



## **DEXIA FUNDING NETHERLANDS N.V.**

(Incorporated with limited liability under the laws of the Netherlands)

**Issuer**

## **DEXIA BANK BELGIUM S.A.**

(Incorporated with limited liability under the laws of Belgium)

**Issuer, Guarantor, Paying Agent and Calculation Agent**

## **DEXIA BANQUE INTERNATIONALE A LUXEMBOURG,**

**SOCIETE ANONYME**

**Fiscal Agent and Principal Paying Agent**

## **NOTES ISSUANCE PROGRAMME**

**EUR 20,000,000,000**

Under the Notes Issuance Programme (the “Programme”) described in this Base Prospectus Dexia Bank Belgium S.A. (also named Dexia Banque S.A./Dexia Bank N.V., or “DEXIA BANK”) and Dexia Funding Netherlands N.V. (“DFN”, together with DEXIA BANK the “Issuers” and each, individually, an “Issuer”) may from time to time issue notes (in the case of notes issued by DEXIA BANK referred to as the “DEXIA BANK Notes”, in the case of notes issued by DFN as the “DFN Notes”, together referred to as the “Notes” and individually as a “Note”), which may be linked to various underlyings (the “Underlying”), that rank as senior obligations of the Issuer (the “Senior Notes”) or, for DFN only, that rank as senior subordinated obligations to the Issuer (the “Senior Subordinated Notes”). Senior Notes issued by DFN will be guaranteed by DEXIA BANK (the “Guarantor”) pursuant to a senior guarantee (the “Senior Guarantee”). Senior Subordinated Notes issued by DFN will be guaranteed by DEXIA BANK pursuant to a senior subordinated guarantee (the “Senior Subordinated Guarantee”).

Each Tranche of Notes will be documented by final terms (the “Final Terms”).

The Base Prospectus should be read and construed in conjunction with each relevant Final Terms.

The relevant Final Terms and this Base Prospectus together constitute the prospectus (the “Prospectus”) for each Tranche. Prior to making an investment decision, prospective investors should consider carefully all of the information set out in the Base Prospectus, including in particular the risk factors as described below in *Condition 5. Risk Factors*.

This Base Prospectus is dated 11 January 2012 and is valid for one year from that date, provided that the Base Prospectus may be updated by any supplements in accordance with articles 34 and 35 of the Belgian Law of 16 June 2006 on the public offer of investment instruments and the admission to trading of investment instruments on a regulated market. This Base Prospectus replaces and supersedes the Base Prospectus of DFN and DBB dated 28 December 2010. This Base Prospectus will be updated or will be completed with a supplement, as the case may be, as soon as material information is available.

The current ratings of DEXIA BANK are A3, with outlook ‘under review with direction uncertain’ (Moody’s), A-, with outlook ‘Credit Watch Negative’ (Standard & Poor’s) and A, with outlook ‘Rating Watch Negative’ (Fitch-Ibca). An outlook ‘under review with direction uncertain’ means that the rating agency analyses the situation of the bank on the currently, before making any conclusion on further evolution of the rating. An outlook ‘Credit/Rating Watch Negative’ means that the rating agency assesses a potential lowering of a long-term credit rating over the intermediate term (typically six months to two years), consideration is given to any changes in the economic and/or fundamental business conditions. An outlook is not necessarily a precursor of a rating change or future CreditWatch action.

DFN is a fully owned subsidiary of DEXIA BANK, which means, for Notes issued by DFN, that the credit risks of the Issuer and the Guarantor are closely linked. Such credit risks imply that the Noteholders may lose all or part of their investment in the Notes in case the Issuer and the Guarantor become insolvent or are unable to fulfill their obligations under the Notes.

For a description of the risk factors, please revert to page 8 and 9 and the full Section 5 of this Base Prospectus.

The Base Prospectus, including the summary, and the Final Terms of each Tranche are available on the internet site [www.dexia.be](http://www.dexia.be) (under the heading “Sparen & beleggen/Epargner & investir”) and a copy can be obtained free of charge in the offices of DEXIA BANK.

*This Base Prospectus was approved by the Financial Services and Markets Authority on 11 January 2012 in accordance with article 23 of the Belgian Law of 16 June 2006 on the public offer of investment instruments and the admission to trading of investment instruments on a regulated market. This approval does not entail any appraisal of the appropriateness or the merits of any issue under the programme nor of the situation of the Issuers or the Guarantor.*

# 1 TABLE OF CONTENTS

1	TABLE OF CONTENTS.....	3
2	CHOICES MADE BY THE ISSUERS.....	5
3	RESPONSIBILITY STATEMENT.....	5
4	SUMMARY.....	6
5	RISK FACTORS.....	13
	<i>Increased Regulation</i> .....	16
6	DOCUMENTS INCORPORATED BY REFERENCE.....	22
7	DEXIA FUNDING NETHERLANDS N.V. ....	23
	7.1 General Information.....	23
	7.2 Management and Supervision.....	24
	7.3 Financial Information.....	25
	7.3.1 Annual Audited Financial Statements of Dexia Funding Netherlands N.V. ....	25
	7.3.2 Semi-Annual Unaudited Financial Statements of Dexia Funding Netherlands N.V. ....	28
	7.3.3 Unaudited Cash Flow Statement of Dexia Funding Netherlands N.V. ....	30
8	DEXIA BANK BELGIUM S.A.....	32
	8.1 General Information.....	32
	8.2 Overview Business Lines.....	34
	8.3 recent Developments.....	37
	8.4 Management and Supervision.....	40
	8.4.1 Board of Directors.....	40
	8.4.2 Management Board.....	43
	8.4.3 External Duties of the Directors.....	43
	8.4.4 Supervision.....	44
	8.5 Financial Information.....	44
	8.5.1 Unconsolidated Annual Audited Financial Statements of Dexia Bank Belgium S.A. ....	44
	8.5.2 Unconsolidated Semi-Annual Financial Statements of Dexia Bank Belgium S.A. ....	48
	8.6 Legal and Arbitration Proceedings.....	52
9	TERMS AND CONDITIONS OF THE NOTES.....	53
	9.1 Form, Denomination and Title.....	53
	9.2 Interest on the Notes.....	53
	9.2.1 Fixed Rate Notes.....	54
	9.2.2 Floating Rate Notes.....	54
	9.2.3 Variable Linked Rate Notes.....	54
	9.2.4 Zero Coupon Notes.....	54
	9.2.5 Payment of the Interest.....	54
	9.3 Definitions.....	54
	9.4 Redemption and Purchase.....	57
	9.4.1 Final Redemption.....	57
	9.4.2 Redemption at the Option of the Issuer.....	57
	9.4.3 Mandatory Early Redemption.....	58
	9.4.4 Repurchase.....	58
	9.4.5 Cancellation.....	58
	9.5 Payment.....	58
	9.6 Variable Linked Provisions.....	58
	9.7 Rounding.....	74
	9.8 Status.....	74
	9.9 Clearing Systems.....	75
	9.10 Events of Default.....	75
	9.11 Modifications of the Agency Agreement.....	77
	9.12 Responsibility of the Calculation Agent.....	77
	9.13 Prescription.....	77
	9.14 Currency Indemnity.....	77
	9.15 Substitution.....	77
	9.16 Notices.....	78
	9.17 Meeting of Noteholders.....	78
	9.18 Taxation.....	81
	9.19 Governing Law and Jurisdiction.....	88
	9.20 Financial Service.....	88

9.21	Representation of Debt Security Holders .....	89
9.22	Guarantee .....	90
10	TERMS AND CONDITIONS OF THE OFFER .....	91
11	ADMISSION TO TRADING AND DEALING ARRANGEMENTS .....	92
12	USE OF PROCEEDS .....	92
13	THIRD PARTY INFORMATION, EXPERT STATEMENTS AND DECLARATIONS.....	92
14	DOCUMENTS ON DISPLAY .....	92
	ANNEX 1: TEMPLATE FOR FINAL TERMS .....	93
	ANNEX 2: SENIOR GUARANTEE .....	103
	ANNEX 3: SENIOR SUBORDINATED GUARANTEE .....	104
	ANNEX 4: PRESS RELEASE 20 OCTOBER 2011 .....	106
	ANNEX 5: PRESS RELEASE 30 NOVEMBER 2011 .....	109
	ANNEX 6: ARTICLES OF ASSOCIATION (UNOFFICIAL TRANSLATION).....	111

## 2 CHOICES MADE BY THE ISSUERS

The Issuers have chosen according to article 5(4) of Directive 2003/71/EC to issue notes under a base prospectus. The specific terms of each Tranche will be set forth in the applicable Final Terms. In addition, the Issuers choose as their home Member State the Kingdom of Belgium.

The Issuers have freely defined the order in the presentation of the required items included in the schedules and building blocks of the Commission Regulation (EC) n°809/2004 of 29 April 2004 implementing Directive 2003/71/EC as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements (herein referred to as “Regulation (EC) 809/2004”) according to which this Base Prospectus is drawn up. The chosen presentation is a consequence of the combination of Annex IV, Annex V, Annex VI and Annex XI of Regulation (EC) 809/2004. In order to enable the Noteholders to identify in the presentation below the corresponding provisions of Regulation (EC) 809/2004, cross-references will be made to the relevant annexes of Regulation (EC) 809/2004 and their subsections. Finally, any items which do not require, in their absence, an appropriate negative statement according to Regulation (EC) 809/2004, are not included in the presentation when the Issuers so determine.

## 3 RESPONSIBILITY STATEMENT

*(Annex V.1, IV.1 and XI.1 of Regulation (EC) 809/2004)*

DFN as Issuer and DEXIA BANK as Issuer or Guarantor accept responsibility for the information given in the Base Prospectus. Having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

## 4 SUMMARY

The following summary is established in accordance with Articles 24 and 28 of the Belgian Law of 16 June 2006 on the public offer of investment instruments and the admission to trading of investment instruments on a regulated market and conveys, in a brief manner and in a non-technical language, the essential characteristics and risks associated with the Issuers, the Guarantor and the Notes.

**WARNING: This summary should only be read as an introduction to the Base Prospectus. Any decision to invest in any Notes should be based on a consideration of the Base Prospectus as a whole and of the relevant Final Terms by the Noteholders. Where a claim relating to the information contained in the Prospectus is brought before a court in an EEA State, the plaintiff Noteholder may, under the national legislation of the EEA State, be required to bear the costs of translating the Prospectus before the legal proceedings are initiated. Nobody bears civil liability on the mere basis of this summary or its translation, except if its contents are misleading, incorrect or inconsistent when read together with other parts of the Prospectus.**

**Summary of the  
DEXIA FUNDING NETHERLANDS N.V.  
AND  
DEXIA BANK BELGIUM S.A.  
NOTES ISSUANCE PROGRAMME  
(the “Programme”)  
EUR 20,000,000,000**

The Base Prospectus, including this summary, and the Final Terms of each Tranche are available on the internet site [www.dexia.be](http://www.dexia.be) (under the heading “Sparen en beleggen/Epargner & investir”) and a copy can be obtained free of charge in the offices of the Guarantor.

*This Base Prospectus was approved by the Financial Services and Markets Authority on 11 January 2012 in accordance with article 23 of the Belgian Law of 16 June 2006 on the public offer of investment instruments and the admission to trading of investment instruments on a regulated market. This approval does not entail any appraisal of the appropriateness or the merits of any issue under the programme nor of the situation of the Issuers or the Guarantor.*

The following summary does not purport to be complete and is taken from, and is qualified in its entirety by the remainder of, this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms. Words and expressions defined or used in “Terms and Conditions of the Notes” shall have the same meaning in this summary.

<b>Issuers:</b>	<b>Dexia Funding Netherlands N.V. Dexia Bank Belgium S.A.</b>
<b>Information relating to DFN:</b>	<b>DFN was incorporated for an unlimited duration under the laws of the Netherlands on 7 July 1987. Its registered office is at "Atrium" 7th Floor, Strawinskylaan 3105, Amsterdam and its postal address is at 1000 BL Amsterdam, P.O. Box 1469. According to Article 3 of its Articles of Association, DFN’s objects are – <i>inter alia</i> – to enter into and to provide loans and to perform all other transactions of a financial nature, as well as to participate in, to carry on the management of and to finance other enterprises and companies. DFN is registered in the Commercial Register of the Chamber of Commerce in Amsterdam under file number 33.194.789. The authorised share capital of DFN amounts to EUR 2,268,900.00 divided into 5,000 ordinary shares of EUR 453.78 each, of which 1,000 shares have been issued and 25 per cent. are paid up. DFN is a wholly owned subsidiary of DEXIA BANK.</b>
<b>Information relating to DEXIA BANK:</b>	<b>DEXIA BANK is a limited liability company of unlimited duration incorporated under Belgian law and registered with the Crossroads Bank for Enterprises under business identification number 0403.201.185. Its registered office is at 1000 Brussels, boulevard Pachéco 44, Belgium, telephone +32 2 222 11 11. DEXIA BANK’s object is to carry on the business of a credit institution and it has in furtherance of its object all the necessary powers, including the power to enter into transactions on financial derivatives. As such DEXIA BANK may - for its own account and for the account of third parties - even by intermediary of a natural person or a legal entity , undertake any and all activities and carry out all banking transactions. 1. transactions regarding deposits, credits within the broadest sense, brokerage, stock exchange related operations, launches of issues, guarantees and surety; 2. short, medium and long-term credit transactions, sustain investments by provinces, municipalities and organisations of a regional and local character, and likewise investments effected by all public establishments, companies, associations and organisations, which are constituted for regional and local purposes, and which provinces, municipalities and organisations of a regional and local character are authorised to support; and 3. to further, by means of appropriate credit transactions, the day-to-day operation of the budgets of provinces, municipalities and organisations of a regional and local character, and of all other institutions referred to in 2 above, and likewise the day-to-day management of their concerns, public companies and enterprises. Furthermore, DEXIA BANK may distribute insurance products from third party insurance companies. DEXIA BANK may acquire, own and sell shares and participations in one or more companies, within the limits provided for by the legal status of credit institutions. DEXIA BANK is entitled to carry out any transactions of whatever nature, <i>inter alia</i> financial, commercial, including goods and estate, relating directly or indirectly to the furtherance of its object or of such a nature as to facilitate the achievement thereof.</b>
<b>Guarantor:</b>	<b>DEXIA BANK (for DFN Notes)</b>
<b>Calculation Agent:</b>	<b>DEXIA BANK. All calculations shall be made in a commercially reasonable manner. The Calculation Agent shall have no responsibility to Noteholders for good faith errors or omissions in its calculations (without limitation, errors or omissions due to events</b>

	<p>which are not under the direct control of the Calculation Agent) and determinations as provided in the Terms and Conditions, except for those resulting from the gross negligence or wilful misconduct of the Calculation Agent.</p>
Size of the Programme	<p>EUR 20,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate principal amount of Notes outstanding at any one time.</p>
Fiscal Agent (in respect of Notes issued by DFN):	<p>Dexia Banque Internationale à Luxembourg, société anonyme (“Dexia BIL”), a company incorporated under the laws of Luxembourg.</p>
Principal Paying Agent (in respect of Notes issued by DFN):	<p>Dexia BIL, unless it is specified in the Final Terms relating to any Tranche that another principal paying agent is appointed in respect of that Tranche.</p>
Paying Agent:	<p>DEXIA BANK, unless it is specified in the Final Terms relating to any Tranche that another paying agent is appointed in respect of that Tranche.</p>
Risk Factors:	<p>There are risk factors that fully affect the Issuers’ or Guarantor’s ability to fulfill their obligations under the Notes. These include economic setting, Credit Risk, Market Risk, Operational Risk, Liquidity Risk, Risk Management, Regulatory Risk, the risk of lowering of the ratings and risks due to the crisis on the international financial markets, uncertain economic conditions, competition and current market volatility and recent market developments (see 5 “Risk factors” in the Base Prospectus).</p> <ul style="list-style-type: none"> <li>- Credit Risk comprises risk factors relating to customers and counterparties mainly of the Guarantor, including to the former mother company Dexia Group and its entities;</li> </ul> <p>As of September 30 2011, 56 bn EUR of total gross (cash) funding exposure to Dexia Group entities translate into 22.5 bn EUR of net (cash) unsecured exposure of funding given, after taking into account collateral received from Dexia Group entities and deposits done by Dexia Group entities at DEXIA BANK.</p> <p>This funding given to the Dexia Group, especially the net “unsecured” part, is expected to be gradually reduced according to the terms of the sale agreement between Dexia SA and the Belgian State of October 20, 2011. The net unsecured (cash) exposure has been reduced to an amount of approximately EUR 10 billion as of January 4, 2012.</p> <p>Hereunder the characteristics of the collateral received by DEXIA BANK, as of September 30, 2011:</p> <ul style="list-style-type: none"> <li>- liquidity classes of the received collateral: 27% B1, 43% B2 and 12% B3. B1 means securities that are eligible for refinancing via bilateral market repos; B2 means eligible for refinancing via central banks; B3 eligible via tri-party repo.</li> <li>- credit risk rating classes of the received collateral: 3% AAA, 36% [AA-;AA+], 28% [A-;A+] , 18% [BBB+;-BBB-], the rest being rated lower, not rated or Dexia unsecured bonds.</li> </ul> <p>The European Commission has temporarily authorized, under the EU state aid rules, a temporary guarantee on the refinancing of Dexia SA and its subsidiary Dexia Crédit Local (DCL), for a maximum capital value of €45 billion. This temporary guarantee, extended by Belgium (60.5%), France (36.5%) and Luxembourg (3%), is joint and non-several. It covers the bank refinancing measures with a maturity of a maximum of three years, and was issued until 31 May 2012. The purpose of the guarantee is to enable the bank to draw up a restructuring plan, or – should Dexia SA prove not to be viable – a liquidation plan, which the three Member States undertake to submit to the Commission within three months from December 21, 2011. The Commission will take a final decision on the temporary guarantee as part of its assessment of the restructuring plan. The issuance of guaranteed funding will help the Dexia Group to pay its financing received from DEXIA BANK, especially for the proportion of the unsecured funding.</p>

- Market Risk comprises risk factors relating to the activities of the Issuers or the Guarantor and which are linked to interest rates, foreign exchange rates and market prices;
- Operational Risk comprises risk factors relating to processes, systems, external events, human errors and litigation;
- Liquidity Risk comprises risk factors relating to the availability of sufficient funds to meet obligations and commitments to customers and counterparties;
- Regulatory Risk comprises risk factors relating to changes in regulations and regulatory oversight in several jurisdictions where the Issuer and the Guarantor operate;
- Risk of lowering of the ratings comprises the risk that the rating agencies downgrade the long term credit rating of DEXIA BANK;
- Risks due to the crisis on the international financial markets comprises the risk that the international crisis that disrupts financial markets since 2008, especially the rise of credit and liquidity risks linked to sovereign debt issues, will induce, on a systemic basis, material consequences on the financial institutions business.

There are risk factors which are material for the purpose of assessing the market risks associated with the Notes. These include the risk that the Notes may not be a suitable investment for all investors.

There are also risk factors that relate to the structure of a particular issue of Notes. These include specific risk factors for Notes subject to optional redemption by the Issuer, Variable Linked Rate Notes with a multiplier or other coverage factor, Fixed/Floating Rate Notes, foreign currency Notes exposing investors to foreign exchange risk as well as to issuer risk and subordination in respect of Senior Subordinated Notes.

**Ratings:**

The current ratings of DEXIA BANK are A3, with outlook ‘under review with direction uncertain’ (Moody’s), A-, with outlook ‘Credit Watch Negative’ (Standard & Poors) and A, with outlook ‘Rating Watch Negative’ (Fitch-Ibca). An outlook ‘under review with direction uncertain’ means that the rating agency analyses the situation of the bank on the currently, before making any conclusion on further evolution of the rating. An outlook ‘Credit/Rating Watch Negative’ means that the rating agency assesses a potential lowering of a long-term credit rating over the intermediate term (typically six months to two years), consideration is given to any changes in the economic and/or fundamental business conditions. An outlook is not necessarily a precursor of a rating change or future CreditWatch action.

**Method of Issue:**

The Notes will be issued in series (each a “Series”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a “Tranche”) on the same or different issue dates. The specific terms of each Tranche (which will be supplemented, where necessary, with supplemental terms and conditions and, save in respect of the issue date, issue price, first payment of interest and principal amount of the Tranche will be identical to the terms of other Tranche of the same Series) will be set out in the Final Terms.

**Offering Period:**

The Notes will be offered for subscription during the Offering Period (specified in the relevant Final Terms) at the relevant Issue Price. Any applicable fees or commissions will be specified in the relevant Final Terms. The relevant Issuer has the right to cancel any issue of Notes under the Programme during their Offering Period until the fifth Business Day before their Issue Date, either (i) when it reasonably believes that investors will not subscribe to the offer for an amount of at least the Minimum Amount specified in the relevant Final Terms or (ii) in case it considers there is a material adverse change in market conditions. Investors that have subscribed to these Notes will be

	<p>notified by letter of such cancellation. The relevant Issuer has the right to anticipatively terminate the Offering Period if the Maximum Amount specified in the Final Terms of the relevant Notes issue has been reached or if the market conditions adversely affect the interest or the redemption amounts to be paid by the relevant Issuer.</p>
<b>Form and Denomination of the Notes:</b>	<p>The DFN Notes are issued in bearer form (“Bearer Notes”) in the Denominations specified in the relevant Final Terms.</p> <p>The Denomination of DFN Notes will be at least EUR 1,000.</p> <p>The DEXIA BANK Notes are issued in dematerialised form (the “Dematerialised Notes”) in the Denominations specified in the relevant Final Terms.</p>
<b>Issue Price:</b>	<p>Notes may be issued at their principal amount or at a discount or premium to their principal amount. Partly-paid Notes may be issued, the issue price of which will be payable in two or more instalments.</p>
<b>Maturity:</b>	<p>Any maturity from one month from the date of original issue.</p>
<b>Currency:</b>	<p>Subject to compliance with all relevant laws, regulation and directives, Notes may be issued in U.S. dollar, Australian dollar, Canadian dollar, Danish krone, euro, Hong Kong dollar, New Zealand dollar, Norwegian krone, Sterling, Swedish krone, Swiss franc, Turkish lira or Japanese yen or in other currencies; as will be specified in the relevant Final Terms.</p>
<b>Interest:</b>	<p>The interest to be paid on the Notes (the “Interest”) can be based on a fixed rate (“Fixed Rate”, such Notes to be referred to as “Fixed Rate Notes”), a floating rate (“Floating Rate”, such Notes referred to as “Floating Rate Notes”) or linked to any other variable, formula or Underlying (“Variable Linked Rate”, such Notes to be referred to as “Variable Linked Rate Notes”) (Fixed Rate, Floating Rate and Variable Linked Rate are together referred to as “Interest Rate”).</p> <p>The Interest Rate is expressed as a percentage per annum.</p>
<b>Redemption:</b>	<p>The Redemption of the Notes can be at par or applying a certain percentage, as specified in the relevant Final Terms. A Redemption Amount can also be linked to any other variable, formula or Underlying (“Variable Linked Redemption Amount”).</p>
<b>Optional Redemption:</b>	<p>The Final Terms in respect of each issue of Notes may state whether such Notes may be redeemed prior to their stated maturity at the option of the relevant Issuer (either in whole or in part) and/or the holders, and if so the terms applicable to such redemption.</p>
<b>Mandatory Early Redemption:</b>	<p>The Final Terms in respect of each issue of Notes may state whether such Notes may be redeemed prior to their stated maturity in case one or more Trigger Events have occurred, and if so the terms applicable to such redemption.</p>
<b>Underlying:</b>	<p>In case of Variable Linked Rate Notes or Notes with a Variable Linked Redemption Amount, the Underlying for any Tranche of Notes issued under the Programme will be specified in the relevant Final Terms. The Underlying can be, but is not limited to, any of the following: (i) a Market Rate, (ii) a Share or a Basket of Shares, (iii) a Share Index or a Basket of Share Indices, (iv) a Fund or a Basket of Funds, (v) a Commodity or a Basket of Commodities, (vi) a Commodity Index or a Basket of Commodity Indices or (vii) an Inflation Index.</p>
<b>Status of the Notes:</b>	<p>If the Notes are specified in the relevant Final Terms to be Senior Notes, they will be direct, unconditional and unsecured obligations of the relevant Issuer and rank at all times <i>pari passu</i> without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the relevant Issuer, present and future, only to the extent permitted by laws relating to creditor’s rights.</p> <p>If the Notes are specified in the relevant Final Terms to be Senior Subordinated Notes, they will be direct, unsecured and senior subordinated obligations of the relevant Issuer and rank at all times <i>pari passu</i> without any preference among themselves and at least equally and rateably with all other present and future unsecured,</p>

<b>Status of the Guarantee:</b>	<p>unconditional or conditional senior subordinated obligations of DFN from time to time outstanding.</p> <p><b>Senior Guarantee:</b> The obligations of the Guarantor under the Senior Guarantee in respect of Senior Notes issued by DFN will be direct, unsecured, unconditional and unsubordinated obligations of the Guarantor ranking <i>pari passu</i> and without any preference among themselves and equally with all other unsecured and unsubordinated obligations of the Guarantor from time to time outstanding.</p> <p><b>Senior Subordinated Guarantee:</b> The obligations of the Guarantor under the Senior Subordinated Guarantee in respect of Senior Subordinated Notes issued by DFN will be direct, unsecured, unconditional (unless otherwise provided for in the relevant Final Terms) and senior subordinated obligations of the Guarantor ranking <i>pari passu</i> and without any preference among themselves and at least equally and rateably with all other present and future unsecured, unconditional or conditional and senior subordinated obligations of the Guarantor from time to time outstanding. This means that holders of Senior Subordinated Notes issued by DFN irrevocably waive their rights to equal treatment with other unsecured creditors of DEXIA BANK (“créanciers chirographaires/chirografaïre schuldeisers”).</p>
<b>Secondary Market:</b>	<p>The Notes will not be the subject of an application for admission to trading on a regulated market. Therefore, investors may not be able to sell their Notes. However, if Liquidity is provided to be applicable in the relevant Final Terms for any Notes, the price of the Notes is available on demand in the offices of DEXIA BANK or on the website <a href="http://www.Dexia.be">www.Dexia.be</a>, and this on each Business Day during the term of such Notes in every office of DEXIA BANK until 30 Business Days preceding their Maturity Date or, if applicable, 10 Business Days before the Optional Redemption Date, unless in DEXIA BANK’s determination, market conditions preclude it from quoting a price. If DEXIA BANK quotes a price, it can be considered market maker for the Notes and will provide liquidity through bid and offer rates. The main terms of the commitment of DEXIA BANK will be specified in the relevant Final Terms and (i) “Maximum Spread” means the maximum spread between the then applicable bid and offer rates; (ii) “Maximum Commission” means the maximum commission on the bid and offer rates; and (iii) “Maximum Exit Penalty” means the maximum exit penalty applicable to the nominal amount of the Notes. The bid and offer rates of the Notes are subject to the then applicable market conditions, interest rates, forward rates, credit spreads of the relevant Issuer or the Guarantor as applicable, etc. In case of sale of the Notes before maturity, the sale proceeds can be lower than the invested amount.</p>
<b>Use of Proceeds:</b>	<p>The net proceeds of the sale of the Notes will be used for the general funding purposes of DEXIA BANK. In the case of DFN Notes, DFN will grant a loan to DEXIA BANK. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.</p>
<b>Clearing Systems:</b>	<p>In respect of DFN Notes, the clearing systems operated by Euroclear Bank S.A./N.V. (“Euroclear”) and Clearstream Banking, société anonyme (“Clearstream, Luxembourg”) and such other clearing system as may be agreed between the relevant Issuer and the Fiscal Agent and as specified in the relevant Final Terms.</p> <p>In respect of DEXIA BANK Notes, the clearing system operated by the National Bank of Belgium or any successor thereto (the “BNB System”) and such other clearing system as may be specified in the relevant Final Terms.</p>
<b>Governing Law:</b>	<p>The Notes and the Guarantee are governed by Belgian law.</p> <p>All disputes arising out of or in connection with the Notes and the Guarantee shall be submitted to the jurisdiction of the competent courts in Belgium.</p>

**Documents on Display:**

**The Agency Agreement is governed by the laws of Luxembourg. Copies of the annual report dated December 31<sup>st</sup>, 2010 of the Issuers and of all subsequent annual reports to be published of the Issuers and copies of the articles of association of the Issuers are available free of charge at the office of the Fiscal Agent and at the offices of the Luxembourg and Belgian Paying Agents and will be available during the entire lifetime of the Notes. Additionally, the annual reports of DEXIA BANK are available on its internet site: <http://www.dexia.be/NL/Particulier/VIADEXIA-P29/Publications/> or <http://www.dexia.be/fr/Particulier/VIADEXIA-P29/Publications/>. Moreover, copies of the semi-annual and annual reports of Dexia Funding Netherlands and copies of the annual reports of DEXIA BANK are available on the Luxembourg Stock Exchange-website: [www.bourse.lu](http://www.bourse.lu).**

## 5 RISK FACTORS

### **(Annex V.2, IV.' And XI.3 of Regulation (EC) 809/2004)**

*The following sets out certain aspects of the offering of the Notes of which prospective investors should be aware. Prior to making an investment decision, prospective investors should consider carefully all of the information set out in the Base Prospectus, including in particular the following risk factors detailed below. All of these factors are contingencies which may or may not occur and neither DEXIA BANK nor DFN is in a position to express a view on the likelihood of all or any of such contingencies occurring.*

*Prospective investors should also read the detailed information set out elsewhere in the Base Prospectus (including any documents deemed to be incorporated in it by reference) and reach their own views prior to making any investment decision.*

*In case of doubt in respect of the risks associated with the Notes and in order to assess their adequacy with the personal risk profile, investors should consult their own financial, legal, accounting and tax experts about the risks associated with an investment in these Notes, the appropriate tools to analyse that investment, and the suitability of that investment in each investor's particular circumstances. No investor should purchase the Notes described in the Base Prospectus unless that investor understands and has sufficient financial resources to bear the price, market, liquidity, structure redemption and other risks associated with an investment in these Notes. The market value can be expected to fluctuate significantly and investors should be prepared to assume the market risks associated with these Notes.*

#### **Notes may not be a suitable investment for all investors**

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to overall investment portfolios held. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

#### **Factors that may affect DEXIA BANK's ability to fulfil its obligations under the Notes**

Like other banks, DEXIA BANK faces financial risk in the conduct of its business, such as credit risk, operational risk and market risk (including liquidity risk). Furthermore, DEXIA BANK faces regulatory risk, the uncertain economic conditions and the competition across all the markets.

#### **Economic setting**

Demand for the products and services offered by the Issuer is mainly dependent upon economic performance as a whole. In the area of corporate and investment banking, for example, sluggish economic activity has a direct impact on companies' demand for credit and causes lending to decline and average creditworthiness to deteriorate. As there is also a greater likelihood of companies becoming insolvent and consequently defaulting on their loans in a shaky economic environment, higher provisioning is necessary. Moreover, a poorer corporate profit outlook leads to lower evaluations of companies and as a result to less interest in both mergers and acquisitions and such capital-market transactions as

IPOs, capital increases and takeovers; accordingly, the revenues from advising clients and placing their shares decline when economic activity is sluggish. Furthermore, proprietary trading and the trading profit are also dependent upon the capital-market situation and the expectations of market participants. In the retail banking and asset management division, lower company evaluations prompt investors to turn to forms of investment entailing less risk (such as moneymarket funds rather than other fund products), the sale of which generate only weaker commissions.

Should the overall economic conditions deteriorate further or should the incentives and reforms necessary to boost the economies fail to materialize, this could have a serious negative impact on the Issuer's net assets, financial position and earnings performance.

### *Credit risk*

As a credit institution, DEXIA BANK is exposed to the creditworthiness of its customers and counterparties. DEXIA BANK may suffer losses related to the inability of its customers or other counterparties to meet their financial obligations. Being a universal commercial credit institution, DEXIA BANK, is financing (local) public and social sector, the historical and still predominant segment, and enterprises through its Public and Wholesale Banking business unit as well as households, self-employed persons and small businesses through its Retail and Commercial Banking business unit. The loan portfolio is generally perceived as being of good quality. DEXIA BANK can however not assure that its level of provisions will be adequate or that it will not have to make significant additional provisions for possible bad and doubtful debts in future periods.

Risk Management is responsible for, inter alia, setting and managing the risk surveillance function and decision processes and implementing risk assessment methods for each of the bank's activities and operational entities.

Credit risk measurements rely principally on internal rating systems put in place by DEXIA BANK under Basel II. Each counterparty is rated by analysts in charge of credit risk or by dedicated scoring systems. This rating corresponds to a valuation of the counterparty's level of default risk, expressed on an internal rating scale, and is a key element in the loan granting process by the credit committee or by automated granting systems. Ratings are reviewed at least annually, and this allows a proactive identification of counterparties requiring regular monitoring by the "watchlist" committee.

In order to control the general credit risk profile and to limit risk concentrations credit risk limits are defined for each counterparty, fixing the maximum exposure to credit risk deemed acceptable for a given counterparty. Limits may also be imposed per economic sector and per product. The risk department proactively monitors these limits, in relation to the evolution of the perception of risks run by the bank. In order to take more recent events into consideration, specific limits may be frozen at any time by the Risk Management department.

Historically, the credit risk management teams of DEXIA BANK were well integrated with the teams at Dexia SA, the former shareholder. Expected service levels between entities were governed by a set of Service Level Agreements. At the occasion of the acquisition of DEXIA BANK by the Belgian State, credit risk management took the necessary measures in order to ensure proper risk governance. During the transition period, Service Level Agreements remain in place if no other equivalent alternative is achievable on short notice.

Throughout the year 2011 the loan portfolios of the Retail and Commercial Banking business line remained generally speaking in line with expectations relating to growth and quality of the portfolio. Overall quality remained good despite the growing concerns as to the macroeconomic environment as from early 2011. Although it could be expected that 2012 will reveal even more challenging macroeconomic conditions, DEXIA BANK is confident that the retail loan portfolio will remain sound and should not cause important volatility at the level of the cost of risk.

Similar conclusions can be made for the Public and Wholesale Banking business line loan portfolio bearing in mind however the lower degree of granularity as compared to the retail loan portfolio. Over the first nine months of 2011, but abstracting from one non-recurring item, cost of risk was in line with expectations. The non-recurring item that is made reference to concerns the impairment applied on Greek sovereign debt, in the third quarter 2011 results (for a net amount of EUR 979 million).

As of September 30 2011, 56 bn EUR of total gross (cash) funding exposure to Dexia Group entities translate into 22.5 bn EUR of net (cash) unsecured exposure of funding given, after taking into account collateral received from Dexia Group entities and deposits done by Dexia Group entities at DEXIA BANK. This funding given to the Dexia Group, especially the net "unsecured" part, is expected to be gradually reduced according to the terms of the sale agreement between Dexia SA and the Belgian State of October 20, 2011. The net unsecured (cash) exposure has been reduced to an amount of approximately EUR 10 billion as of January 4, 2012.

Hereunder the characteristics of the collateral received by DEXIA BANK, as of September 30, 2011:

- liquidity classes of the received collateral: 27% B1, 43% B2 and 12% B3. B1 means securities that are eligible for refinancing via bilateral market repos; B2 means eligible for refinancing via central banks; B3 eligible via tri-party repo.

- credit risk rating classes of the received collateral: 3% AAA, 36% [AA-;AA+], 28% [A-;A+] , 18 % [BBB+;-BBB-], the rest being rated lower, not rated or Dexia unsecured bonds.

The European Commission has temporarily authorised, under the EU state aid rules, a temporary guarantee on the refinancing of Dexia SA and its subsidiary Dexia Crédit Local (DCL), for a maximum capital value of €45 billion. This temporary guarantee, extended by Belgium (60.5%), France (36.5%) and Luxembourg (3%), is joint and non-several. It covers the bank refinancing measures with a maturity of a maximum of three years, and was issued until 31 May 2012. The purpose of the guarantee is to enable the bank to draw up a restructuring plan, or – should Dexia SA prove not to be viable – a liquidation plan, which the three Member States undertake to submit to the Commission within three months from December 21, 2011. The Commission will take a final decision on the temporary guarantee as part of its assessment of the restructuring plan.

The investment portfolio amounted to approximately EUR 26 billion as of September 30, 2011; an overview of the assets is represented in the chart on page 38 and their internal credit ratings is represented in the chart on page 39.

#### *Market risk*

Market risks are all the risks linked to the fluctuations of market prices, including, principally, exposure to loss arising from adverse movements in interest rates, and, to a lesser extent, foreign exchange rates and equity prices, stemming from DEXIA BANK activities. Due to the nature of its activity, DEXIA BANK is prevented from assuming significant exposure to market risk. Market risks generated by the capital markets activities stems mainly from short-term cash management and a portfolio of derivative products with customers that is managed on a market value basis. Market risks generated by the commercial businesses are generally hedged and residual risks are handled by the Asset and Liability Management function.

#### *Operational risk*

A new framework on the management of Operational Risk is currently in development and will be based on the principles as mentioned in the Principles for the Sound Management of Operational Risk (BIS, June 2011).

In expectation of this new framework at DEXIA BANK the existing policy and guidelines are still applicable in order to ensure the continuation of the operational risk management in the company. The governance structure is based on a first line responsibility by the business management and a second line responsibility by the Operational Risk Management department, who defines the methodological principles. There is a clear separation of duties between both lines. An operational risk committee (Operational Risk Acceptance Committee) is installed at senior management level.

The operational risk management includes the collection of operational events (loss data), the organization of yearly risk and control self-assessments (RCSA) as well as the performance of scenario analysis, the collection of insurance claims and the yearly review of the insurance policies, the development and testing of business continuity plans and performance of business impact analysis, a crisis management program, the management of outsourcing arrangements and of information risk. All activities of the bank are covered by the current framework. Actually DEXIA BANK defines Operational Risk as the risk of financial or non-financial impact resulting from inadequate or failed internal processes, people and systems, or from external events. The definition includes legal and reputation risk but excludes strategic risk and expenses from commercial decisions.

