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Net profit of EUR 203 million in 3Q 2010

Sustained dynamic of commercial business lines and confirmed business model

Strong Tier 1 generation capacity

Highlights

Net profit of EUR 203 million in 3Q 2010 and EUR 667 million in 9M 2010

- Sustained dynamic of commercial business lines
- Excluding capital gains on divestments, revenues of commercial business lines** up 5% vs. 2Q 2010
- Costs stable qoq excluding EUR 93 million restructuring costs booked in 3Q 2010
- Important decrease in the cost of risk: -61% vs. 2Q 2010

Transformation plan recording significant progress

- Short-term funding need: EUR -23 billion vs. June 2010 / EUR -64 billion vs. September 2009
- EUR 25.7 billion of bonds and loans sold at contained costs as per the end of October 2010

Confirmed Tier 1 generation capacity

- Tier 1 ratio: 12.8% (+59 bps vs. June 2010 / +100 bps vs. September 2009)
- Core Tier 1 ratio: 11.8% (+55 bps vs. June 2010 / +99 bps vs. September 2009)

** Retail and Commercial Banking (RCB), Public and Wholesale Banking (PWB) and Asset Management and Services (AMS)

Jean-Luc Dehaene, Chairman of the Board of Directors, said, "During the third quarter 2010, Dexia continued to implement its transformation plan with the same determination, in line with the objectives agreed with the European Commission. The Group therefore continued to refocus its activities on its core commercial franchises and its efforts towards financial restructuring. Cost efficiency remained a priority for the Group and an additional step of the plan was announced on 15 September. With the mobilisation of all members of staff and management, I am fully confident in the Group's ability to achieve the targets it has set for 2014, as communicated on 12 October last."

Pierre Mariani, CEO and Chairman of the Management Board, said, "The third quarter results reflect again the reality of the new dynamic that drives the commercial franchises of the Group as well as the effects of a significant reduction in the cost of risk across all business lines. On the Retail and Commercial Banking side, the first nine months of 2010 positively demonstrate the benefits of the deployment of the new distribution model in Belgium and of the ambitious development of DenizBank in Turkey: Customer satisfaction is up in Belgium and the pace of new branch opening in Turkey is one of the highest in the country. By displaying a strong capital generation capacity the Group affirms this quarter again its comfort with regards to the future evolutions of regulatory capital requirements and its capacity to effectively meet them".

* Dexia is a listed company. This press release contains information subject to the transparency regulations for listed companies

During its 10 November 2010 meeting, the Board of Directors approved the 3Q and 9M 2010 results of Dexia.

3Q and 9M 2010 reported statement of income and update on the transformation plan

Consolidated statement of income*								
In millions of EUR	3Q09**	2Q10	3Q10	Var. 3Q10/ 3Q09	Var. 3Q10/ 2Q10	9M09**	9M10	Var. 9M10/ 9M09
Income***	1,369	1,371	1,234	-9.9%	-10.0%	4,702	4,096	-12.9%
Expenses	-916	-874	-973	+6.2%	+11.3%	-2,687	-2,731	+1.6%
Gross operating income	453	497	261	-42.4%	-47.5%	2,015	1,365	-32.3%
Cost of risk	-84	-126	-49	-41.7%	-61.1%	-821	-440	-46.4%
Other impairments & provisions for legal litigations**	-18	-135	3	n.s.	n.s.	-41	-149	x3.6
Pre-tax income	351	236	215	-38.7%	-8.9%	1,153	776	-32.7%
Tax expense	-65	30	3	n.s.	-90.0%	-258	-57	-77.9%
Net income	286	266	218	-23.8%	-18.0%	895	719	-19.7%
Minority interests	12	18	15	+25.0%	-16.7%	87	52	-40.2%
Net income Group share	274	248	203	-25.9%	-18.1%	808	667	-17.5%
Return on Equity****	6.0%	5.3%	4.2%			6.0%	4.7%	
Earnings per share (in EUR)	0.15	0.13	0.11			0.44	0.36	

* FSA Insurance deconsolidated since 2Q 2009.

** The provisions for legal litigations were previously included in income (other net income).

*** Income (also mentioned as revenues) = interests, fees, commissions, trading and other income.

**** The ratio between the net income Group share and the weighted average core shareholders' equity.

3Q 2010 Dexia Group reported results: net profit of EUR 203 million

In 3Q 2010, **income** stood at EUR 1,234 million, down 10.0% compared to 2Q 2010. Excluding capital gains booked in 2Q 2010 and in 3Q 2010, as well as the EUR -43 million impact of the spread tightening on the CDS purchased with the framework of the synthetic securitizations Dublin Oak and Wise and of credit value adjustments on CDS intermediation (against EUR +53 million in 2Q 2010), income was roughly stable qoq.

