Press release

DEXIA

Regulated information * – Brussels, Paris, 11 May 2011 – 07:00 am

Net profit of EUR 69 million in 1Q 2011

Strong operational performance by the commercial business lines

Transformation plan ahead of schedule

Highlights

Net income Group share of EUR 69 million in 1Q 2011

- Strong commercial momentum supporting Core revenues, up by 8% on 1Q 2010
- 36% rise in the pre-tax income of the commercial business lines** on 1Q 2010
- Legacy Division revenues impacted by the sustained pace of transformation

Rapid progress with the financial restructuring of the Group in 1Q 2011

- More than half the 2011 disposal programme already completed
- Annual target for reduction of the short-term funding requirement reached
- Sharp reduction of the balance sheet by EUR 40 billion

Confirmation of the high level of solvency

- Tier 1 ratio at 13.4% and Core Tier 1 ratio at 12.3%

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

Jean-Luc Dehaene, Chairman of the Board of Directors, said: "*The first quarter 2011 continued in the direction taken in 2010, with Dexia's transformation. This transformation of our Group is a long-term process, marked by the search for security which remains an absolute priority. Our commercial refocusing and the strengthening of our financial structure enable us to remain more than ever a vital partner of the real economy, confirming our role as first lender to the local authorities in Belgium and an expert and selective operator in France. As for Retail and Commercial Banking, our contribution to financing the economy is reflected by an increase in outstanding loans by 9% year on year. This has been sustained by investments in our commercial networks in Belgium, Luxembourg and Turkey, which have further enabled us to improve the service we give to our clients.*"

Pierre Mariani, Chief Executive Officer and Chairman of the Management Board, said, "*The quarter's results reflect the excellent momentum of our commercial franchises. The net income for the first quarter 2011 bears the mark of an acceleration of the Group's transformation but is also witness to sustained commercial activity, with a rise of 36% in the pre-tax income of the commercial business lines in one year. That performance is supported in particular by solid results from Retail and Commercial Banking, Insurance and Investor Services, as well as the sound resistance of public sector loan activity and asset management. Our Tier 1 ratio has improved, to 13.4% at the end of March 2011, confirming our Group's high level of solvency.*"

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

During its meeting on 10 May 2011, the Board of Directors approved Dexia's results for 1Q 2011.

1Q 2011 reported statement of income and update on transformation plan

Consolidated statement of income

In millions of EUR	1Q10*	4Q10*	1Q11	Var. 1Q11/ 1Q10	Var. 1Q11/ 4Q10
Income**	**1,475**	**1,197**	**1,127**	**-23.6%**	**-5.8%**
Expenses	-869	-955	-847	-2.5%	-11.3%
Gross operating income	**606**	**242**	**280**	**-53.8%**	**+15.7%**
Cost of risk	-265	-201	-98	-63.0%	-51.2%
Other impairments and provisions for legal litigation	-16	107	-8	-50.0%	n.s.
Pre-tax income	**325**	**148**	**174**	**-46.5%**	**+17.6%**
Tax expense	-90	-70	-86	-4.4%	+22.9%
Net income	**235**	**78**	**88**	**-62.6%**	**+12.8%**
Non-controlling interests	19	22	19	n.s.	-13.6%
Net income Group share	**216**	**56**	**69**	**-68.1%**	**+23.2%**
Return on equity***	4.6%	1.2%	1.4%		
Earnings per share (in EUR)****	0.12	0.03	0.04		

* *2010 figures have been restated. An amount of EUR -15 million (1Q 2010) and of EUR -17 million (4Q 2010) of expenses (network costs) are now included in income (technical expense from insurance activities). An amount of EUR -16 million (1Q 2010) of income (other net income) is now included in provisions for legal litigation.*

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

*** *The ratio between the net income Group share and the weighted average core shareholders' equity.*

**** *The ratio between the net income Group share and the average weighted number of shares. Figures 1Q 2010 have been restated to consider the issuance of new ordinary shares free of charge (bonus shares) distributed to the shareholders.*

Dexia Group results for 1Q 2011: net profit of EUR 69 million

In 1Q 2011, the Dexia Group posted a **net income Group share** of EUR 69 million. The two diverging trends already observed at the end of 2010 were confirmed in 2011. The Core Division posted pre-tax income double that for 1Q 2010, driven by the good performance of the commercial business lines. In contrast the accelerated pace of transformation, ahead of targets, weighted on Legacy Division results.

In 1Q 2011, Group **revenues** stood at EUR 1,127 million against EUR 1,475 million in 1Q 2010, which included the EUR 153 million capital gain on the sale of the shares in Assured Guaranty Ltd. Core Division income increased by 8% on 1Q 2010, sustained by Retail and Commercial Banking, Insurance and Investor Services. The sharp fall (EUR -437 million) of Legacy Division income is essentially explained by the capital gain mentioned above, a fall of revenues on synthetic securitisations and the credit value adjustment linked to the CDS intermediation activity of EUR 65 million, losses on the sale of assets up EUR 61 million, and a EUR 37 million loss on interest margins on assets sold or amortized, in line with the sustained pace of asset sales.

