Press release

DEXIA

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Net profit of EUR 248 million in 2Q 2010

Deleverage and liquidity: acceleration and notable progress

Highlights

Net profit of EUR 248 million in 2Q 2010

- Confirmed commercial dynamic of retail and commercial banking activities
- Further decrease in cost of risk supported by core businesses* (10 bps versus 13 bps in 1Q 2010) and Legacy Division (EUR -88 million)

Improved liquidity situation enabling full exit of the State guarantee by the end of June 2010

- Deleverage remaining a high priority: EUR 20.3 billion asset sales as at 2 August 2010
- Execution of the wholesale long-term funding programme ahead of 2010 annual target: EUR 37.9 billion raised as at 23 July 2010
- Short-term funding need reduced by EUR 22 billion in 1H 2010

Strong solvency ratios

- Tier 1 ratio at 12.2% and Core Tier 1 ratio at 11.3%
- Resilience to adverse macro-economic scenarios highlighted by CEBS stress test

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

Mr. Jean Luc Dehaene, Chairman of the Board of Directors, said: “This quarter, the Group kept on implementing its transformation plan at a sustained pace. During the quarter, further progress was made on the execution of the divestment plan and the deleverage of non-core assets remained a high priority for the Group, reinforcing the commitment given to the European Commission to dispose of some assets. The sustained efforts made since end of 2008 allowed the Group to fully exit the state guarantee on 30 June 2010, four months earlier than the formal expiry date."

Mr. Pierre Mariani, Chief Executive Officer and Chairman of the Management Board, said: “Dexia reported another good set of results, characterised by a confirmed commercial dynamic of retail and commercial banking activities and a further decrease in the cost of risk, supported by both the core businesses and the Legacy Division. The profit generation capacity of our commercial franchises enabled us to accelerate the balance sheet deleveraging. The solvency of the Group remained high and the CEBS stress test results confirmed our view that the Group has the financial strength to weather even more adverse macro economic conditions”.

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

During its 5 August 2010 meeting, the Board of Directors approved the 2Q and 1H 2010 results of Dexia.

2Q and 1H 2010 reported statement of income and update on the transformation plan

Consolidated statement of income*

In millions of EUR	2Q09**	1Q10**	2Q10	Var. 2Q10/ 2Q09	Var. 2Q10/ 1Q10	1H09**	1H10	Var. 1H10/ 1H09
Income* **	**1,642**	**1,491**	**1,371**	**-16.5%**	**-8.0%**	**3,333**	**2,862**	**-14.1%**
Expenses	-875	-884	-874	-0.1%	-1.1%	-1,771	-1,758	-0.7%
Gross operating income	**767**	**607**	**497**	**-35.2%**	**-18.1%**	**1,562**	**1,104**	**-29.3%**
Cost of risk	-328	-265	-126	-61.6%	-52.5%	-737	-391	-46.9%
Other impairments & provisions for legal litigations**	-35	-17	-135	x3.9	x7.9	-23	-152	x6.6
Pre-tax income	**404**	**325**	**236**	**-41.6%**	**-27.4%**	**802**	**561**	**-30.0%**
Tax expense	-83	-90	30	n.s.	n.s.	-193	-60	-68.9%
Net income	**321**	**235**	**266**	**-17.1%**	**+13.2%**	**609**	**501**	**-17.7%**
Minority interests	38	19	18	-52.6%	-5.3%	75	37	-50.7%
Net income Group share	**283**	**216**	**248**	**-12.4%**	**+14.8%**	**534**	**464**	**-13.1%**
Return on Equity******	6.3%	4.6%	5.3%			**6.0%**	**5.0%**	
Earnings per share (in EUR)	0.15	0.12	0.13			0.29	0.25	

** 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.*

2Q 2010 Dexia Group reported results: net profit of EUR 248 million

In 2Q 2010, **income** stood at EUR 1,371 million, down 8.0% compared to 1Q 2010, that included higher capital gains (EUR 153 million vs. EUR 98 million in 2Q 2010). Aggregate "core business" revenues were up by 4% qoq (-1.4% excluding the capital gain on the sale of SPE booked in PWB). Group Center revenues were supported by a EUR 29 million capital gain on the sale of Dexia Epargne Pension (DEP) and EUR 25 million foreign exchange results in 2Q 2010. Revenues of the Legacy Portfolio Management Division (LPM Division) went down 80% compared to 1Q 2010 which included EUR 153 million capital gain on the sale of common shares of Assured Guaranty Ltd.