Restated from the capital gains, revenues of the commercial business lines were up by 5.0% qoq. Group Center revenues were sharply down qoq (EUR -73 million) as 2Q 2010 revenues were supported by a EUR 29 million capital gain on the sale of Dexia Epargne Pension (DEP) and positive foreign exchange results that were reversed in 3Q 2010. Revenues of the Legacy Portfolio Management Division (LPM Division) fell by EUR 68 million qoq mainly as a result of the above-mentioned impact of the spread tightening on the CDS linked to synthetic securitizations and of credit value adjustments on CDS intermediation.

Within the context of its restructuring plan, Dexia booked EUR 93 million of provisions for restructuring costs in 3Q 2010. As a consequence, **costs** amounted to EUR 973 million up 11.3% compared to 2Q 2010. Excluding those restructuring costs and a reversal of bonuses in 2Q 2010, costs fell by 1.5% qoq.

The **cost of risk** amounted to EUR 49 million, down 61.1% compared to 2Q 2010 by virtue of a decrease of EUR 21 million in the Core Division driven by RCB in Turkey and a lower cost of risk in the LPM division (EUR -56 million). The cost of risk on the Financial Products portfolio fell by EUR 88 million versus 2Q 2010 but there were fewer reversals on the PWB run-off commitments and the bond portfolios in run-off in 3Q 2010 (EUR 21 million) compared to 2Q 2010 (EUR 53 million).

Other impairments and provisions for legal litigations decreased qoq, as EUR 138 million provisions were booked in 2Q 2010 to cover the potential risk related to the Ritro litigation in Slovakia.

In 3Q 2010, **pre-tax income** amounted to EUR 215 million, down 8.9% against 2Q 2010.

Tax expenses stood at EUR +3 million and were positively impacted by USD 51 million (EUR 39 million) one-off tax refunds in the US.

As a consequence of the above-mentioned evolutions, **net income Group share** amounted to EUR 203 million in 3Q 2010 compared to EUR 248 million in 2Q 2010 and EUR 274 million in 3Q 2009.

In the first 9 months of 2010, reported net income Group share was EUR 667 million against EUR 808 million for 9M 2009.

Further progress on the transformation plan

Execution of the Group's restructuring plan made further progress during the third quarter 2010 in line with the commitments given to the European Commission.

After the sale of SPE and Dexia Epargne Pension in 2Q 2010, Dexia reached an agreement with Network Research Belgium on the sale of its 51% stake in AdInfo, a company active in IT services for Belgian local authorities and closed the transaction in the third quarter of 2010 with EUR 14 million capital gain. This divestment was part of the agreement with the European Commission providing for the disposal of AdInfo by 31 December 2010.

Deleveraging the balance-sheet remained a high priority for the Group. Despite poorer liquidity over the summer months, EUR 20.2 billion of Core and Legacy bonds and EUR 3.7 billion of PWB run-off loans were sold as per end of September 2010 with a total P&L impact of EUR -142 million (0.6% of loss on the nominal amount of assets sold). This compares to EUR 16 billion of bonds and loans sold per end of June 2010 for a total loss of EUR 107 million (0.7% of loss on the nominal amount of assets sold). The decrease of the average loss on nominal is partly explained by capital gains booked on ALM bonds. The bonds sold in 9M 2010 had an average life of 5.2 years.

EUR 25.7 billion of bonds and loans were sold as at end of October 2010, with a total loss of EUR 148 million (0.6% loss on the nominal amount of assets sold).

The deleverage enabled the Group to reduce its short term liquidity gap by additional EUR 23 billion over the third quarter and as much as EUR 64 billion between end of September 2009 and end of September 2010 (see paragraph related to the update on liquidity).

Results by division

Core Division

Statement of income								
In millions of EUR	3Q09*	2Q10	3Q10	Var. 3Q10/ 3Q09	Var. 3Q10/ 2Q10	9M09*	9M10	Var. 9M10/ 9M09
Income**	1,274	1,311	1,241	-2.6%	-5.4%	3,783	3,731	-1.4%
Expenses	-877	-846	-941	+7.3%	+11.2%	-2,556	-2,642	+3.4%
Gross operating income	397	466	300	-24.5%	-35.6%	1,227	1,089	-11.3%
Cost of risk	-31	-55	-34	+11.9%	-37.6%	-327	-196	-40.1%
Other impairments & provisions for legal litigations*	-18	-135	3	n.s.	n.s.	-45	-147	x3.3
Pre-tax income	349	275	268	-23.0%	-2.4%	855	746	-12.8%

* The provisions for legal litigations were previously included in income (other net income).

** Income (also mentioned as revenues) = interests, fees, and commissions, trading and other income.

Under the segment reporting introduced in 1Q 2010, the Core Division includes the contributions of Retail and Commercial Banking (RCB), Public and Wholesale Banking (PWB), Asset Management and Services (AMS) and Group Center.

The capital gains related to the sale of SPE (EUR 69 million) and of DEP (EUR 29 million) both closed in 2Q 2010 and of AdInfo (EUR 14 million) closed in 3Q 2010 were recorded in the Core Division.

