Press release

DEXIA

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2Q 2011 net Income Group share of EUR -4,032 million reflecting a strong commercial business performance and the impact of the accelerated deleveraging announced in May

Sale of USD 8.8 billion of guaranteed Financial Products assets to date

Highlights

2Q 2011 results reflecting strong commercial business performance

- Pre-tax income of commercial business lines** up 25% on 2Q 2010
- Fast expansion of the retail franchise in Turkey

Significant progress on the Group's financial restructuring

- 94% of the guaranteed Financial Products assets sold as at end of July 2011: full impact taken in 2Q 2011
- EUR 15 billion initial 2011 deleveraging programme almost fully completed to date
- In one year balance sheet down EUR 91 billion and short term liquidity gap down EUR 47 billion
- 2011 long term funding target reached to date

2Q 2011 results impacted by EUR -4,048 million one-off items after tax

- EUR -3,567 million losses and fair value adjustments related to the acceleration of the deleveraging programme announced in May 2011
- EUR -338 million impairments on Greek government bonds following Dexia's participation in the IIF***Greece assistance programme
- EUR -143 million impairment on goodwill

Net income Group share at EUR -4,032 million in 2Q 2011

Strong Tier 1 (11.4%) and Core Tier 1 (10.3%) ratios after one-off items booked in 2Q 2011

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

*** Institute of International Finance

Jean-Luc Dehaene, Chairman of the Board of Directors, said: *"The ongoing deterioration of the financial environment, reflected by increased market volatility, on the back of the European sovereign crisis, confirms the accuracy of the decision to increase the pace of implementation of the Group's financial restructuring. I praise the efficiency and the diligence with which the decision was implemented, thus substantially reducing the Group's risk profile and giving the commercial franchises increased visibility. As at the end of June 2011, the Group's commercial business lines again posted solid performances, which from quarter to quarter confirm the significance of Dexia's contribution to funding the real economy."*

Pierre Mariani, Chief Executive Officer and Chairman of the Management Board, said, *"Against an uncertain economic and financial background, Dexia posted substantially improved results for all of its commercial business lines in the second quarter 2011 and pursued the development of its franchises. At the same time, we have accelerated our financial restructuring, as announced in May and, despite a very difficult market context, managed to sale almost all the guaranteed assets of the Financial Products portfolio which is a substantial milestone of the plan presented in May. This quarter is also marked by the Group's decision to participate to the IIF Greece assistance programme. However, despite these one-off items, at the end of June the Group posted a Tier 1 ratio of 11.4%, which remains among the highest in the sector. I would like to thank all of our teams for their ongoing mobilisation and this quarter's major achievements and also our customers for the trust they have shown in us."*

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

During its meeting on 4 August 2011, the Board of Directors approved Dexia's results for 2Q and 1H 2011.

2Q and 1H 2011 reported statement of income and update on the financial restructuring

Preliminary notes

One-off items

Financial impact of one-off items								
	Impact before tax				Impact after tax			
In millions of EUR	**2Q10**	**2Q11**	**1H10**	**1H11**	**2Q10**	**2Q11**	**1H10**	**1H11**
Impact on income								
Capital gains	98		251		98		251	
Fair value adjustments and losses on sale FP assets		-1,928		-1,928		-1,946		-1,946
Provisions for other asset disposal		-1,745		-1,745		-1,621		-1,621
Impairment on Greek government bonds		-377		-377		-338		-338
Impact on other impairments								
Provisions for legal litigation	-138		-153		-138		-153	
Impairment on goodwill of Dexia Crediop and Dexia Israel		-143		-143		-143		-143
Total financial impact	**-40**	**-4,193**	**98**	**-4,193**	**-40**	**-4,048**	**98**	**-4,048**

Dexia's 2Q 2011 results were largely impacted by the Group's decision to accelerate its deleveraging, as announced in May as well as by its participation to the IIF Greece assistance programme, resulting in a exchange of Greek government bonds maturing before 31 December 2020. This exchange will result in a loss for the private holders of these bonds estimated to be 21% of the nominal. As at end of June 2011, Dexia holds EUR 1.8 billion of Greek government bonds that mature before 31 December 2020 and therefore booked an impairment of EUR 377 million pre-tax.

Over the quarter the total pre-tax income was impacted by EUR - 4,193 million of one-off items of which EUR - 3,673 million related to the accelerated deleveraging and booked in the Legacy Division and an impairment of EUR 377 million on Greek government bonds, which impacted Insurance (EUR 93 million), Group Center (EUR 92 million) and the Legacy Division (EUR 192 million). In addition, EUR 143 million impairment on the goodwill of Dexia Crediop and Dexia Israel was booked in Group Center. The 2Q 2011 impact after taxes of such items was EUR -4,048 million.

To recall, the 2Q & 1H 2010 results benefited from capital gains on the sale of Assured Guaranty (EUR 153 million booked in 1Q 2010 in Legacy), SPE (EUR 69 million booked in 2Q 2010 in PWB) and DEP (EUR 29 million booked in 2Q 2010 in Group Center). In 2Q & 1H 2010 the results were also marked by provisions related to the Ritro litigation in Slovakia (EUR 15 million in 1Q 2010 and EUR 138 million in 2Q 2010 booked in Group Center).

IFRS 5 reclassification

The Board of Directors of Dexia decided on 27 May 2011 to accelerate the financial restructuring of the Group, the guidelines for which were approved by the European Commission in February 2010.

Therefore, it has been decided to transfer assets to "non-current assets or disposal groups classified as held for sale" (IFRS 5) in view of future deleveraging, namely:

- Guaranteed assets in the Financial Products portfolio;
- Financial asset divestments for a nominal amount of EUR 17.6 billion set out in the restructuring plan of the Group. Since portfolios are involved, those divestments will give priority to long-term assets;
- Tangible and intangible assets linked with the reduction of activities and the closing of some entities.

Such assets were reclassified at fair value, all P/L impacts, except taxes, were accounted for in income (Net income on investment) and assets remained in their original analytical portfolio (Bonds in run-off / PWB loans in run–off).