As a result of the ongoing cost control, **costs** were down 1.1% qoq and flat compared to 2Q 2009 at EUR 874 million despite unfavourable CAD and TRY exchange rates and development costs in Turkey.

The **cost of risk** amounted to EUR 126 million, down 52.5% compared to 1Q 2010. This significant decrease is mainly explained by a credit risk improvement in Turkey (down EUR 17 million on 1Q 2010), lower impairments on the Financial Products portfolio (down EUR 40 million on 1Q 2010) and a reversal of ABS provisions (EUR 40 million) as a result of sales and natural run-off.

At EUR 135 million, the **other impairments and provisions for legal litigations** included a EUR 138 million provision set up to cover potential risk related to the Ritro litigation in Slovakia. Dexia has appealed against the first instance judgement of the district court of Bratislava announced on 17 May 2010, condemning Dexia Group's subsidiary Dexia banka Slovensko (DBS) to pay EUR 138 million, regarding a claim introduced by a professional client in 2008. Dexia considers the claim as groundless, but has set up a provision to cover this potential risk.

In 2Q 2010, **pre-tax income** stood at EUR 236 million, down 27.4% against 1Q 2010.

The **tax expenses** included EUR 119 million positive impact of deferred tax assets on timing differences on the Financial Products Portfolio, which explains the EUR +30 million positive amount of taxes posted for the second quarter of 2010 *(see explanation in paragraph related to LPM Division / Financial Products portfolio).*

As a consequence of the above-mentioned evolution, **net income – Group share** amounted to EUR 248 million in 2Q 2010 compared to EUR 216 million in 1Q 2010 and EUR 283 million in 2Q 2009.

For 1H 2010, reported net income – Group share was EUR 464 million against EUR 534 million in 1H 2009.

Further progress on the transformation plan

Execution of the Group's restructuring plan is on track with the commitments given to the European Commission and further progress has been made during 2Q 2010.

As announced on 1 June 2010, the Group concluded an agreement with EDF on the sale of its 6.13% stake in SPE, a company operating in the energy sector in Belgium. The capital gain on this transaction amounted to EUR 69 million after taxes. The sale of DEP was also closed on 30 April 2010 with a capital gain of EUR 29 million after taxes and 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. The capital gain on this transaction is estimated at EUR 13 million and is expected to be recorded in 3Q 2010 assuming approval by the Belgian Competition Authorities.

Those three transactions were part of the agreement with the European Commission reached in February 2010 providing for the disposal of Dexia Epargne Pension by 30 June 2010 and Dexia Group's holdings in SPE and Adinfo by 31 December 2010.

Deleveraging the balance-sheet remained a high priority for the Group. Despite market volatility and poor liquidity, EUR 16.8 billion of bonds and EUR 3.5 billion of PWB run-off loans were sold between the end of December 2009 and 2 August 2010 with a total P&L impact of EUR 122.4 million. The amount of assets deleveraged is already above the EUR 18.2 billion of bonds and loans sold for the entire year 2009. The bonds sold in 2010 had an average life of 5.6 years.

On 30 June 2010 the Group announced that given the improvement in its liquidity situation and in accordance with the commitments it made towards the European Commission, it would stop issuing new guaranteed debt four months earlier than the formal expiry date of 30 October 2010.

Thanks to the downsizing of financial market related activities effective since end of 2008 (stop of all proprietary trading and VAR divided by 2) the high volatility experienced during the last quarter had no significant impact on the results of the Group.

Results by division

Core Division

Statement of income								
In millions of EUR	2Q09*	1Q10*	2Q10	Var. 2Q10/ 2Q09	Var. 2Q10/ 1Q10	1H09*	1H10	Var. 1H10/ 1H09
Income**	**1,371**	**1,179**	**1,311**	**-4.4%**	**+11.2%**	**2,502**	**2,490**	**-0.5%**
Expenses	-846	-855	-845	n.s.	-1.1%	-1,677	-1,700	+1.3%
Gross operating income	**526**	**324**	**465**	**-11.5%**	**+43.4%**	**825**	**790**	**-4.3%**
Cost of risk	-213	-106	-55	-74.0%	-47.9%	-296	-161	-45.5%
Other impairments & provisions for legal litigations*	-34	-16	-135	x4.0	x7.9	-23	-152	x6.6
Pre-tax income	**279**	**202**	**275**	**-1.6%**	**+35.9%**	**507**	**477**	**-6.0%**

**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 from 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) closed in 2Q 2010 were recorded in the Core Division.