#### *Liquidity risk*

The objective of liquidity management is to ensure that, at all times, DEXIA BANK holds sufficient funds to meet its contracted and contingent commitments to customers and counterparties, at an economic price. All the main issues regarding liquidity risk are managed by Asset and Liability Risk Management teams under the supervision of DEXIA BANK's Management Board. They carefully manage the resources of DEXIA BANK and their use, in particular, the adequacy of expected new lending production with the available resources and DEXIA BANK's liquidity needs.

#### *Regulatory risk*

DEXIA BANK's business activities are subject to substantial regulation and regulatory oversight in the jurisdictions in which it operates. Current, together with future regulatory developments, including changes to accounting standards and the amount of regulatory capital required to support the risk, could have an adverse effect on DEXIA BANK conducting business and on the results of its operations. DEXIA BANK's business and earnings are also affected by fiscal and other policies that are adopted by the various regulatory authorities of the European Union, foreign governments and international agencies. The nature and impact of future changes in such policies are not predictable and are beyond DEXIA BANK's control.

#### *Uncertain economic conditions*

DEXIA BANK's business activities are dependent on the level of banking, finance and financial services required by its customers. In particular, levels of borrowing are heavily dependent on customer confidence, market interest rates and other factors that affect the economy. The profitability of DEXIA BANK's businesses could, therefore, be adversely affected by a worsening of general economic conditions in its markets, as well as by foreign and domestic trading market conditions and/or related factors, including governmental policies and initiatives. An economic downturn or significantly higher interest rates could increase the risk that a greater number of DEXIA BANK's customers would default on their loans or other obligations to DEXIA BANK, or would refrain from seeking additional borrowing.

#### *Increased Regulation*

Recent developments in the global markets have led to an increase in the involvement of various governmental and regulatory authorities in the financial sector and in the operations of financial institutions. In particular, governmental and regulatory authorities in France, the UK, the United States, Belgium, Luxembourg and elsewhere have provided already additional capital and funding or may in the future be introducing a significantly more restrictive regulatory environment including new accounting and capital adequacy rules, restriction on termination payments for key personnel in addition to new regulation of derivative instruments. It is uncertain how the more rigorous regulatory climate will impact financial institutions including DEXIA BANK but an adverse impact on their respective businesses cannot be excluded, which could in turn affect DEXIA BANK's ability to meet its payments under the Notes.

#### *Competition*

DEXIA BANK faces strong competition across all its markets from local and international financial institutions including banks, building societies, life insurance companies and mutual insurance organisations. While DEXIA BANK believes it is positioned to compete effectively with these competitors, there can be no assurance that increased competition will not adversely affect DEXIA BANK in one or more of the markets in which it operates.

#### *Risk Management*

Monitoring of the risks relating to DEXIA BANK and its operations and the banking industry is performed jointly by the appropriate committees and the Risk Management department, with the help of tools that it develops, in compliance with the guidelines and all legal constraints and rules of prudence.

#### **Lowering of the ratings**

The rating agencies Standard & Poor's, Moody's and Fitch Ratings use ratings to assess whether a potential borrower will be able in the future to meet its credit commitments as agreed. A major element in the rating for this purpose is an appraisal of the company's net assets, financial position and earnings performance. A bank's rating is an important comparative element in its competition with other banks. In particular, it also has a significant influence on the individual ratings of the most important subsidiaries. A downgrading or the mere possibility of a downgrading of the rating of the Issuer or one of its subsidiaries might have adverse effects on the relationship with customers and on the sales of the products and services of the company in question. In this way, new business could suffer, the company's competitiveness in the market might be reduced, and its funding costs would increase substantially. A downgrading of the rating would also have adverse effects on the costs to the Issuer of raising equity and borrowed funds and might lead to new liabilities arising or to existing liabilities being called that are dependent upon a given rating being maintained. It could also happen that, after a downgrading, the Issuer would have to provide additional collateral for derivatives in connection with rating-based collateral agreements. If the rating of the Issuer were to fall to within reach of the non-investment grade category, it would suffer considerably. In turn, this would have an adverse effect on the Issuer's ability to be active in certain business areas.

#### **Current Market Volatility and Recent Market Developments**

Significant declines in the housing market in the United States and in various other countries in the past two years have contributed to significant write-downs of asset values by financial institutions, including government-sponsored entities and major commercial and investment banks. These write-downs have caused many financial institutions to seek additional capital, to merge with larger and stronger institutions and, in some cases, to fail. Amid concerns about the stability of the financial markets generally and the strength of counterparties, many lenders and institutional investors have substantially reduced, and in some cases, halted their funding to borrowers, including other financial institutions.

While the capital and credit markets have been experiencing volatility and disruption for more than 12 months, the volatility and disruption has reached unprecedented levels in recent months. In some cases, this has resulted in downward pressure on stock prices and significantly reduced the capacity of certain issuers to raise debt. The resulting lack of credit availability, lack of confidence in the financial sector, increased volatility in the financial markets and

reduced business activity could materially and adversely affect the Issuer's business, financial condition and results of operations, which could in turn affect the Issuer's ability to meet its payments under the Warrants.

### **Credit risk for Noteholders and factors that may affect DFN's ability to fulfil its obligations under the Notes**

Considering the close relationship with, and the guarantee of the obligations of DFN by, DEXIA BANK, the risk factors as set out above in respect of DEXIA BANK may also apply, directly and/or indirectly, to DFN.

DFN is a fully owned subsidiary of DEXIA BANK, which means, for Notes issued by DFN, that the credit risks on the Issuer and the Guarantor are closely linked. The risk factors as set out above in respect of DEXIA BANK may therefore also apply, directly and/or indirectly, to DFN. The credit risks on the Issuer and the Guarantor imply that the Noteholders may lose all or part of their investment in the Notes in case the Issuer and the Guarantor become insolvent or are unable to fulfill their obligations under the Notes.

### **Factors which are material for the purpose of assessing the market risks associated with the Notes**

#### **Business Conditions and the General Economy**

The Issuer's profitability could be adversely affected by a worsening of general economic conditions domestically, globally or in certain individual markets such as Belgium. Factors such as interest rates, inflation, investor sentiment, the availability and cost of credit, the liquidity of the global financial markets and the level and volatility of equity prices could significantly affect the activity level of customers. For example:

An economic downturn or significantly higher interest rates could adversely affect the credit quality of DEXIA BANK's on-balance sheet and off-balance sheet assets by increasing the risk that a greater number of DEXIA BANK's customers would be unable to meet their obligations;

A continued market downturn or further worsening of the economy could cause DEXIA BANK to incur mark-to-market losses in some of its portfolios; and

A continued market downturn would be likely to lead to a decline in the volume of transactions that the Issuer executes for its customers and, therefore, lead to a decline in the income it receives from fees and commissions and interest.

All of the above could in turn affect the DEXIA BANK's ability to meet its payments under the Notes.

#### *Current Market Volatility and Recent Market Developments*

Significant declines in the housing market in the United States and in various other countries in the past years have contributed to significant write-downs of asset values by financial institutions, including government-sponsored entities and major commercial and investment banks. These write-downs have caused many financial institutions to seek additional capital, to merge with larger and stronger institutions and, in some cases, to fail or request governmental support. Amid concerns about the stability of the financial markets generally and the strength of counterparties, many lenders and institutional investors have substantially reduced, and in some cases, halted their funding to borrowers, including other financial institutions and sovereign states had to intervene, thereby increasing their public debt to non-sustainable levels.

While the capital and credit markets have been experiencing volatility and disruption for a long time, the volatility and disruption has reached unprecedented levels in recent months. In some cases, this has resulted in downward pressure on stock prices and significantly reduced the capacity of certain issuers to raise debt.

The resulting lack of credit availability, lack of confidence in the financial sector, increased volatility in the financial markets and reduced business activity could materially and adversely affect DEXIA BANK's business, financial condition and results of operations, which could in turn affect the DEXIA BANK's ability to meet its payments under the Notes.

#### ***Risks related to the structure of a particular issue of Notes***

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

#### *Notes subject to optional or mandatory redemption by the Issuer*

An optional or mandatory redemption feature is likely to limit the market value of Notes. During any period when the relevant Issuer may elect to redeem Notes or is obliged to redeem the Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption.

The relevant Issuer may be expected to exercise an option in order to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes.

Investors who choose to reinvest monies they receive through an early redemption may be able to do so only in securities with a lower yield than the redeemed Notes. Potential investors should consider reinvestment risk in light of other investments available at that time.

#### *Variable Linked Rate Notes*

The relevant Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a “Relevant Factor”). An investment in Variable Linked Rate Notes entails significant risks that are not associated with similar investments in a conventional fixed or floating rate debt security. The Issuers believe that Variable Linked Rate Notes should only be purchased by investors who are in a position to understand the special risks that an investment in these instruments involves. Potential investors should be aware that:

- (i) the market price of such Notes may be volatile;
- (ii) the market price and the return of such Notes may be impacted by inflation;
- (iii) an index or indices may be subject to significant changes, whether due to the composition of the index itself, or because of fluctuations in value of the indexed assets;
- (iv) the resulting interest rate may be less (or may be more) than that payable on a conventional debt security issued by each Issuer at the same time;
- (v) payment of principal or interest may occur at a different time or in a different currency than expected;
- (vi) the holder of a non-capital guaranteed Variable Linked Rate Note could lose all or a substantial portion of the principal of such Note (whether payable at maturity or upon redemption or repayment), and, if the principal is lost, interest may cease to be payable on the Variable Linked Rate Note;
- (vii) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (viii) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable will likely be magnified;
- (ix) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield;
- (x) the risks of investing in a Variable Linked Rate Note encompass both risks relating to the underlying indexed securities and risks that are unique to the Note itself;
- (xi) any Variable Linked Rate Note that is indexed to more than one type of underlying asset, or on formulas that encompass the risks associated with more than one type of asset, may carry levels of risk that are greater than Notes that are indexed to one type of asset only;
- (xii) it may not be possible for investors to hedge their exposure to these various risks relating to Variable Linked Rate Notes;
- (xiii) a significant market disruption could mean that a Relevant Factor on which the Variable Linked Rate Notes is based ceases to exist and that the Notes are redeemed at a value below par; and
- (xiv) an index may cease to be published, in which case it may be replaced by an index which does not reflect the exact Relevant Factor, or, in the case where no replacement index exists, the cessation of publication of the index may lead to the early redemption of the Notes.

In addition, the value of Variable Linked Rate Notes on the secondary market is subject to greater levels of risk than is the value of other Notes. The secondary market, if any, for Variable Linked Rate Notes will be affected by a number of factors, independent of the creditworthiness of each Issuer and the value of the applicable currency, stock, interest rate, commodity or other variable, including the volatility of the applicable currency, stock, interest rate, commodity or other variable, the time remaining to the maturity of such Notes, the amount outstanding of such Notes and market interest rates. The value of the applicable currency, stock, interest rate, commodity or other variable depends on a number of interrelated factors, including economic, financial and political events, over which the relevant Issuer has no control. Additionally, if the formula used to determine the amount of principal, premium and/or interest payable with respect to Variable Linked Rate Notes contains a multiplier or leverage factor, the effect of any change in the applicable currency, stock, interest rate, commodity or other variable will be increased.

The historical experience of the relevant currencies, stocks, interest rates, commodities or other variables should not be taken as an indication of future performance of such currencies, stocks, interest rates, commodities or other variables

during the term of any Variable Linked Rate Note. Additionally, there may be regulatory and other ramifications associated with the ownership by certain investors of certain Variable Linked Rate Notes.

Various transactions by the Issuers could impact the performance of any Variable Linked Rate Notes, which could lead to conflicts of interest between each of the Issuers and holders of Variable Linked Rate Notes.

The Issuers are active in the international securities and currency markets on a daily basis. They may thus, for their own account or for the account of customers, engage in transactions directly or indirectly involving assets that are “reference assets” under Variable Linked Rate Notes and may make decisions regarding these transactions in the same manner as it would if the Variable Linked Rate Notes had not been issued. The Issuers and their affiliates may on the issue date of the Variable Linked Rate Notes or at any time thereafter be in possession of information in relation to any reference assets that may be material to holders of any Variable Linked Rate Notes and that may not be publicly available or known to the Noteholders. There is no obligation on the part of the Issuers to disclose any such business or information to the Noteholders.

#### *Notes with a multiplier or other leverage factor*

Notes with Variable Interest Rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include such features.

#### *Fixed/Floating Rate Notes*

Fixed/Floating Rate Notes may bear interest at a rate that the relevant Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The relevant Issuer’s ability to convert the interest rate will affect the secondary market and the market value of such Notes, since such Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the relevant Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the relevant Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than prevailing rates on its Notes.

#### *Investors will not be able to calculate in advance their rate of return on Floating Rate Notes*

A key difference between Floating Rate Notes and Fixed Rate Notes is that interest income on Floating Rate Notes cannot be anticipated. Due to varying interest income, investors are not able to determine a definite yield of Floating Rate Notes at the time they purchase them, so that their return on investment cannot be compared with that of investments having longer fixed interest periods. If the terms and conditions of the Notes provide for frequent interest payment dates, investors are exposed to the reinvestment risk if market interest rates decline. That is, investors may reinvest the interest income paid to them only at the relevant lower interest rates then prevailing.

#### *Foreign currency Notes expose investors to foreign-exchange risk as well as to Issuer risk*

As purchasers of foreign currency Notes, investors are exposed to the risk of changing foreign exchange rates. This risk is in addition to any performance risk that relates to each Issuer or the type of Note being issued.

#### *Issuer’s obligations under Senior Subordinated Notes*

The Issuer’s obligations under Senior Subordinated Notes will be unsecured and senior subordinated and will rank junior to the claims of creditors in respect of unsubordinated obligations (as described in “Terms and Conditions of the Notes”).

#### *A Noteholder’s actual yield on the Notes may be reduced from the stated yield by transaction costs*

When Notes are purchased or sold, several types of incidental costs (including transaction fees and commissions) are incurred in addition to the current price of the Note. These incidental costs may significantly reduce or even exclude the profit potential of the Notes. For instance, credit institutions as a rule charge their clients for own commissions which are either fixed minimum commissions or pro-rata commissions depending on the order value. To the extent that additional – domestic or foreign – parties are involved in the execution of an order, including but not limited to domestic dealers or brokers in foreign markets, Noteholders must take into account that they may also be charged for the brokerage fees, commissions and other fees and expenses of such parties (third party costs).

In addition to such costs directly related to the purchase of Notes (direct costs), Noteholders must also take into account any follow-up costs (such as custody fees). Investors should inform themselves about any additional costs incurred in connection with the purchase, custody or sale of the Notes before investing in the Notes.

#### *A Noteholder’s effective yield on the Notes may be diminished by the tax impact on that Noteholder of its investment in the Notes*

Payments of interest on the Notes, or profits realised by the Noteholder upon the sale or repayment of the Notes, may be subject to taxation in its home jurisdiction or in other jurisdictions in which it is required to pay taxes. The tax impact on Noteholders generally is described below; however, the tax impact on an individual Noteholder may differ from the situation described for Noteholders generally. The Issuers advise all investors to contact their own tax advisors for advice on the tax impact of an investment in the Notes.

### ***Risks related to Notes generally***

Set out below is a brief description of certain risks relating to the Notes generally:

#### *Modification, waivers and substitution*

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The trading market for debt securities may be volatile and may be adversely impacted by many events.

The market for debt securities issued by banks is influenced by economic and market conditions and, to varying degrees, interest rates, currency exchange rates and inflation rates in other European and other industrialised countries. There can be no assurance that events in Europe or elsewhere will not cause market volatility or that such volatility will not adversely affect the price of Notes or that economic and market conditions will not have any other adverse effect.

#### *Savings Directive*

Under EC Council Directive 2003/48/EC on taxation of savings income (the “Savings Directive”), Member States are required, from 1st July 2005, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are required (unless during that period they elect otherwise) to operate instead a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories, including Switzerland, have adopted similar measures (a withholding system in the case of Switzerland) with effect from the same date.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer, the Paying Agent, nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax.

Effective 1st January 2010, a Belgian paying agent within the meaning of the Savings Directive will no longer apply the Source Tax but will exchange information with the country of tax residence of the beneficial owner regarding interest payments as defined by the Directive. It concerns payments made to an individual, beneficial owner of the interest payments and resident in another EU Member State or resident in one of the associated and dependant territories. Residual entities are subject to a specific regime.

The communicated information will include the identity and residence of the beneficial owner, the name and address of the paying agent, the account number of the beneficial owner and information concerning the interest payment.

The exchange of information cannot be avoided by the submission of a certificate.

A proposal for a Council Directive amending the Savings Directive has been published and will, once agreed upon and implemented, amend the currently applicable rules.

#### *Change of law*

The Terms and Conditions of the Notes are based on Belgian law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to Belgian law or administrative practice after the date of issue of the relevant Notes.

### ***Risks related to the market generally***

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

#### *The secondary market generally*

The Notes will not be the subject of an application for admission to trading on a regulated or non-regulated market. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that

are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

#### *Exchange rate risks and exchange controls*

The relevant Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the equivalent yield on the Notes in the Investor's Currency, (2) the equivalent value of the principal payable on the Notes in the Investor's Currency and (3) the equivalent market value of the Notes in the Investor's Currency.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

#### *Interest rate risks*

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes.

#### ***Legal investment considerations may restrict certain investments***

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent Notes are legal investments for it.

#### **Risk Indicator**

In order to increase the transparency of the risks involved in investment products, DEXIA BANK has developed a synthetic risk indicator through a scale going from 0 (lowest risk ) to 6 (highest risk). The exact risk level for any investment product is determined in function of the following criteria: the degree to which capital will be refunded at maturity, term of the relevant Note, type of return, credit risk and complexity (Underlying and strategy). Other important criteria, such as the liquidity risk of DEXIA BANK and the market risk, are not taken into account. The risk level as determined by this risk indicator for any Tranche of Notes will be indicated in the relevant Final Terms. All related information can be found on the DEXIA BANK internet site: <https://www.dexia.be/info/nl/iws/home.html#page=%2Finfo%2FNL%2FSparenEnBeleggen%2FInfoEnPublicaties%2FInfoOverDeRisicos%2Findex.aspx> or <https://www.dexia.be/info/fr/iws/home.html#page=%2Finfo%2FFR%2FEpargnerEtInvestir%2FInformationsEtPublications%2FInfosSurLesRisques%2FInvestissements%2Findex.aspx>

## 6 DOCUMENTS INCORPORATED BY REFERENCE

This Base Prospectus should be read and construed in conjunction with the audited annual accounts of DFN for the years ended 31 December 2010 and 31 December 2009, and the audited accounts of DEXIA BANK for the years ended 31 December 2009 and 31 December 2010, including the reports of the statutory auditors in respect thereof, which are incorporated by reference in this Base Prospectus. Copies of all documents incorporated by reference will be available free of charge from the offices of DEXIA BANK. Additionally, the annual reports of DEXIA BANK are available on the internet site of DEXIA BANK (<http://www.dexia.be/Nl/Particulier/VIADEXIA-P29/Publications/> or <http://www.dexia.be/fr/Particulier/VIADEXIA-P29/Publications/>).

The balance sheet, income statements, accounting policies, notes and auditors' reports of DFN and DEXIA BANK are set out on the following pages respectively:

	<b>DEXIA FUNDING NETHERLANDS N. V.</b>	
	<b>Annual Report 2010</b>	<b>Annual Report 2009</b>
Non-consolidated Balance Sheet.....	13	14
Non-consolidated Profit and Loss Account.....	14	15
Audit Report.....	24	26
Notes to the Accounts .....	15	16

	<b>DEXIA BANK BELGIUM S.A.</b>	
	<b>Annual Report 2010</b>	<b>Annual Report 2009</b>
Consolidated Balance Sheet.....	60	46
Consolidated Statement of Income .....	62	48
Audit Report.....	182	168
Notes to the Consolidated Financial Statements .....	69	58
Non-Consolidated Balance Sheet.....	186	172
Non-Consolidated Statement of Income .....	189	175
Audit Report.....	234	230
Notes to the non-Consolidated Financial Statements .....	195	183

Information contained in the documents incorporated by reference other than information listed in the table above is for information purposes only.

## 7 DEXIA FUNDING NETHERLANDS N.V. (Annex IV of Regulation (EC) 809/2004)

### 7.1 GENERAL INFORMATION

Dexia Funding Netherlands N.V. (“DFN”) a public limited liability company (“*naamloze vennootschap*”), was incorporated for an unlimited duration under the laws of the Netherlands on 7 July 1987. Its registered office is at “Atrium” 7<sup>th</sup> Floor, Strawinskylaan 3105, 1077 ZX Amsterdam, the Netherlands, telephone +31 20 406 4482 and its postal address is at P.O. Box 1469, 1000 BL Amsterdam, the Netherlands.

According to Article 3 of its Articles of Association, DFN’s objects are – *inter alia* – to enter into and to provide loans and to perform all other transactions of a financial nature, as well as to participate in, to carry on the management of and to finance other enterprises and companies.

DFN is registered in the Commercial Register of the Chamber of Commerce in Amsterdam under file number 33.194.789.

The authorised share capital of DFN amounts to EUR 2,268,900.00 divided into 5,000 ordinary shares of EUR 453.78 each. As of 31 December 2006, and without any changes since then, 1,000 shares have been issued of which 250 shares are called and paid up, amounting to EUR 113,445.

DFN is a wholly owned subsidiary of DEXIA BANK. There is no arrangement that may result in a change of control of DFN.

DFN is dependent on DEXIA BANK for the set-up, marketing and sale of its notes issues. In addition, DFN relies on the fees paid by DEXIA BANK to finance its corporate activities.

DFN acts as a finance company. DFN issues notes in the market, whereby proceeds of the issued notes are fully lent on to DEXIA BANK.

There are no recent events particular to DFN which are, to a material extent, relevant to the evaluation of its solvency.

There have been no material contracts that are not entered into in the ordinary course of DFN’s business which could result in any member of the Dexia Group being under an entitlement that is material to DFN’s ability to meet its obligations to Noteholders.

DFN has made no investments since the date of the last published financial statements, and no principal future investments are planned.

The auditors of DFN were KPMG, Burg. Rijnderslaan 10-20, 1185 MC Amstelveen from and including 1 January 2003 to 25 September 2004 and have been Deloitte, P.O. Box 58110, 1040 HC Amsterdam since 30 September 2004, being member of Deloitte Touche Tohmatsu. KPMG resigned due to the work performed by other branches of KPMG for Dexia Group and the change of the rules of independence.

The relevant auditor's report with respect to the audited annual accounts of DFN for the years ended 31 December 2009 and 31 December 2010, as incorporated by reference (See *Condition 6. Documents incorporated by reference*), were delivered without any reservations.

## 7.2 MANAGEMENT AND SUPERVISION

DFN has a Supervisory Board and a Board of Managing Directors. The tasks of the audit committee of DFN have been delegated to the audit committee of DBB.

DFN does not comply with the corporate governance regime of the Noteholders because such regime does not apply to it.

The Supervisory Board, as of 1 May 2010 is composed of the following members:

- Mrs. K. Claessens, General Manager, DEXIA BANK;
- Mr. P. Franck, General Manager, DEXIA BANK; and
- Mr. J. Laenen, General Manager, DEXIA BANK.

The business address of the members is that of DEXIA BANK and they all perform their principal activities for DEXIA BANK.

The Managing Directors of DFN and their respective business addresses are as of 1 January 2011:

- TMF Netherlands B.V., “Atrium” 7<sup>th</sup> Floor, Strawinskylaan 3105n 1019 GM Amsterdam, the Netherlands;
- Ms. M. Kemmers, Dexia Nederland B.V., Piet Heinkade 55, NL-1019 GJ Amsterdam, the Netherlands;
- Mr. L. Thiry, Dexia Nederland B.V., Piet Heinkade, 55, NL-1019 GM Amsterdam, the Netherlands;
- DEXIA BANK, Boulevard Pachéco 44, 1000 Brussels, Belgium;
- Mr. J. van Burg, Managing Director, TMF Netherlands B.V., “Atrium” 7<sup>th</sup> Floor, Strawinskylaan 3105, 1077 ZX Amsterdam, the Netherlands;

No member of the Supervisory Board and none of the Managing Directors work on a full-time basis for DFN.

There are no potential conflicts of interest between any duties to DFN of the members of the Supervisory Board or the Managing Directors and their private interests and other duties.

## **7.3 FINANCIAL INFORMATION**

### **7.3.1 ANNUAL AUDITED FINANCIAL STATEMENTS OF DEXIA FUNDING NETHERLANDS N.V.**

This financial information has been extracted without material adjustment from the annual audited financial statements of DFN for the years ended 31 December 2009 and 31 December 2010 and is prepared according to Dutch accounting standards for issuers from the European Community. DFN is not required to apply international financial reporting standards (“IFRS”) when drawing up its financial statements. The most recent year’s historical financial information is prepared in a form consistent with that which will be adopted in DFN’s next published annual financial statements having regard to accounting standards and policies and legislation applicable to such annual financial statements.

The notes to the annual audited financial statements, including a description of the accounting policies, are set out on pages 15 to 23 of DFN’s 2010 annual report, which are incorporated herein by reference.

***Audited Consolidated Balance Sheet of DFN as at 31 December 2009 and 31 December 2010***

<b>BALANCE SHEET</b>		<b>31 December</b>	<b>31 December</b>
(before appropriation of result)		<b>2010</b>	<b>2009</b>
		<b>EUR '000</b>	<b>EUR '000</b>
<b>ASSETS</b>			
<b>FIXED ASSETS</b>			
Subordinated loans to Dexia Bank Belgium	1	758,840	718,813
Non-subordinated loans to Dexia Bank Belgium	2	11,774,723	9,998,464
		<b>12,533,563</b>	<b>10,717,277</b>
<b>CURRENT ASSETS</b>			
Short-term portion of Non-subordinated loans		677,982	685,347
Other amounts receivable	3	237,577	217,465
Cash	4	3,999	3,788
		<b>919,558</b>	<b>906,600</b>
		<b>13,453,121</b>	<b>11,623,877</b>
<b>SHAREHOLDERS EQUITY</b>			
	5		
Share capital		113	113
Retained earnings		2,866	2,720
Result for the year		2,859	2,646
		<b>5,838</b>	<b>5,479</b>
<b>LIABILITIES</b>			
<b>LONG-TERM LIABILITIES</b>			
Issued subordinated notes	6	758,840	718,813
Issued non-subordinated notes	7	11,774,723	9,998,464
		<b>12,533,563</b>	<b>10,717,277</b>
<b>CURRENT LIABILITIES</b>			
Short-term portion long-term liabilities		677,982	685,347
Corporate income tax		208	31
Other liabilities and accrued expenses	8	235,530	215,742
		<b>913,720</b>	<b>901,120</b>
		<b>13,453,121</b>	<b>11,623,877</b>

**Audited Profit and Loss Account of DFN as of 31 December 2009 and 31 December 2010**

**PROFIT AND LOSS ACCOUNT**

		<b>the year 2010</b>	<b>the year 2009</b>
		<b>EUR '000</b>	<b>EUR '000</b>
Interest income and premium income group	9	468,334	504,939
Interest expense notes and discount expense	9	(464,224)	(501,040)
		<u>4,110</u>	<u>3,899</u>
Other income		52	45
		<u>4,162</u>	<u>3,944</u>
Realized/unrealized capital gains and losses	10	0	0
		<u>0</u>	<u>0</u>
<b>CAPITAL GAINS AND LOSSES</b>			
		<u>0</u>	<u>0</u>
<b>OPERATING RESULT</b>		4,162	3,944
General expenses		(339)	(418)
		<u>3,823</u>	<u>3,526</u>
<b>RESULT BEFORE TAXATION</b>			
		<u>3,823</u>	<u>3,526</u>
Taxation on result of ordinary activities		(964)	(880)
		<u>2,859</u>	<u>2,646</u>
<b>RESULT AFTER TAXATION</b>		<u><u>2,859</u></u>	<u><u>2,646</u></u>

## 7.3.2 SEMI-ANNUAL UNAUDITED FINANCIAL STATEMENTS OF DEXIA FUNDING NETHERLANDS N.V.

Unaudited Balance sheet of DFN as at 30 June 2010 and 30 June 2011

### DEXIA FUNDING NETHERLANDS NV

<b>BALANCE SHEET (UNAUDITED)</b> (before appropriation of result)	<b>30 June 2011</b>	<b>30 June 2010</b>
	<b>EUR '000</b>	<b>EUR '000</b>
<b>ASSETS</b>		
<b>FIXED ASSETS</b>		
Subordinated loans to Dexia Bank Belgium	636,915	766,859
Non-subordinated loans to Dexia Bank Belgium	12,280,878	11,662,425
	<b>12,917,793</b>	<b>12,429,284</b>
<b>CURRENT ASSETS</b>		
Short-term portion of Non-subordinated loans	1,104,515	0
Prepaid corporate income tax	0	297
Other amounts receivable	235,419	213,134
Cash	2,235	2,368
	<b>1,342,169</b>	<b>215,798</b>
	<b>14,259,962</b>	<b>12,645,082</b>
<b>SHAREHOLDERS EQUITY</b>		
Share capital	113	113
Retained earnings	2,225	2,866
Result for the year	1,539	1,391
	<b>3,877</b>	<b>4,370</b>
<b>LIABILITIES</b>		
<b>LONG-TERM LIABILITIES</b>		
Issued subordinated notes	636,915	766,859
Issued non-subordinated notes	12,280,878	11,662,425
	<b>12,917,793</b>	<b>12,429,284</b>
<b>CURRENT LIABILITIES</b>		
Short-term portion long-term liabilities	1,104,515	0
Corporate income tax	298	0
Other liabilities and accrued expenses	233,479	211,428
	<b>1,338,292</b>	<b>211,428</b>
	<b>14,259,962</b>	<b>12,645,082</b>

Unaudited Profit and Loss Account of DFN as at 30 June 2010 and 30 June 2011

**DEXIA FUNDING NETHERLANDS NV**

**PROFIT AND LOSS ACCOUNT (UNAUDITED)**

	<b>01/01/2011 - 30/06/2011</b>	<b>01/01/2010 - 30/06/2010</b>
	<b>EUR '000</b>	<b>EUR '000</b>
Interest income and premium income group	251,826	226,186
Interest expense notes and discount expense	(249,621)	(224,183)
	<u>2,204</u>	<u>2,003</u>
Other income	11	24
	<u>2,215</u>	<u>2,027</u>
Realized/unrealized capital gains and losses	0	0
<b>CAPITAL GAINS AND LOSSES</b>	<u>0</u>	<u>0</u>
<b>OPERATING RESULT</b>	2,215	2,027
General expenses	(177)	(175)
<b>RESULT BEFORE TAXATION</b>	<u>2,038</u>	<u>1,852</u>
Taxation on result of ordinary activities	(499)	(461)
<b>RESULT AFTER TAXATION</b>	<u><u>1,539</u></u>	<u><u>1,391</u></u>

### 7.3.3 UNAUDITED CASH FLOW STATEMENT OF DEXIA FUNDING NETHERLANDS N.V.

#### Unaudited Cash Flow Statement of DFN as at 31 December 2009 and 31 December 2010

The cash flow statements below have been drawn up solely and exclusively for the purpose of the compliance of this Base Prospectus with the requirements of Directive 2003/71/EC. As a consequence, these cash flow statements have been established after the date on which the audited financial statements for the financial years 2009 and 2010 have been published and therefore have not been audited by the statutory auditors of the Issuer. The cash flow statements for the financial years 2009 and 2010 are based on the audited financial statements of the said years and have been drawn up in accordance with Dutch GAAP.

CASH FLOW FROM OPERATING ACTIVITIES			
Net income after income taxes		1,390,759	1,538,775
<b>ADJUSTMENT FOR:</b>			
Depreciation, amortization and other impairment			
Impairment on bonds, equities, loans and other assets			
Net gains on investments			
Charges for provisions			
Unrealized gains or losses of revisions to expectations of future income			
Income from associates (except dividends received)			
Dividends received from associates			
Deferred taxes			
Other adjustments			
Changes in operating assets and liabilities		-8,768,693	422,018,636
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		<b>-7,378,134</b>	<b>423,557,411</b>
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets			
Sale of fixed assets			
Acquisitions of unconsolidated equity shares			
Sales of unconsolidated equity shares			
Acquisitions of subsidiaries and of business units			
Sales of subsidiaries and of business units			
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>			
CASH FLOW FROM FINANCING ACTIVITIES			
Issuance of new shares			
Reimbursement of capital			
Issuance of subordinated and convertible debt			
Reimbursement of subordinated and convertible debt			-100,000,000
Purchase of treasury shares			
Sales of treasury shares			
Dividend paid		-2,500,000	-3,500,000
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>		<b>-2,500,000</b>	<b>-103,500,000</b>
<b>Effect of exchange rates changes on cash and cash equivalents</b>			
<b>CASH &amp; CASH EQUIVALENT AT THE BEGINNING OF PERIOD</b>		<b>173,863,857</b>	<b>106,914,501</b>
NET CASH PROVIDED BY OPERATING ACTIVITIES		-7,378,134	423,557,411
NET CASH PROVIDED BY INVESTING ACTIVITIES			
NET CASH PROVIDED BY FINANCING ACTIVITIES		-2,500,000	-103,500,000
EFFECT OF EXCHANGE RATES CHANGES ON CASH AND CASH EQUIV.			
<b>CASH &amp; CASH EQUIVALENT AT THE END OF PERIOD</b>		<b>163,985,723</b>	<b>426,971,912</b>

## Unaudited Cash Flow Statement of DFN as at 30 June 2010 and 30 June 2011

	2010.06	2011.06
<b>DEXIA FUNDING NETHERLANDS</b>		
in EUR		
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net income after income taxes	1,390,759	1,538,775
<b>ADJUSTMENT FOR :</b>		
Depreciation, amortization and other impairment		
Impairment on bonds, equities, loans and other assets		
Net gains on investments		
Charges for provisions		
Unrealized gains or losses of revisions to expectations of future income		
Income from associates (except dividends received)		
Dividends received from associates		
Deferred taxes		
Other adjustments		
Changes in operating assets and liabilities	-8,768,893	422,018,636
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>-7,378,134</b>	<b>423,557,411</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets		
Sale of fixed assets		
Acquisitions of unconsolidated equity shares		
Sales of unconsolidated equity shares		
Acquisitions of subsidiaries and of business units		
Sales of subsidiaries and of business units		
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>		
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Issuance of new shares		
Reimbursement of capital		
Issuance of subordinated and convertible debt		
Reimbursement of subordinated and convertible debt		-100,000,000
Purchase of treasury shares		
Sales of treasury shares		
Dividend paid	-2,500,000	-3,500,000
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>-2,500,000</b>	<b>-103,500,000</b>
<b>Effect of exchange rates changes on cash and cash equivalents</b>		
<b>CASH &amp; CASH EQUIVALENT AT THE BEGINNING OF PERIOD</b>	<b>173,863,857</b>	<b>106,914,501</b>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>-7,378,134</b>	<b>423,557,411</b>
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>		
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>-2,500,000</b>	<b>-103,500,000</b>
<b>EFFECT OF EXCHANGE RATES CHANGES ON CASH AND CASH EQUIV.</b>		
<b>CASH &amp; CASH EQUIVALENT AT THE END OF PERIOD</b>	<b>163,985,723</b>	<b>426,971,912</b>

## 8 DEXIA BANK BELGIUM S.A. (Annex XI of Regulation (EC) 809/2004)

### 8.1 GENERAL INFORMATION

Dexia Bank Belgium S.A. (“DEXIA BANK”) is a limited liability company of unlimited duration incorporated under Belgian law and registered with the Crossroads Bank for Enterprises under business identification number 0403.201.185 and with VAT number BE 403.201.185. Its registered office is located at 1000 Brussels, Boulevard Pachéco 44, Belgium, telephone +32 2 222 11 11.

DEXIA BANK was created and developed as the financial institution of municipalities. The bank has also approached the market of private individuals and set up a network of branches. From 1990 onwards it has been operating on the international market and in 1996 it has joined Crédit Local de France (now Dexia Crédit Local S.A. (“Dexia CL”)) and Banque Internationale à Luxembourg (now Dexia Banque Internationale à Luxembourg, société anonyme (“Dexia BIL”)) to create Dexia Group, an European banking group. The Dexia Group was focused on Retail and Commercial Banking in Europe, mainly Belgium, Luxembourg and Turkey and on Public and Wholesale Banking, providing local public finance operators with comprehensive banking and financial solutions. Asset Management and Services provides asset management, investor and insurance services, in particular to the clients of the other two business lines.

Until 20 October 2011, the shares were held by Dexia S.A. (359,412,609 shares), Dexia Lease Services SA (6 shares) and Arcofin SCRL (1 share).

Following the ongoing restructuring of the Dexia Group, Dexia S.A. (a holding company listed on the Brussels stock exchange) and the Belgian State finalised on October 20, 2011 the sale agreement of Dexia Bank Belgium to the Federal Holding and Investment Company, acting on behalf of the Belgian State.

Dexia Bank Belgium’s 49% holding in Dexia Asset Management has been transferred to the Dexia Group. Therefore, the disposal relates to all assets and liabilities and all subsidiaries and holdings of Dexia Bank Belgium at the closing date to the exception of its stake in Dexia Asset Management. All existing contracts that DEXIA BANK entered into before 20 October 2011 (the Sale of the shares to the FHIC) with third parties remain valid and applicable under the initial terms and conditions.

DEXIA BANK has been since October 20, 2011 wholly owned by the Federal Holding and Investment Company NV /SA (naamloze vennootschap/société anonyme) and has become an autonomous independent, Belgian banking and insurance group whose shares are not listed.

