Press release

DEXIA

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Interim Statement – 1Q 2012

In a still difficult economic environment, marked by sharp volatility, the Dexia restructuring continues in line with the Group's objectives. A Group orderly resolution plan was submitted by the States to the European Commission on 21 March, in parallel with ongoing negotiations regarding disposal of the operational entities, in particular with announcements of the disposal of Banque Internationale à Luxembourg and of RBC Dexia Investor Services in early April.

In line with current legislation, Dexia is publishing an interim statement for the period ending 31 March 2012. This declaration presents the most significant transactions and events that occurred over the period, as well as their impact on the Group's financial situation.

This statement is based on non-audited figures as at 31 March 2012, which do not record any change in perimeter compared to the end of 2011 in the absence of any finalisation of pending transactions as at the date of publication of this statement. Furthermore, considering the IFRS accounting treatment requiring an in-depth analysis, the non-audited results as at end of March 2012 do not take account of the potentially negative value adjustment related on the disposal of Banque Internationale à Luxembourg[1].

1. Significant events and transactions

A – Update on the Group's restructuring process

Progress report

During October 2011, Dexia's Board of Directors disclosed important steps to be taken by the Group in response to the worsening of the European sovereign crisis which came to a head in 2011 and had a particularly severe impact on Dexia as it undermined its credit ratings and led to the loss of access to the capital markets on an unsecured basis for its regular refinancing.

Alongside new State support, agreed to by the States of Belgium, France and Luxembourg and approved on a temporary basis by the European Commission on 21 December 2011, it was decided to implement a series of structural measures including the disposal of most of the Group's operating entities.

This disposal plan is progressing in line with the targets set by the Group:

- Dexia actively continues the separation of its ties with Dexia Bank Belgium (now renamed Belfius Bank & Insurance) sold to the Belgian State on 20 October 2011 and deconsolidated as of 1 October 2011. As at 31 March 2012 the Group had paid back to Belfius Bank & Insurance unsecured funding previously extended to Dexia and its operating entities.
- Following negotiations commenced in October 2011 with a view to selling Banque Internationale à Luxembourg (formerly Dexia Banque Internationale à Luxembourg), a sale and purchase agreement (SPA) was signed on 4 April 2012 under the terms of which the Dexia Group will sell to Precision Capital and the Grand Duchy of Luxembourg its 99.906% holding in Banque Internationale à Luxembourg[2]. This transaction should be finalised in the 3Q 2012.
- Similarly, on 3 April 2012, Dexia signed a sale and purchase agreement with Royal Bank of Canada to sell its 50% holding in RBC Dexia Investor Services[3]. The closing of this transaction is scheduled to take place mid-2012.
- At the same time, the Group also launched the process to sell Dexia Asset Management.

[1] Dexia will communicate as soon as the analysis is finalized, should this impact be significant
[2] See press release dated 5 April 2012
[3] See press release dated 3 April 2012
** Dexia is a listed company. This press release contains information subject to the transparency regulations for listed companies*

- Finally, following the signing by the French State, the Caisse des Dépôts and La Banque Postale of a protocol of intention with Dexia on 16 March last, discussions are continuing between the parties with regard to a takeover under the best possible conditions of the Dexia Group's local public sector finance activities in France.

Each of these disposals is subject to the prior consent of the prudential regulatory authorities, the relevant staff representative bodies and the European Commission.

Sale of Denizbank

As at 31 March 2012, despite discussions still going on, the sale process of DenizBank remained too uncertain to apply IFRS 5 and justify the reclassification of the entity in "disposal groups held for sale". Since that date, the negotiations have continued with a view to divesting the entity, which may result in a potential loss for the Dexia Group, should they come to an agreement, given the value of DenizBank in the Group's consolidated accounts.

B – Validation process of Dexia's resolution plan by the European Commission

A Group orderly resolution plan was submitted by the Belgian, French and Luxembourg States to the European Commission on 21 March 2012. This plan contains the strategy, the business plan and a presentation of the prospects for the Group with particular focus on the disposal of operating entities and the seeking of a definitive funding guarantee for an amount of EUR 90 billion.

