

# FINANCIAL REPORT 1Q 2008



*short term has no future*

**DEXIA**



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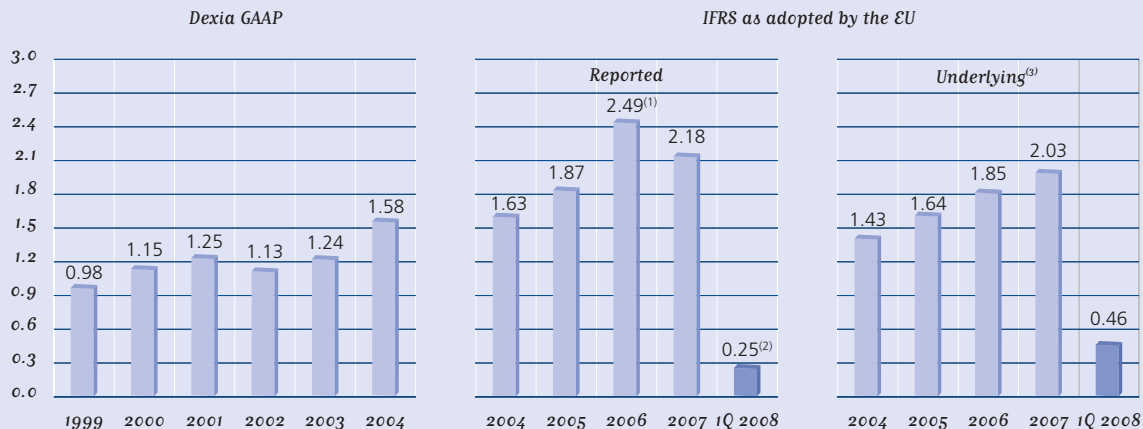
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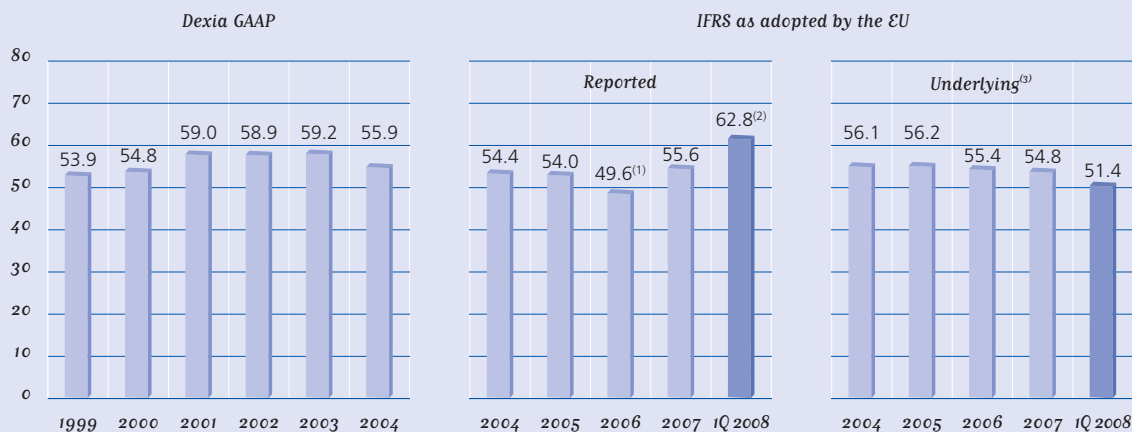
# MANAGEMENT REPORT

## FINANCIAL HIGHLIGHTS

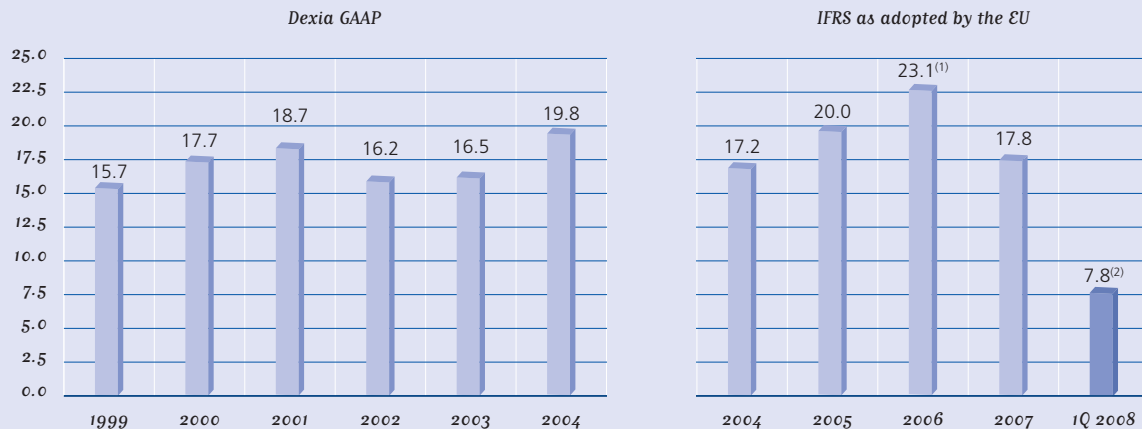
### EARNINGS PER SHARE (IN EUR)



### COST-INCOME RATIO (%)



### RETURN ON EQUITY (%)<sup>(4)</sup>



(1) Including EUR 236 million result on Dexia's net asset contribution to the joint venture RBC Dexia Investor Services and EUR 280 million result on the sale of Banque Artesia Nederland.

(2) Including various impacts related to the worsening U.S. mortgage environment and financial crisis.

(3) Underlying i.e. excluding non-operating items.

(4) The ratio between the annualized net income – Group share and the weighted average core shareholders' equity (estimated dividend for the period deducted).

## REPORTED FIGURES

<i>in millions of EUR, except where indicated</i>	1Q 2007	1Q 2008	Variation
<b>STATEMENT OF INCOME</b>			
Income	1,785	1,499	-16.0%
Expenses	(926)	(942)	+1.7%
<b>Gross operating income</b>	<b>859</b>	<b>557</b>	<b>-35.2%</b>
Cost of risk	(23)	(288)	x 12.5
<b>Net income – Group share</b>	<b>720</b>	<b>289</b>	<b>-59.9%</b>
Earnings per share (basic; in EUR) <sup>(1)</sup>	0.62	0.25	-59.8%
<b>KEY RATIOS</b>			
Cost-income ratio <sup>(2)</sup>	51.9%	62.8%	
Annualized return on equity <sup>(3)</sup>	21.0%	7.8%	

## UNDERLYING FIGURES

<i>in millions of EUR, except where indicated</i>	1Q 2007	1Q 2008	Variation
<b>STATEMENT OF INCOME<sup>(4)</sup></b>			
Income	1,760	1,833	+4.1%
Expenses	(921)	(942)	+2.3%
<b>Gross operating income</b>	<b>839</b>	<b>891</b>	<b>+6.2%</b>
Cost of risk	(26)	(236)	x 9.1
<b>Net income – Group share</b>	<b>630</b>	<b>539</b>	<b>-14.5%</b>
<b>KEY RATIOS</b>			
Underlying cost-income ratio	52.3%	51.4%	
Annualized underlying cost of risk banking activities <sup>(5)</sup>	3.4 bp	5.1 bp	

## BALANCE SHEET KEY FIGURES

<i>in millions of EUR, except where indicated</i>	March 31, 2007	Dec. 31, 2007	March 31, 2008	Variation March 31, 2008/ Dec. 31, 2007	Variation March 31, 2008/ March 31, 2007
<b>Total assets</b>	<b>570,480</b>	<b>604,564</b>	<b>613,708</b>	<b>+1.5%</b>	<b>+7.6%</b>
<i>of which</i>					
Loans and advances to customers	223,483	242,619	243,458	+0.3%	+8.9%
Financial assets at fair value through profit or loss and financial investments	229,313	257,855	255,371	-1.0%	+11.4%
<b>Total liabilities</b>	<b>551,349</b>	<b>588,170</b>	<b>602,417</b>	<b>+2.4%</b>	<b>+9.3%</b>
<i>of which</i>					
Customer borrowings and deposits	114,500	126,680	124,326	-1.9%	+8.6%
Debt securities	188,598	204,013	202,519	-0.7%	+7.4%
<b>Total equity</b>	<b>19,131</b>	<b>16,394</b>	<b>11,291</b>	<b>-31.1%</b>	<b>-41.0%</b>
Core shareholders' equity <sup>(6)</sup>	15,158	16,112	16,188	+0.5%	+6.8%
Total shareholders' equity <sup>(7)</sup>	17,021	14,525	9,529	-34.4%	-44.0%
<b>Net assets per share (in EUR)<sup>(8)</sup></b>					
- related to core shareholders' equity	12.00	12.87	12.83	-0.3%	+6.9%
- related to total shareholders' equity	13.60	11.51	7.07	-38.6%	-48.0%

## CAPITAL ADEQUACY

<i>in millions of EUR, except where indicated</i>	Basel I		Basel II
	March 31, 2007	Dec. 31, 2007	March 31, 2008
Tier 1 ratio <sup>(9)</sup>	9.7%	9.1%	11.2%
Capital adequacy ratio <sup>(9)</sup>	10.3%	9.6%	12.1%
Weighted risks	138,810	159,383	120,113

(1) The ratio between the net income – Group share and the weighted average number of shares; undiluted.

(2) The ratio between the expenses and the income.

(3) The ratio between the annualized net income – Group share and the weighted average shareholders' equity (estimated dividend for the period deducted).

(4) Pro forma for 1Q 2007; excluding non-operating items.

(5) The ratio between the annualized underlying cost of risk for the banking activities (i.e. excl. credit enhancement) and the gross outstanding customer loans and off-balance sheet financing commitments.

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

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

(8) The 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).

(9) The profit for the period minus the estimated dividend is included in the shareholders' equity.

### PRELIMINARY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### Changes in scope of consolidation

As of March 13, 2007 Dexia and Ethias signed an agreement for the sale of Belstar Assurances SA. According to this, as at March 31, 2007 Belstar was recorded in "Non current assets held for sale" and in "Liabilities included in disposal groups held for sale".

No major variation in the scope of consolidation occurred during the first quarter of 2008.

#### Pro forma financial statements

The changes in scope of consolidation were taken into account to establish pro forma financial statements for 2007 so as to enable comparisons. Based on today's scope of consolidation, 1Q 2007 net income – Group share (pro forma) would have been EUR 723 million instead of EUR 720 million. In absolute figures, the difference between the reported and pro forma 1Q 2007 net income – Group share is thus very limited: EUR +3 million (income down by EUR 7 million; costs lower by EUR 5 million; cost of risk down by EUR 1 million; taxes lower by EUR 3 million).

The corresponding restated quarterly series are shown on page 40 of this report.

#### New analytical treatment

Dexia's segment reporting was modified as of January 1, 2008. The main changes are:

- Aiming at a better matching between the management methods and the result segmentation, the non-strategic equities are delegated to Treasury and Financial Markets. Their results, which were previously identified as non-operating items, are now considered as recurring. The strategic equity portfolio remains in Central

Assets where the capital gains are identified as non-operating items.

- About EUR 11 billion of the Credit Spread Portfolio was identified as public sector related assets (supranational, sovereigns, Landesbanks and public banks). The related results are now recorded within Public Finance.
- Previously included in the commercial business lines, the long-term ALM, which falls under the direct decision and control authority of the Group ALM Committee and is managed upon the proposal of the TFM teams, is now allocated to Treasury and Financial Markets.
- Changes in segment reporting also include refinements in the allocation of central costs to the business lines, in the segment reporting of DenizBank (in Dexia's financial statements), in the allocation of the economic equity in the frame of Basel II, etc.

#### "Underlying" and "non-operating" items

"Underlying" results exclude the effects of the changes in scope of consolidation, and also exclude the non-operating factors. Those comprise both the nonrecurring elements of the period, described and quantified individually, and the variations of the mark-to-market value of FSA's CDS portfolio. The latter instruments being classified as derivatives, the variation of their market value during the reporting period is taken as a trading result; this treatment under IAS 39 does not allow a good understanding of the economic results, as this portfolio is mainly composed of AAA-rated instruments, which FSA is committed to insure until maturity. Therefore, the positive or negative mark-to-market variations on this book in any period are not considered as underlying results, as they will eventually add up to zero. Non-operating items are detailed on page 10 of this report.

#### Impact of the credit and financial crisis

An in-depth review of the risks related to U.S. non-prime credit exposure and of the impacts of the financial crisis is provided within the Dexia 1Q 2008 slides presentation for analysts and investors as well as in the FSA 1Q 2008 results and business profile presentation. Both presentations are available on Dexia's website: [www.dexia.com](http://www.dexia.com).

## ANALYSIS OF THE CONSOLIDATED STATEMENT OF INCOME

### Business highlights

- Activity within Public/Project Finance and Credit Enhancement was marked by strong originations, especially in the United States where the on-going disruption of the municipal financing market benefited a small number of banks which, like Dexia, enjoy sound liquidity and solvency.
- Challenging financial markets and globally decreasing client risk appetite had a negative impact on the volume and mix of assets managed or administered.
- The change in loan originators' behavior as well as increasing defaults and reducing house prices triggered losses far exceeding historic loss expectations on U.S. Home Equity Lines of Credit (HELOCs) and Closed-End Second-lien (CES) Residential Mortgage-Backed Securities insured by Dexia's U.S. subsidiary FSA.
- Dexia's financial solidity and liquidity are strong: Dexia's easy access to liquidity once again proved a valuable asset and the Cash & Liquidity Management activity line booked record profits during 1Q 2008; volumes of long-term bond issues are in line with budget and funding cost is competitive; solvency remains strong with a Tier 1 ratio of 11.2% at the end of March 2008.

### NET INCOME – GROUP SHARE

Net income – Group share amounted to EUR 289 million in 1Q 2008, down EUR 431 million (-59.9%) versus the year-earlier period. This reduction in reported earnings came from different factors.

The aggravated U.S. mortgage environment and financial crisis led to various impacts on the statement of income. In the present circumstances, part of these adjustments are accounting requirements which do not reflect a weakening of creditworthiness of the assets, because the spread widening is mainly due to liquidity dislocations rather than credit deterioration. In this regard, 1Q 2008 proved similar to the previous two quarters with impacts more particularly through the statement of income in the credit enhancement activity (FSA) and in Treasury and Financial Markets (TFM). An additional EUR 216 million negative after tax fair-value adjustment on insured CDS was booked

### Financial highlights

- 1Q 2008 reported earnings amounted to EUR 289 million (-59.9% compared to 1Q 2007). 1Q 2008 reported EPS decreased by 59.8% to EUR 0.25 per share.
- Reduction in reported earnings mainly came from:
  - (i) a EUR 128 million risk charge, after tax, on U.S. second-lien mortgage bonds insured by FSA;
  - (ii) EUR 216 million non-operating after tax unrealized negative fair-value adjustments on FSA insured CDS which is not expected to result in realized losses;
  - (iii) a non-operating EUR 36 million risk charge after tax on share-leasing contracts (in 1Q 2007, total non-operating items had a positive EUR 92 million net contribution).
- 1Q 2008 underlying earnings, also affected by the above-mentioned EUR 128 million risk charge, were down 14.5% (pro forma) to EUR 539 million. Underlying EPS decreased by 14.5% to EUR 0.46.
- 1Q 2008 revenues were resilient with total pro forma underlying income increasing 5.2% on a constant exchange rate compared to 1Q 2007. At Group level, the mark-to-market effects had a negligible impact on underlying revenues. Negative marks on trading portfolios were offset by positive marks on two securitization-related CDS where the underlying assets protected are not accounted in trading books.
- Operating efficiency improved with underlying cost-income ratio down from 52.3% in 1Q 2007 to 51.4% in 1Q 2008.
- Cost of risk in banking activities was at a low level in 1Q 2008 and only accounted for an annualized 5.1 bp of commitments.

following further market spread widening observed during 1Q 2008. The widening of credit spreads also had several accounting effects on trading and derivative assets but with an overall limited impact. Within Treasury and Financial Markets, a EUR 259 million pre-tax negative mark was booked. At Group level this is offset by a pre-tax EUR +243 million mark-to-market impact on two securitization-related CDS. In this case, the underlying assets protected are not accounted in trading books. The negative fair-value adjustments on these assets, still held in the balance sheet, are therefore not reflected in the statement of income but directly through the AFS reserve. By business line, the EUR +243 million adjustments can be seen in Treasury and Financial Markets (EUR 124 million) and Public/Project Finance (EUR 119 million).

Where 1Q 2008 differs is on U.S. mortgages where the declining house prices, increasing default rates and changes in originators' and borrowers' behaviors triggered an unexpectedly bad performance of

### STATEMENT OF INCOME (REPORTED)

<i>in millions of EUR</i>	1Q 2007	1Q 2008	<i>Variation</i>
<b>Income</b>	<b>1,785</b>	<b>1,499</b>	<b>-16.0%</b>
<i>of which net fees and commissions</i>	371	369	-0.7%
<b>Expenses</b>	<b>(926)</b>	<b>(942)</b>	<b>+1.7%</b>
<b>Gross operating income</b>	<b>859</b>	<b>557</b>	<b>-35.2%</b>
Cost of risk	(23)	(288)	x 12.5
Impairments on (in)tangible assets	0	1	n.s.
Tax expense	(93)	47	n.s.
<b>Net income</b>	<b>743</b>	<b>317</b>	<b>-57.3%</b>
Minority interests	23	28	+21.7%
<b>Net income – Group share</b>	<b>720</b>	<b>289</b>	<b>-59.9%</b>

### STATEMENT OF INCOME (UNDERLYING<sup>(1)</sup> PRO FORMA)<sup>(2)</sup>

<i>in millions of EUR</i>	1Q 2007	1Q 2008	<i>Variation</i>
<b>Income</b>	<b>1,760</b>	<b>1,833</b>	<b>+4.1%</b>
<i>of which net fees and commissions</i>	371	369	-0.5%
<b>Expenses</b>	<b>(921)</b>	<b>(942)</b>	<b>+2.3%</b>
<b>Gross operating income</b>	<b>839</b>	<b>891</b>	<b>+6.2%</b>
Cost of risk	(26)	(236)	x 9.1
Impairments on (in)tangible assets	0	1	n.s.
Tax expense	(159)	(87)	-45.5%
<b>Net income</b>	<b>654</b>	<b>569</b>	<b>-13.0%</b>
Minority interests	24	29	+25.3%
<b>Net income – Group share</b>	<b>630</b>	<b>539</b>	<b>-14.5%</b>

### STATEMENT OF INCOME: FROM REPORTED TO UNDERLYING<sup>(1)</sup> PRO FORMA<sup>(2)</sup>

<i>in millions of EUR</i>	1Q 2007	1Q 2008	<i>Variation</i>
<b>Income</b>	<b>1,785</b>	<b>1,499</b>	<b>-16.0%</b>
<i>Changes in scope of consolidation</i>	(7)	-	n.s.
<b>Income pro forma</b>	<b>1,779</b>	<b>1,499</b>	<b>-15.7%</b>
<i>Non-operating items</i>	19	(334)	n.s.
<b>Underlying income</b>	<b>1,760</b>	<b>1,833</b>	<b>+4.1%</b>
<b>Expenses</b>	<b>(926)</b>	<b>(942)</b>	<b>+1.7%</b>
<i>Changes in scope of consolidation</i>	5	-	n.s.
<b>Expenses pro forma</b>	<b>(921)</b>	<b>(942)</b>	<b>+2.3%</b>
<i>Non-operating items</i>	0	0	n.s.
<b>Underlying expenses</b>	<b>(921)</b>	<b>(942)</b>	<b>+2.3%</b>
<b>Gross operating income pro forma</b>	<b>858</b>	<b>557</b>	<b>-35.0%</b>
<i>Non-operating items</i>	19	(334)	n.s.
<b>Underlying gross operating income</b>	<b>839</b>	<b>891</b>	<b>+6.2%</b>
<b>Cost of risk pro forma</b>	<b>(22)</b>	<b>(288)</b>	<b>x 13.1</b>
<i>Non-operating items</i>	4	(51)	n.s.
<b>Underlying cost of risk</b>	<b>(26)</b>	<b>(236)</b>	<b>x 9.1</b>
<b>Net income – Group share</b>	<b>720</b>	<b>289</b>	<b>-59.9%</b>
<i>Changes in scope of consolidation</i>	3	-	n.s.
<b>Net income – Group share pro forma</b>	<b>723</b>	<b>289</b>	<b>-59.9%</b>
<i>Non-operating items</i>	92	(250)	n.s.
<b>Underlying net income – Group share</b>	<b>630</b>	<b>539</b>	<b>-14.5%</b>

(1) i.e. excluding the non-operating items (described on page 10 of this report).

(2) Pro forma for 1Q 2007 as defined on page 6.

some transactions insured by FSA. As a consequence, a EUR 128 million risk charge, after tax, was booked on U.S. mortgage bonds insured by FSA during the first quarter of 2008.

