Press release

DEXIA

Brussels, Paris, 14 May 2014 – 7:00 AM

Interim Statement – Q1 2014

Net result for Q1 2014 at EUR -184 million characterized by accounting induced volatility

- Recurrent net result at EUR 88 million up compared to Q4 2013 due to further reduction of the Group's funding cost
- Impact of EUR -148 million in accounting volatility elements
- Non-recurrent result at EUR 53 million, positively impacted by gains on disposals

Increased liquidity position in the first quarter 2014 in anticipation of major upcoming redemptions

- EUR 6.5 billion of guaranteed long-term funding raised in Q1 2014
- At the end of March 2014, temporary liquidity excess deposited with central banks, leading to an increase of the balance sheet

Dexia SA Total Capital ratio at 16.9% after first application of CRD IV / CRR

- First application of Basel III rules for calculation of the solvency ratios

Karel De Boeck, Chief Executive Officer of Dexia SA said: *"This quarter, Dexia reached the target scope as set in its orderly resolution plan. This important step was an opportunity to specify the Group's mandate as well as its strategic goals and to launch a reflection on the way to optimize its operating model, in the framework of a company project.*

In addition, in a prudent approach, we have started building up liquidity reserves, in anticipation of major upcoming redemptions.

The quarter also saw the first application of Basel III regulatory framework, impacting in particular solvency ratios. Despite the impact of this new framework, the Group's solvency remained in line with the target set in the orderly resolution plan.

Together with the different teams of the Group, we remain committed to the management the Group's resolution and the preservation of the interests of the State guarantors and shareholders."

The first quarter 2014 provided a contrasted economic picture. Euro zone growth remained modest, with an estimate of GDP growth at 0.2%, while in the United States and the United Kingdom the recovery progressed at a lively pace as emerging economies faced a slowdown of activity. In view of the weakness of growth and inflation, the European Central Bank continued to provide access to liquidity. The timetable for tightening of monetary policies by major central banks, however, will be a key issue for 2014.

The financial markets remained favourable, which allowed a continuing normalisation of sovereign debt issues in the euro zone, the tightening of peripheral spreads, improved equity markets and historically low volatility.

During Q1 2014, the Dexia Group completed all the disposals required under the orderly resolution plan, thus reaching its target scope as a bank in resolution. The quarter saw a further decrease in the Group's funding costs. Total Capital ratio was at 16.9% after the first application of the CRD IV / CRR rules.

Dexia is publishing an Interim Statement for the period ended on 31 March 2014, based on unaudited figures as at 31 March 2014.

1. Significant events and transactions in the 1st quarter 2014

a – Target scope reached as called for by the Group's orderly resolution plan and launch of a company project

In Q1 2014, Dexia completed all disposals required by the orderly resolution plan validated by the European Commission. On 3 February 2014, Dexia sold all its shares in Dexia Asset Management (DAM) to New York Life Investments, at a profit of EUR 69 million. The Group also completed the sale of its 40% stake in Popular Banca Privada to Banco Popular Espanol with a capital gain of EUR 21 million.

F0ocused on its target resolution scope, the Group launched a company project aimed at rallying its staff members around the following strategic priorities:

- securing its funding capacity over the term of the resolution,
- safeguarding against operational disruptions while ensuring efficiencies in the implementation of the resolution,
- protecting its capital base in order to comply with the regulatory and legal requirements for banking groups.

The Group's governance and operational structure have been aligned with the resolution process. This includes the creation of a new activity line, "Assets", responsible for the management of the Group's portfolios. A number of key projects have also been identified, such as the overhaul of the Group's IT systems.

b – Update on the Asset Quality Review conducted by the European Central Bank

In coordination with the national banking regulators, the European Central Bank is conducting an assessment of the assets of main European banks. In this context, Dexia's assets and accounting valuation methods are currently being reviewed under the Asset Quality Review (AQR). by,. The findings of the National Bank of Belgium led Dexia to make adjustments to the valuation of illiquid securities held as assets available for sale (AFS), which had no impact on the Group's results. The Group's Other Comprehensive Income (OCI) was thereby adjusted by EUR -447 million as at 31 December 2013, which was reduced to EUR -207 million as at 31 March 2014, due to changes in market conditions. In addition, at the regulators' request, a prudential adjustment was posted as at 31 March 2014, with an impact of EUR -108 million on the regulatory capital of Dexia SA and Dexia Crédit Local.

