Press release

DEXIA

Regulated information * – Brussels, Paris, 20 October 2011 – 07:30 am

Ongoing restructuring of the Dexia Group

The Board of Directors of Dexia met today and noted the evolution of the various aspects of the Group restructuring. The Board of Directors has:

- validated the sale agreement of Dexia Bank Belgium to the Belgian State;
- approved the terms of a negotiation protocol with Caisse des Dépôts and La Banque Postale in relation to the financing of French local authorities;
- empowered the Chief Executive Officer to commence the disposal process of certain of the Group's operating entities.

It was also informed of the progress made in discussions with the European Commission, which will have to approve the envisaged structural measures.

Closing of the sale of Dexia Bank Belgium to the Belgian State

Dexia and the Belgian State have today finalised the sale agreement of Dexia Bank Belgium to the Société Fédérale de Participations et d'Investissement (SFPI), acting on behalf of the Belgian State, under the terms and conditions of the offer made to Dexia SA on 9 October last.

Dexia Bank Belgium's 49% holding in Dexia Asset Management will be transferred to the Dexia Group prior to the Closing of the transaction subject to the approval of the banking supervisory authorities. Therefore, the disposal relates to all assets and liabilities and all subsidiaries and holdings of Dexia Bank Belgium at the closing date to the exception of its stake in Dexia Asset Management.

As soon as the transaction is closed the SFPI will hold 100% of the shares of Dexia Bank Belgium.

The sale price is set at EUR 4 billion and Dexia SA will benefit from an earn-out mechanism, under certain conditions, in the event of a later sale of Dexia Bank Belgium (cf. offer attached to the Dexia press release dated 10 October 2011).

The proceeds of the sale will be principally allocated to the early repayment of loans granted by Dexia Bank Belgium to Dexia SA and Dexia Credit Local.

Intra-group financing granted by Dexia Bank Belgium to other Group entities will be maintained and gradually reduced according to the terms of the sale agreement.

On the basis of the figures as at 30 June 2011, this sale would have had for the Dexia Group the effect of reducing:

- the size of its balance sheet by EUR 144 billion, to EUR 374 billon,
- its weighted risks by EUR 45 billion, to EUR 82 billion,
- its short-term funding requirement by EUR 16 billion, to EUR 80 billion,
- the nominal amount of its bond portfolio in run-off by EUR 19 billion, to EUR 76 billion,
- the outstanding of government bonds from PIIGS countries, expressed in MCRE**, by EUR 9 billion, to EUR 12 billion.

In accordance with the terms of the sale agreement, the Belgian State will indemnify the Dexia group against any risk of loss associated to the performance of or other responsibilities arising from outstanding loans granted to Arco, Ethias and Holding Communal.

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

More detailed information on Dexia Group pro-forma figures after the sale of Dexia Bank Belgium is available in the appendices.

A transition committee, composed of representatives of the SFPI, the Dexia Group and Dexia Bank Belgium, will be set up to supervise the unwinding of the existing tight operational links between Dexia Bank Belgium and the rest of the Group. In particular, this committee will be in charge of maintaining operational continuity in key fields such as funding, human resources and Operations & IT.

Negotiation agreement between Caisse des Dépôts, Dexia and La Banque Postale

Dexia, Caisse des Dépôts and La Banque Postale have finalised the terms of a negotiation agreement in the field of the financing of French local authorities. This agreement was approved today by the Board of Directors of the Dexia Group, after taking into consideration an independent fairness opinion. It will be submitted to the approval of the European Commission.

The negotiation agreement contains two main features:

- **The acquisition by Caisse des Dépôts and La Banque Postale of respectively 65% and 5% of the shares in Dexia Municipal Agency, the Société de Crédit Foncier of the Dexia Group dedicated to the refinancing of loans to local authorities**

Since its creation in 1999, Dexia Municipal Agency has had the sole object of refinancing loans to the public sector or guaranteed exposures to the public sector, by the issuance of covered bonds (*obligations foncières*). It is the only Société de Crédit Foncier dedicated exclusively to the public sector. As a 100% subsidiary of Dexia Crédit Local, Dexia Municipal Agency had a total balance sheet of EUR 89.9 billion as at 30 June 2011 and outstanding covered bonds of EUR 63.4 billion.