The Federal Holding and Investment Company (Federale Participatie- en Investeringsmaatschappij / Société Fédérale de Participations et d’Investissement) was created on 1 November 2006 as a result of the merger between the Federal Participation Company and the Federal Investment Company, two public holding companies that each have their own history.

The federal government is the sole shareholder in the Federal Holding and Investment Company. The federal government now has to notify a restructuring plan for DEXIA BANK within a period of six months from October 17, 2011.

The Federal Holding and Investment Company (FHIC) centrally manages the federal government's shareholdings, cooperates with the government on specific projects and pursues its own investment policy in the interests of the Belgian economy.

The FHIC has three core businesses:

- acquiring shareholdings in public and private companies that are of strategic importance in terms of federal policy;
- investing in companies with an attractive social value in one of the FHIC's priority sectors;
- cooperating on policy matters with the federal government and working on behalf of the government to implement specific projects.

On 20 December 2011, Dexia, Precision Capital and the Grand Duchy of Luxembourg announced they entered into a binding memorandum of understanding on the acquisition by Precision Capital and the Grand Duchy of Luxembourg of the 99.906% stake in Dexia Banque Internationale à Luxembourg S.A. owned by the Dexia Group. Precision Capital, a Qatari investment group, will acquire 90% of the stake, the remaining 10% will be acquired by the Grand Duchy of

Luxembourg. The transaction price values 100% of the shares in Dexia Banque Internationale à Luxembourg at EUR 730 million. The participations in Dexia Asset Management Luxembourg and RBC Dexia Investor Services Limited will be disposed of separately.

The authorised, issued and fully paid up share capital of DEXIA BANK amounts to EUR 3,458,066,227.41 divided into 359,412,616 ordinary shares with no face value, each representing 1/359,412,616th of the share capital.

DEXIA BANK's object is to carry on the business of a credit institution and it has in furtherance of its object all the necessary powers, including the power to enter into transactions on financial derivatives. As such DEXIA BANK may - for its own account and for the account of third parties - even by intermediary of a natural person or a legal entity, both in Belgium and abroad, undertake any and all activities and carry out all banking transactions.

1. transactions regarding deposits, credits within the broadest sense, brokerage, stock exchange related operations, launches of issues, guarantees and surety;
2. short, medium and long-term credit transactions, sustain investments by provinces, municipalities and organisations of a regional and local character, and likewise investments effected by all public establishments, companies, associations and organisations, which are constituted for regional and local purposes, and which provinces, municipalities and organisations of a regional and local character are authorised to support;
3. to further, by means of appropriate credit transactions, the day-to-day operation of the budgets of provinces, municipalities and organisations of a regional and local character, and of all other institutions referred to in 2 above, and likewise the day-to-day management of their concerns, public companies and enterprises.

Furthermore, DEXIA BANK may distribute insurance products from third party insurance companies. DEXIA BANK may acquire, own and sell shares and participations in one or more companies, within the limits provided for by the legal status of credit institutions.

DEXIA BANK is entitled to carry out any transactions of whatever nature, inter alia financial, commercial, including goods and estate, relating directly or indirectly to the furtherance of its object or of such a nature as to facilitate the achievement thereof.

All the provisions of the present article must be interpreted in the broadest sense and within the context of the laws and regulations governing transactions of credit institutions.

The current ratings of DEXIA BANK are A3 (Moody's), A- (Standard & Poors) and A (Fitch-Ibca). The outlook attributed to DEXIA BANK by the different rating agencies can be found on the website [www.dexia.be/Vous](http://www.dexia.be/Vous) et nous/Nos notations or [www.dexia.be/U](http://www.dexia.be/U) en wij/Onze ratings.

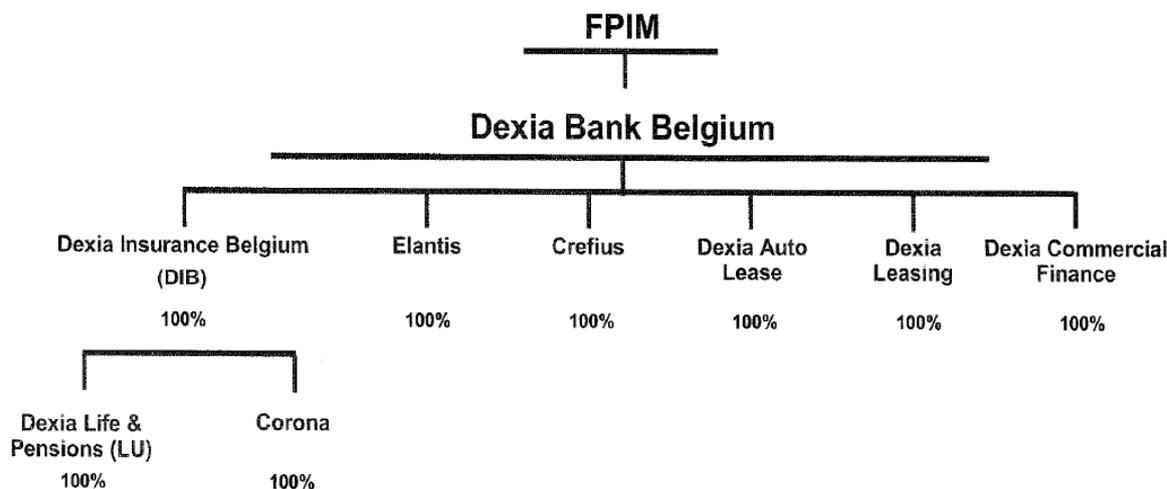
There have been no material contracts that are not entered into in the ordinary course of DEXIA BANK's business which could result in any member of the Dexia Group being under an entitlement that is material to DEXIA BANK's ability to meet its obligations to Noteholders.

DEXIA BANK has made no investments since the date of the last published financial statements, and no principal future investments are planned.

The auditor of DEXIA BANK is Deloitte Bedrijfsrevisoren BV o.v.v.e CVBA (Member of Deloitte Touche Tohmatsu International), Berkenlaan 8B - 1831 Diegem (member of IBR – IRE Instituut der Bedrijfsrevisoren/ Institut des Réviseurs d'Entreprises).

The relevant auditor's report with respect to the audited accounts of DEXIA BANK for the years ended 31 December 2009 and 31 December 2010, as incorporated by reference (See Condition 6. Documents incorporated by reference), were delivered without any reservations.

Hereunder the new (simplified) structure for DEXIA BANK as of 30 November 2011:



## 8.2 OVERVIEW BUSINESS LINES

Building on an existing strong commercial franchise among private individuals, professionals, companies, social profit institutions and, of course, local and regional authorities, Dexia Bank Belgium is a locally anchored relationship bank whose activities are focused on three business lines.

### **Retail and Commercial Banking**

Dexia Bank Belgium is positioned among the top 3 Belgian retail and commercial banks, serving more than 4 million clients (3.8 million retail clients, 45,000 private clients as well as 190,000 SME and self-employed clients).

With its network of 824 branches as at the end of September 2011, the bank covers the whole territory and has the second largest branch network in Belgium.

2010 saw an important milestone passed on the road to implementation of the new distribution model. By virtue of a new commercial organisation and state-of-the-art technology, this new model based on the “open branch concept” permits a specialist service within the branches. This model was further implemented in 2011.

By the end of September 2011, 400 branches were refurbished and clients can rely on specialized advice for all segments:

- more than 1,400 advisers for day-to-day transactions, payments, and so on
- about 1,700 investment advisers
- 640 specialist in mortgage loans, consumer credit and insurance
- 200 private bankers in 196 flagship branches and 53 private banking experts (financial planning, succession, ...)
- 440 business banking specialists

This client-centric approach is completed by a wide range a direct distribution services: ATMs, internet and mobile banking ...

The new recycling ATMs with on-line cash in/cash out functionalities proved very successful as illustrated by the number of cash deposits performed through these machines. Indeed it increased sharply to 88% in 3Q 2011 compared to 66% and 26% respectively at the beginning of 2010 and 2009. Moreover Dexia Bank Belgium has the second largest ATM network in Belgium and is the only bank with online deposit facility in all branches from 6 am to 22 pm.

Dexia Direct Net, the bank’s internet banking system, was renewed in 2011. This integrated website, providing information and allowing clients to realize most transactions, is currently being used by 900,000 clients.

In March 2011, the bank launched the Dexia Direct Mobile service for Smartphone and tablets, extending its range of direct distribution services. As at the end of September 2011, 25,000 clients were already using this device actively.

As at 30 September 2011, customer assets amounted to EUR 92.7 billion, including EUR 63.1 billion deposits, EUR 11.3 billion life insurance (Branch 21, 23 and 26) and EUR 18.3 billion other off-balance sheet products (investment funds and others).

At the same date loans amounted to EUR 34.5 billion of loans, business loans representing 27% of the whole.

More particularly and as at 30 September 2011:

- mortgage loans amounted to EUR 23.5 billion, up 15% on the end of 2008;
- at EUR 1.5 billion, consumer loans were up 1.5% compared to the end of 2008;

This illustrates that, even in time of crisis, Dexia Bank Belgium remains a driving force of the Belgian economy.

### **Public and Wholesale Banking**

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

The business line manages relations with customers in the public and the social profit sectors as well as corporate Banking activities.

As at 30 September 2011, client assets amounted to EUR 25.4 billion, including EUR 16 billion of deposits and EUR 9.4 billion of off-balance-sheet investments.

At the same date, total loans amounted to EUR 59.2 billion, of which EUR 42.5 billion on balance sheet and EUR 16.7 billion off balance sheet.

- *Public Banking and Social Profit*

With 10,000 clients, Dexia Bank Belgium is market leader in the financing of local, regional and federal authorities as well as in the sector of health, accommodation and education.

Given its concern for sustainable development and its desire to remain a loyal partner on the Public and Wholesale Banking market, Dexia Bank Belgium provides solutions that meet the investment needs of the local authorities, the social profit sector, the business sector and project sponsors.

The range of products and services is structured into six “Lines” reflecting Dexia Bank Belgium’s commitment to sustainable and social development.

*Immo Line* covers a wide assortment of mechanisms for financing real estate, ranging from conventional funding solutions to public-private partnerships (PPP) that are tailored to the size of the public and social profit sector customers and the level of support they require.

As at 30 September 2011, total loans to public and sector amounted to EUR 33.0 billion, up 8% compared to the end of 2008.

*Energy Line* gathers solutions supporting the development of green growth:

- Green IT, an all-in-one solution for leasing IT equipment that meets the latest European energy savings standards;
- Green Fleet, an integrated solution aimed at reducing the environmental footprint associated with road traffic;
- cogeneration and solar energy solutions.

Dexia Bank Belgium entered in an exclusive cooperation with EIB to finance local renewable energy projects, for an amount of EUR 300 million in 2010/2011. It also financed over 300 projects in solar energy and cogeneration and contributed to making outdated property of public institutions more energy efficient.

Energy line represents 87,426.77 KWP of total installed capacity.

*Social Line* is a range of products which provides 200,000 socially disadvantaged people in Belgium with modified banking services that are every bit as effective and user-friendly as those offered to the general public. 2010 merely served to confirm the success encountered by Social Line, use of which is regrettably – because of the present crisis – set to increase in 2011.

Dexia Bank Belgium manages 41,000 social assistance accounts, i.e. total computerized bank accounts opened for

recipients of social benefits, at the request of Public Social Action Centers (CPAS) and 60,000 budget management accounts. These accounts enable CPAS to assist individuals in highly insecure situation to manage their budget.

*IT Line* was created in order to facilitate treasury management. The software Dexia Web allows clients to manage their payments, credits and investments online and in real time as well as to consult their accounts. Reports can be obtained via CODA and Papyrus (Projet for Paper Reporting Substitution), a securitised, powerful and economic system that drastically reduces direct and indirect costs inherent to paper reporting.

*People Line* offers, among other things, appropriate pension insurance solutions for government employees and officials. In collaboration Ethias, Dexia Bank Belgium cornered two of the main pension insurance markets. In addition it reported some handsome successes in the hospital sector.

The ageing of the population and its social and financial consequences is a matter of some concern to Dexia Bank Belgium which has responded by introducing the *Silver Line*. It provides a framework under which this year the Bank drew up for the benefit of the local authorities a particularly well documented Socio-Demographic Profile setting out in detail the infrastructural developments that will be required to meet the needs of their respective populations over the next fifteen years. A similar profile intended for institutions in the social profit sector is also in preparation. Here again, Dexia Bank Belgium demonstrates its wide-ranging financial commitment to society in the long term.

Dexia Bank Belgium financed 25 projects in this field in 2010, worth EUR 145 million.

Clients can rely on a team of 40 account managers who provide personalized and innovative advice. They are assisted by experts from the bank and the subsidiaries, in order to find the products and solutions best suited to the clients' needs. Finally, seminars and meetings are organised on a regular basis in order to share Dexia Bank Belgium's expertise and added value. The bank also publishes each year studies on the financial situation of Belgian local governments and hospitals.

- *Corporate Banking*

In Corporate Banking, Dexia Bank Belgium has a strong position among medium-sized companies, with a turnover or balance sheet between EUR 10 million and EUR 1 billion. It serves 5,300 clients.

There is also an impressive range of products and services in all areas. The cross-selling strategy and targeted market approach both contribute to the development of the corporate market. A well-balanced risk management procedure substantially limits losses on the credit portfolio.

Clients in this segment benefit from the personalised service offered by 50 dedicated corporate bankers, assisted by specialists in payments, traditional short- and long-term lending, and specialised lending (foreign trade, documentary credit, syndication, consortium), cash management, real-estate and financial management, factoring, leasing (including car leasing), renting, electronic banking, special arrangements (listing on the stock market, delisting, management buy-outs, project financing,...), insurance, financial markets (for, *inter alia*, interest-rate risk management), HR management (pensions, salaries), private banking (succession), etc.

The business line benefits in particular from the support provided by the specialists from Financial Markets management, which manages the structured products used to actively manage debt or compile offers for tailor-made investments. A comprehensive range of interest-rate hedges (forward rate agreement, interest rate swap, etc...) and exchange rates (spot, swap, forward, option plain vanilla, exotic option) is available to clients using the Dexia Bank services as provided by the Public and Wholesale Banking sales team. Financial Market management is also business-line partner for all operations related to Debt Capital Market activity (T-notes, commercial paper, medium-term notes, retail bonds), which has grown significantly over the past few years.

## **Insurance**

Dexia Insurance Belgium is DexiaBank Belgium's insurance pool for Retail and Commercial Banking clients (individuals, private, SME) and Public and Wholesale Banking clients (public, social profit).

Dexia Insurance Belgium is the fifth largest insurer in Belgium. It combines the strength of DVV-LAP, a tied agent network with a banking and insurance approach through the banking network. This multi-channel offer, which is at the heart of the strategy of insurer, is completed by Corona Direct, a direct insurer.

Its Luxembourg subsidiary, Dexia Life & Pensions offers its insurance products especially to wealthy clients, supported by the banking network of Dexia Banque Internationale à Luxembourg.

As at 30 September 2011, gross written premiums with retail and commercial clients, collected through Dexia Bank Belgium's branches, stood at EUR 1,242 million (93% life and 7% non life). Gross written premiums from public banking and social profit clients amounted to EUR 275 million (73% life and 27% non life).

The DDV-LAP network counted 348 branches and 208 self-employed agents as at 30 September 2011. Gross written premiums amounted to EUR 382 million (45% life and 55% non life).

Corona Direct, the direct insurer, collected EUR 45 million gross premiums as at 30 September 2011 (31% life and 69% non life).

In Luxembourg, Dexia Life & Pensions collected EUR 265 million gross premiums (only life) via Dexia Banque Internationale à Luxembourg's branch network and through partnership in and outside Luxembourg.

At the same date total life insurance reserves amounted to EUR 19.7 billion.

## 8.3 RECENT DEVELOPMENTS

On November 30, 2011 Dexia Bank Belgium communicated its new commitments as a bank on a stand-alone basis and published some limited information on its results as at September 30, 2011.

### 8.3.1. Dexia Bank's three commitments

To prepare for the bank's future, management has taken a number of clear governance-related decisions, including one not to award a bonus to any senior management member for the year 2011. Three further commitments are aimed at restoring customer confidence, motivating staff and regaining operational independence, allowing the bank to focus on change, which will include a change of name in the course of 2012.

The 3 commitments are closely based on the wealth of expertise and experience that the bank has accumulated over the past 150 years in the public sector and over the past 50 years in private-individual banking.

#### Dexia Bank Belgium wishes to become a locally anchored relationship bank

As a locally anchored relationship bank, we wish, now more than ever, to prioritise the personal relationship with our clients through strong relationship management and specialised advice based on an extensive and high-quality range of products and services. Our "financial planning" investment offer for private banking clients, our "Green Energy Solutions", our role as banker to municipalities and the regions, the "ageing populations" study for local authorities, our MAHA study for Belgian hospitals and our credit-advice programme for project financing are but a few examples of current initiatives that we intend to even further diversify and expand.

Additionally, it is our aim to be accessible 24/7. Dexia Bank Belgium has – with 824 branches, around 400 of which have already been refurbished in line with the "open branch concept" – a strong presence in Flanders, Brussels and Wallonia. As well as our mobile banking application "Dexia Direct Mobile", launched in March, and with a DDM customer base that has, in the meantime, grown to 25,000 users, there is also our internet banking site, used by some 900,000 subscribers, and our customised e-network, "Publink", used by 97% of municipalities and 85% of OCMWs (the social services).

#### Dexia Bank Belgium wants to be a bank offering added value to society

Dexia Bank Belgium shall, by dint of these undertakings, continue to guarantee the financing of the public and social sector. Savings certificates for local projects, which were launched on December 5, are a perfect example of this and will provide the necessary funds for projects such as rest- and nursing homes, hospitals, swimming pools, nurseries and libraries. In addition, Dexia Bank Belgium seeks, from a financial point of view, to meet major challenges to society such as the ageing population, sustainability and social integration.

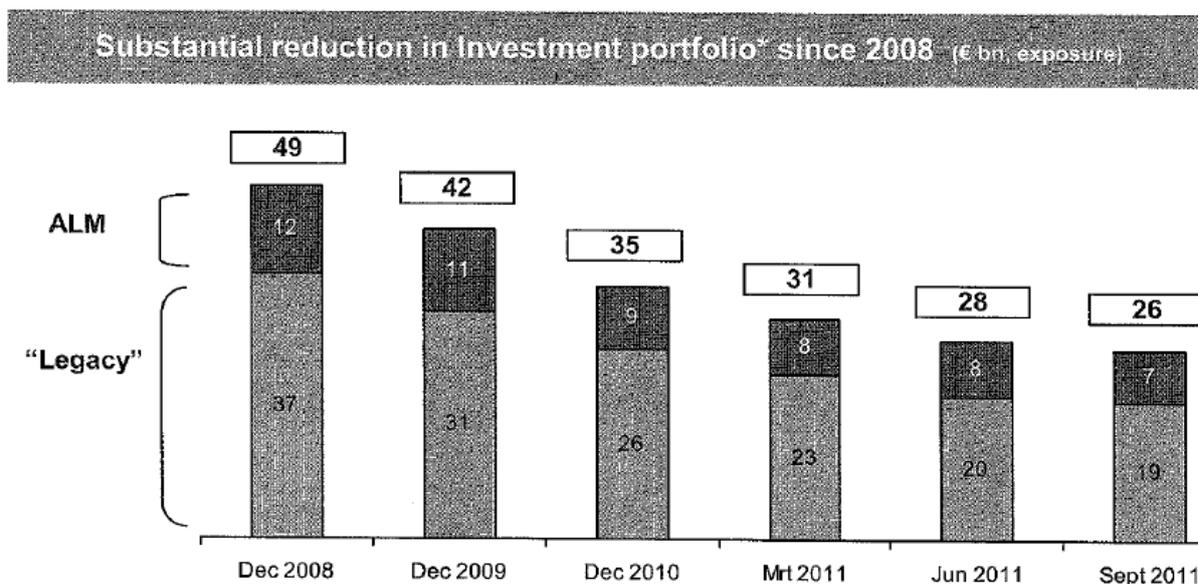
#### Dexia Bank Belgium seeks to communicate clearly and succinctly.

Trust, a vital part of any banking relationship, is shaped and consolidated by, among other things, clear and succinct communication with customers. Dexia Bank Belgium seeks to provide regular and transparent news about its strategy, results and corporate governance. A stronger corporate governance with a new, independent and professional Board of Directors acts as the basis of a simple and unequivocal strategy in the best interests of our Belgian economy.

### 8.3.2. Dexia Bank's results as at September 30, 2011

- Underlying commercial results remain, in spite of a difficult market environment, positive, with the generation, after 9 months, of a net profit (without one-off items) of EUR 361 million (after tax).
- The negative net income for the first nine months of 2011 (EUR -1,109 million after tax) can principally be explained by write-offs on Greek securities (EUR -979 million after tax), a capital loss on the disposal of Dexia Asset Management (EUR -147 million after tax), a capital loss following the reduction in the investment portfolio (EUR -309 million) and one-off provisions in support of our stand-alone position (EUR -35 million after tax).
- Taking into account the above-mentioned one-off items, the Tier 1 ratio stood at 13.3% and the Capital Adequacy Ratio (CAD) ratio at 15.1%.
- The commercial part of the balance sheet is well-balanced (EUR 77 billion customer loans and EUR 79 billion customer deposits).
- As of September 30 2011, 56 bn EUR of total gross (cash) funding exposure to Dexia Group entities translate into 22.5 bn EUR of net (cash) unsecured exposure of funding given, after taking into account collateral received from Dexia Group entities and deposits done by Dexia Group entities at DEXIA BANK. This funding given to the Dexia Group, especially the net "unsecured" part, is expected to be gradually reduced according to the terms of the sale agreement between Dexia SA and the Belgian State of October 20, 2011. The net unsecured (cash) exposure has been reduced to an amount of approximately EUR 10 billion as of January 4, 2012.  
Hereunder the characteristics of the collateral received by DEXIA BANK, as of September 30, 2011:
  - liquidity classes of the received collateral: 27% B1, 43% B2 and 12% B3. B1 means securities that are eligible for refinancing via bilateral market repos; B2 means eligible for refinancing via central banks; B3 eligible via tri-party repo.
  - credit risk rating classes of the received collateral: 3% AAA, 36% [AA-;AA+], 28% [A-;A+], 18 % [BBB+;-BBB-], the rest being rated lower, not rated or Dexia unsecured bonds.The European Commission has temporarily authorised, under the EU state aid rules, a temporary guarantee on the refinancing of Dexia SA and its subsidiary Dexia Crédit Local (DCL), for a maximum capital value of €45 billion. This temporary guarantee, extended by Belgium (60.5%), France (36.5%) and Luxembourg (3%), is joint and non-several. It covers the bank refinancing measures with a maturity of a maximum of three years, and was issued until 31 May 2012. The purpose of the guarantee is to enable the bank to draw up a restructuring plan, or – should Dexia SA prove not to be viable – a liquidation plan, which the three Member States undertake to submit to the Commission within three months from December 21, 2011. The Commission will take a final decision on the temporary guarantee as part of its assessment of the restructuring plan.
- The investment portfolio amounted to approximately EUR 26 billion. The portfolio consists of 96.7% investment grade and has an average maturity of 11.9 years. It has already been substantially reduced (-47% since the end of 2008). EUR 6.9 billion has been sold between the beginning of January and the end of September 2011.

Hereunder an overview of the evolution of the investment portfolio since 2008:



Hereunder an overview of the ratings and duration of the investment portfolio:

Investment portfolio 30/09/2011			Duration		
Exposure (€ bn)			<5 ans	5-10 ans	>10 ans
AAA	5.3	20.8%	1.7	1.5	2.2
AA	10.5	41.0%	2.2	2.6	5.7
A	5.8	22.5%	3.1	1.4	1.3
BBB	3.2	12.5%	1.3	0.9	1.0
NIG	0.8	3.3%	0.3	0.1	0.4
D	0.0	0.0%	0.0	0.0	0.0
<b>Total</b>	<b>25.6</b>		<b>8.6</b>	<b>6.4</b>	<b>10.6</b>

### NIG = Non Investment Grade

Investment Grade means an internal credit rating of level BBB- (for Fitch and Standard and Poor's rating scale reference) and Baa3 (for Moody's rating scale reference) or higher, as a consequence DEXIA BANK also carries out credit risk for exposures on the Investment Grade portfolio.

As of September 30, 2011 Dexia Bank had an exposure of EUR 8.4 billion on the PIIGS-countries of which EUR 2.4 billion at the level of Dexia Insurance Belgium.

Hereunder an overview of the outstanding exposure as of September 30, 2011 on sovereign PIGSI-countries after the formerly mentioned write-down of Greece (with DEXIA BANK on the left side of the graph and Dexia Insurance Belgium on the right side of the graph):

DBB € 26 bn Investment portfolio		DIB € 1.2 bn PIGS and € 1.2 bn Italy	
Including € 1.5 bn PIGS countries and € 4.5 bn Italy			
	€ bn		€ bn
Portugal	0.1		0.3
Ireland	0		0.4
Greece	0.5		0.5
Spain	0.9		0
<b>Total PIGS</b>	<b>1.5</b>		<b>1.2</b>
Italy	4.5		1.2
<b>Total PIGSI</b>	<b>6.0</b>		<b>2.4</b>

The press releases in Annexes 4 and 5 to this Base Prospectus can be consulted for more information.

### 8.3.3. Further Developments

- Since the escalation of the sovereign crisis since Spring 2011, resulting in important uncertainties surrounding the Dexia Group, former owner of DEXIA BANK, there has been - mainly in October 2011 and due to that crisis - an outflow in commercial deposits at DEXIA BANK estimated at EUR 3 to 4 billion for the year 2011.
- The general (macro-)economic conditions have further deteriorated in the fourth quarter of 2011, which could have an impact on cost of (credit) risk for DEXIA BANK going forward and the banking sector as a whole.

## 8.4 MANAGEMENT AND SUPERVISION

### 8.4.1 BOARD OF DIRECTORS

In accordance with Belgian law governing Belgian *sociétés anonymes* and the articles of association of DEXIA BANK, DEXIA BANK is administered by its Board of Directors, which is entitled to take any action the right to which is not expressly reserved to the general meeting of shareholders of DEXIA BANK by law or the articles of association of DEXIA BANK. In accordance with Belgian banking law, the Board of Directors may delegate all or part of its powers, provided that such delegation does not affect either the determination of general policy or any actions which are reserved to the Board of Directors by law.

The Board of Directors of DEXIA BANK has delegated to the Management Board of DEXIA BANK all such powers to the maximum extent permitted under Belgian law.

Pursuant to the articles of association of DEXIA BANK, the Board of Directors of DEXIA BANK is composed of a maximum of 27 members appointed for maximum terms of four years, and includes a maximum of nine members with professional banking experience proposed by the Board of Directors of DEXIA BANK, each of whom must also be a member of the Management Board of DEXIA BANK, and a majority of members representing the local authorities. The table below sets forth the names, principal occupation or employment, dates of initial election as directors and the years of expiration of their current terms as members of the Board of Directors of DEXIA BANK.

The executive members of the Board of Directors shall withdraw on the date of the general shareholders' meeting held in the year in which they reach the age of 65.

The non-executive members of the Board of Directors shall withdraw on the date of the general shareholders' meeting held in the year in which they reach the age of 70.

The Board of Directors has the right to make an exception to the aforementioned principles on a case by case basis if it considers it to be in the company's best interest.

The business address for the members of the Board of Directors is Boulevard Pachéco 44, B-1000 Brussels, Belgium.

The table below sets forth the names and positions and dates of initial appointment and expiry of term of the members of the Board of Directors as of 29 November 2011.

Last Name	First Name	Mandate Board of Directors DBB	Principal occupation or employment	Start mandate	End mandate
Bouckaert	Alfred	Chairman of the Board of Directors	Various mandates in the Board of Directors of international companies	2011	2015
Clijsters	Jozef	Member of the Board of Directors Chairman of the Management Board	Chairman of the Management Board of Dexia Bank Belgium	2011	2015
De Roeck	Ann	Member of the Board of Directors Member of the Management Board	Member of the Management Board of Dexia Bank Belgium, Secretary General, Head of the Compliance, Legal and Tax Department, the Departments of Wealth Analysis and Planning, Secretariat General and Participations	2007	2013
Demeester	Wivina	Member of the Board of Directors Chairman of the Audit Committee	Consultant and Independent Director	2002	2013
Develtere	Patrick	Member of the Board of Directors	Chairman of ACW (the umbrella organisation of Christian workers' organisations)	2010	2014
Gyselincx	Dirk	Member of the Board of Directors Member of the Management Board	Member of the Management Board of Dexia Bank Belgium, Head of Public & Wholesale Banking	2007	2013
Jacques	Thierry	Member of the Board of Directors	Chairman of the Christian Workers Movement	2006	2013
Janssens	Patrick	Member of the Board of Directors	Mayor of Antwerp	2007	2013
Justaert	Marc	Member of the Board of Directors	Chairman of the National Alliance of Christian Mutual Societies	2002	2013
Lachaert	Patrick	Member of the Board of Directors	Lawyer, Municipal Councillor of Merelbeke	2007	2013
Lauwers	Marc	Member of the Board of Directors Vice-Chairman of the Management Board	Vice-Chairman of the Management Board of Dexia Bank Belgium, Head of Retail & Commercial Banking	2007	2013
Leyssens	Roger	Member of the Board of Directors Member of the Management Board	Member of the Management Board of Dexia Bank Belgium, Head of Human Resources Management	2007	2013
Martens	Luc	Member of the Board of Directors	Mayor of Roeselare	2010	2013
Martin	Jean-François	Member of the Board of Directors Member of the Management Board	Member of the Management Board of Dexia Bank Belgium, Chief Risk Officer	2007	2013
Rolin	Claude	Member of the Board of Directors	Secretary General of the Confederation of Belgian Christian Unions	2006	2013
Vankelecom	Johan	Member of the Board of Directors Member of the Management Board	Member of the Management Board of Dexia Bank Belgium, Chief Financial Officer	2011	2015
Van Parys	Tony	Member of the Board of Directors	Lawyer, Municipal Councillor of Ghent	2002	2013
Van Thielen	Luc	Member of the Board of Directors Member of the Management Board	Member of the Management Board of Dexia Bank Belgium, Chief Operations Officer, Head of IT, Operations, Facility Management and Organisation	2008	2012
Viseur	Jean-Jacques	Member of the Board of Directors	Mayor of Charleroi	2006	2013

Due to the change in shareholdership of DEXIA BANK on 20 October 2011 the governance of the bank will be reviewed and the composition of the board of directors and the advisory subcommittees will be adopted early 2012.

DEXIA BANK is managed by a Board of Directors comprising on 29 November 2011 nineteen members, eight of whom also serve on the Management Board.

The day-to-day management of DEXIA BANK is entrusted to the Management Board whose members are also members of the Board of Directors.

#### Audit Committee

The Audit Committee, set up on 18 December 2002, is an advisory subcommittee of the Board of Directors and is presided by Wivina Demeester.

#### Composition

##### Chairman

Wivina Demeester

### **Members**

New members will be appointed early 2012.

Tasks and powers

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

### **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.

### **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 legislation 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 2009 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 (including liquidity) and operational risks, and on the effects of the banking crisis.

### **Internal Audit**

The Audit Committee assesses the operational efficiency and independence of the Internal Audit division. The Audit Committee also verifies the extent to which the management responds to the findings of the Audit Department and its recommendations. In 2009 the Audit Committee examined and approved the Annual Report for 2008, the 2009 Half-yearly Report and the 2009 Audit Plan.

### **Statutory auditing of the financial statements and the consolidated financial statements**

In 2009 the Audit Committee reported to the Board of Directors on the consolidated financial statements of Dexia Bank at 31 December 2008, 31 March 2009, 30 June 2009 and 30 September 2009. 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.

### **External audit and monitoring of the independence of the auditor**

The Audit Committee verifies that the auditors carry out their external audits satisfactorily.

The Audit Committee issues opinions to the Board of Directors regarding the appointment or re-appointment of auditors by the Ordinary Shareholders' Meeting and regarding their independence and pay.

The Audit Committee monitors the independence of the auditors and their auditing programmes.

### **Monitoring 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**

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

### **Functioning of the Audit Committee**

The Audit Committee can require to be provided with any useful information or supporting evidence and can carry out any inspection whatsoever. To that end it relies on the Internal Audit Department of Dexia Bank which reports to the Management Board.

In 2009 the Audit Committee met five times. At those meetings, which were held before the meetings of the Board of Directors, the Audit Committee examined in particular the quarterly, half-yearly and financial statements.

### **Internal audit**

Applying the vision and strategy of the Group, the Dexia financial group has established a uniform and integrated

audit function with a support line of auditing departments in the different business units within a framework that meets the most exacting standards and which is consistent for all of Dexia's activities. The methodology and audit plan are integrated throughout the entire Group.

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

The audit function helps maintain the good reputation of Dexia Bank and the effectiveness and integrity of its structures and values, which it considers of particular importance.

Internal Audit verifies that the risks that Dexia Bank takes in the framework of all its activities are duly identified, analysed and covered.

## **Operations of the Board of Directors**

The Board of Directors conducts the general policy. It decides the strategic direction for the bank, and approves the plans and budgets as well as any major structural modifications.

As defined in the protocol on the autonomy or the banking function, the management of the bank is entrusted to the Management Board, comprising members of the Board of Directors. The Management Board currently consists of eight members.

### **8.4.2 MANAGEMENT BOARD**

The Management Board manages the bank in accordance with the general policy guidelines laid down by the bank's Board of Directors. The Management Board has the necessary decision-making powers for this purpose and powers of representation. The Management Board operates in accordance with the principle of joint and several liabilities.

The table below sets forth the names and positions of the members of the Management Board as of 29 November 2011.

Name	Position
<b>Jos Clijsters</b>	<b>Chairman</b>
<b>Marc Lauwers</b>	<b>Vice-Chairman responsible for Retail &amp; Commercial Banking</b>
<b>Johan Vankelecom</b>	<b>Chief Financial Officer</b>
<b>Dirk Gyselinck</b>	<b>Public &amp; Wholesale Banking and Corporate</b>
<b>Luc Van Thielen</b>	<b>Chief Operations Officer, responsible for IT, Operations, Facility Management and Organisation</b>
<b>Jean-François Martin</b>	<b>Chief Risk Officer</b>
<b>Roger Leyssens</b>	<b>Human Resources Management</b>
<b>Ann De Roeck</b>	<b>Secretary General, Legal and Fiscal Services and Wealth Analysis and Planning, Secretariat General and Participations</b>

There are no potential conflicts of interest between any duties to DEXIA BANK of the members of the Management Board and their private interests and other duties.

### **8.4.3 EXTERNAL DUTIES OF THE DIRECTORS**

Under the Banking, Finance and Insurance Commission Regulation, approved by the Royal Decree dated 19th July 2002 and concerning the performance of external duties by executive managers of credit institutions, DEXIA BANK is required to disclose the external duties performed by its directors and executive managers. DEXIA BANK chose to publish the posts mentioned in the bank's official annual report, which is lodged with the National Bank of Belgium.

#### **8.4.4 SUPERVISION**

Since November 1962, DEXIA BANK (formerly Artesia Banking Corporation) has been under the supervision of the Financial Services and Markets Authority.

Since 1 April 2011, the new Belgian supervision model of the Twin Peaks Decree is entered into force, with as a consequence the sharing of the regulation powers between the National Bank of Belgium ("NBB") and the Financial Services and Markets Authority (FSMA). DEXIA BANK is under the supervision of both of these authorities.

DEXIA BANK is also considered as a systemically important financial institution by the NBB, the reinforced supervision of those institutions being under the responsibility of the NBB. This supervision includes among others the supervision of the strategic decisions and the right to impose additional specific measures in relation with liquidity, solvability and risks, to ensure the stability of the financial system.

### **8.5 FINANCIAL INFORMATION**

#### **8.5.1 UNCONSOLIDATED ANNUAL AUDITED FINANCIAL STATEMENTS OF DEXIA BANK BELGIUM S.A.**

The non-consolidated financial statements are in application of the Belgian Royal Decree of 23 September 1992.

The notes to the non-consolidated annual audited financial statements, including a description of the accounting policies, are set out on pages 191 to 233 of DEXIA BANK's 2010 annual report, which is incorporated herein by reference.

The non-consolidated financial information below has been extracted without material adjustment from the audited non-consolidated financial statements of DEXIA BANK for the years ended 31 December 2009 and 31 December 2010.