In its press release published on 23 October 2013, the European Central Bank stated that its review will take into account the Group's specific situation and in particular, will incorporate the extensive review of Dexia's risk profile that was already done when the orderly resolution plan was validated by the European Commission at the end of December 2012. To date, the Group has no knowledge of additional adjustments or conclusions stemming from the AQR.

2. Unaudited financial statements of Dexia SA in Q1 2014

During Q1 2014, the Dexia Group recorded a net loss of EUR -184 million, of which EUR -88 million was attributable to recurring elements[1], EUR -148 million to accounting volatility elements[2] and EUR -53 million to non-recurring elements[3].

Net result from recurring elements for the period was EUR -88 million, up EUR +72 million from Q4 2013.

Net banking income from recurring elements for Q1 2014 amounted to EUR 36 million. Income from commercial portfolios was down EUR 21 million over the quarter. At the same time, the Group's funding cost fell by EUR 38 million compared with Q4 2013, primarily due to the maturity of EUR 3.9 billion in bonds outstanding[4] issued under the more costly 2008 liquidity guarantee.. Despite this positive evolution, net banking income did not cover operating expenses (EUR -101 million), which was adversely affected by consulting fees linked to the AQR and the cost of risk over the quarter. The cost of risk amounted to EUR -22 million as at the end of March 2014.

At EUR -148 million, accounting volatility elements[5] had a considerable impact on the quarterly results. The impacts are principally explained by the negative evolution of the valuation of collateralised derivatives, based on the OIS curve, compared with the end of December 2013.

The non-recurrent portion of the quarterly result was EUR 53 million. This included notably the capital gains of EUR 69 million on the sale of DAM and of EUR 21 million due to the Group's stake in Popular Banca Privada as well as a EUR -34 million general provision for litigation.

3. Group's balance sheet, solvency and liquidity position

A – Balance sheet and solvency

a – Quarterly balance sheet

As at 31 March 2014, the Group's balance sheet total was EUR 237 billion, up EUR 13.7 billion from 31 December 2013 despite the natural amortisation of the asset portfolio.

On the asset side, the increase recorded in the first quarter is explained by:

- EUR 10.9 billion increase in cash deposited with central banks reflecting a surplus in the Group's liquidity (cf. section "Dexia Group funding structure"),
- a EUR 4.9 billion increase in the fair value of assets and derivatives and a EUR 1.6 billion increase in cash collateral posted by the Group due to the decline of long-term interest rates,
- these factors more than offset the natural amortisation of asset portfolios of EUR 2.5 billion.

[1] Recurring elements : items related to the carriage of the assets such as portfolio revenues, funding costs, operating expenditures or cost of risk

[2] Elements of accounting volatility : items related to fair value adjustments of assets and liabilities including in particular the impact of the IFRS 13 accounting standard (CVA, DVA) and the valuation of OTC derivatives, own credit risk (OCR), the variation of the WISE portfolio (synthetic securitisation on a portfolio of enhanced bonds), which do not correspond to a cash gains or cash loss and which are written back prorata temporis over the amortisation term of the assets or liabilities, but which generate volatility on each accounting closure date

[3] Non-recurring elements: exceptional items, not expected to reoccur, including in particular gains and losses on asset disposals, costs and gains associated with litigations and restructuring costs

[4] Calculated on the basis of average assets over the quarter

[5] Accounting volatility elements: elements associated with fair value adjustments on assets and liabilities in particular including the impacts of the IFRS 13 norm (CVA, DVA and the valuation of OTC derivatives), own credit risk (OCR), the WISE portfolio variation (synthetic securitisation on a portfolio of enhanced bonds) not corresponding to gains and losses in cash and booked prorata temporis over the term of the assets or liabilities but generating volatility on each accounting date.