Costs were EUR 847 million, down 3% on 1Q 2010. Costs were down in Belgium and Luxembourg but rose in Turkey as a result of the development of activity. Compared to 4Q 2010, during which restructuring costs were recorded, costs fell by 11%.

In 1Q 2011, **gross operating income** reached EUR 280 million, against EUR 606 million during the same period last year. Whilst the gross operating income of the Core Division rose sharply (+34%), Legacy Division income recorded a clear fall (EUR -435 million) resulting from the impact of the elements described above.

The **cost of risk** fell sharply compared to 1Q 2010 (-63%), to EUR 98 million. The cost of risk for the Core Division (EUR 4 million) is down 96% compared to 1Q 2010, by virtue of the ongoing improvement of the environment in Turkey and a substantially lower provisioning level for the Public and Wholesale Banking business line. Indeed, at the end of March 2011, the cost of risk for the Retail and Commercial Banking business line was 7 basis points on average loans to customers whilst for Public and Wholesale Banking it was 2 basis points. On the other hand, EUR 94 million of impairments were recorded within the Legacy Division (-41% on 1Q 2010), principally linked to assets in the Financial Products portfolio, the situation on the US real estate market remaining uncertain.

As a consequence, **pre-tax income** stood at EUR 174 million, against EUR 325 million in 1Q 2010.

Tax expense were EUR 86 million and the effective tax rate was 49%, in line with 4Q 2010 but considerably higher than the effective tax rate in 1Q 2010, which was 28%. This high rate is explained by the fact that taxable profits are essentially realised in countries with higher tax rates whilst losses are essentially generated in countries with low tax rates or in entities which do not have the possibility to book deferred tax assets.

After taking account of the EUR 19 million of **non-controlling interests**, the **net income Group share** reached EUR 69 million in 1Q 2011, against EUR 216 million in 1Q 2010.

Significant progress made on the transformation plan

In line with the strategy set out in 2010, Dexia continued to implement its transformation plan at a sustained pace during 1Q 2011, preferring security in an extremely unstable economic background.

At the end of March 2011, the Group had disposed of EUR 7.4 billion in assets at a nominal loss of 0.9%, in line with the average rates in 2009 and 2010, reflected by a loss figure of EUR 67 million. The pace of disposals, which was identical to 1Q 2010, remained sustained.

As at 26 April 2011, EUR 8.3 billion in Core and Legacy assets had been sold, more than one half of the disposals scheduled for the year. The impact of these sales on the Group’s statement of income amounted to EUR -75 million.

EUR 7.7 billion in bonds were sold, including 13% of the assets held in the Core Division. These sales principally involved bank bonds and mortgage backed securities, market segments on which the best opportunities arose. 36% of the assets sold were denominated in currencies other than the euro and the average maturity of the bonds sold was close to 4 years.

Over the same period, Dexia also disposed of EUR 0.6 billion in long-term loans booked in the segment PWB run-off commitments, the major proportion of which came from Dexia’s former activities in Japan.

By end of April 2011, about three-quarters of the 2014 deleveraging target (EUR 80 billion) have been achieved.

The sale process of DenizEmeklilik, the insurance subsidiary of DenizBank in Turkey, undertaken in 4Q 2010, should be closed during the second half of 2011. After reviewing the offers received from several interested counterparties, Dexia entered into negotiations with the party offering the best industrial and financial perspectives for Dexia Israel.

At EUR 527 billion, the Group’s balance sheet was reduced by EUR 40 billion between the end of December 2010 and the end of March 2011 under the combined effect of the reduction in fair value of assets and derivatives (EUR -17 billion) and the decrease of collateral to be posted (EUR -7 billion) as a consequence of the rise of long-term interest rates, asset disposals (EUR -7 billion) and the deconsolidation of Dexia banka Slovensko (EUR -2 billion).

These same elements contributed to a reduction of the Group’s short-term funding requirement. Indeed, at EUR 104 billion as at the end of March 2011, the liquidity gap has been reduced by EUR 15 billion since December 2010, which is in fact the target set for the entire year 2011. Considerable efforts have been made to reduce the funding requirement in non-euro currencies, in addition to the ongoing decrease of central bank funding. The latter stood at EUR 17 billion at the end of March (down EUR 8 billion on December 2010).

By end of March 2011, about three-quarters of the liquidity gap reduction targeted for 2014 have been achieved.

Finally, the Group still has a comfortable buffer of eligible securities with central banks. At the end of March 2011, the amount of central bank eligible securities was EUR 96 billion, of which EUR 45 billion were unencumbered.