**Audited Unconsolidated Balance Sheet of DEXIA BANK as of 31 December 2009 and 31 December 2010**

<b>Assets</b>			
(in thousands of EUR)		<b>31/12/09</b>	<b>31/12/10</b>
I.	Cash in hand, balances with central banks and Post Office banks	420,456	454,055
II.	Treasury bills eligible for refinancing with central banks	1,964,624	24,098
III.	Loans and advances to credit institutions	56,836,606	66,671,567
	A. Repayable on demand	9,343,663	2,009,512
	B. Other loans and advances (with agreed maturity dates)	47,492,943	64,662,055
IV.	Loans and advances to customers	85,323,882	77,609,157
V.	Debt securities and other fixed-income securities	42,702,023	34,781,689
	A. Issued by public bodies	789,250	702,636
	B. Issued by other borrowers	41,912,773	34,079,053
VI.	Shares and other variable-yield securities	75,553	55,212
VII.	Financial fixed assets	8,821,387	8,754,610
	A. Participating interests in affiliated enterprises	8,080,419	8,041,827
	B. Participating interests in other enterprises linked by participating interests	190,988	161,051
	C. Other shares held as financial fixed assets	26,140	27,155
	D. Subordinated loans to affiliated enterprises and to other enterprises linked by participating interests	523,840	524,577
VIII.	Formation expenses and intangible fixed assets	12,671	10,893
IX.	Tangible fixed assets	800,872	807,259
X.	Own shares	0	0
XI.	Other assets	1,309,193	1,895,546
XII.	Deferred charges and accrued income	18,740,456	21,360,135
<b>TOTAL ASSETS</b>		<b>217,007,722</b>	<b>212,424,221</b>

<b>Liabilities</b>			
(in thousands of EUR)		31/12/09	31/12/10
I.	Amounts owed to credit institutions	73,417,923	62,046,700
	A. Repayable on demand	10,815,398	11,349,231
	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	62,602,526	50,697,469
II.	Amounts owed to customers	91,789,035	99,042,611
	A. Savings deposits	25,223,726	27,900,856
	B. Other debts	66,565,309	71,141,755
	1. Repayable on demand	22,201,304	18,721,405
	2. With agreed maturity dates or periods of notice	44,364,004	52,420,350
	3. As a result of the rediscounting of trade bills	0	0
III.	Debts evidenced by certificates	20,672,370	16,080,443
	A. Debt securities and other fixed-income securities in circulation	17,381,013	14,491,292
	B. Other	3,291,357	1,589,151
IV.	Other liabilities	1,386,210	2,081,539
V.	Accrued charges and deferred income	19,552,183	22,541,282
VI.	A. Provisions for liabilities and charges	257,956	227,385
	1. Pensions and similar obligations	58,247	67,136
	2. Taxation	19,000	1,607
	3. Other liabilities and charges	180,709	158,642
	B. Deferred taxes	78,169	81,214
VII.	Fund for General Banking Risks	988,737	988,737
VIII.	Subordinated liabilities	2,809,530	2,595,674
	<b>CAPITAL AND RESERVES</b>	<b>6,055,609</b>	<b>6,738,636</b>
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	233	231
XII.	Reserves	2,384,423	3,069,948
	A. Legal reserve	260,659	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	177,974	183,892
	D. Reserves available for distribution	1,943,446	2,588,448
XIII.	Profits (losses (-)) brought forward	3,655	1,159
	<b>TOTAL LIABILITIES</b>	<b>217,007,722</b>	<b>212,424,221</b>

**Audited Unconsolidated Statement of Income of DEXIA BANK as of 31 December 2009 and 31 December 2010**

(in thousands of EUR)		31/12/09	31/12/10
I.	Interest receivable and similar income	4,885,631	3,680,124
	<i>of which: from fixed-income securities</i>	<i>1,245,441</i>	<i>821,374</i>
II.	Interest payable and similar charges (-)	(3,789,459)	(2,601,887)
III.	Income from variable-yield securities	439,379	642,894
	A. From shares and other variable-yield securities	9,660	2,036
	B. From participating interests in affiliated enterprises	391,204	626,605
	C. From participating interests in other enterprises linked by participating interests	33,564	11,777
	D. From other shares held as financial fixed assets	4,950	2,476
IV.	Commissions receivable	429,660	465,109
V.	Commissions payable (-)	(453,735)	(452,118)
VI.	Profit (Loss (-)) on financial transactions	(200,276)	(51,036)
	A. On trading of securities and other financial instruments	(130,228)	(206,224)
	B. On disposal of investment securities	(70,047)	155,188
VII.	General administrative expenses (-)	(1,022,303)	(1,082,546)
	A. Remuneration, social security costs and pensions	(619,401)	(618,967)
	B. Other administrative expenses	(402,901)	(463,579)
VIII.	Depreciation/Amortization of and other write-downs on (-) formation expenses, intangible and tangible fixed assets	(78,470)	(81,822)
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"	(50,767)	(38,717)
X.	Decrease/(Increase (-)) in write-downs on the investment portfolio of debt securities, shares and other fixed-income or variable-yield securities	51,242	(9,603)
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"	69,544	54,261
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"	(51,553)	(40,457)
XIII.	Transfer from (Transfer to) the Fund for General Banking Risks	0	0
XIV.	Other operating income	170,079	204,015
XV.	Other operating charges	(120,442)	(133,521)
XVI.	Profits (Losses (-)) on ordinary activities before taxes	278,531	554,696
XVII.	Extraordinary income	179,116	157,138
	A. Adjustments to depreciation/amortization of and to other write-downs on intangible and tangible fixed assets	1,612	1,277
	B. Adjustments to write-downs on financial fixed assets	2,049	1
	C. Adjustments to provisions for extraordinary liabilities and charges	0	0
	D. Gain on disposal of fixed assets	175,455	155,860
	E. Other extraordinary income	0	0
XVIII.	Extraordinary charges (-)	(38,967)	(5,390)
	A. Extraordinary depreciation/amortization of and extraordinary write-downs on formation expenses and intangible and tangible fixed assets	(9,864)	(1,294)
	B. Write-downs on financial fixed assets	(3,372)	(3,349)
	C. Provisions for extraordinary liabilities and charges	0	0
	D. Loss on disposal of fixed assets	(25,718)	(374)
	E. Other extraordinary charges	(12)	(373)
XIX.	Profits (Losses (-)) for the period before taxes	418,680	706,444
XIXbis.	A. Transfer to deferred taxes (-)	(5,035)	(6,163)
	B. Transfer from deferred taxes	2,331	3,118
XX.	Income taxes	24,693	(5,381)
	A. Income taxes (-)	(20,882)	(24,120)
	B. Adjustment of income taxes and write-back of tax provisions	45,575	18,739
XXI.	Profits (Losses (-)) for the period	440,669	698,018
XXII.	Transfer to untaxed reserves (-)	(9,778)	(11,969)
	Transfer from untaxed reserves	4,527	6,051
XXIII.	Profits (Losses (-)) for the period available for approbation	435,418	692,100

## 8.5.2 UNCONSOLIDATED SEMI-ANNUAL FINANCIAL STATEMENTS OF DEXIA BANK BELGIUM S.A.

The unaudited interim non- consolidated financial information below has been extracted without material adjustment from the unaudited interim non-consolidated financial information of DEXIA BANK for the six months ended 30 June 2010 and 30 June 2011. Accordingly, the unaudited interim non-consolidated financial information below is in conformity with the Belgian Royal Decree on the Annual Accounts of Credit Institutions of 23 September 1992.

### Unconsolidated Balance Sheet of DEXIA BANK as at 30 June 2010 and 30 June 2011

Assets ( in thousands of EUR )	30/06/2010	30/06/2011
I. Cash in hand, balances with central banks and post office banks	330,916	435,243
II. Treasury bills eligible for refinancing with central banks	242,690	9,260
III. Loans and advances to credit institutions	64,840,765	58,865,750
A. Repayable on demand	3,821,731	19,927,184
B. Other loans and adv. (with agreed maturity dates)	61,019,034	38,938,566
IV. Loans and advances to customers	81,398,696	71,682,414
V. Debt securities and other fixed-income securities	37,620,241	29,213,878
A. Issued by public bodies	1,089,994	1,179,598
B. Issued by other borrowers	36,530,247	28,034,280
VI. Shares and other variable-yield securities	83,278	84,691
VII. Financial fixed assets	8,813,990	8,742,539
A. Participating interests in affiliated enterprises	8,080,953	8,043,039
B. Participating interests in other enterprises linked by participating interests	160,671	157,961
C. Other shares held as financial fixed assets	26,799	27,332
D. Subordinated loans to affiliated enterprises and to other enterprises linked by participating interests	545,567	514,207
VIII. Formation expenses and intangible fixed assets	10,994	9,500
IX. Tangible fixed assets	795,498	799,712
XI. Other assets	1,751,727	1,719,153
XII. Deferred charges and accrued income	22,772,927	17,628,289
<b>TOTAL ASSETS</b>	<b>218,661,722</b>	<b>189,190,429</b>

<b>Liabilities ( in thousands of EUR )</b>	<b>30/06/2010</b>	<b>30/06/2011</b>
<b>I. Amounts owed to credit institutions</b>	<b>66,738,474</b>	<b>43,621,854</b>
A. Repayable on demand	3,915,525	8,836,515
C. Other debts with agreed maturity dates or periods of notice	62,822,949	34,785,339
<b>II. Amounts owed to customers</b>	<b>94,959,972</b>	<b>101,086,344</b>
A. Savings deposits	26,642,504	28,212,029
B. Other debts	68,317,468	72,874,315
1) repayable on demand	21,945,480	18,369,163
2) with agreed maturity dates or periods of notice	46,371,988	54,505,152
<b>III. Debts evidenced by certificates</b>	<b>20,945,467</b>	<b>13,713,655</b>
A. Debt securities and other fixed-income securities in circul.	17,515,461	12,512,820
B. Other	3,430,006	1,200,835
<b>IV. Other liabilities</b>	<b>1,885,304</b>	<b>1,777,462</b>
<b>V. Accrued charges and deferred income</b>	<b>23,890,942</b>	<b>18,364,294</b>
<b>VI. Provisions for liabilities and charges</b>	<b>319,819</b>	<b>535,544</b>
A. Provisions for liabilities and charges	239,437	453,669
B. Deferred taxes	80,382	81,875
<b>VII. Fund for general banking risks</b>	<b>988,737</b>	<b>988,737</b>
<b>VIII. Subordinated liabilities</b>	<b>2,625,679</b>	<b>2,424,676</b>
<b>IX. CAPITAL</b>	<b>3,458,066</b>	<b>3,458,066</b>
<b>X. Share premium account</b>	<b>209,232</b>	<b>209,232</b>
<b>XI. Revaluation surpluses</b>	<b>233</b>	<b>231</b>
<b>XII. Reserves</b>	<b>2,388,722</b>	<b>3,071,231</b>
<b>XIII. Profits (losses (-)) brought forward</b>	<b>3,655</b>	<b>1,159</b>
<b>XIV. Profit (Losses (-)) for the period available for approbation</b>	<b>247,420</b>	<b>-62,056</b>
<b>TOTAL LIABILITIES</b>	<b>218,661,722</b>	<b>189,190,429</b>

**Unaudited Statement of Income of DEXIA BANK as at 30 June 2010 and 30 June 2011**

( in thousands of EUR )		30/06/2010	30/06/2011
I.	Interest receivable and similar income	1,791,149	1,941,615
II.	Interest payable and similar charges (-)	-1,313,918	-1,322,601
III.	Income from variable-yield securities	440,069	111,484
	A. From shares and other variable-yield securities	978	1,541
	B. From participating interests in affiliated enterprises	431,953	106,590
	C. From participating interests in other enterprises linked by participating interests	6,933	2,739
	D. From other shares held as financial fixed assets	205	614
IV.	Commissions receivable	242,579	239,918
V.	Commissions payable (-)	-235,103	-227,725
VI.	Profit (loss (-)) on financial transactions	-204,677	-213,032
	A. On trading of securities and other financial instruments	-278,231	53,148
	B. On disposal of investment securities	73,554	-266,180
VII.	VII. General administrative expenses (-)	-525,046	-532,935
	A. Remuneration, social security costs and pensions	-314,054	-311,037
	B. Other administrative expenses	-210,992	-221,898
VIII.	Depreciation/amortization of and other write-downs on (-) formation expenses, intangible and tangible fixed assets	-41,979	-41,723
IX.	IX. Decrease/increase (-) in write-downs on receivables and in provisions for off balance sheet captions 'I. Contingent liabilities' and 'II. Commitments which could give rise to a risk'	-7,906	-23,802
X.	Decrease/Increase (-) in write-downs on the investment portfolio of debt securities, shares and other fixed-income or variable-yield securities	24,271	208,216
XI.	Utilization and write-backs of provisions for liabilities and charges other than those included in the off balance sheet captions 'I. Contingent liabilities' and 'II. Commitments which could give rise to a risk'	32,462	39,694
XII.	Provisions for liabilities and charges other than those included in the off balance sheet captions 'I. Contingent liabilities' and 'II. Commitments which could give rise to a risk'	-9,889	-258,813
XIII.	Transfer from (Transfer to) the fund for general banking risks	0	0
XIV.	Other operating income	91,071	83,753
XV.	Other operating charges	-76,552	-64,863
<b>XVI.</b>	<b>Profits (losses (-)) on ordinary activities before taxes</b>	<b>206,531</b>	<b>-60,814</b>
XVII.	Extraordinary income	79,942	12,537
	A. Adjustments to depreciation/amortization of and to other write-downs on intangible and tangible fixed assets	740	1,397
	B. Adjustments to write-downs on financial fixed assets	0	4
	C. Adjustments to provisions for extraordinary liabilities and charges	0	0
	D. Gain on disposal of fixed assets	79,202	11,136
	E. Other extraordinary income	0	0
XVIII.	Extraordinary charges (-)	-4,598	-5,741
	A. Extraordinary depreciation/amortization of and extraordinary write-downs on formation expenses and intangible and tangible fixed assets	-960	-5,541
	B. Write-downs on financial fixed assets	-3,349	0
	C. Provisions for extraordinary liabilities and charges	0	0
	D. Loss on disposal of fixed assets	-266	-184
	E. Other extraordinary charges	-23	-16
<b>XIX.</b>	<b>Profits (Losses (-)) for the period before taxes</b>	<b>281,875</b>	<b>-54,018</b>
XIXbis.	A. Transfert to deferred taxes (-)	-3,319	-2,317
	B. Transfer from deferred taxes	1,106	1,656
XX.	Income taxes	-27,943	-6,094
	A. Income taxes (-)	-28,087	-34,309
	B. Adjustment of income taxes and write-back of tax provisions	144	28,215
<b>XXI.</b>	<b>Profits (Losses (-)) for the period</b>	<b>251,719</b>	<b>-60,773</b>
XXII.	Transfer to untaxed reserves (-)	-6,447	-4,499
	Transfer from untaxed reserves	2,148	3,216
<b>XXIII.</b>	<b>Profit (Losses (-)) for the period available for approbation</b>	<b>247,420</b>	<b>-62,056</b>

## **Comments on of the major evolutions in the non-consolidated balance sheet at June 30, 2011 of DEXIA BANK**

At the end of June 30, 2011, the balance sheet amounts to EUR 189 billion compared to EUR 219 billion at the end of June 2010.

### 1/ ASSET SIDE

The main balance sheet items on the asset side are the loans to credit institutions for EUR 59 billion, loans to clients for EUR 72 billion and the bond portfolio for EUR 29 billion.

The decrease of EUR 30 billion of the balance sheet can be explained on the asset side by the decrease of the loans to credit institutions (EUR -6 billion), loans to clients (EUR -9 billion) and the bond portfolio (EUR -9 billion).

More specifically, the loans to credit institutions (EUR 59 billion) encompass mainly the term deposits (22 billion), reverse repo transactions (EUR 14 billion), sight deposits (EUR 11 billion) and cash collateral given (EUR 10 billion).

The loans to clients are composed mainly of mortgage loans (EUR 12 billion), other loans to Retail and Commercial Bank clients (EUR 10 billion) and loans to Public and Wholesale Bank clients (EUR 34 billion).

The bond portfolio can be broken down as follows: trading portfolio of EUR 3 billion and investment portfolio of EUR 26 billion. Due to the deleverage program at DBB Dublin Branch, a significant decrease can be noted compared to June 2010 of EUR -9 billion.

### 2/ LIABILITY SIDE

The main balance sheet items on the liability side are the deposits from clients for EUR 101 billion and deposits from credit institutions for EUR 44 billion.

The decrease of EUR 30 billion of the balance sheet can be explained on the liability side by the decrease of the deposits from credit institutions (EUR -23 billion).

The deposits from credit institutions are composed mainly of repo transactions (EUR 14 billion) and deposits from the Central Bank (EUR 14 billion).

The deposits from clients (EUR 101 billion) encompass mainly saving accounts (EUR 28 billion), term deposits (EUR 20 billion) and repo transactions (EUR 25 billion).

## 8.6 **LEGAL AND ARBITRATION PROCEEDINGS**

### *Lernout & Hauspie*

The involvement of DEXIA BANK in various proceedings relating to the Lernout & Hauspie Speech Products (LHSP) bankruptcy matter has been described in the Annual Reports 2005, 2006, 2007, 2008, 2009, and 2010.

On September 20, 2010, Dexia Bank Belgium NV/SA, as well as a former member of the management committee of Artesia Bank, has been cleared of all charges by the Ghent Court of Appeal.

Neither the Public Prosecutor nor any of the parties claiming damages in the criminal file ("*burgerlijke partijen*" / *parties civiles*) have brought the case before the Supreme Court.

The proceedings brought before the Supreme Court by 6 out of the 8 condemned persons, has no bearing on the acquittal of Dexia Bank Belgium, which is therefore final.

For any further details with respect to the LHSP file, please consult the 2010 Annual Report on [www.dexia.be](http://www.dexia.be).

## 9 TERMS AND CONDITIONS OF THE NOTES

### *(Annex V.4 of Regulation (EC) 809/2004)*

The following is the text of the terms and conditions (the “Terms and Conditions”, each chapter or subchapter individually referred to as “Condition”) of the Notes, subject to completion and amendment and as supplemented or varied in accordance with the relevant provisions of the Final Terms. In the event of any inconsistency between the provisions of the Final Terms and the other provisions of this Programme, the Final Terms will prevail. All capitalised terms that are not defined in these Terms and Conditions will have the meanings given to them in the relevant Final Terms.

References in the Terms and Conditions to the Notes are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

The DFN Notes are issued under an agency agreement dated 11 January 2012 (as amended or supplemented as at the date of issue of the Notes (the “Issue Date”), referred to as the “Agency Agreement”), between DFN as Issuer, DEXIA BANK as Guarantor, the Fiscal Agent, the Principal Paying Agent, the Paying Agent (together with the Principal Paying Agent the “Paying Agents”) and the Calculation Agent.

The Notes will be issued in series (each a “Series”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a “Tranche”) on the same or different issue dates. The specific terms of each Tranche (which will be supplemented, where necessary, with supplemental terms and conditions and, save in respect of the issue date, issue price, first payment of interest and principal amount of the Tranche will be identical to the terms of other Tranche of the same Series) will be set out in the Final Terms.

### **9.1 FORM, DENOMINATION AND TITLE**

The DFN Notes are issued in bearer form (“Bearer Notes”) in the Denominations specified in the relevant Final Terms. The Denomination of DFN Notes will be at least EUR 1,000. They will be represented by a permanent global note, deposited with Dexia BIL as common depositary for Euroclear and Clearstream Luxembourg and will not be exchangeable for definitive notes, unless specified otherwise in the relevant Final Terms.

The DEXIA BANK Notes are issued in dematerialised form (“Dematerialised Notes”) in the Denomination(s) specified in the relevant Final Terms.

Dematerialised Notes are issued in dematerialised form via a book-entry system maintained in the records of the National Bank of Belgium (“BNB”) as operator of the BNB System in accordance with Article 468 and following of the Belgian Code of Companies and will be credited to the accounts held with the BNB System by DEXIA BANK, Euroclear Bank S.A./N.V. (“Euroclear”), Clearstream Banking société anonyme (“Clearstream, Luxembourg”) or other BNB System participants for credit by DEXIA BANK, Euroclear, Clearstream, Luxembourg or other BNB System participants to the securities accounts of their subscribers.

Transfer of Dematerialised Notes will be effected only through records maintained by the BNB System, DEXIA BANK, Euroclear and Clearstream, Luxembourg or other BNB System participants and in accordance with the applicable procedures of the BNB System, Euroclear and Clearstream, Luxembourg or other BNB System participants.

The Notes will not be physically delivered. They will be held in a securities account. DEXIA BANK will not charge any fees for Notes held in a DEXIA BANK securities account, or for the opening of such account.

Title to the DFN Notes shall pass by transfer to or from the securities account. In these Terms and Conditions, the “Noteholder” means the person who has the Notes on his or her securities account.

### **9.2 INTEREST ON THE NOTES**

The interest to be paid on the Notes (the “Interest”) can be based on a fixed rate (“Fixed Rate”, such Notes to be referred to as “Fixed Rate Notes”), a floating rate (“Floating Rate”, such Notes referred to as “Floating Rate Notes”) or linked to any other variable, formula and/or underlying (“Variable Linked Rate”, such Notes to be referred to as

“Variable Linked Rate Notes”) (Fixed Rate, Floating Rate and Variable Linked Rate are together referred to as “Interest Rate”). The Interest Rate is expressed as a percentage per annum.

The Notes can also be Zero Coupon Notes, in which case no Interest is paid periodically.

The Interest is calculated per Note for each Interest Period as the product of the Calculation Amount, the Interest Rate and the Day Count Fraction, unless an Interest Amount is specified in the relevant Final Terms, in which case the Interest payable in respect of such Note for such Interest Period shall equal such Interest Amount.

Interest shall cease to accrue on each Note from the due date for redemption thereof unless payment of the principal thereof or delivery of the Redemption Amount (as defined below) to be delivered in respect thereof is improperly withheld or refused or unless default is otherwise made in respect of such payment. In such event, interest shall only cease to accrue from the date on which payment of such Redemption Amount in respect thereof is made or, if earlier and if applicable, from the seventh day after notice is given to the Noteholders in accordance with these Terms and Conditions that payment of the Redemption Amount will be made, provided that, upon such presentation, payment is in fact made.

### **9.2.1 FIXED RATE NOTES**

Fixed Rate Notes bear Interest at the Fixed Rate specified in the relevant Final Terms, payable in arrears.

### **9.2.2 FLOATING RATE NOTES**

Floating Rate Notes bear Interest at the Floating Rate specified in the relevant Final Terms, as fixed on the Interest Determination Date applicable to the relevant Interest Payment Date and payable in arrears. The Floating Rate will be determined by the Calculation Agent as the sum of the rate published on the Publication Source for the specified Designated Maturity and the Spread, all as specified in the relevant Final Terms.

If however a Maximum Rate is specified in the Final Terms and the Floating Rate (determined as described above) is equal to or higher than the Maximum Rate, the Floating Rate will be such Maximum Rate.

If however a Minimum Rate is specified in the Final Terms and the Floating Rate (determined as described above) is equal to or lower than the Minimum Rate, the Floating Rate will be such Minimum Rate.

### **9.2.3 VARIABLE LINKED RATE NOTES**

Variable Linked Rate Notes bear Interest at the Variable Linked Rate specified in the relevant Final Terms, as fixed in the way specified in the Final Terms, and payable in arrears. The Variable Linked Provisions below will apply.

### **9.2.4 ZERO COUPON NOTES**

Zero Coupon Notes may be issued at their principal amount or at a discount to it, applying an Amortisation Yield, and will not bear Interest. Zero Coupon Notes that are also Bearer Notes may be subject to certain formalities on transfer under the laws of the Netherlands.

### **9.2.5 PAYMENT OF THE INTEREST**

Interest on the Notes will be payable in arrears on the applicable Interest Payment Date. The first payment of Interest will be on the first Interest Payment Date following the Issue Date. The last payment will be on the Maturity Date.

## **9.3 DEFINITIONS**

“Averaging Dates”:  
Means the dates specified as such in the relevant Final Terms.

If an Averaging Date in respect of the Underlying is not a Scheduled Trading Day, then, the Averaging Date for such Underlying shall be the first succeeding Valid Date. If the first succeeding Valid Date has not occurred as of the Valuation Time on the eighth Scheduled Trading Day immediately following the original date that, but for the occurrence of another Initial Averaging Date or Disrupted Day, would have been the final Averaging Date in relation to the relevant Scheduled Valuation Date, then (1) that eighth Scheduled Trading Day shall be deemed the Averaging Date (irrespective of whether that eighth Scheduled Trading Day is already an Averaging Date) in respect of such Underlying and, (2) the Calculation Agent shall determine its good faith estimate of the value for the Underlying as of the Valuation Time on that Averaging Date

If an Averaging Date for the Underlying is affected by the occurrence of a Disrupted Day, then, the Averaging Date for such Underlying shall be the first succeeding Valid Date. If the first succeeding Valid Date in respect of such Underlying has not occurred as of the Valuation Time on the eighth Scheduled Trading Day immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the final Averaging Date in relation to the relevant Scheduled Valuation Date, then (1) that eighth Scheduled Trading Day shall be deemed the Averaging Date (irrespective of whether that eighth Scheduled Trading Day is already an Averaging Date) in respect of such Underlying and, (2) the Calculation Agent shall determine its good faith estimate of the value for the Underlying as of the Valuation Time on that Averaging Date

**“Business Day”:** means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in the place(s) and on the days specified for that purpose in the related Final Terms, a TARGET Settlement Day, if “TARGET”, “TARGET2” or “TARGET Settlement Day” is specified for that purpose in the related Final Terms or if place(s) and days, or such terms, are not so specified in the related Final Terms.

**“Business Day Convention”:** means the convention for adjusting any relevant date if it would otherwise fall on a day that is not a Business Day. The following terms, when used in conjunction with the term “Business Day Convention” and a date, shall mean that an adjustment will be made if that date would otherwise fall on a day that is not a Business Day so that:

- (i) if “**Following**” is specified, that date will be the first following day that is a Business Day;
- (ii) if “**Modified Following**” or “**Modified**” is specified, that date will be the first following day that is a Business Day unless that day falls in the next calendar month, in which case that date will be the first preceding day that is a Business Day; and
- (iii) if “**Preceding**” is specified, that date will be the first preceding day that is a Business Day.

**“Calculation Agent”:** means DEXIA BANK, unless specified otherwise in the relevant Final Terms. Whenever the Calculation Agent is required to act or to exercise judgment in any way, it will do so in good faith and in a commercially reasonable manner. The Calculation Agent shall have no responsibility to Noteholders for good faith errors or omissions in its calculations (without limitation, errors or omissions due to events which are not under the direct control of the Calculation Agent) and determinations as provided in the Terms and Conditions, except for those resulting from the gross negligence or wilful misconduct of the Calculation Agent. (see 9.12 “Responsibility of the Calculation Agent” in the Base Prospectus)

**“Calculation Amount”:** means the Denomination.

**“Day Count Fraction”:** means, in respect of the Notes and the calculation of the Interest:

- (i) if “**1/1**” is specified or nothing is specified, 1,
- (ii) if “**Actual/Actual**” or “**Act/Act**” is specified, the actual number of days in the Interest Period in respect of which payment is being made divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of:
  - (a) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366; and

- (b) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (iii) if “**Actual/365 (Fixed)**”, “**Act/365 (Fixed)**”, “**A/365 (Fixed)**” or “**A/365F**” is specified, the actual number of days in the Interest Period in respect of which payment is being made divided by 365;
- (iv) if “**Actual/360**”, “**Act/360**” or “**A/360**” is specified, the actual number of days in the Interest Period in respect of which payment is being made divided by 360;
- (v) if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified, the number of days in the Interest Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

$$\begin{aligned} & \text{Day Count Fraction} \\ & = \\ & \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360} \end{aligned}$$

Where:

- “Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;
- “Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;
- “M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;
- “M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;
- “D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and
- “D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30; and
- (vi) if “**30E/360**” or “**Eurobond Basis**” is specified, the number of days in the Interest Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

$$\begin{aligned} & \text{Day Count Fraction} \\ & = \\ & \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360} \end{aligned}$$

Where:

- “Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;
- “Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;
- “M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;
- “M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;
- “D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and
- “D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D<sub>2</sub> will be 30.

“**EURIBOR**”

means that the rate for the relevant Interest Determination Date will be the rate for deposits in euros for a period of the Designated Maturity as of 11:00 a.m., Brussels time on the day that is two TARGET Settlement Days preceding that Interest Determination Date, as determined by the Calculation Agent.

“**Hedge Positions**”

means any purchase, sale, entry into or maintenance of one or more (i) positions or contracts in securities, options, futures, derivatives or foreign exchange, (ii) stock

loan transactions or (iii) other instruments or arrangements (howsoever described) by the Issuer or, in the case of DFN Notes, Guarantor in order to hedge, individually or on a portfolio basis, the Notes.

- “**Interest Commencement Date**”: means the Issue Date or such other date specified in the relevant Final Terms.
- “**Interest Determination Date**”: means each date specified as such in the relevant Final Terms.
- “**Interest Payment Date**”: means each date, as specified in the relevant Final Terms, on which the Interest as determined by the Calculation Agent for the applicable Interest Period is payable in accordance with Condition 9.2.5 *Payment of the Interest*.  
If such day is not a Business Day it will be adjusted by the Business Day Convention specified in the relevant Final Terms.
- “**Interest Period**”: means each period from, and including, one Interest Period End Date to, but excluding, the next following applicable Interest Period End Date, except that the initial Interest Period will commence on, and include, the Interest Commencement Date.
- “**Interest Period End Date**”: If “Adjusted” is specified in the relevant Final Terms, Interest Period End Date means the relevant Interest Payment Date.  
If “No Adjustment” is specified in the relevant Final Terms, Interest Period End Date means the relevant Interest Payment Date, without however applying any adjustment in accordance with the Business Day Convention specified to be applicable to the Interest Payment Dates.  
If “Adjusted” or “No Adjustment” is not specified in the relevant Final Terms, the Interest Period End Date(s) shall be as specified in those Final Terms.
- “**Issue Date**”: means the date on which the Notes are issued as specified in the relevant Final Terms.
- “**Maturity Date**”: means the date on which the Notes come to maturity as specified in the relevant Final Terms, unless such day is not a Business Day in which case it will be adjusted by the Following Business Day Convention, unless otherwise specified in the relevant Final Terms.
- “**Specified Currency**”: means the currency of the Notes as specified in the relevant Final Terms.
- “**TARGET Settlement Day**”: means any day on which TARGET 2 (the Trans-European Automated Real-time Gross settlement Express Transfer system) is open.
- “**Valid Date**”: Means a Scheduled Trading Day that is not a Disrupted Day and on which another Averaging Date, or Initial Averaging Date as applicable, in respect of the relevant Valuation Date, or Initial Valuation Date as applicable, does not or is not deemed to occur.

## 9.4 **REDEMPTION AND PURCHASE**

### 9.4.1 **FINAL REDEMPTION**

Unless previously redeemed, purchased and cancelled or unless its maturity is extended pursuant to an Issuer’s or Noteholder’s Option the Notes shall be redeemed on the Maturity Date. The Notes may not be redeemed prior to that date, without prejudice to the other provisions of this Terms and Conditions.

The Redemption of the Notes can be Variable Linked (“Variable Linked Redemption Amount”), in which case the Variable Linked Provisions below will apply.

### 9.4.2 **REDEMPTION AT THE OPTION OF THE ISSUER**

If a Call Option is provided to be applicable in the relevant Final Terms, the Issuer may, on giving irrevocable notice to the Noteholders falling within the Issuer’s Optional Redemption Period redeem all or, if so provided, some of the Notes in the principal amount or integral multiples thereof and on the date or dates so provided. Any such redemption of Notes shall be at their Redemption Amount together with interest accrued to the date fixed for redemption, unless otherwise specified in the relevant Final Terms. Any such redemption or exercise must relate to the Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed, as specified in the relevant Final Terms, and no greater than the Maximum Redemption Amount to be redeemed, as specified in the relevant Final Terms.

All Notes in respect of which any such notice is given shall be redeemed, or the Issuer's option shall be exercised, on the date specified in such notice.

Early Redemption for any Senior Subordinated Notes can only occur at the option of the Issuer. In case of early redemption by the Issuer an approval must be obtained from the National Bank of Belgium.

### **9.4.3 MANDATORY EARLY REDEMPTION**

If Mandatory Early Redemption is provided to be applicable in the relevant Final Terms and one or more Trigger Events are described in those Final Terms, the Issuer shall without giving notice to the Noteholders automatically redeem all or, if so provided, some of the Notes in the principal amount or integral multiples thereof on the Mandatory Early Redemption Date(s) so provided in the relevant Final Terms once the Calculation Agent determines that a Trigger Event has occurred. Any such redemption of Notes shall be at the Mandatory Early Redemption Amount specified in the relevant Final Terms.

The Trigger Events mentioned above can relate to the following (without however being exhaustive, these are merely examples):

- in case a Variable Linked Redemption Amount depends on the evolution of one or more Underlyings, a Trigger Event applies, for example, if the level of the relevant Underlying exceeds on a specified date a certain pre-defined value as specified in the relevant Final Terms;

- in case the relevant Notes bear interest, a Trigger Event applies, for example, if the sum of the Interest Amounts paid together with the Interest Amount payable on the next following Interest Payment Date exceeds an amount specified in the relevant Final Terms. As a consequence, the Interest Amount payable in respect of such Note for the relevant Interest Period may be capped in order not to exceed the amount specified in the relevant Final Terms.

### **9.4.4 REPURCHASE**

The Issuer or, in the case of DFN Notes, the Guarantor and any of their subsidiaries may at any time purchase Notes in the open market or otherwise at any price.

### **9.4.5 CANCELLATION**

All Notes purchased by or on behalf of the Issuer, the Guarantor or any of their subsidiaries may thereafter be cancelled by, in the case of DFN Notes, the Fiscal Agent by a reduction of the principal amount of such notes. Any Notes so redeemed or purchased and cancelled in accordance with this Condition may not be reissued or resold and the obligations of the Issuer and, in the case of DFN Notes, the Guarantor in respect of any such Notes shall be discharged.

## **9.5 PAYMENT**

Investors shall pay the Denominations on the subscribed Notes in cash at the time of subscription or by debit of the cash account linked to the securities account, in which Notes are to be held, on the Issue Date.

If the Issue Date is a day, which is not a Business Day in the place of payment of the Denominations, payment will be due on that day as adjusted by the Following Business Day Convention, unless otherwise specified in the relevant Final Terms.

Any amounts payable by the Issuer in respect of the Notes, be they Interests, Redemption Amounts or other, shall be made by transfer to the cash account linked to the securities account in which the Notes are held subject to all applicable laws and regulations.

If the date for payment of Interest, Redemption Amount or any other amount due to the Noteholders is a day, which is not a Business Day in the place of payment, the Noteholders shall not be entitled to payment until the day as adjusted by the Following Business Day Convention, unless otherwise specified in the relevant Final Terms.

## **9.6 VARIABLE LINKED PROVISIONS**

A Variable Linked Rate or a Variable Linked Redemption Amount can depend on the evolution of one or more Underlyings. If it is specified in the Final Terms that the Underlying is either (i) one or more Market Rates; (ii) a Share or a Basket of Shares, (iii) a Share Index or a Basket of Share Indices, (iv) a Fund or a Basket of Funds, (v) a

Commodity or a Basket of Commodities, (vi) a Commodity Index or a Basket of Commodity Indices, or (vii) an Inflation Index, the applicable provisions below in relating to the respective Underlying will apply.

### 9.6.1 Market Rate

The Underlying can be a Market Rate, such as the EUR CMS Rate, as defined below, or any other Market Rate, as defined in the relevant Final Terms.

**EUR CMS Rate:** Means that the rate for the relevant Interest Determination Date will be the annual swap rate for euro swap transactions with a maturity of the Designated Maturity, expressed as a percentage, as of 11:00 a.m., Frankfurt time, on the day that is two TARGET Settlement Days preceding that Interest Determination Date, as determined by the Calculation Agent.

### 9.6.2 Share or Basket of Shares

#### 9.6.2.1 Definitions

**Share:** Means the share specified as such in the relevant Final Terms.

**Share Basket:** Means a basket of shares as specified in the relevant Final Terms.

**i:** The addition of the letter i in subscript to any term indicates that this term is meant to apply to each Share in the Share Basket separately.

**w:** Means the weight of a certain Share in the Share Basket.

**Exchange:** Means each exchange or quotation system specified as such for such Share in the relevant Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the Share has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to such Share on such temporary substitute exchange or quotation system as on the original Exchange).

**Related Exchange:** Means, each exchange or quotation system specified as such for the relevant Share in the relevant Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to such Share has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to such Share on such temporary substitute exchange or quotation system as on the original Related Exchange), provided, however, that where “All Exchanges” is specified as the Related Exchange in the relevant Final Terms, “Related Exchange” shall mean each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to such Share.

**Initial Price:** Means the price specified as such or otherwise determined in the relevant Final Terms or, if no means for determining the Initial Price are so provided: in respect of the Initial Valuation Date, the Relevant Price of the relevant Share at the Valuation Time on the Initial Valuation Date, as determined by the Calculation Agent, and in respect of the each subsequent Valuation Date, the Final Price for the Valuation Date immediately preceding such Valuation Date, or, if Initial Averaging is specified as applicable under the relevant Final Terms, means the arithmetic mean, as determined by the Calculation Agent on the Initial Valuation Date, of the prices of the relevant Share or Share Basket as of the Valuation Time on each Initial Averaging Date.

**Final Price:** Means the Relevant Price of the relevant Share on the relevant Valuation Date, as determined by the Calculation Agent, or, if Averaging is specified as applicable under the relevant Final Terms, means the arithmetic mean, as determined by the Calculation Agent on the Valuation Date, of the prices of the relevant Share or Share Basket as of the Valuation Time on each Averaging Date.

**Initial Valuation Date:** Means the Issue Date or such other date as specified in the relevant Final Terms, and if such date is not a Scheduled Trading Day in respect of the relevant Share, the Initial Price of such Share shall be determined on the

<b>Valuation Date:</b>	basis of the Relevant Price of such Share as calculated on the immediately following Scheduled Trading Day, subject to Market Disruption, or, if Initial Averaging is specified as applicable, means the final Initial Averaging Date Means any date specified as such in the relevant Final Terms, and if such date is not a Scheduled Trading Day in respect of the relevant Share, the Final Price of such Share shall be determined on the basis of the Relevant Price of such Share as calculated on the immediately following Scheduled Trading Day, subject to Market Disruption, or, if Averaging is specified as applicable, means the final Averaging Date
<b>Relevant Price:</b>	Means the price of the relevant Share determined by the Calculation Agent at the Valuation Time on the Exchange.
<b>Valuation Time:</b>	Means the time on the relevant Valuation Date, specified as such in the related Final terms or, if no such time is specified, the Scheduled Closing Time on the relevant Exchange on the relevant Valuation Date, in relation to each Share to be valued. If the relevant Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Valuation Time shall be such actual closing time.
<b>Scheduled Closing Time:</b>	Means in respect of an Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange or Related Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours.
<b>Scheduled Trading Day:</b>	Means any day on which the Exchange and each Related Exchange are scheduled to be open for trading for their respective regular trading sessions.
<b>Exchange Business Day:</b>	Means any Scheduled Trading Day on which each Exchange and each Related Exchange are open for trading during their respective regular trading sessions, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time.

