

Regulated information \*\* – Brussels, Paris, 11 May 2010 – 05.40 pm

## Net profit of EUR 216 million in 1Q 2010 Further improvement of the liquidity situation

### Highlights

#### Net profit of EUR 216 million in 1Q 2010

- **Sound operational performance of core businesses\*: gross operating income up 9,4% qoq**
- **Decreasing cost of risk of core businesses\*: 13 bps versus 19 bps in 4Q09**

- **Increase of solvency: Tier 1 ratio of 12.5% o/w core Tier 1 ratio of 11.5%**

#### Further improvement of the liquidity situation

- **EUR 31 bn of medium and long-term funding already raised YtD**
- **EUR 10 bn of bonds sold YtD from the bond portfolio in run-off at limited losses**
- **On track to fully exit State guarantee by end of June 2010**

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

Mr. Jean Luc Dehaene, Chairman of the Board of Directors, said: "This quarter represents another important set of achievements for Dexia. The Group has continuously and vigorously implemented its transformation strategy and confirmed its capacity to generate profits. Given the solid progress we can report on the liquidity situation, the Group is on track to exit State guarantee by the end of June 2010, as agreed with the European Commission."

Mr. Pierre Mariani, Chief Executive Officer and Chairman of the Management Board, said: "This quarter, Dexia reported good operational performances and a decreasing cost of risks of its core businesses. This profit generation capacity of our commercial franchises enabled the Group to pursue its deleveraging journey at a fast pace. With a further increased solvency and a yearly long-term funding program almost fully completed, Dexia is stronger to accompany with dedication its private and public customers and to provide them with the best services in a still challenging environment".

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

## **Update on the transformation plan**

### ***Creation of a new Legacy Division alongside the Core Division***

In accordance with the agreement reached with the European Commission (EC), Dexia earmarked its run-off commitments in a new analytical Legacy Portfolio Management Division (LPM Division) alongside the Core Division which groups together the Retail and Commercial Banking (RCB), Public and Wholesale Banking (PWB), Asset Management and Services (AMS) and Group Center business lines. All assets of the LPM Division remain on the balance sheet in a separate analytical segment.

Dexia's 1Q 2010 results are reported according to this new segmentation.

Totalling EUR 432 billion of assets and liabilities at the end of March 2010, the Core Division reflects Dexia's target perimeter of activities.

At the end of March 2010, the LPM Division held EUR 156 billion of assets and EUR 23 billion of off-balance sheet liquidity commitments transferred from Group Center or PWB business lines, consisting of:

- Dexia's bond portfolio in run-off and the Financial Products portfolio (ex Group Center),
- EUR 17 billion of public loans from the International Headquarters Public Finance grouping together Switzerland, Sweden, Ukraine, Greece, Russia, Japan, Central and Eastern Europe, Australia and Mexico (ex PWB),
- EUR 23 billion of US Stand-by Bond Purchase Agreement which are off-balance sheet liquidity commitments (ex PWB).

Bond portfolios in run-off account for the largest share of the LPM Division and will be actively deleveraged, in line with the commitments given to the European Commission. As it is already the case today, the deleverage of the bonds will be managed by a centralized dedicated team.

The balance sheets of the Core and LPM Divisions have been built according to clear rules of funding allocation (see Appendix 1) enabling the funding profile of the Core Division to be close to the Group's target funding profile and in line with EC commitments. Per end of March 2010, the balance sheet of the Core Division:

- does not rely on State funding support. This provides comfort on the fact that no benefit of the State guarantee is passed through to the Group's core activities,
- and is already in line with EC commitments related to the short-term liquidity ratio (excluding the ALM portfolio reported in Group Center). As a reminder, the target set for 2014 is equal to 11% for the total balance sheet of the Group).

As a result of these allocation principles, transformation will have a lower impact on the performance of the Core Division going forward.

At inception of the new segment reporting (on 1 January 2010), the cost allocation was also reviewed and EUR 124 million of costs related to run-off assets or entities were allocated to the LPM Division.

The creation of the LPM Division will facilitate an even more stringent allocation of funding and costs to non-core assets. Consequently, visibility on core businesses will improve significantly as their operating performances will be easier to read and monitor.

### ***Continued focus on the transformation plan***

In what remains a challenging financial environment in the grip of concerns over sovereign debt, Dexia is keeping a strong focus on executing the Group's transformation plan.