The non-operating items, which amounted to EUR +92 million in 1Q 2007, mainly on the back of equity capital gains and of an exceptional tax effect, went down to EUR -250 million in 1Q 2008 primarily due to the net negative fair-value adjustments totaling EUR 216 million in FSA's insured derivative portfolio and to a EUR 36 million after tax charge booked on share-leasing agreements, mainly as a result of the end of March 2008 ruling from the Dutch Supreme Court. Excluding these non-operating items and on a pro forma basis, underlying<sup>(1)</sup> net income – Group share amounted to EUR 539 million, down 14.5% year on year (-13.2% on a constant exchange rate).

Public/Project Finance and Credit Enhancement reported an almost flat underlying net attributable profit as the negative impact from FSA's losses related to second lien U.S. RMBS was only partially offset by the positive EUR 119 million securitization-related CDS mark-to-market adjustment mentioned earlier. Personal Financial Services had a good start in the year with a 12.7% increase in underlying net attributable profit at EUR 179 million and revenue growth at 9.8% outpacing cost growth of 5.9%. Treasury and Financial Markets earnings were halved compared to 1Q 2007 as the effect of the widening spreads on trading books was not fully offset by the strong contribution from Cash and Liquidity Management. Challenging financial markets and globally decreasing risk appetite had a negative impact on the volumes and mix of assets managed or administered.

## INCOME

**Total income** amounted to EUR 1,499 million in 1Q 2008, down EUR 286 million (-16.0%) compared to the level of 1Q 2007. This decrease mainly stems from the negative mark-to-market impact at FSA (EUR -335 million in 1Q 2008 against EUR -9 million in 1Q 2007) and capital gains (EUR 28 million) in 1Q 2007 versus almost none in 1Q 2008. On an underlying pro forma basis, 1Q 2008 total income went up 4.1% to EUR 1,833 million (+5.2% on a constant exchange rate).

Underlying revenues growth was EUR +158 million in Public Finance (+23.2% and + 27.9% on a constant exchange rate), EUR +64 million in Personal Financial Services (+9.8%) and EUR +7 million in Investor Services (+6.9%). In Asset Management, impacted by challenging financial markets, underlying revenues decreased by EUR 10 million versus 1Q 2007. For Treasury and Financial Markets, underlying revenues went down to EUR 122 million (-43.8%). This stems from a negative EUR 259 million (pre-tax) mark-to-market impact on TFM's trading

portfolios, among which the trading portion of the Credit Spread Portfolio is by far the largest. Given the quality of the assets (99.6% rated AAA), in the absence of a credit event, the negative marks made during this quarter on the above portfolio, which have no cash impact, will reverse over time. This negative mark-to-market was partially offset by the positive EUR 124 million securitization related CDS mark-to-market adjustment mentioned earlier and a quite strong contribution from Cash and Liquidity Management.

## COSTS

**Expenses** stood at EUR 942 million in the first quarter of 2008, up 1.7% versus 1Q 2007 on a reported basis and +2.3% on an underlying pro forma basis (EUR 942 million in 1Q 2008 versus EUR 921 million in 1Q 2007). The limited EUR 21 million underlying increase stems from the continued investment in many businesses, particularly Public/Project Finance international expansion and higher investments in Turkey. In Personal Financial Services, excluding activities in Turkey, costs went slightly up (+2.1%).

The cost-income ratio was 62.8% in 1Q 2008, compared to 51.9% in 1Q 2007. Excluding the non-operating items discussed above, the underlying cost-income ratio came down from 52.3% in 1Q 2007 to 51.4% in 1Q 2008. This is satisfactory as the progressions of business volumes have been healthy, therefore building a strong basis for future revenues.

## GROSS OPERATING INCOME

**Gross operating income** was affected by the consequences of the negative mark-to-market adjustments described above. It totaled EUR 557 million in 1Q 2008 (-35.2%), versus EUR 859 million in the year-earlier period. Overall operating performance during 1Q 2008 proved resilient with an increase of the underlying gross operating income to EUR 891 million (+ 7.2% on a constant exchange rate).

(1) "Underlying" results exclude the non-operating factors, i.e. both the nonrecurring elements of the period, described and quantified individually, and also the variations of the mark-to-market value of FSA's CDS portfolio. The latter instruments being classified as derivatives, the variation of their market value during the reporting period is taken as a trading result; this treatment under IAS 39 is however deceptive for a good understanding of the economic results, as this portfolio is composed of mainly AAA-rated instruments, which FSA is committed to insure until maturity. Thus, the positive or negative mark-to-market variations on this book in any period are not considered as underlying results, as they will eventually add up to zero.

## COST OF RISK

As a result of a EUR 197 million (pre-tax) risk charge booked on U.S. mortgage bonds insured by FSA during the first quarter of 2008 and a EUR 51 million (pre-tax) non-operating tax charge booked on share-leasing agreements at Dexia Bank Nederland (DBnl), the **total cost of risk** stood at an exceptional high level of EUR 288 million in 1Q 2008, against EUR 23 million in the same period of 2007. Excluding the U.S. Residential Mortgage Backed Securities related losses and the provisions at DBnl, the underlying cost of risk remained low in 1Q 2008, at only 5.1 bp (annualized) of banking commitments.

## TAXES

**Taxes** (comprising both current and deferred tax) went down from a tax charge of EUR 93 million in the first quarter of 2007 to a tax profit of EUR 47 million in the first quarter of 2008. This switch stems mainly from the tax impact of the negative mark-to-market described above and the risk charges at FSA.

## OVERALL FINANCIAL PERFORMANCE

**Return on equity**<sup>(2)</sup> (ROE annualized) in 1Q 2008 declined to 7.8% from 21.0% in the year-earlier period. Excluding the non-operating items and on a pro forma basis, ROE would have been 14.4% in 1Q 2008 against 18.4% in 1Q 2007.

Earnings per share (EPS) were calculated on the basis of 1,162 million shares (average weighted number) for both periods. EPS reached EUR 0.25 in 1Q 2008 against EUR 0.62 in 1Q 2007. This decline stems from the strong decrease of net income – Group share. On an underlying basis, EPS stood at 0.46 EUR in 1Q 2008 against EUR 0.54 in 1Q 2007.

The Group's **Tier 1 ratio**<sup>(3)</sup> stood at 11.2% as of March 31, 2008.

- (2) The ratio between the annualized net income – Group share and the weighted average core shareholders' equity (estimated dividend for the period deducted).  
 (3) The shareholders' equity is considered after income appropriation.

## MAIN NON-OPERATING ITEMS

STATEMENT OF INCOME – QUARTERLY SERIES					
<i>in millions of EUR</i>	1Q 2007	2Q 2007	3Q 2007	4Q 2007	1Q 2008
<b>Income</b>	<b>19</b>	<b>93</b>	<b>(176)</b>	<b>(106)</b>	<b>(334)</b>
<i>of which</i>					
Capital gains	28	126	34	94	1
MTM, CDS of FSA	(9)	(34)	(215)	(203)	(335)
Interest DBnl <sup>(1)</sup>	1	(2)	1	1	0
<b>Expenses</b>	<b>0</b>	<b>0</b>	<b>(1)</b>	<b>0</b>	<b>0</b>
<b>Gross operating income</b>	<b>19</b>	<b>93</b>	<b>(177)</b>	<b>(106)</b>	<b>(334)</b>
<b>Cost of risk (net release/charge for share leasing at DBnl)</b>	<b>4</b>	<b>1</b>	<b>(8)</b>	<b>(3)</b>	<b>(51)</b>
<b>Impairments on (in)tangible assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(4)</b>	<b>0</b>
<b>Tax expense</b>	<b>69</b>	<b>1</b>	<b>135</b>	<b>74</b>	<b>133</b>
<i>of which</i>					
Tax settlement			58		
Liquidation of the holding company which owned DBnl	67				
MTM, CDS of FSA	3	12	75	71	117
<b>Net income – Group share</b>	<b>92</b>	<b>94</b>	<b>(48)</b>	<b>(38)</b>	<b>(250)</b>

(1) Dexia Bank Nederland.

# MANAGEMENT REPORT

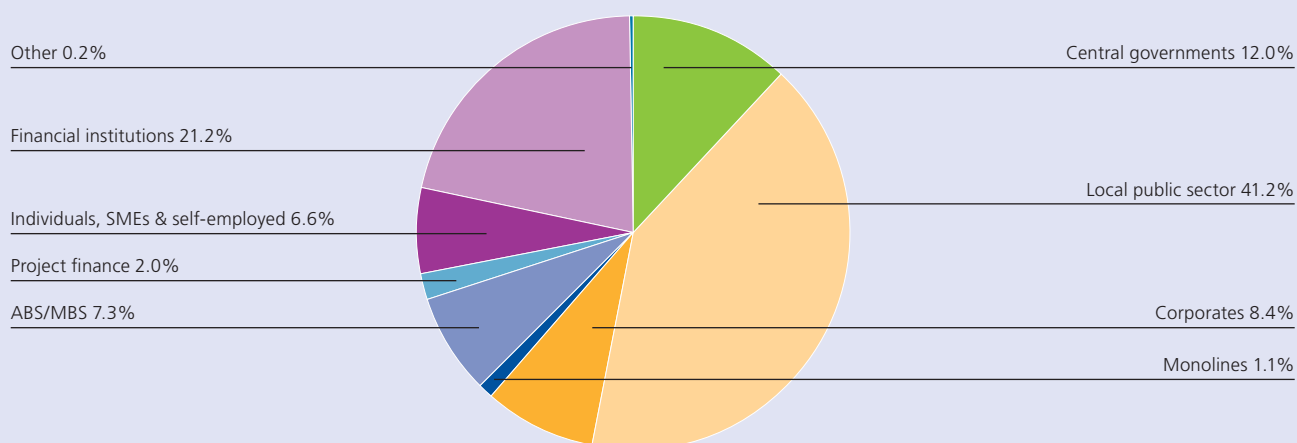
## RISK MANAGEMENT

### RISKS

#### CREDIT RISK

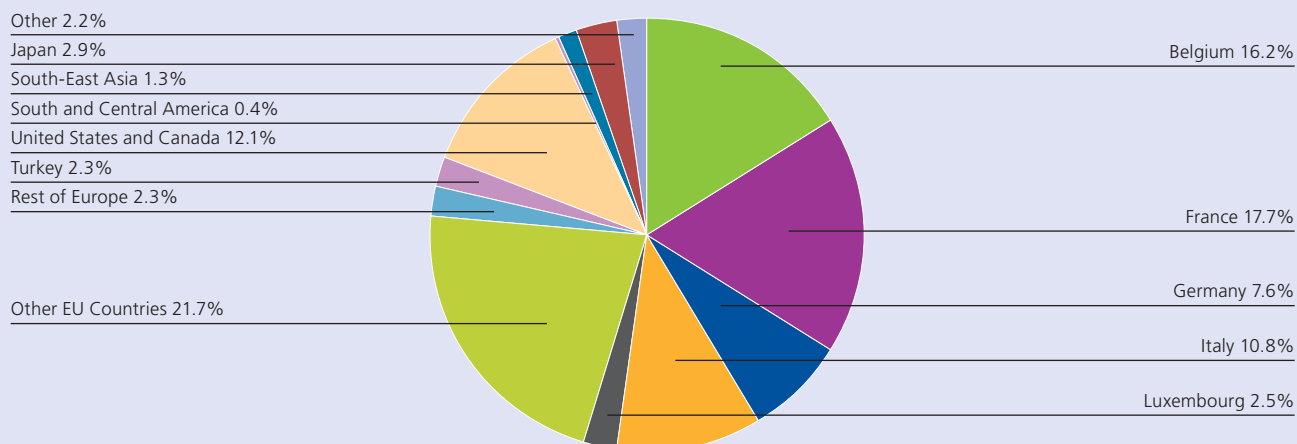
BREAKDOWN (EXCLUDING FSA)<sup>(1)</sup> OF DEXIA GROUP EXPOSURE BY CATEGORY OF COUNTERPART AS OF MARCH 31, 2008

Consolidated exposure excluding FSA: EUR 633.2 billion



BREAKDOWN (EXCLUDING FSA)<sup>(1)</sup> OF DEXIA GROUP EXPOSURE BY GEOGRAPHICAL REGION AS OF MARCH 31, 2008

Consolidated exposure excluding FSA: EUR 633.2 billion

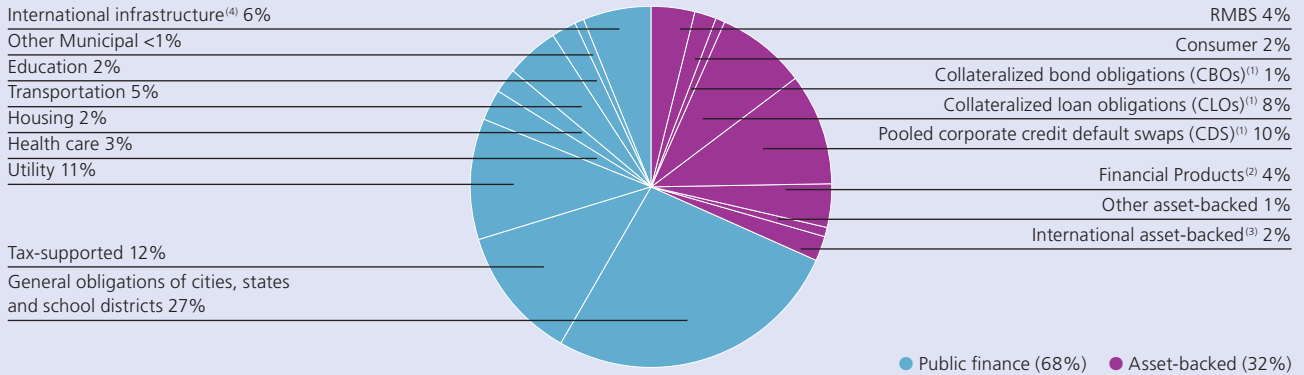


(1) The FSA exposure amounted to EUR 288.2 billion as of March 31, 2008.

## FINANCIAL SECURITY ASSURANCE

### FSA INSURED PORTFOLIO AS OF MARCH 31, 2008

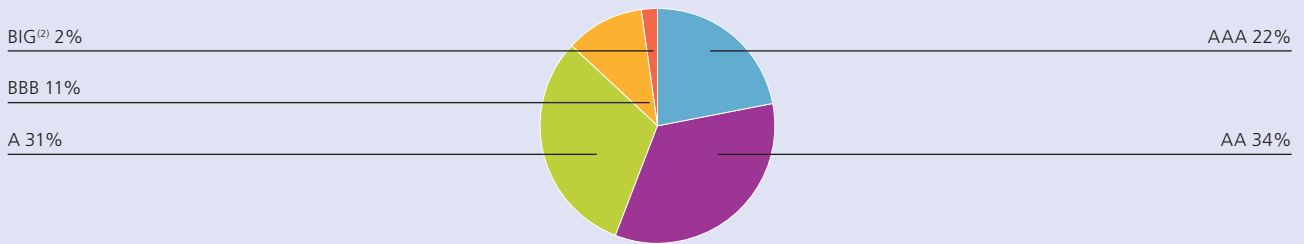
Total net par outstanding: USD 434.2 billion



- (1) Includes U.S. and international. CDS of CBOs and CDS of CLOs are included in CBOs and CLOs, respectively. CDS referencing obligations outside the pooled corporate sector are included in the appropriate asset-backed or public finance categories.
- (2) Guaranteed investment contracts issued by FSA's Financial Products affiliates.
- (3) Excludes CBOs, CLOs and pooled corporate CDS.
- (4) Primarily PFI/PPP and utility.

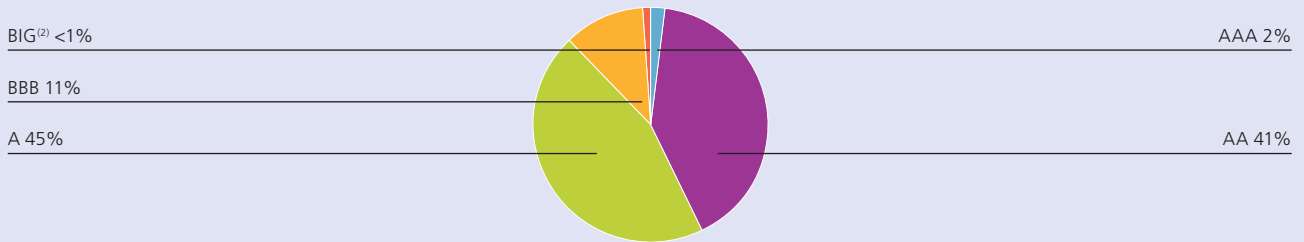
### OVERALL (PUBLIC FINANCE + ASSET-BACKED)<sup>(1)</sup>

Total net par outstanding: USD 434.2 billion



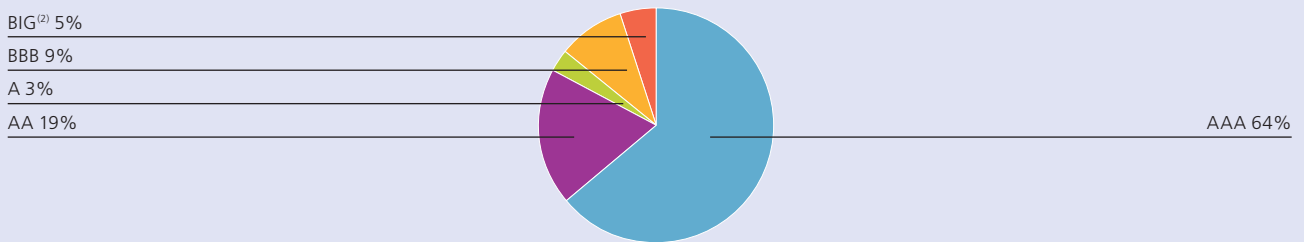
### PUBLIC FINANCE<sup>(1)</sup>

Total net par outstanding: USD 295.1 billion



### ASSET-BACKED<sup>(1)</sup>

Total net par outstanding: USD 139.1 billion



- (1) Internal FSA ratings expressed in industry terms; reflects benefit of layered loss reinsurance.
- (2) BIG: below investment grade.

## MARKET RISK

TFM'S VALUE AT RISK <sup>(1)</sup>							
<i>in millions of EUR</i>	VaR (10d, 99%)	1Q 2007			1Q 2008		
		IR <sup>(2)</sup> & FX <sup>(3)</sup> (Trading and Banking)	EQT <sup>(4)</sup> Trading	Spread Trading	IR <sup>(2)</sup> & FX <sup>(3)</sup> (Trading and Banking)	EQT <sup>(4)</sup> Trading	Spread Trading
Individual	Avg	44.9	4.4	9.9	28.9	7.5	60
	Max	56.5	10.9	15.5	37.1	14.4	78.3
Global	Avg				96.4		
	Max				122.5		
	Limit				150		

DENIZBANK'S <sup>(5)</sup> VALUE AT RISK			
<i>in millions of EUR</i>	VaR (10d, 99%)	1Q 2008	
		IR <sup>(2)</sup> & FX <sup>(3)</sup> (Trading)	EQT <sup>(4)</sup> Trading
Individual	Avg	1.06	0.37
	Max	1.62	0.79
Global	Avg	1.07	
	Max	1.51	
	Limit	5	

- (1) DenizBank excluded.  
(2) IR: interest rate.  
(3) FX: forex.  
(4) EQT: equities.  
(5) Applied to DenizBank Financial Services Group on a consolidated basis.

## ASSET AND LIABILITY MANAGEMENT (ALM)

LISTED SHARES SENSITIVITY – BANKING COMPANIES PORTFOLIO				
<i>in millions of EUR</i>	Market value	VaR	% VaR/MV <sup>(1)</sup>	EaR
March 31, 2007	1,471	103	7.0%	0
June 30, 2007	1,490	92	6.2%	(1)
September 30, 2007	1,558	117	7.5%	(11)
December 31, 2007	1,105	97	8.7%	(11)
March 31, 2008	895	94	10.5%	(57)

- (1) % VaR/MV represents the percentage loss that can be experienced on the market value.

LISTED SHARES SENSITIVITY – INSURANCE COMPANIES PORTFOLIO				
<i>in millions of EUR</i>	Market value	VaR	% VaR/MV <sup>(1)</sup>	EaR
March 31, 2007	1,727	104	6.0%	(1)
June 30, 2007	2,030	106	5.2%	(3)
September 30, 2007	2,236	144	6.4%	(23)
December 31, 2007	2,451	170	6.9%	(36)
March 31, 2008	2,635	237	9.0%	(153)

- (1) % VaR/MV represents the percentage loss that can be experienced on the market value.

# MANAGEMENT REPORT

## RISK MANAGEMENT

### CAPITAL ADEQUACY – WEIGHTED RISKS – ASSET QUALITY – RATINGS

CAPITAL ADEQUACY					
<i>in millions of EUR, except where indicated</i>	Basel I				Basel II
	March 31, 2007	June 30, 2007	Sept. 30, 2007	Dec. 31, 2007	March 31, 2008
Tier 1 capital	13,497	14,045	14,098	14,549	13,483
Total regulatory capital	14,275	14,795	15,101	15,345	14,533
<b>Weighted risks</b>	<b>138,810</b>	<b>141,416</b>	<b>152,284</b>	<b>159,383</b>	<b>120,113</b>
Tier 1 ratio	9.7%	9.9%	9.3%	9.1%	11.2%
Capital adequacy ratio	10.3%	10.5%	9.9%	9.6%	12.1%

Nota Bene: for the calculation of the above ratios, the shareholders' equity is considered after income appropriation.