In 3Q 2010, the Core Division reported an income of EUR 1,241 million against EUR 1,311 million in 2Q 2010. Restated from the above mentioned capital gains, income rose by 1.1%.

Excluding the EUR 93 million restructuring costs booked in 3Q 2010 and a reversal of bonuses in 2Q 2010, costs fell by 1.9% qoq.

The cost of risk decreased by 37.6% mainly supported by DenizBank (-95 bps vs 2Q 2010). Other impairments and provisions for legal litigations decreased qoq as EUR 138 million provisions were booked in 2Q 2010 to cover potential risk related to the Ritro litigation in Slovakia.

The Core Division reported a pre-tax income of EUR 268 million in 3Q 2010, against EUR 275 million in 2Q 2010. 9M 2010 pre-tax income amounted to EUR 746 million compared to EUR 855 million in 9M 2009.

Retail and Commercial Banking (RCB)

(See business line statement of income in appendix)

Retail and Commercial Banking enjoyed a positive commercial dynamic in 2010, as a result of the deployment of the New Distribution Model in Belgium and of the ambitious development of DenizBank in Turkey. Globally, the customer product mix in Retail and Commercial Banking was still oriented towards deposits and life insurance. Total customer assets amounted to EUR 135 billion at the end of September 2010, up 5% yoy driven by deposits (+8% or EUR 7 billion collected) and life insurance (+9%). In 3Q 2010, deposits were slightly increasing as a consequence of diverging trends: an increase of EUR 1 billion, mainly at the level of savings accounts and Eurobonds was offset by seasonal outflows from sight accounts. Life technical reserves were up EUR 0.4 billion qoq (or 3%). Total customer liabilities amounted to EUR 54 billion at the end of September 2010, up 10% yoy supported by business and consumer loans and up 1% compared to the end of June.

- In **Belgium**, deposits amounted to EUR 63 billion and life insurance reserves to EUR 11 billion, both increasing by 7% yoy. Off-balance-sheet products, at EUR 20 billion, were still suffering from the product mix focused on structured bonds, savings accounts and life insurance products. Loans stood at EUR 33 billion, up 5% yoy. Several initiatives were launched during the third quarter: a business banking offer tailored for the medical sector, fidelity savings accounts and a free energy-advice contest linked to mortgage loans. Customer satisfaction improved by a further 9 percentage points against September 2009.
- In **Luxembourg**, customer assets (EUR 30 billion) were stable in 3Q 2010. Deposits amounted to EUR 13.3 billion, up 3% yoy and slightly decreasing qoq. To note, new retail account openings were 13% higher than one year ago. Life insurance products were actively sold, increasing by 30% yoy and 20% qoq. Loans stabilized at EUR 8.9 billion in 3Q 2010 (up 3% yoy). Dexia's market share as main banker for Luxembourg individuals increased by 1% to 14%.
- In **Turkey**, DenizBank pursued its development in line with the plan. 26 new branches were opened in 3Q 2010, leading to a total of 477 branches at the end of September. This dynamic pace placed DenizBank among the most active players in terms of branch opening: +5.8% in 3Q 2010 compared to 2.1% for the banking sector and +13.3% since September of last year against +5.4% for the sector. The number of new retail and business customers increased by 483,000 or 14% yoy. The growing franchise of DenizBank translated in deposits increasing by 9% qoq (+25% yoy), especially in the corporate and commercial segments at TRY 18.1 billion whereas loans were up 3% qoq (+20% yoy) at TRY 21.6 billion. As a result, at 119% by the end of September 2010, the loan to deposit ratio further improved compared the end of June 2010 (126%) illustrating DenizBank' ability to fund its growth with stable deposits.

At EUR 715 million, 3Q 2010 income was down 1% compared to 2Q 2010 mainly due to the normalization of the interest margin in line with the improvement of the credit environment in Turkey and a seasonal effect, only partially offset by volume increase.

Costs were up 1% qoq, at EUR 477 million in 3Q 2010, mainly as a result of a slight increase in Belgium and Luxembourg after write-backs in 2Q 2010. Despite the opening of 26 new branches during the quarter expenses were stable in Turkey versus 2Q 2010, which was impacted by higher advertisement costs.

After the peak reached in 4Q 2009, the cost of risk improved qoq and reached EUR 31 million in 3Q 2010 (down 48% versus 2Q 2010). The cost of risk in Belgium and Luxembourg normalized at EUR 13 million or 13 bps on average customer loans. In Turkey, it decreased by 95 bps on average customer loans in 3Q 2010, after a similar improvement in 2Q 2010, to reach EUR 16 million or 58 bps on average customer loans.

In 3Q 2010, pre-tax income amounted to EUR 208 million, up 11% qoq supported by 28% growth in Turkey. 9M 2010 pre-tax income amounted to EUR 563 million, up by 33% compared to 9M 2009, mainly due to a lower level of impairments (-26%) compared to 9M 2009.