On the liability side, the quarterly change in balance sheet was primarily related to:

- EUR 8.1 billion increase in the Group's market funding, mainly in the form of new guaranteed issuances and deposits,
- EUR 4.3 billion increase in the fair value of liabilities and derivatives.

b – Solvency ratios

First application of Basel III solvency rules

At the end of March 2014, Dexia SA solvency ratios were calculated in accordance with the methodology set by Basel III. As at the end of March 2014, calculated in accordance with this new framework, the Group's Common Equity and Total Capital were EUR 9.1 billion and EUR 9.5 billion respectively. Impacts by the first application of Basel III, were primarily the result of the deduction from the AFS reserve (EUR -577 million) in line with the application of interim rules (cf. below), the limitation on recognition of minority interests (EUR -67 million) and the super-subordinated borrowings (EUR -19 million). The implementation of Basel III resulted in a reduction in recognized value of subordinated borrowings in regulatory capital, with an impact of EUR -331 million on Tier 2 capital.

Weighted risks were up EUR 9 billion from 31 December 2013, of which EUR 8 billion due to credit risk, totalling EUR 56 billion. This change is mainly explained by the first application of the Basel III calculation guidelines and in particular by an adjustment related to Credit Value Adjustment (CVA) and Asset Value Correlation (AVC) on certain major financial institutions, as well as the change to the mode of calculating of exposures at default (EaD). These three elements, associated with implementation of the Basel III framework, explain a major part of the increase of weighted risks compared to 31 December 2013.

On 31 March 2014, Other Comprehensive Income (OCI) totalled EUR -5.7 billion, an improvement of EUR 0.8 billion compared to 31 December 2013 and the AFS reserve was EUR -4.6 billion, against EUR -5.5 billion as at 31 December 2013. The improvement in the reserve is principally explained by the tightening of credit margins for GIIPS countries, particularly Spain, Italy and Portugal.

The sovereign component of the AFS reserve totalled approximately EUR -2 billion at the end of March 2014. In line with the new Basel III regulatory framework and with national discretion applicable to Dexia SA (cf infra), this part of the AFS reserve is filtered when calculating the regulatory capital. Given these elements, the Total Capital ratio and the Common Equity Tier 1 ratio of Dexia SA reached 16.9% and 16.2% respectively at the end of March 2014.

Harmonisation of the national discretions applicable to Dexia SA and Dexia Crédit Local

The BNB and ACPR confirmed to Dexia SA and Dexia Crédit Local that the rules applied to the two entities for calculating their regulatory solvency ratios during the interim period from 1 January 2014 to 31 December 2017 would henceforth be the same. The AFS reserve on sovereign securities will not be taken into account in calculating the solvency ratio and the AFS reserve relating to non-sovereign exposures will be deducted from equity at the rate of 20% per annum. On this base, and including the prudential adjustment required by the regulator, the Total Capital ratio and Common Equity Tier 1 ratio of Dexia Crédit Local were 13.4% and 13% respectively at the end of March 2014.

B –Dexia Group funding structure

Q1 2014 saw a continuation of the positive trends observed in previous quarters, with an increase in market funding, both secured (EUR +4.5 million) and guaranteed (EUR +8.9 billion), at attractive levels and for longer maturities.

The Group took advantage of favourable market conditions to launch several successful guaranteed issuances in the first quarter, in anticipation of significant redemptions in the second quarter 2014 (EUR 7.6 billion). On 15 January 2014 Dexia launched a EUR 1.25 billion7-year bond issue, followed by a 5-year USD 1.5 billion issue on 23 January 2014 and a EUR 1.75 billion 5.5-year issue on 10 March 2014. The three benchmark issues were over-subscribed, with well-diversified order books. in addition, the Group continued to present its funding strategy to investors, particularly through road shows in Europe, the United States and Latin America. Besides the benchmark issues, there was consistent activity in private placements, enabling an additional EUR 2.4 billion to be raised over the quarter.

Secured funding also had positive momentum representing 33% of total Group funding as at 31 March 2014.

Together, secured and guaranteed funding placed in the market represented two thirds of the Group's funding as at 31 March 2014. As a result, central bank funding was reduced from 20.0% to 18.9% between 31 December 2013 and 31 March 2014.