For the calculation of the solvency ratio in 2007, the treatment of qualified participations in banking and insurance institutions remains the same as in 2006, being the deduction of the total regulatory equity.

WEIGHTED RISKS UNDER BASEL I				
<i>in millions of EUR</i>	Basel I			
	March 31, 2007	June 30, 2007	Sept. 30, 2007	Dec. 31, 2007
20%-weighted counterparts	47,199	45,414	47,065	47,531
50%-weighted counterparts	15,216	15,886	17,343	19,161
100%-weighted counterparts	67,490	71,657	78,840	84,795
Trading portfolio	8,905	8,459	9,036	7,896
<b>Total</b>	<b>138,810</b>	<b>141,416</b>	<b>152,284</b>	<b>159,383</b>

WEIGHTED RISKS UNDER BASEL II	
<i>in millions of EUR</i>	Basel II
	March 31, 2008
Weighted credit risks	105,094
Weighted market risks	5,923
Weighted operational risks	9,096
<b>Total</b>	<b>120,113</b>

QUALITY OF RISKS					
<i>in millions of EUR, except where indicated</i>	March 31, 2007	June 30, 2007	Sept. 30, 2007	Dec. 31, 2007	March 31, 2008
Impaired loans	1,279	1,274	1,251	1,218	1,170
Portfolio impairments <sup>(1)</sup>	881	871	865	818	789
Assets quality ratio <sup>(2)</sup>	0.58%	0.55%	0.55%	0.50%	0.48%
Coverage ratio <sup>(3)</sup>	68.9%	68.3%	69.1%	67.2%	67.4%

(1) Does not include the collective impairment set aside to cover potential risk on share-leasing products.

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

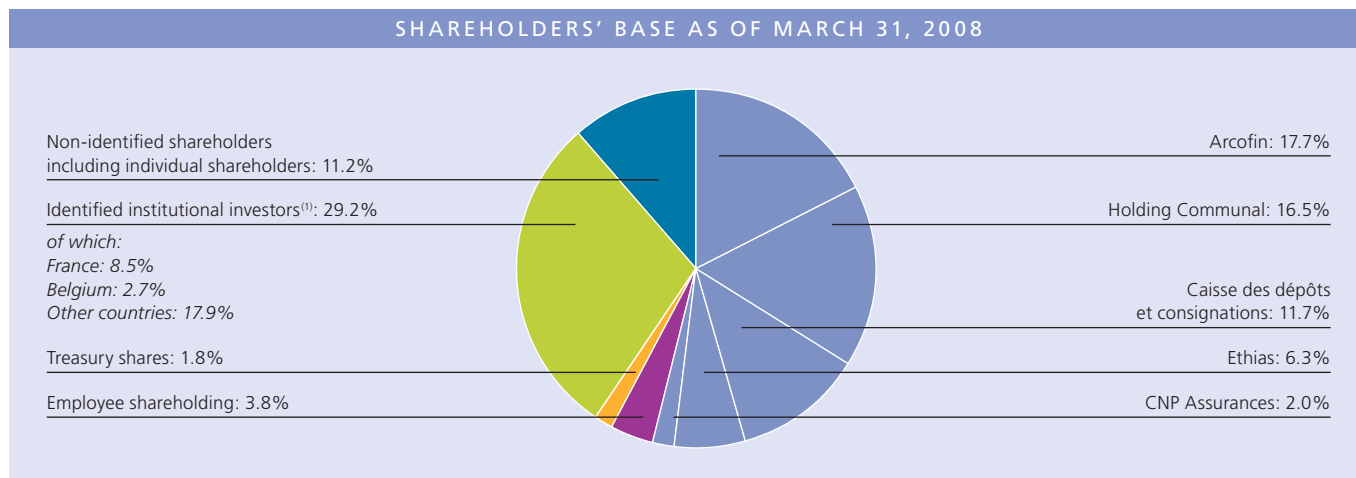
(3) The ratio between the portfolio impairments and the impaired loans.

RATINGS (long term)					
	DEXIA BANK	DEXIA CRÉDIT LOCAL	DEXIA BIL	FSA	DEXIA MUNICIPAL AGENCY
Moody's	Aa1	Aa1	Aa1	Aaa	Aaa
Standard & Poor's	AA	AA	AA	AAA	AAA
Fitch	AA+	AA+	AA+	AAA	AAA
DBRS	AA (high)	AA (high)	AA (high)	AAA	AAA

# MANAGEMENT REPORT

## SHAREHOLDER INFORMATION

### SHAREHOLDERS' BASE AS OF MARCH 31, 2008



(1) As of December 31, 2007.

### NUMBER OF SHARES

	March 31, 2007	Dec. 31, 2007	March 31, 2008
Number of shares	1,163,184,325	1,178,576,763	1,178,576,763
of which Treasury shares	480,249	8,967,312	21,064,389
Number of options	58,697,872	62,817,843	62,817,843
<b>Total number of current/potential future shares<sup>(1)</sup></b>	<b>1,221,882,197</b>	<b>1,241,394,606</b>	<b>1,241,394,606</b>

(1) For more details refer to "Legal Information" on [www.dexia.com](http://www.dexia.com).

## EVOLUTION OF THE NUMBER OF SHARES, REPURCHASE OF SHARES AND EMPLOYEE SHAREHOLDING

As of March 31, 2008, the total number of shares was 1,178,576,763 and the number of treasury shares held by Dexia SA and its direct subsidiaries was 21,064,389 representing 1.8% of the share capital of Dexia SA.

The share buyback program started in 2003 had been suspended on the acquisition of DenizBank and restarted in September 2007 with

the allocation of EUR 500 million until the Group's next Shareholders' Meeting (May 14, 2008). After the share buyback of 8,626,866 shares until December 2007 (for an amount of EUR 177 million), a supplementary total of 12,125,656 shares (for an amount of EUR 203 million) were repurchased during the first quarter of 2008. Taking into account the repurchasing of 1,505,714 shares (for an amount of EUR 27 million) during the month of April 2008, the Extraordinary Shareholders' Meeting of May 14, 2008 will be proposed to cancel 22,258,236 treasury shares.

## DATA PER SHARE

	March 31, 2007	March 31, 2008	
Average weighted number of shares <sup>(1)</sup>	1,162,695,427	1,162,409,624	
Diluted average weighted number of shares <sup>(1)</sup>	1,179,359,718	1,168,169,279	
Earnings per share – EPS (in EUR)			
- basic <sup>(2)</sup>	0.62	0.25	
- diluted <sup>(3)</sup>	0.61	0.25	
<b>Net assets per share (in EUR)<sup>(4)</sup></b>	<b>March 31, 2007</b>	<b>Dec. 31, 2007</b>	<b>March 31, 2008</b>
- related to core shareholders' equity <sup>(5)</sup>	12.00	12.87	12.83
- related to total shareholders' equity <sup>(6)</sup>	13.60	11.51	7.07

(1) Excluding shares held in treasury stocks.

(2) The ratio between the net income – Group share and the weighted average number of shares.

(3) The ratio between the net income – Group share and the weighted average diluted number of shares.

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

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

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

## STOCK EXCHANGE DATA

	Dec. 31, 2007	March 31, 2008	
Share price (in EUR) <sup>(1)</sup>	17.22	18.04	
Stock market capitalization (in millions of EUR)	20,295	21,262	
<b>Stock Exchange</b>		<b>Brussels</b>	<b>Paris</b>
Share price as of Dec. 31, 2007 (in EUR)		17.23	17.21
Share price as of March 31, 2008 (in EUR)		18.05	18.03
Highest price / Lowest price during the first 3 months 2008 (in EUR)		18.68 / 13.30	18.65 / 13.27
Average daily trading volume during the first 3 months 2008 (in millions of EUR)		103.62	82.89
Average daily trading volume during the first 3 months 2008 (in thousands of shares)		6,385	5,119

(1) Average closing prices on Euronext Brussels and Euronext Paris.

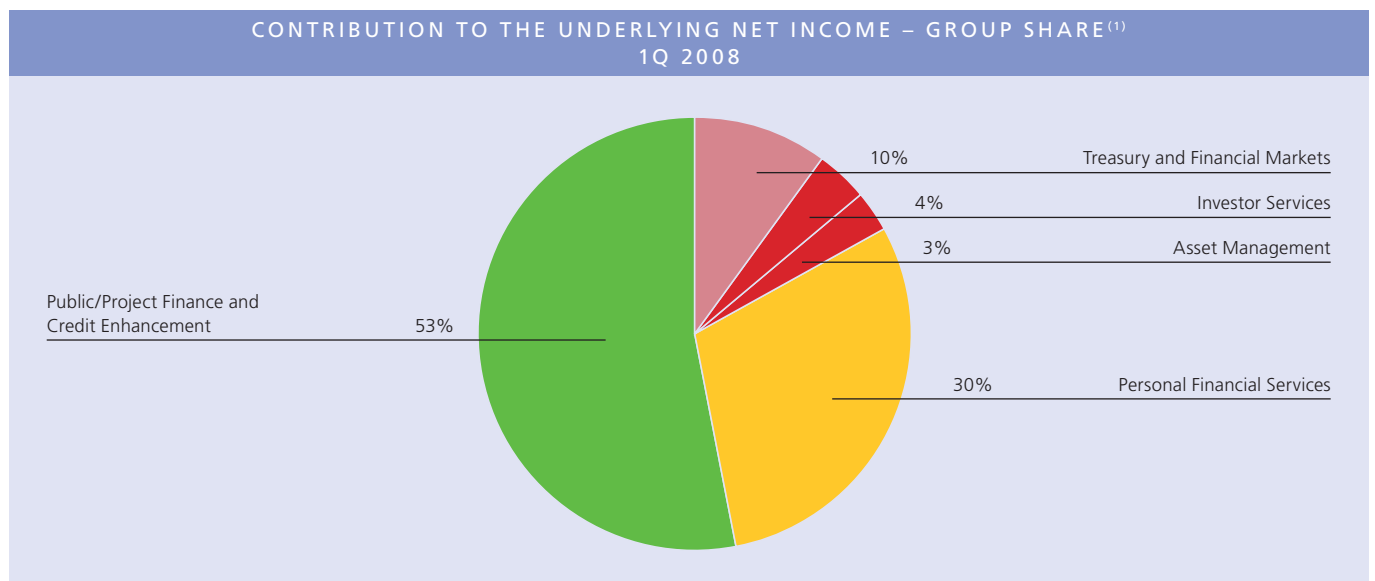
# SEGMENT REPORTING

	Public/Project Finance and Credit Enhancement	Personal Financial Services	Asset Management	Investor Services	Treasury and Financial Markets	Central Assets	Dexia
<b>STATEMENT OF INCOME INCLUDING NON-OPERATING ITEMS<sup>(1)</sup></b>							
<b>1Q 2008</b>							
<i>in millions of EUR, except where indicated</i>							
<b>Income</b>	<b>504</b>	<b>720</b>	<b>58</b>	<b>105</b>	<b>122</b>	<b>(11)</b>	<b>1,499</b>
<i>of which net commissions</i>	59	195	58	66	8	(16)	369
<b>Expenses</b>	<b>(236)</b>	<b>(477)</b>	<b>(38)</b>	<b>(73)</b>	<b>(56)</b>	<b>(63)</b>	<b>(942)</b>
<b>Gross operating income</b>	<b>268</b>	<b>244</b>	<b>21</b>	<b>32</b>	<b>66</b>	<b>(74)</b>	<b>557</b>
Cost of risk	(212)	(24)	0	0	0	(52)	(288)
Impairments on (in)tangible assets	0	0	0	0	0	1	1
Tax expense	61	(38)	(2)	(9)	(3)	39	47
<b>Net income</b>	<b>118</b>	<b>181</b>	<b>18</b>	<b>23</b>	<b>63</b>	<b>(86)</b>	<b>317</b>
Minority interests	11	2	1	0	3	10	28
<b>Net income – Group share</b>	<b>107</b>	<b>179</b>	<b>17</b>	<b>23</b>	<b>60</b>	<b>(96)</b>	<b>289</b>
Total allocated equity (average)	5,778	2,374	77	175	1,972	2,198	12,574
Weighted risks - Basel II	70,865	16,355	366	2,986	20,590	8,952	120,114
Underlying cost-income ratio <sup>(2)</sup>	28.1%	66.2%	64.2%	69.2%	46.0%	n.s.	51.4%
Underlying ROEE (annualized) <sup>(3)</sup>	23.3%	30.3%	90.1%	51.6%	12.3%	n.s.	n.s.

(1) Described on page 10.

(2) The ratio between the underlying expenses and the underlying income.

(3) Underlying return on economic equity (underlying net income – Group share / allocated equity – Group share).



(1) i.e. excluding Central Assets and non-operating items as described on page 10.

# SEGMENT REPORTING

## PUBLIC/PROJECT FINANCE AND CREDIT ENHANCEMENT

### ACTIVITY

The favorable business trends observed in 2007 for Public/Project Finance extended into the first quarter of 2008. Most Group entities, and especially the U.S. operations, contributed to this momentum.

**Long-term commitments** climbed to EUR 326.6 billion, up a solid +20% on a constant exchange rate compared to the end of March 2007 (+16% including the negative impact of currencies especially the U.S. dollar). Commitments in the public sector recorded a +18% rise on a constant exchange rate. In project finance, commitments rose to EUR 33.7 billion, representing a 31% increase on a constant exchange rate. The corporate segment recorded a +59% rise on a constant exchange rate, to EUR 14.9 billion.

**Long-term originations** in 1Q 2008 were EUR 18.9 billion, surging 47% versus the year-earlier period and +54% on a constant exchange rate. This marked increase is mainly attributable to originations in Belgium, the United States, Iberia and to the development of the Japanese branch and the Turkish subsidiary. By segment, public finance experienced a 52% growth (+60% on a constant exchange rate), whilst corporate almost doubled on a constant exchange rate (+93%) and project finance remained flat compared to a strong 1Q 2007.

Regionally, the commercial performances were as follows:

### Historical markets

- In **Belgium**, activity was buoyant in 1Q 2008 and originations rose to EUR 1.9 billion, a 41% increase in one year. This good performance was both due to the corporate banking activity, where production increased by 59% explained by rollovers, and to public finance, +29% compared to a low 1Q 2007. Long-term commitments were EUR 35.3 billion at the end of March 2008, up 11% in one year.
- Long-term originations in **France** rose to EUR 1.5 billion in the first three months of 2008, down 20% compared to the year-earlier period, penalized by the March municipal elections and the efforts developed in order to enhance margins on new originations and by a record level of activity in the first quarter of 2007. Trend was more dynamic in project finance, where originations increased by 11%

with the closing as Mandated Lead Arranger (MLA) of 3 PPP transactions, including an underwriting of EUR 142 million for 3 prisons. In the renewable energy sector, Dexia closed the acquisition and financing of a 20MW wind farm in Fierville with the aim of offsetting its CO<sub>2</sub> emissions (total financing of EUR 36 million). Long-term commitments were EUR 72.5 billion at the end of March 2008, compared to EUR 66.5 billion one year earlier.

- **Luxembourg** experienced a satisfactory progression of originations, from EUR 50 million in the first quarter of 2007 to EUR 167 million in the same period of 2008. Long-term commitments were EUR 2.7 billion at the end of March 2008.

### Growth markets

- **United States and Canada:** following the recent evolutions in the U.S. market (Financial guarantors downgraded, deleveraging of municipal bond investment structures, overall liquidity squeeze...), American municipalities experienced a dramatic change in funding conditions. Numerous local authorities (previously partly financed through Auction Rate Securities, a mechanism of financing whereby the rates are regularly put up for auction) found themselves in a dire need of reasonably priced funding solutions. In this particular context, Dexia's activity was buoyant in the first quarter of 2008, with long-term originations up 126% despite a 16.5% negative USD/EUR exchange rate change. Production in 1Q 2008 was notably bolstered by the issuance of (i) letters of credit, a market which proved to be an attractive alternative to downgraded financial guarantors, (ii) liquidity guarantees in the form of Standby Bond Purchase Agreements (SBPA). A strong demand for SBPA emerged as local authorities had to replace their failing Auction Rate Securities with Variable Rate Demand Obligations. The most significant transaction of the quarter is the SBPA provided to the Illinois State Toll Highway Authority Bond series for an amount of USD 775 million. Overall activity was also supported by the recently launched municipal financial engineering activity with a strong USD 818 million in the first quarter of 2008. Activity was less dynamic in project finance (-48%, -39% on a constant exchange rate), compared to a first quarter of 2007 which was marked by a number of large operations.

## ACTIVITY STATISTICS

All statistics hereunder relate to the final take underwriting, acceptance or purchase of public/project finance sector debt obligations, under the form of long-term loans, notes and bonds, liquidity guarantees, all forms of credit procurement as applicable in those countries where Dexia operates. The short-term facilities are not included.

in millions of EUR	LONG-TERM COMMITMENTS <sup>(1)</sup>				LONG-TERM ORIGINATIONS <sup>(1)</sup>		
	March 31, 2007	March 31, 2008	Variation	Variation constant exchange rate	YTD 2007	YTD 2008	Variation
<b>Historic markets</b>	<b>100,554</b>	<b>110,564</b>	<b>+10.0%</b>		<b>3,267</b>	<b>3,568</b>	<b>+9.2%</b>
Belgium	31,691	35,303	+11.4%	-	1,365	1,923	+40.9%
France	66,527	72,541	+9.0%	-	1,852	1,478	-20.2%
Luxembourg	2,336	2,720	+16.5%	-	50	167	x 3.3
<b>Growth markets</b>	<b>144,343</b>	<b>162,618</b>	<b>+12.7%</b>		<b>5,959</b>	<b>9,706</b>	<b>+62.9%</b>
Germany	34,244	38,601	+12.7%	-	1,641	1,770	+7.9%
Iberia (Spain and Portugal)	9,288	12,294	+32.4%	-	614	1,692	x 2.8
Italy	37,264	39,632	+6.4%	-	490	541	+10.4%
Sweden	3,843	3,865	+0.6%	+1.2%	229	281	+23.0%
Switzerland	3,734	5,076	+35.9%	+31.2%	322	155	-51.7%
United Kingdom	9,156	12,364	+35.0%	+58.7%	572	534	-6.6%
United States and Canada	46,813	50,785	+8.5%	+29.3%	2,091	4,731	x 2.3
<b>Tomorrow's growth markets</b>	<b>12,348</b>	<b>22,269</b>	<b>+80.3%</b>		<b>2,151</b>	<b>5,025</b>	<b>+133.6%</b>
Australia	498	1,203	+141.5%	+155.1%	47	78	+67.8%
Central and Eastern Europe	5,259	6,771	+28.8%		267	297	+11.1%
Israel	517	630	+21.9%	+23.8%	31	28	-9.7%
Japan	3,309	9,508	+187.3%	+188.1%	1,368	3,360	x 2.5
Mexico	548	896	+63.6%	+89.1%	130	83	-36.1%
Turkey	2,216	3,260	+47.1%	+65.2%	307	1,179	-
<b>International headquarters<sup>(2)</sup></b>	<b>24,289</b>	<b>31,160</b>	<b>+28.3%</b>	<b>-</b>	<b>1,451</b>	<b>607</b>	<b>-58.1%</b>
<b>Fully-consolidated subsidiaries</b>	<b>281,533</b>	<b>326,611</b>	<b>+16.0%</b>	<b>+20.4%</b>	<b>12,828</b>	<b>18,907</b>	<b>+47.4%</b>
of which public finance	245,146	278,048	+13.4%	+18.0%	9,803	14,924	+52.2%
of which project finance	26,794	33,661	+25.6%	+31.0%	1,896	1,822	-3.9%
of which corporate	9,593	14,902	+55.3%	+59.5%	1,129	2,161	+91.5%
<b>Equity-accounted companies</b>							
Austria (Kommunalkredit Austria) <sup>(3)</sup>	25,158	30,313	+20.5%		2,365	2,201	-6.9%
<b>Total managed by the Dexia Group</b>	<b>306,691</b>	<b>356,924</b>	<b>+16.4%</b>		<b>15,193</b>	<b>21,107</b>	<b>+38.9%</b>

(1) These amounts are stated on a current exchange rate.

(2) "International headquarters" refers to the transactions carried out by the head office in countries where the Group has no direct presence.

(3) Corresponding to 100% of originations/commitments of Kommunalkredit Austria, which is 49%-owned by Dexia.

