

Address by Mr J.-L. Dehaene, Chairman of the Board of Directors

I would like to welcome you on behalf of the Board of Directors, and thank you for the interest you have shown in the Dexia Group over many years. I greet all our shareholders, present here or linked via the Internet: our permanent shareholders, individual shareholders, employee shareholders and institutional investors.

The General Meeting is an occasion for dialogue and direct exchange between the company and its shareholders.

Against that background, the Chief Executive Officer and I would like to set out the major issues and the challenges we face and indicate how with the Board of Directors and the executive team we will deal with them.

It is for me now to report on the work of the Board of Directors and the major decisions it has taken in 2008 and the beginning of 2009. I would also like to explain how the Board of Directors, of which I have the honour of being Chairman and which acts in the interest of all the shareholders, will carry out its tasks.

The Chief Executive Officer will present the results for 2008 for the approval of this meeting, those for the first quarter 2009 and the outlook for the Group.

1) The macroeconomic background

I would like to begin with a few words on the economic background to the Group's activities in 2008.

That year was marked by a deep and severe crisis which rocked the financial markets and had an adverse effect on Dexia.

Without returning to the details and the complex entanglement of causes leading to this disruption, it is possible without too much simplification to recall that this was a double shock:

- Firstly a credit crisis, resulting in a global deterioration of asset values, principally driven by the real estate markets inflated by too much debt. Accentuated by a generalised loss of confidence, the collapse in value of those assets then resulted indirectly in a loss in the accounts via write-downs, and more directly by disposals at a loss
- Then a liquidity crisis: without indicators or confidence, the usual lenders to the market were lending no more, either to companies or between themselves, to the point that the interbank market itself dried up completely, around the world, forcing central banks to intervene massively to feed banks with liquidities.

The announcement, at the beginning of the autumn, of the failure of the US bank Lehman Brothers was a brutal reminder of the imbalances in the financial sector, and these did not spare our Group.

In view of its severity, this financial crisis had repercussions on economic activity as a whole. The entry of the United States into recession was confirmed and the European economic slowdown was more pronounced than forecast.

The figures from the European Statistics Office, Eurostat, show us that Gross Domestic Product (GDP) of the 27 members of the European Union fell by 1.5% in the fourth quarter 2008 compared to the previous quarter.

The European Commission reviewed its economic prospects and announced, at the beginning of May, that it forecast a recession by 4% in the euro zone for the year 2009.

Against that background, the exposure of the European financial sector to the risks of the US market weakened the confidence of market operators in the robustness of the sector overall and the contraction of the interbank market which followed led, at the end of September, to the intense solvency and liquidity crisis which confronted Dexia.

A first measure was implemented as a matter of urgency: our historic shareholders and the French and Belgian governments contributed 6 billion euros to the Dexia capital increase announced on 30 September 2008, in order to re-establish the Group's solvency.

This injection of capital enabled the Group's strong solvency position to be guaranteed, whilst taking account of the impacts of severe market volatility, its impact on the valuation of portfolios and the general deterioration of the solvency of certain bank counterparts.

Then, at the beginning of October 2008, the French, Belgian and Luxembourg governments granted their guarantees in order to ensure the liquidity of the Group. These guarantees cover the liabilities of Dexia SA, Dexia Bank Belgium, Dexia Crédit Local and Dexia Banque Internationale à Luxembourg to credit establishments and institutional counterparts, as well as the bonds and other debt securities issued and intended for those same counterparts.

These guarantees, which thus support the activity of the Group as a whole, enabled an assurance to be given to depositors that Dexia would have sufficient liquidity to cover its liabilities to its clients.

This unprecedented financial crisis also reminded financial institutions of the fundamental disciplines vital to the banking sector and the urgent necessity of ensuring even stricter monitoring of risks.

P. Mariani and I buckled down to our tasks as soon as we took up office, with the entire Board of Directors and a revitalised management team.

Our aim was and is to redefine the healthy bases upon which to build the future of Dexia, with an in-depth plan to transform the Group, which will enable us to adapt the company to its new market environment.

2) Let us now look at the work of the Board of Directors

The appointment of the new duo of Chairman of the Board of Directors and Chief Executive Officer in October 2008 presented the opportunity to examine the methods of work and operation of the Group and the Board, with one major objective: to intensify and deepen the dialogue between the Board of Directors and senior executives on everything relating to the management of the risks to which the Group is exposed as a consequence of its activities, the monitoring of Group activities, the management of human resources and, more generally, the strategic alignment of the Group and its continuity.

During the exercise, the Board of Directors and its specialist committees examined numerous files, a detailed list of them appearing in the Annual Report.

Among the principal work of the Board of Directors, in addition to the capital increase and the implementation of the guarantees granted by the three governments I have already mentioned, I would like to deal in particular with the following.

- 1) The Board of Directors first of all decided to dispose of the insurance activity of FSA (finalisation of its sale is planned for the end of June 2009). It also decided to take the necessary steps to insulate the Group's exposure to the United States, in particular by the French and Belgian governments granting a guarantee intended to cover a major proportion of the assets in the Financial Products portfolio. Valued at USD 16.6 million at the end of March 2009, this portfolio has been divided into two parts:
 - (i) The first part of the portfolio is covered as follows: Dexia covers the initial losses up to an amount of USD 4.5 billion, knowing that USD 2.0 billion are already provisioned in the Group accounts as at 31 March 2009. Beyond that threshold of USD 4.5 billion, which we consider extreme, the governments will cover the losses up to USD 12.1 billion, and will be compensated by Dexia in ordinary or preference shares.
 - (ii) The second part, which is composed of a very high quality asset portfolio, 100% investment grade, has been excluded from the scope of the guarantee: Dexia does not expect many losses, if at any at all, from this part.