Results by division

Core Division

Statement of income					
In millions of EUR	1Q10*	4Q10*	1Q11	Var. 1Q11/ 1Q10	Var. 1Q11/ 4Q10
Income**	**1,163**	**1,168**	**1,252**	**+7.6%**	**+7.2%**
Expenses	-840	-926	-821	-2.3%	-11.4%
Gross operating income	**323**	**243**	**431**	**+33.5%**	**+77.9%**
Cost of risk	-106	45	-4	-96.3%	n.s.
Other impairments and provisions for legal litigation	-15	107	-6	-57.6%	n.s
Pre-tax income	**202**	**394**	**421**	**x2.1**	**+6.8%**

* *2010 figures have been restated. A limited amount of network costs is now included in income (technical expense from insurance activities). Provisions for legal litigation were previously included in income (other net income).*

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

Under the segment reporting adopted in 1Q 2010, the Core Division includes contributions from Retail and Commercial Banking, Public and Wholesale Banking, Asset Management and Services (AMS) and Group Center.

In 1Q 2011, the **Core Division** posted **pre-tax income** of EUR 421 million, more than twice that for the first quarter 2010, driven by income growth (+8% on 1Q 2010), contained costs (-2% on 1Q 2010) and an improvement of the cost of risk (-96% on 1Q 2010). The commercial business lines posted pre-tax income up 36%, sustained by the good performances of Retail and Commercial Banking, Insurance and Investor Services. The Group Center also contributed to this good performance, with a progression of the pre-tax income by EUR 106 million compared to 1Q 2010.

Retail and Commercial Banking

(See business line statement of income in appendix)

Retail and Commercial franchises performed well in 1Q 2011: DenizBank continued to grow fast, in line with or above market trend (consolidating its 2.7% deposits market share and its loans market share from 4.2% as at December 2010 to 4.4% at the end of February 2011) and robust growth in loans and deposits was recorded in Belgium and Luxembourg.

At the end of March 2011, deposits stood at EUR 88 billion (after deconsolidation of Dexia banka Slovensko), 6% growth compared to the same period last year. Off-balance-sheet assets (excluding life insurance products) amounted to EUR 38 billion. Life insurance technical reserves were at EUR 12.2 billion, up 10% on March 2010, driven by guaranteed-yield insurance products (branch 21) in Belgium and unit-linked contracts in Luxembourg.

Loan demand was sustained in Turkey as well as in Belgium and Luxembourg, more particularly in business loans and mortgages. As a result, total customer loans rose by 9% year-on-year and 1% quarter-on-quarter. Loans outstanding reached EUR 55 billion as at the end of March 2011 (after deconsolidation of Dexia banka Slovensko).

In **Belgium**, the bank continued to implement its new distribution model with 327 branches refurbished according to the new standard of Dexia as at the end of March 2011. Globally, client acceptance of the new open-branch concept is excellent as illustrated by the increasing number of cash deposits performed via the new recycler ATMs with on-line cash-in/cash-out functionalities. Indeed, it increased sharply to 84% in 1Q 2011 compared to 66% and 26% respectively at the beginning of 2010 and 2009. During the first quarter 2011, Dexia Bank Belgium launched the Dexia Service Plan, a personalised plan aiming to offer the right services to each client. A branch 21 insurance product campaign (temporary offer on Dexia Life Capital) was also launched in mid-March.

Year-on-year, customer deposits were up 3% to EUR 64 billion and loans grew by 7% to EUR 34 billion in a context of recovery of the consumer confidence. Asset gathering on sight and savings accounts was sustained (EUR 2.7 billion year-on-year of which EUR 1.2 billion in 1Q 2011 only), particularly on the Fidelity savings accounts.

In **Luxembourg**, asset gathering was particularly active in commercial banking (SME and Corporate) with a 7.5% growth in deposits in 1Q 2011 and mandate penetration continued to progress in private banking to reach 25%. Dexia Private Banking received an award from Euromoney for the best private banking services overall in Luxembourg. In the frame of the initiatives taken in specific client segments, Dexia gave concrete expression to its youth concept with the opening of a “Youth Branch”, designed by and for the youth. At the end of March 2011, total deposits were at EUR 15 billion and loans at EUR 9 billion sustained by a good production of mortgage and consumer loans.

In **Turkey**, DenizBank maintained its high pace of business development: 12 new retail and SME branches were opened in 1Q 2011 (62 branches were opened since March 2010) reaching 512 domestic branches at the end of March 2011. The number of ATMs made available is now higher than 1,000 units. 194,000 new clients were acquired in 1Q 2011 compared to an average of 106,000 per quarter in 2010. Deposit growth remained sustained with a 6% increase in 1Q 2011 thanks among others to the good performance of retail (or +33% on March 2010). Strong loan growth (volumes grew by 8% quarter-on-quarter or +32% on March 2010) in selected areas led to improved market shares. As a result, the loan to deposit ratio was relatively stable at around 120% at the end of March 2011 with deposits amounting to TRY 20.9 billion (or EUR 9.6 billion) and loans to TRY 25.7 billion (or EUR 11.8 billion).