Dexia Group results for 2Q 2011: net loss of EUR 4,032 million

Consolidated statement of income*

In millions of EUR	2Q10*	1Q11	2Q11	Var. 2Q11/ 2Q10	Var. 2Q11/ 1Q11	1H10*	1H11	Var. 1H11/ 1H10
Income**	**1,356**	**1,127**	**-3,004**	**n.s.**	**n.s.**	**2,832**	**-1,877**	**n.s.**
Expenses	-859	-847	-840	-2.2%	-0.8%	-1,728	-1,687	-2.4%
Gross operating income	**497**	**280**	**-3,844**	**n.s.**	**n.s.**	**1,104**	**-3,564**	**n.s.**
Cost of risk	-126	-98	-81	-35.7%	-17.3%	-391	-179	-54.2%
Other impairments & provisions for legal litigations	-135	-8	-154	n.s.	n.s.	-152	-162	6.6%
Pre-tax income	**236**	**174**	**-4,079**	**n.s.**	**n.s.**	**561**	**-3,905**	**n.s.**
Tax expense	30	-86	64	**n.s.**	**n.s.**	-60	-22	**n.s.**
Net income	**266**	**88**	**-4,015**	**n.s.**	**n.s.**	**501**	**-3,927**	**n.s.**
Minority interests	18	19	17	-5.6%	-10.5%	37	36	-2.7%
Net income Group share	**248**	**69**	**-4,032**	**n.s.**	**n.s.**	**464**	**-3,963**	**n.s.**
Return on Equity***	**5.3%**	**1.4%**	**n.s.**			**5.0%**	**n.s.**	
Earnings per share (in EUR) ****	0.13	0.04	-2.07			0.25	-2.03	

* *2010 figures have been restated. An amount of EUR -15 million (2Q 2010) and of EUR -30 million (1H 2010) of expenses (network costs) are now included in income (technical expense from insurance activities)*
** *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.*
**** *The ratio between the net income Group share and the average weighted number of shares. Figures have been restated to consider the issuance of new ordinary shares free of charge (bonus shares) distributed to the shareholders.*

Analysis of pre-tax income

In millions of EUR	2Q10	1Q11	2Q11	Var. 2Q11/ 2Q10	Var. 2Q11/ 1Q11	1H10	1H11	Var. 1H11/ 1H10
Pre-tax income	**236**	**174**	**-4,079**	**n.s.**	**n.s.**	**561**	**-3,905**	**n.s.**
of which one-offs	-40	0	-4,193	n.s.	n.s.	98	-4,193	n.s.
Pre-tax income excl. one-offs	**276**	**174**	**114**	***-58.6%***	**n.s.**	**463**	**288**	***-37.7%***
Of which								
*Commercial business lines**	*322*	*427*	*404*	*25.5%*	*-5.4%*	*636*	*831*	*30.7%*
Group Center	*-7*	*-6*	*-35*	*n.s.*	*n.s.*	*-104*	*-41*	*n.s.*
Legacy Division	*-39*	*-247*	*-255*	*n.s.*	*n.s.*	*-69*	*-502*	*n.s.*

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

In 2Q 2011, the Dexia Group reported a **net income Group share** of EUR -4,032 million, reflecting the decision announced on 27 May 2011 to accelerate its financial restructuring as well as an impairment on Greek government bonds in line with Dexia's participation to the IIF Greece assistance programme. Besides those one-off items the commercial business lines reported a steady performance.

In 2Q 2011, **pre-tax income** stood at EUR -4,079 million. Excluding one-off items, the pre-tax income amounted to EUR 114 million against EUR 276 million in 2Q 2010 following a decrease in Legacy revenues. The pre-tax income of the commercial business lines, excluding one-off items, rose 25% compared to 2Q 2010 supported by an increase in revenues of all business lines and an improvement of the Cost of Risk mainly driven by RCB in Turkey. Apart from one-offs, pre-tax income of the Legacy Division fell EUR 215 million compared to 2Q 2010 mainly as a consequence of higher costs of deleveraging (EUR 150 million compared to 2Q 2010) and EUR 48 million margin loss on assets sold or amortised as a result of the fast pace of asset sales, focus on longer maturities and a worsening of the market conditions.

In 2Q 2011, Group **income** stood at EUR -3,004 million against EUR 1,356 million in 2Q 2010, which included the EUR 98 million capital gain on the sales of SPE and DEP. Excluding the financial impact of the one-off items, 2Q 2011 revenues stood at EUR 1,046 million. The core businesses generated solid commercial earnings (+7%) on an underlying basis.

Costs stood at EUR 840 million, down 2% on 2Q 2010 supported by a 2% decrease of the Core Division and a 19% decrease of the Legacy Division.

In 2Q 2011, **gross operating income** stood at EUR -3,844 million, against EUR 497 million during the same period last year.

The **cost of risk** amounted to EUR 82 million, down 35% compared to 2Q 2010. The cost of risk for the Core Division (EUR 41 million) decreased by 25% compared to 2Q 2010, mainly stemming from an improvement of the credit risk in Turkey and from reversals in Public and Wholesale Banking. The cost of risk for the Legacy Division amounted to EUR 40 million in 2Q 2011 compared to EUR 71 million in 2Q 2010. While 2Q 2010 was marked by EUR 53 million of reversals of provisions in the bond portfolio in run-off and in the PWB run-off commitments, provisions were booked in 2Q 2011 for an amount of EUR 41 million. Furthermore additional impairments were booked in 2Q 2010 for an amount of EUR 125 million in the Financial Products portfolio. No new provision was taken in 2Q 2011 due to the accelerated sale of the guaranteed Financial Products portfolio.

Other impairments and provisions for legal litigations amounted to EUR 154 million in 2Q 2011 compared to EUR 135 million in 2Q 2010. While in 2Q 2010 EUR 138 million provisions were booked to cover the potential risk related to the Ritro litigation in Slovakia, 2Q 2011 included EUR 143 million of impairments on the goodwill of Dexia Crediop and Dexia Israel as the outlook for conditions of the sale of those companies has declined since 2010.