As announced earlier, the Group exited its non strategic participation in Assured Guaranty Ltd. The common shares were sold on 11 March 2010 at a price of USD 22.66 per share generating a capital gain of EUR 153 million pre-tax. Furthermore the sale of Dexia Epargne Pension was closed on 30 April 2010.

To further improve its liquidity gap, the Group already issued more than 80% of its annual medium and long-term funding programme. EUR 31 billion of medium and long-term debt were already raised by 30 April 2010 of which EUR 20.5 billion in various currencies with the support of the State guarantee and EUR 7.7 billion of covered bonds.

The short-term liquidity gap reduced further and the mix of short-term funding improved by virtue of the extended maturity of the unsecured unguaranteed funding and a continued decrease of short-term guaranteed funds (down by EUR 15.9 billion qoq at EUR 6.9 billion) and of central bank funds. By the end of March 2010, the total amount of repo and central bank eligible securities amounted to EUR 125 billion of which EUR 74 billion were pledged, leaving room for a comfortable liquidity buffer.

## 1Q 2010 reported statement of Income

<b>Consolidated statement of income*</b>					
In millions of EUR	1Q09	4Q09	1Q10	Var. 1Q10/ 1Q09	Var. 1Q10/ 4Q09
<b>Income**</b>	<b>1,703</b>	<b>1,451</b>	<b>1,474</b>	<b>-13.4%</b>	<b>+1.6%</b>
Expenses	-896	-920	-884	-1.3%	-3.9%
<b>Gross operating income</b>	<b>807</b>	<b>531</b>	<b>590</b>	<b>-26.9%</b>	<b>+11.1%</b>
Cost of risk & impairments	-409	-281	-265	-35.2%	-5.7%
<b>Pre-tax income</b>	<b>398</b>	<b>250</b>	<b>325</b>	<b>-18.3%</b>	<b>+30.0%</b>
Tax expense	-110	-56	-90	-18.2%	+60.7%
<b>Net income</b>	<b>288</b>	<b>194</b>	<b>235</b>	<b>-18.4%</b>	<b>21.1%</b>
Minority interests	37	-8	19	-48.6%	n.s.
<b>Net income Group share</b>	<b>251</b>	<b>202</b>	<b>216</b>	<b>-13.9%</b>	<b>+6.9%</b>
<b>Return on Equity***</b>	<b>5.7%</b>	<b>4.4%</b>	<b>4.7%</b>		
Earnings per share (in EUR)	0.14	0.11	0.12		

\* FSA Insurance deconsolidated since 2Q 2009.

\*\* 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.

During its 11 May 2010 meeting, the Board of Directors approved the 1Q 2010 results of Dexia.

**In 1Q 2010, Income** stood at EUR 1,474 million, down 13.4% compared to 1Q 2009, but up 10.7% on 1Q 2009 excluding FSA Insurance (deconsolidated as from 2Q 2009). While the 1Q 2009 revenues were negatively impacted by impairments and losses on the insurance investment portfolio and on Dexia's exposure to monolines, 1Q 2010 income was mainly hit by an increase in funding costs, lower Treasury transformation profits and capital losses as a result of the deleveraging of the bond portfolios. Compared to 4Q 2009, income increased by 1.6%. Capital gains were recorded both in 4Q 2009 and 1Q 2010 respectively on the sale of Crédit du Nord (EUR 153 million) and on the sale of the common shares of Assured Guaranty Ltd (EUR 153 million).

**Costs** amounted to EUR 884 million in 1Q 2010, down 1.3% yoy despite the reversal of bonuses that supported cost decrease in 1Q 2009 and unfavourable USD and TRY exchange rates. Qoq, costs decreased by 3.9% as a result of ongoing cost cutting.

The cost-income ratio further improved to 60.0% in 1Q 2010 from 65.2% in 1Q 2009 (excluding FSA Insurance), and 63.4% in 4Q 2009.

**Costs of risk and impairments** amounted to EUR 265 million, which is below the level of 1Q 2009 and 4Q 2009. Almost two-thirds (EUR 165 million) came from additional impairments on the Financial Products portfolio, of which EUR 72 million are linked to the deterioration of Ambac's creditworthiness. In addition, EUR 56 million were booked at DenizBank, an amount significantly lower than in the previous quarter.

The exposure of Dexia's banking subsidiaries to the Greek Sovereign amounts to EUR 3.7 billion. The exposure to the Greek banking system, to local authorities and commitments to corporates and project finance is not material. Dexia has no exposure to the Greek's local economy.

The exposure of Dexia's Insurance companies on the Greek Sovereign, excluding Dexia Epargne Pension sold by the end of April, amounts to EUR 1.2 billion.