Altogether, the dynamism of the Turkish activities, the improved profitability of Dexia Bank Belgium (reduced cost-income ratio) and the resilience of the Luxembourg franchise led to a high **pre-tax income** of EUR 251 million in 1Q 2011. Compared to 1Q 2010, pre-tax income was up 51%. Increased revenues, overall controlled costs and a low level of cost of risk supported this performance.

At EUR 728 million in 1Q 2011, **income** was up 5% on 1Q 2010, mainly driven by a favourable deposit mix in Belgium which led to a 12% growth in revenues. Income generated by RCB Turkey suffered from a EUR -13 million exchange rate impact whereas volumes (in loans and demand deposits) and fee income linked to higher cross-selling offset the continuous margin pressure. Such pressure rose in the first quarter of 2011 as a consequence of the increase of the reserve requirement ratios on deposits by the Central Bank of Turkey since November 2010.

Costs amounted to EUR 461 million, stable compared to the same period last year. Year-on-year the trend in Belgium and Luxembourg were on the decrease. Over the same period, costs increased in Turkey, due to business expansion, but decreased by 17% compared to 4Q 2010 as more important advertisement and communication expenses were booked in that quarter in addition to the opening of 23 new domestic branches.

Cost of risk reached EUR 10 million in 1Q 2011, down 86% on 1Q 2010 due to the improving environment in Turkey. In 1Q 2011 non-performing loans in Turkey remained low despite high loan growth and thanks to the prudent risk policy and the collection of higher quality assets. This led to a reduction of the provisioning requirement levels, strong recoveries and reversal of impairments in 1Q 2011. In Belgium and Luxembourg, cost of risk normalized at a low level (11 bps on average customer loans).

Public and Wholesale Banking (PWB)

(See business line statement of income in appendix)

In line with the strategy set at the end of 2008, in 2011 the PWB business line continued with its refocus on high added-value products, which enabled to ensure a high level of profitability. This was reflected at the end of March 2011 by a stability of long-term commitments on historical markets and a fall of 9% in other geographic areas. Overall long-term commitments amounted to EUR 221 billion.

On the **public sector finance** segment, the trend of rising margins observed in 4Q 2010 was confirmed in the first months of 2011.

Realised principally in Belgium and Spain, new long-term commitments stood at EUR 1.1 billion, against EUR 1.8 billion in 1Q 2010, taking outstanding to EUR 186 billion. These amounts reflect the Group’s more selective commercial approach and relatively low demand from local authorities in most European countries, following an increased resort to debt in 2009 and 2010 and the implementation of austerity measures and cost-control policies for local authorities, especially in terms of investment. In France, a lack of visibility also weighted on demand, leading to a 40% fall of the public sector finance market. In Belgium, the local authorities should continue to use borrowing in a relatively dynamic manner.

Considerable commercial priority was given to deposit gathering in order to increase the contribution from the business line to its own development. Collection evolved satisfactorily, rising by 8% on 1Q 2010. It was particularly sustained in France, Italy and Germany. In the latter country, widening the target client base to sickness insurance bodies and satellites bore fruit with deposit growth higher than EUR 800 million in one year.

In **project finance**, the year began relatively calmly, in view of the lifelessness of the market. Indeed, in 1Q 2011, the project finance market was down 10% on 1Q 2010, with a total of USD 77 billion compared to USD 86 billion. Dexia Group new commitments were at EUR 143 million in the first quarter 2011, principally realised in the United Kingdom, Belgium and Italy, where in particular the refinancing of the Strada Dei Parchi was concluded. The emphasis remained on syndication and asset rotation.

Corporate loans grew satisfactory notably by virtue of the development of products related to car leasing, and factoring.

In 1Q 2011, PWB continued to benefit from favourable momentum with commercial margins and an improvement of the cost of risk, which enabled it to offset a rise in its funding costs. Compared to 1Q 2010, **pre-tax income** was therefore up 17%, at EUR 91 million.

Revenues were stable compared to 1Q 2010, at EUR 234 million, increased funding costs offsetting the positive impact of margin increases.

At EUR 131 million, **costs** remained contained and were stable compared to 1Q 2010.

The **cost of risk** stood at EUR 13 million, well below the figure for 1Q 2010, which was marked by the constitution of collective and sector impairments.

Asset Management and Services (AMS)

(See business line statement of income in appendix)

Asset Management and Services includes Dexia's activities in the fields of Asset Management, Investor Services and Insurance.