- 2) The Board of Directors also approved the Group's transformation plan, proposed by P. Mariani, which takes three fundamental lines for the future of Dexia:
 - The *first line* consists, in addition to the disposal of FSA, of reducing the risk profile by limiting market activities and ceasing own account trading activities;
 - The *second line* of the transformation plan aims at refocusing Dexia's activities on historic client franchises in the field of public

sector banking, retail banking and commercial banking, on the principal markets and in targeted geographic zones.

➤ **Finally**, the transformation plan also relies on a sharing of effort among employees, executives and shareholders:

- A plan to cut costs by 15% over three years has been put in place: the aim is to give Dexia the efficiency and agility vital to its profitable development. The workforce reduction, which is one aspect of this plan, is necessary to adapt our organisation to its new market environment and the refocusing of activities. This measure is undertaken in observance of the rules of social dialogue which have always prevailed within Dexia;
 - furthermore, the executives of the Group, namely the members of the Management Boards and Executive Committees of Dexia and the main operating entities of the Group have received no bonus in relation to the year 2008. For employees receiving contractual variable remuneration, the amounts of which are set in relation to individual performances, the global envelope has been reduced by more than 50%;
 - as for the Directors, they have decided to halve the fixed quota of their remuneration for 2009. The remuneration of the Chairman of the Board of Directors has also been considerably reduced;
 - finally, considering the net loss recorded for 2008, and exceptionally, the Board of Directors proposes to the present Shareholders Meeting that no dividend is paid to shareholders for 2008.
- 3) In order to implement this transformation plan and on the proposal of the Chief Executive Officer, the Board of Directors has appointed a new executive team: the composition of the Management Board has been reduced from ten to five members, all experienced bankers, in charge of commercial functions (PWB and R&B, risks (CRO) and finance (CFO));
- 4) The Board is also looking into Group results, the management of own funds, the liquidity position and risk management in the Group, all of which have been thoroughly discussed.

The Chief Executive Officer will deal in more detail with these subjects.

3) Strengthening Group governance and risk monitoring

Measuring the extent of its task, the Board of Directors has also put a great deal of effort into dealing with subjects of an increasingly technical nature and ensuring in-

depth monitoring of risks: against that background, the Board of Directors decided to strengthen the governance structure and to review the organisation of its work.

The Board of Directors has adapted its internal regulations in order to alter its tasks and the composition of its specialist committees.

The aim is to give Directors greater means to perform their tasks.

A. The Audit Committee

Firstly, the Board of Directors decided to alter the operation of the Audit Committee in order to strengthen risk monitoring.

The Audit Committee has therefore been split into two specialist committees: on the one hand the Accounts Committee and on the other hand the Internal Audit, Risks and Compliance Committee.

The aim is to permit each of these committees to examine and discuss in greater depth those topics and files which are presented to them.

These two committees [which together form the Audit Committee, in accordance with the new Law of 17 December 2008 establishing audit committees in listed companies and financial institutions] meet in joint sessions, each time this proves necessary, and at least once per annum before the annual accounts are drawn up, in order to deal with common subjects relating to the Group's risk and provisioning policies, and their impact on the accounts, or any other topical matter.

B. The Appointments and Remuneration Committee

The Board of Directors also decided to establish a single committee to deal with appointments and remuneration.

This committee is responsible for preparing for Board decisions in the fields of competence formerly attributed to the appointments committee and the remuneration committee, whilst taking account of recent developments in terms of governance, principally in Belgium and in France.

In this regard, the Board of Directors confirmed its undertaking strictly to observe the new recommendations of the Belgian Code of Corporate Governance, the AFEP-MEDEF recommendations and the orientations specified in Decree No 2009-348 recently passed in France. This undertaking relates to variable remuneration, the granting of stock options or free shares and the conditions of early departure.

C. Adaptation of the criteria of Directors' independence to the new and stricter criteria retained by the new Companies Code

The criteria retained by Dexia to qualify its independent Directors are aligned cumulatively to those defined in the Companies Code and Belgian and French Codes of Corporate Governance.

The Board of Directors decided to adapt these independence criteria in relation to the new criteria in the Companies Code, which are reinforced by the Law establishing audit committees in listed companies and financial institutions.

You will find the composition, competences and mode of operation of the specialist committees as well as the new independence criteria applied by Dexia SA in the chapter on “Corporate Governance” in the Annual Report.

4) A word on the results which will be commented upon more broadly by the Chief Executive Officer

For our company the 2008 financial year showed a loss at consolidated level of EUR 3.3 billion euros, reflected at Dexia company level by an income of EUR 844,700,000.

Considering the net loss recorded in the consolidated accounts for 2008, the Board of Directors proposes, exceptionally, that no dividend be distributed for that financial year.

5) To conclude, I would recall that the role of the Board of Directors is to act and to take decisions in the interest of all the shareholders. Our principal challenge is to restore the confidence held by shareholders in the company and to give them an improved outlook.

Most particularly I would like to thank the members of staff who, in this period of turbulence, have remained fully mobilised to find solutions, and to continue their work on the ground in close proximity to our clients.

The Board of Directors is convinced that we can overcome this extremely turbulent situation through the commitment of our teams, the support of our shareholders and the confidence of our clients.

Ladies and gentlemen, I thank you for your attention and now hand over to the Chief Executive Officer, Pierre Mariani.