As a consequence, **pre-tax income** stood at EUR -4,079 million, against EUR 236 million in 2Q 2010.

Tax expenses included a EUR 144 million positive impact of deferred tax assets, relating to the acceleration of the deleveraging and to Greece-related impairment, which explains the EUR +64 million positive amount of taxes posted for the second quarter of 2011.

After taking EUR 17 million of **non-controlling interests** into account, **net income Group share** reached EUR -4,032 million in 2Q 2011, against EUR 248 million in 2Q 2010.

As a consequence, the net income Group share stood at EUR -4,032 million in 2Q 2011.

1H 2011 net income Group share amounted to EUR -3,963 million, compared to EUR 464 million in 1H 2010.

The Group has disposed of USD 8.8 billion of guaranteed assets in its Financial Products portfolio and its financial structure has been deeply reshaped

Against a still very challenging macro-economic environment, Dexia's Board of Directors decided, on 27 May 2011, to accelerate the Group's financial transformation by selling USD 9.5 billion of assets from its **Financial Products portfolio** (covered by the Belgian and French State guarantee) and accelerating the disposal of **other Legacy assets**.

In line with this decision, Dexia successfully disposed of 94% of the guaranteed assets of its Financial Products portfolio (USD 8.8 billion) as at 31 July 2011 (o/w USD 5.5 billion sold as at end of June 2011 including USD 2.5 billion settled in July 2011). A targeted investor base accounted for most of the sales, in order to ensure optimal pricing and execution. The total accounting impact of the sales and fair value adjustments on the Financial Products guaranteed assets amounted to EUR -1.9 billion (USD -2.8 billion), close to the EUR 1.8 billion announced in May 2011. It was booked in the 2Q 2011 financial statements and the full impact was taken at the level of Dexia SA.

The sale of this portfolio is an important milestone in reducing the Group's risk profile allowing for a EUR 11.7 billion reduction of weighted risks as at end of June 2011, i.e. about one quarter of the total Legacy weighted risks. Furthermore, it allows the amount of guarantee fees paid to the States to be reduced as from 2Q 2011.

Along with the sale of Financial Products assets, the Group pursued its deleveraging programme. As at 28 July 2011, the Group's EUR 15 billion initial 2011 deleveraging programme was almost fully completed with EUR 14.9 billion of assets disposed of. EUR 14.1 billion of assets were sold as at the end of June at a nominal loss rate of 1.4% (EUR 205 million of related losses) due to more challenging market conditions as well as a focus on longer dated assets.

As at 28 July 2011, assets sold included:

- EUR 13.1 billion of bonds booked in the Legacy and Core Divisions. These sales principally involved bank bonds, ABS and MBS. 48% of the assets sold were denominated in currencies other than the euro and the average maturity of the bonds sold was close to 5.6 years.
- EUR 1.8 billion of long-term loans, the major proportion of which came from Dexia's former activities in Switzerland and Central and Eastern Europe.

As announced in July, the disposal process of DenizEmeklilik, DenizBank's insurance subsidiary in Turkey, led in 1H 2011 to an agreement with MetLife including the sale of Dexia's 99.86% stake in DenizEmeklilik and a 15-year exclusive agreement for the distribution of MetLife's life, pension, personal accident and unemployment insurance products and solutions through DenizBank's branch network. The transaction is expected to be closed before the end of 2011 and is subject to standard regulatory approvals. This divestment is part of the agreement with the European Commission providing for the disposal of DenizEmeklilik by 31 October 2012 at the latest. It should lead to a capital gain of about EUR 119 million after tax booked at closing, expected in 2H 2011; such amount does not include future earn-outs and commissions.

A 15-year exclusive agreement was also concluded with Axa for the distribution of Axa non-life insurance products through DenizBank's branch network with a pre-tax P&L impact of about EUR 19 million after tax at closing, expected in 2H 2011, excluding future earn-outs and commissions.

The completion of both agreements will enable DenizBank to keep its clients supplied with a comprehensive range of insurance products from two reputable insurers.

Under the combined effects of the various disposals and of some exogeneous factors such as increasing interest rates, the Group's total balance sheet was reduced by EUR 8.9 billion between the end of March and the end of June 2011 and EUR 91 billion compared to June 2010, at EUR 518 billion (see liquidity and solvency).

19% of the total balance sheet was funded short term in June 2011 against 24% in June 2010 illustrating Dexia's ongoing efforts to reshape its financial structure.

Results by division

Core Division

Statement of income

In millions of EUR	2Q10*	1Q11	2Q11	Var. 2Q11/ 2Q10	Var. 2Q11/ 1Q11	1H10*	1H11	Var. 1H11/ 1H10
Income**	**1,296**	**1,252**	**1,051**	**-19.0%**	**-16.1%**	**2,460**	**2,303**	**-6.4%**
Expenses	-831	-821	-816	-1.8%	-0.5%	-1,671	-1,637	-2.0%
Gross operating income	**466**	**431**	**234**	**-49.7%**	**-45.7%**	**789**	**666**	**-15.6%**
Cost of risk	-55	-4	-41	-25.3%	x10.3	-161	-45	-72.0%
Other impairments & provisions for legal litigation	-135	-6	-153	13.0%	x25.5	-150	-159	5.9%
Pre-tax income	**275**	**421**	**40**	**-85.3%**	**-90.4%**	**477**	**461**	**-3.3%**
of which-one offs	*-40*	*0*	*-328*	*n.s.*	*n.s.*	*-55*	*-328*	*n.s.*
Pre-tax income excl. one-offs	**315**	**421**	**369**	**17.1%**	**-12.3%**	**532**	**790**	**48.5%**

* *2010 figures have been restated. A limited amount of network costs is now included in income (technical expense from insurance activities).*

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

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

In 2Q 2011, **Core Division** pre-tax income amounted to EUR 40 million, down 85% on 2Q 2010 impacted by an impairment of EUR 185 million on Greek government bonds booked in the Insurance and Group Center segments, as well as by an impairment of EUR 143 million on the goodwill of Dexia Crediop and Dexia Israel recorded at Group Center level. Excluding one-off items, Core Division pre-tax income for 2Q 2011 increased by 17% to EUR 369 million. 1H 2011 pre-tax income amounted to EUR 461 million. Excluding one-off items the pre-tax income stood at EUR 790 million driven by a solid performance of the commercial business lines despite a challenging environment.