In 2Q 2010, the Core Division reported a pre-tax income of EUR 275 million against EUR 202 million in 1Q 2010 (+35.9%) and EUR 279 million in 2Q 2009 (-1.6%). Income went up 11.2% qoq and 2.9% excluding the capital gains on SPE and DEP. As a result of cost control, costs decreased by 1.1% qoq, despite the impact of foreign exchange rate and development costs in Turkey. The cost of risk decreased by 47.9% mainly by virtue of DenizBank. Other impairments and provisions for legal litigations were impacted by a provision of EUR 138 million set up to cover potential risk related to the Ritro litigation in Slovakia.

1H 2010 pre-tax income amounted to EUR 477 million compared to EUR 507 million in 1H 2009.

Retail and Commercial Banking (RCB)

(See business line statement of income in appendix)

Retail and Commercial Banking posted another set of good results in 2Q 2010. The main drivers were a favourable deposit mix and volume growth combined with good cost control in Belgium and Luxembourg as well as a sustained commercial activity and an improvement in asset quality in Turkey (cost of risk more than halved since the peak in December 2009).

At the end of June 2010, total customer assets amounted to EUR 134 billion, up 7% yoy driven by deposits (+10%) and life insurance (+7%). EUR 8 billion of deposits have been collected since June 2009 (EUR 2.5 billion in 2Q 2010 only) leading to a total amount of EUR 87 billion. Off-balance-sheet outstanding was stable compared to June 2009, at EUR 47 billion, as the re-launch of the Branch 21 life insurance activity offset the outflow in mutual funds. Total customer loans amounted to EUR 54 billion at the end of June 2010, up 9% yoy and 4% compared to the end of March 2010 supported by investment and business credits.

- In **Belgium**, the deployment of the new distribution model is on track and a new investment approach was launched in June refining the investment advice approach. Dexia's customer satisfaction improved during the quarter that was, again, marked by a good commercial dynamic: deposits increased by EUR 1.2 billion at EUR 63.0 billion and life insurance reserves grew by EUR 0.4 billion supported by a Branch 21 campaign launched in March and ended mid-May. The deposit mix remained oriented towards saving accounts during the quarter, confirming the trend of 2009 (+14.4% yoy). Loans grew by 2% qoq at EUR 32.2 billion at the end of June 2010 driven by business and consumer loans.
- In **Luxembourg**, sustained commercial efforts led to an increase in retail and private banking franchises. New retail account openings were 10% higher in 1H 2010 compared to 1H 2009 and positive organic growth (tempered by market effects) was recorded in private banking and SME. As a result, deposits were at EUR 13.5 billion, up 3% qoq (and 6% yoy) and loans increased by 0.7% qoq and yoy.
- In **Turkey**, 2Q 2010 activity was boosted by the robust recovery of the Turkish economy and substantial improvement in consumer confidence. Deposits rose 5.7% qoq (+25% yoy i.e. higher than the sector average) to reach TRY 16.6 billion (EUR 8.6 billion) driven by both retail and PWB customers. At TRY 20.9 billion (EUR 10.8 billion), loans increased by 7% qoq (+18% yoy) in line with the Turkish market growth. The loan to deposit ratio amounted to 126% against 124% in 1Q 2010 and stable on December 2009. Increased roll out of ATMs (171 additional ATMs or +30% yoy) and the second "Robinson & Cuma" campaign launched in 2Q 2010 contributed to increase the brand visibility. 362,000 new retail and business customers have been acquired since June 2009.

In 2Q 2010, RCB pre-tax income amounted to EUR 187 million, up 10% qoq supported by a 19% increase in gross operating income excluding Turkey and a fall of the cost of risk at DenizBank. At EUR 355 million in 1H 2010, RCB pre-tax income was up by 28% on 1H 2009.

At EUR 717 million, income was stable compared to 1Q 2010, as revenue in Belgium and Luxembourg (+3%) was mitigated by pressure on income in Turkey (-3%). Year-on-year, revenues rose 4% at EUR 1,428 million supported by volume growth and a favourable deposit mix in Belgium and increased business fees in Turkey.

Costs (EUR 472 million in 2Q 2010) were flat qoq as cost reductions in Belgium and Luxembourg (EUR 7 million) were offset by inflation and a EUR 4 million TRY/EUR exchange rate impact. Compared to 1H 2009, costs rose 3% mainly due to development costs in Turkey (e.g. 50 branches opened since the end of June 2009).