In Q1 2014, robust market funding activity enabled Dexia to build its liquidity buffer deposited with central banks to EUR 12.6 billion, in anticipation of significant upcoming redemptions. In addition, the Group also had eligible reserves at the European Central Bank, totalling EUR 15.9 billion.

As at 31 March 2014, total state-guaranteed funding reached EUR 79.9 billion, with EUR 74.9 billion related to the 2011/2013 guarantee and EUR 5.0 billion to the 2008 guarantee. The Group did not tap into the ELA over the past quarter.

Appendices

Appendix 1 – Simplified balance sheet (unaudited figures)

Balance sheet key figures			
EUR m	**31/12/13**	**31/03/14**	**Change**
Total assets	**222,936**	**236,697**	**6%**
of which			
Loans and advances to customers	129,039	128,233	-1%
Financial assets at fair value through profit or loss and financial investments	48,009	50,147	4%
Total liabilities	**218,977**	**232,137**	**6%**
of which			
Customers borrowings and deposits	8,590	10,346	20%
Debt securities	96,368	100,013	4%
Total equity	**3,959**	**4,560**	**15%**
Core shareholders' equity(1)	9,959	9,773	-2%
Total shareholders' equity(2)	3,488	4,089	17%
Net assets per share (in EUR)(3)			
Related to core shareholders' equity	0.32	0.32	n.s.
Related to total shareholders' equity	0.11	0.13	17%

(1) Without AFS, CFH reserve and cumulative translation adjustments.

(2) With AFS, CFH reserve and cumulative translation adjustments.

(3) Ratio between the shareholders' equity (estimated dividend for the period deducted) and the number of shares at the end of the period (after deduction of treasury shares).

Appendix 2 – Solvency (unaudited regulatory figures)

EUR m	**Basel II** **31/12/2013**	**Basel III** **31/03/2014**
Common equity Tier 1	10,054	9,106
Total capital	10,617	9,511
Weighted risks	47,335	56,276
Common equity Tier 1 ratio	21.2%	16.2%
Total capital ratio	22.4%	16.9%

Appendix 3 – Maximum credit risk exposure (MCRE) as at 31 March 2014 (unaudited figures)

MCRE[6] calculated in IFRS 7

Dexia Group exposure by geographic region	
EUR m	Total
Austria	1,619
Belgium	3,436
Central and eastern Europe	3,756
France (Including Dom-Tom)	27,634
Germany	21,838
Greece	189
Hungary	1,224
Ireland	266
Italy	27,984
Japan	6,128
Luxembourg	205
Netherlands	966
Portugal	4,191
Scandinavian countries	938
South and Central America	687
Southeast Asia	1,095
Spain	19,963
Switzerland	474
Turkey	522
United Kingdom (not Norm.Isd/Man)	16,796
United States and Canada	37,176
Others	6,595
Total	**183,683**

Dexia Group exposure by category of counterpart	
EUR m	Total
Central governments	38,078
Local public sector	88,480
Corporate	5,725
Monolines	3,525
ABS/MBS	6,828
Project finance	14,574
Individuals, SME and self-employed	1
Financial institutions	26,472
Total exposure	**183,683**

[6] Maximum credit risk exposure (MCRE) represents the net book value of outstandings, or notional amounts after deduction of specific depreciations and reserves for fair value of securities, available for sale, and taking account of interest accrued and the impact of hedge booking.

Group exposure by rating (internal rating system)		
	31/12/2013	31/03/2014
AAA	14%	19%
AA	22%	20%
A	28%	27%
BBB	21%	20%
D	1%	1%
Non Investment Grade	13%	12%
Not Rated	1%	1%
Total	**100%**	**100%**

Appendix 4 – Group exposure to the risk of peripheral European countries as at 31 March 2014 (MCRE - unaudited figures)

Group exposure to the risk op peripheral European countries						
EUR m	**Total**	*o/w local public sector*	*o/w corporate and project finance*	*o/w financial institutions*	*o/w ABS/MBS*	*o/w sovereign exposures*
Greece	189	78	67	0	44	0
Hungary	1,224	34	37	36	0	1,117
Ireland	266	0	85	103	77	0
Italy	27,984	11,643	1,396	587	182	14,176
Portugal	4,191	1,903	217	150	144	1,777
Spain	19,963	9,152	2,605	6,900	817	489