#### **9.6.2.2 Market Disruption**

“**Market Disruption Event**” means in respect of a Share, the occurrence or existence of (i) a Trading Disruption, (ii) an Exchange Disruption, which in either case the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time or (iii) an Early Closure.

In that respect, “**Trading Disruption**” means any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise (i) relating to the Share on the Exchange, or (ii) in futures or options contracts relating to the Share on any relevant Related Exchange.

In that respect, “**Exchange Disruption**” means any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general to effect transactions in, or obtain market values for, (i) the Shares on the Exchange, or (ii) in futures or options contracts relating to the Share on any relevant Related Exchange.

In that respect, “**Early Closure**” means the closure on any Exchange Business Day of the relevant Exchange or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or Related Exchange(s) at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange(s) or Related Exchange(s) on such Exchange Business Day and (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day.

In addition, in that respect “**Disrupted Day**” means any Scheduled Trading Day on which a relevant Exchange or any Related Exchange fails to open for trading during its regular trading session or on which a Market Disruption Event has occurred.

If any Valuation Date is a Disrupted Day, then:

- (a) if the Underlying is a Share, the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the scheduled Valuation Date is a Disrupted Day. In that case, (i) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day and (ii) the Calculation Agent shall determine its good faith estimate of the value of the Share as of the Valuation Time on that eighth Scheduled Trading Day; and

- (b) if the Underlying is a Basket of Shares, the Valuation Date for each Share not affected by the occurrence of a Disrupted Day shall be the scheduled Valuation Date, and the Valuation Date for each Share affected by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to that Share, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day relating to that Share. In that case, (i) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date for the relevant Share, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine its good faith estimate of the value for that Share as of the Valuation Time on that eighth Scheduled Trading Day.

### **9.6.2.3 Potential Adjustment Events**

Upon the occurrence on or after the Issue Date up to and including the last Valuation Date of a Potential Adjustment Event (as defined below), the Calculation Agent will determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the relevant Shares and if so will:

(i) make the corresponding adjustment(s), if any, to any relevant variable in the Variable Linked formulae of the Notes, which may include the Initial Price or the Final Price, used to calculate any Variable Linked Rate or Variable Linked Redemption Amount as the Calculation Agent determines appropriate to account for that diluting or concentrative effect (provided that no adjustments will be made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relative to the relevant Share) and

(ii) determine the effective date(s) of the adjustment(s).

The Calculation Agent may (but need not) determine the appropriate adjustment(s) by reference to the adjustment(s) in respect of such Potential Adjustment Event made by an options exchange to options on the relevant Shares traded on such options exchange.

For the purpose hereof, “**Potential Adjustment Event**” shall mean any of the following:

- a subdivision, consolidation or reclassification of relevant Shares (unless resulting in a Merger Event), or, a free distribution or dividend of any such Shares to existing holders by way of bonus, capitalisation or similar issue;
- a distribution, issue or dividend to existing holders of the relevant Shares of (a) such Shares, or (b) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the issuer of such Shares equally or proportionately with such payments to holders of such Shares, or (c) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the issuer of the Shares as a result of a spin-off or other similar transaction or (d) any other type of securities, rights or warrants or other assets, in any case for payment (cash or other consideration) at less than the prevailing market price as determined by the Calculation Agent;
- an extraordinary dividend as determined by the Calculation Agent;
- a call by the issuer of the relevant Shares in respect of such Shares that are not fully paid;
- a repurchase by the issuer of the relevant Shares or any of its subsidiaries of such Shares whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise; or
- in respect of the issuer of the relevant Shares, an event that results in any shareholder rights being distributed or becoming separated from shares of common stock or other shares of the capital stock of the issuer of the Shares pursuant to a shareholder rights plan or arrangement directed against hostile takeovers that provides upon the occurrence of certain events for a distribution of preferred stock, warrants, debt instruments or stock rights at a price below their market value, as determined by the Calculation Agent, provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights; or
- any other event that may have a diluting or concentrative effect on the theoretical value of the relevant Shares.

If the Calculation Agent determines that no adjustment that it could make would produce a commercially reasonable result, the Calculation Agent may notify the Noteholders, in accordance with the paragraph “Notices”, that the relevant consequence of the Potential Adjustment Event shall be the early redemption of the Notes. In case of such early redemption, the Calculation Agent shall give its good faith estimate of the value of such Notes.

### **9.6.2.4 Extraordinary Events**

**“Extraordinary Event”** means any of Merger Event, Tender Offer, Nationalisation, Insolvency, Delisting, De-merger Event, Change in Law or Insolvency Filing, as the case may be.

**“Merger Event”** means in respect of any relevant Shares:

- any reclassification or change of such Shares that results in a transfer of or an irrevocable commitment to transfer all of such Shares outstanding to another entity or person; or
- any consolidation, amalgamation, merger or binding share exchange of the issuer of the relevant Shares with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such issuer is the continuing entity and which does not result in a reclassification or change of all of such Shares outstanding);
- any takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100% of the outstanding Shares of the issuer of the relevant Shares that results in a transfer of or an irrevocable commitment to transfer all such Shares (other than such Shares owned or controlled by such other entity or person); or
- any consolidation, amalgamation, merger or binding share exchange of the issuer of the relevant Shares or its subsidiaries with or into another entity in which the issuer of the relevant Shares is the continuing entity and which does not result in a reclassification or change of all such Shares outstanding but results in the outstanding Shares (other than Shares owned or controlled by such other entity) immediately prior to such event collectively representing less than 50% of the outstanding Shares immediately following such event (a “Reverse Merger”) in each case if the effective date of the Merger Event is on or before the final Valuation Date.

**“Tender Offer”** means a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10% and less than 100% of the outstanding voting shares of the issuer of the relevant Shares, as determined by the Calculation Agent, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Calculation Agent deems relevant.

**“Nationalisation”** means that all the Shares or all the assets or substantially all the assets of the issuer of the relevant Shares are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof.

**“Insolvency”** means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting the issuer of the relevant Shares, (A) all the Shares of that issuer are required to be transferred to a trustee, liquidator or other similar official or (B) holders of the Shares of that issuer become legally prohibited from transferring them (each time as determined in good faith by the Calculation Agent).

**“Delisting”** means that the Exchange announces that pursuant to the rules of such Exchange, the Shares cease (or will cease) to be listed, traded or publicly quoted on the Exchange for any reason (other than a Merger Event or Tender Offer) and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as the Exchange (or where the Exchange is within the European Union, in any member state of the European Union).

**“De-merger Event”** means that the issuer of the relevant Shares is affected by a de-merger (such as, but not limited to, spin off, scission or any operation of a similar nature) leading to the attribution of a basket comprising New Shares and/ or Other Consideration and/ or the relevant Share affected by the de-merger (as the case may be), such basket resulting from such de-merger.

In that respect, **“New Shares”** means ordinary or common shares, whether of the entity or person involved or a third party, that are promptly scheduled to be (i) publicly quoted, traded or listed on an exchange or quotation system located in the same country as the Exchange (or where the Exchange is within the European Union, in any member state of the European Union) and (ii) not subject to any currency exchange controls, trading restrictions or other trading limitations. Other Consideration means cash and/ or any securities (other than New Shares) or assets whether of the entity or person involved or a third party.

**“Change in Law”** means that on or after the Issue Date of the Notes (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Calculation Agent determines in good faith that it has become illegal to hold, acquire or dispose of Hedge Positions relating to the Notes.

**“Insolvency Filing”** means that the issuer of the relevant Shares institutes or has instituted against it by a regulator, supervisor, or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organization or the jurisdiction of its head or home office, or it consents to a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors’ rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official or it consents to such a petition, provided that proceedings instituted or petitions presented by creditors and not consented to by the issuer of the relevant Shares shall not be deemed an Insolvency Filing.

Upon the occurrence on or after the Issue Date up to and including the last Valuation Date, in the determination of the Calculation Agent, of an Extraordinary Event in respect of any Share, the Calculation Agent, on or after the effective date of such Extraordinary Event, may make such adjustments as it, acting in good faith, deems appropriate (including substitution of any affected Share). Such adjustments to be effective as of the date determined by the Calculation Agent, to account for the effect of the relevant Extraordinary Event to protect the theoretical value of the Notes to the Noteholders immediately prior to such Extraordinary Event.

For the avoidance of doubt, if the Calculation Agent determines that no adjustment that it could make would produce a commercially reasonable result, the Calculation Agent will notify the Noteholders, in accordance with the paragraph “Notices”, that the relevant consequence of the Extraordinary Event shall be the early redemption of the Notes. In case of such early redemption, the Calculation Agent shall give its good faith estimate of the value of such Notes.

**9.6.3 Share Index or Basket of Share Indices**

The terms applicable to an Index will differ, depending on whether the Index is specified in the relevant Final Terms to be Multiple Exchange or not. The applicable provisions below will apply.

**9.6.3.1 Terms applicable irrespective of whether an Index is Multiple Exchange or not**

**Definitions**

- Index:** Means the index specified as such in the relevant Final Terms.
- Index Basket:** Means a basket of indices as specified in the relevant Final Terms.
- i:** The addition of the letter i in subscript to any term indicates that this term is meant to apply to each Index in the Index Basket separately.
- w:** Means the weight of a certain Index in the Index Basket.
- Index Sponsor:** Means the corporation or other entity that (a) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to the relevant Index and (b) announces (directly or through an agent) the level for the relevant Index on a regular basis during each Scheduled Trading Day.
- Initial Price:** Means the price specified as such or otherwise determined in the relevant Final Terms or, if no means for determining the Initial Price are so provided: in respect of the Initial Valuation Date, the level of the relevant Index at the Valuation Time on the Initial Valuation Date, as determined by the Calculation Agent, and in respect of the each subsequent Valuation Date, the Final Price for the Valuation Date immediately preceding such Valuation Date, or, if Initial Averaging is specified as applicable under the relevant Final Terms, means the arithmetic mean, as determined by the Calculation Agent on the Initial Valuation Date, of the levels of the relevant Index as of the Valuation Time on each Initial Averaging Date.
- Final Price:** Means the level of the relevant Index at the Valuation Time on the relevant Valuation Date, as determined by the Calculation Agent or, if Averaging is specified as applicable under the relevant Final Terms, means the arithmetic mean, as determined by the Calculation Agent on the Valuation Date, of the levels of the relevant Index as of the Valuation Time on each Averaging Date.
- Initial Valuation Date:** Means the Issue Date or such other date as specified in the relevant Final Terms, and if such date is not a Scheduled Trading Day in respect of the relevant Index, the Initial Price of such Index shall be determined on the basis of the level of such Index as calculated on the immediately following Scheduled Trading Day, subject to Market Disruption, or, if Initial

<b>Valuation Date:</b>	Averaging is specified as applicable, means the final Initial Averaging Date Means any date specified as such in the relevant Final Terms, and if such date is not a Scheduled Trading Day in respect of the relevant Index, the Final Price of such Index shall be determined on the basis of the level of such Index as calculated on the immediately following Scheduled Trading Day, subject to Market Disruption, or, if Averaging is specified as applicable, means the final Averaging Date
<b>Relevant Price</b>	Means the level of the relevant Index determined by the Calculation Agent at the Valuation Time on the relevant Valuation Date.
<b>Scheduled Closing Time:</b>	Means in respect of an Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange or Related Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours.

### **Consequences of Disrupted Days**

If any Valuation Date is a Disrupted Day, then:

- (a) if the Underlying is an Index, the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the scheduled Valuation Date is a Disrupted Day. In that case, (i) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day and (ii) the Calculation Agent shall determine the level of the Index as of the Valuation Time on that eighth Scheduled Trading Day in accordance with the formula for and method of calculating the Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on that eighth Scheduled Trading Day of each security comprised in the Index (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security on that eighth Scheduled Trading Day, its good faith estimate of the value for the relevant security as of the Valuation Time on that eighth Scheduled Trading Day); and
- (b) if the Underlying is a Basket of Indices, the Valuation Date for each Index not affected by the occurrence of a Disrupted Day shall be the scheduled Valuation Date, and the Valuation Date for each Index affected by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to that Index, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day relating to that Index. In that case, (i) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date for the relevant Index, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine the level of that Index as of the Valuation Time on that eighth Scheduled Trading Day in accordance with the formula for and method of calculating that Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on that eighth Scheduled Trading Day of each security comprised in that Index (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security on that eighth Scheduled Trading Day, its good faith estimate of the value for the relevant security as of the Valuation Time on that eighth Scheduled Trading Day).

### **Adjustment to Indices**

(A) If a relevant Index is (i) not calculated and announced by the Index Sponsor but is calculated and announced by a successor sponsor acceptable to the Calculation Agent, or (ii) replaced by a successor index using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of that Index, then that index (the “**Successor Index**”) will be deemed to be the Index.

(B) If (i) on or prior to any Valuation Date in respect of an Index, the relevant Index Sponsor announces that it will make a material change in the formula for or the method of calculating that Index or in any other way materially modifies that Index (other than a modification prescribed in that formula or method to maintain that Index in the event of changes in constituent stock and capitalization and other routine events) (an “**Index Modification**”) or permanently cancels the Index and no Successor Index exists (an “**Index Cancellation**”) or (ii) on any Valuation Date, the Index Sponsor fails to calculate and announce a relevant Index (an “**Index Disruption**” and together with an Index Modification and an Index Cancellation, each an “**Index Adjustment Event**”), the Calculation Agent shall determine if such Index Adjustment Event has a material effect on the Notes and if so, shall calculate the level of the Index, using, in lieu of a published level for that Index, the level for that Index as at that Valuation Date as determined by the Calculation Agent in accordance with the formula for and the method of calculating that Index last in effect prior to the change, failure or cancellation, but using only those securities that comprised that Index immediately prior to that Index Adjustment Event.

For the purpose hereof “**Index Sponsor**” means the corporation or other entity that (a) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to the Index and (b) announces (directly or through an agent) the level of the Index on a regular basis during each Scheduled Trading Day.

### **Change in Law**

Upon the occurrence on or after the Issue Date up to and including the last Valuation Date, in the determination of the Calculation Agent, of a Change in Law in respect of any Index, the Calculation Agent, on or after the effective date of such Change in Law, may make such adjustments as it, acting in good faith, deems appropriate. Such adjustments to be effective as of the date determined by the Calculation Agent, to account for the effect of the Change in Law to protect the theoretical value of the Notes to the Noteholders immediately prior to such Change in Law.

In that respect, “**Change in Law**” means that, on or after the Issue Date (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Calculation Agent determines in good faith that it has become illegal to hold, acquire or dispose of Hedge Positions relating to the Notes.

For the avoidance of doubt, if the Calculation Agent determines that no adjustment that it could make would produce a commercially reasonable result, the Calculation Agent will notify the Noteholders, in accordance with the paragraph “Notices”, that the relevant consequence of the Index Adjustment Event or Change in Law shall be the early redemption of the Notes. In case of such early redemption, the Calculation Agent shall give its good faith estimate of the value of such Notes.

#### **9.6.3.2 Terms applicable to an Index that is not Multiple Exchange**

<b>Exchange:</b>	Means each exchange or quotation system specified as such for such Index in the relevant Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the Shares underlying such Index has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to such Share on such temporary substitute exchange or quotation system as on the original Exchange).
<b>Related Exchange:</b>	Means, each exchange or quotation system specified as such for the relevant Index in the relevant Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to such Index has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to such Index on such temporary substitute exchange or quotation system as on the original Related Exchange), provided, however, that where “All Exchanges” is specified as the Related Exchange in the relevant Final Terms, “Related Exchange” shall mean each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to such Index.
<b>Valuation Time:</b>	Means the time on the relevant Valuation Date, specified as such in the related Final terms or, if no such time is specified, the Scheduled Closing Time on the relevant Exchange on the relevant Valuation Date, in relation to each Index to be valued. If the relevant Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Valuation Time shall be such actual closing time.
<b>Scheduled Trading Day:</b>	Means any day on which the Exchange and each Related Exchange are scheduled to be open for trading for their respective regular trading sessions.
<b>Exchange Business Day:</b>	Means any Scheduled Trading Day on which each Exchange and each Related Exchange are open for trading during their respective regular trading sessions, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time.

### **Market Disruption**

“**Market Disruption Event**” means in respect of an Index, the occurrence or existence of (i) a Trading Disruption, (ii) an Exchange Disruption, which in either case the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time or (iii) an Early Closure. For the purposes of determining whether a Market Disruption Event exists at any time, if a Market Disruption Event occurs in respect of a security included in

the relevant Index at any time, then the relevant percentage contribution of that security to the level of the Index shall be based on a comparison of (x) the portion of the level of the Index attributable to that security and (y) the overall level of the Index, in each case immediately before the occurrence of such Market Disruption Event.

In that respect, “**Trading Disruption**” means any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise (i) relating to securities that comprise 20 percent or more of the level of the relevant Index, or (ii) in futures or options contracts relating to the relevant Index on any relevant Related Exchange.

In that respect, “**Exchange Disruption**” means any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general to effect transactions in, or obtain market values for, (i) securities that comprise 20 percent or more of the level of the relevant Index, or (ii) in futures or options contracts relating to the relevant Index on any relevant Related Exchange.

In that respect, “**Early Closure**” means the closure on any Exchange Business Day of any relevant Exchange(s) relating to securities that comprise 20 percent or more of the level of the relevant Index or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or Related Exchange(s) at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange(s) or Related Exchange(s) on such Exchange Business Day and (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day.

In addition, in that respect “**Disrupted Day**” means any Scheduled Trading Day on which a relevant Exchange or any Related Exchange fails to open for trading during its regular trading session or on which a Market Disruption Event has occurred.

**9.6.3.3 Terms applicable to an Index that is Multiple Exchange**

- Exchange:** Means in respect of each component security of the Index (each, a “Component Security”), the principal stock exchange on which such Component Security is principally traded, as determined by the Calculation Agent.
- Related Exchange:** Means, each exchange or quotation system specified as such for the relevant Index in the relevant Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to such Index has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to such Index on such temporary substitute exchange or quotation system as on the original Related Exchange), provided, however, that where “All Exchanges” is specified as the Related Exchange in the relevant Final Terms, “Related Exchange” shall mean each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to such Index.
- Valuation Time:** Means: (i) for the purposes of determining whether a Market Disruption Event has occurred: (a) in respect of any Component Security, the Scheduled Closing Time on the Exchange in respect of such Component Security, and (b) in respect of any options contracts or future contracts on the Index, the close of trading on the Related Exchange; and (ii) in all other circumstances, the time at which the official level of the Index is calculated and published by the Index Sponsor.
- Scheduled Trading Day:** Means any day on which: (i) the Index Sponsor is scheduled to publish the level of the Index and (ii) the Related Exchange is scheduled to be open for trading for its regular trading session.
- Exchange Business Day:** Means any Scheduled Trading Day on which (i) the Index Sponsor publishes the level of the Index; and (ii) the Related Exchange is open for trading during its respective regular trading session, notwithstanding any Exchange or the Related Exchange closing prior to its Scheduled Closing Time.

Market Disruption

“**Market Disruption Event**” means either

- (i) (a) the occurrence or existence, in respect of any Component Security of:

- (1) a Trading Disruption in respect of such Component Security, which the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time in respect of the Exchange on which such Component Security is principally traded;
- (2) an Exchange Disruption in respect of such Component Security, which the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time in respect of the Exchange on which such Component Security is principally traded; OR
- (3) an Early Closure in respect of such Component Security; AND
- (b) the aggregate of all Component Security in respect of which a Trading Disruption, an Exchange Disruption or an Early Closure occurs or exists comprises 20 per cent. or more of the level of the Index; OR
- (ii) the occurrence or existence, in respect of futures or options contracts relating to the Index, of: (a) a Trading Disruption; (b) an Exchange Disruption, which in either case the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time in respect of the Related Exchange; or (c) an Early Closure, in each case in respect of such futures or options contracts.

For the purposes of determining whether a Market Disruption Event in respect of any Index exists at any time, if a Market Disruption Event occurs in respect of a Component Security at any time, then the relevant percentage contribution of that Component Security to the level of the Index shall be based on a comparison of (x) the portion of the level of the Index attributable to that Component Security and (y) the overall level of the Index, in each case using the official opening weightings as published by the Index Sponsor as part of the market “opening data”.

In that respect, “**Trading Disruption**” means any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise (i) relating to any Component Security on the Exchange in respect of such Component Security; or (ii) in futures or options contracts relating to the Index on the Related Exchange.

In that respect, “**Exchange Disruption**” means any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general to effect transactions in, or obtain market values for: (i) any Component Security on the Exchange, in respect of such Component Security; or (ii) in futures or options contracts relating to the Index on the Related Exchange.

In that respect, “**Early Closure**” means the closure on any Exchange Business Day of the Exchange in respect of any Component Security or the Related Exchange prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange or Related Exchange (as the case may be) at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange or Related Exchange (as the case may be) on such Exchange Business Day and (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the relevant Valuation Time on such Exchange Business Day.

In addition, in that respect “**Disrupted Day**” means any Scheduled Trading Day on which: (i) the Index Sponsor fails to publish the level of the Index; (ii) the Related Exchange fails to open for trading during its regular trading session; or (iii) a Market Disruption Event has occurred.

## 9.6.4 Fund or Basket of Funds

### 9.6.4.1 Definitions

<b>Reference Fund:</b>	Means the Reference Fund specified as such in the relevant Final Terms.
<b>Fund Basket:</b>	Means a basket of Reference Funds as specified in the relevant Final Terms.
<b>i:</b>	The addition of the letter i in subscript to any term indicates that this term is meant to apply to each Reference Fund in the Fund Basket separately.
<b>w:</b>	Means the weight of a certain Reference Fund in the Fund Basket.
<b>Fund Interest Unit:</b>	Means a notional unit of account of ownership in a Reference Fund, whether a share or another type of unit.
<b>Initial Price:</b>	Means the price specified as such or otherwise determined in the relevant Final Terms or, if no means for determining the Initial Price are so provided: in respect of the Initial Valuation Date, the Relevant Price of a Fund Interest Unit in the relevant Reference Fund for the Initial Valuation Date, as determined by the Calculation Agent, and in respect of the each subsequent Valuation Date, the Final Price for the Valuation Date immediately preceding such Valuation Date, or, if Initial Averaging is specified as applicable under the relevant Final Terms, means the arithmetic mean, as determined by the Calculation Agent on the Initial Valuation Date, of the prices of the relevant Fund Interest Unit in the relevant Reference Fund as of the

<b>Final Price:</b>	Valuation Time on each Initial Averaging Date. Means the Relevant Price of a Fund Interest Unit in the relevant Reference Fund for the relevant Valuation Date, as determined by the Calculation Agent or, if Averaging is specified as applicable under the relevant Final Terms, means the arithmetic mean, as determined by the Calculation Agent on the Valuation Date, of the prices of the relevant Fund Interest Unit in the relevant Reference Fund as of the Valuation Time on each Averaging Date.
<b>Initial Valuation Date:</b>	Means the Issue Date or such other date as specified in the relevant Final Terms, and if such date is not a Scheduled Fund Valuation Date in respect of the relevant Reference Fund, the Initial Price of a Fund Interest Unit in such Reference Fund shall be determined on the basis of the Relevant Price of such Fund Interest Unit as calculated on the immediately following Scheduled Fund Valuation Date, or, if Initial Averaging is specified as applicable, means the final Initial Averaging Date
<b>Valuation Date:</b>	Means any date specified as such in the relevant Final Terms, and if such date is not a Scheduled Fund Valuation Date in respect of the relevant Reference Fund, the Final Price of a Fund Interest Unit in such Reference Fund shall be determined on the basis of the Relevant Price of such Fund Interest Unit as calculated on the immediately following Scheduled Fund Valuation Date, or, if Averaging is specified as applicable, means the final Averaging Date
<b>Relevant Price:</b>	Means the price of the relevant Fund Interest Unit as published by the Fund Administrator. In case a price in respect of any Valuation Date is not published by the fourth Scheduled Fund Valuation Date, the Calculation Agent may determine such price taking into account prevailing market conditions.
<b>Scheduled Fund Valuation Date:</b>	Means any date in respect of which the relevant Reference Fund (or its service provider that generally determines such value) is scheduled, according to its Fund Documents (without giving effect to any gating, deferral, suspension or other provisions permitting the Reference Fund to delay or refuse redemption of Fund Interest Units); to determine the value of such Fund Interest Unit or, if the relevant Reference Fund only reports its aggregate net asset value, the date in respect of which such Reference Fund is scheduled to determine its aggregate net asset value.
<b>Fund Documents:</b>	Means, with respect to any Fund Interest Unit, the constitutive and governing documents, subscription agreements and other agreements of the related Reference Fund specifying the terms and conditions relating to such Fund Interest Unit, as amended from time to time.

#### **9.6.4.2 Potential Adjustment Events**

Upon the occurrence on or after the Issue Date up to and including the last Valuation Date of a Potential Adjustment Event (as defined below), the Calculation Agent will determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the relevant Fund Interest Units and if so will:

- (i) make the corresponding adjustment(s), if any, to any relevant variable in the Variable Linked formulae of the Notes, which may include the Initial Price or the Final Price, used to calculate any Variable Linked Rate or Variable Linked Redemption Amount as the Calculation Agent determines appropriate to account for that diluting or concentrative effect (provided that no adjustments will be made to account solely for changes in volatility, expected dividends or liquidity relative to the relevant Fund Interest Unit) and
- (ii) determine the effective date(s) of the adjustment(s).

For the purpose hereof, “**Potential Adjustment Event**” shall mean any of the following:

- a subdivision, consolidation or reclassification of relevant Fund Interest Units or a free distribution or dividend of any such Fund Interest Units to existing holders by way of bonus, capitalisation or similar issue;
- a distribution, issue or dividend to existing holders of the relevant Fund Interest Units of (a) an additional amount of such Fund Interest Units, or (b) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Reference Fund equally or proportionately with such payments to holders of such Fund Interest Units, or (c) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the Reference Fund as a result of a spin-off or other similar transaction or (d) any other type of securities, rights or warrants or other assets, in any case for payment (cash or other consideration) at less than the prevailing market price as determined by the Calculation Agent;

- an extraordinary dividend as determined by the Calculation Agent;
- a repurchase by the Reference Fund of relevant Fund Interest Units whether the consideration for such repurchase is cash, securities or otherwise, other than in respect of a redemption of Fund Interest Units initiated by an investor in such Fund Interest Units initiated by an investor in such Fund Interest Units that is consistent with the Fund Documents; or
- any other event that may have a diluting or concentrative effect on the theoretical value of the relevant Fund Interest Units.

If the Calculation Agent determines that no adjustment that it could make would produce a commercially reasonable result, the Calculation Agent may notify the Noteholders, in accordance with the paragraph “Notices”, that the relevant consequence of the Potential Adjustment Event shall be the early redemption of the Notes. In case of such early redemption, the Calculation Agent shall give its good faith estimate of the value of such Notes.

### **9.6.4.3 Extraordinary Events**

Means any of Nationalisation, Insolvency, Fund Insolvency Event, Fund Modification, Strategy Breach, Fund Hedging Disruption, Regulatory Action, Reporting Disruption, Change in Law and Increased Cost of Hedging.

“**Nationalisation**” means that all the Fund Interest Units or all or substantially all the assets of a Reference Fund are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof.

“**Insolvency**” means that by reason of voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting a Reference Fund, (i) all the fund Interests of that Reference Fund are required to be transferred to a trustee, liquidator or other similar official or (ii) holders of the Fund Interest Units of that Reference Fund become legally prohibited from transferring or redeeming them.

“**Fund Insolvency Event**” means, in respect of any Fund Interest Unit, that the related Reference Fund (i) is dissolved or has a resolution passed for its dissolution, winding-up, official liquidation (other than pursuant to a consolidation, amalgamation or merger); (ii) makes a general assignment or arrangement with or for the benefit of its creditors; (iii) (A) institutes or has instituted against it, by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organization or the jurisdiction of its head or home office, a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors’ rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official, or (B) has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors’ rights, or a petition is presented for its winding-up or liquidation, and such proceeding or petition is instituted or presented by a person or entity not described in clause (A) above and either (x) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (y) is not dismissed, discharged, stayed or restrained in each case within fifteen days of the institution or presentation thereof; (iv) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (v) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all of its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within fifteen days thereafter; or (vi) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (v) through (vi) above.

“**Fund Modification**” means (i) any change or modification of the related Fund Documents that could reasonably be expected to affect the value of such Fund Interest or the rights or remedies of any holders thereof, in each case, as determined by the Calculation Agent, or (ii) the Reference Fund Investment Manager imposes fees or dealing rules that increase the effective dealing costs relating to any Reference Fund.

“**Strategy Breach**” means any breach or violation of any strategy or investment guidelines stated in the related Fund Documents that is reasonably likely to affect the value of such Fund Interest or the rights or remedies of any holders thereof, in each case, as determined by the Calculation Agent.

“**Fund Hedging Disruption**” means that the Issuer [or the Guarantor] is unable, or it is impractical for the Issuer [or Guarantor], after using commercially reasonable efforts, to (i) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary or appropriate to hedge the price risk relating to such

Fund Interest Unit of entering into and performing its obligations under the Notes, or (ii) realize, recover or remit the proceeds of any such transaction or asset, including, without limitation, where such inability or impracticability has arisen by reason of (A) any restrictions or increase in charges or fees imposed by the relevant Reference Fund on any investor's ability to redeem such Fund Interest Unit, in whole or in part, or any existing or new investor's ability to make new or additional investments in such Fund Interest Unit, or (B) any mandatory redemption, in whole or in part, of such Fund Interest Unit imposed by the relevant Reference Fund.

**“Regulatory Action”** means, with respect to any Fund Interest Unit, (i) cancellation, suspension or revocation of the registration or approval of such Fund Interest Unit or the related Reference Fund by any governmental, legal or regulatory entity with authority over such Fund Interest Unit or Reference Fund, (ii) any change in the legal, tax, accounting, or regulatory treatments of the relevant Reference Fund that is reasonably likely to have an adverse impact on the value of such Fund Interest Unit or on any investor therein (as determined by the Calculation Agent), or (iii) the related Reference Fund or its Fund Investment Manager becoming subject to any investigation, proceeding or litigation by any relevant governmental, legal or regulatory authority involving the alleged violation of applicable law for any activities relating to or resulting from the operation of such Reference Fund or Fund Investment Manager.

**“Reporting Disruption”** means, in respect of any Fund Interest Unit, the occurrence of any event affecting such Fund Interest Unit that, in the determination of the Calculation Agent, would make it impossible or impracticable for the Calculation Agent to determine the value of such Fund Interest Unit, and such event is expected to continue for the foreseeable future.

**“Change in Law”** means that on or after the Issue Date (i) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (ii) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Calculation Agent determines in good faith that it has become illegal to hold, acquire or dispose of Hedge Positions in the Notes.

**“Increased Cost of Hedging”** means that the Issuer [or the Guarantor] would incur a materially increased amount of tax, duty, expense or fee (other than brokerage commissions) to (i) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transactions(s) or asset(s) it deems necessary to hedge the price risk relating to any Fund Interest Unit under the Notes, or (ii) realize, recover or remit the proceeds of any such transaction(s) or asset(s), provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer [or Guarantor] shall not be deemed an Increased Cost of Hedging.

Upon the occurrence on or after the Issue Date up to and including the last Valuation Date, in the determination of the Calculation Agent, of an Extraordinary Event in respect of any Reference Fund, the Calculation Agent, on or after the effective date of such Extraordinary Event, may make such adjustments as it, acting in good faith, deems appropriate (including substitution of any affected Share). Such adjustments to be effective as of the date determined by the Calculation Agent, to account for the effect of the relevant Extraordinary Event to protect the theoretical value of the Notes to the Noteholders immediately prior to such Extraordinary Event.

For the avoidance of doubt, if the Calculation Agent determines that no adjustment that it could make would produce a commercially reasonable result, the Calculation Agent will notify the Noteholders, in accordance with the paragraph “Notices”, that the relevant consequence of the Extraordinary Event shall be the early redemption of such Notes. For Nationalisation and Insolvency, the relevant consequence will always be the early redemption of the Notes. In case of such early redemption, the Calculation Agent shall give its good faith estimate of the value of such Notes.

**9.6.5 Commodity or Basket of Commodities**

**9.6.5.1 Definitions**

- Commodity:** Means the Commodity specified as such in the relevant Final Terms.
- Commodity Basket:** Means a basket of Commodities as specified in the relevant Final Terms.
- i:** The addition of the letter i in subscript to any term indicates that this term is meant to apply to each Commodity in the Commodity Basket separately.
- w:** Means the weight of a certain Commodity in the Commodity Basket.
- Initial Price:** Means the price specified as such or otherwise determined in the relevant Final Terms or, if no means for determining the Initial Price are so provided: in respect of the Initial Valuation Date, the price of the relevant Commodity on the Initial Valuation Date, as determined by the Calculation Agent, and in respect of the each subsequent Valuation Date, the Final Price for the Valuation Date immediately preceding such Valuation Date or, if Initial Averaging is specified as applicable

under the relevant Final Terms, means the arithmetic mean, as determined by the Calculation Agent on the Initial Valuation Date, of the prices of the relevant Commodity or Commodity Basket as of the Valuation Time on each Initial Averaging Date..

<b>Final Price:</b>	Means the price of the relevant Commodity at the Valuation Time on the relevant Valuation Date, as determined by the Calculation Agent or, if Averaging is specified as applicable under the relevant Final Terms, means the arithmetic mean, as determined by the Calculation Agent on the Valuation Date, of the prices of the relevant commodity or Commodity Basket as of the Valuation Time on each Averaging Date.
<b>Initial Valuation Date:</b>	Means the Issue Date or such other date as specified in the relevant Final Terms, and if such date is not a Commodity Business Day in respect of the relevant Commodity, the Initial Price of such Commodity shall be determined on the basis of the price of such Commodity as calculated on the immediately following Commodity Business Day, subject to Market Disruption, or, if Initial Averaging is specified as applicable, means the final Initial Averaging Date.
<b>Valuation Date:</b>	Means any date specified as such in the relevant Final Terms, and if such date is not a Commodity Business Day in respect of the relevant Commodity, the Final Price of such Commodity shall be determined on the basis of the Relevant Price of such Commodity as calculated on the immediately following Commodity Business Day, subject to Market Disruption, or, if Averaging is specified as applicable, means the final Averaging Date
<b>Relevant Price</b>	Means the price of the relevant Commodity determined by the Calculation Agent at the Valuation Time on the relevant Valuation Date.
<b>Commodity Business Day:</b>	Means for the relevant Commodity a day that is (or, but for the occurrence of a Market Disruption Event, would have been) a day on which the relevant Exchange is open for trading during its regular trading session, notwithstanding any such Exchange closing prior to its scheduled closing time.
<b>Exchange:</b>	Means the exchange or principal trading market specified in the relevant Final Terms.

#### **9.6.5.2 Market Disruption**

“**Market Disruption Event**” means any of (i) Price Source Disruption, (ii) Trading Disruption, (iii) Disappearance of Commodity, (iv) Material Change in Formula, (v) Material Change in Content or (vi) Tax Disruption, as defined below, except that for a Commodity that is Bullion, (iv) Material Change in Formula and (v) Material Change in Content will not apply.

- (i) “**Price Source Disruption**” means (A) the failure of the Price Source to announce or publish the price (or the information necessary for determining the price) for the relevant Commodity; or (B) the temporary or permanent discontinuance or unavailability of the Price Source.
- (ii) “**Trading Disruption**” means the material suspension of, or the material limitation imposed on, trading in the futures contract on the Commodity or the Commodity on the Exchange. For these purposes:
  - (A) a suspension of the trading in the futures contract on the Commodity or the Commodity on any Commodity Business Day shall be deemed to be material only if:
    - (1) all trading in the futures contract on the Commodity or the Commodity is suspended for the entire day; or
    - (2) all trading in the futures contract on the Commodity or the Commodity is suspended subsequent to the opening of trading on that day, trading does not recommence prior to the regularly scheduled close of trading in such futures contract on the Commodity or Commodity on such day and such suspension is announced less than one hour preceding its commencement; and
  - (B) a limitation of trading in the futures contract on the Commodity or the Commodity on any Commodity Business Day shall be deemed to be material only if the relevant Exchange establishes limits on the range within which the price of the futures contract on the Commodity or the Commodity may fluctuate and the closing or settlement price of the futures contract on the Commodity or the Commodity on such day is at the upper or lower limit of that range.
- (iii) “**Disappearance of Commodity**” means:
  - (A) the permanent discontinuation of trading, in the relevant futures contract on the Commodity; or
  - (B) the disappearance of, or of trading in, the relevant Commodity; or
  - (C) the disappearance or permanent discontinuance or unavailability of a price for the Commodity, notwithstanding the availability of the related Price Source or the status of trading in the relevant futures contract on the Commodity or the relevant Commodity.

- (iv) “**Material Change in Formula**” means the occurrence of a material change in the formula for or the method of calculating the relevant price of the Commodity.
- (v) “**Material Change in Content**” means the occurrence of a material change in the content, composition or constitution of the Commodity or relevant futures contract on the Commodity.
- (vi) “**Tax Disruption**” means the imposition of, change in or removal of an excise, severance, sales, use, value-added, transfer, stamp, documentary, recording or similar tax on, or measured by reference to, the relevant Commodity (other than a tax on, or measured by reference to overall gross or net income) by any government or taxation authority, if the direct effect of such imposition, change or removal is to raise or lower the Relevant Price on the day that would otherwise be a Pricing Date from what it would have been without that imposition, change or removal.

“**Bullion**” means Gold, Silver, Platinum or Palladium, as the case may be.