Public and Wholesale Banking (PWB)

(See business line statement of income in appendix)

PWB long-term commitments amounted to EUR 229 billion as at end of September 2010, slightly down compared to June 2010 and September 2009.

In **public banking**, long-term commitments were stable qoq and down 3% yoy at EUR 193 billion, reflecting the strategy of the Group to adjust new commitments to the business line's stable funding capacity. 9M 2010 new commitments amounted to EUR 5.5 billion mainly focused on France, Belgium and Spain. New commitments were booked on a selective basis, at satisfactory level of margins.

New commitments in **project finance** were up 30% yoy, at EUR 1 billion, confirming Dexia's expertise and sustained presence in infrastructure, transport and renewable energy. The McGill Hospital PPP project in Canada illustrates this dynamic deal-flow.

At EUR 27 billion, deposits were up 5% compared to June 2010 and 11% versus beginning of the year, reflecting the focus on the collection of new PWB deposit. This growth was notably sustained in Belgium driven by corporate sight accounts and mutual funds for local authorities.

3Q 2010 revenues amounted to EUR 235 million, down 18% versus 2Q 2010 which benefited from EUR 69 million capital gain on the sale of Dexia's stake in SPE, against EUR 14 million capital gain in 3Q 2010 related to the sale of AdInfo. Restated from these impacts, revenues rose by 2.2% compared to 2Q 2010.

3Q 2010 costs remained under control and stable compared to 2Q 2010.

Cost of Risk in 3Q 2010 was EUR 6 million, the very low level of risk traditionally recorded by the business line being, as in 2Q 2010, emphasized by provisions write backs.

As a result PWB posted a pre-tax income of EUR 98 million in 3Q 2010, against EUR 147 million in 2Q 2010, which benefited from significant capital gains. Excluding capital gains, pre-tax income was up 7%.

9M 2010 pre-tax income amounted to EUR 323 million compared to EUR 504 million in 9M 2009, due to a 24% fall in revenues mainly explained by higher costs of funding recorded in 1Q 2010, to align the business line with the EC 2014 short-term funding target and due to lower financial market revenues. This negative impact was only partially offset by capital gains and by a lower level of impairments (60%), following collective provisions posted in 1H 2009.

Asset Management and Services (AMS)

(See business line statement of income in appendix)

In 3Q 2010, pre-tax income of Asset Management and Services amounted to EUR 114 million, twice the level of 2Q 2010 and 3Q 2009 mainly driven by Insurance. For the first 9 months of 2010 pre-tax income stood at EUR 242 million, 6.5 times more than 9M 2009.

- **Asset Management:** Assets under Management (AuM) reached EUR 86.2 billion at the end of September 2010, up 4.6% compared to December 2009. This increase of EUR 3.8 billion was supported by EUR 0.8 billion inflow of net new cash and EUR 3 billion of positive market effect (+3.7%). Retail funds and low-margin institutional money market funds suffered from YTD outflows (EUR 3.0 billion) while year to date, private and institutional mandates gathered EUR 3.8 billion of net new cash. Qoq, AuM increased by EUR 3.5 billion or 4.3%. Whereas in the first half of 2010 there were still limited outflows of funds (EUR -0.2 billion), the third quarter was marked by a net inflow of new cash (EUR +0.9 billion). During 3Q 2010, retail funds continued to suffer from net outflows (EUR -0.3 billion) whereas institutional funds (for the first time in 2010) and private and institutional mandates generated EUR 1.2 billion net new cash.

In 3Q 2010, Dexia AM won several mandates, from new and existing institutional clients in various countries. Dexia Asset Management's enhanced approach to asset allocation was intensively marketed via a well targeted and multi-channel campaign.

Revenues amounted to EUR 47 million in 3Q 2010, down 6% qoq as higher investment management fees were more than offset by negative seasonal effects and financial income compared to 2Q 2010.

Costs remained well controlled in 3Q 2010 and stable compared to 2Q 2010. The total costs on average AuM decreased from 15.6 bps in 9M 2009 to 15.0 bps in 9M 2010 reflecting the efficiency of the business line.

In 3Q 2010, Asset Management posted a pre-tax income of EUR 16 million against EUR 18 million in 2Q 2010.

At EUR 50 million, 9M 2010 pre-tax income was 2.3 times more than 9M 2009 pre-tax income (EUR 22 million) driven by an increase in revenues (+27%) due to both higher recurrent management fees (+21%) and financial income, which was negative for 9M 2009.

- **Investor Services:** Investor Services enjoyed a positive commercial dynamic in 9M 2010, reflected by:
 - Assets under Administration (AuA) increasing by 15% year to date (+3% qoq when restated from currency impact), reaching EUR 1,957 billion at the end of September 2010;
 - Assets under Custody (AuC) expressed in Euro increasing by 17% year-to-date (-2% qoq) at EUR 1,533 billion;
 - Transfer agent accounts continuing to increase in 3Q 2010, with 141 000 additional new accounts leading to 660,000 new accounts since December 2009.