In 1Q 2011, the pre-tax income of the Asset Management and Services business line was EUR 85 million, up 22% on 1Q 2010, driven by the momentum of insurance and investor services. Insurance contributed 53% to pre-tax income, whilst asset management and investor services activities represented 20% and 27% of that income respectively.

- **Asset Management**: At the end of March 2011, the business line's assets under management stood at EUR 86.3 billion, up EUR 1.3 billion on the end of March 2010. 1Q 2011 was marked by EUR 400 million net new cash and a negative market effect. The product mix improved due to net new cash in high margin products at the expense of fixed income and money market products with lower margins.

  75% of Dexia Asset Management funds are 3, 4 or 5-star, above the market average, and the expertise of the business line was recognised in various awards during the first quarter 2011 (the Editorial Prize from De Standaard, La Libre Belgique for branch 23 sustainable funds, the Lipper Award for the Horizon funds and the biotechnology funds, and so on).

  In 1Q 2011, **pre-tax income** was EUR 17 million, in line with 1Q 2010 and up 37% on 4Q 2010. Revenues were stable and costs well contained. The cost on average assets under management ratio improved from 15.5 basis points in 2010 to 14.6 basis points at the end of March 2011, reflecting a high level of efficiency.

- **Insurance**: The commercial focus of the Belgian distribution channels on life insurance products and more particularly guaranteed yield (branch 21) products supported the collection of premiums in 1Q 2011. In life insurance, EUR 798 million of gross written premiums were collected of which EUR 702 million in branch 21 which recorded a 49% rise compared to 1Q 2010. Consequently life insurance reserves grew by 12.4% compared to the end of March 2010 and amounted to EUR 18.9 billion at the end of March 2011. In total, EUR 961 million of gross written premiums were collected during the quarter as EUR 163 million of non-life premiums were also gathered in 1Q 2011, a 6% growth compared to the same period last year.

  In Belgium, the retail network focused on Dexia Life Capital insurance products (branch 21) for which a commercial campaign was launched in mid-March. The DVV Insurance network, which launched its regular Atlantica campaign in 1Q 2011, and the Wholesale channel made a positive contribution to the growth of the business in 1Q 2011. In Luxembourg, premium collection normalized after a year of outperformance (more than EUR 1 billion in premiums collected in 2010) within the context of the forthcoming European Savings Directive.

  In 1Q 2011, **pre-tax income** stood at EUR 45 million out of high revenues partly offset by collective impairments on ABS and subordinated debt. Revenues were at EUR 100 million, a 19% rise on 1Q 2010 by virtue of the steady growth of the life outstanding and higher recurring financial income.

- **Investor Services**: At the end of Mach 2011, assets under administration rose by 13% on March 2010, to EUR 2,064 billion, essentially sustained by the rebound of the US and Canadian equity markets which climbed 14% and 17% respectively. The exchange impact also contributed to this rise. Over the same period, assets in custody evolved similarly to assets under administration. Compared to the end of December 2010, these indicators were up slightly once the exchange impact is discounted.

  The number of shareholder accounts in transfer agency increased by 8% compared to March 2010, with the development of the activity for existing clients.

  The R&M Consultants Global Custody Survey satisfaction survey of a broad sample of financial institutions proves the excellence of the commercial franchise of RBC Dexia Investor Services, classified No 1 in that poll.

  In 1Q 2011, **pre-tax income** was EUR 23 million, more than double that recorded for 1Q 2010.

  At EUR 110 million, **revenues** were up 24% on the first quarter 2010, or EUR +21 million, of which EUR 5 million attributable to a positive exchange effect. The difference is linked to the progress made by custody and exchange activities. On the latter segment, the trend of clients to increase their currency is confirmed, after more cautious behaviour during the crisis.

  Costs were up 12%, principally associated with the rise of payroll charges and IT expenditure (+10%).

Group Center

(See business line statement of income in appendix)

As a reminder, the 2010 results of entities disposed of (AdInfo, DEP and Dexia banka Slovensko), previously recorded at the level of the commercial business lines, are now recorded in the Group Center.

In 1Q 2011, the Group Center posted a pre-tax loss of EUR 6 million, against a loss of EUR 112 million in 1Q 2010.

Gross operating income was EUR -33 million, up EUR 50 million on 1Q 2010 under the influence of three elements. On the one hand, the EUR 26 million fall in Treasury revenues, linked to the reduction in the liquidity gap and on the other hand the impact of one-off adjustments (EUR -31 million) recorded in 1Q 2010. At the same time, costs are down EUR 30 million, as a result of the disposal of entities.

At EUR 28 million, the cost of risk improved by EUR 42 million on 1Q 2010, particularly as a result of reversals of impairments on Lehman Brothers in 1Q 2011.