Retail and Commercial Banking

(See business line statement of income in appendix)

At the end of June 2011 deposits stood at EUR 88 billion, a 3% growth since June of last year. Off-balance-sheet assets (excluding life insurance products) stood at EUR 37 billion. At EUR 12.5 billion, life insurance technical reserves were up 9% compared to the end of June 2010, driven by guaranteed-yield life insurance products (branch 21) in Belgium. Total customer loans rose by 7% year-on-year to EUR 55.6 billion supported by mortgage and business loan growth.

In **Belgium**, demand was strong for long-term savings investments, more particularly for guaranteed-yield life insurance contracts (branch 21) and bonds issued by the Group. Life insurance reserves rose by EUR 0.7 billion in 12 months (of which nearly the half in 2Q 2011) and investments in bonds issued by the Group increased by EUR 0.9 billion (of which more than the half in 2Q 2011). As a result, total customer assets grew by EUR 2.7 billion from June last year and reached a total of EUR 95 billion as at the end of June 2011, of which EUR 64 billion of deposits. The growth of loans was steady (+7% to a total of EUR 34.4 billion): EUR 1.5 billion of new mortgage loans and EUR 0.6 billion of new business loans were granted to the retail and commercial banking clients since June 2010.

Dexia launched the Dexia Direct Mobile service for smart phones and tablets, extending its range of direct distribution services. After 4 months, 13,000 clients were already actively using this service.

In **Luxembourg**, Dexia Private Banking promoted trust in the relationship between the client and his banker through a media campaign and the mandate penetration continued to improve to reach 26%, up one percentage point in 3 months Over the quarter, retail clients switched from low-yield money market funds and deposit accounts to capital guaranteed long-dated bonds issued by the Group (+17% compared to June 2010). In addition, the robust demand for mortgage loans led to a 12% increase in outstanding year-on-year. At the end of June 2011, total deposits were at EUR 13.6 billion and loans at EUR 9.1 billion sustained by good production of mortgage loans.

In **Turkey**, DenizBank opened another 28 branches in 2Q 2011, mainly in metropolitan cities. Since June of last year, a total of 89 branches have been opened bringing the total number of domestic branches to 540 at the end of June 2011. This contributed to the increase of DenizBank's share of doors from 4.8% to 5.4% on average year-on-year. 4.6 million clients are now served by DenizBank with 700,000 new clients acquired since June 2010.

At +41% on June 2010 (+12% on March 2011), the growth of deposits remained sustained, supported by both retail and corporate banking and performing three times better than the sector. Loans were up 36% on June 2010 (+10% on March 2011) in all segments. As at the end of May 2011, market share grew to 2.8% for deposits and 4.3% for loans. As a result, the loan-to-deposit ratio was down year-on-year and stable compared to March 2011 at 121% with deposits amounting to TRY 23.4 billion (or EUR 10 billion) and loans to TRY 28.3 billion (or EUR 12.1 billion).

Retail and Commercial Banking recorded a EUR 182 million **pre-tax income** in 2Q 2011 due to increased revenues in Belgium combined with a fall of the cost of risk. Compared to 2Q 2010, pre-tax income was up 4% excluding the negative impact of the TRY/EUR exchange rate.

At EUR 696 million in 2Q 2011, **income** was driven by good revenue generation in Belgium and Turkey excluding the exchange rate impact. A continued favourable product mix and high volumes supported income in Belgium after the peak recorded in 1Q 2011. In Turkey, fee income rose and interest margin grew despite the increased reserve ratios required on deposits by the Turkish Central Bank. Excluding the EUR 35 million negative exchange rate impact, RCB income was up 4% compared to 2Q 2010.

Costs were at EUR 468 million, up 2% or 6% at a constant exchange rate as a result of fast network expansion in Turkey: 89 new branches have been opened since June 2010, of which 28 in 2Q 2011 alone.

Cost of risk stood at EUR 42 million in 2Q 2011, driven by the improvement of credit risk in Turkey where the retail non-performing loan ratio decreased to 3.7% in June 2011 compared to 6.7% in June 2010. The fall in the cost of risk was 26% or 18% at a constant exchange rate compared to 2Q 2010.

In 1H 2011, pre-tax income stood at EUR 433 million, up 23% compared to 1H 2010 (or 27% at a constant exchange rate).

Public and Wholesale Banking (PWB)

(See business line statement of income in appendix)

In line with its selective lending policy combined with the development of added value side businesses, total long-term commitments of PWB were stable compared to the end of March 2011 and down 4% on December 2010 at EUR 218 billion.

In **public banking**, the new long-term commitments amounted to EUR 1,805 million, up EUR 690 million compared to 1Q 2011, but down EUR 301 million on 2Q 2010. In 2Q 2011, after several dull quarters, activity has resumed in France. Demand was again trending upwards and margin levels were very satisfactory as many competitors have adopted a less aggressive commercial approach. Activity was also sustained in Belgium. Activity in other geographical zones proved less dynamic, reflecting the Group's selective funding allocation policy.

Deposit collection remained a priority for the Group. In a highly competitive environment, deposits have been slightly up (+1%) since the beginning of the year (+3% in one year), especially driven by Italy, France and Germany. In this country, the widening of the target clientele towards health insurance organisations and their satellite companies has continued to pay off and deposits have almost tripled since December 2010.