3Q 2010 revenues came in at EUR 96 million, down 5% compared to 2Q 2010. The positive increase in core businesses (+2%) and interest margins (+8%), following the base rate increase by Bank of Canada, was offset by a EUR 6 million decrease of securities lending, due to negative seasonal effect as the second quarter benefited from dividend payments.

3Q 2010 costs remained even, at EUR 84 million qoq.

Investor Services posted a pre-tax income of EUR 12 million in 3Q 2010 compared to EUR 17 million in 2Q 2010.

9M 2010 pre-tax income more than doubled at EUR 40 million as a result of an increase in revenues (+16% compared to 9M 2009) driven by a core business favourably impacted by the increase in AuA.

- **Insurance:** In 2010, Insurance benefited from a strong commercial momentum supported by the commercial focus on insurance in Luxembourg and by the life and non-life distribution channels in Belgium. This translated in a solid increase in the total gross written premiums collected. Indeed, at EUR 2,827 million as at 30 September 2010, they were up by 78% compared to the first nine months of 2009 and, compared to 3Q 2009, the premium production more than doubled to reach EUR 904 million in 3Q 2010. About 50% of the premiums were collected in Luxembourg. At the end of October, the Decavi Trophy for Innovation was awarded to Dexia Life Horizon, a combined guaranteed yield (branch 21) and unit-linked (branch 23) contract adapted to senior customer needs.

Revenues amounted to EUR 146 million supported by financial revenues (mainly due to capital gains on the sale of bonds and equities), moratorium interest received on fiscal claims and limited allocation to profit-sharing provisions. Compared to 2Q 2010, revenues were up EUR 65 million (or +81%) as additional profit-sharing provisions (EUR 52 million) and impairments and losses on sales of assets were booked in 2Q 2010, offsetting the positive flow of revenues.

At EUR 59 million, costs were, down 1% vs 2Q 2010.

As a result, 3Q 2010 pre-tax income was 3.7 times higher than in 2Q 2010 at EUR 86 million.

9M 2010 pre-tax income amounted to EUR 151 million compared to a EUR 2 million loss in 9M 2009, which was negatively impacted by crisis items.

Group Center

(See business line statement of income in appendix)

Group Center combines the contributions of the Treasury, ALM and Central Assets sub-segments.

In 3Q 2010, Group Center posted revenues of EUR 3 million, down EUR 73 million qoq. 2Q 2010 revenues included a EUR 29 million gain on the sale of DEP. Apart from this one-off item, this decrease is mainly due to a EUR 35 million fall of revenues on Turkish CPI bonds resulting from negative inflation during the summer and the negative impact of own credit risk, accounting for EUR 26 million.

Expenses were negatively impacted by EUR 93 million restructuring costs, following the cost-cutting plan announced in September 2010. As a result, 3Q 2010 expenses more than doubled compared to 2Q 2010 and amounted to EUR 158 million.

At EUR +4 million in 3Q 2010, other impairments and provisions improved by EUR 139 million during the quarter, mainly explained by the EUR 138 million provision related to the Ritro litigation in Slovakia posted in 2Q 2010.

As a result, Group Center reported a pre-tax loss of EUR 151 million in 3Q 2010, compared to a loss of EUR 117 million in 2Q 2010.

9M 2010 pre-tax income amounted to EUR -383 million vs. EUR -109 million in 9M 2009. The main drivers of such evolution are the decreasing contribution of the Treasury result allocated to Group Center (EUR -117 million between 9M 2009 and 9M 2010) and the provision related to the Ritro litigation posted in 2Q 2010.

Legacy Portfolio Management Division

Statement of income								
In millions of EUR	3Q09*	2Q10	3Q10	Var. 3Q10/ 3Q09	Var. 3Q10/ 2Q10	9M09*	9M10	Var. 9M10/ 9M09
Income**	95	61	-7	n.s.	n.s.	919	365	-60.2%
Expenses	-39	-29	-32	-19.0%	+9.9%	-132	-89	-32.6%
Gross operating income	56	32	-39	n.s.	n.s.	787	277	-64.9%
Cost of risk	-53	-71	-15	-72.4%	-79.4%	-494	-245	-50.5%
Other impairments & provisions for legal litigations*	0	0	0	n.s.	n.s.	5	-1	n.s.
Pre-tax income	2	-39	-53	n.s.	n.s.	298	30	-89.8%
<i>o/w changes in scope***</i>	<i>10</i>	<i>0</i>	<i>0</i>	<i>n.s.</i>	<i>n.s.</i>	<i>100</i>	<i>0</i>	<i>n.s.</i>

* The provisions for legal litigations were previously included in income (other net income).