Legacy Portfolio Management Division

Statement of income

In millions of EUR	1Q10*	4Q10*	1Q11	Var. 1Q11/ 1Q10	Var. 1Q11/ 4Q10
Income**	**312**	**29**	**-125**	**-437**	**-154**
Expenses	-28	-30	-26	+2	+4
Gross operating income	**283**	**-1**	**-152**	**-435**	**-153**
Cost of risk	-159	-246	-94	+65	+152
Other impairments and provisions for legal litigation	-1	0	-1	0	-1
Pre-tax income	**123**	**-246**	**-247**	**-370**	**-1**

* *2010 figures have been restated. Provisions for legal litigation were previously included in income (other net income).*
** *Income (also mentioned as revenues) = interests, fees, commissions, trading and other income.*

The **Legacy Portfolio Management Division** (Legacy Division) includes contributions from the Group's bond portfolios in run-off (including the Financial Products portfolio) and PWB run-off commitments. The Division is also allocated part of the Treasury result.

At the end of March 2011, the Legacy Division had total commitments (on and off-balance-sheet) of EUR 138.2 billion. On-balance sheet commitments stood at EUR 122 billion, down EUR 34 billion (22%) on 1Q 2010 essentially in view of the asset disposal programme (EUR 24 billion over the period concerned). The funding profile of the Legacy Division has been improved considerably, with the short-term funding ratio falling from 51% to 38% between the end of March 2010 and the end of March 2011.

Over 1Q 2011, the Legacy Division recorded a pre-tax loss of EUR 247 million, compared to a gain of EUR 123 million in 1Q 2010. This is principally due to a significant fall of revenues, down EUR 437 million on the first quarter 2010, only partially offset by an improvement of the cost of risk (EUR +65 million). Besides the EUR 153 million capital gain on the sale of Assured Guarantee Ltd. Shares booked in 1Q 2010, the fall of revenues is explained by two elements. On the one hand, the sustained pace of asset sales generated losses EUR 61 million higher than those recorded in 1Q 2010 and EUR 37 million loss of margins on assets sold or amortized. On the other hand, revenues on synthetic securitisations and the credit value adjustment linked to the CDS intermediation activity were down EUR 65 million on 1Q 2010.

At EUR 113 million, the cost of the government guarantees was stable between 1Q 2010 and the first quarter 2011. It is nonetheless down slightly (EUR -8 million) on 4Q 2010, reflecting the first amortisations of long-term guaranteed assets. This trend will continue throughout the year, in line with the amortisation of EUR 13 billion in guaranteed long-term debt reaching maturity over the last 3 quarters of 2011.

The significant changes impacting the different segments of the Legacy Division are set out in detail hereafter.

The **bond portfolio in run-off** stood at EUR 102.1 billion at the end of March 2011, down EUR 9.6 billion since the end of 2010. As in 2010, the Group continued with its policy of voluntary asset disposals and sold EUR 5.1 billion in bonds over the quarter. In addition, the portfolio was written down by EUR 1.6 billion and reduced by EUR 2.5 billion under the effect of foreign exchange variations.

The portfolio's credit quality is satisfactory, with 92% at investment grade (against 95% at the end of 2010). Rating migrations are due to disposals made, principally of bank bonds and mortgage backed securities, as well as the downgrade of the Greek sovereign.

Over the quarter, the bond portfolio in run-off recorded a pre-tax loss of EUR 177 million, compared to a gain of EUR 40 million in 1Q 2010. This trend is explained by an EUR 202 million reduction of revenues compared with 1Q 2010, essentially due to the fall of revenues on synthetic securitisations and the credit value adjustment linked to the CDS intermediation activity of EUR 65 million, losses on the sale of assets up EUR 51 million, and the EUR 31 million loss on interest margins on assets sold or amortized. The cost of risk increased by EUR 19 million compared to 1Q 2010, which was marked by the reversal of impairments on ABS. The stock of impairments stood at EUR 482 million, against EUR 884 million at the end of 2010. The reduction of this stock is explained by the sale of impaired assets, in particular on the banking sector.

At the end of March 2011, the nominal value of the **Financial Products portfolio** was USD 13.5 billion (against USD 15 billion at the end of March 2010) and the expected average maturity of the portfolio was 9 years.

In 1Q 2011, the Financial Products portfolio posted a pre-tax loss of EUR 95 million, against a gain of EUR 24 million in Q1 2010. Excluding the EUR 153 million capital gain recorded on the sale of the shares in Assured Guaranty Ltd, the variation of the portfolio's result is essentially explained by the evolution of the cost of risk which improved by EUR 74 million year on year, as 1Q 2010 was marked by an impairment linked to the restructuring of AMBAC, and the recording of specific and collective impairments.

In 1Q 2011, the situation on the US real estate market remained uncertain. In particular, following on from 2010, the quarter was marked by a rise of severities (LGD) on the portfolio, which led to a rise in the level of expected economic losses (discounted cash shortfalls less realised losses) by USD 97 million, to USD 1,893 million.