The temporary guarantee agreement currently in force allows for the issuance of a maximum EUR 45 billion State guaranteed debt until 31 May 2012. Discussions with the European Commission regarding the plan and the validation of the terms of the definitive guarantee are still ongoing and, as at today, it is unlikely that talks will be completed by 31 May 2012, which might imply an extension of the current temporary agreement.

With regard to the final form of the guarantee, Dexia has drawn attention to the fact that completion of the restructuring assumes the materialisation of a certain number of fundamental assumptions when presenting its annual results on 23 February 2012 including the calibration of the compensation to the States for the liquidity guarantee. As mentioned above, discussions with the States on the terms of compensation for the guarantee are continuing.

2. Financial situation – non-audited

A – Non-audited financial statements 1Q 2012

The Dexia Group posted a **net loss group share of EUR -431 million** for the first quarter of 2012 of which EUR -416 million were linked to continuing operations and EUR -15 million to discontinued operations. As mentionned, given IFRS accounting treatments requiring an in-depth analysis, this non audited result does not take into account potentially negative value adjustment related to the disposal of Banque Internationale à Luxembourg.

This quarter's result was mainly impacted by non-recurring items, explained below, in a pre-tax total amount of EUR -286 million as well as by the cost of the guaranteed funding issued from December 2011 onwards under the temporary guarantee agreement. The running fees paid over the quarter to the States of Belgium, France and Luxembourg based on the outstanding guaranteed debt amounted to EUR -128 million pre-tax including EUR -79 million for the debt issued under the 2011 temporary guarantee agreement. The non-recurring items, described below, consist essentially of an impairment on participation capital in Kommunalkredit Austria (EUR -145 million) and adjustments linked to the disposal of Dexia Municipal Agency (EUR -102 million). Importantly, the adjustment of book value related to Dexia Municipal Agency does not change the final expected loss on the disposal of the entity, already communicated.

It should be noted that the EUR 484 million result achieved through the buy-back of the perpetual non-cumulative (Tier 1 hybrid) securities issued by Dexia Funding Luxembourg and Dexia Crédit Local was not booked through profit and loss but had a direct positive impact of 86 basis points on the Group's Core Tier 1

compared with the end of December 2011, thus contributing to the Core Tier 1 ratio being kept unchanged compared to the end of 2011. These buy-back transactions are detailed in the section “Evolution of the Group’s balance sheet, solvency and liquidity situation”.

B – Impact of significant items on the Group’s financial situation

Adjustments related to the sale of Dexia Municipal Agency

To recall, at the end of 2011, a certain number of operating entities highly likely to be disposed of within 12 months were classified by Dexia under IFRS 5, and these included Dexia Municipal Agency. Consequently, in 4Q 2011, Dexia recorded a loss in its books, under the heading "Net result of discontinued operations" linked to the disposal of this entity.

At the end of March 2012, the calculation was reviewed to take into account the evolution of the book value of Dexia Municipal Agency linked to the improvement in the Other Comprehensive Income (OCI) compared to the end of 2011. Dexia recorded an adjustment of the “remeasurement to fair value” of EUR -102 million. This adjustment does not change the final expected loss on the sale of Dexia Municipal Agency as from a total equity perspective, the P&L impact of EUR -102 million is offset by an improvement of the AFS Reserve in OCI of the entity.

Impairment on participation capital in Kommunalkredit Austria

In the first quarter of 2012, Dexia decided to impair EUR 145 million on the EUR 200 million participation capital invested by Dexia Crédit Local in KA Finanz AG and KA new, the two banks resulting from the split of Kommunalkredit Austria AG which occurred in 2009.

To recall, in November 2008, the Republic of Austria had taken over control of Kommunalkredit Austria AG, in which Dexia Crédit Local had previously held a 49% stake alongside the majority shareholder ÖVAG. To facilitate this transaction, Dexia Crédit Local had agreed to convert EUR 200 million of its unsecured claims vis-à-vis Kommunalkredit Austria AG into participation capital notes, Tier 1 instruments under the Austrian Banking Act. When Kommunalkredit Austria AG was split, the EUR 200 million notes were also split as follows: EUR 151.66 million into KA Finanz AG and EUR 48.34 million into KA new.