## DEPOSIT-TAKING SERVICES AND INVESTMENT PRODUCTS (including off-balance-sheet products)

in millions of EUR	March 31, 2007	March 31, 2008	Variation
Balance sheet	22,125	26,537	+19.9%
Off-balance sheet	13,334	16,069	+20.5%
<b>Total</b>	<b>35,458</b>	<b>42,606</b>	<b>+20.2%</b>

- In **Germany** production experienced an 8% growth in 1Q 2008, compared to 1Q 2007. In public finance, in a flight-to-quality environment, Dexia refused to sacrifice margins and focused on structured loans, which represented two thirds of the new originations. The first quarter also recorded the good start of debt management activity, illustrated by the operation realized with the Land of Berlin (EUR 50 million). Project finance activity confirmed its very promising start, with the financing of five municipal utilities in the energy/environment sector. Dexia was also mandated as financial advisor of a joint venture of municipal utilities for the financing of a 400MW offshore wind farm.
- Activity in **Italy** suffered from a difficult environment in public finance, already prevailing in the last months of 2007 (balance-sheet restrictions imposed by the government on local authorities). Long-term originations in public finance decreased by 14% in 1Q 2008. Dexia was nonetheless able to maintain its leading role in the Italian market, and executed for example a EUR 200 million 40-year amortizing swap with the city of Rome. On the project finance sector, activity was buoyant (+145%). Dexia closed two transactions as MLA in the water and port sectors. Long-term commitments were EUR 39.6 billion at the end of March 2008, up 6%.
- Activity in **Spain and Portugal (Iberia)** recorded a very good performance in 1Q 2008, with long-term originations of EUR 1.7 billion, up 176% year-on-year. Long-term originations in project finance climbed by 52%. In the Renewable Energy sector, Dexia closed seven solar plants financing, of which four as MLA, for a total final take of EUR 237 million.
- In public finance, long-term production (-31%) in the **United Kingdom** was hit in the first three months of 2008 by the fall of the social housing sector – a very competitive market, in which Dexia, after having dramatically increased the size of its portfolio through the purchase of Bradford and Bingley's outstandings, preferred to reduce volumes and to maintain margins – while originations in the local authority sector more than doubled. Project finance experienced a 90% increase in one year, to EUR 219 million. Dexia arranged two transactions, as sole MLA, including a GBP 114 million PFI financing of schools in Scotland.

### Tomorrow's growth markets

- In **Central and Eastern Europe**, long-term originations posted a very satisfactory 11% growth in a still very competitive environment. In corporate and project finance, Dexia financed, among other operations, the Bina Istra highway in Croatia, for EUR 45 million.
- **Japan** continued to build on its very dynamic start, and experienced a very strong 146% growth of production to EUR 3.4 billion in the first three months of the year, compared to the same period

of 2007. Long-term commitments reached EUR 9.5 billion at the end of March 2008. This amount was EUR 6.2 billion at the end of December 2007, and EUR 3.3 billion one year ago. This dynamic progression was helped by the implementation by the Japanese government of a new program allowing local authorities to repay their high cost loans to the State and to refinance them at a lower rate with private banks. Dexia obtained 7% of the total amount of the program. The branch more than doubled the number of its clients during the first quarter. It participated in its first primary transaction in the project finance market (Haneda airport).

- Long-term commitments in **Mexico**, at EUR 0.9 billion, were up 64% at the end of March 2008 compared to March 2007. While public finance originations were low during 1Q 2008, an ambitious development plan for infrastructures and the reform granting an increased autonomy to states bode well for the rest of the year 2008. The development of project finance activity (EUR 55 million in 1Q 2008, compared to zero for the same period of 2007), was for example illustrated by the closing of the Victoria PPP Hospital, the first as MLA in the country.
- **Turkey** experienced a good quarter, with a long-term production of EUR 1.2 billion. Activity in Turkey is mainly based on project and corporate segments. Municipal business has been launched. Long-term commitments reached EUR 3.3 billion at the end of March 2008, up 65.2% on a constant exchange rate. Among the main operations realized, Dexia was MLA agent and lead arranger for the Istanbul Airport, with a EUR 170 million underwritten amount.

### International headquarters

Long-term commitments in the international headquarters recorded a 28% progression between the end of March 2007 and March 2008. Originations during the first three months of 2008 were penalized within the project finance activity by a drop of monoline credit-enhanced transactions.

**Debt management** activity in first quarter 2008 was satisfactory though it decreased by 19% after a strong 1Q 2007 (from EUR 4.2 billion in 1Q 2007 to EUR 3.4 billion in 1Q 2008). Activity in France declined within an unfavorable municipal electoral context. On the opposite, Belgium experienced a very good first quarter: volumes grew by 130% (+132% on the structured rates and +119% on restructuring).

**Assets under management** amounted to EUR 42.3 billion, up 19% compared to the end of March 2007. The bulk of the increase came from historical markets, where the stock of assets under management rose by 18%.

In **insurance services**, the brokerage company Dexia Sofaxis collected EUR 349 million in 1Q 2008, up 5%. Dexia Insurance Services (group insurance policies, insured pension schemes, investment products for legal entities) collected EUR 121 million of premiums in the first quarter of 2008 in PPF (7% of total collected within the Group), up 17% compared to the same period of 2007.

## FSA

The first quarter of 2008 was a very strong quarter for FSA's activity, especially in the U.S. municipal market. Within the context of the financial crisis and of the weakening of most financial guarantors, FSA was able to build a leading position on the market, and to drive strong production while maintaining a conservative credit approach. FSA originated USD 282 million gross present value (PV) originations, up 43% compared to the same period of 2007.

In **public finance**, FSA booked gross PV originations of USD 215 million, an increase of 109% compared to the first quarter of 2007. In the *United States*, PV originations were boosted by significantly wider margins and a positive volume effect. On the volume side, the fall in insurance penetration rate (approximately 26% compared with 51% in 1Q 2007) was more than offset by FSA's much higher market share (approximately 64% versus an historic market share of 25%). More than

98% of municipal bonds insured by FSA during the first quarter 2008 had underlying credit quality of Single-A or higher. Activity was even stronger in March, as refunding developed through the conversion of auction rate securities into fixed-rate instruments. In addition, secondary market demand for FSA's guarantee was sizeable. In the *international* segment, where the liquidity crunch caused a general decline in activity and wider credit spreads, PV originated by FSA amounted to USD 18 million, a 38% decrease year-on-year, half of this amount stemming from the guarantee of the only infrastructure bond insured in Europe during the first quarter; a GBP 119 million bond issuance of a Northern Ireland Energy holding's subsidiary.

In the **ABS** sector, activity was limited in 1Q 2008 due to the lack of market and the need to maintain credit discipline in the current uncertain environment. FSA generated USD 67 million of PV originations, stable compared to 1Q 2007, of which USD 47 million in the United States. Originations were concentrated in the super AAA credit default swap sector, where FSA continued to find attractive opportunities based on wider credit spreads.

Within **Financial Products**, FSA reduced its activity and focused on strengthening its cash position. Gross present value originations in 1Q 2008 were only USD 0.4 million, (versus USD 27 million a year ago).

### FSA: ACTIVITY STATISTICS

<i>in millions of USD</i>	1Q 2007	1Q 2008	Variation
<b>Gross present value originations<sup>(1)</sup></b>	<b>197</b>	<b>282</b>	<b>+42.7%</b>
Public finance originations	103	215	+108.7%
<i>United States</i> <sup>(2)</sup>	74	197	+165.7%
<i>International</i> <sup>(2)</sup>	29	18	-37.6%
Asset-backed originations	68	67	-1.5%
<i>United States</i> <sup>(2)</sup>	54	47	-13.4%
<i>International</i> <sup>(2)</sup>	14	20	+43.7%
Financial Products <sup>(3)</sup>	27	0	-98.4%
<i>in millions of USD</i>	March 31, 2007	March 31, 2008	Variation
<b>Net par outstanding<sup>(4)</sup></b>	<b>391,211</b>	<b>434,165</b>	<b>+11.0%</b>
Public finance obligations	257,468	295,078	+14.6%
<i>United States</i>	238,771	267,053	+11.8%
<i>International</i>	18,697	28,025	+49.9%
Asset-backed obligations	116,851	120,596	+3.2%
<i>United States</i>	86,913	90,305	+3.9%
<i>International</i>	29,938	30,291	+1.2%
Financial Products	16,892	18,491	+9.5%

(1) Financial Security Assurance Holdings Ltd. Some of the amounts shown for the first quarter of 2007 differ from those originally reported for that period because they reflect subsequent reclassifications, primarily of transactions previously wrapped by other monolines, which the Company now classifies according to the underlying exposure.

(2) Present value of premiums originated and present value of credit derivative fees originated.

(3) Present value of future net interest margin from guaranteed investments contracts (GICs) issued to municipalities and other market participants.

(4) Financial Security Assurance Inc. Outstanding amounts for March 2008 reflect reclassifications of previously wrapped transactions. Amounts for March 2007 are as originally reported.

## UNDERLYING RESULTS

**Net income – Group share** reached EUR 322 million in the first quarter of 2008, slightly down (-1.2%) compared to 1Q 2007, and up 3.7% on a constant exchange rate. This is mainly attributable to the negative EUR 128 million net impact from FSA's losses related to U.S. RMBS, only partially offset by (i) a positive EUR 104 million post-tax (EUR 119 million pre-tax) mark-to-market impact on a securitization-related CDS (in this case, the underlying assets protected are not accounted in trading books. The negative fair-value adjustments on these assets, still held in the balance sheet, are therefore not reflected in the statement of income but directly through the AFS reserves) and (ii) a positive EUR 13 million post-tax (EUR 20 million pre-tax) coming from the fair value option applied to part of the GIC portfolio of FSA.

**Total income** in 1Q 2008 amounted to EUR 839 million, up 23.2% (+27.9% on a constant exchange rate). Revenue growth was supported by robust activity volumes and the above-mentioned positives. Without those two effects, total income shows a 6.6% increase on a constant exchange rate over a strong 1Q 2007.

**Expenses** remained under control and increased by 5.1%, to EUR 236 million in the first quarter of the year. The rise is mainly attributable to wage increases and to the investments necessary to support the growing activity (Turkey, Japan, U.S. and Canada...).

**Gross operating income** came in at EUR 603 million, up 32.1%, 37.9% on a constant exchange rate.

The business line's **cost-income ratio** decreased from 33.0% in 1Q 2007 to 28.1% for the same period of 2008. When corrected from the two positives mentioned above, the cost-income ratio for 1Q 2008 is 33.6%.

**Cost of risk** increased from EUR 9 million in 1Q 2007 to 212 million in 1Q 2008. This is due to a EUR 197 million (EUR 128 million post-tax) risk charge related to U.S. mortgage bonds insured by FSA. These unexpected provisions came as a result of the marked underperformance observed during the very recent months. Transactions originated in 2006 and 2007 experienced default rates at unprecedented levels while prepayment rates were higher than expected and draw rates on Home Equity Lines Of Credit (HELOC) particularly low and continuously decreasing. This created an adverse combination for FSA on its HELOCs and, to a lower extent, Closed-End Second-lien (CES) ALT-A transactions.

**Tax expense** was down EUR 56 million, compared to EUR 111 million in 1Q 2007.

### UNDERLYING STATEMENT OF INCOME EXCLUDING NON-OPERATING ITEMS

<i>in millions of EUR, except where indicated</i>	1Q 2007 <sup>(1)</sup>	1Q 2008	Variation	Variation constant exchange rate
<b>Income</b>	<b>681</b>	<b>839</b>	<b>+23.2%</b>	<b>+27.9%</b>
<i>of which net commissions</i>	61	59	-3.6%	-2.8%
<b>Expenses</b>	<b>(225)</b>	<b>(236)</b>	<b>+5.1%</b>	<b>+7.8%</b>
<b>Gross operating income</b>	<b>457</b>	<b>603</b>	<b>+32.1%</b>	<b>+37.9%</b>
Cost of risk	(9)	(212)	x 24	n.s.
Impairments on (in)tangible assets	0	0	n.s.	n.s.
Tax expense	(111)	(56)	-49.5%	-47.5%
<b>Net income</b>	<b>337</b>	<b>335</b>	<b>-0.4%</b>	<b>+4.4%</b>
Minority interests	10	13	+24.7%	+26.1%
<b>Net income – Group share</b>	<b>326</b>	<b>322</b>	<b>-1.2%</b>	<b>+3.7%</b>
Cost-income ratio	33.0%	28.1%		
Annualized ROEE <sup>(2)</sup>	26.9%	23.3%		
Total allocated equity (average)	5,091	5,778		
Weighted risks – Basel I	72,046	-		
Weighted risks – Basel II	-	70,865		

(1) Pro forma.

(2) Return on economic equity (net income – Group share / allocated equity – Group share).

STATEMENT OF INCOME – QUARTERLY SERIES<sup>(1)</sup>

<i>in millions of EUR</i>	1Q 2007	2Q 2007	3Q 2007	4Q 2007	1Q 2008
<b>TOTAL</b>					
<b>Income</b>	<b>672</b>	<b>677</b>	<b>486</b>	<b>515</b>	<b>504</b>
<i>of which net commissions</i>	<i>61</i>	<i>55</i>	<i>57</i>	<i>51</i>	<i>59</i>
<b>Expenses</b>	<b>(225)</b>	<b>(233)</b>	<b>(238)</b>	<b>(255)</b>	<b>(236)</b>
<b>Gross operating income</b>	<b>447</b>	<b>444</b>	<b>248</b>	<b>260</b>	<b>268</b>
Cost of risk	(9)	(18)	(19)	(36)	(212)
Impairments on (in)tangible assets	0	0	0	0	0
Tax expense	(108)	(103)	(30)	(4)	61
<b>Net income</b>	<b>330</b>	<b>323</b>	<b>199</b>	<b>220</b>	<b>118</b>
Minority interests	10	12	8	17	11
<b>Net income – Group share</b>	<b>320</b>	<b>310</b>	<b>191</b>	<b>203</b>	<b>107</b>
<b>NON-OPERATING ITEMS<sup>(2)</sup></b>					
<b>Income</b>	<b>(9)</b>	<b>(31)</b>	<b>(209)</b>	<b>(203)</b>	<b>(335)</b>
<i>of which net commissions</i>					
<b>Expenses</b>					
<b>Gross operating income</b>	<b>(9)</b>	<b>(31)</b>	<b>(209)</b>	<b>(203)</b>	<b>(335)</b>
Cost of risk					
Impairments on (in)tangible assets					
Tax expense	3	3	75	71	117
<b>Net income</b>	<b>(6)</b>	<b>(28)</b>	<b>(134)</b>	<b>(132)</b>	<b>(218)</b>
Minority interests			(1)	(1)	(2)
<b>Net income – Group share</b>	<b>(6)</b>	<b>(28)</b>	<b>(133)</b>	<b>(131)</b>	<b>(216)</b>
<b>UNDERLYING</b>					
<b>Income</b>	<b>681</b>	<b>708</b>	<b>695</b>	<b>718</b>	<b>839</b>
<i>of which net commissions</i>	<i>61</i>	<i>55</i>	<i>57</i>	<i>51</i>	<i>59</i>
<b>Expenses</b>	<b>(225)</b>	<b>(233)</b>	<b>(238)</b>	<b>(255)</b>	<b>(236)</b>
<b>Gross operating income</b>	<b>457</b>	<b>475</b>	<b>457</b>	<b>463</b>	<b>603</b>
Cost of risk	(9)	(18)	(19)	(36)	(212)
Impairments on (in)tangible assets	0	0	0	0	0
Tax expense	(111)	(107)	(105)	(76)	(56)
<b>Net income</b>	<b>337</b>	<b>350</b>	<b>333</b>	<b>352</b>	<b>335</b>
Minority interests	10	13	9	18	13
<b>Net income – Group share</b>	<b>326</b>	<b>338</b>	<b>324</b>	<b>334</b>	<b>322</b>

(1) Pro forma for 1Q 2007 to 4Q 2007 as defined on page 6.

(2) Described on page 10.

# SEGMENT REPORTING

## PERSONAL FINANCIAL SERVICES

### ACTIVITY

As of March 31, 2008 **customer assets and liabilities** amounted to EUR 171.9 billion, a +2.5% increase compared to the end of March 2007. The retail & SME banking segment represents 70% of the outstanding versus 30% for the private banking segment. Since the end of December 2007, customer assets and liabilities fell by 1.1% especially related to a negative market effect.

In the context of challenging financial markets, **total customer assets** came to EUR 133.5 billion at the end of March 2008 (-0.1% compared to March 2007 and -1.8% versus the end of 2007). Although overall figures show close to no change, underlying products had very different dynamics e.g. a 22.7% increase in life insurance reserves, a 4.7% growth in balance-sheet products and a decrease of 12.2% of off-balance-sheet assets.

Current market environment with a negative interest yield curve puts pressure on the savings accounts which decreased nevertheless with only 5.4%. Customers typically moved towards term deposits and savings bonds (+22.0%) and life insurance. Life insurance products and more precisely guaranteed life insurance contracts recorded a tremendous growth: +38.4% in Branch 21 reserves year-on-year. Mutual funds showed a decrease of 16.7% linked to an unfavorable market effect.

In Turkey, total customer assets reached TRY 8.7 billion (EUR 4.2 billion) at the end of March 2008 (+31% year-on-year and +21% compared to the last quarter). After having expanded its network much faster than its competitors in 2007, DenizBank continued its pace of branch openings during 1Q 2008: ten outlets were opened in 1Q 2008 (bringing the total to 330 branches at the end of March 2008).

**Loans to customers** totaled EUR 38.4 billion as of March 31, 2008, a 12.6% increase year-on-year, all segments delivering double-digit growth. Dexia continued its development in business banking as shown by a particularly strong 20.8% growth in business loans. Very satisfactory increases were also recorded in mortgage loans (+11.1%) and in consumer loans (+12.2%). Total loans to customers were up 1.6% compared to December 31, 2007.

Turkey kept on delivering strong growth in loans with outstandings up 58.5% year-on-year to TRY 6.4 billion (EUR 3.1 billion) and up 17.5% on a three-month basis.

## CUSTOMER ASSETS & LIABILITIES

<i>in millions of EUR</i>	2007				2008	Variation	Variation
	March 31	June 30	Sept. 30	Dec. 31	March 31	March 31, 2008/ Dec. 31, 2007	March 31, 2008/ March 31, 2007
<b>Total customer assets &amp; liabilities</b>	<b>167,743</b>	<b>173,125</b>	<b>173,478</b>	<b>173,793</b>	<b>171,879</b>	<b>-1.1%</b>	<b>+2.5%</b>
<b>Total customer assets</b>	<b>133,675</b>	<b>137,452</b>	<b>136,962</b>	<b>136,013</b>	<b>133,502</b>	<b>-1.8%</b>	<b>-0.1%</b>
<b>Balance-sheet assets</b>	<b>67,167</b>	<b>69,322</b>	<b>68,924</b>	<b>69,272</b>	<b>70,324</b>	<b>+1.5%</b>	<b>+4.7%</b>
<i>Sight accounts</i>	8,007	8,902	8,408	8,536	8,654	+1.4%	+8.1%
<i>Savings accounts</i>	27,184	27,310	26,155	25,701	25,714	+0.1%	-5.4%
<i>Savings bonds &amp; term deposits</i>	21,787	23,042	24,436	25,257	26,573	+5.2%	+22.0%
<i>Bonds issued by the Group</i>	10,188	10,068	9,926	9,778	9,383	-4.0%	-7.9%
<b>Off-balance-sheet assets</b>	<b>52,828</b>	<b>53,815</b>	<b>53,255</b>	<b>50,853</b>	<b>46,399</b>	<b>-8.8%</b>	<b>-12.2%</b>
Mutual funds	34,832	34,996	34,248	32,407	28,999	-10.5%	-16.7%
Direct securities	17,996	18,818	19,007	18,446	17,400	-5.7%	-3.3%
<b>Life insurance technical reserves</b>	<b>13,680</b>	<b>14,315</b>	<b>14,783</b>	<b>15,887</b>	<b>16,780</b>	<b>+5.6%</b>	<b>+22.7%</b>
<b>Total customer liabilities</b>	<b>34,068</b>	<b>35,673</b>	<b>36,516</b>	<b>37,780</b>	<b>38,376</b>	<b>+1.6%</b>	<b>+12.6%</b>
<i>Mortgage loans</i>	19,775	20,516	21,074	21,512	21,970	+2.1%	+11.1%
<i>Consumer loans</i>	2,126	2,269	2,324	2,422	2,385	-1.5%	+12.2%
<i>Business loans</i>	7,533	7,990	8,339	8,769	9,099	+3.8%	+20.8%
<i>Other loans</i>	4,634	4,898	4,779	5,078	4,923	-3.0%	+6.2%

## RETAIL & SME BANKING – PRIVATE BANKING

<i>in millions of EUR</i>	2007				2008	Variation	Variation
	March 31	June 30	Sept. 30	Dec. 31	March 31	March 31, 2008/ Dec. 31, 2007	March 31, 2008/ March 31, 2007
<b>Retail &amp; SME customer assets &amp; liabilities</b>	<b>116,838</b>	<b>120,523</b>	<b>120,729</b>	<b>120,645</b>	<b>120,239</b>	<b>-0.3%</b>	<b>+2.9%</b>
Assets	86,767	88,989	88,289	87,151	86,182	-1.1%	-0.7%
Liabilities	30,071	31,534	32,440	33,493	34,057	+1.7%	+13.3%
<b>Private customer assets &amp; liabilities</b>	<b>50,905</b>	<b>52,602</b>	<b>52,749</b>	<b>53,148</b>	<b>51,639</b>	<b>-2.8%</b>	<b>+1.4%</b>
Assets	46,908	48,463	48,673	48,862	47,320	-3.2%	+0.9%
Liabilities	3,997	4,139	4,076	4,287	4,319	+0.8%	+8.1%

## UNDERLYING RESULTS

**Net income – Group share** amounted to EUR 179 million in 1Q 2008, a 12.7% rise compared to 1Q 2007. Revenues improved in the retail & SME segment and rose strongly in Turkey (combined with a lower cost increase). The cost of risk was higher because of some changes in the methodology used at DenizBank. Year-on-year, the average exchange rate (TRY/EUR) impact is limited.