The cost of risk improved further in 2Q 2010, down by 16% on 1Q 2010 at EUR 59 million driven by a 30% drop in Turkey (decreasing non-performing loans and better recoveries). Cost of risk increased slightly in Belgium and Luxembourg but remained below the 2009 average. Based on average customer loans, the cost of risk fell to 153 bps in 2Q 2010 from 245 bps three months earlier in Turkey. It amounted to 22 bps in Belgium and Luxembourg. In 1H 2010, total cost of risk amounted to EUR 129 million, down EUR 18 million compared to the same period of 2009.

Public and Wholesale Banking (PWB)

(See business line statement of income in appendix)

PWB total long-term commitments amounted to EUR 232 billion in June 2010, stable compared to March.

In **public banking**, long-term commitments were stable qoq and down 2% yoy as a result of the refocus of the business line on its core geographies. In the first half of the year, new loan production was up 3% yoy at EUR 4.9 billion. EUR 2.7 billion were originated in 2Q 2010, driven by France, Spain and Belgium. The new production was done on a selective basis at satisfactory level of margin. At EUR 25.3 billion, deposits were up 5% from the beginning of the year.

Leadership and sustained activity were confirmed in **project finance** in 1H 2010, with long-term production almost doubling at EUR 806 million. Most of the deals were closed in the sectors of infrastructure/transports or renewable energy, where Dexia benefits from a recognised know-how. The Birmingham Highway maintenance PFI, the Zelios-Gabardan solar plant in France or the financing of the acquisition of a transmission electricity network in Germany (Vattenfall) illustrate this dynamic deal flow.

In 2Q 2010, PWB posted a pre-tax income of EUR 149 million including the capital gain on the sale of SPE, against EUR 79 million in 1Q 2010. In the first half of the year, pre-tax income came at EUR 228 million.

Income amounted to EUR 294 million, up 21% qoq, benefiting from the EUR 69 million capital gain recorded on the sale of Dexia's stake in SPE. In 1H 2010 revenues were down by 26%, following lower financial market revenues and higher costs of liquidity subsequent to the introduction of the new segment reporting in 1Q 2010.

Costs remained stable in 2Q 2010 compared to 1Q 2010 and in 1H 2010 compared to 1H 2009.

At EUR 7 million, the cost of risk benefited from EUR 18 million provision write-back in 2Q 2010. Excluding the positive impact of this one-off item, the cost of risk was equivalent to an annualised 4 bps on the average customer loans, in line with 1Q 2010 and reflecting the very low level of the business line's cost of risk. In 1H 2010, the cost of risk fell by 55% compared to 1H 2009, due to collective provisions set in 2Q 2009.

Asset Management and Services (AMS)

(See business line statement of income in appendix)

In 2Q 2010, pre-tax income from Asset Management and Services amounted to EUR 58 million against EUR 50 million in 2Q 2009 and EUR 70 million in 1Q 2010.

- **Asset Management**: Qoq, Assets under Management (AuM) decreased by 2.9% to reach EUR 82.7 billion, 7.1% above the June 2009 level and stable compared to December 2009. The decrease (EUR 2.3 billion) in AuM observed during the second quarter of 2010 is explained by a negative market effect. Inflows in institutional and private mandates (+EUR 2.1 billion) were offset by outflows in retail and institutional funds (-EUR 2.2 billion), mainly coming from money market funds.

  During 2Q 2010, Dexia AM further developed client-oriented solutions based on its leading Sustainable and Responsible Investment expertise and a wide range of regulated and liquid alternative funds. An enhanced asset allocation approach was also developed.

  In 2Q 2010, Asset Management posted pre-tax income of EUR 18 million against EUR 13 million in 2Q 2009 and EUR 17 million in 1Q 2010.

  Revenues amounted to EUR 50 million, up by 13% compared to 2Q 2009 driven by higher management fees (+27%) and performance fees (+22%). Qoq revenues increased by 3%, as a result of higher securities lending fees and management fees due to an improvement of the product mix and decreasing performance fees due to a negative seasonal effect.

  Costs remained stable compared to 2Q 2009 and to 1Q 2010. The total cost over average AuM decreased from 17 bps in 1H 2009 to 15 bps in 1H 2010 reflecting the high efficiency of the business line.

In 1H 2010, Asset Management posted pre-tax income of EUR 35 million against EUR 3 million in 1H 2009, which was impacted by impairments in Dexia AM's own portfolio in 1Q 2009.