On 25 April 2012, a resolution was passed during the KA Finanz AG shareholders meeting to offset the losses incurred by cancelling the full value of the participation capital allocated to KA Finanz AG, with retroactive effect as of 31 December 2011. Dexia considers this decision to be a breach of the conditions governing its investment and will seek to enforce its rights. However, without anticipating the future outcome of these actions, Dexia decided to book an impairment in an amount of EUR 145 million on the EUR 200 million participation capital.

C – Comments on segment reporting

Excluding Dexia Bank Belgium, disposed of in October 2011, total customer assets in **Retail and Commercial Banking** amounted to EUR 41 billion as at the end of March 2012, of which EUR 24.5 billion of deposits and EUR 16.5 billion of off-balance sheet assets. Loans were EUR 22.9 billion.

In ***Luxembourg***, customer assets stood at EUR 27.8 billion as at the end of March 2012. Outstanding loans were EUR 9.2 billion.

In ***Turkey***, deposit gathering recorded a 12% increase in 1Q 2012 compared to 4Q 2011, bringing total outstanding to TRY 30.0 billion (EUR 12.7 billion). All segments contributed to this improvement and more particularly private as well as commercial and corporate banking. Loans were up 4% to TRY 32.4 billion (EUR 13.7 billion) after the mild slow-down observed at the end of 2011. The strong deposit growth resulted in a significant improvement of the loan-to-deposit ratio which reached 108%, the lowest level since the acquisition of DenizBank in 2006. This ratio stood at 116% at the end of 2011. DenizBank was serving 5.2 million clients and had 589 branches as at the end of March 2012.

1Q 2012 pre-tax income from the retail and commercial activities of DenizBank benefited from stable fee income and increasing interest income (at a constant exchange rate), costs progressing relatively favourably compared to the previous quarter.

In line with the Group's resolution plan submitted to the European Commission, new long-term commitments originated by the **Public and Wholesale Banking** business line in 1Q 2012 were limited to the debt management of structured loans issued prior to the implementation of the Gissler Charter[4]. They reached EUR 221 million, down 86% on Q4 2011, reflecting the momentum of a last quarter 2011 sustained by the allotment of specific resources on the one hand and seasonality on the other hand. In this context, total Group long-term commitments are down 5%, at EUR 167 billion.

In France, margins on new production continued to progress (+48%) amidst very low activity volumes.

As of 31 March 2012, assets under management at **Dexia Asset Management** reached EUR 79.3 billion, from EUR 78.0 billion as at the end of 2011. They were supported by a positive market effect amounting to EUR 3.1 billion over the quarter and by inflows in third party institutional mandates, retail and private products resulting in positive underlying net new cash (excluding the EUR -2.6 billion one-off outflow from a subsidiary sold in 2010).

As at the end of March 2012, **Investor Services** achieved a 4% growth of its assets under administration compared to Q4 2011, at EUR 2,148 billion. In spite of some slight negative currency impacts, this positive trend was driven by organic growth and new business as well as the favourable evolution of the major equity markets where RBC Dexia Investor Services is active. The number of funds under administration rose by 2% over the same period.

As at 31 March 2012, total commitments of the **Legacy Portfolio Management Division** amounted to EUR 87.6 billion (including off-balance sheet items). Balance sheet commitments amounted to EUR 85.0 billion, a EUR 4.7 billion decrease compared to year end 2011.

Considering the balance sheet targeted adjustment will be reached through the divestment of operational entities, Dexia opted for a more opportunistic deleveraging policy in order to reduce losses on asset sales. The two most important priorities regarding asset divestment remain the improvement of the liquidity situation and of the risk profile. In 2012, bond sales were coupled with the public cash-tender offer on Dexia Crédit Local perpetual securities (see section "Evolution of the Group's balance sheet, solvency and liquidity situation") as well as an exchange of financial assets made within the context of signing the sale of RBC Dexia Investor Services to Royal Bank of Canada[5].

With regard to non-strategic loans, the Group now gives priority to early repayments negotiated with its clients.

Over the first four months of 2012, Dexia divested EUR 3.0 billion of assets, of which EUR 2.4 billion of bonds (EUR 0.9 billion as at 31 March 2012, for a loss of EUR 9 millions) and EUR 0.6 billion of loans (EUR 20 million as at 31 March 2012, without any loss).