In 1Q 2010 **pre-tax income** stood at EUR 325 million, down -18.3% on 1Q 2009, stable when excluding FSA Insurance. Compared to 4Q 2009, pre-tax income increased by 30%.

In 1Q 2010 **tax expenses** were EUR 90 million. The effective tax rate (ETR) was 28%, in line with the foreseen ETR of the Dexia Group. This rate is higher than 1Q 2009 ETR (excluding FSA Insurance) which benefited from an adjustment in the recognition of deferred tax assets related to the Financial Products portfolio and from a positive one-off tax item in the Insurance activities.

As a consequence of the above described evolution, **net income Group share** amounted to EUR 216 million in 1Q 2010 compared to EUR 251 million in 1Q 2009 and EUR 202 million in 4Q 2009.

## Results by division

### Core Division

Statement of income					
In millions of EUR	1Q09 (PF)	4Q09 (PF)	1Q10	Var. 1Q10/ 1Q09	Var. 1Q10/ 4Q09
<b>Income*</b>	<b>1,143</b>	<b>1,188</b>	<b>1,162</b>	<b>+1.7%</b>	<b>-2.2%</b>
Expenses	-832	-888	-855	+2.7%	-3.7%
<b>Gross operating income</b>	<b>311</b>	<b>300</b>	<b>308</b>	<b>-0.9%</b>	<b>+2.5%</b>
Cost of risk & impairments	-84	-130	-106	+26.5%	-18.4%
<b>Pre-tax income</b>	<b>227</b>	<b>171</b>	<b>202</b>	<b>-11.1%</b>	<b>+18.3%</b>

PF: pro forma

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

Under the new segment reporting, the Core Division combines the contributions from Retail and Commercial Banking (RCB), Public and Wholesale Banking (PWB), Asset Management and Services (AMS) and Group Center. The results and capital gain related to Crédit du Nord (EUR 153 million in 4Q 2009) and the capital gain of the sale of the common shares of Assured Guaranty Ltd common shares (EUR 153 million in 1Q 2010) are booked in the LPM Division.

In 1Q 2010, the Core Division reported a pre-tax income of EUR 202 million against EUR 227 million in 1Q 2009 (-11.1%) and a pre-tax income of EUR 171 million in 4Q 2009 (+18.3%). The decrease in revenues qoq is mainly due to the write-back of Insurance impairments which occurred in 4Q 2009. Although up +1.7% yoy revenues of the Core Division were impacted by the closing of the short-term liquidity gap. Qoq, the increase of the pre-tax income was supported by costs down 4% thanks to ongoing cost cutting and, after a peak in 2Q 2009, a decrease of the cost of risk (-18%) mainly owing to DenizBank.

### Retail and Commercial Banking (RCB)

(See business line statement of income in appendix 2)

Retail and Commercial Banking posted good results in 1Q 2010 driven by Belgium and Turkey. Belgium posted a strong commercial performance and continued the successful brand repositioning initiated in 2009 whereas the solid momentum of 2009 was confirmed in Turkey. Production also improved in Luxembourg.

At EUR 132 billion by the end of March 2010, total customer assets increased by 8.5% yoy boosted by the 11% growth in total deposits (EUR +8.1 billion) which reached EUR 84 billion. In 1Q 2010, EUR 3 billion were collected: EUR 2 billion on the saving accounts and EUR 0.9 billion via the issuance of retail-targeted Eurobonds). Off-balance sheet outstandings increased slightly to reach EUR 48 billion at the end of the quarter (+5% yoy) mainly driven by the life insurance activity in branch 21. Total customer loans amounted to EUR 52 billion at the end of March 2010, up 5% on March 2009 and 2% on the end of 2009 supported by investment and business credits.

- In **Belgium**, the deployment of the new distribution model is on track. The new concept of “open branches” was already implemented in 180 outlets. The product mix was oriented towards saving accounts and eurobonds while branch 21 activity was successfully restarted. At the end of March

2010, total deposits reached EUR 62 billion, a 11% growth compared to the end of March 2009 and a 3% qoq increase thanks to EUR 1.6 billion of inflows. Loans (EUR 32 billion) were up 4% yoy by virtue of growth in business and mortgage loans and increased slightly over the quarter.