In case a Market Disruption Event occurs the Calculation Agent will determine in good faith and in a commercially reasonable manner the Final Price of the relevant Commodity (or a method for determining the Final Price of the relevant Commodity).

If the Calculation Agent determines that no adjustment that it could make would produce a commercially reasonable result, the Calculation Agent may notify the Noteholders, in accordance with the paragraph “Notices”, that the relevant consequence of the Market Disruption Event shall be the early redemption of the Notes. In case of such early redemption, the Calculation Agent shall give its good faith estimate of the value of such Notes.

## 9.6.6 Commodity Index or Basket of Commodity Indices

### 9.6.6.1 Definitions

<b>Commodity Index:</b>	Means the Commodity Index specified as such in the relevant Final Terms.
<b>Commodity Index Basket:</b>	Means a basket of Commodities Indices as specified in the relevant Final Terms.
<b>i:</b>	The addition of the letter i in subscript to any term indicates that this term is meant to apply to each Commodity Index in the Commodity Index Basket separately.
<b>w:</b>	Means the weight of a certain Commodity Index in the Commodity Index Basket.
<b>Initial Price:</b>	Means the price specified as such or otherwise determined in the relevant Final Terms or, if no means for determining the Initial Price are so provided: in respect of the Initial Valuation Date, the level of the relevant Commodity Index or Basket on the Initial Valuation Date, as determined by the Calculation Agent, and in respect of the each subsequent Valuation Date, the Final Price for the Valuation Date immediately preceding such Valuation Date or, if Initial Averaging is specified as applicable under the relevant Final Terms, means the arithmetic mean, as determined by the Calculation Agent on the Initial Valuation Date, of the levels of the relevant Commodity Index or Commodity Index Basket as of the Valuation Time on each Initial Averaging Date.
<b>Final Price:</b>	Means the level of the relevant Commodity Index at the Valuation Time on the relevant Valuation Date, as determined by the Calculation Agent or, if Averaging is specified as applicable under the relevant Final Terms, means the arithmetic mean, as determined by the Calculation Agent on the Valuation Date, of the levels of the relevant Commodity Index or Commodity Index Basket as of the Valuation Time on each Averaging Date.
<b>Initial Valuation Date:</b>	Means the Issue Date or such other date as specified in the relevant Final Terms, and if such date is not a Scheduled Publication Day in respect of the relevant Commodity Index, the Initial Price of such Commodity Index shall be determined on the basis of the price of such Commodity Index as calculated on the immediately following Scheduled Publication Day, subject to the occurrence of any Commodity Index Event, or, if Initial Averaging is specified as applicable, means the final Initial Averaging Date
<b>Valuation Date:</b>	Means any date specified as such in the relevant Final Terms, and if such date is not a Scheduled Publication Day in respect of the relevant Commodity Index, the Final Price of such Commodity Index shall be determined on the basis of the Relevant Price of such Commodity Index as calculated on the immediately following Scheduled Publication Day, subject to the occurrence of any Commodity Index Event, or, if Averaging is specified as applicable, means the final Averaging Date
<b>Relevant Price</b>	Means the level of the relevant Index or Basket determined by the Calculation Agent at the Valuation Time on the relevant Valuation Date.

**Scheduled Publication Day:** Means any day on which the Commodity Index Sponsor is scheduled to publish the level of the relevant Commodity Index.

**Commodity Index Sponsor:** Means the corporation or other entity that (a) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to the relevant Commodity Index and (b) announces (directly or through an agent) the level of the Commodity Index on a regular basis.

**9.6.6.2 Commodity Index Event**

If, in the opinion of the Calculation Agent, any Commodity Index is modified by the Commodity Index Sponsor, cancelled by the Commodity Index Sponsor, replaced by a successor commodity index or remains unpublished by the Commodity Index Sponsor, or if, in the opinion of the Calculation Agent, a Commodity Index Market Disruption Event occurs (any of the above events, a “Commodity Index Event”), the Calculation Agent shall determine in its sole discretion, but in good faith and in a commercially reasonable manner, how such Commodity Index Event affects the Notes and what its consequences should be.

If the Calculation Agent determines that no adjustment that it could make would produce a commercially reasonable result, the Calculation Agent may notify the Noteholders, in accordance with the paragraph “Notices”, that the relevant consequence of the Commodity Index Event shall be the early redemption of the Notes. In case of such early redemption, the Calculation Agent shall give its good faith estimate of the value of such Notes.

A “Commodity Index Market Disruption Event” means any of (a) the termination or suspension of, or material limitation or disruption in, the trading of any exchange-traded futures contract included in a relevant Commodity Index, and (b) the settlement price of any such contract has increased or decreased by an amount equal to the maximum permitted price change from the previous day’s settlement price, or (c) the exchange fails to publish official settlement prices for any such contract.

**9.6.7 Inflation Index**

**9.6.7.1 Definitions**

**Index:** Means the index specified as such in the relevant Final Terms.

**Initial Index:** Means the level of the index determined by the Calculation Agent in accordance with the relevant Final Terms.

**Final Index:** Means the level of the index determined by the Calculation Agent in accordance with the relevant Final Terms.

**Index Sponsor:** Means the sponsor of the Index as specified in the Final Terms.

**Reference Month:** Means the calendar month for which the level of the Index was reported, regardless of when this information is published or announced.

**9.6.7.2 Events affecting the Index**

(i) Delay of Publication

If any level of the Index for a Reference Month has not been published or announced by the day that is five Business Days prior to the next Interest Payment Date, the Calculation Agent may either determine the level of the Index based on its own calculations or make any adjustment to the Notes as it may deem appropriate.

If the Calculation Agent determines that no adjustment that it could make would produce a commercially reasonable result, the Calculation Agent may notify the Noteholders, in accordance with Condition 9.16 “Notices”, that the Notes will be redeemed early. In case of such early redemption, the Calculation Agent shall give its good faith estimate of the value of the Notes.

(ii) Cessation of Publication

If a level for the Index has not been published or announced for two consecutive months or the Index Sponsor announces that it will no longer continue to publish or announce the Index then the Calculation Agent may determine a successor Index or make any adjustment to the Notes as it may deem appropriate.

If the Calculation Agent determines that no appropriate successor Index exists, or that no adjustment that it could make would produce a commercially reasonable result, the Calculation Agent may notify the Noteholders, in accordance with Condition 9.16 “Notices”, that the Notes will be redeemed early. In case of such early redemption, the Calculation Agent shall give its good faith estimate of the value of the Notes.

(iii) Rebasing of the Index

If the Calculation Agent determines that the Index has been or will be rebased at any time, the Index as so rebased will be used for purposes of determining the level of the Index from the date of such rebasing; provided, however, that the Calculation Agent may make such adjustments to the Notes as it may deem appropriate.

If the Calculation Agent determines that no adjustment that it could make would produce a commercially reasonable result, the Calculation Agent may notify the Noteholders, in accordance with Condition 9.16 “Notices”, that the Notes will be redeemed early. In case of such early redemption, the Calculation Agent shall give its good faith estimate of the value of the Notes.

(iv) Material Modification

If, on or prior to the day that is five Business Days before an Interest Payment Date, the Index Sponsor announces that it will make a material change to the Index, then the Calculation Agent may make any such adjustment to the Index or to the Notes as it may deem appropriate.

If the Calculation Agent determines that no adjustment that it could make would produce a commercially reasonable result, the Calculation Agent may notify the Noteholders, in accordance with Condition 9.16 “Notices”, that the Notes will be redeemed early. In case of such early redemption, the Calculation Agent shall give its good faith estimate of the value of the Notes.

**9.7 ROUNDING**

For the purposes of any calculations required pursuant to these Terms and Conditions (unless otherwise specified in the relevant Final Terms), (i) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), and (ii) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up). For these purposes “unit” means, the lowest amount of such currency that is available as legal tender in the country of such currency.

**9.8 STATUS**

**9.8.1 Status of Senior Notes**

The Notes that are specified in the Final Terms to be Senior Notes and the payments of principal and interest relating to them are direct, unconditional and unsecured obligations of the Issuer and rank at all times *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the relevant Issuer, present and future, but, in the event of insolvency, only to the extent permitted by laws relating to creditors’ rights.

## 9.8.2 Status of Senior Subordinated Notes

The Notes that are specified in the Final Terms to be Senior Subordinated Notes and the payments of principal and interest relating to them are direct, unsecured and senior subordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligation of the Issuer under the Senior Subordinated Notes and the payments of principal and interest relating to them shall at all times rank equally with all other Senior Subordinated Obligations (as defined below).

Senior Subordinated Notes that constitute Lower Tier II Capital will have a minimum maturity of five years.

Early Redemption for any Senior Subordinated Notes can only occur at the option of the relevant Issuer. In case of early redemption by the Issuer an approval must be obtained from the National Bank of Belgium.

In the event of a moratorium (in the case of DEXIA BANK “réorganisation judiciaire/gerechtelijke reorganisatie” and in the case of DFN “*surseance van betaling*”<sup>1</sup>), bankruptcy (“*faillite/faillissement*”) or liquidation of the Issuer (other than a voluntary liquidation in connection with a reconstruction, merger or amalgamation where the continuing corporation assumes all the liabilities of the Issuer), the rights of the holders of Senior Subordinated Notes shall rank ahead of:

- (i) those persons whose claims are in respect of any class of equity (including preference shares) of the Issuer; and
- (ii) creditors whose claims are in respect of any obligations of the Issuer that rank or are expressed to rank (whether only in the winding up of the Issuer or otherwise) junior to Senior Subordinated Obligations,

but shall be subordinated to the claims of:

- (iii) all Senior Creditors of the relevant Issuer.

“**Senior Creditors**” means all creditors who are depositors or other general, unsubordinated creditors; and

“**Senior Subordinated Obligations**” means all indebtedness and monetary obligations of the relevant Issuer present and future, including any guarantee by the relevant Issuer, that rank or are expressed to rank junior in right of payment (whether only in the event of the winding up of the relevant Issuer or otherwise) to the claims of Senior Creditors but that are not subordinated so as to rank in point of subordination to any other obligations of the relevant Issuer.

## 9.9 CLEARING SYSTEMS

The clearing systems operated by Euroclear Bank S.A./N.V. (“Euroclear”), Clearstream Banking, société anonyme (“Clearstream, Luxembourg”), the BNB system, and such other clearing system as may be agreed between the Issuer and the Fiscal Agent and as specified in the relevant Final Terms.

## 9.10 EVENTS OF DEFAULT

In any of the following events (“Events of Default”) any Noteholder may by written notice to the Issuer and, in the case of DFN Notes, the Guarantor at its or their specified office declare his Note or Notes immediately due and payable, and thereupon an early redemption shall occur, unless, prior to the giving of such notice, all Events of Default shall have been cured:

- (a) if default is made by the Issuer for a period of 30 calendar days or more in the payment of the final Redemption Amount, or interest on the Notes when and as the same shall become due and payable; or
- (b) in the event of default by the Issuer or, in the case of DFN Notes, the Guarantor, as the case may be, in the due performance of any other obligation under the terms and conditions of the Notes, unless remedied within 45 days after receipt of a written notice thereof given by any Noteholder; or
- (c) in the event of a merger, consolidation or other reorganisation of the Issuer or, in the case of DFN Notes, the Guarantor with, or a sale or other transfer by the Issuer or, in the case of DFN Notes, the Guarantor of all or a substantial part of its assets to, any other incorporated or unincorporated person or legal entity, unless, in each

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<sup>1</sup> This concept under Dutch law means “suspension of payment”.

case not involving or arising out of insolvency, the person or entity surviving such merger, consolidation or other reorganisation or to which such assets shall have been sold or transferred shall have assumed expressly and effectively or by law all obligations of the Issuer or, in the case of DFN Notes, the Guarantor, as the case may be, with respect to the Notes and, the interests of the holders of Notes are not materially prejudiced thereby; or

(d) in the event that the Issuer or, in the case of DFN Notes, the Guarantor is adjudicated bankrupt or insolvent, or admits in writing its inability to pay its debts as they mature, or makes an assignment for the benefit of its creditors, or enters into a composition with its creditors, or applies for a moratorium, or institutes or has instituted any proceedings under any applicable bankruptcy law, insolvency law, composition law or any law governing the appointment of a receiver, administrator, trustee or other similar official for the whole or any substantial part of its assets or property or any other similar law, or in the event that any such proceedings are instituted against the Issuer or, in the case of DFN Notes, the Guarantor and remain undismissed for a period of 30 days, or

(e) if, for any reason, the Guarantee ceases to be in full force and effect.

Notice of any Event of Default shall be given to the Noteholders in accordance with the Condition *9.16 Notices*.

## **9.11 MODIFICATIONS OF THE AGENCY AGREEMENT**

The Issuer and, in the case of DFN Notes, the Guarantor shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the Noteholders.

## **9.12 RESPONSIBILITY OF THE CALCULATION AGENT**

All calculations shall be made in a commercially reasonable manner. The Calculation Agent shall have no responsibility to Noteholders for good faith errors or omissions in its calculations (without limitation, errors or omissions due to events which are not under the direct control of the Calculation Agent) and determinations as provided in the Terms and Conditions, except for those resulting from the gross negligence or wilful misconduct of the Calculation Agent. The calculations and determinations of the Calculation Agent shall be made in accordance with the Terms and Conditions (having regard in each case to the criteria stipulated herein and where relevant on the basis of information provided to or obtained by employees or officers of the Calculation Agent responsible for making the relevant calculation or determination) and shall, in the absence of manifest error, be final, conclusive and binding on the Issuer and the Noteholders. The Calculation Agent acts solely as agent of the Issuer and does not assume any obligations or duty to, or any relationship of agency or trust for or with, the Noteholders.

## **9.13 PRESCRIPTION**

Claims against the Issuer or, in the case of DFN Notes, the Guarantor for payment in respect of any Note shall be prescribed and become void unless made within five years from the date on which such payment first becomes due.

## **9.14 CURRENCY INDEMNITY**

Any amount received or recovered in a currency other than the currency in which payment under the relevant Note is due (whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer or, in the case of DFN Notes, the Guarantor or otherwise) by any Noteholder in respect of any sum expressed to be due to it from the Issuer or, in the case of DFN Notes, the Guarantor shall only constitute a discharge to the Issuer or, in the case of DFN Notes, the Guarantor, as the case may be, to the extent of the amount in the currency of payment under the relevant Note that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If the amount received or recovered is less than the amount expressed to be due to the recipient under any Note, the Issuer, failing whom, in the case of DFN Notes, the Guarantor, shall indemnify it against any loss sustained by it as a result. In any event, the Issuer, failing whom, in the case of DFN Notes, the Guarantor, shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it shall be sufficient for the Noteholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's and, in the case of DFN Notes, the Guarantor's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any other judgment or order.

## **9.15 SUBSTITUTION**

- (i) The Issuer and, in the case of DFN Notes, the Guarantor may, without any further consent or co-operation from the Noteholders, at any time, procure that any affiliated or associated corporation of the Issuer or, in the case of DFN Notes, the Guarantor is substituted for the Issuer as the debtor under the Terms and Conditions to be offered by assigning all its rights and obligations to such other corporation (the "Substituted Issuer"), provided that the Substituted Issuer has a long-term debt rating of at least the same level as the one of the Issuer at the time of substitution, if any, and provided that:

- (a) no payment of any Redemption Amount or of interest on any Note is overdue and no other circumstances exist capable of causing the acceleration or redemption of the Notes;
  - (b) the Substituted Issuer shall agree to indemnify the holders of each Note against: all tax, duty, fee or governmental charge which is imposed on such holder by the jurisdiction of the country of the Substituted Issuer's residence for tax purposes and, if different, of its incorporation or any political subdivision or taxing authority thereof or therein with respect to such Note and which would not have been so imposed had such substitution not been made; and any costs or expenses incurred in connection with any such substitution; and
  - (c) in the case of DFN Notes, the Guarantor agrees on the provisions of such substitution as described herein, undertakes that the provisions in the relevant Guarantee with respect to the Issuer will apply to the Substituted Issuer in the event of such substitution and shall be bound by all the obligations to be fulfilled by it under the relevant Guarantee and the Terms and Conditions of the Notes as a result of such substitution and such obligations shall be legal, valid and enforceable; if the Issuer is substituted by the Guarantor, there is no requirement for an additional and separate guarantee of the obligations under the Notes.
- (ii) The Issuer hereby irrevocably and unconditionally guarantees that the Substituted Issuer shall pay all amounts of Redemption Amount of and interest on the Notes when due. In the event of substitution, this guarantee ceasing to be the valid and binding obligation of the Issuer, enforceable against the Issuer in accordance with its terms, shall constitute an Event of Default.
  - (iii) In the event of substitution all references in these Terms and Conditions to the Issuer shall from then on be deemed to refer to the Substituted Issuer and the references in Condition 9.18 *Taxation* to the Netherlands shall be deemed to be to the country where the Substituted Debtor has its domicile or tax residence.

Notice of any substitution shall be given to the Noteholders in accordance with Condition 9.16 *Notices*.

## 9.16 NOTICES

The Notes being held in a securities account, all notices to the Noteholders shall be validly given by a direct notification, in the case of DFN Notes from the Paying Agent, to the Noteholders and, in the case of DEXIA BANK Notes from DEXIA BANK to the Noteholders, each time as the Issuer in his discretionary opinion shall deem necessary to give fair and reasonable notice to the Noteholders.

Any such notice shall be deemed to have been given on the date immediately following the date of notification from the Paying Agent.

## 9.17 MEETING OF NOTEHOLDERS

### 9.17.1 Definitions:

1. references to a meeting are to a meeting of Noteholders of a single Series of Notes and include, unless the context otherwise requires, any adjournment
2. references to “**Notes**” and “**Noteholders**” are only to the Notes of the Series in respect of which a meeting has been, or is to be, called and to the holders of those Notes, respectively
3. “**agent**” means a holder of a voting certificate or a proxy for, or representative of, a Noteholder
4. “**block voting instruction**” means an instruction issued in accordance with paragraphs 8 to 14
5. “**Extraordinary Resolution**” means a resolution passed at a meeting duly convened and held in accordance with this Agreement by a majority of at least 75 per cent of the votes cast
6. “**voting certificate**” means a certificate issued in accordance with paragraphs 5, 6, 7 and 13 and
7. references to persons representing a proportion of the Notes are to Noteholders or agents holding or representing in the aggregate at least that proportion in principal amount of the Notes for the time being outstanding.

### 9.17.2 Powers of meetings

A meeting shall, subject to the Terms and Conditions and without prejudice to any powers conferred on other persons by the Agency Agreement, have power by Extraordinary Resolution:

1. to sanction any proposal by the relevant Issuer or the Guarantor or any modification, abrogation, variation or compromise of, or arrangement in respect of, the rights of the Noteholders against the Issuer or the Guarantor, whether or not those rights arise under the Notes
2. to sanction the exchange or substitution for the Notes of, or the conversion of the Notes into, shares, bonds or other obligations or securities of the Issuer, the Guarantor or any other entity
3. to assent to any modification of the Agency Agreement, the Notes proposed by the Issuer, the Guarantor or the Fiscal Agent
4. to authorise anyone to concur in and do anything necessary to carry out and give effect to an Extraordinary Resolution
5. to give any authority, direction or sanction required to be given by Extraordinary Resolution
6. to appoint any persons (whether Noteholders or not) as a committee or committees to represent the Noteholders' interests and to confer on them any powers or discretions which the Noteholders could themselves exercise by Extraordinary Resolution and
7. to approve the substitution of any entity for the relevant Issuer or the Guarantor (or any previous substitute) as principal debtor or guarantor in circumstances not provided for in the Terms and Conditions
8. provided that the special quorum provisions in paragraph 19 shall apply to any Extraordinary Resolution (a "special quorum resolution") for the purpose of sub-paragraph 2.2 or 2.7, any of the proposals listed in Condition 12(a) or any amendment to this proviso.

### **9.17.3 Convening a meeting**

1. The relevant Issuer or the Guarantor may at any time convene a meeting. If it receives a written request by Noteholders holding at least 10 per cent in principal amount of the Notes of any Series for the time being outstanding and is indemnified to its satisfaction against all costs and expenses, the Issuer shall convene a meeting of the Noteholders of that Series. The meeting shall be held at a time and place as determined by the Issuer or, where applicable, the Guarantor, subject to, in the case of DFN Notes, approval by the Fiscal Agent.
2. At least 21 days' notice (exclusive of the day on which the notice is given and of the day of the meeting) shall be given to the Noteholders. A copy of the notice shall be given by the party convening the meeting to the other parties. The notice shall specify the day, time and place of meeting and the nature of the resolutions to be proposed and shall explain how Noteholders may appoint proxies or representatives, obtain voting certificates and use block voting instructions and the details of the time limits applicable.

### **9.17.4 Arrangements for voting**

1. If a Noteholder Note wishes to obtain a voting certificate in respect of it for a meeting, he must notify the Paying Agent at least 48 hours before the time fixed for the meeting. The Paying Agent shall then issue a voting certificate in respect of it.
2. A voting certificate shall:
  - be a document in the English language
  - be dated
  - specify the meeting concerned and the serial numbers of the Notes and
  - entitle, and state that it entitles, its bearer to attend and vote at that meeting in respect of those Notes.
2. Once a Paying Agent has issued a voting certificate for a meeting in respect of a Note, it shall not release the Note until either:
  - the meeting has been concluded or
  - the voting certificate has been surrendered to the Paying Agent.
3. If a Noteholder wishes the votes attributable to it to be included in a block voting instruction for a meeting, then, at least 48 hours before the time fixed for the meeting, (i) he must notify for that purpose the Paying Agent and (ii) he or a duly authorised person on his behalf must direct the Paying Agent how those votes are to be cast. The Paying Agent shall issue a block voting instruction in respect of the votes attributable to all Notes for which it has received such notification.
4. A block voting instruction shall:
  - be a document in the English language
  - be dated
  - specify the meeting concerned
  - list the total number and serial numbers of the Notes, distinguishing with regard to each resolution between those voting for and those voting against it
  - certify that such list is in accordance with directions received as provided in paragraphs 8, 10 and 13 and
  - appoint a named person (a "proxy") to vote at that meeting in respect of those Notes and in accordance with that list. A proxy need not be a Noteholder.

- 5. Once a Paying Agent has issued a block voting instruction for a meeting in respect of the votes attributable to any Notes the directions to which it gives effect may not be revoked or altered during the 48 hours before the time fixed for the meeting.
- 6. Each block voting instruction shall be deposited at least 24 hours before the time fixed for the meeting at the specified office of the relevant Issuer or the Guarantor or such other place as the Issuer shall designate or approve, and in default it shall not be valid unless the chairman of the meeting decides otherwise before the meeting proceeds to business. If the Issuer requires, a notarial certified copy of each block voting instruction shall be produced by the proxy at the meeting but the Issuer need not investigate or be concerned with the validity of the proxy's appointment.
- 7. A vote cast in accordance with a block voting instruction shall be valid even if it or any of the Noteholders' instructions pursuant to which it was executed has previously been revoked or amended, unless written intimation of such revocation or amendment is received from the relevant Issuer by the chairman of the meeting in each case at least 24 hours before the time fixed for the meeting.
- 8. No instructions may be giving by the Noteholder to the Paying Agent at the same time for the purposes of both paragraph 5 and paragraph 8 for the same meeting.

**9.17.5 Chairman**

The chairman of a meeting shall be such person as the Issuer may nominate in writing, but if no such nomination is made or if the person nominated is not present within 15 minutes after the time fixed for the meeting the Noteholders or agents present shall choose one of their number to be chairman, failing which the Issuer may appoint a chairman. The chairman need not be a Noteholder or agent. The chairman of an adjourned meeting need not be the same person as the chairman of the original meeting.

**9.17.6 Attendance**

The following may attend and speak at a meeting:

- 1. Noteholders and agents
- 2. the chairman
- 3. the Issuer, the Guarantor and the Fiscal Agent as applicable (through their respective representatives) and their respective financial and legal advisers
- 4. the Dealers and their advisers.
- 5. No-one else may attend or speak.

**9.17.7 Quorum and Adjournment**

- 1. No business (except choosing a chairman) shall be transacted at a meeting unless a quorum is present at the commencement of business. If a quorum is not present within 15 minutes from the time initially fixed for the meeting, it shall, if convened on the requisition of Noteholders, be dissolved. In any other case it shall be adjourned until such date, not less than 14 nor more than 42 days later, and time and place as the chairman may decide. If a quorum is not present within 15 minutes from the time fixed for a meeting so adjourned, it shall be adjourned until such date, not less than 14 nor more than 42 days later, and time and place as the chairman may decide. If a quorum is not present within 15 minutes from the time fixed for a meeting so adjourned, the meeting shall be dissolved.
- 2. Two or more Noteholders or agents present in person shall be a quorum:-
- 3. in the cases marked "No minimum proportion" in the table below, whatever the proportion of the Notes which they represent
- 4. in any other case, only if they represent the proportion of the Notes shown by the table below.

COLUMN 1	COLUMN 2	COLUMN 3	COLUMN 4
Purpose of Meeting	Any meeting except one referred to in column 3	Meeting previously once adjourned through want of a quorum	Meeting previously twice adjourned through want of a quorum
	Required proportion	Required Proportion	Required Proportion
To pass a special quorum resolution	two thirds	one third	No minimum proportion
To pass any other Extraordinary	A clear majority	No minimum proportion	No minimum proportion

COLUMN 1	COLUMN 2	COLUMN 3	COLUMN 4
Resolution			
Any other purpose	10 per cent	No minimum proportion	No minimum proportion

5. The chairman may with the consent of (and shall if directed by) a meeting adjourn the meeting from time to time and from place to place. Only business which could have been transacted at the original meeting may be transacted at a meeting adjourned in accordance with this paragraph or paragraph 18.

6. At least 10 days' notice of a meeting adjourned through want of a quorum shall be given in the same manner as for an original meeting and that notice shall state the quorum required at the adjourned meeting. No notice need, however, otherwise be given of an adjourned meeting.

### **9.17.8 Voting**

1. Each question submitted to a meeting shall be decided by a show of hands unless a poll is (before, or on the declaration of the result of, the show of hands) demanded by the chairman, the Issuer, the Guarantor or one or more persons representing 2 per cent of the Notes.

2. Unless a poll is demanded a declaration by the chairman that a resolution has or has not been passed shall be conclusive evidence of the fact without proof of the number or proportion of the votes cast in favour of or against it.

3. If a poll is demanded, it shall be taken in such manner and (subject as provided below) either at once or after such adjournment as the chairman directs. The result of the poll shall be deemed to be the resolution of the meeting at which it was demanded as at the date it was taken. A demand for a poll shall not prevent the meeting continuing for the transaction of business other than the question on which it has been demanded.

4. A poll demanded on the election of a chairman or on a question of adjournment shall be taken at once.

5. On a show of hands every person who is present in person and who produces a voting certificate or is a proxy or representative has one vote. On a poll every such person has one vote in respect of each principal amount equal to the minimum denomination of such Series of Notes so produced or represented by the voting certificate so produced or for which he is a proxy or representative. Without prejudice to the obligations of proxies, a person entitled to more than one vote need not use them all or cast them all in the same way.

6. In case of equality of votes the chairman shall both on a show of hands and on a poll have a casting vote in addition to any other votes which he may have.

### **9.17.9 Effect and Publication of an Extraordinary Resolution**

An Extraordinary Resolution shall be binding on all the Noteholders, whether or not present at the meeting and each of them shall be bound to give effect to it accordingly. The passing of such a resolution shall be conclusive evidence that the circumstances justify its being passed. The Issuer shall give notice of the passing of an Extraordinary Resolution to Noteholders within 14 days but failure to do so shall not invalidate the resolution.

### **9.17.10 Minutes**

1. Minutes shall be made of all resolutions and proceedings at every meeting and, if purporting to be signed by the chairman of that meeting or of the next succeeding meeting, shall be conclusive evidence of the matters in them. Until the contrary is proved every meeting for which minutes have been so made and signed shall be deemed to have been duly convened and held and all resolutions passed or proceedings transacted at it to have been duly passed and transacted.

2. The holder of a Global Note (unless such Global Note represents only one Note) be treated as two persons for the purposes of any quorum requirements of a meeting of Noteholders.

## **9.18 TAXATION**

### **BELGIAN TAXATION ON THE NOTES**

The following is a general description of the principal Belgian tax consequences for investors receiving interest in respect of or disposing of, the Notes issued by DEXIA BANK and the Notes issued by DFN and is of a general nature based on the issuers' understanding of current law and practice. This general description is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date (for example the rate of the withholding tax). Investors should appreciate that, as a result of changing law or practice, the

tax consequences may be otherwise than as stated below. Investors should consult their professional advisers on the possible tax consequences of subscribing for, purchasing, holding, selling or converting the Notes issued by DEXIA BANK and/or DFN under the laws of their countries of citizenship, residence, ordinary residence or domicile.

## 1 Notes issued by DEXIA BANK

### Belgian Withholding Tax

The following is a general description of the principal Belgian tax consequences for investors receiving interest in respect of or disposing of the Notes issued by DEXIA BANK and the Notes issued by DFN and is of a general nature based on the issuers' understanding of current law and practice. This general description is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date (for example the rate of the withholding tax). On 26 November 2011 the Belgian budget for 2012 was agreed upon by the Belgian political parties. The budget agreement also contains various new Belgian tax measures. A bill containing miscellaneous measures which implements some of the tax measures in the budget plan has been adopted by the Parliament on 23 December 2011 and are effective on the date of this Base Prospectus.

Investors should appreciate that, as a result of changing law or practice, the tax consequences may be otherwise than as stated below. Investors should consult their professional advisers on the possible tax consequences of subscribing for, purchasing, holding, selling or converting the Notes issued by DEXIA BANK and/or DFN under the laws of their countries of citizenship, residence, ordinary residence or domicile.

## 1 Notes issued by DEXIA BANK

### Belgian Withholding Tax

All payments by or on behalf of the Issuer of interest on the Notes are subject to the 21% as of 1 January 2012 Belgian withholding tax on the gross amount of the interest. A possible additional tax on investment income is described below under condition 1.6.

In this regard, "interest" means the periodic interest income, any amount paid by the Issuer in excess of the issue price (whether or not on the maturity date) and, in case of a realisation of the Notes between two interest payment dates, the pro rata of accrued interest corresponding to the detention period.

However, payments of interest and principal under the Notes by or on behalf of the Issuer may be made without deduction of withholding tax in respect of the Notes if and as long as at the moment of payment or attribution of interest they are held by certain eligible investors (the "Eligible Investors", see hereinafter) in an exempt securities account (an "X Account") that has been opened with a financial institution that is a direct or indirect participant (a "Participant") in the X/N Clearing System operated by the National Bank of Belgium (the "NBB" and the "X/N System"). Euroclear and Clearstream, Luxembourg are directly or indirectly Participants for this purpose.

Holding the Notes through the X/N System enables Eligible Investors to receive the gross interest income on their Notes and to transfer the Notes on a gross basis.

Participants to the X/N system must enter the Notes which they hold on behalf of Eligible Investors in an X Account.

Eligible Investors are those entities referred to in article 4 of the Arrêté Royal du 26 mai 1994 relatif à la perception et à la bonification du précompte mobilier (Belgian Royal Decree of 26 May 1994 on the deduction of withholding tax) which include, inter alia:

- (i) Belgian corporations subject to Belgian corporate income tax;
- (ii) institutions, associations or companies specified in article 2, §3 of the law of 9 July 1975 on the control of insurance companies other than those referred to in 1° and 3° subject to the application of article 262, 1° and 5° of the Income Tax Code of 1992;
- (iii) state regulated institutions ("institutions parastatales", "parastatalen") for social security, or institutions which are assimilated therewith, provided for in article 105, 2° of the Royal Decree implementing the Income Tax Code 1992;
- (iv) non-resident investors provided for in article 105, 5° of the same decree;
- (v) investment funds, recognised in the framework of pension savings, provided for in article 115 of the same decree;
- (vi) tax payers provided for in article 227, 2° of the Income Tax Code 1992 which have used the income generating capital for the exercise of their professional activities in Belgium and which are subject to non-resident income tax pursuant to article 233 of the same code;
- (vii) the Belgian State in respect of investments which are exempt from withholding tax in accordance with a article 265 of the Income Tax Code 1992;
- (viii) investment funds governed by foreign law which are an indivisible estate managed by a management company for the account of the participants, provided the fund units are not offered publicly in Belgium or traded in Belgium; and,
- (ix) Belgian resident corporations, not provided for under (i), when their activities exclusively or principally consist of the granting of credits and loans.

Eligible Investors do not include, inter alia:

- private individuals resident in Belgium for tax purposes;
- entities subject to the Belgian legal entities tax (“rechtspersonenbelasting”, “impôts des personnes morales”) except if they are mentioned in the above list of Eligible Investors; and,
- Belgian pension funds that take the form of Organization for Financing Pensions in the meaning of the Law of 27 October 2006 on the activities and supervision of institutions for occupational retirement provision.

Participants to the X/N System must keep the Notes which they hold on behalf of the non-Eligible Investors in a non-exempt securities account (an “N Account”). In such instance all payments of interest are subject to the 21 per cent. withholding tax. This withholding tax is withheld by the NBB and paid to the Belgian Treasury.

Upon opening of an X Account for the holding of Notes, the Eligible Investor is required to provide the Participant with a statement of its eligible status on a form approved by the Minister of Finance. There is no ongoing declaration requirement to the X/N System as to the eligible status.

An Exempt Account may be opened with a Participant by an intermediary (an “Intermediary”) in respect of Notes that the Intermediary holds for the account of its clients (the “Beneficial Owners”), provided that each Beneficial Owner is an Eligible Investor. In such a case, the Intermediary must deliver to the Participant a statement on a form approved by the Minister of Finance confirming that (i) the Intermediary is itself an Eligible Investor, and (ii) the Beneficial Owners holding their Notes through it are also Eligible Investors. A Beneficial Owner is also required to deliver a statement of its eligible status to the intermediary.

These identification requirements do not apply to Notes held in Euroclear or Clearstream, Luxembourg as Participants to the X/N Clearing System, provided that Euroclear or Clearstream only hold X Accounts and that they are able to identify the holders for whom they hold Notes in such account.

In accordance with the X/N System, a Noteholder who is withdrawing Notes from an Exempt Account will, following the payment of interest on those Notes, be entitled to claim an indemnity from the Belgian tax authorities of an amount equal to the withholding on the interest payable on the Notes from the last preceding Interest Payment Date until the date of withdrawal of the Notes from the X/N System. As a condition of acceptance of the Notes into the X/N System, the Noteholders waive the right to claim such indemnity.

## **Belgian income tax and capital gains**

### **1.1 Belgian resident individuals**

For natural persons who are Belgian residents for tax purposes, i.e., who are subject to the Belgian personal income tax (“Personenbelasting” / “Impôt des personnes physiques”) and who hold the Notes as a private investment, payment of the 21 per cent. as of 1 January 2012 withholding tax fully discharges them from their personal income tax liability with respect to these interest payments (“précompte mobilier libérateur”, “bevrijdende roerende voorheffing”). Under certain conditions the premium can be exempted from withholding tax in accordance to article 107 §2, 1° of the Royal Decree implementing the Income Tax Code 1992. This means that they do not have to declare the interest obtained on the Notes in their personal income tax return, provided withholding tax was levied on these interest payments.

Belgian resident individuals may nevertheless elect to declare the interest payment (as defined in section 1.1 entitled “Belgian Withholding Tax”) in their personal income tax return. Where the beneficiary opts to declare them, interest payments will normally be taxed at the interest withholding tax of 21 per cent. as of 1 January 2012 plus communal surcharges (or at the progressive personal tax rate taking into account the taxpayer’s other declared income, whichever is lower). If the interest payment is declared, the withholding tax retained by the NBB may be credited.

Capital gains realised on the sale of the Notes are in principle tax exempt, unless the capital gains are realised outside the scope of the management of one’s private estate or unless the capital gains qualify as interest (as defined in section entitled “Belgian Withholding Tax”). Capital losses are in principle not tax deductible.

A possible additional tax on investment income is described below under condition 1.6.

Other tax rules apply to Belgian resident individuals who do not hold the Notes as a private investment.

### **1.2 Belgian resident companies**

Interest attributed or paid to corporations Note holders who are Belgian residents for tax purposes, i.e. who are subject to the Belgian Corporate Income Tax (“vennootschapsbelasting/ impôt des sociétés”), as well as capital gains realized upon the sale of the Notes are taxable at the ordinary corporate income tax rate of in principle 33.99 per cent. Capital losses realised upon the sale of the Notes are in principle tax deductible.

### **1.3 Belgian legal entities**

Belgian legal entities subject to the Belgian legal entities tax (“rechtspersonenbelasting”, “impôts des personnes morales”) which do not qualify as Eligible Investors are subject to a withholding tax of 21 per cent. as of 1 January 2012 on interest payments. Under certain conditions the premium can be exempted from withholding tax in accordance

to article 107 §2, 1° of the Royal Decree implementing the Income Tax Code 1992 'premiums, regardless of the purchaser, are exempted from withholding tax if they are issued by public subscription by Belgian companies, associations, institutions or organisations of private law, or similar entities under private law established in other EEA Member States and to the extent such premiums, over the full duration of the securities, do not result in an effective annual yield that exceeds the nominal interest rate by more than 75 centimes (centimes/centiem). The withholding tax constitutes the final taxation.

Belgian legal entities which qualify as Eligible Investors (see above "Belgian Withholding Tax") and which consequently have received gross interest income are required to pay the 21 per cent. as of 1 January 2012 withholding tax themselves. Capital gains realised on the sale of the Notes are in principle tax exempt, unless the capital gains qualify as interest (as defined in section 1.1 entitled "Belgian Withholding Tax"). Capital losses are in principle not tax deductible.