** Income (also mentioned as revenues) = interests, fees, and commissions, trading and other income.

*** Mainly FSA Insurance and Crédit du Nord.

The LPM Division includes the contributions of Dexia's bond portfolios in run-off (including the Financial Products portfolio) and of the PWB run-off commitments. The LPM Division is also allocated part of the Treasury result. Entities to be divested are still reported in the Core Division.

The LPM division posted a pre-tax income of EUR -53 million in 3Q 2010 down EUR 14 million compared to 2Q 2010 and a 9M 2010 pre-tax income of EUR 30 million against EUR 298 million in 9M 2009. Main drivers explaining such evolution are commented below.

- At EUR 114.2 billion at the end of September 2010, the **bond portfolio in run-off** was down by EUR 11 billion over the quarter due to EUR 4.6 billion asset sales, EUR 2.1 billion amortization and EUR 4.3 billion forex effect. At the end of September 2010, the portfolio was 95% investment grade (stable against June 2010) and the stock of impairments went down by EUR 11 million on June 2010, at EUR 927 million, mainly supported by EUR 19 million reversal of the ABS provision.

The Group actively pursued its **deleveraging process** (see chapter related to the transformation plan). EUR 4.5 billion Legacy bonds were sold over the quarter for a total P&L impact of EUR -55 million. This compares to EUR 6.5 billion of Legacy bonds sold in 2Q 2010 for a loss of EUR 31 million. By end of September, a total of EUR 16.8 billion of Legacy bonds were sold at an average 0.8% of nominal loss.

In 3Q 2010, the pre-tax income of the bond portfolio in run-off amounted to EUR -90 million, against EUR 35 million in 2Q 2010. Besides EUR 55 million losses on the sale of bonds, the segment "bond portfolio in run-off" was also affected by a EUR -43 million impact of the spread tightening on the CDS purchased with the framework of the synthetic securitizations Dublin Oak and Wise and of credit value adjustments on CDS intermediation (against EUR +53 million in 2Q 2010). In 9M 2010, pre-tax income was up by EUR 265 million on 9M 2009 supported by EUR 84 million reversal of provisions in 2010 whereas 2009 was marked by additional provisions.

- In 3Q 2010, the total size of the **Financial Products portfolio** decreased by USD 0.4 billion from 2Q 2010, at USD 14.2 billion as a consequence of the sale of USD 131 million of NIMs wrapped by Radian, amortization and realised losses on assets. The expected weighted average life of the portfolio was about 9 years by end of September 2010.

The total cash shortfalls and realised losses on the portfolio rose by USD 109 million over the quarter, at USD 542 million.

The economic view of the portfolio did not change a lot over the quarter and the Group remains cautious with regards to the future direction of the US real estate market. Despite increased severity risk drivers, the economic loss assessment (total discounted expected cash shortfalls excluding realised losses) on the portfolio went down by USD 135 million qoq due to USD 91 million realised shortfalls and USD 18 million loss on the sale of NIMs in 3Q 2010. Such estimates are made to the best of Dexia's knowledge and on the basis of market conditions as at the end of September 2010.

Total provisions amounted to USD 1.95 billion as at 30 September 2010 and exceeded the economic loss assessment as defined above by USD 840 million (up USD 57 million compared to June 2010).

In 3Q 2010, the Financial Products portfolio segment posted a pre-tax income of EUR 22 million against a loss of EUR -101 million in 2Q 2010. This is mainly explained by:

- EUR 33 million increase in income from 2Q 2010, supported by USD 44 million (EUR 34 million) adjustment on the result of the sale of FSA Insurance,
- a reduction of the cost of risk qoq (EUR +88 million).

9M 2010 pre-tax income was flat compared to 9M 2009 at EUR -55 million. The EUR 237 million increase in income due to the capital gain on the sale of the participation in Assured Guaranty booked in 1Q 2010 was offset by EUR 236 million increase in cost of risk due to higher specific impairments in application of IAS 39.

- In 3Q 2010, **PWB run-off commitments** reported a pre-tax income of EUR -12 million down by EUR 11 million against 2Q 2010. Such decrease was mainly due to the sale of loans (EUR 1.6 billion of loans sold in 3Q 2010 for a total loss of EUR 15.4 million against EUR 1.8 billion sale in 2Q 2010 for a loss of EUR 10.5 million). Additionally the portfolio benefited from a EUR 6 million reversal of impairments in 2Q 2010. 9M 2010 pre-tax profit was down by EUR 125 million on 9M 2009 mostly as a result of losses on the sale of run-off loans and of the impact on the net interest margin of the natural run-off of the US Stand-By-Purchase-Agreement.
- At EUR 27 million in 3Q 2010, the **Treasury result allocated to the LPM Division** was stable compared to the previous quarter. 9M 2010 pre-tax income fell sharply (EUR -307 million) compared to 9M 2009 as a consequence of the flattening of the short-term cash curve and the reduction of the Group's short-term liquidity gap.