- In **Luxembourg**, deposits increased by a 4% in 1Q 2010 compared to 4Q 2009 and reached EUR 13 billion at the end of 1Q 2010. They were supported by net inflows of retail and private customers combined with a product mix evolution. Off-balance sheet assets (EUR 16 billion) were stable over the quarter and up 9% yoy, due to a positive market impact. In view of sustained commercial efforts, Luxembourg saw an increase in loans to SMEs and retail clients in 1Q 2010.
- In **Turkey**, DenizBank launched a successful marketing campaign at the end of 2009 which resulted, end of 1Q 2010, in the collection of TRY 650 million of additional deposits. Total deposits reached TRY 15.7 billion (EUR 7.7 billion) up by 7% on the end of 2009 which is better than the average Turkish market performance. DenizBank also focused on the development of its ATM network which increased by 31% yoy leading to a better brand visibility in the market. The total number of branches stands currently at 450.

Loans were up 5% at TRY 19.4 billion (EUR 9.5 billion) and grew mainly in the retail and PWB segments. After the strong improvement of 2009, the loan to deposit ratio further decreased over the quarter at 124% versus 146% by the end of 2008.

RCB posted a pre-tax income of EUR 169 million in 1Q 2010, up 49% qoq as a consequence of strong revenue generation, particularly in Turkey and a fall in the cost of risk including in Turkey. Yoy pre-tax income was down 10% as the strong generation of revenues in Belgium and Turkey was offset by development costs in Turkey. Furthermore, the comparison year on year is biased by write-backs of impairments that occurred in 1Q 2009.

Revenues amounted to EUR 711 million in 1Q 2010, Belgium and Turkey accounting for 48% and 33% of those revenues respectively. They were up 4% qoq supported by high volume growth in Turkey. Compared to 1Q 2009, RCB revenues were up 3% by virtue of sustained high margins in Turkey following central bank interest rate cuts and volume growth combined with a favourable product mix in Belgium.

At EUR 473 million, costs were stable qoq as costs reductions in Belgium and Luxembourg were offset by adverse TRY/EUR exchange rate impact. Yoy, the 4% increase is due to the dynamic expansion of the branch network in Turkey (with 50 branches opened in 2009), related development costs and impact of inflation.

The cost of risk improved strongly in 1Q 2010 reflecting a more favourable macro-economic situation. After the 4Q 2009 peak, the cost of risk & impairments amounted to EUR 70 million, down 28% qoq, returning to the pre-crisis level in Belgium and Luxembourg and decreasing sharply in Turkey. The 49% yoy increase resulted from the reversal of collective impairments in 1Q 2009 and an unfavourable TRY/EUR exchange rate impact. Based on average customer loans, the cost of risk stood at 55 bps in 1Q 2010 compared to 80 bps in 4Q 2009. The 25 bps cut was driven by Turkey (down to 245 bps in 1Q 2010 from 331 bps in 4Q 2009). In Belgium and Luxembourg, it was back to a low 14 bps.

### **Public and Wholesale Banking (PWB)**

(See business line statement of income in appendix 2)

Following the decision to align PWB production in core countries with the Group's funding capabilities, long-term commitments were slightly down (-1.1%) compared to 1Q 2009 at EUR 230 billion. At the end of March, France and Belgium represented 56% of the total long-term commitments.

Production amounted to EUR 2.2 billion over the quarter against EUR 1.8 billion in 1Q 2009. A large part of this amount (69%) was originated in historic markets, where the total production was up 6.4%.

In **Public banking**, production amounted to EUR 1.8 billion against EUR 1.4 billion in 1Q 2009. Over the quarter, focus was again put on enhancing cross-selling of diversified services (as for example car leasing services and insurance products).

A profitable **Corporate banking** activity was pursued in Belgium, based on a selective risk approach.

Leadership in **Project Finance** was confirmed in 1Q 2010, with several new mandates as lead-arranger in renewable energy and infrastructure PPP (Public Private Partnership) such as the Nordstream gas pipeline project in the Baltic or the Cedro Hill onshore wind farm project in Texas. Several transactions executed in 2009 received prestigious awards in the first quarter of 2010.

Globally, deposits were up 2% yoy at EUR 25.6 billion following the increase of term and sight accounts in public banking.

In 1Q 2010, PWB posted a pre-tax profit of EUR 79 million, up 29% compared to 4Q 2009, following a decrease in costs and the cost of risk.

At EUR 242 million, revenues were stable qoq despite seasonal impact, as the beginning of the year is traditionally less active in public banking. On a yearly basis, revenues were down 37%, compared to a 1Q 2009 which was marked by atypical market-related profits. Furthermore, under the new segment report, PWB revenues were negatively impacted by liquidity cost in an effort to meet the 89% of long-term funding target of the Core Division (excluding Group Center).