The backing by Caisse des Dépôts of Dexia Municipal Agency would reinforce the solidity of its AAA/AAA/Aaa rating.

The negotiation agreement would also provide for the acquisition by Caisse des Dépôts and La Banque Postale of certain tools and management systems necessary to perform the above-mentioned activity.

Operational management of Dexia Municipal Agency would nobaly rely on a service agreement with Dexia Credit Local.

- **A new commercial tool serving local authorities in France**

A joint venture held by Caisse des Dépôts (for 65%) and La Banque Postale (for 35%) would be created. This joint venture would be dedicated to designing and originating loans to French local authorities, refinanced through Dexia Municipal Agency. This new tool would rely, through a service agreement, on the combined know-how of Dexia Crédit Local, Caisse des Dépôts and La Banque Postale.

Impact for Dexia

As at 30 June 2011, this operation would have had the effect of reducing the Dexia Group balance sheet by about EUR 65 billion and its liquidity requirement by more than EUR 10 billion. It would have resulted in a capital loss on disposal of around EUR 680 million.

The agreement provides that Dexia would extend to Dexia Municipal Agency, on the one hand, a guarantee with respect to the performance and the legal risks associated to a portfolio of EUR 10 billion of structured loans to French local authorities and, on the other hand, an indemnity against losses in excess of 10 basis points on all outstanding loans, which represents 10 times more than the losses faced by Dexia Municipal Agency on an historical basis. Dexia would moreover benefit from a counter-guarantee from the French State on this same portfolio of structured loans up to 70% of losses over and above EUR 500 million. This counter-guarantee is subject to the approval of the European Commission.

Beyond the mechanism described in the protocol, Dexia Crédit Local remains involved in local finance and will continue to offer a wide range of financial products and services to its public sector clients, particularly via the collection of deposits, the distribution of insurance contracts (via Sofaxis), the provision of real estate services (via Exterimmo) and automobile leasing (via Dexia LLD) as well as the provision of personal services (via Domiserve). Dexia Crédit Local would maintain a lender relationship with its clients not covered by the joint venture, under terms to be specified in a later agreement.

Timetable

Dexia, Caisse des Dépôts and La Banque Postale will continue to discuss with a view to submitting a final draft agreement as soon as possible to their relevant staff representative bodies and the respective governance bodies. The implementation of this negotiation protocol will remain subject to the approval of the relevant supervisory and competition authorities.

Negotiations with a view to the possible disposal of the Group’s operational entities

The Board of Directors of the Dexia Group has empowered the Chief Executive Officer to examine the conditions under which its 50% participation in RBC Dexia Investor Services, held as joint venture, is likely to be disposed of and to start the disposal process.

The Board of Directors of the Dexia Group has moreover empowered the Chief Executive Officer to launch, in the framework of an open and competitive procedure, the disposal process of Dexia Asset Management and of its 99.84% stake in DenizBank.

The Board of Directors has also been informed of the progress of the discussions relating to the sale of Dexia Banque Internationale à Luxembourg.

All those disposals will be subject to prior approval by the European Commission.

Publication of the quarterly results of the Dexia Group

Dexia does not plan to modify the timetable for publication of its quarterly results. In accordance with legal provisions, the communication of the results for the third quarter 2011, planned for 9 November 2011, will nonetheless be in the form of an “interim statement” and not that of a financial report, considering the in-depth restructuring throughout the Group.