Following a slow beginning of the year on the global **project financing** market, several major deals were concluded in 2Q 2011 on which Dexia acted as "lead arranger" and adviser. The Tours-Bordeaux high-speed (TGV) line and the relocation of various Ministry of Defence offices to a single base in Paris's 15th district are some examples. Other deals, in the UK and in Germany, are in the pipe for potential execution in 3Q 2011. By end of June 2011, new commitments amounted to EUR 651 million, compared to EUR 143 million for the first quarter of the year and commercial margins remained high.

Corporate Banking has expanded satisfactorily, driven in particular by the development of factoring and leasing products (car fleet increased by 23% in one year). Among various products and services, mention can be made of the launch of a business-to-government offer, targeting service providers to local authorities and social profit segments.

To recall, the business line benefited from EUR 69 million capital gain booked on the sale of SPE in 2Q 2010. Comparisons below exclude the positive impact of this one-off item.

In 2Q 2011, the business line's **pre-tax income** was EUR 129 million, up 65% on 2Q 2010. As in the first quarter of the year, the business line benefited from increasing commercial margins and a reduction of the cost of risk, which more than offset increasing funding costs.

2Q 2011 revenues amounted to EUR 252 million, up 17% on 2Q 2010 in particular by virtue of higher margins, market-associated revenues and commissions on project finance.

2Q 2011 costs remained under control up 2% on 2Q 2010.

At EUR +10 million, the cost of risk this quarter benefited from write-backs on sector and country provisions and therefore compared favourably to 2Q 2010, more in line with the standard provisioning level of the business line (- EUR 7 million).

Over 1H 2011, pre-tax income was EUR 220 million, up 41% on 1H 2010.

Asset Management and Services (AMS)

(See business line statement of income in appendix)

Asset Management and Services includes Dexia's activities in the fields of Asset Management, Investor Services and Insurance.

In 2Q 2011 Asset Management and Services reported a **pre-tax loss** of EUR -1 million, as a result of the EUR 93 million impairment on Greek government bonds which was recorded at Insurance income level. Excluding that one-off item, 2Q 2011 pre-tax income amounted to EUR 92 million, up 58% on 2Q 2010.

As a consequence of the above-mentioned one-off item, 1H 2011 pre-tax income amounted to EUR 84 million.

- **Asset Management**: At the end of June 2011, the business line's assets under management amounted to EUR 84.6 billion. After a positive first quarter 2011 when EUR 0.4 billion in net new cash was collected, the second quarter of 2011 was impacted by EUR -1.7 billion outflows mainly from retail funds and institutional money market funds given increasing market uncertainty. Long-term institutional and private clients were globally net new cash providers over the first half of 2011 (EUR +1.2 billion), particularly in institutional alternative funds, advisory multi-management services and private mandates which improved the asset class mix overall. The first half of 2011 was also marked by a negative market effect of EUR 0.5 billion.

  In highly volatile markets, Dexia Asset Management continued to deliver above-average market performances with 74% of funds rated 3-4-5 stars compared with 68% for the market average, and with outstanding performances in particular for the global balanced asset allocation funds. As testimony of such performance, Dexia Asset Management was awarded "Best Investment Management Company in Belgium and in Luxembourg" by *World Finance* in the second quarter of 2011.

  In 2Q 2011, the **pre-tax income** was in line with 2Q 2010 at EUR 18 million and 5% up on 1Q 2011. Revenues were stable and costs well contained. The cost on average assets under management ratio improved from 15.5 basis points in 2010 to 14.9 basis points at the end of June 2011, reflecting the business line's high level of efficiency.

  In 1H 2011, Asset Management posted pre-tax income of EUR 35 million, in line with 1H 2010.

- **Insurance**: All insurance distribution channels outperformed the first half of 2010 except in Luxembourg where the collection of premiums was strong in 2010 ahead of the forthcoming European Savings Directive. In Belgium, premiums collected grew by 11% in the first half of 2011 compared with the first half of 2010, supported by commercial actions focused on guaranteed-yield contracts (branch 21). In total, EUR 1,772 million of gross written premiums were collected in the first half of 2011 of which EUR 1,483 million in life (+12% excluding Luxembourg) and EUR 289 million in nonlife (+5%).

  In 2Q 2011, Dexia's participation to the IIF Greece assistance programme translated into an impairment of EUR 93 million on Greek government bonds, impacting the income. This led to a pre-tax loss of EUR 45 million. Excluding this impairment, 2Q 2011 **pre-tax income** was up 25 million on 2Q 2010 supported by steady growth of life outstanding and a better loss ratio.

  1H 2011 pre-tax income was hit by the impairment on Greek government bonds.

- **Investor Services**: At the end of June 2011, assets under administration were stable compared to the end of March 2011 (down by 2% at a constant exchange rate), at EUR 2,063 billion. Assets in custody followed a similar trend. The number of shareholder accounts in transfer activity was up 6% compared to the end of June 2010 (+ 553,000 accounts). The commercial franchise of RBC Dexia Investor Services was recognised by a first place in almost all the categories considered for the annual Global Investor/isf awards. This is the seventh time in eight years that RBC Dexia Investor Services has taken first place in this survey, realised on a broad sample of financial institutions.

  In 2Q 2011, the segment posted **pre-tax income** of EUR 27 million, up 53% on 2Q 2010. At EUR 114 million, 2Q 2011 revenues were marked by a negative currency effect (EUR -4 million) partly offsetting the positive effect of the growth of assets under administration and on deposits. Revenues from exchange and securities lending activities were stable compared to 2Q 2010. Costs rose by 3% (EUR +3 million), in view of the increased workforce associated with gaining new clients.

  1H 2011 pre-tax income stood at EUR 50 million, up 75% on 1H 2010.

Group Center

(See business line statement of income in appendix)

In 2Q 2011, the Group Center posted a **pre-tax loss** of EUR 270 million, against a loss of EUR 116 million in 2Q 2010. Income was down EUR 158 million on 2Q 2010, mainly as a result of EUR 92 million impairment on ALM Greek government bonds and lower transformation results. Furthermore, to ensure full readiness for sale, the goodwill on Dexia Crediop (EUR 131 million) and Dexia Israel (EUR 12 million) were impaired in 2Q 2011. Consequently, other impairments and provisions for litigations are negative, at EUR -148 million.