In 1Q 2012, the pre-tax result of the LPM Division was mainly impacted by higher refinancing costs, due to the cost of State guaranteed refinancing and by the loss of the divested asset margins.

Additional details on the evolution of the various segments of the Legacy Division are given below.

The ***bond portfolio in run-off*** amounted to EUR 71.4 billion as at 31 March 2012. As the Group placed an emphasis on the divestment of its most risky assets, the overall credit quality of the portfolio improved this quarter, with 91% of assets investment grade.

PWB run-off commitments amounted to EUR 11.5 billion, including the EUR 2.6 billion (USD 3.3 billion) of liquidity lines (SBPA) granted to municipalities in the United States, drawn to a limited amount of

[4] The Gissler Charter is a document which provides for the classification of structured public sector loans according to their relative market sensitivity. It provides a framework to rank these loans on a "Gissler scale". Dexia was a forerunner in promoting good conduct in public sector lending and actively sponsored the use of this charter to enhance transparency in financial transactions contracted with public sector entities.

[5] See press release dated 3 April 2012.

EUR 0.2 billion (USD 0.2 billion). Over the quarter, commitments were reduced by EUR 2.9 billion mainly due to asset sales, early repayments and natural amortization of assets.

The ***Financial Products portfolio*** was composed of USD 5.9 billion (EUR 4.8 billion) of assets, including USD 4.2 billion of high quality assets (mainly US Treasury Bills) used specifically as collateral for the Guaranteed Investment Contracts (GIC) financing the portfolio. Excluding these USD 4.2 billion, the portfolio was 94% investment grade as at the end of March 2012.

D – Evolution of the Group's balance sheet, solvency and liquidity situation

Balance sheet and solvency

As at 31 March 2012, the Dexia Group's total consolidated balance-sheet amounted to EUR 399 billion, down EUR 14 billion compared to 31 December 2011. This balance sheet reduction resulted from the underlying trend of a decrease (EUR -6.5 billion) in outstanding loans from the "core" Public and Wholesale Banking and a reduction (EUR -4.7 billion) of the Legacy Division's total assets. In addition, the size of the balance sheet was also impacted by the increase of long-term interest rates, leading to a reduction in collateral posted by the Group (EUR -4.8 billion).

Core shareholders' equity amounted to EUR 7.6 billion as at the end of March 2012, after the impact of a net loss of EUR 431 million recorded in the first quarter of 2012. Other comprehensive income (OCI), which includes the gains and losses not recognized in the income statement, stood at EUR -8 billion. Globally, OCI recorded an improvement of EUR 1.6 billion compared to 31 December 2011, essentially driven by the reduction in the AFS reserve explained by a spread tightening on sovereign credits, mainly Italy and Poland as well as on Spanish covered bonds.

As at the end of March, the Tier 1 ratio stood at 7.0% (compared to 7.6% as at the end of December 2011) and the Core Tier 1 ratio at 6.7% (compared to 6.4% at the end of December 2011). At the same date, the Core Tier 1 Capital amounted to EUR 5.8 billion up EUR 461 million compared to year-end 2011 and the Tier 1 Capital to EUR 6.1 billion down EUR 216 million; weighted risks were equal to EUR 86.5 billion.

As at 31 March 2012, the Core Tier 1 capital benefited from the following items more than offsetting the loss incurred for 1Q 2012:

- The EUR 484 million result on the buy-back of hybrid Tier 1 issues of Dexia Crédit Local and Dexia Funding Luxembourg,
- EUR 310 million relief on capital deduction following the repayment by Belfius Bank & Insurance of a subordinated debt held by the Group,
- EUR 96 million of Cumulative Translating Adjustment (CTA) linked to Denizbank.

