



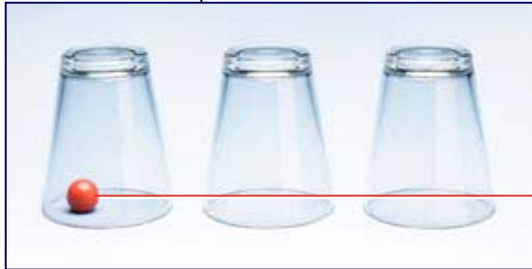
DEXIA

Employee Benefits

Fifth European Meeting of Employee Ownership

Dexia Employee Benefits

Brussels, 17 June 2005



Dexia in the world and its activities



Dexia Employee Benefits



Case study



Dexia in the world and its activities

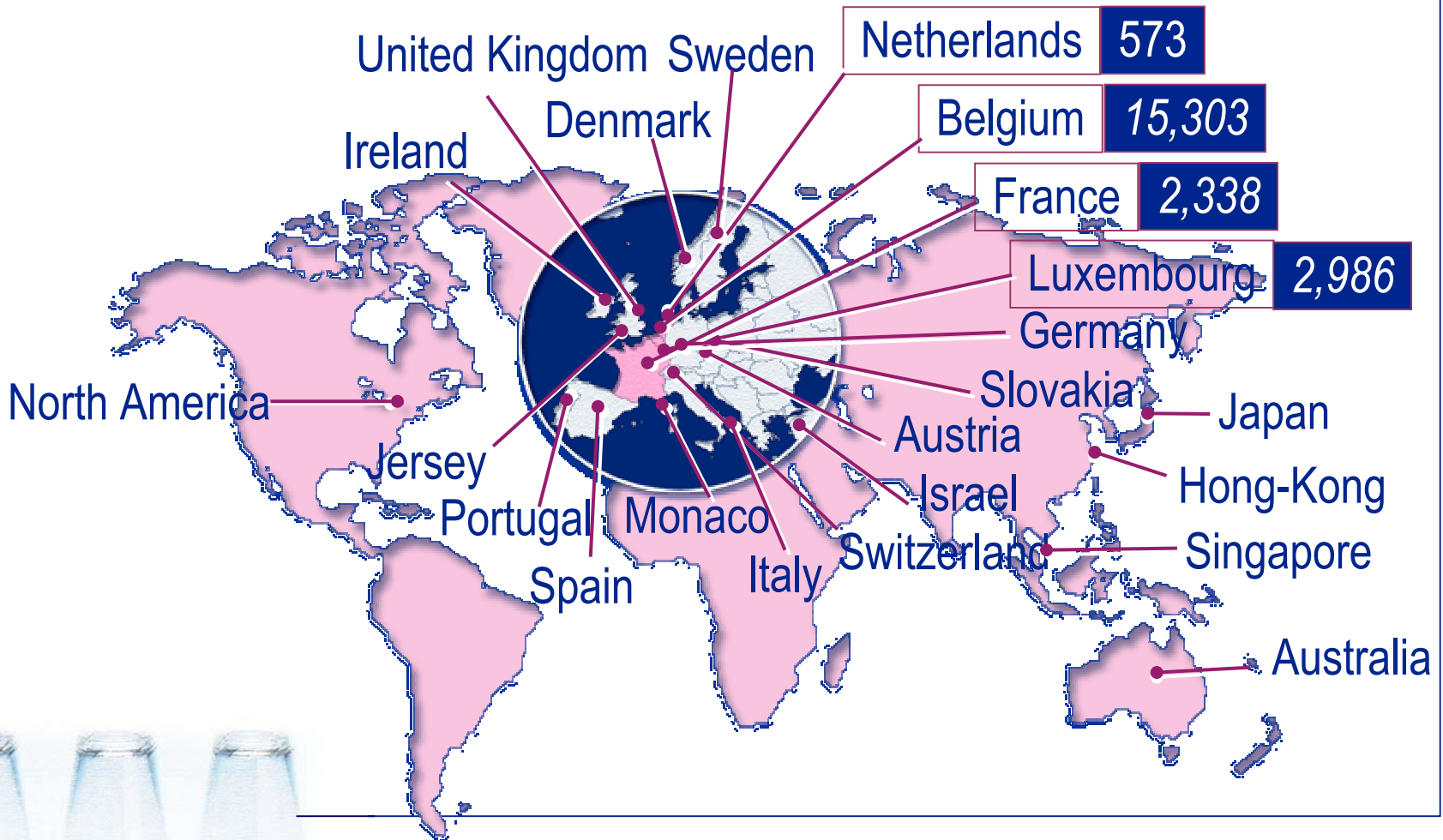


Dexia Employee Benefits



Case study

Dexia in the world



Financing of public equipment

- Market leader
- Market share:
 - Europe: 17%
 - USA: 25%

Financial services

- Retail banking and assurances
 - Belgium: N° 2
 - Luxembourg: N° 3

Management of financial assets

- Management of assets
- Private banking
- Funds administration
- Advice & brokerage

Treasury & capital markets



Definition and philosophy of an ESP (Art. 609)

- Offer to subscribe new shares

- Discount: Max. 20% of the market price (non taxable in principal)
- Lock-up: Shares are non-transferable during 5 years
- Target group : all employees

- Objectives

- Participation of all employees in company performance
- Creation of social link (international and regarding the Group)
- Enhancing sense of “belonging”
- Specific objective of Dexia: 5% of shares owned by the employees



Characteristics of the DESP (Art. 609)

- 2 offers

- Classic offer: total personal contribution by employee
- Leveraged offer

- Characteristics of a leveraged offer

1 share subscribed by employee

→ 9 additional shares financed by third party

- Capital invested by employee is guaranteed
- Return : 6 times increase of 1 share (= 60% increase of 10 shares)



Success of the DESP within Dexia

	Subscriber	Amount (mio EUR)
2000	7/10	120
2001	6/10	170
2002	6/10	130
2003	6/10	110
2004	6/10	110

In Belgium and France : 8 employees out of 10 since 2000