Costs remained under control, at EUR 139 million, down 5% on 4Q 2009, and in line with 1Q 2009.

At EUR 24 million, the cost of risk represented 4 bps on the average customer loans outstanding, back to the low historical level, after a 4Q 2009 marked by higher corporate provisions. This amount can be split equally between collective provisions and sectorial provisions.

### **Asset Management & Services (AMS)**

(See business line statement of income in appendix 2)

In 1Q 2010, pre-tax income from Asset Management and Services amounted to EUR 67 million against a loss of EUR 164 million in 1Q 2009 and a profit of EUR 118 million in 4Q 2009.

- **Asset Management:** Assets under Management (AuM) increased by 3.3% qoq to reach EUR 85.1 billion, 16.4% above the March 2009 level supported by market effect and net inflows from institutional clients. Institutional funds and mandates recorded EUR 0.4 billion of net new cash over the quarter (+4.1% qoq) with inflows concentrated on high margin products. Retail funds increased slightly over the quarter (+1.6% qoq) as positive market effects offset net outflows.

During the first quarter of 2010 Dexia Asset Management (DAM) further developed client-oriented solutions, more particularly in Socially Responsible Investments (SRI) and was awarded various prizes.

In 1Q 2010, Asset Management posted a pre-tax income of EUR 17 million against a loss of EUR 10 million in 1Q 2009.

Revenues amounted to EUR 48 million more than twice the level of 1Q 2009 which was heavily impacted by impairments on DAM's own portfolio. Total fees and commissions were up 29% yoy supported by increasing AuM. Qoq revenues were down 8% mainly due to the negative seasonal effect of performance fees and despite improvement of the product mix in favour of equity and alternative funds.

At EUR 32 million, costs remained very well-controlled over the quarter as they were down 6% on 4Q 2009 and below the average level of 2009. The total cost over average AuM decreased from 16 bps to 15 bps qoq reflecting the high efficiency of the business line.

- **Investor Services:** In 1Q 2010, Assets under Administration were roughly stable compared to December 2009 at USD 2,485 billion, supported by favourable exchange rate effects and market recovery. Yoy, the AuA improved by 40%. Transfer agent accounts increased by 10.8% compared to March 2009 (+891,000 accounts) driven by a mix of same-client growth and new business.

Forex turnover grew by 3.8% from December 2009, as RBC Dexia Investor Services clients were more active in cross-border trading. Finally, Securities lending for AuA experienced the first increase in quarters (+25.5% compared to December 2009).

In 1Q 2010, Investor Services posted a pre-tax income of EUR 11 million stable qoq and to be compared to a flat pre-tax income in 1Q 2009.

Revenues were up 10% qoq and 11% yoy at EUR 89 million, mainly driven by a favourable evolution of CAD against EUR and an increase of business fees as a larger volume of AuA more than offset interest margin decrease. Costs were up 8% qoq but partly due to the negative impact of foreign exchange rates.

- **Insurance:** In 1Q 2010, gross written premiums (EUR 807 million) were up by 38% yoy boosted by life insurance in Luxembourg and in the Belgian retail network. Premiums increased by 9% qoq with a 17% rise in branch 21 life insurance products supported by a commercial campaign launched in

Dexia Bank Belgium's network. Qoq, non-life insurance premiums grew by 45% mainly supported by a seasonal effect. Dexia Insurance Belgium was awarded two Decavi trophies, one of them being the Innovation Trophy for the "solar panels" insurance.

In 1Q 2010, pre-tax income was at EUR 39 million. Revenues amounted to EUR 100 million and were driven mainly by realised gains, profit sharing provision and a deterioration of the non-life loss ratio linked to the Xynthia storm. Comparison with 1Q 2009 and 4Q 2009 revenues is biased as 2009 was marked either by impairments and losses on the investment portfolio (EUR -201 million in 1Q 2009) or by write-backs of impairments (EUR +51 million in 4Q 2009). Costs were stable yoy at EUR 61 million and down 9% qoq as provisions and restructuring costs were booked in 4Q 2009.

### Group Center

(See business line statement of income in appendix 2)

Following implementation of the new segmentation in 1Q 2010, Group Center combines the contributions of the Treasury and ALM and Central Assets sub-segments.