1H 2011 pre-tax income amounted to EUR 277 million, down EUR 49 million on 1H 2010.

Legacy Portfolio Management Division

Statement of income*

In millions of EUR	2Q10	1Q11	2Q11	Var. 2Q11/ 2Q10	Var. 2Q11/ 1Q11	1H10	1H11	Var. 1H11/ 1H10
Income*	**61**	**-125**	**-4,055**	**n.s.**	**n.s.**	**372**	**-4,180**	**n.s.**
Expenses	-29	-26	-23	-18.5%	-11.5%	-57	-50	-12.8%
Gross operating income	**32**	**-152**	**-4,078**	**n.s.**	**n.s.**	**315**	**-4,230**	**n.s.**
Cost of risk	-71	-94	-40	-43.3%	-57.2%	-230	-135	-41.5%
Other impairments & provisions for legal litigation	0	-1	-2	n.s.	n.s.	-1	-3	96.4%
Pre-tax income	**-39**	**-247**	**-4,120**	**n.s.**	**n.s.**	**84**	**-4,367**	**n.s.**
of which one-offs	*0*	*0*	*-3,865*	*n.s.*	*n.s.*	*153*	*-3,865*	*n.s.*
Pre-tax income excl. one-offs	**-39**	**-247**	**-255**	**n.s**	**n.s.**	**-69**	**-502**	**n.s.**

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

The **Legacy Portfolio Management Division** (Legacy Division) includes the contributions from the Group's bond portfolios in run-off (including the Financial Products portfolio) and PWB run-off commitments. The Division is also allocated part of the Treasury result.

At the end of June 2011, the Division's total commitments amounted to EUR 124.9 billion (including off-balance-sheet commitments). At EUR 113.5 billion, on-balance-sheet commitments were down EUR 39 billion (-26%) on June 2010, essentially as a consequence of the asset deleveraging programme (EUR 23.2 billion over the period concerned). The Legacy Division's funding profile has improved over the last year, with the short-term funding ratio falling from 48% to 36% between the end of June 2010 and the end of June 2011.

In line with the acceleration of disposals announced on 27 May 2011, the Legacy Division 2Q 2011 income was impacted by EUR 1,928 million of realised losses and fair value adjustments on Financial Products and EUR -1.745 billion of fair value adjustment on other assets reclassified as "non-current assets or disposal groups classified as held for sale" (IFRS 5). Furthermore, following Dexia's participation to the IIF Greece assistance programme, a EUR 192 million impairment on Greek government bonds was booked in the Legacy bond portfolio. As a result, in 2Q 2011, the Legacy Division posted a **pre-tax loss** of EUR -4,120 million. Apart from the measures announced on 27 May, Dexia continued its deleveraging at a sustained pace and almost completed, at the end of July, its EUR 15 billion programme, initially set for 2011. Consequently, excluding one-off items, the Legacy Division's pre-tax income was down EUR 215 million compared to 2Q 2010, principally due to higher losses on deleveraging (EUR +150 million over one year excluding the measures announced on 27 May 2011), and EUR 48 million of margin losses on assets sold and amortised. At EUR 23 million, costs were down slightly, by EUR 6 million year-on-year.

Over 1H 2011, Legacy revenues were negatively impacted by these non-recurring items leading to a pre-tax loss of EUR 4,367 million, against a pre-tax profit of EUR 84 million over the same period of 2010.

The fees paid on the liquidity and Financial Products government guarantees were down EUR 18 million on 1Q 2011, to EUR 95 million, given the natural amortization of the guaranteed outstanding. The disposal of the guaranteed Financial Products portfolio, combined with the natural amortization of the guaranteed outstanding, should result in a further decrease in fees paid over the next quarters.

Details of the evolution of the various segments of the Legacy Division are given below.

The **bond portfolio in run-off** amounted to EUR 95.3 billion at the end of June 2011, down EUR 6.8 billion since the end of March 2011 due to a EUR 5.3 billion sale of assets and EUR 1.4 billion of natural amortization of the portfolio. The asset credit quality remained satisfactory, with 92% of assets *investment grade*, in line with the previous quarter. Rating migrations are mainly due to disposals of bank bonds, Mortgage-Backed Securities and Asset-Backed Securities. The downgrade of European sovereign ratings impacts the Non Investment Grade category.

Over the quarter, the bond portfolio in run-off posted a **pre-tax loss** of EUR 1,307 million, against a profit of EUR 35 million in 2Q 2010, mainly due to the reclassification of assets to “non current assets or disposal groups” by EUR 900 million, as well as the EUR 192 million impairment on Greek government bonds. Apart from these two one-off items, revenues included EUR 183 million losses on disposals against EUR 31 million in 2Q 2010. Revenues were therefore down EUR 1,280 million over one year at EUR -1,275 million.

Over the first half-year 2011, the bond portfolio in run-off recorded a pre-tax loss of EUR 1,484 million, with revenues at EUR -1,432 million, impacted by the items described above.

As at 30 June 2011, **PWB run-off commitments** amounted to EUR 22.2 billion, including EUR 11.4 billion (USD 16.5 billion) of liquidity lines (SBPA) granted to Municipalities in the United States, drawn to a limited amount of EUR 0.6 billion (USD 0.9 billion). Over the quarter, commitments went down EUR 4.4 billion mainly due to a decrease in liquidity lines in USD. The outstanding of SBPA decreased by USD 8.6 billion between end of March 2011 and 3 August 2011, thus reducing the liquidity risk in US Dollar.

The reclassification of part of the loans to “non current assets or disposal groups” resulted in a fair value adjustment of EUR -845 million, leading to **pre-tax income** of EUR -868 million, against EUR -1 million in 2Q 2010. Excluding this one-off item, the result is principally explained by EUR 11 million of margin loss on assets sold and amortised compared to 2Q 2010, as well as a EUR 24 million cost of risk against EUR 6 million reversal in 2Q 2010.