Balance-sheet, solvency and liquidity

Total assets, shareholders' equity and solvency					
	Dec. 31, 2009*	June 30, 2010	Sept. 30, 2010	Variation Sept. 30, 10/ Dec. 31, 09	Variation Sept. 30, 10/ June. 30, 10
Total assets (EUR m)	577,630	608,510	598,517	+3.6%	-1.6%
Core shareholders' equity (EUR m)	18,498	18,965	19,167	+3.6%	+1.1%
Total shareholders' equity (EUR m)	10,181	7,614	9,070	-10.9%	+19.1%
Tier 1 capital (EUR m)	17,573	18,216	18,418	+4.8%	+1.1%
Total weighted risks (EUR m)	143,170	149,254	143,962	+0.6%	-3.5%
Tier 1 ratio	12.3%	12.2%	12.8%	+52 bps	+59 bps
Core Tier 1 ratio	11.3%	11.3%	11.8%	+52 bps	+55 bps
Net assets per share					
– Core shareholders' equity (EUR)	10.02	10.27	10.38	+3.6%	+1.1%
– Total shareholders' equity (EUR)	5.52	4.12	4.91	-11.1%	+19.2%

* Figures for December 2009 were restated to take into consideration the bonus shares (free of charge) distributed to the shareholders.

Balance-sheet and solvency

At the end of September 2010, Dexia's total assets reached EUR 599 billion, down by EUR 10 billion compared to June 2010 (EUR +21 billion on December 2009). Over the third quarter of 2010, the positive impact of the deleveraging (EUR -7.9 billion) and foreign exchange (EUR -10.5 billion) was partially offset by the increase in cash collateral and fair value adjustments of assets (mainly derivatives) following the flattening of the EUR and USD interest rate curves (EUR +9 billion).

To note that Dexia bank Belgium SA recently became clearing member in Swapclear, this should help optimizing the collateral management.

At the end of September 2010, weighted risks amounted to EUR 144 billion, down EUR 5.3 billion compared to June 2010 (flat compared to December 2009). The quarterly decrease of weighted risks was mainly due to the forex impact (EUR -5.2 billion) as the impact of the deleverage (EUR -0.7 billion) was offset by the new production (EUR +0.3 billion) and the limited impact of downgrades (EUR +0.3 billion). Core weighted risks decreased by 1% (EUR -1.0 billion) driven by Investor Services (-30%). Legacy weighted risks fell by 8% (EUR -4.2 billion), mainly due to forex impact (EUR -2.5 billion on Financial Products) and deleveraging efforts.

At EUR 19.2 billion, Dexia's core shareholders' equity increased by 1.1% on June 2010 and 3.6% on December 2009 by virtue of organic capital generation.

The Group's total shareholders' equity amounted to EUR 9.1 billion, down 10.9% (EUR 1.1 billion) from the end of 2009 but up 19.1% (EUR 1.4 billion) compared to June 2010. The quarterly variation was due to a positive evolution of the Other Comprehensive Income, and in particular to the improvement of the negative available-for-sale reserve on securities (AFS), from EUR -10.4 billion at the end of June 2010 to EUR -9.1 billion at the end of September 2010. The AFS reserve related to assets reclassified in Loans & Receivables (L&R) improved by EUR 1 billion, at EUR -5.2 billion at the end of September 2010. This was mainly linked to the forex (EUR 0.5 billion) and the impact of amortization and sales on both the Financial Products and the bond portfolio in run-off (EUR 0.2 billion). Excluding assets reclassified in L&R, the AFS reserve improved by EUR 0.3 billion compared to June 2010. The AFS reserve on equity went up by EUR 0.1 billion qoq. The EUR 0.2 billion positive variation of the AFS reserve on bonds (EUR -4.2 billion as at 30 September 2010) was mainly due to the impact of interest rate as credit spread impact remained neutral.

At the end of September 2010, Dexia's Tier 1 reached 12.8%, +59 bps on June 2010 and +100 bps on September 2009. At 11.8% at the end of the third quarter, the Core Tier 1 ratio was up 55 bps on June 2010 and +99 bps on September 2009, confirming the capital generation capacity of the Group.

Update on liquidity

The Group raised EUR 41.6 billion of medium and long-term wholesale funding by the end of October 2010. Funds raised to this date involved over EUR 23.2 billion of state guaranteed debt and EUR 18.4 billion raised without the benefit of the guarantee of which EUR 13.2 billion of long dated covered bonds. An innovative offer of exchange was launched by Dexia Municipal Agency in September 2010, targeting extension of its liabilities: 2 long-dated benchmarks (EUR 2 billion in total) were newly created on the basis of 42% cash coming from the exchange.

No new medium term Government guaranteed issue was executed since 1 July 2010 in line with Dexia's decision to early exit the State Guarantee.