Yoy, Group Center posted revenues down EUR 88 million mainly as a result of the fall of Treasury results (flattening of the short-term cash curve and reduction of the Group's short-term liquidity gap). Qoq, revenues were roughly flat as the decrease of the Treasury revenues was compensated by a gain on DenizBank's ALM portfolio. Costs decrease by 26% qoq and by 2% yoy. Consequently, Group Center reported a pre-tax loss of EUR 112 million in 1Q 2010, against a loss of EUR 122 million in 4Q 2009 and a loss of EUR 27 million in 1Q 2009.

### Legacy Portfolio Management Division

Statement of income*					
In millions of EUR	1Q09 (PF)	4Q09 (PF)	1Q10	Var. 1Q10/ 1Q09	Var. 1Q10/ 4Q09
<b>Income**</b>	<b>188</b>	<b>263</b>	<b>311</b>	<b>+65.6%</b>	<b>+18.5%</b>
Expenses	-36	-32	-29	-18.6%	-8.4%
<b>Gross operating income</b>	<b>152</b>	<b>231</b>	<b>282</b>	<b>+85.2%</b>	<b>+22.1%</b>
Cost of risk & impairments	-53	-152	-159	x3.0	+4.4%
<b>Pre-tax income</b>	<b>100</b>	<b>79</b>	<b>123</b>	<b>+23.6%</b>	<b>+56.4%</b>

PF: pro forma

\* Excluding FSA Insurance

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

Under the new segment reporting introduced in 1Q 2010, the LPM Division combines the contributions of Dexia's bond portfolios in run-off (including the Financial Products portfolio) and of PWB run-off commitments.

The capital gain on the sale of the common shares of Assured Guaranty Ltd (EUR 153 million in 1Q 2010) and results and capital gain on Crédit du Nord (EUR 153 million in 4Q 2009) were also allocated to the LPM Division.

- At EUR 128 billion at the end of March 2010, the **bond portfolio in run-off** was down EUR 6.2 billion as compared to the end of 2009 due to sales and amortization partly offset by exchange rate effects. In 1Q 2010, the Group maintained a sustained pace of deleveraging with a total amount of net sales of EUR 5.8 billion realised through more than 300 transactions. The bonds sold had an average life of 4.6 years and the average amount per rating category again mirrored the rating dispersion of the portfolio.

The speed of deleverage accelerated in April with total bond sales of EUR 9.9 billion year-to-date generating a total loss of EUR 47.9 million pre-tax.

The pre-tax income of the bond portfolios in run-off amounted to EUR 40 million in 1Q 2010, against losses of EUR 96 million in 1Q 2009 and EUR 36 million in 4Q 2009 respectively, both quarters impacted by negative credit-value adjustments.

At EUR 44 million, revenues generated by this portfolio continued to be impacted by higher funding costs, although stabilizing since 4Q 2009, and by the cost of deleveraging as net loss of bond sales amounted to EUR 46 million. Qoq the rating migration within the portfolio was not material (3.6% of bonds with rating below BBB) and net new impairments on the portfolio amounted to EUR 28 million.

- In 1Q 2010, the **Financial Products portfolio** was impacted by additional EUR 165 million impairments in 1Q 2010 (against EUR 140 million in 4Q09 and EUR 35 million in 1Q 2009) of which EUR 72 million of impairments following the deterioration of the quality of AMBAC's credit enhancement and EUR 96 million of specific allowances on US RMBS.

Cumulative cash losses on the portfolio went up by USD 91 million qoq to reach a cumulative total amount of USD 265 million. Excluding those realised cash losses, cumulative impairments reached USD 2.1 billion by end of March 2010.

- In 1Q 2010, **PWB run-off commitments** reported a pre-tax income of EUR 9 million, roughly in line with 4Q 2009 and down 88% on 1Q 2009. The main drivers of the decrease of pre-tax income were lower Stand-By Bond Purchase Agreements revenues (EUR -62 million yoy) due to the decrease of outstanding liquidity lines and related drawings (USD 17 billion at the peak in 1Q 2009 against USD 0.5 billion in 1Q 2010). Furthermore EUR 300 million of long-dated Japanese loans were sold in 1Q 2010 with a loss of EUR 0.3 million.
- At EUR 50 million in 1Q 2010, the **Treasury** result allocated to the LPM Division decreased sharply yoy (-76%) as a consequence of the flattening of the short-term cash curve and reduction of the Group's short-term liquidity gap. Qoq the allocated Treasury result decreased by 29% for the same reasons although supported by the switch from State-guaranteed funding to cheaper secured and unsecured unguaranteed funding and more efficient FX markets for peripheral currencies. In 2010, the ongoing contraction of the liquidity gap and lengthening of funding duration in line with EC commitments should put further pressure on the allocated Treasury result.