The Tier 1 capital was impacted by:

- The buy-back of hybrid Tier 1 issues of Dexia Crédit Local and Dexia Funding Luxembourg, resulting in EUR 1.1 billion decrease in hybrid capital,
- EUR 424 million relief on capital deduction following the repayment by Belfius Bank & Insurance of a subordinated debt held by the Group,

As a reminder, the Group's solvency ratios recorded a significant decline by the end of 2011 as the Group had to record losses on the disposal of Dexia Bank and on the remeasurement to fair value of all entities classified in IFRS5 without benefiting from the relief of the weighted risks embedded in the discontinued activities. Such an asymmetry will only be adjusted through a decrease of weighted risks once the disposals are closed. Excluding the weighted risks of entities which are likely to be sold in 2012, the Group's estimated pro forma Tier 1 and Core Tier 1 ratios should be 7.3% and 7.2% respectively.

Impact of the liability management transactions

Two liability management offers took place in the first quarter of 2012, both bearing on perpetual non-cumulative (Tier 1 hybrid) securities. The first had originally been issued by Dexia Funding Luxembourg for a nominal amount of EUR 500 million, the other by Dexia Credit Local for a nominal amount of EUR 700 million. Both operations met with high success rates of 91.84% and 91.96% respectively. The prices offered were 25% and 24% respectively of their nominal par value.

The Dexia Funding Luxembourg buy-back was initiated by Dexia Bank Belgium (now Belfius Bank & Insurance) as part of the unwinding of existing links between Dexia Bank Belgium and the Dexia Group agreed between the two entities in October 2011. Dexia Bank Belgium repurchased the Dexia Funding Luxembourg bonds at the offered discount price and sold them back to Dexia at par as the proceeds of the original Dexia Funding Luxembourg transaction had been fully lent by Dexia to Dexia Bank Belgium in the form a deeply subordinated intra-group loan. Following the buy-back, Dexia Bank Belgium repaid the subordinated loan up to the nominal amount of the securities tendered in the offer.

The Dexia Funding Luxembourg offer was launched on 20 February and closed on 29 February 2012, followed by the Dexia Crédit Local offer, launched on 2 March and closed on 14 March 2012.

DCL's buy-back offer was driven by the continuing search by Dexia to strengthen the Core Tier 1 of the Group and its subsidiary Dexia Crédit Local and had been pre-financed by the sale of assets. Thus the combination of the asset disposal and of the hybrid Tier 1 buy-back had no impact on the Group's liquidity.

These two transactions, which were neutral to the Group in terms of net liquidity needs, contributed altogether to improving the Dexia Group's Core Tier 1 ratio by 86 basis points compared to the level as at 31 December and were neutral regarding its Tier 1 ratio.

Evolution of the Group's liquidity situation

The Dexia Group funding programme for 2012 will rest essentially on guaranteed funding issued within the framework of the temporary guarantee validated by the European Commission on 21 December 2011, as well as central bank funding.

During 1Q 2012, the Group issued EUR 19 billion in State guaranteed debt, bringing the total outstanding issued under the 2011 agreement to EUR 41 billion at the end of March 2012[6]. These guaranteed debt issues were used in the first place to reduce the drawing of emergency liquidity facilities (ELA) which, as at 31 March 2012, stood at EUR 10 billion. They also enabled unsecured financing extended by Belfius Bank & Insurance (formerly Dexia Bank Belgium) to be redeemed in line with the agreements made by the two institutions in the course of the disposal of Dexia Bank Belgium to the Belgian State. The guaranteed issues have maturity dates ranging up to 3 years. Similarly, the Group's participation to the second 3-year LTRO[7] launched by the European Central Bank has had a beneficial impact on the Group's financing profile by enabling its short-term liquidity needs to be reduced and the duration of its funding lengthened.

The Dexia Group's funding profile has therefore evolved favourably since December 2011. As at 31 March 2012, the Group's short-term funding requirement stood at EUR 61 billion against EUR 88 billion as at 31 December 2011. The plan presented to the European Commission provides for a EUR 90 billion definitive guarantee, sized to cover the funding requirement over the long term. The implementation of this definitive guarantee remains subject to validation of the plan submitted to the European Commission by the States.

[6] The outstanding guaranteed debt may be checked on the BNB website through this link: http://www.nbb.be/DOC/DQ/warandia/index.htm

[7] LTRO stands for Long Term Refinancing Operation. The last such operation was launched on 1 March 2012 and carried a 3-year maturity

3. Appendices

Appendix 1 – MCRE of government bonds on a selection of European countries

The maximum credit risk exposure (MCRE) represents the accounting net carrying amount of exposures, being the notional amounts after deduction of specific impairments and available for sale reserve amounts, and taking into account accrued interests and impact of fair-value hedge accounting.