Appendix 5 – Group exposure to the sovereign bonds of peripheral European countries (unaudited figures)

Group exposure to government bonds of peripheral European countries				
EUR m	31/12/2013 Nominal	31/03/2014 Nominal	31/03/2014 MCRE (banking portfolio)	Change nominal 31/03/2014 31/12/2013
Italy	10,027	10,028	11,182	n.s.
Portugal	1,822	1,822	1,777	n.s.
Hungary	1,076	1,004	1,062	-7%
Spain	443	440	483	-1%
Greece	0	0	0	n.s.

Appendix 6 – Asset quality (unaudited figures)

Asset Quality [1]		
EUR m	31/12/2013	31/03/2014
Impaired loans and advances to customers	1,391	1,385
Specific impairments on loans and advances to customers	545	544
Asset quality ratio[2]	1.2%	1.2%
Coverage ratio[3]	39.2%	39.3%

(1) Figures calculated on the total scope (continuing and discontinued operations)

(2) The ratio between the impaired loans and advances to customers and the gross outstanding loans and advances to customers.

(3) The ratio between the specific impairments on loans and advances to customers and the impaired loans and advances to customers.

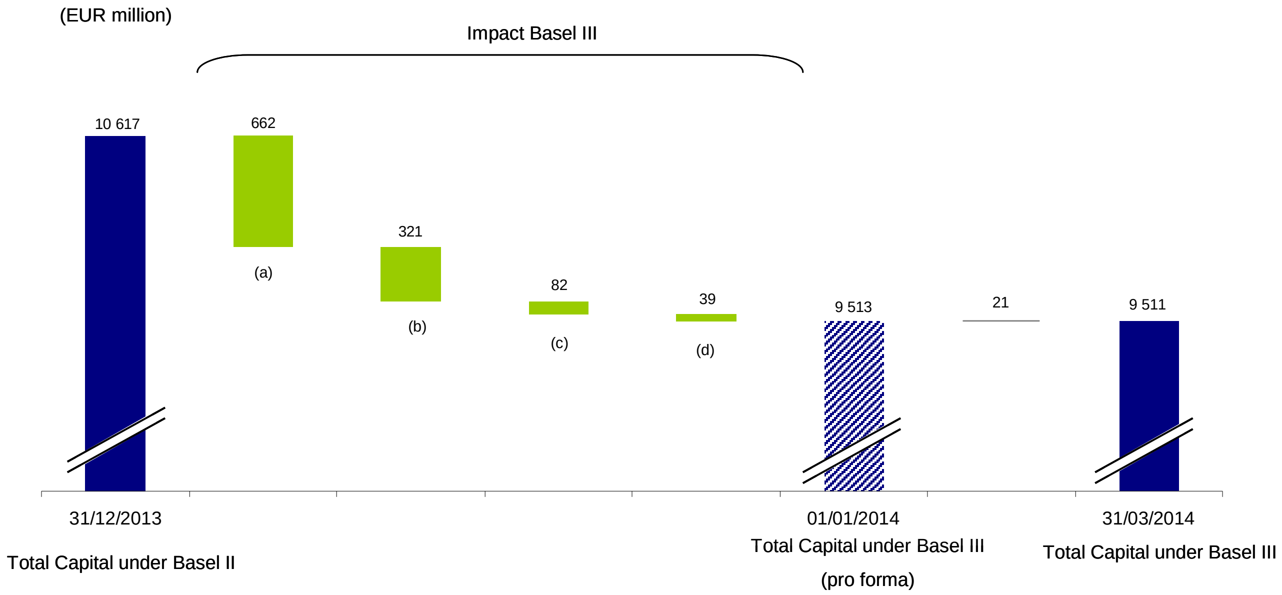
Appendix 7 – Fees related to State liquidity guarantees (unaudited figures)

State guarantee fees		
EUR m	**4Q 2013**	**1Q 2014**
Funding related fees for the 2008 guarantee	-21	-13
Funding related fees for the 2011/2013 guarantee	-11	-9
Total fees paid	**-32**	**-22**

