

PRESS RELEASE



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Dexia implements its transformation plan to strengthen its recovery and should book an estimated net loss of 3 billion euros in 2008

Implementation of the transformation plan

- **Improvement of the Group's risk profile**
 - The sale of the insurance activities of FSA is well under way, and all the accounting and prudential impacts of the sale of FSA will be recorded in the fourth quarter 2008
 - In-depth restructuring of trading activities
- **Acceleration of the refocusing of public finance activities**
- **Savings of 200 million euros from 2009**
 - In this context Dexia submits today to the social partners a plan for the adaptation of workforce numbers to the new activity perimeter through a reduction of the number of full time positions by about 900 in 2009
- **Efforts shared by shareholders, management and employees**
 - Proposal to cancel dividends exceptionally for the 2008 financial year
 - Lowering of the compensation to Directors for 2009
 - No bonus paid to management in respect of 2008

Results estimate

- **Estimated net loss of 3 billion euros in 2008**
 - An estimated net loss of 2.3 billion euros in the fourth quarter 2008, including 1.7 billion euros in relation to FSA's insurance activities being sold
- **Group's Tier 1 solvency ratio estimated at more than 10% at the end of December 2008**

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

The Dexia Board of Directors met yesterday evening in Brussels, chaired by Mr Jean-Luc Dehaene, to review the progress made on the transformation plan announced on November 14, 2008. It also examined the situation regarding the closing of the financial statements for 2008.

The Board observes that the initial work commenced two months ago on the transformation plan by Mr Pierre Mariani and his teams is progressing in line with the targets announced and the priorities set by the Board, particularly on the reduction of the Group's risk profile and the refocusing on core businesses.

The Board approved the initial savings measures put forward, which will contribute up to 200 million euros in 2009 to the programme for an overall cost reduction of 15% over three years announced on November 14, 2008.

The Board also made a detailed examination of the plan to reduce the workforce submitted to them as a part of the transformation plan. It approved its principles and terms, as well as a proposal to reduce the workforce by about 900 full time positions in 2009.

The transformation plan will be submitted to the social partners within all the staff representative bodies concerned and to the competent bodies.

The Board also observes that the last months of the 2008 financial year are still affected, as forecast, by an economic situation which has deteriorated and a market environment which is still extremely strained and volatile. As forecast, the results for the last quarter 2008 include the entire accounting impact of the sale of FSA insurance activities. The estimated and non-audited net income should therefore be reflected by a loss of approximately 2.3 billion euros including 1.7 billion euros with regard to FSA's insurance activities being sold. On the basis of these estimated and not yet audited data, the net income for the year 2008 should result in a net loss of approximately 3 billion euros. The Group's Tier 1 solvency ratio should be above 10% at the end of December 2008, after taking full account of the impact of the ongoing sale of FSA's insurance activities.

Jean-Luc Dehaene, Chairman of the Board of Directors, stated that, *"The steps announced today are difficult but necessary if our Group is to adapt to the demanding conditions of a sustainable recovery. The implementation of this transformation plan requires a contribution from shareholders, management and employees alike, with everyone assisting to place Dexia back on a firm footing."*

Pierre Mariani, Chief Executive Officer, said, *"As we expected, the turbulence sweeping the financial markets and the economy for several months did not ease in the last quarter. The rapid implementation of the Dexia transformation plan to which we committed ourselves two months ago with the support of the Belgian, French and Luxembourg governments is now more than ever a necessity. I am aware that it requires effort and sacrifice by all, but it is fair and measured. We will adjust our workforce to our new activity perimeter respecting the Dexia culture of dialogue. I am confident of our ability from 2009 to gather the first fruit of this unprecedented mobilisation."*

Implementation of the transformation plan

1. Reduction of the Group's risk profile

The sale process of FSA's insurance activity is in line with the planned timetable

An important point was reached on January 20, 2009 with the authorisation, by the US anti-trust authorities, for the sale of FSA insurance activities to Assured Guaranty. At the same time, the guarantee from the Belgian and French governments on the assets of FSA AM is at the stage of finalisation and approval by the European Commission. Dexia ensures the

liquidity required for the realisation of the sale. Dexia is recording all the accounting and prudential impacts of the sale of FSA in the fourth quarter 2008. The Group maintains its aim to close the transaction at the beginning of the second quarter 2009, which will reduce its risk profile.

The Group's liquidity situation is gradually improving

The Board of Directors observes that the general market situation is still strained, but that the Group's liquidity situation is gradually improving. Dexia benefits from the States guarantee and has taken initiatives to structurally improve its refinancing requirements.

The guarantee from the Belgian, French and Luxembourg governments announced on October 9, 2008 was approved by the European Commission and its technical mechanism was validated by the three rating agencies Standard & Poor's, Moody's and Fitch.

The accumulated amount of deposits collected by the retail bank from its clients, both institutional and individual, increased at the end of the year so that in December 2008 it reached a higher level than before the crisis which began at the end of September 2008. This positive trend is significant for the deposits collected in Belgium from individual savers.

