPECIAL MENTION OF TIMING DIFFERENCES (if the income taxes of the current period are materially influenced by such differences)		
Gains on shares	164,299	102,659
Dividend received deduction	608,792	125,326
Taxed provisions	0	(192,972)
C. EFFECT OF EXTRAORDINARY RESULTS ON THE AMOUNT OF INCOME TAXES OF THE CURRENT PERIOD		
1. Extraordinary income	680	0
2. Extraordinary charges	1,139	0
D. STATUS OF FUTURE TAXATION (if it is important for the purpose of evaluating the reporting institution's financial position)		
1. Future tax allowance	0	508,944
2. Future tax liabilities	0	6,132

XXVII. Other taxes and taxes supported by third parties

(In thousands of EUR)	31/12/10	31/12/11
A. VALUE ADDED TAX, TURNOVER TAXES AND SPECIAL TAXES CHARGED DURING THE PERIOD		
1. To the reporting institution (deductible)	62,244	62,452
2. By the reporting institution	110,383	102,250
B. AMOUNTS RETAINED ON BEHALF OF THIRD PARTIES FOR		
1. Payroll withholding taxes	126,114	113,727
2. Withholding taxes on investment income	204,855	193,112

XXVIII. Commitments given and received not reflected above

A. Description of the supplementary retirement or survivor's pension plans

1. Dexia Old

In the framework of the supplementary retirement or survivor's pension plans, Dexia Bank subscribed a group insurance with an insurance company. This insurance is paid for by contributions of staff members and of the employer.

2. Ex-Artesia

In the framework of the supplementary retirement or survivor's pension plans, a contingency plan has been existing since 1 January 2000 within the Artesia BC Group and was concluded with an insurance company in favour of its staff members.

For staff members who were affiliated to the BACOB pension plan on 31 December 1999, this contingency fund foresees transitory measures, as well as for employees who were affiliated to the Artesia pension fund before 31 December 1999. These insurances are financed by contributions of the employer.

3. Dexia New

New staff members taken on since 1 April 2002 joined the Dexia new benefit scheme, i.e. the Artesia BC Group benefit scheme. This scheme is organised in the framework of a contract with an insurance company. These insurances are financed by contributions of the employer. These contributions are accounted for in the statement of income.

B. Lernout & Hauspie

See part "Management report, General information, Litigation".

C. Transactions with related parties not concluded at general market conditions

Nil

XXIX. Financial relationship with

(In thousands of EUR)	31/12/11
A. DIRECTORS AND MANAGERS	
B. INDIVIDUALS OR LEGAL PERSONS WHO CONTROL THE CREDIT INSTITUTION DIRECTLY OR INDIRECTLY, BUT WHO ARE NOT AFFILIATED ENTERPRISES	
C. OTHER ENTERPRISES CONTROLLED DIRECTLY OR INDIRECTLY BY THE PERSONS MENTIONED UNDER B.	
D. THE AUDITOR(S) AND PERSONS LINKED TO THE AUDITOR(S)	
A. 1. Amounts receivable from them	841
2. Contingent liabilities for their account	7,976
3. Other significant commitments undertaken in their favour	0
B. 1. Direct and indirect remuneration and pensions included in the statement of income, as long as this disclosure does not concern exclusively or mainly the situation of a single identifiable person	
For directors and managers	4,617
For former directors and managers	0
D. 1. Remuneration paid to auditors	1,229
2. Remuneration paid for exceptional services or special assignments carried out at the behest of the bank to the auditors	
Other audit assignments	0
Tax advices	0
Other assignments out of audit assignments	81
TOTAL	**1,310**

XXX. Position in financial instruments

(In thousands of EUR)	31/12/11
Financial instruments to be received for the account of clients	9,105,586
Financial instruments to be delivered to clients	8,873,346
Client-owned financial instruments in safekeeping	93,253,152
Client-owned financial instruments	94,544,110
Client-owned financial instruments received as a collateral	1,523,199
Client-owned financial instruments provided as collateral	0

XXXI. Derivatives that are not measured at fair value

(In thousands of EUR)	31/12/11
Assessment of the fair value for each category of financial instruments that are not measured at fair value, giving the scale and the nature of the instruments	
Interest-rate swaps	(1,499,586)
Currency swaps	(44,971)
Options contracts	29,375
Futures	740

Social report

I. Statement of the persons employed

1. Employees recorded in the personnel register

A. During the financial period and during the preceding financial period

	Codes	Full-time 31/12/11	Part-time 31/12/11	Total (T) or total in full-time equivalents (FTE) 31/12/11		Total (T) or total in full-time equivalents (FTE) 31/12/10	
Average number of employees	100	4,407.80	2,105.10	5,742.49	(FTE)	5,974.85	(FTE)
Number of actual working hours	101	7,331,002.91	1,005,254.63	8,336,257.54	(T)	8,448,172.00	(T)
Personnel charges (in thousands of EUR)	102	402,805.12	192,373.76	595,178.88	(T)	608,143.00	(T)
Amount of the benefits in addition to wages (in thousands of EUR)	103			11,141.25	(T)	3,072.00	(T)