- **Investor Services**: At the end of June 2010, Assets under Administration (AuA) expressed in USD were down 2.3% compared to March 2010, at USD 2,428 billion. This decrease was mainly due to an unfavourable exchange rate impact, as part of the outstanding is denominated in EUR. This more than offsets the combined contribution of the integration of the former UBI Banca's subsidiary, the positive organic growth, and a favourable market effect. Expressed in EUR, AuA were up 7.8% qoq, and 38.8% yoy, mainly driven by exchange rate and market effects. Assets under Custody (AuC) were flat qoq at USD 1,927 billion due to similar drivers as for AuA (+9.3% expressed in EUR). The number of transfer agents accounts further increased by 3% qoq, or +285,000 accounts, supported by the consolidation of the UBI Banca subsidiary acquired in 2009.

  In 2Q 2010, Investor Services posted pre-tax income of EUR 17 million, up 61% qoq. 1H 2010 pre-tax profit came at EUR 28 million (x2.5 compared to 1H 2009). Income amounted to EUR 101 million, up 14% qoq driven by forex margin (volumes up, as clients were more active in cross-boarder trading) and a positive seasonal effect on securities lending. At EUR 190 million, 1H 2010 income, was up 15% on 1H 2009. Costs increased by 8% qoq and 9% in 1H 2010 compared to 1H 2009 partly due to exchange rate impact.

- **Insurance**: Total gross written premiums (EUR 1,116 million in 2Q 2010) grew by 90% yoy by virtue of the commercial focus on insurance in Luxembourg and in life and non-life distribution channels in Belgium. Premiums increased by 38% qoq with a 72% rise in Branch 21 life insurance products. Approximately EUR 600 million of new premiums were collected with the 2Q 2010 dedicated Branch 21 campaign in Dexia Bank Belgium's network. At EUR 122 million, non-life insurance premiums were still on a growing trend (+3% yoy except a seasonal effect in 1Q 2010).

  In 2Q 2010, pre-tax income was at EUR 23 million. Revenues amounted to EUR 81 million in 2Q 2010, down 19% on 1Q 2010 as a better non-life loss ratio and positive revenues (mainly dividend inflows and higher income due to increasing investment portfolio outstanding) were offset by additional profit-sharing provisions (EUR 52 million) and impairments and losses on sales of assets.

  Costs were at EUR 60 million, slightly increasing due to higher IT expenditures.

  In 1H 2010, insurance activities posted pre-tax income of EUR 65 million whereas 1H 2009 showed a loss due to numerous negative crisis impacts.

Group Center

(See business line statement of income in appendix)

Following the implementation of the new segmentation in 1Q 2010, the Group Center combines the contributions of the Treasury and ALM and Central Assets sub-segments.

In 2Q 2010, the Group Center posted revenues up EUR 79 million mainly supported by a EUR 29 million capital gain on the sale of DEP and EUR 25 million foreign exchange results which more than compensated the EUR 14 million fall of the allocated Treasury revenues. Costs decreased by 22% qoq. At EUR 136 million, other impairments and provisions included a EUR 138 million provision set-up to cover potential risk related to the Ritro litigation in Slovakia *(see reported statement of income).*

Consequently, Group Center reported a pre-tax loss of EUR 119 million in 2Q 2010, against a loss of EUR 116 million in 1Q 2010.

In 1H 2010, the pre-tax income of Group Center amounted to EUR -234 million against EUR -132 million in 1H 2009. One of the main drivers of this evolution was the decreasing contribution of the Treasury result (EUR -99 million between 1H 2009 and 1H 2010) that benefited from very high spreads between Overnight and term rates during the first three quarters of 2009.

Legacy Portfolio Management Division

Statement of income*								
In millions of EUR	2Q09	1Q10	2Q10	Var. 2Q10/ 2Q09	Var. 2Q10/ 1Q10	1H09	1H10	Var. 1H10/ 1H09
Income**	**272**	**311**	**61**	**-77.4%**	**-80.3%**	**460**	**372**	**-19.0%**
Expenses	-31	-29	-29	-5.2%	+0.7%	-66	-58	-12.4%
Gross operating income	**241**	**282**	**32**	**-86.7%**	**-88.6%**	**393**	**314**	**-20.1%**
Cost of risk	-116	-159	-71	-38.6%	-55.2%	-169	-230	+36.4%
Pre-tax income	**125**	**123**	**-39**	**n.s.**	**n.s.**	**225**	**84**	**-62.5%**

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

Under the new segment reporting introduced in 1Q 2010, 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 posted a pre-tax income of EUR -39 million in 2Q 2010 against a gain of EUR 123 million in 1Q 2010 which included the EUR 153 million capital gain on the sale of Assured Guaranty shares. 2Q 2010 deleverage costs were higher compared to the previous quarter (EUR 62.5 million in 2Q 2010 against EUR 46.4 million in 1Q 2010) although average loss rate remained moderate. Expenses were down 5.2% qoq and the cost of risk decreased by EUR 88 million on 1Q 2010 mainly owing to reduced impairments on the Financial Products portfolio (EUR -40 million qoq) and a reversal of the ABS provisions of EUR 40 million as a result of sales and natural run-off.