In 2004 : 4,8% of capital in hands of employees worldwide



Definition and philosophy of a SOP

• Free grant of options

- Options granted with lock-up period (at least 3 years)
- Strike determined at grant
- Exercise period : 2 to 7 years
- Several sub-plans due to different tax regulations worldwide

• Objectives

- Fidelity (retention) of a specific target group
- Incentive for better future performance
- Link with performance: Bonus = compensation for past performance
SOP = stimulus for future performance



Stock Option Plan

- Philosophy put into practice


- Objective: simplify diffusion and acceptance
- Example: financing tax due by beneficiaries (upon acceptance)

- Practical example: financing advance tax payment (B)

- Tax Law: tax withheld upon express acceptance of options
- Offer: exchange part of performance for financial flux = advance tax

**Impact
on
employees**

If  : receives only determined % of increase

If  (→ non-exercise) : doesn't owe anything



Stock Option Plan

● Result within Dexia

- All granted options are accepted, also in Belgium
- About 90% of the in Belgium granted options enter in the tax financing scheme

● Conclusion

Also in Belgium a SOP can be

- ➔ - without upfront burden of taxation via tax financing scheme
- accessible for the entire eligible target



In brief...

	ESP	SOP
Underlying share	Share of the company	
Innovating systems 1 st in Belgium	Leveraged offers	Financing scheme for tax payment
Objectives	Employee Shareholders Social link Sense of "belonging"	Fidelity Integration Incentive





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Dexia Employee Benefits



Case study

Creation of Dexia Employee Benefits

- In-house experience

International experience in set-up of:

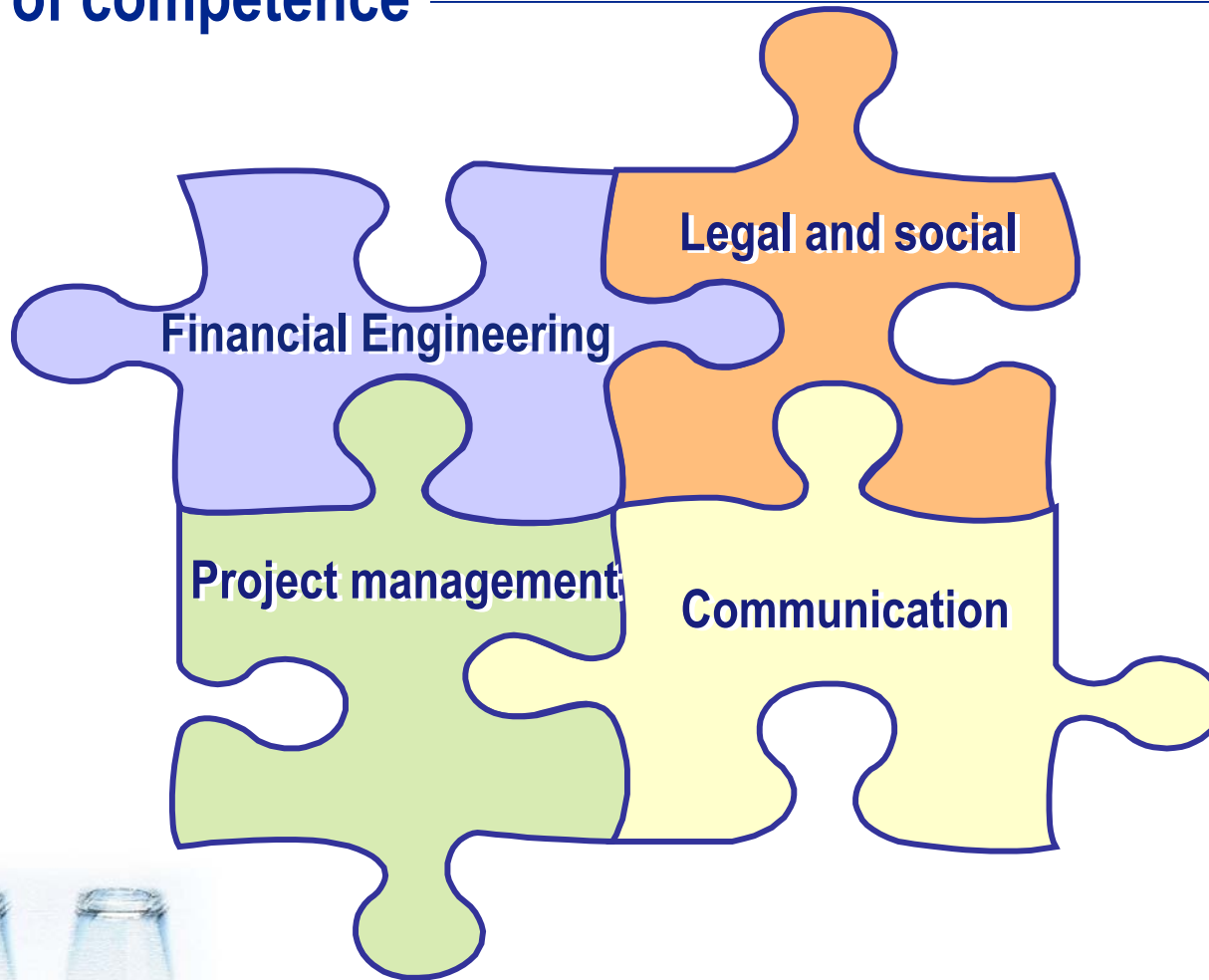
- Employee Share Plans
- Option Plans
- Financial instruments in the field of Compensation & Benefits

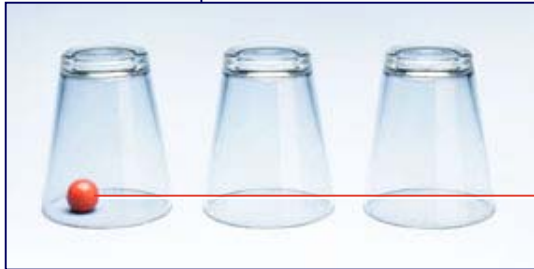
- Target countries

Belgium, France, Luxemburg, Germany, Spain, Ireland, Italy, the Netherlands, Switzerland ...