## Solvency and Liquidity

Shareholders' equity and solvency					
	March 31, 2009	Dec 31, 2009	March 31, 2010	Variation March 31, 10/ March 31, 09	Variation March 31, 10/ Dec 31, 09
Core shareholders' equity (EUR m)	17,736	18,498	18,715	5.5%	1.2%
Total shareholders' equity (EUR m)	3,370	10,181	10,389	x 3.1	2.0%
Tier 1 capital (EUR m)	16,427	17,573	17,880	8.8%	1.7%
Total weighted risks (EUR m)	153,314	143,170	142,680	-6.9%	-0.3%
Tier 1 ratio	10.7%	12.3%	12.5%	+182bps	+26bps
Core Tier 1 ratio	9.8%	11.3%	11.5%	+175bps	+25bps
Net assets per share					
– Core shareholders' equity (EUR)	10.06	10.50	10.62	5.6%	1.1%
– Total shareholders' equity (EUR)	1.91	5.78	5.90	x 3.1	2.1%

At EUR 588 billion at the end of March 2010, the total balance sheet increased by EUR 10 billion (2%) as compared to the end of December 2009. Qoq, the favourable impact of deleveraging measures was more than offset by positive fair value adjustments (mainly of derivatives) subsequent to interest rate decrease and a depreciation of EUR vs USD, JPY, CAD and TRY.

Yoy, the total balance sheet decreased by EUR 48 billion (- 8%) reflecting the refocus on core commercial franchises and active deleveraging of the Group as part of the implementation of the transformation plan.

At the end of March 2010, Dexia's core shareholders' equity was EUR 18.7 billion, up by 1.2% compared to end of December 2009 and by 5.5% as compared to March 2009.

The Group's IFRS total shareholders' equity, including Accumulated Other Comprehensive Income (OCI), improved by EUR 0.2 billion compared to December 2009 and reached EUR 10.4 billion. On a yearly basis, total shareholders' equity improved by EUR 7 billion mainly as a result of the contraction of the negative Available-for-Sale reserve on Securities (AFS) which improved by EUR 5.6 billion from March 2009. Such improvement is principally explained by the tightening of secondary spreads and improvement of the liquidity on the secondary fixed income market which reduced the negative AFS reserve related to the Group's bond portfolio in run-off. On a quarterly basis, the AFS reserve deteriorated slightly as the positive rate effect on fixed rate non-hedged bonds was partly offset by spread widening on Sovereign bonds.

Total weighted risks were roughly stable at EUR 142.7 billion as compared to the end of December 2009 as the deleveraging impact was neutralized by adverse foreign exchange effects. On a yearly basis, weighted risks decreased by EUR 10.6 billion (-6.9%) as a result of the deleveraging efforts of the Group and of the depreciation of the US dollar against the euro over the period. The sensitivity of weighted risks to the USD/EUR exchange rate is roughly equal to EUR 300 million per basis point.

In 1Q 2010, the Group's Tier 1 ratio further improved by 26 bps to 12.5% supported by organic generation of Tier 1 capital of EUR 307 million (equivalent to 22 bps) and by a decrease of total weighted risks of EUR 490 million (equivalent to 4 bps). The core Tier 1 ratio reached 11.5%, up by 25 bps compared to the end of December 2009. The core Tier 1 ratio of the Group will be maintained at or above 10.6% in 2010 as agreed with the European Commission.

**APPENDIX 1**

Funding Allocation guidelines of the newly-created Legacy Portfolio Management and Core Divisions

Core Division	LPM Division
<ul style="list-style-type: none"><li><input type="checkbox"/> <b>Target Long Term Funding<sup>1</sup></b> ratio of Core Division<sup>2</sup> already in line with 2014 EC target : 89%</li><li><input type="checkbox"/> <b>No reliance on State funding support</b></li><li><input type="checkbox"/> <b>Other funding allocation consistent with asset allocation</b> i.e. proportional to underlying assets</li></ul>	<ul style="list-style-type: none"><li><input type="checkbox"/> <b>100% of State Guaranteed funding</b></li><li><input type="checkbox"/> <b>Other funding allocation consistent with asset allocation</b> i.e. proportional to underlying assets</li><li><input type="checkbox"/> Balance sheet closed through unsecured unguaranteed short term funding, <b>when necessary</b></li></ul>