**Total income** in 1Q 2008 came to EUR 720 million, up 9.8% year-on-year. In Belgium and Luxembourg, total income increased with 5.6% on the back of strong insurance results and higher income on investment products and payments. In Turkey, revenues rose by 39.1%. Both strong volumes and sustained margins were underlying factors of another successful quarter.

**Expenses** were up 5.9% year-on-year (to EUR 477 million). This reflected a strict cost control in Belgium and Luxembourg on the one hand and continued investment in Turkey. In Belgium and Luxembourg costs increased by a modest 2.1% mainly linked to natural salary drift and development of Dexia Insurance Services. In Turkey, the 33% growth in costs was related to increasing overhead charges linked to

branch expansion. During 1Q 2008, ten new branches were opened. Part of the cost increase is also due to the development of the consumer finance activity in Russia.

**Gross operating income** in the first quarter of 2008 came to EUR 244 million, up 18.5%. The business line's **cost-income ratio** improved to 66.2% compared to 68.7% in 1Q 2007 thanks to the very good trends of the expense and income lines.

**Taxes** were up 30.8% to EUR 38 million in 1Q 2008. The contribution of tax-exempted income was lower compared to the same period in 2007.

The business line's **return on economic equity** (ROEE annualized) was 30.3% in 1Q 2008, slightly higher than in 1Q 2007 (29.9%).

### UNDERLYING STATEMENT OF INCOME EXCLUDING NON-OPERATING ITEMS

<i>in millions of EUR, except where indicated</i>	1Q 2007 <sup>(1)</sup>	1Q 2008	Variation	Variation constant exchange rate
<b>Income</b>	<b>656</b>	<b>720</b>	<b>+9.8%</b>	<b>+10.0%</b>
<i>of which net commissions</i>	187	195	+4.5%	+4.7%
<b>Expenses</b>	<b>(450)</b>	<b>(477)</b>	<b>+5.9%</b>	<b>+6.1%</b>
<b>Gross operating income</b>	<b>206</b>	<b>244</b>	<b>+18.5%</b>	<b>+18.7%</b>
Cost of risk	(16)	(24)	+47.0%	+48.3%
Impairments on (in)tangible assets	0	0	n.s.	n.s.
Tax expense	(29)	(38)	+30.8%	+31.0%
<b>Net income</b>	<b>160</b>	<b>181</b>	<b>+13.3%</b>	<b>+13.4%</b>
Minority interests	1	2	n.s.	n.s.
<b>Net income – Group share</b>	<b>159</b>	<b>179</b>	<b>+12.7%</b>	<b>+12.8%</b>
Cost-income ratio	68.7%	66.2%		
Annualized ROEE <sup>(2)</sup>	29.9%	30.3%		
Total allocated equity (average)	2,133	2,374		
Weighted risks – Basel I	27,393	-		
Weighted risks – Basel II	-	16,355		

(1) Pro forma.

(2) Return on economic equity (net income – Group share / allocated equity – Group share).

STATEMENT OF INCOME – QUARTERLY SERIES<sup>(1)</sup>

<i>in millions of EUR</i>	1Q 2007	2Q 2007	3Q 2007	4Q 2007	1Q 2008
<b>TOTAL</b>					
<b>Income</b>	<b>656</b>	<b>752</b>	<b>695</b>	<b>717</b>	<b>720</b>
<i>of which net commissions</i>	<i>187</i>	<i>191</i>	<i>191</i>	<i>185</i>	<i>195</i>
<b>Expenses</b>	<b>(450)</b>	<b>(465)</b>	<b>(476)</b>	<b>(497)</b>	<b>(477)</b>
<b>Gross operating income</b>	<b>206</b>	<b>286</b>	<b>220</b>	<b>220</b>	<b>244</b>
Cost of risk	(16)	(12)	(19)	(15)	(24)
Impairments on (in)tangible assets	0	0	0	(4)	0
Tax expense	(29)	(44)	(24)	(35)	(38)
<b>Net income</b>	<b>160</b>	<b>231</b>	<b>177</b>	<b>166</b>	<b>181</b>
Minority interests	1	0	2	2	2
<b>Net income – Group share</b>	<b>159</b>	<b>230</b>	<b>175</b>	<b>164</b>	<b>179</b>
<b>NON-OPERATING ITEMS<sup>(2)</sup></b>					
<b>Income</b>		<b>48</b>	<b>4</b>	<b>17</b>	
<i>of which net commissions</i>					
<b>Expenses</b>					
<b>Gross operating income</b>		<b>48</b>	<b>4</b>	<b>17</b>	
Cost of risk					
Impairments on (in)tangible assets				(4)	
Tax expense		(8)		1	
<b>Net income</b>		<b>39</b>	<b>4</b>	<b>15</b>	
Minority interests					
<b>Net income – Group share</b>		<b>39</b>	<b>4</b>	<b>15</b>	
<b>UNDERLYING</b>					
<b>Income</b>	<b>656</b>	<b>704</b>	<b>692</b>	<b>700</b>	<b>720</b>
<i>of which net commissions</i>	<i>187</i>	<i>191</i>	<i>191</i>	<i>185</i>	<i>195</i>
<b>Expenses</b>	<b>(450)</b>	<b>(465)</b>	<b>(476)</b>	<b>(498)</b>	<b>(477)</b>
<b>Gross operating income</b>	<b>206</b>	<b>238</b>	<b>216</b>	<b>202</b>	<b>244</b>
Cost of risk	(16)	(12)	(19)	(15)	(24)
Impairments on (in)tangible assets	0	0	0	0	0
Tax expense	(29)	(35)	(24)	(36)	(38)
<b>Net income</b>	<b>160</b>	<b>191</b>	<b>173</b>	<b>151</b>	<b>181</b>
Minority interests	1	0	2	2	2
<b>Net income – Group share</b>	<b>159</b>	<b>191</b>	<b>171</b>	<b>149</b>	<b>179</b>

(1) Pro forma for 1Q 2007 to 4Q 2007 as defined on page 6.

(2) Described on page 10.

# SEGMENT REPORTING

## ASSET MANAGEMENT

### ACTIVITY

Following a satisfactory year 2007 with growth in assets under management and in profitability in spite of the subprime and liquidity crisis, Dexia Asset Management (Dexia AM) managed challenging market conditions in the first quarter of 2008.

In this context, assets under management came to EUR 102.2 billion as of March 31, 2008 down EUR 7.5 billion (or -6.9%) since the end of 2007. An unfavorable market effect explains three quarters of the decrease (EUR -5.6 billion) and net outflows one quarter (EUR -1.9 billion). Year-on-year, assets under management are down EUR 6.2 billion (or -5.7%), of which EUR 5.9 billion due to a negative market effect.

At the end of March 2008, assets in institutional mandates amounted to EUR 35.0 billion (-0.7% or EUR -0.2 billion versus the end of 2007) and

assets in private mandates to EUR 5.1 billion (-7.2% or EUR -0.4 billion). During the first quarter, the net new cash collected in institutional and private mandates was positive (EUR 1.6 billion). However, this was more than offset by a negative market effect. Mutual funds amounted to EUR 62.1 billion (-10.0% or EUR -6.9 billion) and suffered from both net outflows (-5.0%) and an unfavorable market effect (-5.0%).

Year-on-year, institutional mandates were up EUR 5.1 billion of which EUR 6.4 billion of net new cash while private mandates were down EUR -0.5 billion and mutual funds dropped with EUR 10.9 billion of which two thirds in 1Q 2008.

Assets under management distributed by Dexia AM's institutional sales team amounted to EUR 51.9 billion at the end of March 2008 compared to EUR 53.2 billion at the end of December 2007 and EUR 48.5 billion at the end of March 2007.

ASSETS UNDER MANAGEMENT <sup>(1)</sup>							
in billions of EUR	2007				2008	Variation March 31, 2008/ Dec. 31, 2007	Variation March 31, 2008/ March 31, 2007
	March 31	June 30	Sept. 30	Dec. 31	March 31		
<b>Total</b>	<b>108.4</b>	<b>111.1</b>	<b>112.0</b>	<b>109.7</b>	<b>102.2</b>	<b>-6.9%</b>	<b>-5.7%</b>
<b>By type of management</b>							
Mutual funds	73.0	74.1	72.3	69.0	62.1	-10.0%	-14.9%
<i>Institutional funds</i>	26.6	28.1	26.8	25.3	23.1	-8.6%	-13.0%
<i>Retail funds</i>	46.5	46.0	45.5	43.7	39.0	-10.8%	-16.0%
Private mandates	5.6	5.7	5.7	5.5	5.1	-7.2%	-9.0%
Institutional mandates	29.8	31.3	34.0	35.2	35.0	-0.7%	+17.3%
<b>By type of mutual fund</b>							
Equity funds	14.8	15.9	15.7	14.3	11.2	-21.4%	-24.3%
Bond funds	19.8	18.6	18.9	18.3	17.4	-4.9%	-12.2%
Money market funds	11.8	12.1	11.9	12.4	12.7	+2.4%	+7.8%
Alternative funds	9.3	10.4	9.1	7.8	6.5	-17.4%	-30.8%
Global balanced funds	13.4	13.4	13.2	12.9	11.6	-10.4%	-13.3%
Structured products	3.6	3.3	3.2	3.0	2.5	-15.9%	-29.8%
Other	0.3	0.4	0.3	0.3	0.3	-14.1%	-18.2%

(1) Assets under the management of Dexia Asset Management. Assets counted twice included.

In this difficult market environment, Dexia AM managed to consolidate its activities and prepare the next due dates by improving fund performance and by expanding its leading franchise. Fund performances improved for all asset classes, and Dexia AM received several awards in different countries in 2008.

At the beginning of the year Dexia Asset Management carried on its commercial development towards its institutional clients: a branch was opened in Warsaw and a representative office in Toronto. A sales team has also been deployed in Dublin to cover the Irish and UK markets.

costs linked to the commercial expansion. Productivity remained at a good level compared to industry peers, with a low cost on assets under management ratio of 15 basis points. IT, marketing and other support costs are under strict control.

**Gross operating income** amounted to EUR 21 million down 35.9% versus 1Q 2007 and 26.4% versus 4Q 2007.

**Net income – Group share** amounted to EUR 17 million, down 44.7% (or EUR -14 million).

## UNDERLYING RESULTS

**Total income** was EUR 58 million, down 14.9% versus the year earlier period. This EUR -10 million decrease stemmed from lower management (EUR -7 million) and performance fees compared to 1Q 2007, which recorded high management fees.

**Expenses** were contained despite ongoing investments. They came to EUR 38 million, a 4.2% increase mainly due to increasing staff headcounts (22 more headcounts on average), pay raise and rental

UNDERLYING STATEMENT OF INCOME				
EXCLUDING NON-OPERATING ITEMS				
<i>in millions of EUR, except where indicated</i>	1Q 2007 <sup>(1)</sup>	1Q 2008	Variation	Variation constant exchange rate
<b>Income</b>	69	58	-14.9%	-14.9%
<i>of which net commissions</i>	68	58	-15.1%	-15.1%
<b>Expenses</b>	(36)	(38)	+4.2%	+4.2%
<b>Gross operating income</b>	33	21	-35.9%	-35.9%
Cost of risk	0	0	n.s.	n.s.
Impairments on (in)tangible assets	0	0	n.s.	n.s.
Tax expense	(1)	(2)	x 4.1	x 4.1
<b>Net income</b>	32	18	-42.3%	-42.3%
Minority interests	1	1	+46.7%	+46.7%
<b>Net income – Group share</b>	31	17	-44.7%	-44.7%
Cost-income ratio	52.5%	64.2%		
Annualized ROEE <sup>(2)</sup>	195.9%	90.1%		
Total allocated equity (average)	64	77		
Weighted risks – Basel I	26	-		
Weighted risks – Basel II	-	366		

(1) Pro forma.

(2) Return on economic equity (net income – Group share / allocated equity – Group share).

**STATEMENT OF INCOME – QUARTERLY SERIES<sup>(1)</sup>**

<i>in millions of EUR</i>	1Q 2007	2Q 2007	3Q 2007	4Q 2007	1Q 2008
<b>TOTAL</b>					
<b>Income</b>	<b>69</b>	<b>74</b>	<b>68</b>	<b>73</b>	<b>58</b>
<i>of which net commissions</i>	68	73	67	73	58
<b>Expenses</b>	<b>(36)</b>	<b>(39)</b>	<b>(39)</b>	<b>(45)</b>	<b>(38)</b>
<b>Gross operating income</b>	<b>33</b>	<b>35</b>	<b>30</b>	<b>28</b>	<b>21</b>
Cost of risk	0	0	0	0	0
Impairments on (in)tangible assets	0	0	0	0	0
Tax expense	(1)	(3)	(2)	(1)	(2)
<b>Net income</b>	<b>32</b>	<b>31</b>	<b>27</b>	<b>28</b>	<b>18</b>
Minority interests	1	1	1	1	1
<b>Net income – Group share</b>	<b>31</b>	<b>30</b>	<b>26</b>	<b>26</b>	<b>17</b>
<b>NON-OPERATING ITEMS<sup>(2)</sup></b>					
<b>Income</b>					
<i>of which net commissions</i>					
<b>Expenses</b>					
<b>Gross operating income</b>					
Cost of risk					
Impairments on (in)tangible assets					
Tax expense					
<b>Net income</b>					
Minority interests					
<b>Net income – Group share</b>					
<b>UNDERLYING</b>					
<b>Income</b>	<b>69</b>	<b>74</b>	<b>68</b>	<b>73</b>	<b>58</b>
<i>of which net commissions</i>	68	73	67	73	58
<b>Expenses</b>	<b>(36)</b>	<b>(39)</b>	<b>(39)</b>	<b>(45)</b>	<b>(38)</b>
<b>Gross operating income</b>	<b>33</b>	<b>35</b>	<b>30</b>	<b>28</b>	<b>21</b>
Cost of risk	0	0	0	0	0
Impairments on (in)tangible assets	0	0	0	0	0
Tax expense	(1)	(3)	(2)	(1)	(2)
<b>Net income</b>	<b>32</b>	<b>31</b>	<b>27</b>	<b>28</b>	<b>18</b>
Minority interests	1	1	1	1	1
<b>Net income – Group share</b>	<b>31</b>	<b>30</b>	<b>26</b>	<b>26</b>	<b>17</b>

(1) Pro forma for 1Q 2007 to 4Q 2007 as defined on page 6.

(2) Described on page 10.

# SEGMENT REPORTING

## INVESTOR SERVICES

### ACTIVITY

RBC Dexia Investor Services had *assets under administration* of USD 2,720 billion as of March 31, 2008, up 12.0% year-on-year. The performance is the result of increases in the value of existing clients' assets and from the acquisition of new mandates. Compared to December 2007, a 5.6% decrease was experienced due to market value movements of underlying assets, net redemptions and the depreciation of the CAD relative to the USD (-4.7%).

In the *central administration* activity, the number of funds under administration rose by 2.2% (+115 portfolios) compared to December 2007. Year-on-year, growth was 8.9% (+430 portfolios) stemming from (i) additional funds from existing clients, (ii) new smaller scale clients and (iii) around 100 portfolios through the Goldman Sachs JB contract in Australia.

The number of *transfer agent* accounts experienced a slight increase, from 7.6 to 7.8 million units between December 2007 and March 2008. Year-on-year, the number of accounts rose 17.2%, from 6.7 million, demonstrating steady, consistent growth.

Among the new clients brought in during the quarter, Close Wealth Management Ltd chose RBC Dexia to provide global custody and foreign exchange services for its GBP 1.5 billion investment

portfolios. Genus Capital Management also selected RBC Dexia to provide global custody, fund valuations, transfer agent services for its CAD 1.6 billion investment portfolio.

For the fifth consecutive year, RBC Dexia occupied either the first or second rank in R&M Consultants' annual survey. In addition, the company was named number one provider of global custody services in the UK, Europe and Canada.

INVESTOR SERVICES							
	2007				2008	Variation March 31, 2008/ Dec. 31, 2007	Variation March 31, 2008/ March 31, 2007
	March 31	June 30	Sept. 30	Dec. 31	March 31		
Assets under administration <sup>(1)</sup> (in billions of USD)	2,428	2,633	2,819	2,882	2,720	-5.6%	+12.0%
Number of funds under administration	4,819	4,925	5,083	5,134	5,249	+2.2%	+8.9%
Number of shareholder accounts in transfer agent (in thousands)	6,685	6,667	6,861	7,645	7,832	+2.4%	+17.2%

(1) i.e. assets under custody, administration and transfer agent.

## UNDERLYING RESULTS

At EUR 23 million, **net income – Group share** remained flat in 1Q 2008 compared to 1Q 2007. On a constant exchange rate, the increase was 6.8%.

**Total income** amounted to EUR 105 million in the first three months of the year, an increase of 6.9% (10.1% on a constant exchange rate) compared to the same period of 2007. This progression is due to activity increases and steady spreads.

**Expenses** were up 11.3%, or EUR +7 million, largely due to (i) an increase in staff costs, to manage the increase in client transaction volumes (comparison is biased by a variable compensation accrual reversal in 1Q 2007's staff costs, which increased the growth),

(ii) IT expenditures due to various projects (Basel II, improved client reporting and data management) and increased transaction volumes and services.

The **cost-income ratio** increased by 4.2 percentage points, from 66.4% in 1Q 2007, to 69.2% in 1Q 2008.

### UNDERLYING STATEMENT OF INCOME EXCLUDING NON-OPERATING ITEMS

<i>in millions of EUR, except where indicated</i>	1Q 2007 <sup>(1)</sup>	1Q 2008	Variation	Variation constant exchange rate
<b>Income</b>	99	105	+6.9%	+10.1%
<i>of which net commissions</i>	62	66	+5.7%	+11.0%
<b>Expenses</b>	(66)	(73)	+11.3%	+13.1%
<b>Gross operating income</b>	33	32	-1.9%	+4.0%
Cost of risk	0	0	n.s.	n.s.
Impairments on (in)tangible assets	0	0	n.s.	n.s.
Tax expense	(10)	(9)	-4.6%	+2.4%
<b>Net income</b>	23	23	-0.7%	+5.5%
Minority interests	1	0	n.s.	n.s.
<b>Net income – Group share</b>	23	23	+0.4%	+6.8%
Cost-income ratio	66.4%	69.2%		
Annualized ROEE <sup>(2)</sup>	51.7%	51.6%		
Total allocated equity (average)	174	175		
Weighted risks – Basel I	2,161	-		
Weighted risks – Basel II	-	2,986		

(1) Pro forma.

(2) Return on economic equity (net income – Group share / allocated equity – Group share).

**STATEMENT OF INCOME – QUARTERLY SERIES<sup>(1)</sup>**

<i>in millions of EUR</i>	1Q 2007	2Q 2007	3Q 2007	4Q 2007	1Q 2008
<b>TOTAL</b>					
<b>Income</b>	<b>99</b>	<b>113</b>	<b>103</b>	<b>112</b>	<b>105</b>
<i>of which net commissions</i>	62	76	68	70	66
<b>Expenses</b>	<b>(66)</b>	<b>(69)</b>	<b>(74)</b>	<b>(76)</b>	<b>(73)</b>
<b>Gross operating income</b>	<b>33</b>	<b>44</b>	<b>29</b>	<b>36</b>	<b>32</b>
Cost of risk	0	(1)	1	0	0
Impairments on (in)tangible assets	0	0	0	(1)	0
Tax expense	(10)	(8)	(9)	(12)	(9)
<b>Net income</b>	<b>23</b>	<b>35</b>	<b>21</b>	<b>23</b>	<b>23</b>
Minority interests	1	1	1	0	0
<b>Net income – Group share</b>	<b>23</b>	<b>35</b>	<b>20</b>	<b>22</b>	<b>23</b>
<b>NON-OPERATING ITEMS<sup>(2)</sup></b>					
<b>Income</b>		1			
<i>of which net commissions</i>					
<b>Expenses</b>					
<b>Gross operating income</b>		1			
Cost of risk					
Impairments on (in)tangible assets					
Tax expense		5			
<b>Net income</b>		6			
Minority interests					
<b>Net income – Group share</b>		6			
<b>UNDERLYING</b>					
<b>Income</b>	<b>99</b>	<b>112</b>	<b>103</b>	<b>112</b>	<b>105</b>
<i>of which net commissions</i>	62	76	68	70	66
<b>Expenses</b>	<b>(66)</b>	<b>(69)</b>	<b>(74)</b>	<b>(76)</b>	<b>(73)</b>
<b>Gross operating income</b>	<b>33</b>	<b>43</b>	<b>29</b>	<b>36</b>	<b>32</b>
Cost of risk	0	(1)	1	0	0
Impairments on (in)tangible assets	0	0	0	(1)	0
Tax expense	(10)	(13)	(9)	(12)	(9)
<b>Net income</b>	<b>23</b>	<b>29</b>	<b>21</b>	<b>22</b>	<b>23</b>
Minority interests	1	1	1	0	0
<b>Net income – Group share</b>	<b>23</b>	<b>29</b>	<b>20</b>	<b>22</b>	<b>23</b>

(1) Pro forma for 1Q 2007 to 4Q 2007 as defined on page 6.