- At EUR 125.2 billion at the end of June 2010, the **bond portfolio in run-off** was down by EUR 2.9 billion on March 2010 as quarterly sales (EUR 5.6 billion) and amortization (EUR 2.3 billion) were partly offset by exchange rate effects (EUR 4.9 billion). In 2Q 2010, the Group maintained a sustained pace of deleveraging of both legacy and non legacy assets *(see chapter related to the transformation plan).*

  The portfolio remained 95% investment grade. Nevertheless, qoq EUR 3.1 billion of bonds migrated from the A to the BBB rating category mainly due to the downgrade of the Greek Sovereign.

  The stock of impairments on the portfolio went down by EUR 37 million on 1Q 2010 thanks to a reversal of EUR 40 million of the ABS provisions due to sales and natural run-off.

  The pre-tax income of the bond portfolios in run-off amounted to EUR 36 million in 2Q 2010, against EUR 40 million in 1Q 2010.

- In 2Q 2010, the total size of the **Financial Products portfolio** decreased by USD 0.4 billion on 1Q 2010, at USD 14.6 billion and average life of the portfolio remained unchanged at 9.4 years.

  The total cash shortfalls and realised losses on the portfolio went up by USD 128 million over the quarter to reach a cumulative total amount of USD 433 million.

  Despite remaining uncertainty regarding the future direction of US real estate market, first signs of stabilisation were observed during the second quarter of 2010 leading to a reduction of the delinquent loans in the pool of mortgages of the FP portfolio. Consequently, total discounted expected cash shortfalls on the portfolio went down by USD 80 million on 1Q 2010 at USD 1.239 billion. Such estimation is done to the best of Dexia's knowledge and based on market conditions as at the end of June 2010.

  Nevertheless, in application of IAS 39, specific impairments of USD 175 million were posted, partially compensated by a release of the collective provision of USD 12 million leading to a total amount of provisions of USD 2,020 million as at 30 June 2010. Such amount was in excess of USD 781 million compared to the discounted expected cash shortfalls.

  As the own credit risk (OCR) on the portfolio was stable at USD 334 million, deferred taxes on those two timing differences were posted in 2Q 2010 for a total amount of USD 157 million impacting the "tax line" at Group level.

The Financial Products portfolio reporting segment posted a pre-tax income of EUR -101 million versus a gain of EUR 24 million in 1Q 2010 that included the capital gain on the sale of Assured shares Ltd.

- In 2Q 2010, **PWB run-off commitments** reported a pre-tax income of EUR -1 million against EUR +9 million in 1Q 2010. The main driver explaining this decrease was the loss related to the sale of long-dated loans. EUR 2.1 billion of loans were sold in 2Q 2010 for a total loss of EUR 12.6 million (against EUR 0.3 billion sale in 1Q 2010 for a loss of EUR 8 million). Additional EUR 1.1 billion of loans were sold as at end July leading to a total loss of EUR 21.2 million as at 2 August 2010.

  Deleveraged loans were mainly booked within DCL Tokyo Branch.

- At EUR 27 million in 2Q 2010, the **Treasury** result allocated to the LPM Division decreased sharply yoy (-80%) as a consequence of the flattening of the short-term cash curve and the reduction of the Group's short-term liquidity gap. Qoq the allocated Treasury result decreased by 46% (EUR 23 million).

Balance-sheet, solvency and liquidity

Total assets, shareholders' equity and solvency

	Dec. 31, 2009	March 31, 2010	June 30, 2010	Variation June 30, 10/ Dec.31, 09	Variation June 30, 10/ March. 31, 10
Total assets (EUR m)	577,630	588,054	608,510	+5.3%	+3.5%
Core shareholders' equity (EUR m)	18,498	18,715	18,965	+2.5%	+1.3%
Total shareholders' equity (EUR m)	10,181	10,389	7,614	-25.2%	-26.7%
Tier 1 capital (EUR m)	17,573	17,880	18,216	+3.7%	+1.9%
Total weighted risks (EUR m)	143,170	142,680	149,254	+4.2%	+4.6%
Tier 1 ratio	12.3%	12.5%	12.2%	-7 bps	-33 bps
Core Tier 1 ratio	11.3%	11.5%	11.3%	-3 bps	-28 bps
Net assets per share*					
– Core shareholders' equity (EUR)	10.02	10.14	10.27	+2.5%	+1.3%
– Total shareholders' equity (EUR)	5.52	5.63	4.12	-25.4%	-26.8%

* *Figures for December 2009 and March 2010 were restated to take into consideration the bonus shares (free of charge) distributed to the shareholders.*

The first half-year 2010 was marked by the high volatility of foreign exchange and credit spreads and the decrease in interest rates which resulted in important variations of the balance sheet and weighted risks.