B. As at the closing date of the financial period

	Codes	Full-time	Part-time	Total in full-time equivalents
1. NUMBER OF EMPLOYEES RECORDED IN THE PERSONNEL REGISTER	**105**	**4,305**	**2,132**	**5,646.24**
2. BY NATURE OF THE EMPLOYMENT CONTRACT				
Contract of unlimited duration	110	4,167	2,131	5,507.74
Contract of limited duration	111	138	1	138.50
Contract for a specific work	112	0	0	0.00
Contract regarding substitution	113	0	0	0.00
3. BY SEX				
Male	120	2,881	533	3,190.80
Primary education	1200	10	3	11.80
Secundary education	1201	546	189	646.00
Higher non-university education	1202	1,273	245	1,420.50
University education	1203	1,052	96	1,112.50
Female	121	1,424	1,599	2,455.44
Primary education	1210	4	17	10.38
Secundary education	1211	308	628	677.22
Higher non-university education	1212	619	700	1,102.14
University education	1213	493	254	665.70
4. BY PROFESSIONAL CATEGORY				
Management personnel	130	133	10	137.40
Employees	134	4,172	2,099	5,501.08
Workers	132	0	23	7.76
Other	133	0	0	0.00

2. Temporary personnel and persons placed at the disposal of the enterprise

	Codes	Duration	Employees put at the disposal of the enterprise
Average number of personnel employed	150	0.55	0.00
Number of actual working hours	151	975.39	0.00
Charges to the enterprise (in thousands of EUR)	152	40.00	0.00

II. List of personnel movements during the financial period

1. Entrants

	Codes	Full-time	Part-time	Total in full-time equivalents
A. NUMBER OF EMPLOYED PERSONS RECORDED IN THE PERSONNEL REGISTER DURING THE FINANCIAL PERIOD	**205**	**205.00**	**16.00**	**216.80**
B. BY NATURE OF THE EMPLOYMENT CONTRACT				
Contract of unlimited duration	210	80.00	15.00	91.30
Contract of limited duration	211	125.00	1.00	125.50
Contract regarding a specific work	212	0.00	0.00	0.00
Contract regarding substitution	213	0.00	0.00	0.00

2. Leavers

	Codes	Full-time	Part-time	Total in full-time equivalents
A. NUMBER OF EMPLOYED PERSONS OF WHICH THE DATE OF TERMINATION OF THE CONTRACT HAS BEEN RECORDED IN THE PERSONNEL REGISTER DURING THE FINANCIAL PERIOD	**305**	**253.00**	**131.00**	**319.65**
B. BY NATURE OF THE EMPLOYMENT CONTRACT				
Contract of unlimited duration	310	147.00	130.00	213.15
Contract of limited duration	311	106.00	1.00	106.50
Contract regarding a specific work	312	0.00	0.00	0.00
Contract regarding substitution	313	0.00	0.00	0.00
C. BY REASON OF TERMINATION OF CONTRACT				
Pension	340	12.00	85.00	53.40
Prepension	341	11.00	3.00	12.90
Dismissal	342	34.00	19.00	43.00
Other reason	343	196.00	24.00	210.35
of which number of former employees who continued rendering services to the enterprise at least on a part-time basis in the capacity of self-employed person	*350*	*0.00*	*0.00*	*0.00*

III. Information on vocational training for employed persons during the financial period

	Codes	Male	Codes	Female
TOTAL OF FORMAL CONTINUED VOCATIONAL TRAINING INITIATIVES FOR THE EMPLOYED PERSONS AT THE EXPENSE OF THE EMPLOYER				
1. Number of employees	5801	1,950	5811	1,679
2. Number of training hours	5802	37,975	5812	31,813
3. Charges to enterprise (in thousands of EUR)	5803	3,099,641	5813	2,596,685
of which				
Gross costs directly linked to the training	*58031*	*3,099,641*	*58131*	*2,596,685*
Contributions paid and deposits to collective funds	*58032*	*0*	*58132*	*0*
Received contributions (decrease)	*58033*	*0*	*58133*	*0*
TOTAL OF LESS FORMAL AND INFORMAL CONTINUED VOCATIONAL TRAINING INITIATIVES FOR THE EMPLOYED PERSONS AT THE EXPENSE OF THE EMPLOYER				
1. Number of employees	5821	2,893	5831	2,585
2. Number of training hours	5822	150,917	5832	118,086
3. Charges to enterprise (in thousands of EUR)	5823	3,298,306	5833	2,687,115
TOTAL OF INITIAL VOCATIONAL TRAINING INITIATIVES AT THE EXPENSE OF THE EMPLOYER				
1. Number of employees	5841	0	5851	0
2. Number of training hours	5842	0	5852	0
3. Charges to enterprise (in thousands of EUR)	5843	0	5853	0