(2) Described on page 10.

# SEGMENT REPORTING

## TREASURY AND FINANCIAL MARKETS

### ACTIVITY

The **Group Treasury Cash and Liquidity Management** remained well-prepared to face a worsening global liquidity crisis. In normal market conditions, Dexia uses its excess liquidity as a cash lender in the market via the tri-party repo market. Since the crisis started, and it was still the case during 1Q 2008, Dexia, which was at any time cash rich, continued to play this role (while maintaining its traditional strict policy of cautiousness regarding underlying collateral in order to avoid any credit risk). By lending substantial cash amounts to the marketplace and by managing efficiently its liquidity ratios, Dexia specifically once again benefited from the overall liquidity shortage during 1Q 2008.

The **Group Treasury long-term funding** segment was quite active in the first quarter of 2008 despite challenging market conditions. New long-term issues totaled EUR 8.8 billion, an amount similar to issues realized in 1Q 2007 when market conditions were favorable. Like in 1Q 2007, around two thirds of the funding were issued by the AAA public finance covered bonds group vehicles. The average funding cost against Euribor increased from -2.7 bp in 1Q 2007 to +4.5 bp in 1Q 2008, i.e. a modest change in comparison with market trends. Overall, the various issuers of the Group retained good access to debt capital markets.

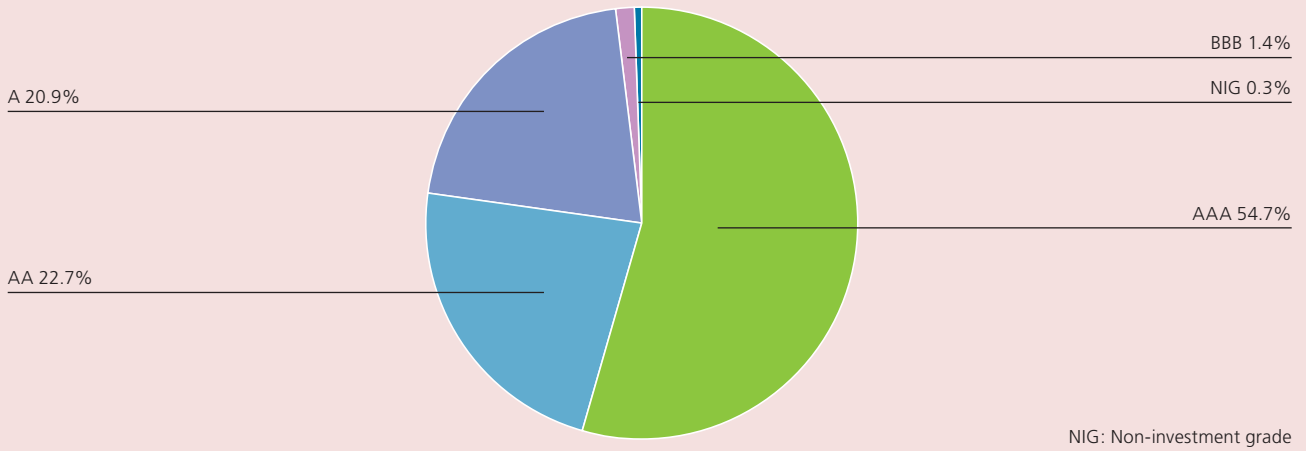
The **Fixed Income** segment manages the Credit Spread Portfolio (CSP), which totaled, as of March 31, 2008, EUR 72.5 billion (of which EUR 10.6 billion are fully hedged) after the EUR 11 billion asset transfer to the Public/Project Finance and Credit Enhancement business line which was announced earlier this year (see also page 6). Pro forma, the CSP size slightly declined as the level of new investments (EUR 2.3 billion) was limited. The quality of the portfolio remains very good: after hedging, more than 99% of the portfolio is rated investment grade and 77% is rated AA- or better. Trading books of fixed-income activities were negatively affected by spread widening and by a marked price divergence between cash and derivative markets in March. In the Securitization activity line, where Dexia offers clients fully-integrated services (from arranging to underwriting), business opportunities were limited.

**Market Engineering and Trading (MET)** brings together the bank's competences in the supply of structured products to retail/private banking clients and to public sector clients. It also manages interest rate, foreign exchange and equity activities. The Personal Financial Services Engineering activity had a good start of the year with numerous transactions launched for private and retail banking clients in 1Q 2008. The trading desks associated with the activity of the Public Finance Market Engineering suffered from the unfavorable market environment.

Finally, it should be kept in mind that TFM is not only a revenue generator on its own, but also an important support unit for the other business lines and for the Group as a whole regarding balance-sheet management. The indirect revenues stemming from this close cooperation and which are booked in the other business lines, are estimated at EUR 373 million in 1Q 2008 (against EUR 195 million in the same period of 2007). This is including a EUR 119 million positive mark-to-market impact on a securitization-related CDS (see Public/Project Finance and Credit Enhancement related comments).

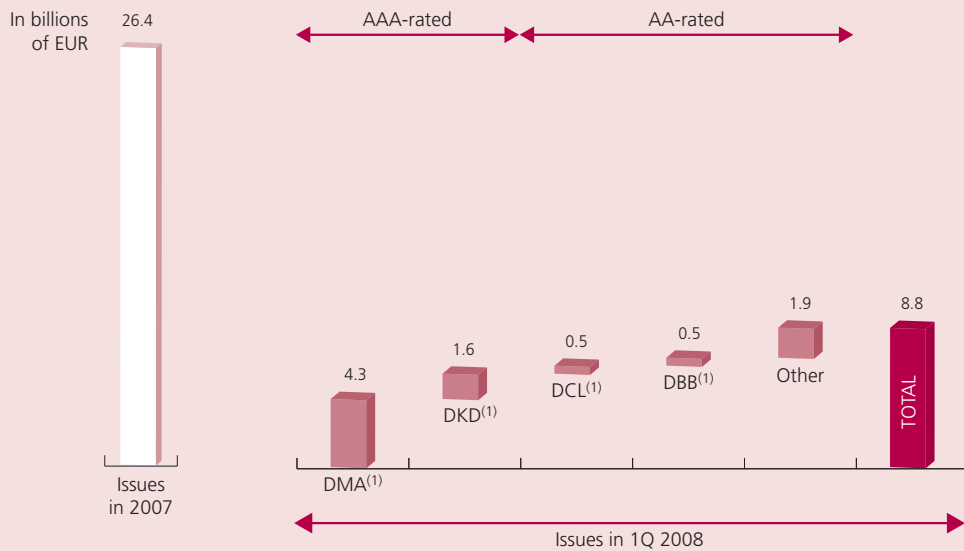
CREDIT SPREAD PORTFOLIO QUALITY  
AS OF MARCH 31, 2008

Outstanding amount: EUR 61.9 billion<sup>(1)</sup>



(1) Excluding hedged outstandings.

LONG-TERM ISSUES



(1) DMA: Dexia Municipal Agency; DKD: Dexia Kommunalbank Deutschland; DCL: Dexia Crédit Local; DBB: Dexia Bank Belgium.

## UNDERLYING RESULTS

First quarter 2008 **net income – Group share** amounted to EUR 60 million compared to EUR 125 million in 1Q 2007. The effect of a poor performance of trading portfolios which resulted from credit spread market dislocation was partly offset by the strong contribution of the Treasury's Cash & Liquidity Management activity line, which took advantage of the current financial crisis.

**Income** amounted to EUR 122 million in the first quarter of 2008, down 43.8% year-on-year and 16% compared to 4Q 2007. The Treasury segment had a record and exceptionally high quarter with revenues doubling up to EUR 172 million. This entirely came from Cash and Liquidity Management (CLM). As it was already the case in 4Q 2007, the bank's structural excess of short-term liquidity generated substantial revenues while the marketplace experienced a global liquidity shortage. CLM also benefited from substantial interest rate cuts from the Federal Reserve. This strong performance contrasted with the Fixed Income segment which reported negative revenues during 1Q 2008 (EUR -55 million) versus EUR 96 million in 1Q 2007 due to a EUR 259 million (pre-tax) negative mark. This is explained by the effect of widening credit spreads on TFM's trading portfolios, among which the 6% trading portion of the Credit Spread Portfolio is by far the largest. Given the quality of the assets (99.6% rated AAA), the negative marks made

during this quarter on the above portfolio – which are only related to spread widening and not to credit events, of which none are foreseen so far – will reverse over time. Overall these portfolios have a spread sensitivity of EUR 2 million per basis point and spreads widened by more than 100 bp during 1Q 2008. During 1Q 2008, the above-mentioned EUR -259 million was partly offset by a EUR +124 million mark-to-market impact on a securitization-related CDS. In this case, the underlying assets protected are not accounted in trading books. The negative fair-value adjustments on these assets, still held in the balance sheet, are therefore not reflected in the statement of income but directly through the AFS reserve. Finally, the MET segment experienced a EUR 33 million revenue decrease down to EUR 5 million during 1Q 2008 as a result of a poor trading performance on interest rate products and equities.

**Expenses** increased by EUR 4 million or 6.8% in 1Q 2008 compared to 1Q 2007. A significant part of the increase came from the creation and development of the activity in Japan, the expansion of TFM in London where the business line develops its distribution capacity and IT expenses linked to TFM development projects.

As a result of the trends exposed above, **gross operating income** totaled EUR 66 million. **Cost-income ratio** was 46.0% in 1Q 2008.

### UNDERLYING STATEMENT OF INCOME EXCLUDING NON-OPERATING ITEMS

<i>in millions of EUR, except where indicated</i>	1Q 2007 <sup>(1)</sup>	1Q 2008	Variation	Variation constant exchange rate
<b>Income</b>	217	122	-43.8%	-42.2%
<i>of which net commissions</i>	6	8	+32.9%	+33.7%
<b>Expenses</b>	(52)	(56)	+6.8%	+8.8%
<b>Gross operating income</b>	164	66	-60.0%	-58.7%
Cost of risk	0	0	n.s.	n.s.
Impairments on (in)tangible assets	0	0	n.s.	n.s.
Tax expense	(38)	(3)	-91.8%	-91.6%
<b>Net income</b>	127	63	-50.5%	-48.8%
Minority interests	2	3	+53.2%	+53.2%
<b>Net income – Group share</b>	125	60	-52.1%	-50.4%
Cost-income ratio	24.2%	46.0%		
Annualized ROEE <sup>(2)</sup>	29.5%	12.3%		
Total allocated equity (average)	1,720	1,972		
Weighted risks – Basel I	31,317	-		
Weighted risks – Basel II	-	20,590		

(1) Pro forma.

(2) Return on economic equity (net income – Group share / allocated equity – Group share).

**STATEMENT OF INCOME – QUARTERLY SERIES<sup>(1)</sup>**

<i>in millions of EUR</i>	1Q 2007	2Q 2007	3Q 2007	4Q 2007	1Q 2008
<b>TOTAL</b>					
<b>Income</b>	217	194	25	145	122
<i>of which net commissions</i>	6	6	1	5	8
<b>Expenses</b>	(52)	(53)	(57)	(52)	(56)
<b>Gross operating income</b>	164	141	(33)	93	66
Cost of risk	0	0	0	(9)	0
Impairments on (in)tangible assets	0	0	0	0	0
Tax expense	(38)	(22)	11	12	(3)
<b>Net income</b>	127	120	(22)	96	63
Minority interests	2	0	0	1	3
<b>Net income – Group share</b>	125	120	(22)	95	60

**NON-OPERATING ITEMS<sup>(2)</sup>**

<b>Income</b>
<i>of which net commissions</i>
<b>Expenses</b>
<b>Gross operating income</b>
Cost of risk
Impairments on (in)tangible assets
Tax expense
<b>Net income</b>
Minority interests
<b>Net income – Group share</b>

**UNDERLYING**

<b>Income</b>	217	194	25	145	122
<i>of which net commissions</i>	6	6	1	5	8
<b>Expenses</b>	(52)	(53)	(57)	(52)	(56)
<b>Gross operating income</b>	164	141	(33)	93	66
Cost of risk	0	0	0	(9)	0
Impairments on (in)tangible assets	0	0	0	0	0
Tax expense	(38)	(22)	11	12	(3)
<b>Net income</b>	127	120	(22)	96	63
Minority interests	2	0	0	1	3
<b>Net income – Group share</b>	125	120	(22)	95	60

(1) Pro forma for 1Q 2007 to 4Q 2007 as defined on page 6.

(2) Described on page 10.

# SEGMENT REPORTING

## CENTRAL ASSETS

As one of the analytical segments in the organization, Central Assets mainly records the revenues on excess capital, corporate holdings (dividends, capital gains/losses) and currency hedging contracts. Central Assets also allocates economic capital to the business lines which receive notional interest thereon, charged to Central Assets. On the cost side, the segment registers those costs that cannot be attributed to a specific business line. Moreover, technical adjustments are sometimes introduced in Central Assets, in the appropriate line of the segment's statement of income. The varied nature of the various ingredients makes this segment's contribution quite volatile period after period. Since January 1, 2005, Central Assets have also been including the results of the share-leasing activities at Dexia Bank Nederland.

In 1Q 2008, the underlying **net income – Group share** of the segment was EUR -62 million, i.e. EUR 29 million less than in 1Q 2007.

**Income** amounted to EUR -12 million in 1Q 2008 compared to EUR 39 million in 1Q 2007. This EUR -51 million variance stems from a large number of individual factors, the main ones being:

i) EUR 12 million less net interest income due to larger amounts of economic equity allocated to the DenizBank's business lines;

ii) EUR -14 million variance on revenues from foreign exchange hedges;

iii) EUR 10 million variance as interests and capital gains were recorded by Dexia Asset Management on the reinvestment of its equity in 1Q 2007;

iv) EUR 6 million less income from short and long-term investments.

**Expenses** decreased by EUR 29 million to EUR 63 million in 1Q 2008. The difference is explained by:

i) specific costs recorded in 1Q 2007 related to the move into the new Paris headquarter (EUR 8 million) as well as to the setting-up costs of Dexia Technology Services – Dexia's IT infrastructure subsidiary (EUR 5 million);

ii) accounting changes in the depreciation of some buildings and in the calculation of staff costs of several central services (EUR 10 million).

### UNDERLYING STATEMENT OF INCOME EXCLUDING NON-OPERATING ITEMS

<i>in millions of EUR, except where indicated</i>	1Q 2007 <sup>(1)</sup>	1Q 2008	Variation
<b>Income</b>	39	(12)	-51
<b>Expenses</b>	(92)	(63)	+29
<b>Gross operating income</b>	(53)	(75)	-21
Cost of risk	(1)	0	+1
Impairments on goodwill	0	1	n.s.
Tax expense	29	22	-7
<b>Net income</b>	(25)	(52)	-27
Minority interests	9	10	+1
<b>Net income – Group share</b>	(34)	(62)	-29

(1) Pro forma.

STATEMENT OF INCOME – QUARTERLY SERIES<sup>(1)</sup>

<i>in millions of EUR</i>	1Q 2007	2Q 2007	3Q 2007	4Q 2007	1Q 2008
<b>TOTAL</b>					
<b>Income</b>	<b>67</b>	<b>150</b>	<b>71</b>	<b>128</b>	<b>(11)</b>
<i>of which net commissions</i>	<i>(13)</i>	<i>(11)</i>	<i>(11)</i>	<i>(19)</i>	<i>(16)</i>
<b>Expenses</b>	<b>(92)</b>	<b>(73)</b>	<b>(81)</b>	<b>(76)</b>	<b>(63)</b>
<b>Gross operating income</b>	<b>(25)</b>	<b>77</b>	<b>(10)</b>	<b>53</b>	<b>(74)</b>
Cost of risk	4	1	(8)	(3)	(52)
Impairments on (in)tangible assets	0	0	0	(2)	1
Tax expense	95	(5)	78	39	39
<b>Net income</b>	<b>73</b>	<b>72</b>	<b>60</b>	<b>86</b>	<b>(86)</b>
Minority interests	9	10	11	10	10
<b>Net income – Group share</b>	<b>64</b>	<b>62</b>	<b>48</b>	<b>76</b>	<b>(96)</b>
<b>NON-OPERATING ITEMS<sup>(2)</sup></b>					
<b>Income</b>	<b>28</b>	<b>76</b>	<b>29</b>	<b>80</b>	<b>1</b>
<i>of which net commissions</i>					
<b>Expenses</b>			<b>(1)</b>		
<b>Gross operating income</b>	<b>28</b>	<b>76</b>	<b>29</b>	<b>80</b>	<b>1</b>
Cost of risk	4	1	(8)	(3)	(51)
Impairments on (in)tangible assets					
Tax expense	65		60	1	16
<b>Net income</b>	<b>98</b>	<b>77</b>	<b>81</b>	<b>78</b>	<b>(34)</b>
Minority interests					
<b>Net income – Group share</b>	<b>98</b>	<b>77</b>	<b>81</b>	<b>78</b>	<b>(34)</b>
<b>UNDERLYING</b>					
<b>Income</b>	<b>39</b>	<b>74</b>	<b>41</b>	<b>48</b>	<b>(12)</b>
<i>of which net commissions</i>	<i>(13)</i>	<i>(11)</i>	<i>(11)</i>	<i>(19)</i>	<i>(16)</i>
<b>Expenses</b>	<b>(92)</b>	<b>(73)</b>	<b>(80)</b>	<b>(75)</b>	<b>(63)</b>
<b>Gross operating income</b>	<b>(53)</b>	<b>1</b>	<b>(39)</b>	<b>(27)</b>	<b>(75)</b>
Cost of risk	(1)	0	0	0	0
Impairments on (in)tangible assets	0	0	0	(2)	1
Tax expense	29	(5)	18	37	22
<b>Net income</b>	<b>(25)</b>	<b>(4)</b>	<b>(21)</b>	<b>9</b>	<b>(52)</b>
Minority interests	9	10	11	10	10
<b>Net income – Group share</b>	<b>(34)</b>	<b>(15)</b>	<b>(32)</b>	<b>(1)</b>	<b>(62)</b>

(1) Pro forma for 1Q 2007 to 4Q 2007 as defined on page 6.

(2) Described on page 10.

# SEGMENT REPORTING

DEXIA

## STATEMENT OF INCOME – QUARTERLY SERIES<sup>(1)</sup>

<i>in millions of EUR</i>	1Q 2007	2Q 2007	3Q 2007	4Q 2007	1Q 2008
<b>TOTAL</b>					
<b>Income</b>	<b>1,779</b>	<b>1,959</b>	<b>1,448</b>	<b>1,690</b>	<b>1,499</b>
<i>of which net commissions</i>	371	389	374	366	369
<b>Expenses</b>	<b>(921)</b>	<b>(933)</b>	<b>(964)</b>	<b>(1,001)</b>	<b>(942)</b>
<b>Gross operating income</b>	<b>858</b>	<b>1,026</b>	<b>484</b>	<b>690</b>	<b>557</b>
Cost of risk	(22)	(29)	(45)	(64)	(288)
Impairments on (in)tangible assets	0	0	0	(7)	1
Tax expense	(90)	(185)	23	(1)	47
<b>Net income</b>	<b>746</b>	<b>812</b>	<b>462</b>	<b>618</b>	<b>317</b>
Minority interests	23	25	23	31	28
<b>Net income – Group share</b>	<b>723</b>	<b>788</b>	<b>439</b>	<b>586</b>	<b>289</b>
<b>NON-OPERATING ITEMS<sup>(2)</sup></b>					
<b>Income</b>	<b>19</b>	<b>93</b>	<b>(176)</b>	<b>(106)</b>	<b>(334)</b>
<i>of which net commissions</i>					
<b>Expenses</b>			<b>(1)</b>		
<b>Gross operating income</b>	<b>19</b>	<b>93</b>	<b>(177)</b>	<b>(106)</b>	<b>(334)</b>
Cost of risk	4	1	(8)	(3)	(51)
Impairments on (in)tangible assets				(4)	
Tax expense	69	1	135	74	133
<b>Net income</b>	<b>92</b>	<b>94</b>	<b>(50)</b>	<b>(40)</b>	<b>(252)</b>
Minority interests			(1)	(1)	(2)
<b>Net income – Group share</b>	<b>92</b>	<b>94</b>	<b>(48)</b>	<b>(38)</b>	<b>(250)</b>
<b>UNDERLYING</b>					
<b>Income</b>	<b>1,760</b>	<b>1,866</b>	<b>1,624</b>	<b>1,797</b>	<b>1,833</b>
<i>of which net commissions</i>	371	389	374	366	369
<b>Expenses</b>	<b>(921)</b>	<b>(933)</b>	<b>(963)</b>	<b>(1,001)</b>	<b>(942)</b>
<b>Gross operating income</b>	<b>839</b>	<b>933</b>	<b>661</b>	<b>796</b>	<b>891</b>
Cost of risk	(26)	(29)	(37)	(60)	(236)
Impairments on (in)tangible assets	0	0	0	(3)	1
Tax expense	(159)	(185)	(112)	(75)	(87)
<b>Net income</b>	<b>654</b>	<b>718</b>	<b>511</b>	<b>657</b>	<b>569</b>
Minority interests	24	25	24	33	29
<b>Net income – Group share</b>	<b>630</b>	<b>693</b>	<b>487</b>	<b>625</b>	<b>539</b>

(1) Pro forma for 1Q 2007 to 4Q 2007 as defined on page 6.