Areas of competence





Dexia in the world and its activities



Dexia Employee Benefits



Case study

Context

● Company

- International company
- Present mostly in Belgium and France
- Looking for new innovative tools to motivate and hold on to top management in fiscal friendly way



Belgium – ESP Circular letter 1995

- Possibility for a company to sell company shares to employees with tax-exempt discount of 20/120 (or 16,67%)
- Beneficiaries and amount chosen at discretion of company

	Beneficiary	Computation method
Value benefit	€ 10.000	
Or assets valued at	€ 60.000	€ 10.000 / (20/120)
Purchase value assets	€ 50.000	€ 60.000 * (100/120)
Reference price	€ 10	
Purchase price	€ 8,33	€10 * (100/120)
Number of shares subscribed	6.000	€ 60.000 / € 10



Belgium – ESP Circular letter 1995 (continued)

- Taxation at inception

1. Circular letter of 1995 :
discount of 16,67% is tax-exempt
2. Value of granted benefit not
submitted to social security
contributions



Lock-up period of
(min.) 2 years

- Taxation upon sale of shares after lock-up period

Capital gain on sale of shares is tax-exempt



Belgium – ESP + Incentive 1667

- Inconveniences

Circular letter of 1995 has many advantages but also some inconveniences on the level of individual beneficiaries:

- ↳ Financing issue (liquidity problem)
- ↳ Guarantee of invested capital?

Solution: New Dexia product: **“Incentive 1667”**



Belgium - Incentive 1667

● Objectives

Incentive 1667 helps to:

- finance the amount to be invested by the employee
- guarantee the amount of the employee's invested capital
- give the company a variety of options as to the yield calculation



Belgium - Incentive 1667

● Example

	Beneficiary	Computation method
Value benefit	€ 10.000	
Or assets valued at	€ 60.000	€ 10.000 / (20/120)
Purchase value of assets	€ 50.000	€ 60.000 * (100/120)
With		
- personal contribution (1/50)	€ 1.000	
- leveraged effect (49/50)	€ 49.000	
Reference price	€ 10	
Purchase price	€ 8,33	€10 * (100/120)
Number of shares subscribed	6.000	€ 60.000 / € 10



Belgium - Incentive 1667

- Example – possible investment profile

Standard Leveraged Offer

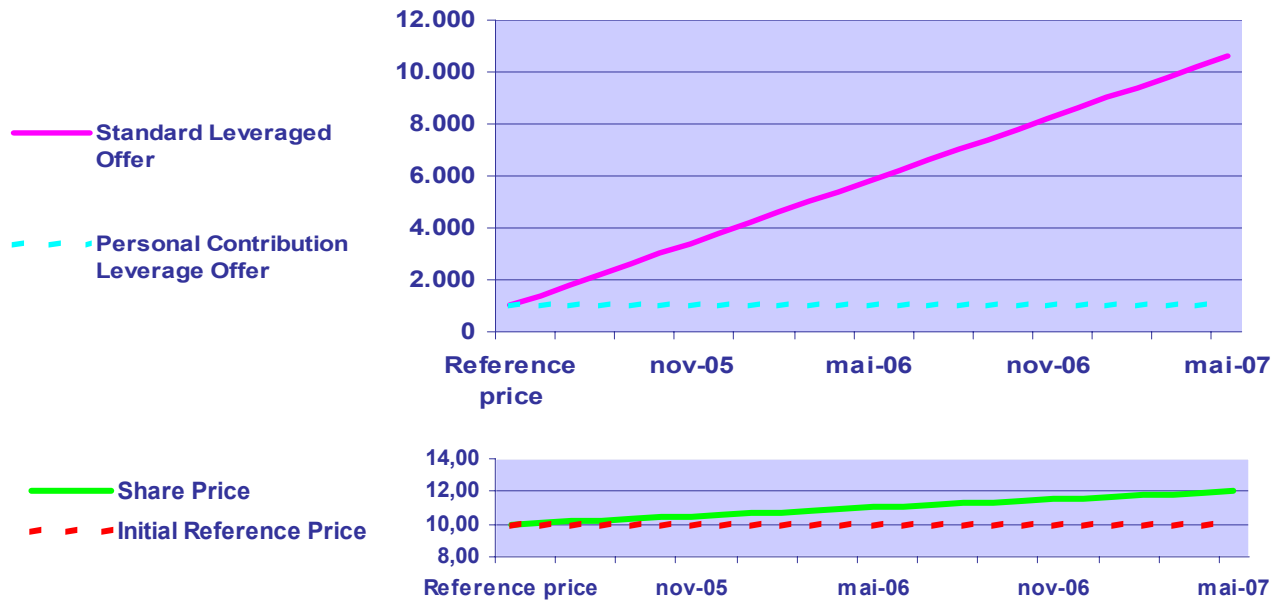
Personal contribution + 80% of the added value of all shares acquired