These good results are evidence of the loyalty of depositors and the confidence shown in the Dexia Group by its clients.

An in-depth reorganisation of trading activities

The organisation of trading activities (TFM), dispersed and decentralised as they were, was inefficient and exposed the Group to operational risks.

It was proposed and accepted by the Board that this activity should be reorganised in line with the following key principles:

- reduction by half of the Value at Risk limits for TFM activities and reduction of the activity perimeter as proprietary trading activities are stopped;
- tightening of the organisation around two market platforms, in Brussels (trading, central treasury) and Dublin (management of run-off portfolios) in order to strengthen control of the activities.

This reorganisation will also contribute to the reduction of the Group's risk profile.

2. Transformation of Public and Wholesale Banking (PWB) activities

An accelerated geographical refocusing

As announced in November, Dexia continued to work on analysing its PWB operations, leading to a refocusing on markets where the Group has the benefit of a commercial franchise, a local long-term funding capacity and potential for profitable growth.

The Board has already ratified the following proposals:

- Discontinuation of activities in Australia, Eastern Europe (excluding Dexia Banka Slovensko), Mexico, India and Scandinavia. These activities will be sold or carried out to partners after consultation of the regulatory authorities concerned;
- In Japan, Germany and Switzerland, maintenance of establishments to retain platforms for access to funding sources, in particular the German *Pfandbriefe*, but without any commercial development;
- Significant reduction of activities in the United Kingdom and North America;
- Confirmation of the commercial franchise in France, Belgium and Luxembourg, as well as in Italy and in the Iberian Peninsula.

Moreover, work is underway regarding PWB strategy, aiming at strengthening the range of products and services to customers. This approach, which is already largely effective in Belgium, will enable the Group to go beyond its role of specialist lender in order to offer a better service to a broader customer base.

3. Cost reduction plan

The programme announced on November 14, 2008 aims at reducing the Group's cost base by 15% in three years. It reflects the efforts made by the Group to adapt its organisation and its commercial product range in a crisis context.

From 2009, the impact of the savings plan on the financial statements will be in the order of 200 million euros. Almost half of these savings relates to the company's non-compensation charges.

On a proposal from the members of the Management Board and the Executive Committee of Dexia SA and of the Management Boards of Group's principal entities, the Board decided that no variable compensation will be paid to them for the 2008 financial year.

On a proposal from the Directors, the Board decided to reduce their compensation for 2009.

4. Workforce reduction plan

The refocusing and the review of activities announced in November 2008 are also accompanied by an overall workforce reduction plan, which is submitted today to the Group's European Works Council and its national works councils.

The principal elements presented to the works councils are as follows:

- A reduction of about 900 full time positions for the entire Group in 2009;
- The reduction will take place using instruments adapted to the diversity of situations prevailing in those of the Group's entities which are subject to the plan;
- Each departure envisaged will have the benefit of specific support and monitoring measures;

This plan will be discussed respecting the culture of social dialogue which has always prevailed in Dexia.

Dexia will use all levers allowing the impact on jobs to be reduced to a minimum.

Results estimate

Group results for the fourth quarter 2008: preliminary data

As forecast, the fourth quarter financial statements bear the mark of still difficult market conditions which have prevailed during this period and the accounting of losses associated with the ongoing sale of FSA's insurance activities.

On the basis of the provisional and non-audited data available, Dexia Group should book a net loss of approximately 2.3 billion euros in the fourth quarter 2008.

Two factors contribute to this result: on the one hand, an estimated net loss of 1.7 billion euros with regard to FSA's insurance activities being sold; on the other hand, 1.2 billion euros resulting from additional provisions and impairments as a consequence of the financial crisis.

On the basis of these estimated and not yet audited data, the Group's Tier 1 solvency ratio should be above 10% at the end of December 2008, after taking full account of the impact of the planned sale of the insurance activities of FSA and the consolidation of the Financial Products activity. This estimate does not integrate the contribution of 0.4 billion euros Tier 1 corresponding to the convertible bond issue which the Luxembourg government has undertaken to subscribe (+ 0.2% of additional Tier 1). The core Tier 1 ratio (Tier 1 capital minus hybrid capital) should be above 9% at the end of December 2008.

Finally, as announced on November 14 last, Dexia has retained the accounting reclassification options resulting from the adoption of amendment IAS 39 in the fourth quarter 2008.

Dividend

The Board of Directors has decided to propose to the next General Shareholders' Meeting that exceptionally no dividend should be paid for the financial year 2008.

Next meeting

The Board of Directors will meet on February 25, 2009 to draw up the final results for 2008. Dexia will publish those detailed results for the fourth quarter and for the full year 2008 on February 26, next at 07.00 Brussels/Paris time.

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Dexia (www.dexia.com) is a European bank, with more than 36,500 members of staff as of September 30, 2008. Dexia Group focuses on Public Wholesale Banking, providing local public finance actors with comprehensive banking and financial solutions, and on Retail & Commercial Banking in Europe (mainly Belgium, Luxembourg and Turkey). Main activities encompass retail, commercial and private banking, but also insurance, asset management and investor services activities.

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