Press release

DEXIA

Regulated information* – Brussels, Paris, 27 May 2011 – 1.00 pm

The benefits of the transformation plan enable Dexia to accelerate the disposal of its non-core assets in order to improve its recurring profits, risk and liquidity profile

Highlights

- Unanimous adoption by the Board of Directors of an acceleration of its asset divestment programme
- Estimated impact of EUR 3.6 billion in the second quarter, partially offset in the 2011 financial statements by the performances of the commercial business lines
- Divestment of the Financial Products portfolio enabling early exit from the government guarantee
- Maintenance of a high solvency, with a Tier 1 ratio of over 11% by the end of June 2011 and over 12% by the end of 2011
- Positive impact on recurring profits, risk and liquidity profile

The Group's capital base now robust enough to accelerate its financial restructuring programme

Since the autumn of 2008, Dexia has significantly rebalanced its balance sheet structure. At the same time, supported by the confidence placed in it by its customers, it has continued to expand its commercial franchises in retail banking and financial services in Belgium, Luxembourg and Turkey, and in the financing of local authorities in France and Belgium.

The Group has reduced its balance sheet by EUR 124 billion and lowered its risk profile by divesting, among other things, its credit enhancement activities in the USA. It has also greatly improved its liquidity profile, increased its commercial deposits and as a result rebalanced its funding mix. Under these conditions Dexia was able to exit the guarantee provided by the Belgian, French and Luxembourg governments as early as June 2010 and to reduce by eight its central bank borrowings.

Driven by sound operating performances and by the commitment of its staff, the Group has raised its equity by EUR 2.3 billion since the end of 2008, improving its Tier 1 ratio from 10.6 to 13.4% over the same period. This strong capital base now enables the Group to speed up the divestment of its non-core assets while retaining its ability to withstand severe macro-economic stresses.

The Group to accelerate its divestment programme in a challenging economic environment

On proposal of the management and after consulting its Strategy Committee, Dexia's Board of Directors today unanimously decided to accelerate the financial restructuring of the Group, the guidelines for which were approved by the European Commission in February 2010. This decision will translate into anticipated asset disposals, the financial impact of which will be booked in the 2Q 2011 financial statements of Dexia SA.

That programme has the three-fold advantage of lightening the burden of the Legacy Division, improving liquidity and increasing the Group's ability to achieve recurring profits in a more challenging economic environment during the last weeks, particularly within the Euro Zone.

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In this prospect, it has been decided to:

- adjust the net book value of the guaranteed assets in the Financial Products portfolio to their market value through the constitution of a specific provision estimated at EUR 1.8 billion, with a view to their divestment. The operation will immediately have a favourable impact of EUR 1.2 billion on the AFS reserve and, once the divestments have been carried out, will have no impact whatever on the Group's Tier 1 ratio. Divestment of the Financial Products portfolio will reduce by one third the weighted risks of the Legacy Division. Furthermore it will also enable the Group to negotiate with the guarantor governments and the European Commission the terms and consequences of waiving the benefit of the State guarantees attached to this portfolio, which will lead to the removal of a substantial part of the state support.
- cover the estimated losses resulting from the acceleration of the asset divestments set out in the restructuring plan of the Group. Since portfolios are involved, those divestments will give priority to long-term assets.

The Group to maintain a high solvency ratio while enhancing its ability to achieve recurring profits and improving its risk profile and liquidity

The implementation of this programme will be concentrated on 2011 and the first half of 2012, at a pace dependent on market conditions. The Group's Tier 1 ratio will remain above 12% at the end of 2011. The divestments in the bond portfolio will reduce the Group's short-term liquidity requirement by a further EUR 20 billion.

By closing its exposure to the risks of the US real estate market inherited from FSA, Dexia will be removing a major source of volatility from its profits. In more general terms, the reduction in the Legacy Division portfolios will improve the risk profile of the Group and enhance its ability to achieve recurring profits as from the third quarter of 2011. It will give greater stability to the commercial business lines whose performance and development are in line with the targets of the Group.

Unaudited figures. Subject to the approval by the prudential authorities.

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