All of these factors also weighed on 1H 2011 pre-tax income, at EUR -867 million.

In line with the acceleration of the deleveraging announced on 27 May 2011, the Group successfully launched the process of disposal of the **Financial Products** guaranteed assets. As at 31 July 2011, Dexia had disposed of 94% of the USD 9.5 billion of the portfolio (USD 8.8 billion) in line with its price expectation.

The Financial Products portfolio included USD 6,407 million of guaranteed assets at the end of June 2011, further reduced to USD 582 million as at 31 July 2011. By then, it also included USD 3,094 million of non-guaranteed assets and USD 4,487 million of other high quality assets (mainly T-bills) used as collateral for Guaranteed Investment Contracts (GIC) financing the portfolio. The portfolio is 87% investment grade (excluding T-bills used as collateral).

Over the second quarter 2011, the income of the Financial Products portfolio was marked by a EUR 1,928 million loss covering the capital loss on sales made up to 22 July 2011 and the fair value adjustment of assets reclassified under “non current assets or disposal groups. The portfolio posted a pre-tax loss of EUR 1,957 million, with revenues at EUR -1,950 million.

Over 1H 2011, the pre-tax loss was EUR 2,051 million, with EUR -1,947 million accounted in revenues.

As in previous quarters, the reduction of the Legacy Division’s short-term funding ratio (cf. supra) resulted in a EUR 16 million loss of **transformation revenues** compared to the second quarter 2010.

Liquidity and solvency

Given highly volatile market conditions, in 2011, the Group focused on the prompt and cautious execution of its long-term funding programme. Consequently, EUR 17.7 billion of long-term resources had been issued as at 29 July 2011, completing entirely the programme for the year.

EUR 11.4 billion was gathered in wholesale medium and long-term funding by that date, essentially through the issue of covered bonds (EUR 9.4 billion), natural refinancing of the Dexia Group’s public sector loan activity and unsecured senior debt for EUR 2 billion. EUR 6.3 billion in long-term secured funding other than covered bonds was also raised by the Group, enabling it to finance assets denominated in non-euro currencies.

The Group will continue to seize any opportunity between now and the end of the year in order to pre-fund 2012.

At EUR 96 billion, the short-term funding requirement was down EUR 47 billion compared to June 2010 (EUR -8 billion compared to March 2011), reflecting the Group's continuing efforts to rebalance its liquidity profile. In the second quarter of the 2011, market conditions became more challenging. Increasing concerns over the sovereign debt position of Greece and some other euro-zone countries, led to some risk aversion of US banks and investors vis-à-vis European market players. Consequently and in anticipation of the finalization of the S&P and Moody's credit reviews, Dexia exercised cautious treasury management during that period and constituted an ECB liquidity buffer. This explains the increase in funding with central banks (EUR +8.8 billion on December 2010 and EUR +17.5 billion on March 2011). The Group's short-term ratings, confirmed as A-1 by S&P on 7 July and P-1 by Moody's on 8 July last.

As at the end of June 2011, the amount of central bank eligible securities reached EUR 88 billion, with EUR 20 billion unencumbered given the increase in central bank financing.

In accordance with its commitment to the European Commission, Dexia ended all DenizBank intra-Group financing as at the end of June 2011.

Total assets, shareholders' equity and solvency*

	30 June 2010	31 Dec. 2010	31 March 2011	30 June 2011	Var. June 2011/ June 2010	Var. June 2011/ March 2011
Total assets (EUR m)	608,510	566,735	526,628	517,747	-14.9%	-1.7%
Core shareholders' equity (EUR m)	18,965	19,214	19,282	15,250	-19.6%	-20.9%
Total shareholders' equity (EUR m)	7,614	8,945	9,638	6,945	-8.8%	-27.9%
Tier 1 capital (EUR m)	18,216	18,425	18,442	14,448	-20.7%	-21.7%
Total weighted risks (EUR m)	149,254	140,834	138,132	127,002	-14.9%	-8.1%
Tier 1 ratio	12.2%	13.1%	13.4%	11.4%	- 83 bp	-197 bp
Core Tier 1 ratio	11.3%	12.1%	12.3%	10.3%	- 99 bp	-207 bp
Net assets per share**						
– Core shareholders' equity (EUR)	9.73	9.86	9.89	7.83	-19.5%	-20.9%
– Total shareholders' equity (EUR)	3.91	4.59	4.95	3.56	-8.9%	-22.4%

* *Regulatory figures unaudited.*

** *Figures have been restated to consider the issuance of new ordinary shares free of charge (bonus shares) distributed to the shareholders.*

At EUR 518 billion, the Group's balance sheet was reduced by EUR 8.9 billion between the end of March and the end of June 2011, mainly due to the deleveraging activity (EUR -5.4 billion for the bond portfolio in run-off and EUR -1.9 billion for the Financial Products portfolio) and to a limited FX effect.

Compared to June 2010, total assets fell by EUR 91 billion. This is explained by a EUR 39 billion decrease of Legacy assets following disposals and by a EUR 52 billion reduction of Core assets mainly under the combined effect of the reduction in fair value of assets and derivatives (EUR -35 billion) and the decrease of collateral to be posted (EUR -10 billion) as a consequence of the rise of long-term interest rates.

As at end of June 2011, Dexia Group's core shareholders' equity stood at EUR 15.3 billion, down 21% compared to end of March 2011 and 20% compared to June of last year as a result of the loss booked in 2Q 2011.

The gains and losses not recognised in the statement of income (accumulated Other Comprehensive Income) improved by EUR 1.3 billion over the quarter mainly driven by the sale and fair value adjustments through the statement of income of assets reclassified in Loans and Receivables (mainly Financial Products assets).This reduced the "frozen AFS reserve" by EUR 1.6 billion whereas the AFS reserve remained stable over the quarter.