#### **1.4 Organization for Financing Pensions**

Interest paid or attributed to Organizations for Financing Pensions in the meaning of the Law of 27 October 2006 on the activities and supervision of institutions for occupational retirement provision is in principle subject to a 21 per cent. as of 1 January 2012 withholding tax. This Belgian withholding tax is fully creditable against any corporate income tax due and any excess amount is in principle refundable. Interest derived by OFP Note holders on the Notes and capital gains realised on the Notes will be exempt from Belgian Corporate Income Tax.

#### **1.5 Belgian non-residents**

Noteholders who are not residents of Belgium for Belgian tax purposes and who are not holding the Notes through their permanent establishment in Belgium, will not become liable for any Belgian tax on income or capital gains by reason only of the acquisition or disposal of the Notes provided that they qualify as Eligible Investors and that they hold their Notes in an X Account.

#### **1.6 Additional tax on investment income**

Under Article 28 of the Act of December 28, 2011, an additional tax on investment income is set.

For taxpayers with investment income (interest and dividends) of more than 20,020 euro, an additional tax on investment income of 4%, will be levied on the portion above 20,020 euro (indexed amount for the taxable period 2012).

The contribution will not apply to interest and dividends which have been subject to the 25% tax rate. It is not applicable to liquidation dividends and revenue from regulated savings accounts either.

In order to calculate the limit of 20,020 euro, the income to which the contribution is not applicable will first be taken in account.

For the additional tax on investment income an optional system has been introduced:

- Either, the taxpayer asks his agent not to levy the contributions at source but at the moment of the assessment of personal income tax, in which case the taxpayer consents to the financial intermediary to disclose the amount of income collected to the central information point;
- Or the taxpayer does not make that choice and the taxpayer then allows his financial agent to levy the contribution at source, along with the withholding tax. The taxpayer, however, still has the possibility to indicate the amount of his investment income in his tax return in order to recover the excess of his contribution levied at source..

The amount of income from interest and dividends will automatically be sent to the central information point. Data on income for which the taxpayer has made the choice for the additional levy at source, will not be communicated to the central information point.

The central point where the agents will deposit the data annually, will be based at the National Bank. If the National Bank or the European Central Bank would have reservations with regard to the possibility of this central information point being based at the National Bank, it could also be located at the Ministry of Finance in a department separate from the tax directories.

The information available at the central information point, is automatically provided to the operational services of the Ministry of Finance if the investment income of the taxpayer amounts to more than 20,020 euro per year.

## **Tax on stock exchange transactions**

A tax on stock exchange transactions will be levied on the purchase and sale in Belgium of the Notes on a secondary market through a professional intermediary. The rate applicable for secondary sales and purchases in Belgium through a professional intermediary is 0.09 per cent. with a maximum amount of Euro 650 per transaction and per party. The tax is due separately from each party to any such transaction, i.e. the seller (transferor) and the purchaser (transferee), both collected by the professional intermediary.

A tax on repurchase transactions at the rate of 0.085 per cent. will be due from each party to any such transaction entered into or settled in Belgium in which a stockbroker acts for either party.

However none of the taxes referred to above will be payable by exempt persons acting for their own account including investors who are not Belgian residents provided they deliver an affidavit to the financial intermediary in Belgium confirming their non-resident status and certain Belgian institutional investors as defined in Article 126.1 2° of the Code des droits et taxes divers (Code of various duties and taxes) for the tax sur les opérations de bourse and Article 139, second paragraph, of the same code for the tax sur les reports.

## **2 Notes issued by DFN**

### **Withholding Tax and Income Tax**

#### **2.1 Tax rules applicable to natural persons resident in Belgium**

Belgian natural persons who are Belgian residents for tax purposes, i.e., who are subject to the Belgian personal income tax (“Personenbelasting”/“Impôt des personnes physiques”) and who hold the Notes as a private investment, are in Belgium subject to the following tax treatment with respect to the Notes. A possible additional tax on investment income is described below under condition 2.6.

Other tax rules apply to Belgian resident individuals who do not hold the Notes as a private investment.

In accordance with Belgian tax law, the following amounts are qualified and taxable as “interest”: (i) periodic interest income (ii) amounts paid by the Issuer in excess of the issue price (whether or not on the maturity date) (iii) if the Notes qualify as “fixed income securities” (in the meaning of article 2, §1, 8° Belgian Income Tax Code), in case of a realisation of the Notes between two interest payment dates, the pro rata of accrued interest corresponding to the detention period. “Fixed income securities” are defined as bonds, specific debt certificates issued by banks (‘kasbon’/ ‘bon de caisse’) and other similar securities, including securities where income is capitalised or securities which do not generate a periodic payment of income but are issued with a discount corresponding to the capitalised interest up to the maturity date of the security.

Payments of interest on the Notes made through a paying agent in Belgium will in principle be subject to a (21 or 25 per cent. as the case may be as of 1 January 2012 withholding tax in Belgium (calculated on the interest received after deduction of any non-Belgian withholding taxes). Under certain conditions the premium can be exempted from withholding tax in accordance to article 107 §2, 1° of the Royal Decree implementing the Income Tax Code 1992.

The Belgian withholding tax constitutes the final income tax for Belgian resident individuals. This means that they do not have to declare the interest obtained on the Notes in their personal income tax return, provided withholding tax was levied on these interest payments.

However, if the interest is paid outside Belgium without the intervention of a Belgian paying agent, the interest received (after deduction of any non-Belgian withholding tax) must be declared in the personal income tax return and will be taxed at a flat rate of 21 or 25 per cent. as the case may be as of 1 January 2012 plus communal surcharges. Capital gains realised on the sale of the Notes are in principle tax exempt, unless the capital gains are realised outside the scope of the management of one’s private estate or unless the capital gains qualify as interest (as defined above). Capital losses are in principle not tax deductible.

#### **2.2 Belgian resident companies**

Corporations Note holders who are Belgian residents for tax purposes, i.e. who are subject to Belgian Corporate Income Tax (“Vennootschapsbelasting/ Impôt des sociétés”) are in Belgium subject to the following tax treatment with respect to the Notes.

Interest derived by Belgian corporate investors on the Notes and capital gains realised on the Notes will be subject to Belgian corporate income tax of 33.99 per cent. Capital losses are in principle deductible.

Interest payments on the Notes made through a paying agent in Belgium can under certain circumstances be exempt from withholding tax, provided a special certificate is delivered. The Belgian withholding tax that has been levied is creditable in accordance with the applicable legal provisions.

### **2.3 Belgian legal entities**

Legal entities Note holders who are Belgian residents for tax purposes, i.e. who are subject to Belgian tax on legal entities (“Rechtspersonenbelasting/ impôt des personnes morales”) are in Belgium subject to the following tax treatment with respect to the Notes.

In accordance with Belgian tax law, the following amounts are qualified and taxable as “interest”: (i) periodic interest income (ii) amounts paid by the Issuer in excess of the issue price (whether or not on the maturity date) (iii) if the Notes qualify as “fixed income securities” (in the meaning of article 2, §1, 8° Belgian Income Tax Code), in case of a realisation of the Notes between two interest payment dates, the pro rata of accrued interest corresponding to the detention period. “Fixed income securities” are defined as bonds, specific debt certificates issued by banks (‘kasbon’ / ‘bon de caisse’) and other similar securities, including securities where income is capitalised or securities which do not generate a periodic payment of income but are issued with a discount corresponding to the capitalised interest up to the maturity date of the security.

Payments of interest on the Notes made through a paying agent in Belgium will in principle be subject to a 21 per cent. as of 1 January 2012 withholding tax in Belgium and no further tax on legal entities will be due on the interest. Under certain conditions the premium can be exempted from withholding tax in accordance to article 107 §2, 1° of the Royal Decree implementing the Income Tax Code 1992.

However, if the interest is paid outside Belgium without the intervention of a Belgian paying agent and without the deduction of Belgian withholding tax, the legal entity itself is responsible for the deduction and payment of the 21 per cent. as of 1 January 2012 withholding tax.

Capital gains realised on the sale of the Notes are in principle tax exempt, unless the capital gain qualifies as interest (as defined above). Capital losses are in principle not tax deductible.

### **2.4 Organization for Financing Pensions**

Belgian pension fund entities that have the form of an Organization for Financing Pensions (OFP) are subject to Belgian Corporate Income Tax (“Vennootschapsbelasting/ Impôt des sociétés”). OFPs are in Belgium subject to the following tax treatment with respect to the Notes.

Interest derived by OFP Note holders on the Notes and capital gains realised on the Notes will be exempt from Belgian Corporate Income Tax.

The Belgian withholding tax that has been levied is creditable in accordance with the applicable legal provisions.

### **2.5 Belgian non-residents**

The interest income on the Notes paid through a professional intermediary in Belgium will, in principle, be subject to a 21 per cent. as of 1 January 2012 withholding tax, if the Note holder is resident in a country with which Belgium has concluded a double taxation agreement and delivers the requested affidavit. If the income is not collected through a financial institution or other intermediary established in Belgium, no Belgian withholding tax is due.

Non-resident investors can also obtain an exemption of Belgian withholding tax on interest from the Notes if they are the owners or usufructors of the Notes and they deliver an affidavit confirming that they have not allocated the Notes to business activities in Belgium and that they are non-residents, provided that (i) the interest is paid through a Belgian credit institution, stock market company or clearing or settlement institution and that (ii) the Notes are not used by the Issuer for carrying on a business in Belgium.

The non-residents who use the debt instruments to exercise a professional activity in Belgium through a permanent establishment are subject to the same tax rules as the Belgian resident companies (see 2.2 above). Non-resident Note holders who do not allocate the Notes to a professional activity in Belgium are not subject to Belgian income tax, save, as the case may be, in the form of withholding tax.

### **2.6 Additional tax on investment income**

Under Article 28 of the Act of December 28, 2011, an additional tax on investment income is set.

For taxpayers with investment income (interest and dividends) of more than 20,020 euro, an additional tax on investment income of 4%, will be levied on the portion above 20,020 euro (indexed amount for the taxable period 2012).

The contribution will not apply to interest and dividends which have been subject to the 25% tax rate. It is not applicable to liquidation dividends and revenue from regulated savings accounts either.

In order to calculate the limit of 20,020 euro, the income to which the contribution is not applicable will first be taken in account.

For the additional tax on investment income an optional system has been introduced:

- Either, the taxpayer asks his agent not to levy the contributions at source but at the moment of the assessment of personal income tax, in which case the taxpayer consents to the financial intermediary to disclose the amount of income collected to the central information point;
- Or the taxpayer does not make that choice and the taxpayer then allows his financial agent to levy the contribution at source, along with the withholding tax. The taxpayer, however, still has the possibility to indicate the amount of his investment income in his tax return in order to recover the excess of his contribution levied at source..

The amount of income from interest and dividends will automatically be sent to the central information point. Data on income for which the taxpayer has made the choice for the additional levy at source, will not be communicated to the central information point.

The central point where the agents will deposit the data annually, will be based at the National Bank. If the National Bank or the European Central Bank would have reservations with regard to the possibility of this central information point being based at the National Bank, it could also be located at the Ministry of Finance in a department separate from the tax directories.

The information available at the central information point, is automatically provided to the operational services of the Ministry of Finance if the investment income of the taxpayer amounts to more than 20,020 euro per year.

### **Tax on stock exchange transactions**

A tax on stock exchange transactions will be levied on the purchase and sale in Belgium of the Notes on a secondary market through a professional intermediary. The rate applicable for secondary sales and purchases in Belgium through a professional intermediary is 0.09 per cent. with a maximum amount of Euro 650 per transaction and per party. The tax is due separately from each party to any such transaction, i.e. the seller (transferor) and the purchaser (transferee), both collected by the professional intermediary.

A tax on repurchase transactions at the rate of 0.085 per cent. will be due from each party to any such transaction entered into or settled in Belgium in which a stockbroker acts for either party.

However none of the taxes referred to above will be payable by exempt persons acting for their own account including investors who are not Belgian residents provided they deliver an affidavit to the financial intermediary in Belgium confirming their non-resident status and certain Belgian institutional investors as defined in Article 126.1 2° of the Code des droits et taxes divers (Code of various duties and taxes) for the *taxe sur les opérations de bourse* and Article 139, second paragraph, of the same code for the *taxe sur les reports*.

### **European Directive on taxation of savings income in the form of interest payments**

Effective 1st January 2010, a Belgian paying agent within the meaning of the Savings Directive will no longer apply the Source Tax but will exchange information with the country of tax residence of the beneficial owner regarding interest payments as defined by the Directive. It concerns payments made to an individual, beneficial owner of the interest payments and resident in another EU Member State or resident in one of the associated and dependent territories. Residual entities are subject to a specific regime.

The communicated information will include the identity and residence of the beneficial owner, the name and address of the paying agent, the account number of the beneficial owner and information concerning the interest payment.

The exchange of information cannot be avoided by the submission of a certificate.

A proposal for a Council Directive amending the Savings Directive has been published and will, once agreed upon and implemented, amend the currently applicable rules.

This is general information, which is not intended to deal with all aspects of an investment in Notes. Potential investors are recommended to consult their tax adviser on the basis of their own particular situation.

This general description is based upon the law as in effect on the date of the Prospectus and is subject to any change in law that may take effect after such date.

## **LUXEMBOURG TAXATION ON THE NOTES**

The following is a general description of certain tax laws relating to the Notes as in effect and as applied by the relevant tax authorities as at the date hereof and does not purport to be a comprehensive discussion of the tax treatment of the Notes.

Prospective investors should consult their own professional advisers on the implications of making an investment in, holding or disposing of Notes and the receipt of interest with respect to such Notes under the laws of the countries in which they may be liable to taxation.

### *Luxembourg non-resident individuals*

Under the Savings Directive and the Luxembourg laws dated 21 June 2005 (the “Laws”) implementing the Savings Directive, a Luxembourg based paying agent (within the meaning of the Savings Directive) is required since 1 July 2005 to withhold tax on interest and other similar income paid by it to (or under certain circumstances, to the benefit of) an individual resident in another EU Member State or in certain EU dependent or associated territories, unless the beneficiary of the interest payments elects for the procedure of exchange of information or for the tax certificate procedure. (see “Risk Factors - Risks related to Notes generally – EU Savings Directive”). The same treatment will apply to payments of interest and other similar income to certain so called “residual entities” within the meaning of Article 4.2 of the Savings Directive established in a Member State or in certain EU dependent or associated territories (i.e., entities which are not legal persons (the Finnish and Swedish companies listed in Article 4.5 of the Savings Directive are not considered as legal persons for this purpose), whose profits are not taxed under the general arrangements for the business taxation, that are not UCITS recognized in accordance with the Council Directive 85/611/EEC or similar collective investment funds located in Jersey, Guernsey, the Isle of Man, the Turks and Caicos Islands, the Cayman Islands, Montserrat or the British Virgin Islands and have not opted to be treated as UCITS recognized in accordance with the Council Directive 85/611/EEC).

The withholding tax rate is 20 per cent. increasing to 35 per cent. as from 1 July 2011. The withholding tax system will only apply during a transitional period, the ending of which depends on the conclusion of certain agreements relating to information exchange with certain third countries.

### *Luxembourg resident individuals*

As from 1 January 2006, interest payments made by Luxembourg paying agents (defined in the same way as in the Savings Directive) to Luxembourg individual residents or to certain residual entities that secure interest payments on behalf of such individuals (unless such entities have opted either to be treated as UCITS recognized in accordance with the Council Directive 85/611/EEC or for the exchange of information regime) are subject to a 10 per cent. Withholding tax (the “10 per cent. Withholding Tax”). Pursuant to the Luxembourg law of 23 December 2005 as amended by the law of 17 July 2008, Luxembourg resident individuals, acting in the course of their private wealth, can opt to self-declare and pay a 10 per cent. tax (the “10 per cent. Tax”) on interest payments made after 31 December 2007 by paying agents (defined in the same way as in the Savings Directive) located in an EU Member State other than Luxembourg, a Member State of the European Economic Area other than an EU Member State or in a State or territory which has concluded an international agreement directly related to the Savings Directive. The 10 per cent. Withholding Tax or the 10 per cent. Tax represents the final tax liability for the Luxembourg individual resident taxpayers, receiving the payment in the course of their private wealth.

### *Corporate entities*

No tax is withheld in Luxembourg on interest payments (including accrued but unpaid interest) made to a corporate entity Noteholder, irrespective of its location.

## **9.19 GOVERNING LAW AND JURISDICTION**

The Notes and the Guarantee are governed by Belgian law.

All disputes arising out of or in connection with the Notes or the Guarantee shall be submitted to the jurisdiction of the competent courts in Belgium.

The Agency Agreement is governed by Luxembourg law.

## **9.20 FINANCIAL SERVICE**

The financial service will be performed by DEXIA BANK (Belgium) and Dexia BIL (Luxembourg).

## 9.21 **REPRESENTATION OF DEBT SECURITY HOLDERS**

There is no representation of debt security holders in relation to any offer of Notes.

## 9.22 GUARANTEE

Sections 9.22.1 and 9.22.2 below only apply to DFN Notes.

### 9.22.1 Senior Guarantee

The Guarantor has, by a Senior guarantee, unconditionally and irrevocably guaranteed on an unsubordinated basis the due and punctual payment of the principal of and interest on the Senior Notes as well as of any additional amounts which may be required to be paid by DFN (as described under Condition 9.18 *Taxation*) (the “Senior Guarantee” and a “Guarantee”, see Annex 2).

The obligations of the Guarantor under the Senior Guarantee are direct, unconditional and unsecured obligations of the Guarantor and rank *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Guarantor, present and future, but, in the event of insolvency, only to the extent permitted by laws relating to creditors’ rights.

### 9.22.2 Senior Subordinated Guarantee

The Guarantor has, by a senior subordinated guarantee, unconditionally and irrevocably guaranteed on a senior subordinated basis, the due and punctual payment of the principal of and interest on the Senior Subordinated Notes, as well as of any additional amounts which may be required to be paid by DFN (as described under Condition 9.18 *Taxation*) (the “Senior Subordinated Guarantee” and a “Guarantee”, see Annex 3).

In the event of a dissolution or liquidation of the Guarantor (including the following events creating a “*concours de créanciers/samenloop van schuldeisers*”: bankruptcy (“*faillite/faillissement*”); judicial composition (“*concordat judiciaire/gerechtigd akkoord*”) and judicial or voluntary liquidation (“*liquidation volontaire ou force/vrijwillige of gedwongen liquidatie*”) (other than a voluntary liquidation in connection with a reconstruction, merger or amalgamation where the continuing corporation assumes all the liabilities of the Guarantor)), the Holders of Senior Subordinated Notes irrevocably waive their rights to equal treatment with other unsecured creditors (“*créanciers chirographaires/chirografaire schuldeisers*”). Consequently, the Holders of Senior Subordinated Notes agree that upon the occurrence of any of the events described in the preceding sentence, the Guarantor will have no obligation to pay any principal or interest due to them until all Senior Creditors of the Guarantor have been paid, or the funds necessary to satisfy the Senior Creditors (as defined above) have been put in escrow (“*en consignation/in consignatie*”).

On demand, the Noteholders can have access to a copy of the Guarantee by contacting one of the Paying Agents during normal business hours.

## 10 TERMS AND CONDITIONS OF THE OFFER

### *(Annex V.5 of Regulation (EC) 809/2004)*

The Notes will be offered for subscription during the Offering Period (specified in the relevant Final Terms) at the relevant Issue Price. Any applicable fees or commissions will be specified in the relevant Final Terms. The Issuer has the right to cancel any issue of Notes under the Programme during their Offering Period until the fifth Business Day before their Issue Date, either (i) when it reasonably believes that investors will not subscribe to the offer for an amount of at least the Minimum Amount specified in the relevant Final Terms or (ii) in case it considers there is a material adverse change in market conditions. Investors that have subscribed to these Notes will be notified by letter of such cancellation. The Issuer has the right to anticipatively terminate the Offering Period if the Maximum Amount of the relevant Notes issue has been reached or if the market conditions adversely affect the interest or the redemption amounts to be paid by the Issuer.

The cash account of the client will be debited on the Issue Date. At the same date, the Notes will be transferred on the securities accounts of the clients.

If Notes are deposited in a securities account with DEXIA BANK, DEXIA BANK will not charge any fees for this service, nor for the opening of such securities account. If a Noteholder chooses to deposit his or her securities with another financial institution, he or she must inquire into the fees charged by this institution.

The Notes have not been offered or sold and will not be offered or sold directly or indirectly and the Prospectus has not been distributed and will not be distributed, except in such circumstances that will result in compliance with all applicable laws and regulations.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended, and are subject to U.S. tax law requirements and, subject to certain exceptions, Notes may not be offered, sold or delivered within the United States of America, including its territories and possessions, or to U.S. persons.

The Notes have not been offered, sold or delivered and will not be offered, sold or delivered, as part of their distribution at any time, or otherwise until 40 days after the commencement of the offering within the United States or to, or for the account or the benefit of, U.S. persons and a dealer to which the Notes are sold during the restricted period, will receive a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the U.S. or to, or for the account or benefit of, U.S. persons.

Until 40 days after the commencement of the offering, an offer or sale of Notes within the U.S. by a dealer that is not participating in the offering may violate the registration requirements imposed by the U.S. Securities Act of 1933, as amended.

Any document connected with the issue of the Notes has only been issued or passed on and will only be issued and passed on in the United Kingdom to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "FSMA") in connection with the issue or sale of any Notes, has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in circumstances in which section 21(1) of the FSMA does not apply to the Issuer and all applicable provisions of the FSMA with respect to anything done in relation to such Notes in, from or otherwise involving the United Kingdom have been complied with and will be complied with.

## 11 ADMISSION TO TRADING AND DEALING ARRANGEMENTS

***(Annex V.6 of Regulation (EC) 809/2004)***

The Notes will not be the subject of an application for admission to trading on a regulated or non-regulated market, nor have any Notes previously issued under the Notes Issuance Programme ever been the subject of an application for admission to trading on a regulated market or equivalent market.

If liquidity is provided to be “Applicable” in the relevant Final Terms for any Notes, the price of the Notes is available on demand in the offices of DEXIA BANK or on the website [www. Dexia.be](http://www.Dexia.be), and this on each Business Day during the term of such Notes in every office of DEXIA BANK until 30 Business Days preceding their Maturity Date, unless in DEXIA BANK’s determination, market conditions preclude it from quoting a price. If DEXIA BANK quotes a price, it can be considered market maker for the Notes and will organise the secondary market, thereby providing liquidity through bid and offer rates. The main terms of the commitment of DEXIA BANK will be specified in the relevant Final Terms and (i) “Maximum Spread” means on any given moment the maximum spread between the then applicable bid and offer rates; (ii) “Maximum Commission” means the maximum commission on the bid and offer rates; and (iii) “Maximum Exit Penalty” means the maximum exit penalty applicable to the nominal amount of the Notes. The bid and offer rates of the Notes on any given moment are subject to the market conditions, interest rates, forward rates; credit spreads of the relevant Issuer or, in the case of DFN Notes, the Guarantor, etc.

In case of sale of the Notes before maturity, the sale proceeds can be lower than the invested amount.

## 12 USE OF PROCEEDS

The net proceeds of Notes, i.e. the Nominal Amount less any expenses and fees, will be used for general corporate purposes of DEXIA BANK. In the case of DFN Notes, DFN will grant a loan to DEXIA BANK.

## 13 THIRD PARTY INFORMATION, EXPERT STATEMENTS AND DECLARATIONS

***(Annex IV.16 and XI.13 of Regulation (EC) 809/2004)***

There has not been any statement or report attributed to a person as an expert which is included in this Base Prospectus.

## 14 DOCUMENTS ON DISPLAY

***(Annex IV.17 and XI.14 of Regulation (EC) 809/2004)***

Copies of the annual reports dated December 31<sup>st</sup>, 2010 for DEXIA BANK and DFN and of all subsequent annual reports to be published, copies of the articles of association of DEXIA BANK and DFN are available free of charge at the office of DEXIA BANK and will be available during the entire lifetime of the Notes. Additionally, the annual reports of DEXIA BANK are available on its internet site: <http://www.dexia.be/Nl/Particulier/VIADEXIA-P29/Publications/> or <http://www.dexia.be/fr/Particulier/VIADEXIA-P29/Publications/> Moreover, copies of the semi-annual and annual reports of Dexia Funding Netherlands and copies of the annual reports of DEXIA BANK are available on the Luxembourg Stock Exchange-website: [www.bourse.lu](http://www.bourse.lu).

# ANNEX 1: TEMPLATE FOR FINAL TERMS

## APPLICABLE FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme.

### Final Terms dated [●]

[DEXIA FUNDING NETHERLANDS N.V./DEXIA BANK BELGIUM S.A.]

Issue of [Title of Notes]  
[Guaranteed by Dexia Bank Belgium S.A.]  
under the

**DEXIA FUNDING NETHERLANDS N.V.**

and

**DEXIA BANK BELGIUM S.A.**

## Notes Issuance Programme

### PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions set forth in the Base Prospectus dated [●] January 2012, which constitutes a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the “Prospectus Directive”). **This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus and any supplement thereto.** These Final Terms and the Base Prospectus together constitute the Programme for the Tranche. Full information on the Issuer [, the Guarantor] and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus is available for inspection at [the office of the Guarantor,] the office of the Issuer and the website [www.dexia.be](http://www.dexia.be).

*[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.]*

*[When completing any final terms, or adding any other final terms or information, consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the Programme under Article 16 of the Prospectus Directive.]*

- |   |       |                    |   |
|---|-------|--------------------|---|
| 1 | (i)   | Issuer:            | [Dexia Bank Belgium S.A.][Dexia Funding Netherlands N.V.] |
|   | (ii)  | Guarantor:         | [N/A][Dexia Bank Belgium S.A.]                            |
|   | (iii) | Calculation Agent: | Dexia Bank Belgium S.A.                                   |
| 2 | (i)   | Series Number:     | [●]   |
|   | [(ii) | Tranche Number:    | [●]   |

*(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).*

- 3 Specified Currency or Currencies: [●]
- 4 Maximum Amount:  
[(i) ]Series: [●]  
[(ii) Tranche: [●]
- 5 Minimum Amount:  
[(i) ]Series: [●]  
[(ii) Tranche: [●]
- 6 Offering Period: [●] (except in case of early closing)
- 7 Issue Price: [●] per cent.  
[plus accrued interest from *[insert date]* (*in the case of fungible issues only, if applicable*)]
- 8 Brokerage Fee: [●]
- 9 Denominations: [●]
- 10 [(i)] Issue Date: [●]  
[[ (ii)] Interest Commencement Date: [●]
- 11 [Scheduled] Maturity Date: [●]
- 12 Interest Basis: [[●] per cent. Fixed Rate]  
[Floating Rate]  
[Zero Coupon]  
[Variable Linked Rate]  
[Other (*specify*)]  
(further particulars specified below)
- 13 Redemption/Payment Basis: [Redemption at par]  
[Variable Linked Redemption]  
[Other (*specify*)]  
(further particulars specified below)
- 14 Change of Interest or Redemption/Payment Basis: [Not Applicable/ (*Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis*)]
- 15 Call Options: [Call/Not Applicable]  
[(further particulars specified below)]
- 16 Mandatory Early Redemption: [Applicable/Not Applicable] [(further particulars specified below)]
- 17 Status of the Notes: [Senior Notes/Senior Subordinated Notes]
- 18 [Date [Board] approval for issuance of Notes obtained: [●]  
*(N.B Only relevant where Board (or similar) authorisation is required for the particular*

*Tranche of Notes)]*

- 19 Form of Notes: Bearer Notes/Dematerialised Notes  
20 New Global Note: Not Applicable

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

- 21 Fixed Rate Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Fixed Rate: [●] per cent. per annum
  - (ii) Interest Payment Date(s): [annually/semi-annually/quarterly on ●]
  - (iii) Business Days: [●]
  - (iv) Business Day Convention: [●]
  - [(v) Fixed Interest Amount: [●]]
  - [(v)/(vi) Day Count Fraction: [●]]
  - [(v)/(vi)/(vii) Interest Period End Date(s): [Adjusted/No Adjustment/Other]]
- [Other terms relating to the method of calculating interest for Fixed Rate Notes: [●](N.B. Give details)]
- 22 Floating Rate Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Publication Source: [EUR-EURIBOR-Reuters (ISDA)/Other]
  - (ii) Designated Maturity: [●]
  - (iii) Spread: [●]
  - (iv) Interest Payment Date(s): [annually/semi-annually/quarterly on ●]
  - (v) Day Count Fraction: [●]
  - (vi) Interest Determination Date: [●]
  - (vii) Business Days: [●]
  - (viii) Business Day Convention: [●]
  - (ix) Interest Period End Date(s) [●] [Adjusted/No Adjustment/Other]
  - [(x) Maximum Rate: [●]]
  - [(x)/(xi) Minimum Rate: [●]]
- 23 Zero Coupon Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Amortisation Yield: [●] per cent. per annum
  - (ii) Business Days: [●]
  - (iii) Business Day Convention: [●]
  - (iv) Any other formula/basis of determining amount payable: [●]

24	Variable Linked Rate Note Provisions	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	(i) Underlying:	[Market Rate/Share/Basket of Shares/Share Index/Basket of Share Indices/Fund/Basket of Funds/Commodity/Basket of Commodities/Commodity Index/Basket of Commodity Indices/Inflation Index/Other]
	(ii) Variable Linked Rate:	[●] <i>(Provide the formula or other method of determination)</i>
	(iii) Interest Payment Date(s):	[●]
	(iv) Business Days:	[●]
	(v) Business Day Convention:	[●]

**PROVISIONS RELATING TO REDEMPTION**

25	Call Option	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Period:	[●]
	(iii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[●] per Note of [●] Denomination
	(iv) If redeemable in part:	
	(a) Minimum Redemption Amount:	[●]
	(b) Maximum Redemption Amount:	[●]
	(v) Notice period:	[●]
26	Mandatory Early Redemption	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	(i) Trigger Event(s):	[●]
	(ii) Mandatory Early Redemption Date(s):	[The Interest Payment Date immediately following the occurrence of the Trigger Event(s) as determined by the Calculation Agent. Should the Trigger Event(s) occur on an Interest Payment Date, then the Mandatory Early Redemption Date shall be postponed until the next Interest Payment Date./ [●]]
	(iii) Mandatory Early Redemption Amount:	[●] per Note of [●] Denomination
27	Redemption Amount(s) of each Note	[[●] per Note of [●] Denomination] <i>(delete in case of Variable Linked Redemption)</i>

*(Include below provisions in case of a Variable Linked Redemption)*

### **Variable Linked Redemption**

- (i) Underlying: [Market Rate/Share/Basket of Shares/Share Index/Basket of Share Indices/Fund/Basket of Funds/Commodity/Basket of Commodities/Commodity Index/Basket of Commodity Indices/Inflation Index/Other]
- (ii) Variable Linked Redemption Amount: [●] *(Provide the formula or other method of determination)*
- (iii) Business Days: [●]
- (iv) Business Day Convention: [●]
- (v) Initial Averaging: [Not Applicable / Applicable]
- (vi) Averaging: [Not Applicable / Applicable]
- [(vi) Initial Averaging Dates: [●]]
- [(vi) Averaging Dates: [●]]

### **VARIABLE LINKED PROVISIONS**

*(Include the relevant provisions below, if the Underlying is one or more **Market Rates**)*

- (i) Publication Source: [●]
- (ii) Designated Maturity: [●]
- (iii) Spread: [●]
- (iv) Interest Determination Date: [●]
- [(v) Day count Fraction: [●]]

*(Include the relevant provisions below, if the Underlying is a **Share**)*

- (i) Share: [●] *(Insert full title of the Share and its ISIN code)*
- (ii) Exchange: [●]
- (iii) Related Exchange: [[●]/All Exchanges]
- (iv) Valuation Date(s): [●]
- [(v) Initial Valuation Date: [●]]
- [(v) Initial Price: [●]]

*(Include the relevant provisions below, if the Underlying is **Share Basket**)*

- (i) Share Basket:

<i>i</i>	<i>w</i>	Share	Exchange	Related Exchange	Securities Code
1	[●]%	[●]	[●]	[●]/All Exchanges	[●]

2	[•]%	[•]	[•]	[•]/All Exchanges	[•]
...	[•]%	[•]	[•]	[•]/All Exchanges	[•]
(ii)	Valuation Date(s):		[•]		
[(iii)]	Initial Valuation Date:		[•]		

*(Include the relevant provisions below, if the Underlying is an **Share Index**)*

(i)	Index:	[•]
(ii)	Exchange:	[[•]/Multiple Exchange]
(iii)	Related Exchange:	[[•]/All Exchanges]
(iv)	Valuation Date(s):	[•]
[(v)]	Initial Valuation Date:	[•]
[(v)]	Initial Price:	[•]

*(Include the relevant provisions below, if the Underlying is a **Basket of Share Indices**)*

(i) Index Basket:

<i>i</i>	<i>w</i>	Index	Exchange	Related Exchange
1	[•]%	[•]	[•]/Multiple Exchange	[•]/All Exchanges
2	[•]%	[•]	[•]/Multiple Exchange	[•]/All Exchanges
...	[•]%	[•]	[•]/Multiple Exchange	[•]/All Exchanges

(ii)	Valuation Date(s):		[•]
[(iii)]	Initial Valuation Date:		[•]

*(Include the relevant provisions below, if the Underlying is a **Fund**)*

(i)	Reference Fund:	[•] <i>(Insert full title of the Reference Fund, including its sponsor, the ISIN code, class, if applicable, and a short description)</i>
(ii)	Valuation Date(s):	[•]
[(iii)]	Initial Valuation Date:	[•]
[(iii)]	Initial Price:	[•]

*(Include the relevant provisions below, if the Underlying is a **Basket of Funds**)*

(i) Fund Basket:

<i>i</i>	<i>w</i>	Reference Fund	Class	Fund Description	Fund Administrator	ISIN Code
1	[•]%	[•]	[•]	[•]	[•]	[•]
2	[•]%	[•]	[•]	[•]	[•]	[•]

... [•]% [•] [•] [•] [•] [•]

(ii) Valuation Date(s): [•]

[(iii) Initial Valuation Date: [•]]

*(Include the relevant provisions below, if the Underlying is a **Commodity**)*

(i) Commodity: [•]

(ii) Exchange: [•]

(iii) Price Source: [•]

(iv) Valuation Time: [•]

(v) Valuation Date(s): [•]

[(vi) Initial Valuation Date: [•]]

[(vi) Initial Price: [•]]

*(Include the relevant provisions below, if the Underlying is a **Basket of Commodity**)*

(i) Commodity Basket:

<i>i</i>	<i>w</i>	Commodity	Exchange	Price Source	Valuation Time
1	[•]%	[•]	[•]	[•]	[•]
2	[•]%	[•]	[•]	[•]	[•]
...	[•]%	[•]	[•]	[•]	[•]

(ii) Valuation Date(s): [•]

[(iii) Initial Valuation Date: [•]]

*(Include the relevant provisions below, if the Underlying is a **Commodity Index**)*

(i) Commodity Index: [•]

(ii) Valuation Time: [•]

(iii) Valuation Date(s): [•]

[(iv) Initial Valuation Date: [•]]

[(iv) Initial Price: [•]]

*(Include the relevant provisions below, if the Underlying is a **Basket of Commodity Indices**)*

(i) Commodity Index Basket:

<i>i</i>	<i>w</i>	Commodity Index	Valuation Time
1	[•]%	[•]	[•]
2	[•]%	[•]	[•]
...	[•]%	[•]	[•]

(ii) Valuation Date(s): [●]

[(iii) Initial Valuation Date: [●]]

*(Include the relevant provisions below, if the Underlying is an **Inflation Index**)*

(i) Index: [●]

[The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.]

(ii) Initial Index: [●]

(iii) Final Index: [●]

(iv) Index Sponsor: [●]

(v) Reference Month: [●]

## **DISTRIBUTION**

Dealer(s): [Dexia Bank Belgium S.A./ [●]]

[Selling fees: [●]]

[Additional selling restrictions: [●]]

## **OPERATIONAL INFORMATION**

ISIN Code: [●]

Common Code: [●]

Clearing System(s): [●]

Principal Paying Agent: \*[Dexia Bank Belgium S.A.][Dexia BIL]

Paying Agent: \*[N/A][ Dexia Bank Belgium S.A. ]

## **SECONDARY MARKET** *(Include this provision if Secondary Market is provided)*

[Applicable]

Maximum Spread: [●]

Maximum Commission: [●]

Maximum Exit Penalty: [●]

## **RESPONSIBILITY**

The Issuer [and the Guarantor] accept[s] responsibility for the information contained in these Final Terms.

Signed on behalf of the Issuer:

By:.....

Duly authorised

[Signed on behalf of the Guarantor:

By:.....

Duly authorised]

## [PART B – OTHER INFORMATION]

### RISK INDICATOR

***In order to increase the transparency of the risks involved in investment products, Dexia Bank Belgium S.A. has developed a synthetic risk indicator through a scale going from 0 (lowest risk) to 6 (highest risk). The exact risk level for any investment product is determined in function of following criteria: the degree to which capital will be refunded at maturity, term of the relevant Note, type of return (distribution or capitalisation), credit risk and complexity (Underlying and strategy). Other important criteria, such as the liquidity risk of Dexia Bank Belgium S.A. and the market risk, are not taken into account.***

**Risk Level:** [●]

### [SIMULATIONS [AND INTERNAL RATE OF RETURN]]

[●] *(Please insert simulations for the Variable Rate or the Variable Linked Redemption Amount)*

[IRR: The internal rate of return is a rate of return used to measure the profitability of an investment: it is the annualized effective compounded return rate that makes the net present value of all cash flows from a particular investment equal to zero. ]

[These simulations are fictitious examples and by no means represent reliable indicators.]