For more information: www.dexia.com

Press Office	***Investor Relations***
Press Office – Brussels	*Investor Relations – Brussels*
+32 2 213 50 81	*+32 2 213 57 46/49*
Press Office – Paris	*Investor Relations – Paris*
+33 1 58 58 86 75	*+33 1 58 58 85 97/82 84*

Appendix 1: Pro-forma balance sheet of the Dexia Group after the sale of Dexia Bank Belgium (as at 30 June 2011)

	(EUR bn, unless if specified) *(Financial statements as at 30 June 2011)*	**Group** *(before sale)*	**Group pro forma** *(after sale)*
I.	Cash and balances with central banks	4	4
II.	Loans and advances due from banks	48	45
III.	Loans and advances to customers	316	234
IV.	Financial assets measured at fair value through profit or loss	7	2
V.	Financial investments	73	43
VI.	Derivatives	38	24
VII.	Fair value revaluation of portfolio hedge	3	2
VIII.	Investments in associates	0	0
IX.	Tangible fixed assets	2	1
X.	Intangible assets and goodwill	2	2
XI.	Tax assets	3	2
XII.	Other assets	3	2
XIII.	Non-current assets and disposal groups held for sale	17	14
	Total assets	**518**	**374**
I.	Due to banks	90	100
II.	Customer borrowings and deposits	125	41
III.	Financial liabilities measured at fair value through profit or loss	20	8
IV.	Derivatives	60	43
V.	Fair value revaluation of portfolio hedge	1	1
VI.	Debt securities	186	168
VII.	Subordinated debts	4	2
VIII.	Technical provisions of insurance companies	17	0
IX.	Provisions and other obligations	1	1
X.	Tax liabilities	0	0
XI.	Other liabilities	5	3
XII.	Liabilities included in disposal groups held for sale	0	0
	Core shareholders' equity	*15.3*	*11.4*
	Gains and losses not recognised in the statement of income	*(8.3)*	*(6.1)*
	Total shareholders' equity	*6.9*	*5.4*
	Non-controlling interests	*1.8*	*1.8*
	Total Equity	8.8	7.2
	Total liabilities and equity	**518**	**374**
	Net income for the period	**(4.0)**	**(7.8)**
	Tier 1 capital	**14.4**	**10.9**
	RWA	**127**	**82**
	Tier 1 ratio (%)	**11.4%**	**13.3%**

Note: Intragroup loans considered as external

Appendix 2: Pro-forma of the Dexia Group bond portfolio in run-off after the sale of Dexia Bank Belgium (as at 30 June 2011)

Bond portfolio in run-off (excl. DBB)

(EUR bn)	**AAA**	**AA**	**A**	**BBB**	**NIG**	**Total**
Public sector	1.2	11.5	6.7	3.4	1.2	**24.1**
Sovereigns	0.8	6.3	2.7	1.7	2.7	**14.2**
Banks	2.0	2.3	4.4	1.3	0.4	**10.3**
Covered bonds	3.7	3.9	0.2	0.5	0.1	**8.3**
ABS	4.7	0.3	0.3	0.2	0.1	**5.5**
MBS	1.9	0.5	0.5	0.2	0.4	**3.4**
Other	0.1	0.4	2.2	5.7	1.4	**9.8**
Total (nominal bef. protection)	**14.3**	**25.1**	**16.9**	**12.9**	**6.3**	**75.5**

- **Expected average life: 13.2 years**
- **Portfolio well diversified and of good credit quality: 92% investment grade by end of June 2011**

DEXIA

Appendix 3: Pro-forma MCRE* of government bonds on a selection of European countries after the sale of Dexia Bank Belgium (as at 30 June 2011)

(in m EUR)	Total	of which banking	of which insurance	of which trading
Greece	2,149	2,149	-	-
Ireland	-	-	-	-
Italy	7,833	7,833	-	-
Portugal	1,764	1,764	-	-
Spain	490	490	-	-
Total	**12,237**	**12,237**	**0**	**0**

** MCRE: Maximum Crediit Risk Exposure*

DEXIA