(2) Described on page 10.

# SEGMENT REPORTING

## ADDITIONAL INFORMATION: INSURANCE ACTIVITIES

Dexia Insurance Services is the insurance pool of the Dexia Group operating in Belgium, France, Luxembourg, Turkey and Ireland. Life and nonlife insurance products are sold to Personal Financial Services customers (retail, SME and private) and to Public/Project Finance clients (public, social profit and corporate sectors) via a multi-channel approach including mainly bank insurance, exclusive consultants and direct writing.

### ACTIVITY

Total gross written premiums at the end of March 2008 were considerably higher than last year: EUR 1,786 million were collected, a 76.8% increase compared to 1Q 2007 mainly recorded in life insurance.

Life insurance commercial activity amounted to EUR 1,646 million of written premiums at the end of March 2008, a climb of 87.2% compared to the same period of 2007. The rise was due to the more than double growth in Branch 21 products as guaranteed investment products, like Dexia Life Capital and Safe Invest Bonus products (Belgium), proved to be very successful with customers in the financial crisis context. This sharp increase in production was recorded in Belgium but also in France via Dexia Epargne Pension and in Luxembourg. The Branch 26 progression (x 2.6 to EUR 29 million) is partly related to the renewal of some existing Branch 21 contracts.

Nonlife premiums collected rose 7.0% to EUR 140 million as of March 31, 2008 and this was fuelled by the sales by the Dexia Bank Belgium network (mainly Dexia Home & Family, Dexia Assistance and Dexia Car products). The DVV and the direct distribution networks experienced also a good production of premiums. Growth at DVV is due to the commercial campaign related to the Brussels car fair and to the extension of the guarantees offered while Corona consolidates on its existing and new partnerships.

In the frame of the Dexia business lines, 93% of the premiums are allocated to Personal Financial Services and 7% to Public/Project Finance. The premium increase was driven by Personal Financial Services (+83.6% or EUR 758 million of premiums) mainly as a result of investors' high appetite for guaranteed investment contracts (Branch 21). The Public/Project Finance increase (+17.2%) was mainly related to the high activity in the existing portfolio and to the sale of new innovative group insurance contracts where the client can opt for unit-linked investments (Branch 23).

Geographically, 73% of the insurance premiums were collected in Belgium and the balance came essentially from France (23%) and Luxembourg (4%). Insurance is developing in Turkey since the acquisition of Deniz Hayat Sigorta at the beginning of 2007.

### TOTAL GROSS WRITTEN PREMIUMS

<i>in millions of EUR</i>	1Q 2007	1Q 2008	Variation
<b>Total premiums (by type)</b>	<b>1,010</b>	<b>1,786</b>	<b>+76.8%</b>
<b>Nonlife</b>	<b>131</b>	<b>140</b>	<b>+7.0%</b>
<b>Life</b>	<b>879</b>	<b>1,646</b>	<b>+87.2%</b>
<i>Branch 21 (classical life included)</i>	<i>772</i>	<i>1,556</i>	<i>x 2.0</i>
<i>Branch 23 (unit-linked contracts)</i>	<i>95</i>	<i>61</i>	<i>-36.3%</i>
<i>Branch 26 (guaranteed/public sector)</i>	<i>11</i>	<i>29</i>	<i>x 2.6</i>
<b>Total premiums (by segment)</b>	<b>1,010</b>	<b>1,786</b>	<b>+76.8%</b>
Public/Project Finance (PPF)	103	121	+17.2%
Personal Financial Services (PFS)	907	1,665	+83.6%

## UNDERLYING RESULTS OF DEXIA INSURANCE SERVICES

<i>in millions of EUR</i>	1Q 2007	1Q 2008	Variation	of which life insurance		
				1Q 2007	1Q 2008	Variation
Income	103	111	+7.5%	68	61	-10.6%
Expenses	(57)	(61)	+8.4%	(22)	(25)	+16.5%
Tax expense	1	(3)	n.s.	1	1	n.s.
<b>Net income – Group share</b>	<b>47</b>	<b>47</b>	<b>-1.8%</b>	<b>48</b>	<b>36</b>	<b>-23.9%</b>

### UNDERLYING RESULTS

**Net income – Group share** of Insurance activities amounted to EUR 47 million in 1Q 2008, a breakeven compared to 1Q 2007. This figure can be explained by opposite variations in life (decreasing results mainly due to significant outstanding growth) and nonlife (increasing results linked to better technical results) insurance.

By business line, 86% of the insurance net income is related to Personal Financial Services and 14% to Public/Project Finance. Geographically, nearly 90% of the net income is realized in Belgium and the second contributor, France, represents about 10%.

**Income** was up EUR 8 million (or +7.5%) between 1Q 2007 and 1Q 2008. This is explained by: (i) EUR -7 million (or -10,6%) in life insurance (less capital gains were realized but the tremendous increase in outstanding was translated in the *ad hoc* technical charges and in higher paid commissions); (ii) EUR +15 million in nonlife insurance thanks to the positive variation of the technical margin mainly following a better loss ratio in property and car insurances in 1Q 2008 compared to the same quarter last year which was marked by the Kyrill storm in Belgium.

**Expenses** went up EUR 4 million (or +8.4%) versus 1Q 2007. Half of the increase is linked to staff expenses at the level of Dexia Insurance Belgium (+ about 18 new FTE) and in the developing entities Dexia

Epargne Pension, Dexia Ingénierie Sociale and Dexia Life & Pensions (+ about 26 new FTE). The balance comes from increased IT expenses, higher depreciations related to the acquisition of a building in France and network fees paid to the DVV network due to a higher production.

# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED FINANCIAL STATEMENTS

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**DEXIA – CONSOLIDATED BALANCE SHEET**

<b>ASSETS</b> <i>in millions of EUR</i>	March 31, 2007	Dec. 31, 2007	March 31, 2008
I. Cash and balances with central banks	3,251	8,835	4,375
II. Loans and advances due from banks	79,577	54,776	63,972
III. Loans and advances to customers	223,483	242,619	243,458
IV. Financial assets measured at fair value through profit or loss	33,590	37,565	34,674
V. Financial investments	195,723	220,290	220,697
VI. Derivatives	22,512	29,218	33,034
VII. Fair value revaluation of portfolio hedge	413	(185)	618
VIII. Investments in associates	852	861	874
IX. Tangible fixed assets	2,181	2,257	2,253
X. Intangible assets and goodwill	2,399	2,524	2,238
XI. Tax assets	824	1,445	2,715
XII. Other assets	4,004	4,320	4,750
XIII. Non current assets held for sale	1,671	39	50
<b>Total assets</b>	<b>570,480</b>	<b>604,564</b>	<b>613,708</b>

The notes on pages 50 to 56 are an integral part of these consolidated financial statements.

**DEXIA – CONSOLIDATED BALANCE SHEET**

<b>LIABILITIES</b> <i>in millions of EUR</i>	March 31, 2007	Dec. 31, 2007	March 31, 2008
I. Due to banks	177,114	178,681	189,932
II. Customer borrowings and deposits	114,500 <sup>(1)</sup>	126,680	124,326
III. Financial liabilities measured at fair value through profit or loss	14,981 <sup>(1)</sup>	18,301	15,774
IV. Derivatives	26,523	31,365	38,107
V. Fair value revaluation of portfolio hedge	81	(206)	121
VI. Debt securities	188,598	204,013	202,519
VII. Subordinated debts	4,934	4,885	4,616
VIII. Technical provisions of insurance companies	12,480	15,071	16,444
IX. Provisions and other obligations	1,368	1,353	1,332
X. Tax liabilities	1,313	778	807
XI. Other liabilities	7,981	7,249	8,429
XII. Liabilities included in disposal groups held for sale	1,476	0	10
<b>Total liabilities</b>	<b>551,349</b>	<b>588,170</b>	<b>602,417</b>
<b>EQUITY</b> <i>in millions of EUR</i>			
XIV. Subscribed capital	5,238	5,307	5,307
XV. Additional paid-in capital	10,229	10,399	10,399
XVI. Treasury shares	1	(176)	(389)
XVII. Reserves and retained earnings	(1,030)	(1,951)	582
XVIII. Net income for the period	720	2,533	289
<b>Core shareholders' equity</b>	<b>15,158</b>	<b>16,112</b>	<b>16,188</b>
XIX. Gains and losses not recognized in the statement of income	1,863	(1,587)	(6,659)
<b>Total shareholders' equity</b>	<b>17,021</b>	<b>14,525</b>	<b>9,529</b>
XX. Minority interests	1,735	1,754	1,762
XXI. Discretionary participation features of insurance contracts	375	115	0
<b>Total equity</b>	<b>19,131</b>	<b>16,394</b>	<b>11,291</b>
<b>Total liabilities and equity</b>	<b>570,480</b>	<b>604,564</b>	<b>613,708</b>

(1) As explained in Note I. 2.3 Changes in presentation, an amount of EUR 7,069 million as of March 31, 2007 has been reclassified from III. Financial liabilities measured at fair value through profit or loss to II. Customer borrowings and deposits. This has no impact on the result of the period.

The notes on pages 50 to 56 are an integral part of these consolidated financial statements.

DEXIA – CONSOLIDATED STATEMENT OF INCOME		
<i>in millions of EUR</i>	March 31, 2007	March 31, 2008
I. Interest income	22,874	26,698
II. Interest expense	(21,838)	(25,334)
III. Dividend income	14	11
IV. Net income from associates	23	13
V. Net income from financial instruments at fair value through profit or loss	165	(356)
VI. Net income on investments	169	79
VII. Fee and commission income	449	450
VIII. Fee and commission expense	(78)	(81)
IX. Premiums and technical income from insurance activities	1,176	1,965
X. Technical expense from insurance activities	(1,183)	(1,960)
XI. Other net income	14	14
<b>Income</b>	<b>1,785</b>	<b>1,499</b>
XII. Staff expense	(468)	(475)
XIII. General and administrative expense	(287)	(295)
XIV. Network costs	(92)	(92)
XV. Depreciation & amortization	(67)	(71)
XVI. Deferred acquisition costs	(12)	(9)
<b>Expenses</b>	<b>(926)</b>	<b>(942)</b>
<b>Gross operating income</b>	<b>859</b>	<b>557</b>
XVII. Impairment on loans and provisions for credit commitments	(23)	(288)
XVIII. Impairment on tangible and intangible assets	0	1
XIX. Impairment on goodwill	0	0
<b>Net income before tax</b>	<b>836</b>	<b>270</b>
XX. Tax expense	(93)	47
<b>Net income</b>	<b>743</b>	<b>317</b>
Attributable to minority interest	23	28
Attributable to equity holders of the parent	720	289
<i>in EUR</i>		
Earnings per share		
- basic	0.62	0.25
- diluted	0.61	0.25

The notes on pages 50 to 56 are an integral part of these consolidated financial statements.

DEXIA – CONSOLIDATED STATEMENT OF CHANGE IN EQUITY						
<b>CORE SHAREHOLDERS' EQUITY</b>	Subscribed capital	Additional paid-in capital	Treasury shares	Reserves and retained earnings	Net income for the period	Core shareholders' equity
<i>in millions of EUR</i>						
As of Dec. 31, 2006	5,238	10,229	(1)	(3,783)	2,750	14,433
<i>Movements of the period</i>						
- Trading activities on treasury shares			2			2
- Transfers to reserves				2,750	(2,750)	0
- Share-based payments: value of employee services				3		3
- Net income for the period					720	720
As of March 31, 2007	5,238	10,229	1	(1,030)	720	15,158
<b>GAINS AND LOSSES NOT RECOGNIZED IN THE STATEMENT OF INCOME</b>	Gains and losses not recognized in the statement of income				Cumulative translation adjustments	Total gains and losses
<i>in millions of EUR</i>	Subsidiaries held for sale	Securities (AFS)	Derivates (CFH)	Associates (AFS, CFH and CTA)	adjustments (CTA)	Group share
As of Dec. 31, 2006	1	1,958	10	15	(118)	1,866
<i>Movements of the period</i>						
- Net change in fair value through equity – Available for sale investments		165			2	167
- Net change in fair value through equity – Cash flow hedges			88			88
- Net change in fair value due to transfers to income – Cash flow hedges			(3)			(3)
- Translation adjustments		(3)			3	
- Cancellation of FV following AFS disposals		(255)				(255)
- Transfers	(2)	1	1			
As of March 31, 2007	(1)	1,866	96	17	(115)	1,863
<b>MINORITY INTERESTS</b>	Core equity	Gains and losses not recognized in the statement of income	Minority interests	<b>DISCRETIONARY PARTICIPATION FEATURES OF INSURANCE CONTRACTS</b>		
<i>in millions of EUR</i>				<i>in millions of EUR</i>		
As of Dec. 31, 2006	1,664	46	1,710			426
<i>Movements of the period</i>						
- Dividends	(3)		(3)			
- Net income for the period	23		23			
- Net change in fair value through equity		6	6			(50)
- Cancellation of FV following AFS disposals		(1)	(1)			(1)
- Translation adjustments		1	1			
- Others	(1)		(1)			
As of March 31, 2007	1,683	52	1,735			375
<b>Core shareholders' equity</b>						15,158
<b>Gains and losses not recognized in the statement of income attributable to equity holders of the parent</b>						1,863
<b>Minority interests</b>						1,735
<b>Discretionary participation features of insurance contracts</b>						375
<b>TOTAL EQUITY as of March 31, 2007</b>						19,131

The notes on pages 50 to 56 are an integral part of these consolidated financial statements.

DEXIA – CONSOLIDATED STATEMENT OF CHANGE IN EQUITY						
<b>CORE SHAREHOLDERS' EQUITY</b>	Subscribed capital	Additional paid-in capital	Treasury shares	Reserves and retained earnings	Net income for the period	Core shareholders' equity
<i>in millions of EUR</i>						
As of Dec. 31, 2007	5,307	10,399	(176)	(1,951)	2,533	16,112
<i>Movements of the period</i>						
- Acquisition of treasury shares			(202)			(202)
- Trading activities on treasury shares			(11)	(1)		(12)
- Transfers to reserves				2,533	(2,533)	
- Share-based payments: value of employee services				4		4
- Variation of consolidation scope				(3)		(3)
- Net income for the period					289	289
As of March 31, 2008	5,307	10,399	(389)	582	289	16,188
<b>GAINS AND LOSSES NOT RECOGNIZED IN THE STATEMENT OF INCOME</b>		Gains and losses not recognized in the statement of income			Cumulative translation adjustments	Total gains and losses Group share
<i>in millions of EUR</i>		Securities (AFS)	Derivates (CFH)	Associates (AFS, CFH and CTA)	(CTA)	
As of Dec. 31, 2007		(1,490)	74	(24)	(147)	(1,587)
<i>Movements of the period</i>						
- Net change in fair value through equity – Available for sale investments		(4,395)		(54)		(4,449)
- Net change in fair value through equity – Cash flow hedges			(129)			(129)
- Cancellation of FV following AFS disposals		(101)				(101)
- Translation adjustments		168	17		(578)	(393)
As of March 31, 2008		(5,818)	(38)	(78)	(725)	(6,659)
<b>MINORITY INTERESTS</b>	Core equity	Gains and losses not recognized in the statement of income	Minority interests	<b>DISCRETIONARY PARTICIPATION FEATURES OF INSURANCE CONTRACTS</b>		
<i>in millions of EUR</i>				<i>in millions of EUR</i>		
As of Dec. 31, 2007	1,721	33	1,754			115
<i>Movements of the period</i>						
- Increase of capital	39		39			
- Dividends	(5)		(5)			
- Net income for the period	28		28			
- Net change in fair value through equity		(56)	(56)			(115)
- Cancellation of FV following AFS disposals		2	2			
- Translation adjustments		1	1			
- Variation of scope of consolidation	(1)		(1)			
As of March 31, 2008	1,782	(20)	1,762			0
Core shareholders' equity						16,188
Gains and losses not recognized in the statement of income attributable to equity holders of the parent						(6,659)
Minority interests						1,762
Discretionary participation features of insurance contracts						0
<b>TOTAL EQUITY as of March 31, 2008</b>						<b>11,291</b>

The notes on pages 50 to 56 are an integral part of these consolidated financial statements.

DEXIA – CONSOLIDATED CASH FLOW STATEMENT		
	March 31, 2007	March 31, 2008
<b>Cash flow from operating activities</b>		
Net income after income taxes	743	317
<i>Adjustment for:</i>		
- Depreciation, amortization and other impairment	73	77
- Impairment on bonds, equities, loans and other assets	(22)	28
- Net gains on investments	(90)	(68)
- Charges for provisions (mainly insurance provision)	655	1,442
- Unrealized gains or losses	(33)	28
- Income from associates	(23)	(13)
- Dividends from associates	0	1
- Deferred taxes	29	(91)
- Other adjustments	(1)	4
Changes in operating assets and liabilities	12,160	14,368
<b>Net cash provided (used) by operating activities</b>	<b>13,491</b>	<b>16,093</b>
<b>Cash flow from investing activities</b>		
Purchase of fixed assets	(114)	(108)
Sales of fixed assets	44	14
Acquisitions of unconsolidated equity shares	(318)	(1,544)
Sales of unconsolidated equity shares	447	1,046
Acquisitions of subsidiaries and of business units	(1)	(1)
Sales of subsidiaries and of business units	0	0
<b>Net cash provided (used) by investing activities</b>	<b>58</b>	<b>(593)</b>
<b>Cash flow from financing activities</b>		
Issuance of new shares	0	65
Issuance of subordinated debts	743	0
Reimbursement of subordinated debts	(121)	(195)
Purchase of treasury shares	0	(203)
Sale of treasury shares	0	1
Dividends paid	(3)	(5)
<b>Net cash provided (used) by financing activities</b>	<b>619</b>	<b>(337)</b>
<b>Net cash provided</b>	<b>14,168</b>	<b>15,163</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>57,941</b>	<b>51,603</b>
Cash flow from operating activities	13,491	16,093
Cash flow from investing activities	58	(593)
Cash flow from financing activities	619	(337)
Effect of exchange rate changes and change in scope of consolidation on cash and cash equivalents	(10)	(479)
<b>Cash and cash equivalents at the end of the period</b>	<b>72,099</b>	<b>66,287</b>
<b>Additional information</b>		
Income tax paid	(115)	(72)
Dividends received	15	12
Interest received	23,322	25,085
Interest paid	(23,607)	(25,047)

The notes on pages 50 to 56 are an integral part of these consolidated financial statements.

## NOTE I. ACCOUNTING PRINCIPLES AND RULES OF THE CONSOLIDATED FINANCIAL STATEMENTS

*These financial statements include the disclosures required by the European Accounting Regulation published until March 31, 2008. Additional accounting policies and disclosures may be required in order to comply with local laws, accounting standards and stock exchange regulations.*

### GENERAL INFORMATION

Dexia provides financial services to the local public sector and is one of the world's largest players in Public/Project Finance and Credit Enhancement. In Europe, Dexia offers retail and private banking services but also asset management and insurance services.

The parent company of the Group is Dexia SA, which is a limited liability company and is incorporated and domiciled in Belgium. The address of its registered office is: Place Rogier 11 – B-1210 Brussels (Belgium).

Dexia is listed on the Euronext Stock Exchange in Paris and in Brussels and also on the Luxembourg Stock Exchange.

These financial statements have been approved for issue by the Board of Directors on May 13, 2008.

### NOTES TO THE FINANCIAL STATEMENTS

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below.

The common used abbreviations below are:

- ARC: Accounting Regulatory Committee
- EFRAG: European Financial Reporting Advisory Group
- EU GAAP: International Financial Reporting Standards as adopted by the European Union (EU)
- IASB: International Accounting Standards Board
- IFRIC: International Financial Reporting Interpretations Committee
- IFRS: International Financial Reporting Standard

### ACCOUNTING POLICIES

#### 1. Basis of accounting

The consolidated financial statements of Dexia are prepared in accordance with all IFRSs as adopted by the EU.

The European Commission published Regulation EC 1606/2002 on July 19, 2002, requiring listed groups to apply IFRS as from January 1, 2005. This regulation has been updated several times since 2002, validating the various texts published by the IASB with the exception of certain rules included in IAS 39.

The European Commission carved out some paragraphs of IAS 39 with the objective of enabling European companies to reflect appropriately in their consolidated financial statements the economic hedges they make in the management of their interest rate risk exposure.