Balance-sheet and solvency

At the end of June 2010, Dexia's total assets reached EUR 609 billion, up by 5.3% (EUR 31 billion) compared to the end of 2009. Over the period, the impact of deleveraging was more than offset by EUR 27.2 billion of positive fair value adjustments (o/w EUR 17.4 billion on derivatives) and EUR 10.3 billion of cash collateral variations.

In 2Q 2010, total assets increased by 3.5% (EUR 20.5 billion) driven by the same factors: EUR 18.3 billion fair value adjustments of assets (including EUR 11.7 billion on derivatives) and increase in cash collaterals by EUR 8.7 billion.

At the end of June 2010, weighted risks amounted to EUR 149.3 billion, up by EUR 6.6 billion from March 2010, out of which EUR 5.7 billion are due to foreign exchange effects. On a yearly basis, weighted risks increased slightly by 0.4%, as the impact of the Group's active deleveraging policy was more than offset by foreign exchange evolutions.

At EUR 19 billion, Dexia's core shareholders' equity increased by 1.3% qoq and 5.2% vs. June 2009, by virtue of the organic generation of capital.

The Group's total shareholders' equity amounted to EUR 7.6 billion, down 26.7% from the end of March 2010 but still up 4.6% compared to June 2009. This decline is due to an increase of the negative Other

Comprehensive Income, and in particular the increase of the negative available-for-sale reserve on securities (AFS), from EUR 7.3 billion at the end of March to EUR 10.4 billion at the end of June 2010. Excluding assets reclassified in Loans and Receivables (L&R) from AFS, the AFS reserve decreased by EUR 2.4 billion on March 2010 mainly due to the impact of foreign exchange and to a spread widening on sovereign bonds (Greece, Portugal and Italy).

The AFS reserve related to assets reclassified in L&R decreased by EUR 0.7 billion at EUR -6.2 billion as a result of foreign exchange evolution and of a reversal of a Deferred Tax Asset (DTA) following a global assessment of outstanding DTA.

As a matter of information, as at end of July 2010, the AFS reserve (including L&R) improved by EUR 1.1 billion since the end of June 2010 owing to foreign exchange and a tightening of credit spreads.

In June 2010, Dexia's Tier 1 and core Tier 1 ratios reached respectively 12.2% and 11.3%, stable from December 2009. On a yearly basis, the Tier 1 ratio was up 88 bps, reflecting the active deleveraging policy and the organic generation of Tier 1 capital of the Group. Compared to March 2010, Dexia's Tier 1 ratio decreased by 33 bps, as the organic Tier 1 generation (+23 bps) was more than offset by the increase in weighted risks (-56 bps).

In June 2010, the Committee of European Banking Regulation (CEBS), in cooperation with the European Central Bank and the national regulatory authorities conducted a stress test on major European banks, including Dexia, to assess their ability to withstand adverse macro-economic scenarios as well as a shock applied to sovereign debt. This stress test underlined Dexia's resilience capacity in depressed conditions. Indeed, the estimated Tier 1 ratio of the Group in 2011 was equal to 10.9% under the most adverse scenario with additional sovereign shock, corresponding to a buffer of EUR 7.4 billion of regulatory capital versus the 6% threshold of Tier 1 CAD ratio agreed for the purpose of the test.

Update on liquidity

The Group raised EUR 37.9 billion of medium and long-term wholesale funding by 23 July 2010, thus more than fully realising the budget set for the entire year 2010. Funds raised to this date involved over EUR 23.2 billion of state guaranteed debt and EUR 14.8 billion raised without the benefit of the guarantee of which EUR 9.9 billion of covered bonds, EUR 2.5 billion of long-term secured funding other than covered bonds and EUR 2.4 billion of senior unsecured format. This achievement reflects the cautious and timely execution approach that the Group chose to implement early 2010.