As a result, total shareholders' equity, which includes the accumulated OCI, decreased by 28% or EUR 2.7 billion on March 2011, to EUR 6.9 billion.

At the end of June 2011, the Group's Tier 1 ratio (11.4%) and Core Tier 1 ratio (10.3%) reflected the one-off items booked in the second quarter of 2011. Indeed, the Tier 1 Capital decreased by EUR 4 billion (-289 basis points) impacted by 2Q 2011 negative retained earnings. This was however partially offset by a EUR 11.1 billion decrease in weighted risks compared to March 2011 representing 92 basis points of Tier 1. By end of June 2011, weighted credit risks were down by EUR 15.3 billion compared to March 2011 following the sale and the reclassification of the guaranteed Financial Products assets. In contrast, weighted market risks increased by EUR 4.2 billion, of which EUR 3.4 billion was linked to the guaranteed Financial Products assets reclassified but not yet sold as at the end of June 2011. The sale of the guaranteed Financial Products assets completed in July will lead to a further decrease of the market risks in 3Q 2011.

APPENDIX

Retail and Commercial Banking (RCB)

Statement of income								
In millions of EUR	2Q10*	1Q11	2Q11	Var. 2Q11/ 2Q10	Var. 2Q11/ 1Q11	1H10*	1H11	Var. 1H11/ 1H10
Income**	**704**	**728**	**696**	**-1.1%**	**-4.3%**	**1,400**	**1,424**	**+1.7%**
Expenses	-461	-461	-468	+1.5%	+1.4%	-922	-929	+0.8%
Gross operating income	**243**	**266**	**229**	**-6.0%**	**-14.2%**	**478**	**495**	**+3.5%**
Cost of risk	-57	-10	-42	-26.0%	x4.2	-125	-52	-58.5%
Other impairments & provisions for legal litigations	-1	-5	-4	n.s.	n.s.	-1	-10	n.s.
Pre-tax income	**186**	**251**	**182**	**-1.8%**	**-27.4%**	**352**	**433**	**+23.1%**

* *2010 figures have been restated. The results of Dexia banka Slovensko previously recorded in RCB are now recorded in Group Center.*

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

Public and Wholesale Banking (PWB)

Statement of income								
In millions of EUR	2Q10	1Q11	2Q11	Var. 2Q11/ 2Q10	Var. 2Q11/ 1Q11	1H10	1H11	Var. 1H11/ 1H10
Income*	**285**	**234**	**252**	**-11.4%**	**+7.7%**	**518**	**487**	**-6.1%**
Expenses	-130	-131	-133	+1.7%	+1.3%	-262	-263	+0.5%
Gross operating income	**155**	**104**	**120**	**-22.5%**	**+15.7%**	**256**	**223**	**-12.8%**
Cost of risk	-7	-13	10	n.s.	n.s.	-31	-3	-90.4%
Other impairments & provisions for legal litigations	0	0	0	n.s.	n.s.	0	0	n.s.
Pre-tax income	**147**	**91**	**129**	**-12.1%**	**+42.5%**	**225**	**220**	**-2.1%**

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

Asset Management and Services (AMS)

Statement of income								
In millions of EUR	2Q10*	1Q11	2Q11	Var. 2Q11/ 2Q10	Var. 2Q11/ 1Q11	1H10*	1H11	Var. 1H11/ 1H10
Income**	**217**	**259**	**169**	**-22.0%**	**-34.5%**	**438**	**428**	**-2.4%**
Expenses	-161	-164	-162	+0.7%	-1.0%	-313	-326	+4.2%
Gross operating income	**56**	**95**	**7**	**-87.1%**	**-92.3%**	**125**	**102**	**-18.7%**
Cost of risk	2	-9	-8	n.s.	-17.3%	2	-17	n.s.
Other impairments & provisions for legal litigations	0	0	0	n.s.	n.s.	0	0	n.s.
Pre-tax income	**58**	**85**	**-1**	**n.s.**	**n.s.**	**128**	**84**	**-34.1%**
Of which								
Asset Management	*18*	*17*	*18*	*-0.3%*	*+5.3%*	*35*	*35*	*n.s.*
Investor Services	*17*	*23*	*27*	*+53.0%*	*+16.2%*	*28*	*50*	*+75.4%*
Insurance	*23*	*45*	*-45*	*n.s.*	*n.s.*	*65*	*0*	*n.s.*

* *2010 figures have been restated. A limited amount of network costs is now included in income (technical expense from insurance activities).*

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

Group Center

Statement of income								
In millions of EUR	**2Q10***	**1Q11**	**2Q11**	**Var. 2Q11/ 2Q10**	**Var. 2Q11/ 1Q11**	**1H10***	**1H11**	**Var. 1H11/ 1H10**
Income**	**90**	**31**	**-67**	**-158**	**-99**	**103**	**-36**	**-139**
Expenses	-79	-65	-54	+25	+11	-174	-119	+56
Gross operating income	**12**	**-33**	**-121**	**-133**	**-88**	**-71**	**-155**	**-84**
Cost of risk	7	28	-1	-8	-29	-8	27	+34
Other impairments & provisions for legal litigations	-134	-1	-148	-14	-147	-149	-149	0
Pre-tax income	**-116**	**-6**	**-270**	**-154**	**-264**	**-228**	**-277**	**-49**

* *2010 figures have been restated. The results of Dexia banka Slovensko previously recorded in RCB are now recorded in Group Center.*

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

Detailed information on reported results are provided in the presentation "2Q and 1H 2011 Results and Business Highlights" available on the website www.dexia.com.

For detailed information on the results and the balance sheet elements, please consult the Financial Report 2Q and 1H 2011, drawn up in accordance with the Royal Decree of 14 November 2007 on www.dexia.com.

About Dexia

Dexia is a European bank, with about 35,200 members of staff and core shareholders' equity of EUR 15.3 billion as at 30 June 2011. 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. Dexia integrates sustainable development into its daily activities.

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