Appendix 8 – Ratings

Ratings as at 31 March 2014	Long term	Outlook	Short term
Dexia Crédit Local			
Fitch	A	Negative	F1
Moody's	Baa2	Negative	P-2
Standard & Poor's	BBB	Stable	A-2
Dexia Crédit Local (guaranteed debt)			
Fitch	AA	-	F1+
Moody's	Aa3	Stable	P-1
Standard & Poor's	AA	-	A-1+
Dexia Kommunalbank Deutschland (*Pfandbriefe*)			
Standard & Poor's	A	Stable	-
Dexia LDG Banque (*lettres de gage*)			
Standard & Poor's	BBB	Stable	A-2

Appendix 9 – Main impacts of the CRD IV / CRR implementation on the regulatory capital of Dexia SA



Pro forma calculation of the total capital as at 1 March 2014:

(a) Deduction of 20% of the negative available-for-sale reserve for non-sovereign bonds and loans & receivables
(b) Limited recognition of subordinated loans
(c) Full deduction of the Debit Value Adjustment (DVA)
(d) Other: limited recognition of minority interests, deduction of deferred taxes for losses carried forward and overshooting of the threshold for subordinated debt & receivables in financial institutions not representing an important investment

Appendix 10 – Litigation

Like many financial institutions, Dexia is subject to a number of regulatory investigations and litigations, including class action lawsuits in the US and Israel. In addition, the downsizing of the Dexia Group's balance sheet and other measures implementing the Orderly Resolution Plan give rise to challenges by certain stakeholders and counterparties of the Dexia Group.

The most significant events and developments in the 1st quarter of 2014 in the principal regulatory investigations and litigations in which Dexia Group entities are named as a defendant, are mentioned in the Dexia Annual Report 2013 available at www.dexia.com, or summarised below.

The following updated data are provided for comparison and should be read in conjunction with the corresponding summaries contained or mentioned in the "Litigation" section of the Dexia Annual Report 2013.

On the basis of the information available to Dexia on 31 March 2014, events or developments in the 1st quarter 2014 in pending regulatory investigations and litigations mentioned in the "Litigation" section of the Dexia Annual Report 2013 but for which no update is provided below, are not expected to have a material impact on the Group's financial situation or the information available as at 31 March 2014 does not allow it to assess whether they may or may not have such an impact.

The consequences, as assessed by Dexia based on the information available to it on the aforementioned date, of the most significant litigations and investigations that are liable to have a material impact on the Group's financial situation, its results or its business generally are provided in the Group's condensed and consolidated financial statements. Subject to the terms and conditions of the professional liability insurance and Directors' liability insurance policies entered into by Dexia, the adverse financial consequences of all or certain litigations and investigations may be covered, in whole or in part, under one or other of such insurance policies, and, upon acceptance of such risks by the relevant insurers, be offset against any pay-out Dexia would receive pursuant thereto.

Dexia Crediop

On 5 May 2014, the Italian Supreme Court declared the appeal filed by the region of Piedmont against the decision of the Administrative Court of 21 December 2012 inadmissible. This decision confirms the judgment of the Administrative Court which stated that Italian administrative courts are not competent in the file opposing the Region of Piedmont against the bank. It concluded that civil courts – and more particularly the Courts of London under the terms of the contracts – are competent to confirm the validity of the conditions of the contracts concluded between the Region of Piedmont and the bank.

Alleged shortcoming in respect of financial disclosures

In 2009, a shareholder, Mr Casanovas, filed a complaint with the Brussels and Paris public prosecutors alleging shortcomings in Dexia's financial disclosures. The public prosecutor dismissed the charges against Dexia. In addition to other complaints which have already been closed, Mr Casanovas and his wife, Mrs Guil, sued Dexia in the Perpignan Civil Court on essentially the same grounds as the criminal proceedings brought in 2009. On 24 April 2014, the Perpignan Civil Court dismissed all complaints filed by Mr and Mrs Casanovas and imposed the payment of EUR 5,000 damages for abuse of process. It also ordered the provisional execution of the judgment.

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