Government bonds on a selection of European countries as at 31 March 2012

In millions of EUR	**Notional**	**MCRE**	**o/w banking**
Greece	1,160	292	292
Ireland	0	0	0
Italy	10,898	11,665	11,665
Portugal	1,917	1,589	1,589
Spain	480	471	471
Total	**13,295**	**14,017**	**14,017**

Non-audited figures

Appendix 2 – Bond portfolio in run-off as at 31 March 2012

Credit quality of the bond portfolio in run-off

In billions of EUR	**AAA**	**AA**	**A**	**BBB**	**NIG**	**Total**
Public sector	1.3	11.9	5.8	3.1	1.5	23.7
Sovereigns	1.1	1.5	7.0	0.8	2.4	12.7
Banks	1.7	2.4	3.6	0.9	0.5	9.2
Covered bonds	1.9	1.9	2.6	1.4	0.1	7.8
ABS	4.6	0.3	0.2	0.2	0.1	5.3
MBS	1.1	0.5	0.4	0.2	0.5	2.6
Other	0.1	0.4	2.3	5.8	1.5	10.0
Total (nominal before protection)	**11.8**	**18.8**	**21.9**	**12.3**	**6.5**	**71.4**

Non-audited figures

Appendix 3 – Litigations

Like many financial institutions, Dexia is subject to a number of regulatory investigations and litigations, including class action lawsuits in the US and Israel. Summarised below are the main developments that occurred during 1Q 2012 in respect of the most significant litigations and investigations involving entities of the Dexia Group as a named party, based on the information available to Dexia as at 31 March 2012 or at such later date as indicated in the relevant summary update. The updates below are made against, and must be read in conjunction with, the relevant summaries included or referred to in the

section “Legal Risk” of the Annual Report 2011 (pages 80 to 84 included), available at www.dexia.com.

Developments that may have occurred during the first quarter of 2012 in relation to pending litigations and investigations for which a summary is included in the section “Legal Risk” of the Annual Report 2011 but for which no summary update is included below, were, based on the information available to Dexia as at 31 March 2012, either not expected to have a material impact on the Group’s financial situation or the information available at that time did not permit the Group adequately to assess whether they may have such an impact.

Dexia Crediop

In the litigation opposing Dexia Crediop to the Province of Pisa, the Council of State decided on February 28, 2012 to re-open the assessment by asking the court-appointed expert to file an additional report addressing the specific issues raised by the expert appointed by the Province of Pisa by 14 May 2012. A request by the Province of Pisa to have the court-appointed expert replaced was dismissed by a separate decision of the Council of State as at end of April 2012.

At this stage, Dexia is not able reasonably to predict the duration or the outcome of these proceedings, or their potential financial repercussions.

Dexia Crédit Local

As at 31 March 2012, the number of claims filed against Dexia Credit Local in relation to structured financings amounts to 20. Moreover, another criminal complaint appears to have been filed against Dexia Credit Local. The latter denies any criminal charges which would be brought against it.

At this stage, Dexia is not able reasonably to predict the duration or the outcome of these proceedings, or their potential financial repercussions.

Kommunalkredit Austria AG

In November 2008, the Republic of Austria acquired control of Kommunalkredit Austria AG, in which Dexia Crédit Local held a 49% stake alongside the majority shareholder ÖVAG. To facilitate this transaction, Dexia Crédit Local had agreed to convert EUR 200 million of its unsecured claims vis-à-vis Kommunalkredit Austria AG into participation capital notes, a Tier 1 instrument under the Austrian Banking Act. When Kommunalkredit Austria AG was demerged, the EUR 200 million notes were allocated as follows: EUR 151.66 million to KA Finanz AG and EUR 48.34 million to KA new.

On 25 April 2012, a resolution was passed at KA Finanz AG shareholders' meeting approving a set-off of the accrued losses against the (total) face value of the participation capital allocated to KA Finanz AG, with retroactive effect as of 31 December, 2011. Dexia considers this decision to be breach to the contractual terms governing its investment and intends to defend its position.

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