USD 72 million in additional specific impairments was booked, as well as USD 55 million in collective impairments, taking total impairments to USD 2,305 million.

USD 48 million of cash shortfalls were recorded over the quarter, taking the total cash shortfalls to USD 671 million.

In the first quarter 2011, **PWB run-off commitments** stood at EUR 26.6 billion, of which EUR 11.2 billion run-off long-term loans and EUR 15.4 billion off-balance sheet US liquidity lines. Year-on-year commitments have been reduced by EUR 13.6 billion, including EUR 6 billion for the loans, as a result of sustained disposals. The acceleration of sales of long-term loans particularly in Japan aimed at accelerating the closure of international entities managed in run-off led to a rise in deleveraging cost of EUR 10.3 million compared to 1Q 2010.

The portfolio generated a pre-tax income of EUR 1 million, against EUR 9 million in 1Q 2010. The increase of disposal costs (EUR 10 million) and the loss of margins on assets sold or amortized (EUR 6 million) is only partially offset by an improvement of the cost of risk of EUR 10 million, as impairments on Australian assets were recorded in 1Q 2010.

In 1Q 2011, revenues of the Legacy Division were also impacted by the fall of revenues resulting from the transformation (EUR -27 million compared to 1Q 2010) associated with the extension of the division's funding (cf. supra).

Long-term liquidity and solvency

In 2011, the Group preferred to implement its long-term funding programme cautiously and, as at the end of April 2011, had issued more than half of the programme for the year.

EUR 8.7 billion was gathered in wholesale medium and long-term funding by that date, essentially through the issue of covered bonds (EUR 4.8 billion), natural refinancing of the Dexia Group's public sector loan activity. EUR 2.6 billion in long-term secured funding other than covered bonds was also raised by the Group, enabling it to finance assets denominated in non-euro currencies and to diversify the long-term investor base. Issues of senior non-secured debt (EUR 1.3 billion) rose at a satisfactory rate particularly through Dexia Crediop which is active on its domestic market. As part of rebalancing its long-term financing, DenizBank raised EUR 300 million of supranational resources.

Total assets, shareholders' equity and solvency*

	31 March 2010	31 Dec. 2010	31 March 2011	Variation 31 March 2011/ 31 March 2010	Variation 31 March 2011/ 31 Dec. 2010
Total assets (EUR m)	588,054	566,735	526,628	-10.4%	-7.1%
Core shareholders' equity (EUR m)	18,715	19,214	19,282	+3.0%	+0.4%
Total shareholders' equity (EUR m)	10,389	8,945	9,638	-7.2%	+7.7%
Tier 1 capital (EUR m)	17,880	18,425	18,442	+3.1%	+0.1%
Total weighted risks (EUR m)	142,680	140,834	138,132	-3.2%	-1.9%
Tier 1 ratio	12.5 %	13.1%	13.4%	+82 bps	+27 bps
Core Tier 1 ratio	11.5 %	12.1%	12.3%	+79 bps	+25 bps
Net assets per share**					
– Core shareholders' equity (EUR)	10.14	10.41	10.44	+3.0%	+0.3%
– Total shareholders' equity (EUR)	5.63	4.85	5.22	-7.3%	+7.6%

* *Regulatory figures unaudited.*
** *2010 Figures have been restated to take into consideration the bonus shares distributed to the shareholders.*

At the end of March 2011, total assets reached EUR 527 billion down 40 billion compared to December 2010 (see transformation plan).

The Dexia Group's core shareholders' equity stood at EUR 19.3 billion, stable compared to the end of December 2010 and up 3% on March 2010.

Total shareholders' equity, which includes the gains and losses not recognised in the statement of income (Accumulated Other Comprehensive Income – OCI), increased by EUR 0.7 billion (+7.7%) on December 2010, at EUR 9.6 billion following the contraction of the negative available-for-sale reserve on securities.

Compared to the end of December 2010, the negative available-for-sale reserve on securities (AFS reserve) improved by EUR 0.3 billion to EUR -3.6 billion at the end of March 2011 under the effect of a tightening of credit spreads on the sovereign debts of Italy and Spain and certain covered bonds. The sensitivity of the AFS reserve to interest rate variations is limited because the majority of assets available for sale are hedged. The “frozen” fair value of financial assets reclassified as loans and receivables fell from EUR -5.3 billion to EUR -4.9 billion as a result of the evolution of the EUR/USD exchange rate (EUR 0.2 billion) and the natural amortisation of assets.

At the end of March 2011, total weighted risks stood at EUR 138 billion, down EUR 2.7 billion compared to the end of December 2010. This is essentially explained by the evolution of EUR/USD and EUR/TRY rates, the impact of disposals and asset amortisations as well as the deconsolidation of Dexia banka Slovensko (EUR 0.8 billion).