### [OTHER INFORMATION]

[●] *(Insert other information such as the historical evolution of the Floating Rate or the Underlying(s))*

[This information has been extracted from [Insert source]. [Each of] the Issuer [and the Guarantor] confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading]

## ANNEX 2: SENIOR GUARANTEE

A form of the Senior Guarantee is reproduced here below:

**DEXIA FUNDING NETHERLANDS N.V.**  
**and**  
**DEXIA BANK BELGIUM S.A.**  
**Notes Issuance Programme**  
**SENIOR GUARANTEE**  
**by**  
**DEXIA BANK BELGIUM S.A.**  
**IN RELATION TO NOTES ISSUED BY DEXIA FUNDING NETHERLANDS N.V.**

11 January 2012

WHEREAS the Board of Managing Directors of Dexia Funding Netherlands N.V. (the "Issuer" or "DFN") has decided on 22 December 2011, to update the Notes Issuance Programme (the "Programme") under which it may from time to time issue Notes (the "DFN Notes"), which may be linked to various underlyings (the "Underlying"), that rank as senior obligations of the Issuer (the "Senior DFN Notes") or that rank as senior subordinated obligations to the issuer (the "Senior Subordinated DFN Notes") according to the terms and conditions enumerated in such decision. Senior DFN Notes will be guaranteed by Dexia Bank Belgium S.A. (also named Dexia Banque S.A./Dexia Bank N.V.) (the "Guarantor" or "DEXIA BANK") on a senior basis pursuant to this Senior Guarantee;

WHEREAS the Management Board of DEXIA BANK has approved to guarantee on a senior basis the issue by DFN of Senior DFN Notes under the Programme by decision of 28 December 2011;

WHEREAS the Management Board of DEXIA BANK in its decision of 28 December 2011 has delegated all powers to execute such Senior Guarantee to Mr. A. De Roeck, member of the Management Board, with the right for her to delegate her powers;

The Guarantor hereby unconditionally and irrevocably guarantees as and for its own debt to each holder of each Senior DFN Note (each a "Noteholder" and together the "Noteholders") to pay or procure to pay such amounts to the Noteholders who have not obtained due payment from the Issuer if and when such amounts fall due under the Terms and Conditions. The Terms and Conditions are those enumerated in the Base Prospectus and the relevant Final Terms, and which are included by reference in the present Senior Guarantee. This Senior Guarantee is enforceable against the Guarantor upon first demand sent by the holder by registered mail to the registered office of the Guarantor.

The Base Prospectus has been approved by the Financial Services and Markets Authority in its decision of 11 January 2012.

It is understood that any payments to be made under this Senior Guarantee shall be made in the currency of the underlying Notes.

This Senior Guarantee is a continuing guarantee and nothing but payment in full of the amounts due by the Issuer in application of the Notes hereby guaranteed shall discharge the Guarantor of its obligations hereunder in respect of such Notes.

This Senior Guarantee shall be governed by, and interpreted in accordance with, the laws of Belgium.

This Senior Guarantee may be executed in any number of counterparts.

All actions arising out of or based upon this Senior Guarantee are to be brought before the competent Courts in Brussels.

In witness whereof, the Guarantor has authorised and caused this Senior Guarantee to be duly executed and delivered as of 11 January 2012.

On behalf of DEXIA BANK BELGIUM S.A.

Ann De Roeck  
Member of the Management Board

## ANNEX 3: SENIOR SUBORDINATED GUARANTEE

A form of the Senior Subordinated Guarantee is reproduced here below:

**DEXIA FUNDING NETHERLANDS N.V.**

and

**DEXIA BANK BELGIUM S.A.**

**Notes Issuance Programme**

**SENIOR SUBORDINATED GUARANTEE**

by

**DEXIA BANK BELGIUM S.A.**

**IN RELATION TO NOTES ISSUED BY DEXIA FUNDING NETHERLANDS N.V.**

11 January 2012

WHEREAS the Board of Managing Directors of Dexia Funding Netherlands N.V. (the "Issuer" or "DFN") has decided on 22 December 2011, to update the Notes Issuance Programme (the "Programme"), under which it may from time to time issue Notes (the "DFN Notes"), which may be linked to various underlyings (the "Underlying"), that rank as senior obligations of the Issuer (the "Senior DFN Notes") or that rank as senior subordinated obligations to the issuer (the "Senior Subordinated DFN Notes") according to the terms and conditions enumerated in such decision. Senior Subordinated DFN Notes will be guaranteed by Dexia Bank Belgium S.A. (also named Dexia Banque S.A./Dexia Bank N.V.) (the "Guarantor" or "DEXIA BANK") on a senior subordinated basis pursuant to this Senior Subordinated Guarantee;

WHEREAS the Management Board of DEXIA BANK has approved to guarantee on a senior subordinated basis the issue by DFN of Senior Subordinated Notes under the Programme by decision of 28 December 2011;

WHEREAS the Management Board of DEXIA BANK in its decision of 28 December 2011 has delegated all powers to execute such Senior Subordinated Guarantee to Mr. A. De Roeck, member of the Management Board, with the right for her to delegate her powers.

The Guarantor hereby unconditionally and irrevocably guarantees as and for its own debt to each holder of each Senior Subordinated DFN Note (each a "Noteholder" and together the "Noteholders") to pay or procure to pay such amounts to the Noteholders who have not obtained due payment from the Issuer if and when such amounts fall due under the Terms and Conditions. The Terms and Conditions are those enumerated in the Base Prospectus and the relevant Final Terms, and which are included by reference in the present Senior Subordinated Guarantee. This Senior Subordinated Guarantee is enforceable against the Guarantor upon first demand sent by the holder of Senior Subordinated Notes by registered mail to the registered office of the Guarantor.

This Senior Subordinated Guarantee is granted by the Grantor on a senior subordinated basis. This means that in the event of a dissolution or liquidation of the Guarantor (including the following events creating a "*concours de créanciers/samenloop van schuldeisers*": bankruptcy ("*faillite/faillissement*"); judicial composition ("*réorganisation judiciaire/gerechtigd reorganisatie*") and judicial or voluntary liquidation ("*liquidation volontaire ou force/vrijwillige of gedwongen liquidatie*") (other than a voluntary liquidation in connection with a reconstruction, merger or amalgamation where the continuing corporation assumes all the liabilities of the Guarantor)), the holders of Senior Subordinated DFN Notes irrevocably waive their rights to equal treatment with other unsecured creditors ("*créanciers chirographaires/chirografaire schuldeisers*"). Consequently, the holders of Senior Subordinated DFN Notes agree that upon the occurrence of any of the events described in the preceding sentence, the Guarantor will have no obligation to pay any principal or interest due to them until all Senior Creditors of the Guarantor have been paid, or the funds necessary to satisfy the Senior Creditors have been put in escrow ("*en consignation/in consignatie*").

"Senior Creditors" means all creditors who are depositors or other general, unsecured, unsubordinated creditors.

The Base Prospectus has been approved by the Financial Services and Markets Authority in its decision of 11 January 2012.

It is understood that any payments to be made under this Senior Subordinated Guarantee shall be made in the currency of the underlying DFN Notes.

This Senior Subordinated Guarantee is a continuing guarantee and nothing but payment in full of the amounts due by the Issuer in application of the Notes hereby guaranteed shall discharge the Guarantor of its obligations hereunder in respect of such DFN Notes.

This Senior Subordinated Guarantee shall be governed by, and interpreted in accordance with, the laws of Belgium.

This Senior Subordinated Guarantee may be executed in any number of counterparts.

All actions arising out of or based upon this Senior Subordinated Guarantee are to be brought before the competent Courts in Brussels.

In witness whereof, the Guarantor has authorised and caused this Senior Subordinated Guarantee to be duly executed and delivered as of 11 January 2012.

On behalf of DEXIA BANK BELGIUM S.A.

An De Roeck  
Member of the Management Board

## ANNEX 4: PRESS RELEASE 20 OCTOBER 2011

### Ongoing restructuring of the Dexia Group

The Board of Directors of Dexia met today and noted the evolution of the various aspects of the Group restructuring. The Board of Directors has:

- validated the sale agreement of Dexia Bank Belgium to the Belgian State;
- approved the terms of a negotiation protocol with Caisse des Dépôts and La Banque Postale in relation to the financing of French local authorities;
- empowered the Chief Executive Officer to commence the disposal process of certain of the Group's operating entities.

It was also informed of the progress made in discussions with the European Commission, which will have to approve the envisaged structural measures.

#### Closing of the sale of Dexia Bank Belgium to the Belgian State

Dexia and the Belgian State have today finalised the sale agreement of Dexia Bank Belgium to the Société Fédérale de Participations et d'Investissement (SFPI), acting on behalf of the Belgian State, under the terms and conditions of the offer made to Dexia SA on 9 October last.

Dexia Bank Belgium's 49% holding in Dexia Asset Management will be transferred to the Dexia Group prior to the Closing of the transaction subject to the approval of the banking supervisory authorities. Therefore, the disposal relates to all assets and liabilities and all subsidiaries and holdings of Dexia Bank Belgium at the closing date to the exception of its stake in Dexia Asset Management.

As soon as the transaction is closed the SFPI will hold 100% of the shares of Dexia Bank Belgium.

The sale price is set at EUR 4 billion and Dexia SA will benefit from an earn-out mechanism, under certain conditions, in the event of a later sale of Dexia Bank Belgium (cf. offer attached to the Dexia press release dated 10 October 2011).

The proceeds of the sale will be principally allocated to the early repayment of loans granted by Dexia Bank Belgium to Dexia SA and Dexia Credit Local.

Intra-group financing granted by Dexia Bank Belgium to other Group entities will be maintained and gradually reduced according to the terms of the sale agreement.

On the basis of the figures as at 30 June 2011, this sale would have had for the Dexia Group the effect of reducing:

- the size of its balance sheet by EUR 144 billion, to EUR 374 billion,
- its weighted risks by EUR 45 billion, to EUR 82 billion,
- its short-term funding requirement by EUR 16 billion, to EUR 80 billion,
- the nominal amount of its bond portfolio in run-off by EUR 19 billion, to EUR 76 billion,
- the outstanding of government bonds from PIIGS countries, expressed in MCRE\*\*, by EUR 9 billion, to EUR 12 billion.

In accordance with the terms of the sale agreement, the Belgian State will indemnify the Dexia group against any risk of loss associated to the performance of or other responsibilities arising from outstanding loans granted to Arco, Ethias and Holding Communal.

\* Dexia is a listed company. This press release contains information subject to the transparency regulations for listed companies.

\*\* Maximum Credit Risk Exposure

More detailed information on Dexia Group pro-forma figures after the sale of Dexia Bank Belgium is available in the appendices.

A transition committee, composed of representatives of the SFPI, the Dexia Group and Dexia Bank Belgium, will be set up to supervise the unwinding of the existing tight operational links between Dexia Bank Belgium and the rest of the Group. In particular, this committee will be in charge of maintaining operational continuity in key fields such as funding, human resources and Operations & IT.

### **Negotiation agreement between Caisse des Dépôts, Dexia and La Banque Postale**

Dexia, Caisse des Dépôts and La Banque Postale have finalised the terms of a negotiation agreement in the field of the financing of French local authorities. This agreement was approved today by the Board of Directors of the Dexia Group, after taking into consideration an independent fairness opinion. It will be submitted to the approval of the European Commission.

The negotiation agreement contains two main features:

- **The acquisition by Caisse des Dépôts and La Banque Postale of respectively 65% and 5% of the shares in Dexia Municipal Agency, the Société de Crédit Foncier of the Dexia Group dedicated to the refinancing of loans to local authorities**

Since its creation in 1999, Dexia Municipal Agency has had the sole object of refinancing loans to the public sector or guaranteed exposures to the public sector, by the issuance of covered bonds (*obligations foncières*). It is the only Société de Crédit Foncier dedicated exclusively to the public sector. As a 100% subsidiary of Dexia Crédit Local, Dexia Municipal Agency had a total balance sheet of EUR 89.9 billion as at 30 June 2011 and outstanding covered bonds of EUR 63.4 billion.

The backing by Caisse des Dépôts of Dexia Municipal Agency would reinforce the solidity of its AAA/AAA/Aaa rating.

The negotiation agreement would also provide for the acquisition by Caisse des Dépôts and La Banque Postale of certain tools and management systems necessary to perform the above-mentioned activity.

Operational management of Dexia Municipal Agency would not rely on a service agreement with Dexia Credit Local.

- **A new commercial tool serving local authorities in France**

A joint venture held by Caisse des Dépôts (for 65%) and La Banque Postale (for 35%) would be created. This joint venture would be dedicated to designing and originating loans to French local authorities, refinanced through Dexia Municipal Agency. This new tool would rely, through a service agreement, on the combined know-how of Dexia Crédit Local, Caisse des Dépôts and La Banque Postale.

### **Impact for Dexia**

As at 30 June 2011, this operation would have had the effect of reducing the Dexia Group balance sheet by about EUR 65 billion and its liquidity requirement by more than EUR 10 billion. It would have resulted in a capital loss on disposal of around EUR 680 million.

The agreement provides that Dexia would extend to Dexia Municipal Agency, on the one hand, a guarantee with respect to the performance and the legal risks associated to a portfolio of EUR 10 billion of structured loans to French local authorities and, on the other hand, an indemnity against losses in excess of 10 basis points on all outstanding loans, which represents 10 times more than the losses faced by Dexia Municipal Agency on an

historical basis. Dexia would moreover benefit from a counter-guarantee from the French State on this same portfolio of structured loans up to 70% of losses over and above EUR 500 million. This counter-guarantee is subject to the approval of the European Commission.

Beyond the mechanism described in the protocol, Dexia Crédit Local remains involved in local finance and will continue to offer a wide range of financial products and services to its public sector clients, particularly via the collection of deposits, the distribution of insurance contracts (via Sofaxis), the provision of real estate services (via Exterimmo) and automobile leasing (via Dexia LLD) as well as the provision of personal services (via Domiserve). Dexia Crédit Local would maintain a lender relationship with its clients not covered by the joint venture, under terms to be specified in a later agreement.

## **Timetable**

Dexia, Caisse des Dépôts and La Banque Postale will continue to discuss with a view to submitting a final draft agreement as soon as possible to their relevant staff representative bodies and the respective governance bodies. The implementation of this negotiation protocol will remain subject to the approval of the relevant supervisory and competition authorities.

## **Negotiations with a view to the possible disposal of the Group's operational entities**

The Board of Directors of the Dexia Group has empowered the Chief Executive Officer to examine the conditions under which its 50% participation in RBC Dexia Investor Services, held as joint venture, is likely to be disposed of and to start the disposal process.

The Board of Directors of the Dexia Group has moreover empowered the Chief Executive Officer to launch, in the framework of an open and competitive procedure, the disposal process of Dexia Asset Management and of its 99.84% stake in DenizBank.

The Board of Directors has also been informed of the progress of the discussions relating to the sale of Dexia Banque Internationale à Luxembourg.

All those disposals will be subject to prior approval by the European Commission.

## **Publication of the quarterly results of the Dexia Group**

Dexia does not plan to modify the timetable for publication of its quarterly results. In accordance with legal provisions, the communication of the results for the third quarter 2011, planned for 9 November 2011, will nonetheless be in the form of an "interim statement" and not that of a financial report, considering the in-depth restructuring throughout the Group.

*For more information: [www.dexia.com](http://www.dexia.com)*

### **Press Office**

*Press Office – Brussels*

*+32 2 213 50 81*

*Press Office – Paris*

*+33 1 58 58 86 75*

### **Investor Relations**

*Investor Relations – Brussels*

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*Investor Relations – Paris*

*+33 1 58 58 85 97/82 84*

Brussels, 30 november 2011

## **Dexia Bank Belgium: a bank of and for Belgian society: working on form and on content.**

*“A vision for the future based on three concrete undertakings, an adapted governance and new name are the key features of an independent Belgian bank and insurance group.”*

Those were the words of Jos Clijsters, Chairman of the management committee of Dexia Bank Belgium, on Wednesday 30 November 2011, at a press conference in Brussels. On this occasion, for the first time since the Federal Holding and Investment Company (FPIM) takeover and in the presence of the new Chairman of the Board of Directors Mr Alfred Bouckaert, details were also supplied of the 9-month results, in particular key elements from the balance sheet.

To prepare for the bank’s future, management has taken a number of clear governance-related decisions, including one not to award a bonus to any senior management member for the year 2011. Three further undertakings are aimed at restoring customer confidence, motivating staff and regaining operational independence, allowing the bank to focus on change, which will include a change of name in the course of 2012.

The 3 commitments are closely based on the wealth of expertise and experience that the bank has accumulated over the past 150 years in the public sector and over the past 50 years in private-individual banking.

- *Dexia Bank Belgium wishes to become a locally anchored relationship bank.*

As a locally anchored relationship bank, we wish, now more than ever, to prioritise the personal relationship with our clients through strong relationship management and specialised advice based on an extensive and high-quality range of products and services. Our “financial planning” investment offer for private banking clients, our “Green Energy Solutions”, our role as banker to municipalities and the regions, the “ageing populations” study for local authorities, our MAHA study for Belgian hospitals and our credit-advice programme for project financing are but a few examples of current initiatives that we intend to even further diversify and expand.

Additionally, it is our aim to be accessible 24/7. Dexia Bank Belgium has – with 824 branch offices, around 400 of which have already been converted in line with the “open branch concept” – a strong presence in Flanders, Brussels and Wallonia. As well as our mobile banking application “Dexia Direct Mobile”, launched in March, and with a DDM customer base that has, in the meantime, grown to 25,000 users, there is also our internet banking site, used by some 900,000 subscribers, and our customised e-network, “Publilink”, used by 97% of municipalities and 85% of OCMWs (the social services).

- *Dexia Bank Belgium seeks to be a bank offering added value to society.*

Dexia Bank Belgium shall, by dint of these undertakings, continue to guarantee the financing of the public and social sector. Savings certificates for local projects, to be launched on 5 December, is a perfect example of this and will provide the necessary funds for projects such as rest- and nursing homes, hospitals, swimming pools, nurseries and libraries. In addition, Dexia Bank Belgium seeks, from a financial point of view, to meet major challenges to society such as the ageing population, sustainability and social integration.

- *Dexia Bank Belgium seeks to communicate clearly and succinctly.*

Trust, a vital part of any banking relationship, is shaped and consolidated by, among other things, clear and succinct communication with customers. Dexia Bank Belgium seeks to provide regular and transparent news about its strategy, results and corporate governance. A stronger corporate governance with a new, independent and professional Board of Directors acts as the basis of a simple and unequivocal strategy in the best interests of our Belgian economy.

## RESULTS AFTER 9 MONTHS AND FOCUS ON SPECIFIC ITEMS ON THE BALANCE SHEET

- Underlying commercial results remain, in spite of a difficult market environment, positive, with the generation, after 9 months, of net returns (for exceptional items) of EUR 361 million (after tax)
- The negative net result for the first nine months of 2011 (EUR -1,109 million after tax) can principally be put down to write-offs on Greek securities (EUR -979 million after tax), capital loss on the disposal of DAM (EUR -147 million after tax), capital loss following the reduction in the investment portfolio (EUR -309 million) and one-off provisions in support of our stand-alone position (EUR -35 million after tax).
- Among the various write-downs, the Tier 1 ratio remained at 13.3% and the Capital Adequacy Ratio (CAD) ratio at 15.1%.
- The commercial part of the balance sheet is well-balanced (EUR 77 billion credits and EUR 79 billion customer deposits)
- Global amount due from Dexia Group (EUR 56 billion) and especially the “unsecured” part (EUR 22.6 billion), are, as promised in the disposal agreement, being dismantled as quickly as possible.
- The investment portfolio (EUR 26 billion) is of good quality (96.7% investment grade) with limited exposure to PIGSI (EUR 6 billion or EUR 8.4 billion including DIB).

*Alfred Bouckaert, the new chairman of the Board of Directors, declares: “With the Belgian government via FPIM as 100% shareholder and mainly Belgian customers, Dexia Bank Belgium can confidently claim to be ‘the bank of and for Belgian society’. We are one of the engines driving the Belgian economy through our supply of credit to individuals, the self-employed, the liberal professions, social profit institutions and public authorities – a role we are determined to continue to fulfill”.*

More information : [www.dexia.be](http://www.dexia.be)

### Press Contacts

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## ANNEX 6: ARTICLES OF ASSOCIATION (UNOFFICIAL TRANSLATION)

### **DEXIA BANK BELGIUM**

**Abbreviated: Dexia Bank**

Société anonyme

Boulevard Pachéco 44

1000 Brussels

RPM Brussels

VAT BE 403.201.185

### **CO-ORDINATED ARTICLES OF ASSOCIATION**

#### **Article 1 - NAME, LEGAL FORM, DURATION**

The Company is a limited liability Company of unlimited duration.

The name of the Company is "Dexia Banque Belgique" in French, "Dexia Bank België" in Dutch, "Dexia Bank Belgien" in German and "Dexia Bank Belgium" in English, or in abbreviated form "Dexia Banque" and "Dexia Bank".

The Company may also carry on its business activities under the following commercial denominations "Artesia Banking Corporation", "Artesia BC", "Artesia Bank", "Banque Artesia", "Artesia", "BACOB", "BACOB Bank" and "BACOB Banque".

The Company publicly appeals to savings funds.

#### **Article 2 - REGISTERED OFFICE, OTHER OFFICES**

The registered office of the Company is situated at 1000 Brussels, boulevard Pachéco 44. The registered office may be transferred to another place, within the Region of Brussels-capital by decision of the Board of Directors.

The Company may establish offices and branches wherever the Board of Directors deems it useful.

#### **Article 3 - OBJECT**

The Company's object is to carry on the business of a credit institution and it has in furtherance of its object all the necessary powers, including the power to enter into transactions on financial derivatives. As such, the Company may - for its own account and for the account of third parties or in cooperation with third parties- even by intermediary of a natural person or a legal entity, both in Belgium and abroad, undertake any and all activities and carry out all banking transactions including inter alia:

- 1° transactions regarding deposits, credits within the broadest sense, brokerage, stock exchange related operations, launches of issues, guarantees and surety;
- 2° short, medium and long-term credit transactions, sustain investments by provinces, municipalities and organisations of a regional and local character, and likewise investments effected by all public establishments, companies, associations and organisations, which are constituted for regional and local purposes, and which provinces, municipalities and organisations of a regional and local character are authorised to support;
- 3° to further, by means of appropriate credit transactions, the day-to-day operation of the budgets of provinces, municipalities and organisations of a regional and local character, and of all other institutions referred to in 2° above, and likewise the day-to-day management of their concerns, public companies and enterprises.

Furthermore, the Company may distribute insurance products from third party insurance companies. The Company may acquire, own and sell shares and participations in one or more companies, within the limits provided for by the legal status of credit institutions.

The Company is entitled to carry out any transactions of whatever nature, inter alia financial, commercial, including goods and estate, relating directly or indirectly to the furtherance of its object or of such a nature as to facilitate the achievement thereof.

All the provisions of the present article must be interpreted in the broadest sense and within the context of the laws and regulations governing transactions of credit institutions.

#### **Article 4 - CAPITAL, SHARES**

The issued and fully paid-up capital amounts to three billion four hundred fifty eight million sixty six thousand two hundred twenty seven euros and forty one cent (EUR 3.458.066.227,41). It is divided into three hundred and fifty-nine million four hundred and twelve thousand six hundred sixteen registered shares (359.412.616) with no face value, each representing one / three hundred and fifty-nine million four hundred and twelve thousand six hundred sixteenth ( $1/359.412.616^{\text{th}}$ ) fraction of the share capital.

#### **Article 4bis – AUTHORIZED CAPITAL**

The board of directors is authorized to increase the authorized capital of the company in one or more instalments at such times and on such terms and conditions as it shall determine up to a maximum amount of three billion four hundred fifty eight million sixty six thousand two hundred twenty seven euros and forty one cent (EUR 3.458.066.227,41). Such authority shall be valid for a period of five years from the gazetting in the annexes to the Moniteur Belge [Official Gazette] of the alteration of the Articles resolved by the extraordinary general meeting of February 27<sup>th</sup> 2009. It shall be renewable.

The board of directors is authorized to issue in one or more instalments and on the conditions permitted by law, convertible bonds, equity notes, warrants or other financial instruments with share warrants attached up to a maximum amount fixed such that the capital resulting from the conversion or redemption of bonds or the exercise of the warrants or other financial instruments is not increased above the remaining maximum limit to which the board of directors is authorized to increase the capital pursuant to paragraph 1 hereof.

Increases of capital effected pursuant to these authorizations may be made by way of cash subscriptions, non-cash contributions within the permitted statutory limits, by capitalization of available or appropriated reserves, or share premiums, with or without an issue of new shares.

The board of directors shall act in observance of shareholders' statutory pre-emption rights. The board of directors may, in the interest of the company and in the conditions prescribed by statute, restrict or disapply existing shareholders' statutory pre-emption rights in respect of increases of capital subscribed in cash and for issues of convertible bonds, equity notes, warrants or other financial instruments with share warrants attached resolved by it, including in favour of one or more identified individuals other than employees of the company or its subsidiaries. Any share premium resulting from an increase of capital resolved by the board of directors shall be recorded in a reserve account not available for distribution, which shall afford the same third party guarantees as the capital, and may not, other than where capitalised by resolution of the general meeting or board of directors as provided above, be reduced or cancelled other than by resolution of the general meeting taken in the conditions prescribed by article 612 of the Companies Code.

#### **Article 5 - BENEFICIAL SHARES**

There are three hundred thousand (300,000) registered beneficial shares. These beneficial shares have no face value and do not represent the share capital.

The beneficial shares are neither negotiable nor transferable, either for consideration or free of charge, except with the prior approval of the Board of Directors. Moreover, they cannot be pledged and may not be subject to the right of usufruct or any other form of splitting up economic and legal ownership, except with the prior approval of the Board of Directors.

Unless there are legal provisions to the contrary, beneficial shares shall not entitle their holders to attend General Meetings of the Company or to exercise any voting right.

They may only be cancelled by observing the procedure as provided for in article 560 of the Belgian Companies Code.

In case of a share capital increase, the holders of beneficial shares shall not enjoy any right of preferential subscription. Neither shall they have any preferential right when beneficial shares are issued on a later date.

Beneficial shares shall give right to a preferential dividend to be determined in a separate agreement. The total amount of dividends attributable each financial year to the entirety of the beneficial shares may not be more than two point two eight per cent (2.28 %) of the available profits as defined in article 13 of the articles of association, specific legal limits included. Beneficial shares shall give no right to the normal dividends distributed to the shareholders representing the share capital. A beneficial share shall no longer give right to a dividend when the beneficiary ceases to exist, after having received the dividend for the financial year preceding the financial year during the course of which the aforementioned occurs.

In the event of a winding up of the Company, if the beneficial shares still exist at that moment, and after all corporate debts being discharged or after allocation of the funds necessary to discharge those debts being made, the net proceeds of the winding up shall serve in the first place to pay the dividends to which the holders of beneficial shares are entitled until the date of winding up and which have not yet been paid. The holders of beneficial shares shall have no other right to participate in the distribution of the remaining portion of the net proceeds from the winding up of the Company.

#### **Article 6 - COMPOSITION OF THE BOARD OF DIRECTORS**

The Company is managed by a Board of Directors composed of maximum twenty-seven members, who are appointed and may be revoked by the General Meeting. The majority of Directors, other than those referred to in the second paragraph, must be public representatives of local authorities.

The Board is composed of nine members who have professional experience in banking and financial matters, who shall be appointed by proposal of the Board of Directors in their capacity as members of the Management Board. The mandates of the members of the Board of Directors are granted for a period of maximum four years. The members are eligible for re-election.

The General Meeting determines the remuneration of the members, with the exception of the members of the Board referred to in the second paragraph.

In the event of there being a vacancy on the Board, the Board of Directors provides for an interim appointment, in accordance with the nomination procedures referred to in this article. The following General Meeting shall make a permanent appointment. The mandate of the person so appointed shall be granted for a period of maximum four years.

The Chairman and Vice-Chairmen are appointed by the Board of Directors from among the members of the Board other than those referred to in the second paragraph.

The Board of Directors may set up one or more advisory committees from among its number and on its own responsibility. The Board shall determine their membership and describe their tasks.

The Board may appoint a Secretary, who is either a Director or not.

#### **Article 7 – POWERS OF THE BOARD OF DIRECTORS**

The Board of Directors shall have the powers to carry out all acts which are useful or necessary for the achievement of the object of the Company, except for the powers reserved to the General Meeting by law.

The Board of Directors may delegate special powers to its Chairman, its Vice-Chairmen or one or more of its members.

#### **Article 8 – MANAGEMENT COMMITTEE**

In accordance with the law, the Board of Directors may delegate all or part of the powers referred to in article 522, paragraph 1, 1 of the Belgian Companies Code to a Management Committee, for which only members of the Board of Directors can qualify. However, this delegation may not involve either the determination of general policy or acts reserved to the Board of Directors by other provisions of the said Company Code.

The Management Committee consists of maximum nine members who constitute a collegial body. The Chairman, Vice-Chairman and members are appointed by the Board of Directors from among the members referred to in article 6, second paragraph, by nomination of the Management Committee and with the approval of the Banking, Finance and Insurance Commission. The Chairman, Vice-Chairman and members may be removed from office by the Board of Directors, on the advice of the Management Committee and with the approval of the Banking, Finance and Insurance Commission. Termination of the mandate of a member of the Management Committee will result in the immediate termination of his mandate as a member of the Board of Directors. The remuneration of members of the Management Committee is determined by the Board of Directors in consultation with the Chairman of the Management Committee.

Every year, the Board of Directors will advise on the discharge to be given to the members of the Management Committee regarding the execution of their missions during the previous year.

The Management Board may appoint a Secretary, who is either a member of the Committee or not. The quorum with which the committee may validly transact its business is at least half the directors present in person or by proxy. Each member may give a proxy to a fellow committee member by ordinary letter, telefax, printed email or any other way in writing. Provided that no director may hold proxies for more than one other committee member.

Meetings may be held by telephone conference or by videoconference. In that case, the meeting of the management committee shall be deemed to be held at the company's registered office.

The Management Board may validly deliberate and decide only when at least half of its members are present or represented. Each member is allowed to give another member power of proxy by letter, telefax, printed e-mail or any other written document. Each member can be represented by only one of his colleagues.

The decisions of the Management Board shall be taken by the simple majority of votes of all members present or represented. In case of a tied vote, the vote of the chairman shall prevail.

Copies and extracts of the minutes of the Management Committee are signed by its Chairman, its Vice-Chairman, one of its members or the Secretary.

The Management Committee may delegate special powers to its Chairman, Vice-Chairman, one or more of its members, one or more members of the staff or any other person. The Committee may authorise sub-delegation thereof.

#### **Article 9 – MEETINGS OF THE BOARD OF DIRECTORS**

The Board meets when convened by the Chairman or, in the event of his absence, by one of the Vice-Chairmen or, in the event of the absence of the latter, two other members of the Board, whenever the interests of the Company so require. A meeting must be convened if three members of the Board so request.

Notices of meetings shall be validly made by letter, fax, email or any other means referred to in article 2281 of the Civil Code. Any director present or duly represented shall be assumed automatically to have been properly convened.

The meetings are chaired by the Chairman of the Board. In the absence of the Chairman, he shall be replaced by one of the Vice-Chairmen and, in the latter's absence, by a member designated by the other members of the Board from among members other than those referred to in article 6, second paragraph.

All deliberations require at least half of the members to be present or represented.

Decisions are taken by a majority of votes cast by the members present or represented, and in the event of a tied vote, the Chairman or the person representing him has the casting vote.

A member of the Board who is unable to be present may, by letter or any other means of communication in which the authority to vote on his behalf is recorded in a document, authorise another member to represent him and vote in his stead. However, no member of the Board may represent more than one other member.

In exceptional cases, duly justified by their urgency and in the interests of the Company, the decisions of the Board of Directors may be taken through the unanimous written consent of its members. The signatures of members of the Board may be placed either on one single document or on several copies of the same document. The decisions shall bear the date of the last signature placed on the said document or documents. However, recourse to this procedure shall not be possible for the closing of the annual accounts.

Meetings may be held by telephone conference or by videoconference. In that case, the meeting of the Board of Directors shall be deemed to be held at the company's registered office.

The minutes of the meetings are approved by the Board and signed by the Chairman or one of the Vice-Chairmen.

Copies and extracts of the minutes of the Board are signed either by the Chairman or one of the Vice-Chairmen of the Board, by the Chairman or the Vice Chairman or a member of the Committee, or by the Secretary of the Board

#### **Article 10 - REPRESENTATION OF THE COMPANY**

The Company is represented, both in legal proceedings and in relation to third parties, by two members of the Management Committee acting jointly.

The Company is also validly represented by one or more specially authorised agents within the limits of the powers conferred upon them.

#### **Article 11 – AUDITORS**

The auditing of the financial situation and the annual accounts of the Company is entrusted to one or more auditors approved by the Banking, Finance and Insurance Commission, who are appointed for a period of three years by the General Meeting, on the proposal of the Board of Directors and on the nomination of the Works Council.

If several auditors are appointed, they shall form a collegial body.

#### **Article 12 – FINANCIAL YEAR, INVENTORY, ANNUAL ACCOUNTS**

The financial year starts on the first of January and ends on the thirty-first of December.

On the thirty-first of December each year, the Board of Directors draws up an inventory of all assets, rights, receivables, debts and liabilities of whatever kind relating to the business activity of the Company and the Company's own funds allocated to this.

It reconciles the accounts with the inventory data and draws up the annual accounts.

#### **Article 13 – DISTRIBUTION OF PROFITS**

I. To the amount of the legal minimum, at least one twentieth of the net profits is taken each year to be allocated to the legal reserve.

Distributable profits are made up of the net profits for the financial year, minus prior losses and the allocation provided for in the preceding paragraph, increased by the amount of credit balances carried forward.

II. The General Meeting, on the proposal of the Board of Directors, determines the portion of the distributable profits to be allocated to shareholders in the form of dividends, taking into account the provisions of article 5 of the present articles of association. With regard to any surplus, if any, the General Meeting decides either to carry it forward or to enter it under one or more reserve items of which it regulates the use and application. Furthermore, the General Meeting may decide to distribute sums withdrawn from the reserves available to it; in this case, the decision shall expressly indicate the reserve items from which the withdrawals are made. However, dividends are in the first instance taken from the distributable profits of the respective financial year.

III. The terms of payment of dividends are determined by the Board of Directors.

Under the conditions provided for in the Belgian Company Code, the Board of Directors may pay interim dividends.

#### **Article 14 – ANNUAL MEETING**

The Annual Meeting of shareholders takes place on the last Wednesday of April at 2.30 p.m., at the registered office or any other place indicated in the attendance notice. If that day is a legal or bank holiday, the Meeting will take place on the following bank working day.

#### **Article 15 – FORMALITIES FOR ADMISSION TO THE GENERAL MEETING**

The holders of registered shares must give notice of their intention to attend the General Meeting.

Any shareholder may be represented at the General Meeting by a proxy holder, whether the latter is himself a shareholder or not.

Bondholders, holders of warrants and certificates, issued in collaboration with the Company, may only attend the General Meeting in an advisory capacity.

Registered bondholders, registered holders of warrants and certificates, issued in collaboration with the Company, must at least five days prior to the date of the General Meeting, give notice in writing of their intention to attend the General Meeting.

Bearer bondholders, holders of warrants and certificates, issued in collaboration with the Company, must at least five days prior to the date of the General Meeting, deposit their securities at the registered office of the Company or at another place mentioned in the attendance notice; the holders of dematerialised securities must in the same manner deposit a certificate which is drawn up by the certified account holder or clearing institution, confirming that the securities are unavailable until the date of the Meeting, inclusive. They shall be admitted to the General Meeting upon presentation of the certificate proving that their securities or the certificate were deposited in time.

Co-owners, beneficial owners and bare owners, secured creditors and secured debtors must be represented respectively by one and the same person.

With the exception of resolutions which have to be passed by notarial act, the shareholders may adopt all resolutions, unanimously and in writing, for which the General Meeting is empowered. For this purpose the Board of Directors shall send the shareholders a registered circular and send the directors and statutory auditors a circular by ordinary mail, fax, e-mail or any other medium stating the agenda and motions and requesting approval of the motions by the shareholders and return of the letter, duly signed, to the address stated in the circular, within a period of fifteen banking days of receipt. If the approval of all shareholders is not received within this period, the resolution shall be deemed not passed. The holders of bonds, warrants and certificates issued with the company's collaboration may take note of the resolutions.

#### **Article 16 – GENERAL MEETING**

The Chairman of the Board of Directors chairs the Meeting. He also acts as a member of the board of the Meeting. In the event of his absence, the Chairman is replaced by one of the Vice-Chairmen or, in the event of the latter's absence, by a member of the Board designated by the other members.

The minutes of the Meeting shall be signed by the members of the Board of the Meeting and by the shareholders who so request.

Copies and extracts of the minutes of the Meeting shall be signed by the Chairman or one of the Vice-Chairmen of the Board of Directors or by the Chairman, the Vice-Chairman or a member of the Management Committee.

#### **Article 17 – WINDING-UP, DISTRIBUTION OF AVAILABLE ASSETS**

In the event of the Company being wound up, the General Meeting appoints one or more liquidators, and determines their powers and fees and fixes the liquidation procedure.

The Board of Directors is as a matter of law responsible for the liquidation until the liquidators are appointed.

After clearance of the Company's debts and liabilities, the liquidation proceeds are distributed equally between the shareholders in one or more instalments.

#### **Article 18 – ELECTION OF DOMICILE**

The shareholders, members of the Board, auditors and liquidators are obliged to elect domicile in Belgium for all their dealings with the Company. If they do not comply with this obligation, they shall be deemed to have elected domicile at the registered office of the Company, where all writs, notices and summons will be served upon them and where all letters and communications may be sent to them.

#### **TRANSITIONAL PROVISION**

The new names and abbreviations are applicable as from the first of April two thousand and two. Any document emanating from the Company bearing the former names and abbreviations or the names or abbreviations of one of the Companies merged, even after the first of April two thousand and two, must, however, be read as emanating from the Company bearing the new names and abbreviations.

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