With added value = surplus value established with regard to the initial reference price after the lock-up period of 2 years



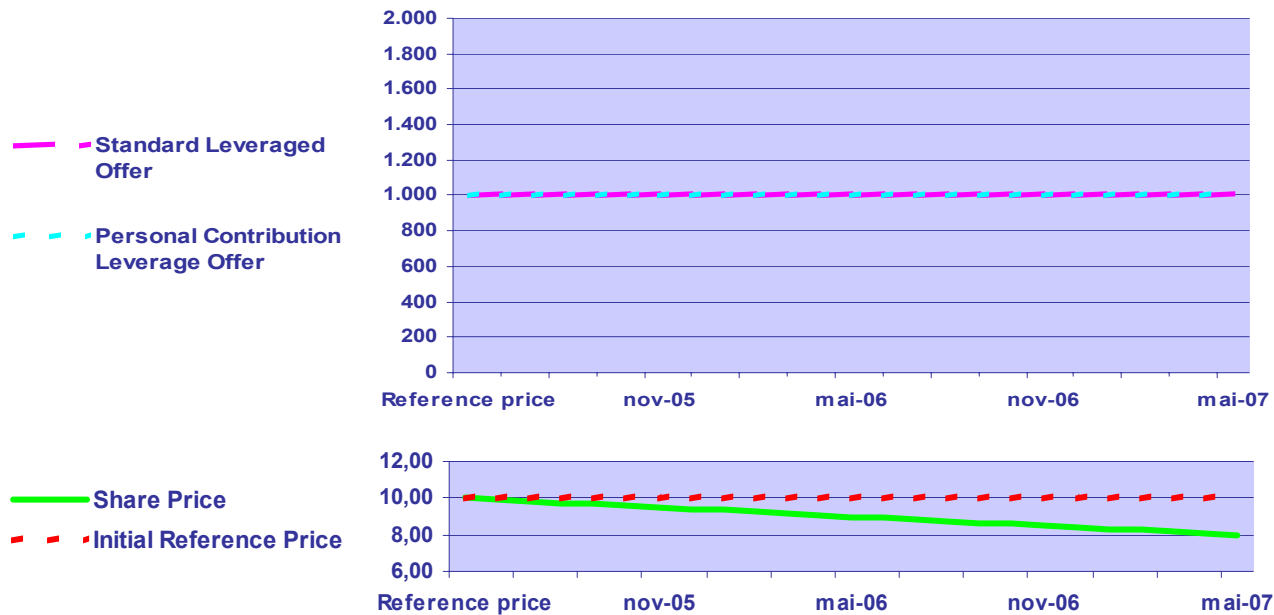
Belgium - Incentive 1667 - example

- Constant increase of share price (+20%)



Belgium - Incentive 1667 – example (continued)

- Constant decrease of share price (-20%)