Statutory auditor's report for the year ended 31 December 2011
The original text of this report is in Dutch and French

Dexia Bank Belgium SA
Statutory auditor's report for the year ended 31 December 2011 to the Shareholders' Meeting

To the shareholders

As required by law and the company's articles of association, we are pleased to report to you on the audit assignment which you have entrusted to us. This report includes our opinion on the financial statements together with the required additional comments and information.

Unqualified audit opinion on the financial statements

We have audited the financial statements of Dexia Bank Belgium SA for the year ended 31 December 2011, prepared in accordance with the accounting principles applicable in Belgium, which show total assets of 197,391,979 (000) EUR and a loss for the year of 1,325,726 (000) EUR.

The Board of Directors of the company is responsible for the preparation of the financial statements. This responsibility includes among other things: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with legal requirements and auditing standards applicable in Belgium, as issued by the "Institut des Réviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren". Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the company's preparation and fair presentation of the 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. We have assessed the basis of the accounting policies used, the reasonableness of accounting estimates made by the company and the presentation of the financial statements, taken as a whole. Finally, the Board of Directors and responsible officers of the company have replied to all our requests for explanations and information. We believe that the audit evidence that we have obtained provides a reasonable basis for our opinion.

In our opinion, the financial statements as of 31 December 2011 give a true and fair view of the company's assets, liabilities, financial position and results in accordance with the accounting principles applicable in Belgium.

Additional comments and information

The preparation and the assessment of the information that should be included in the Directors' report and the company's compliance with the requirements of the Companies Code and its articles of association are the responsibility of the Board of Directors.

Our responsibility is to include in our report the following additional comments and information which do not change the scope of our audit opinion on the financial statements:

- The Directors' report includes the information required by law and is in agreement with the financial statements. However, we are unable to express an opinion on the description of the principal risks and uncertainties confronting the company, or on the status, future evolution, or significant influence of certain factors on its future development. We can, nevertheless, confirm that the information given is not in obvious contradiction with any information obtained in the context of our appointment.
- 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.
- As disclosed in the annual accounts, we note that Dexia Bank Belgium SA as per yearend 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. Related to this matter the bank established an action plan and submitted it to the National Bank of Belgium. Based on this plan, the bank received temporary derogations of the National Bank of Belgium for not respecting both type of regulatory ratio's.
- 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. The appropriation of the results proposed to the Shareholders' Meeting is in accordance with the requirements of the law and the company's articles of association.

Diegem, 30 March 2012

The statutory auditor

DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises
SC s.f.d. SCRL
Represented by

Frank Verhaegen Bernard De Meulemeester

Additional information

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General information about Dexia Bank Belgium

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Dexia Bank Belgium up to 10 June 2012
Belfius Bank & Insurance from 11 June 2012

Contact numbers
Tel.: + 32 2 222 11 11
Fax: + 32 2 222 11 22

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Boulevard Pachéco 44
B-1000 Brussels

Company number
RPM Brussels VAT BE 403.201.185

FSMA number
19649 A

Website
http://www.dexia.be

Information about the annual report is available on the internet and can be obtained from:

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Communication Division – PA 10/08
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Tel.: + 32 2 222 45 50
E-mail: *jaarverslagrapportannuel@dexia.com*

Complaints

If you encounter a problem, you can take it initially to your branch, then to your relationship manager or to the Complaints Department.

Dexia Bank
Complaints Department – DT 15/14
Boulevard Pachéco 44
B-1000 Brussels
E-mail : *claim@dexia.com*

If you are not satisfied with the response you receive, you can turn to the mediator of Dexia Bank, Mr Gilles Jockin.

Dexia Bank
Mediation Service – DT 15/14
Mr Gilles Jockin
Boulevard Pachéco 44
B-1000 Brussels
E-mail: *mediation.be@dexia.com*

If you are a natural person acting in a private capacity and you are not satisfied with the responses you have received from the above, you can take your complaint to the Mediation Service of the Financial Sector if it relates to banking products:

Service de Médiation pour le Secteur Financier
Rue Belliard 15/17, box 8
B-1040 Brussels
E-mail: *ombudsman@ombfin.be*

If it relates to insurance products, you can take your complaint to the Insurance Mediation Service.

Service de Médiation Assurances
Square de Meeûs 35
B-1000 Brussels
E-mail: *info@ombudsman.as*

DEXIA BANK BELGIUM