In 1Q 2011, the Group’s Tier 1 ratio stood at 13.4% (+27 basis points on the end of December 2010), essentially sustained by the reduction of weighted risks. The core Tier 1 ratio reached 12.3% against 12.1% at the end of December 2010, reflecting the Group’s robust solvency.

APPENDIX

Statement of income – Retail and Commercial Banking (RCB)					
In millions of EUR	**1Q10***	**4Q10***	**1Q11**	**Var. 1Q11/ 1Q10**	**Var. 1Q11/ 4Q10**
Income**	**696**	**691**	**728**	**+4.6%**	**+5.4%**
Expenses	-461	-502	-461	+0.1%	-8.1%
Gross operating income	**235**	**189**	**266**	**+13.3%**	**+41.2%**
Cost of risk	-68	-47	-10	-85.5%	-78.9%
Other impairments and provisions for legal litigation	0	0	-5	n.s.	n.s.
Pre-tax income	**166**	**141**	**251**	**+50.9%**	**+77.9%**

* *2010 figures have been restated. Provisions for legal litigation were previously included in income (other net income). The results of Dexia banka Slovensko previously recorded in RCB are now recorded in Group Center.*

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

Statement of income – Public and Wholesale Banking (PWB)					
In millions of EUR	**1Q10***	**4Q10***	**1Q11**	**Var. 1Q11/ 1Q10**	**Var. 1Q11/ 4Q10**
Income**	**233**	**254**	**234**	**+0.5%**	**-7.9%**
Expenses	-132	-128	-131	-0.7%	+2.0%
Gross operating income	**102**	**126**	**104**	**+2.0%**	**-17.9%**
Cost of risk	-24	102	-13	-47.0%	n.s.
Other impairments and provisions for legal litigation	0	-7	0	n.s.	n.s.
Pre-tax income	**78**	**221**	**91**	**+16.8%**	**-58.9%**

* *2010 figures have been restated. Provisions for legal litigation were previously included in income (other net income). The results of AdInfo previously recorded in PWB are now recorded in Group Center.*

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

Statement of income – Asset Management and Services (AMS)					
In millions of EUR	**1Q10***	**4Q10***	**1Q11**	**Var. 1Q11/ 1Q10**	**Var. 1Q11/ 4Q10**
Income**	**221**	**247**	**259**	**+16.9%**	**+4.7%**
Expenses	-152	-169	-164	+7.8%	-3.2%
Gross operating income	**69**	**78**	**95**	**+36.8%**	**+21.9%**
Cost of risk	0	-10	-9	n.s.	-6.9%
Other impairments and provisions for legal litigation	0	-1	0	n.s.	n.s..
Pre-tax income	**70**	**66**	**85**	**+22.1%**	**+28.6%**
Of which					
Asset Management	*17*	*12*	*17*	*+0.1%*	*+37.5%*
Investor Services	*11*	*20*	*23*	*x2.1*	*+14.4%*
Insurance	*42*	*34*	*45*	*+7.8%*	*+33.9%*

* *2010 figures have been restated. A limited amount of network costs is now included in income (technical expense from insurance activities). Provisions for legal litigation were previously included in income (other net income). The results of DEP previously recorded in AMS are now recorded in Group Center.*

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

Statement of income – Group Center					
In millions of EUR	1Q10*	4Q10*	1Q11	Var. 1Q11/ 1Q10	Var. 1Q11/ 4Q10
Income**	**13**	**-23**	**31**	**+18**	**+54**
Expenses	-95	-127	-65	+30	+62
Gross operating income	**-83**	**-150**	**-33**	**+50**	**+117**
Cost of risk	-14	0	28	+42	+28
Other impairments and provisions for legal litigations	-15	115	-1	+14	-116
Pre-tax income	**-112**	**-34**	**-6**	**+106**	**+28**

* *2010 figures have been restated. Provisions for legal litigation were previously included in income (other net income). The results of Dexia banka Slovensko previously recorded in RCB, the results of AdInfo previously recorded in PWB and the results of DEP previously recorded in AMS are now recorded in Group Center.*

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

Detailed information on reported results are provided in the presentation "1Q 2011 Results and Business Highlights" available on the website www.dexia.com.

For detailed information on the results and the balance sheet elements, please consult the Financial Report 1Q 2011, drawn up in accordance with the Royal Decree of 14 November 2007 on www.dexia.com.

About Dexia

Dexia is a European bank, with about 35,200 members of staff and core shareholders' equity of EUR 19.3 billion as at 31 March 2011. The Dexia Group focuses on Retail and Commercial Banking in Europe, mainly Belgium, Luxembourg and Turkey and on Public and Wholesale Banking, providing local public finance operators with comprehensive banking and financial solutions. Asset Management and Services provides asset management, investor and insurance services, in particular to the clients of the other two business lines. The different business lines interact constantly in order to serve clients better and to support the Group's commercial activity.

For more information: www.dexia.com

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