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Agreement in principle for the future financing of the French local public sector

In line with the negotiation agreement drawn up on 20 October 2011 by Caisse des Dépôts, La Banque Postale and Dexia, and in the best interests of all parties, the principles of an overall agreement now involving the French State and aimed at securing the financing of the local public sector have been agreed on today.

The arrangements, which have been defined in common, are structured around two lines:

- the setting-up of a joint venture between La Banque Postale and Caisse des Dépôts, as foreseen in the original negotiation agreement, which will commercialise new financing to local authorities;
- the creation of a new credit establishment held by the French State (31.7%), Caisse des Dépôts (31.7%), Dexia Crédit Local (31.7%) and La Banque Postale (4.9%). This new credit establishment will be the parent company of Dexia Municipal Agency (DMA), a *société de crédit foncier* dedicated to the financing of the local public sector, which will be fully owned, and will run it. It will also manage the industrial platform placed at the disposal of Dexia Municipal Agency and of some activities of the joint venture and of the Dexia Group. The eligible loans granted by the joint venture will be re-financed by Dexia Municipal Agency.

These discussions are part of the structural measures undertaken by the Dexia Group in autumn 2011. The project is part of the restructuring plan that will be presented by the Belgian, French and Luxembourg States to the European Commission by the end of March 2012.

It has been approved today by Board of Directors of Dexia SA and will be submitted for the approval of the European Commission and the competent supervisory authorities. It will also be submitted to the staff representatives for their opinion.

This project will enable the Dexia Group to further reduce its balance sheet and liquidity requirement, while keeping its industrial tool intact.

The sale price of 100% in Dexia Municipal Agency amounts to EUR 380 million and will result in a loss of about EUR 1 billion for the Dexia Group. Furthermore, a price adjustment provision after three years, upwards and downwards and accompanied by a limit, has been provided for.

It has been provided for that Dexia will extend to Dexia Municipal Agency some legal and financial guarantees and will benefit from a partial counter-guarantee from the French State on sensitive loans as stated in the Group's press release of 20 October 2011.

Finally the transaction will have the effect of reducing the Group liquidity requirement by EUR 12 billion.

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