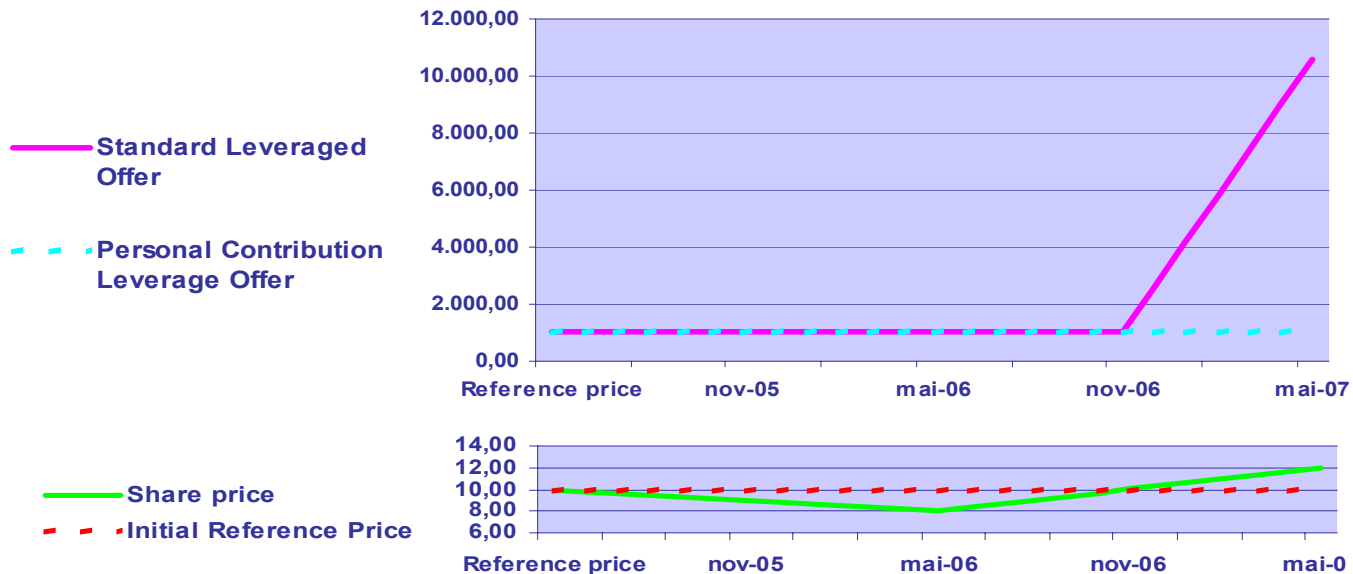
Belgium - Incentive 1667 – example (continued)

- Increase followed by decrease of share price (+20%, -20%)



Belgium - Incentive 1667 – example (continued)

- Decrease followed by increase of share price (-20%, +20%)



France – Grant of free shares

- Description

Art. 83 of Law of Finance regarding the year 2005 describes the grant of free shares to employees.

- Acquisition period of min. 2 years
- Conservation period of min. 2 years

Beneficiaries are employees but also “mandataires sociaux” (upon condition that they do not own more than 10% of the capital)



France – Grant of free shares (continued)

- Foreign companies

If certain conditions are fulfilled, foreign companies with branches in France may also grant free shares to French employees.

- Social security contributions

If certain conditions are fulfilled, no social security contributions (employer – employee) are due.



France – Grant of free shares (continued)

		Taxation free shares	
Grant Acquisition	Amount taxed	Value of shares granted	
	%	At choice of beneficiary: 30% + 11% (social withdrawals) (*) or % based on tax on revenue (progressive tariff) + 11% (social withdrawals)	
	When	Year sale of the shares	
Sale	Amount taxed	Value shares at moment of sale – value of shares at acquisition	
	%	16% + 11% (social withdrawals)	
	When	Year sale of the shares	

(*) Due at moment of sale of the shares in contrary to taxation based on tax on revenue



France – Grant of free shares - example

- Constant increase of share price (+10% per year)

	Beneficiary	Computation method
Value shares at grant (€ 10)	€ 10.000	1.000 shares * € 10
Value shares at acquisition (€12)	€ 12.000	1.000 shares * € 12
Taxes due “gain d’acquisition”	€ 4.920	(30% + 11 %) * € 12.000
Sale of shares at € 14	€ 14.000	1.000 shares * € 14
Taxes due “plus-value de cession”	€ 540	(16% + 11 %) * (€ 14.000 - € 12.000)
Total taxes due in year of sale	€ 5.460	€ 4.920 + € 540
Net result *	€ 8.540	€ 14.000 – 5.460

* Not taking into account fees...





The tax analysis is realised by our external consultant. Dexia Employee Benefits and Dexia Bank Brussels do not give any tax advice regarding these products.

Conclusion



Questions?



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