Dexia's financial statements have therefore been prepared "in accordance with all IFRSs as adopted by the EU" and endorsed by the EC up to March 31, 2008, including the conditions of application of interest rate portfolio hedging and the possibility to hedge core deposits.

The consolidated financial statements are stated in millions of euro (EUR) unless otherwise stated.

This interim report for the period ended March 31, 2008 is prepared in accordance with IAS 34 Interim Financial Reporting.

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect amounts reported. While management believes they have considered all available information in developing these estimates, actual results may differ from such estimates and the differences could be material to the financial statements.

Judgments and estimates are principally made in the following areas:

- Estimation of the recoverable amount of impaired assets.
- Determination of fair values of non-quoted financial instruments.
- Determination of the useful life and the residual value of property, plant and equipment, investment property and intangible assets.

- Measurement of liabilities for insurance contracts.
- Actuarial assumptions related to the measurement of employee benefits obligations and plan assets.
- Estimation of present obligations resulting from past events in the recognition of provisions.

## 2. Changes in accounting policies since the previous annual publication that may impact Dexia Group

### 2.1 New IFRS standards, IFRIC interpretations and amendments

The IASB published two revised standards which will replace existing standards and will be both applicable as from July 1, 2009.

- IFRS 3 Business combinations, which replaces the standard as issued in 2004.

The revision of this standard impacts Dexia for several reasons:

Dexia can no longer capitalize acquisition-related costs as part of the cost of the business acquired.

In case of a step-acquisition, Dexia will first remeasure the existing associate to fair value, recognizing the fair value adjustments to previously recognized assets and liabilities in profit or loss.

For each investment with a non-controlling interest in an acquired entity, Dexia has the possibility to make an option for the "full goodwill method".

For new acquisitions, an analysis will be required to determine whether or not a contingent liability of the acquiree is a present obligation.

- IAS 27 Consolidated and separate financial statements.

Changes in a parent's controlling ownership of a subsidiary will have no impact on profit or loss but will impact equity. This method is already applied by Dexia.

The IASB also issued two amendments to the existing standards, which will be both applicable as from January 1, 2009:

- Amendment to IFRS 2 – Vesting conditions and cancellations.
- Amendment to IAS 32 and IAS 1 – Puttable financial instruments and obligations.

These two amendments have no major impact for Dexia.

### 2.2 IASB and IFRIC texts endorsed by the European Commission

None

### 2.3 Changes in presentation

*Reclassification of some liabilities designated at fair value through profit or loss*

FSA raises funds by providing guaranteed investment contracts (GICs) to different issuers. Assets and liabilities are either naturally indexed to Libor or converted to Libor via interest rate hedging instruments to minimize interest rate risk and create a stable net interest margin contribution to income. During its analysis of the impact of SFAS 157 on its financial statements as from January 1, 2008, FSA noted that a part of some liabilities hedged were classified under "Liabilities designated at fair value through profit or loss" whereas the management intention and the related documentation were to hedge only the interest risk. Therefore, a part of these liabilities were reclassified to "Customers deposits". This reclassification has no impact on the result of the period, nor on the result of the previous year.

## NOTE II. SIGNIFICANT CHANGES IN SCOPE OF CONSOLIDATION

### AS OF MARCH 31, 2007

As of March 13, 2007 Dexia and Ethias signed an agreement for the sale of Belstar Assurances SA. According to this, as at March 31, 2007 Belstar was recorded in "Non current assets held for sale" and in "Liabilities included in disposal groups held for sale" for amounts around EUR 0.7 billion.

### AS OF MARCH 31, 2008

No major variation in the scope of consolidation occurred during the first quarter of 2008.

## NOTE III. BUSINESS AND GEOGRAPHIC REPORTING

BUSINESS REPORTING						
<i>in millions of EUR</i>	Public/Project Finance and Credit Enhancement	Personal Financial Services	Asset Management and Investor Services	Treasury and Financial Markets	Non allocated - Central Assets	Dexia
<b>As of March 31, 2007</b>						
Income	672	662	167	217	67	1,785
<i>of which Net income from associates</i>	8	11	0	0	4	23
<b>Net income before tax</b>	<b>439</b>	<b>189</b>	<b>66</b>	<b>164</b>	<b>(22)</b>	<b>836</b>
<b>As of March 31, 2008</b>						
Income	504	720	164	122	(11)	1,499
<i>of which Net income from associates</i>	5	3	0	0	5	13
<b>Net income before tax</b>	<b>57</b>	<b>219</b>	<b>53</b>	<b>66</b>	<b>(125)</b>	<b>270</b>

To enable comparisons, figures as of March 31, 2007 were restated following changes in the segment reporting as of January 1, 2008. The details about these modifications have been published on April 18, 2008 on [www.dexia.com](http://www.dexia.com).

Relations between business lines, and especially between commercial business lines, financial markets and production and service centers are subject to retrocessions and/or analytical transfers, governed by service level agreements based on normal commercial terms and market conditions. The results of each business line also include:

- the earnings from commercial transformation, including the management costs of this transformation and the Group equity allocated to this activity on the basis of medium and long-term outstanding;

- interest on economic capital: economic capital is allocated to the business lines for internal purposes and the return on economic capital is used to measure the performance of each business line;
- funding cost.

Tangible and intangible assets are allocated to "Non allocated - Central Assets" except when they are directly managed by a commercial or financial business line.

GEOGRAPHIC REPORTING					
<i>in millions of EUR</i>	Euro zone <sup>(1)</sup>	Rest of the Europe	USA	Rest of the world <sup>(2)</sup>	Dexia
<b>As of March 31, 2007</b>					
<b>Net income before tax</b>	<b>571</b>	<b>45</b>	<b>148</b>	<b>72</b>	<b>836</b>
<b>As of March 31, 2008</b>					
<b>Net income before tax</b>	<b>535</b>	<b>28</b>	<b>(360)</b>	<b>67</b>	<b>270</b>

(1) Countries using the euro currency.

(2) Including Turkey.

Geographic reporting is done based on booking centers, being the country of the company having recorded the transaction, and not the country of the customers.

## NOTE IV. CONTRIBUTION BY ACTIVITY - INCOME

CONTRIBUTION BY ACTIVITY								
	March 31, 2007				March 31, 2008			
	Banking and other activities	FSA	Other insurance <sup>(1)</sup>	Total	Banking and other activities	FSA	Other insurance <sup>(1)</sup>	Total
Interest margin	872	51	113	1,036	1,173	55	136	1,364
Dividend income	10	1	3	14	6	0	5	11
Net income from associates	23	0	0	23	13	0	0	13
Net income from financial instruments at fair value through profit or loss	170	(4)	(1)	165	(25)	(331)	0	(356)
Net income on investments	105	1	63	169	49	2	28	79
Net fees and commissions	360	(1)	12	371	360	(1)	10	369
Premiums and technical income from insurance activities	4	117	1,055	1,176	3	109	1,853	1,965
Technical expense from insurance activities	(2)	(41)	(1,140)	(1,183)	(1)	(38)	(1,921)	(1,960)
Other net income	13	1	0	14	14	1	(1)	14
<b>Income</b>	<b>1,555</b>	<b>125</b>	<b>105</b>	<b>1,785</b>	<b>1,592</b>	<b>(203)</b>	<b>110</b>	<b>1,499</b>
Staff expense	(429)	(13)	(26)	(468)	(439)	(10)	(26)	(475)
General and administrative expense	(264)	(7)	(16)	(287)	(271)	(7)	(17)	(295)
Network costs	(77)	0	(15)	(92)	(76)	0	(16)	(92)
Depreciation & amortization	(64)	(1)	(2)	(67)	(68)	(1)	(2)	(71)
Deferred acquisition costs	0	(12)	0	(12)	0	(9)	0	(9)
<b>Expenses</b>	<b>(834)</b>	<b>(33)</b>	<b>(59)</b>	<b>(926)</b>	<b>(854)</b>	<b>(27)</b>	<b>(61)</b>	<b>(942)</b>
<b>Gross operating income</b>	<b>721</b>	<b>92</b>	<b>46</b>	<b>859</b>	<b>738</b>	<b>(230)</b>	<b>49</b>	<b>557</b>
Impairment on loans and provisions for credit commitments	(20)	(3)	0	(23)	(91)	(197)	0	(288)
Impairment on tangible and intangible assets	0	0	0	0	1	0	0	1
Impairment on goodwill	0	0	0	0	0	0	0	0
<b>Net income before tax</b>	<b>701</b>	<b>89</b>	<b>46</b>	<b>836</b>	<b>648</b>	<b>(427)</b>	<b>49</b>	<b>270</b>
Tax expense	(69)	(22)	(2)	(93)	(110)	158	(1)	47
<b>Net income</b>	<b>632</b>	<b>67</b>	<b>44</b>	<b>743</b>	<b>538</b>	<b>(269)</b>	<b>48</b>	<b>317</b>
Attributable to minority interest	22	1	0	23	29	(2)	1	28
Attributable to equity holders of the parent	610	66	44	720	509	(267)	47	289

(1) Dexia Insurance Belgium Group and Deniz Hayat Sigorta (as from June 2007).

## NOTE V. EXCHANGE RATES

		EXCHANGE RATES				
		Closing rate			Average rate	
		March 31, 2007	Dec. 31, 2007	March 31, 2008	March 31, 2007	March 31, 2008
Canadian dollar	CAD	1.5332	1.4439	1.6290	1.5397	1.5372
New Turkish lira	TRY	1.8383	1.7060	2.0643	1.8442	1.8699
US dollar	USD	1.3305	1.4718	1.5861	1.3171	1.5285

## NOTE VI. SIGNIFICANT ITEMS INCLUDED IN THE NET INCOME

Reported amounts are significant and unusual transactions and not only large transactions. They therefore do not include results on sales of securities nor provisions thereon or on customers. All amounts are reported before tax.

The Dutch Supreme Court has ruled on March 28, 2008 that spouse consent is mandatory to enter into share-leasing agreements. The financial consequences of this final judgment for Dexia are expected to amount to about EUR 32 million which was provided for.

The financial crisis leads to an increase in credit spread resulting in additional negative mark-to-market of the CDS of FSA for an amount of EUR 335 million while the CDS purchased within the framework of the synthetic securitizations Dublin Oak and Wise lead to a positive mark-to-market of EUR 243 million.

Due to the continuous deterioration of the mortgage environment in the USA, FSA recorded a net provision of EUR 197 million.

All non-operating items are reported in the Financial Report on page 10.

## NOTE VII. POST-BALANCE-SHEET EVENTS

A gross dividend of EUR 0.91 per share will be proposed at the Ordinary Shareholders' Meeting on May 14, 2008. The payment date of the dividend is May 22, 2008.

Dexia announced that it will provide about TRY 400 million (about EUR 200 million) additional capital to DenizBank. These resources will add capacity for DenizBank to finance its superior and profitable growth in the strongly developing Turkish banking market.

## NOTE VIII. SOLVENCY

COMPARISON TOTAL EQUITY (FINANCIAL STATEMENTS) AND TOTAL EQUITY AS CALCULATED FOR REGULATORY REQUIREMENTS				
	Dec. 31, 2007		March 31, 2008	
	Financial statements	Regulatory purposes	Financial statements	Regulatory purposes
Total shareholders' equity	14,525	14,525	9,529	9,529
Minority interests	1,754	1,749	1,762	1,765
<i>of which Core equity</i>	1,721	1,711	1,782	1,771
<i>of which Gains and Losses not recognized in the statement of income</i>	33	38	(20)	(6)
Discretionary participation features of insurance contracts	115	0	0	0
<b>Total equity</b>	<b>16,394</b>	<b>16,274</b>	<b>11,291</b>	<b>11,294</b>

For regulatory purposes, insurances companies are accounted for by the equity method. Therefore, minority interests differ from those published in the Financial statements. Discretionary Participation Features only relate to insurance companies.

REGULATORY CAPITAL, TOTAL WEIGHTED RISKS AND SOLVENCY RATIOS		
	Dec. 31, 2007 Basel I	March 31, 2008 Basel II
<b>Total regulatory capital (after profit appropriation)</b>	<b>15,345</b>	<b>14,533</b>
<b>Tier 1 capital</b>	<b>14,549</b>	<b>13,483</b>
Total shareholders' equity	14,525	9,529
Minority interests <sup>(1)</sup>	552	567
Assumed dividend payout to shareholders and minority interests (pro rata for the period)	(1,080)	(1,346)
Other	136	137
Elements deducted from Tier 1 capital: Intangible fixed assets and goodwill	(2,385)	(2,215)
Elements of equity not eligible as regulatory Tier 1 capital		
- AFS Revaluation reserve	(1,019)	(4,129)
- Cash Flow Hedge reserve	72	(43)
- Gains and losses not recognized in the statement of income of associates and of subsidiaries held for sale <sup>(2)</sup>	(493)	(1,763)
- Short position on treasury shares	6	1
- Own credit risk	21	34
- Minority interests in AFS reserve and hedging reserve	35	(9)
Items to be deducted from Tier 1 capital <sup>(3)</sup>	0	(521)
Hybrid regulatory Tier 1 capital <sup>(4)</sup>	1,423	1,423
<b>Tier 2 capital</b>	<b>4,362</b>	<b>4,003</b>
Perpetuals	767	728
Subordinated liabilities	3,053	2,856
Revaluation reserve AFS Shares (shareholders and minority interests) <sup>(5)</sup>	542	306
IRB provision excess (+) / shortfall (-)	na	113
<b>Items to be deducted from total regulatory own funds<sup>(3)</sup></b>	<b>(3,566)</b>	<b>(2,953)</b>

- (1) On a regulatory approach, the amounts booked in minority interests and eligible as hybrid regulatory Tier 1 capital are presented separately. As of December 31, 2007 and as of March 31, 2008 EUR 1,198 million eligible as hybrid regulatory Tier 1 capital are included in minority interests' core equity.
- (2) Mainly insurance companies (FSA and DIS Group) and credit institutions as Crédit du Nord and KommunalKredit Austria.
- (3) As from March 31, 2008, holdings in credit and financial institutions amounting to more than 10% of their capital must be deducted in equal part, from Tier 1 capital and from total regulatory own funds. However, this rule is not applicable for insurance companies before January 1, 2013. Until then, the value of the holding in insurance companies will still be deducted from total regulatory own funds (mainly FSA and DIS). Subordinated claims emitted by credit and financial institutions in which holdings exceeds 10% of their capital are deducted in equal part, from Tier 1 capital and from total regulatory own funds.
- (4) This amount is the result of three operations:
- undated deeply subordinated non-cumulative Notes for EUR 700 million, issued by Dexia Crédit Local and booked in Minority interests;
  - undated subordinated non-cumulative Notes for EUR 500 million, issued by Dexia Funding Luxembourg and booked in Minority interests for EUR 498 million;
  - hybrid capital issued by Dexia BIL on July 6, 2001 for an amount of EUR 225 million bearing an interest of 6.821% and booked in Subordinated debts in the financial statements.
- (5) Belgian regulator recognizes 90% of net of tax available for sale reserve on equities as additional own funds, if positive; otherwise, it should be deducted from Tier 1 capital.

<b>Weighted risks</b>	<b>159,383</b>	<b>120,113</b>
Credit risk	153,504	105,094
Market risk	5,879	5,923
Operational risk	0	9,096
<b>Solvency ratio's</b>		
Tier 1 ratio	9.1%	11.2%
Capital Adequacy Ratio	9.6%	12.1%

## NOTE IX. LITIGATIONS

### 1. UPDATE OF THE DISCLOSURE CONCERNING SHARE LEASING

Reference is made to the detailed disclosure in the Dexia Annual Report 2007 (especially pages 82 to 85) and in the Activity Reports published during the year 2007, which are available on [www.dexia.com](http://www.dexia.com).

On March 28, 2008, the Dutch Supreme Court has rendered an important judgment, dismissing the appeal of Dexia Bank Nederland NV (DBnl) in respect of the so-called spouse consent matter. According to this judgment, a securities leasing contract is a form of hire purchase instalment plan falling within article 1:88 of the Netherlands Civil Code, which means that the spouse of the client had to give written consent to his or her partner for entering into such a contract. Therefore, spouses who sent DBnl a so-called nullification letter within the prescription period of three years as from the moment the spouse was aware of the existence of the contract, and who did not accept a settlement (like the Dexia Offer or the Duisenberg Arrangement), can indeed invoke the nullification of the contract of the client. The effect of this nullification is that DBnl will have to reimburse to these clients and their spouses all sums paid by them, minus all sums already paid by DBnl (dividends etc.), increased with legal interest. The financial consequences of this judgment are expected to amount to EUR 32 million. A provision for this amount has been recorded in these 1Q 2008 results. However, since the precise prescription period will have to be determined case by case, taken into account all individual circumstances of every case, the final financial outcome might exceed the amount of the provision.

DBnl opposes the April 27, 2007 "standard decisions" of the Amsterdam Sub-District Court in respect of especially duty of care. In several judgments, the Amsterdam Court of Appeal has decided that interest paid should not be considered as part of the damage of the client, but the Amsterdam Sub-District Court continues to stick to a broader definition of relevant damage. Therefore, DBnl has issued and will have to continue to issue more appeals in this respect to the Amsterdam Court of Appeal. Duty of care issues, including the correct definition of relevant damage, will be part of judgments by the Dutch Supreme Court which are expected to be rendered in the second half of 2008. The provisions of DBnl are based on the costs of the Duisenberg Arrangement and not on the "standard decisions" of the Amsterdam Sub-District Court.

On March 31, 2008, DBnl is still involved in over 4,200 civil court cases, involving more than 5,000 clients. However, the number of clients in proceedings decreased rapidly in this quarter and will continue to decrease because of settlements and because of cancellations of court cases after DBnl paid sums due in respect of aforementioned spouse judgment of the Dutch Supreme Court.

### 2. UPDATE OF THE DISCLOSURE CONCERNING LERNOUT & HAUSPIE

Dexia is concerned in various ways with the bankruptcy of Lernout & Hauspie Speech Products (LHSP) and the consequences thereof. This was described in detail in Dexia's Annual Report 2007 (especially pages 146-147), which is available on [www.dexia.com](http://www.dexia.com).

Dexia Bank still considers it has serious grounds for contesting all charges and once again underlines its innocence in this matter.

During the first quarter of 2008, the following relevant events occurred.

#### The criminal proceedings in Belgium

The criminal proceedings before the Ghent Court of Appeal resumed in January 2008 with the defendants arguing their case. In the meantime, all defendants have pleaded their case.

The proceedings are currently suspended until September 22, 2008. Finally, probably by the end of December, the case will be taken into consideration by the Court. A judgment is therefore not to be expected before the end of the year.

#### Proceedings in the USA, the Netherlands and Luxembourg

No important developments took place in these proceedings during the first quarter of 2008.

## LIMITED REVIEW REPORT ON THE CONSOLIDATED QUARTERLY FINANCIAL INFORMATION FOR THE QUARTER ENDED MARCH 31, 2008

To the Board of Directors

We have performed a limited review of the accompanying condensed consolidated interim financial information, including the consolidated balance sheet, income statement, cash flow statement, statement of changes in equity and notes related thereto (jointly the "interim financial information") of Dexia SA ("the company") and its subsidiaries (jointly "the Group") for the quarter ended March 31, 2008 as included on pages 44 – 56 of Dexia's Financial Report 1Q 2008. The Board of Directors of the company is responsible for the preparation and fair presentation of this interim financial information. Our responsibility is to express a conclusion on this interim financial information based on our review.

The interim financial information has been prepared in accordance with IAS 34.

Our limited review of the interim financial information was conducted in accordance with the recommended auditing standards on limited reviews applicable in Belgium, as issued by the "Institut des Reviseurs d'Entreprises/Instituut der Bedrijfsrevisoren". A limited review consists of making inquiries of group management and applying analytical and other review procedures to the interim financial information and underlying financial data. A limited review is substantially less in scope than an audit performed in accordance with the auditing standards on consolidated annual accounts as issued by the "Institut des Reviseurs d'Entreprises/Instituut der Bedrijfsrevisoren". Accordingly, we do not express an audit opinion.

Based on our limited review nothing has come to our attention that causes us to believe that the interim financial information for the quarter ended March 31, 2008 is not prepared, in all material respects, in accordance with legal and regulatory requirements and IAS 34 "Interim Financial Reporting".

May 14, 2008

The Statutory Auditor

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DELOITTE Bedrijfsrevisoren/Reviseurs d'Entreprises  
SC s.f.d. SCRL  
Represented by Frank Verhaegen

DELOITTE Bedrijfsrevisoren/Reviseurs d'Entreprises  
SC s.f.d. SCRL  
Represented by Bernard De Meulemeester

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## FINANCIAL CALENDAR

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### **DATES**

May 22, 2008

August 29, 2008

November 14, 2008

February 26, 2009

May 13, 2009

May 13, 2009

### **EVENTS**

Payment of the 2007 dividend; ex-dividend date

Results publication – June 30, 2008

Results publication – September 30, 2008

Results publication – December 31, 2008

Results publication – March 31, 2009

Annual Shareholders' Meeting