Over the quarter, the Group made further substantial progress in reducing its short-term liquidity gap and improving its short-term funding mix. By end of September, the short-term funding need was reduced by an additional EUR 23 billion compared to the end of June 2010 (EUR 64 billion vs. September 2009) at EUR 121 billion. In 3Q 2010, Dexia accelerated the cutback of central bank borrowings (down EUR 20 billion compared to June 2010) and was no longer funded by short-term government guaranteed funding. The shift towards longer-term bilateral and tri-party repos was confirmed during the quarter.

By the end of September 2010, the total amount of repo and central bank eligible securities amounted to EUR 114 billion of which EUR 57 billion were used, allowing for a significant liquidity buffer despite the Group's active deleverage policy.

APPENDIX

Retail and Commercial Banking (RCB)

Statement of income								
In millions of EUR	3Q09*	2Q10	3Q10	Var. 3Q10/ 3Q09	Var. 3Q10/ 2Q10	9M09*	9M10	Var. 9M10/ 9M09
Income	696	718	715	+2.7%	-0.5%	2,068	2,145	+3.7%
Expenses	-463	-472	-477	+3.1%	+1.1%	-1,382	-1,422	+2.9%
Gross operating income	232	246	237	+2.0%	-3.6%	686	723	+5.3%
Cost of risk	-70	-59	-31	-55.9%	-47.6%	-216	-159	-26.3%
Other impairments & provisions for legal litigations*	-18	-1	2	n.s.	n.s.	-47	0	n.s.
Pre-tax income	145	187	208	+43.4%	+11.4%	423	563	+33.1%

* The provisions for legal litigations were previously included in income (other net income).

Public and Wholesale Banking (PWB)

Statement of income								
In millions of EUR	3Q09*	2Q10*	3Q10	Var. 3Q10/ 3Q09	Var. 3Q10/ 2Q10	9M09*	9M10	Var. 9M10/ 9M09
Income	286	285	235	-17.9%	-17.6%	994	753	-24.2%
Expenses	-135	-130	-131	-2.7%	+0.4%	-397	-393	-1.0%
Gross operating income	151	155	104	-31.5%	-32.8%	597	360	-39.7%
Cost of risk	-24	-7	-4	-83.9%	-46.5%	-92	-35	-62.3%
Other impairments & provisions for legal litigations*	0	0	-2	n.s.	n.s.	-1	-2	x2.0
Pre-tax income	128	147	98	-23.2%	-33.6%	504	323	-35.9%

* The provisions for legal litigations were previously included in income (other net income). The results of AdInfo previously recorded in PWB are now recorded in Group Center.

Asset Management and Services (AMS)

Statement of income								
In millions of EUR	3Q09*	2Q10	3Q10	Var. 3Q10/ 3Q09	Var. 3Q10/ 2Q10	9M09*	9M10	Var. 9M10/ 9M09
Income	220	232	289	+31.3%	+24.5%	547	757	+38.3%
Expenses	-165	-176	-175	+6.1%	-0.6%	-490	-518	+5.7%
Gross operating income	55	56	114	x2.1	x2.0	57	239	x4.2
Cost of risk	1	2	0	n.s.	n.s.	-22	3	n.s.
Other impairments & provisions for legal litigations*	0	0	0	n.s.	n.s.	2	0	n.s.
Pre-tax income	56	58	114	x2.0	+95.4%	37	242	x6.5
<i>Of which</i>								
<i>Asset Management</i>	19	18	16	-18.2%	-12.8%	22	50	x2.3
<i>Investor Services</i>	7	17	12	-76.7%	-31.7%	17	40	x2.4
<i>Insurance</i>	30	23	86	x2.9	x3.7	-2	151	n.s.

* The provisions for legal litigations were previously included in income (other net income). The results of DEP previously recorded in AMS are now recorded in Group Center.

Group Center

Statement of income								
In millions of EUR	3Q09*	2Q10*	3Q10	Var. 3Q10/ 3Q09	Var. 3Q10/ 2Q10	9M09*	9M10	Var. 9M10/ 9M09
Income	73	76	3	-70	-73	174	76	-98
Expenses	-115	-67	-158	-43	-91	-287	-309	-22
Gross operating income	-42	9	-155	-113	-164	-113	-233	-120
Cost of risk	62	9	0	-62	-9	4	-4	-8
Other impairments & provisions for legal litigations*	0	-135	4	+4	+139	0	-146	-146
Pre-tax income	20	-117	-151	-171	-34	-109	-383	-274

* The provisions for legal litigations were previously included in income (other net income). The results of DEP previously recorded in AMS and the results of AdInfo previously recorded in PWB are now recorded in Group Center.

Detailed information on reported results are provided in the presentation "3Q & 9M 2010 Results and Business Highlights" available on www.dexia.com.

For detailed information on the results and the balance sheet elements, please consult the Financial Report 3Q and 9M 2010 on www.dexia.com.

About Dexia

Dexia is a European bank, with about 35,200 members of staff and core shareholders' equity of EUR 19.2 billion as at 30 September 2010. The Dexia Group focuses 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. The different business lines interact constantly in order to serve clients better and to support the Group's commercial activity.

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