(1) Long-Term Funding includes Deposits, Covered bonds, long-term wholesale funding and all other long-term liabilities (Equity, derivatives, insurances...); Short-Term Funding includes repo (with central banks, bi-party or tri-party) and unsecured wholesale funding  
(2) Excluding ALM Portfolio in Group Center

## APPENDIX 2

### Retail and Commercial Banking (RCB)

Statement of income					
In millions of EUR	1Q09 (PF)	4Q09 (PF)	1Q10	Var. 1Q10/ 1Q09	Var. 1Q10/ 4Q09
<b>Income</b>	<b>690</b>	<b>681</b>	<b>711</b>	<b>+3.1%</b>	<b>+4.4%</b>
Expenses	-455	-471	-473	+3.8%	+0.3%
<b>Gross operating income</b>	<b>234</b>	<b>210</b>	<b>239</b>	<b>+1.8%</b>	<b>+13.7%</b>
Cost of risk & impairments	-47	-96	-70	+48.8%	-27.7%
<b>Pre-tax income</b>	<b>187</b>	<b>114</b>	<b>169</b>	<b>-9.9%</b>	<b>+48.8%</b>

(PF): pro forma

### Public and Wholesale Banking (PWB)

Statement of income					
In millions of EUR	1Q09 (PF)	4Q09 (PF)	1Q10	Var. 1Q10/ 1Q09	Var. 1Q10/ 4Q09
<b>Income</b>	<b>385</b>	<b>243</b>	<b>242</b>	<b>-37.2%</b>	<b>-0.3%</b>
Expenses	-137	-147	-139	+1.4%	-5.0%
<b>Gross operating income</b>	<b>248</b>	<b>96</b>	<b>103</b>	<b>-58.6%</b>	<b>+6.7%</b>
Cost of risk & impairments	-17	-35	-24	+42.0%	-32.1%
<b>Pre-tax income</b>	<b>231</b>	<b>61</b>	<b>79</b>	<b>-65.8%</b>	<b>+28.8%</b>

(PF): pro forma

### Asset Management and Services (AMS)

Statement of income					
In millions of EUR	1Q09 (PF)	4Q09 (PF)	1Q10	Var. 1Q10/ 1Q09	Var. 1Q10/ 4Q09
<b>Income</b>	<b>7</b>	<b>291</b>	<b>237</b>	<b>x33.9</b>	<b>-18.3%</b>
Expenses	-165	-173	-171	+3.2%	-1.1%
<b>Gross operating income</b>	<b>-158</b>	<b>118</b>	<b>67</b>	<b>n.s.</b>	<b>-43.6%</b>
Cost of risk & impairments	-6	0	0	n.s.	n.s.
<b>Pre-tax income</b>	<b>-164</b>	<b>118</b>	<b>67</b>	<b>n.s.</b>	<b>-43.6%</b>
<i>Of which</i>					
<i>Asset Management</i>	<i>-10</i>	<i>19</i>	<i>17</i>	<i>n.s.</i>	<i>-10.7%</i>
<i>Investor Services</i>	<i>0</i>	<i>10</i>	<i>11</i>	<i>n.s.</i>	<i>+14.0%</i>
<i>Insurance</i>	<i>-155</i>	<i>90</i>	<i>39</i>	<i>n.s.</i>	<i>-56.7%</i>

(PF): pro forma

## Group Center

Statement of income					
In millions of EUR	1Q09 (PF)	4Q09 (PF)	1Q10	Var. 1Q10/ 1Q09	Var. 1Q10/ 4Q09
<b>Income</b>	<b>60</b>	<b>-26</b>	<b>-28</b>	<b>-88</b>	<b>-2</b>
Expenses	-74	-97	-72	+2	+25
<b>Gross operating income</b>	<b>-13</b>	<b>-124</b>	<b>-100</b>	<b>-87</b>	<b>+24</b>
Cost of risk & impairments	-14	1	-13	+1	-14
<b>Pre-tax income</b>	<b>-27</b>	<b>-122</b>	<b>-112</b>	<b>-85</b>	<b>+10</b>

(PF): pro forma

Detailed information on reported results are provided in the presentation "1Q 2010 Results and Business Highlights" available on the website [www.dexia.com](http://www.dexia.com).

For detailed information on the results and the balance sheet elements, please consult the Financial Report 1Q 2010 on [www.dexia.com](http://www.dexia.com).

### About Dexia

*Dexia is a European bank, with about 35,200 members of staff and core shareholders' equity of EUR 18.7 billion as at 31 March 2010. 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.*

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