The short-term liquidity gap was reduced by an additional EUR 12 billion over the quarter (EUR 22 billion in 1H 2010) at EUR 144 billion by virtue of the sustained pace of the deleveraging programme and the swift execution of the long-term funding programme. By the end of June 2010, the total amount of repo and central bank eligible securities amounted to EUR 123 billion of which EUR 78 billion were used, keeping the Group's liquidity buffer stable.

APPENDIX

Retail and Commercial Banking (RCB)

Statement of income								
In millions of EUR	2Q09	1Q10	2Q10	Var. 2Q10/ 2Q09	Var. 2Q10/ 1Q10	1H09	1H10	Var. 1H10/ 1H09
Income	**686**	**711**	**717**	**+4.4%**	**+0.8%**	**1,376**	**1,428**	**+3.8%**
Expenses	-463	-473	-472	+2.0%	-0.1%	-919	-945	+2.9%
Gross operating income	**223**	**239**	**244**	**+9.5%**	**+2.5%**	**458**	**483**	**+5.6%**
Cost of risk	-100	-70	-59	-41.4%	-16.2%	-147	-129	-12.3%
Other impairments & provisions for legal litigations	-32	0	1	n.s	n.s	-33	1	n.s
Pre-tax income	**91**	**169**	**187**	**x2.5**	**+10.4%**	**278**	**355**	**+27.7%**

Public and Wholesale Banking (PWB)

Statement of income								
In millions of EUR	2Q09	1Q10	2Q10	Var. 2Q10/ 2Q09	Var. 2Q10/ 1Q10	1H09	1H10	Var. 1H10/ 1H09
Income	**340**	**242**	**294**	**-13.6%**	**+21.5%**	**726**	**536**	**-26.1%**
Expenses	-140	-139	-138	-1.4%	-0.8%	-278	-278	n.s.
Gross operating income	**200**	**103**	**156**	**-22.1%**	**+51.6%**	**448**	**258**	**-42.3%**
Cost of risk	-51	-24	-7	-86.0%	-69.6%	-68	-31	-54.7%
Pre-tax income	**149**	**79**	**149**	**n.s.**	**+88.0%**	**380**	**228**	**-40.1%**

Asset Management and Services (AMS)

Statement of income								
In millions of EUR	2Q09*	1Q10*	2Q10	Var. 2Q10/ 2Q09	Var. 2Q10/ 1Q10	1H09*	1H10	Var. 1H10/ 1H09
Income	**229**	**237**	**232**	**+1.3%**	**-2.0%**	**329**	**469**	**+42.4%**
Expenses	-163	-167	-176	+8.1%	+5.3%	-325	-343	+5.4%
Gross operating income	**66**	**70**	**56**	**-15.3%**	**-19.5%**	**4**	**126**	**x32.5**
Cost of risk	-17	0	2	n.s.	n.s.	-23	2	n.s.
Pre-tax income	**50**	**70**	**58**	**+17.0%**	**-16.7%**	**-19**	**128**	**n.s.**
Of which								
Asset Management	*13*	*17*	*18*	*+39.7%*	*+5.7%*	*3*	*35*	*x11.7*
Investor Services	*10*	*11*	*17*	*+68.2%*	*+60.7%*	*11*	*28*	*x2.5*
Insurance	*27*	*42*	*23*	*-13.9%*	*-45.6%*	*-32*	*65*	*n.s.*

** The results of DEP previously recorded in AMS are now recorded in Group Center.*

Group Center

Statement of income								
In millions of EUR	**2Q09***	**1Q10***	**2Q10**	**Var. 2Q10/ 2Q09**	**Var. 2Q10/ 1Q10**	**1H09***	**1H10**	**Var. 1H10/ 1H09**
Income	**116**	**-11**	**68**	**-48**	**+79**	**72**	**57**	**-15**
Expenses	-79	-76	-59	+21	+17	-156	-135	+21
Gross operating income	**36**	**-86**	**9**	**-27**	**+95**	**-84**	**-78**	**-6**
Cost of risk	-44	-13	9	+53	+21	-58	-4	+54
Other impairments & provisions for legal litigations	-1	-17	-136	-135	-119	10	-153	-163
Pre-tax income	**-10**	**-116**	**-119**	**-109**	**-3**	**-132**	**-234**	**-102**

** 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.*

Detailed information on reported results are provided in the presentation "2Q & 1H 2010 Results and Business Highlights" available on www.dexia.com.

For detailed information on the results and the balance sheet elements, please consult the Half-yearly Financial Report 2Q and 1H 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 billion as at 30 June 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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