Press release

DEXIA

Regulated information* - Brussels, Paris, 21 February 2013 – 7:00 am

Results for the year 2012 and update regarding progress made on the Group's resolution

- **Approval by the European Commission of the Dexia orderly resolution plan**
- **Significant progress in implementing the process for the Group's resolution, particularly with the grant of a definitive tripartite guarantee and a capital increase subscribed by the Belgian and French States**
- **Net loss of EUR 2.9 billion in 2012, principally explained by losses on entity disposals and by high funding costs**

The year 2012 marked a turning point for the Dexia Group, which continued to implement its orderly resolution plan. Indeed Dexia sold the majority of its main commercial franchises, in line with the undertakings made in October 2011 by the Group's board of directors. On 28 December the European Commission ratified the Dexia Group's revised orderly resolution plan. That decision was essential, a vital precursor to realisation of the capital increase subscribed by the Belgian and French States and the establishment of a definitive tripartite funding guarantee scheme, giving the Group the capacity to carry its residual assets over the long term.

The annual financial statements 2012, approved by the board of directors at its meeting on Wednesday 20 February 2013, are severely impacted by the disposals made as part of the orderly resolution plan and by the still high funding costs.

Karel De Boeck, Chief Executive Officer of Dexia SA, declared: "*The results for the year 2012 reflect the progress made on the resolution plan. In particular, the disposal of a major proportion of the Group's operating entities weighed on profitability, whilst the cost of funding remained very high over the year, awaiting the introduction of a perennial funding scheme.*"

Robert de Metz, Chairman of the Board of Directors of Dexia SA, stated: "*At the beginning of 2013, the Group presents a new face: the majority of its operational franchises have been sold and the approval of the European Commission enabled a definitive funding guarantee mechanism to be put in place and the capital increase to be made by Belgium and France. Relying on renewed support from the States and the commitment of its staff members, Dexia can now concentrate its efforts on the management of its EUR 250 billion residual assets.*"

** Dexia is a limited company listed on a regulated market (NYSE-Euronext Brussels and NYSE-Euronext Paris). This press release contains information the dissemination of which is governed by the Royal Decree dated 14 November 2007 relating to the obligations of issuers of financial instruments listed on a regulated market.*

Information relating to presentation of the 2012 consolidated accounts of the Dexia Group

The consolidated accounts of Dexia SA as at 31 December 2012 were established in accordance with the accounting rules applicable to a going concern. This hypothesis of continuity was supported by a revised business plan, constructed on the initial plan described in the 2011 Annual Report of the Dexia Group but with certain parameters amended to integrate the main changes associated with the environment. This revised business plan relies on certain structural hypotheses and uncertainties, the major lines of which are described below:

- The revised business plan includes the definitive liquidity guarantee granted by the States without requiring collateral. This guarantee is limited by the States to EUR 85 billion, taking account of the EUR 5.5 recapitalisation at the end of December 2012. As with all of the hypotheses of the revised business plan, the guarantee was subject to definitive ratification by the European Commission on 28 December 2012.
- The plan assumes maintenance of the banking licences of the various Group entities and the ratings of Dexia SA and Dexia Crédit Local.
- The underlying macroeconomic scenario of the revised business plan is constructed from market data observable at the end of September 2012, and assumes an aggravation of the recession in 2013 followed by a gradual recovery from 2014. No major negative credit event is retained for the projection period.
- Furthermore, the business plan relies on the hypothesis of a restoration of confidence on the capital markets enabling, on the one hand, a portion of the Dexia assets to be funded via covered borrowings (Repo) and, on the other hand, short and long-term placement of its guaranteed debt on the markets, the outstanding issued under the 2013 definitive guarantee scheme reaching EUR 40 billion in 2015. If the market's absorption capacity proves to be insufficient, Dexia would then have to call on more costly funding sources which would directly impact its profitability.

The business plan thus revised and ratified by the Group's board of directors of 14 November 2012 concludes the viability of the Dexia Group, on the basis of the hypotheses and scenarios retained. Nevertheless, some uncertainties remain as to its realisation: in particular, the plan is sensitive to the evolution of interest rates and the credit environment. For instance, a 10 basis point fall of 10-year rates would result in a EUR 1 billion increase in the Cash Collateral requirement, which, funded at the Emergency Liquidity Assistance rate (the most costly funding source), could generate an additional cost of EUR 135 million over the period 2013-2020.

So the business plan will be updated regularly to take account of the external variables recorded in order to estimate its precise impact on the projections and their realisation potential.

1. Significant events and transactions

A – Progress made on the Group's resolution

a – Ratification of the orderly resolution plan

2011 was a very difficult year for Dexia, despite the major progress made by the Dexia Group since the end of 2008 in reducing its financial imbalances. The acceleration of the sovereign debt crisis within the euro zone in fact raised questions as to the hypotheses underlying the initial transformation plan introduced in 2008[1], which could not be concluded.

In an extremely difficult environment, in order to avoid a rapid deterioration of its liquidity situation and the materialisation of systemic risk for the Belgian and French States and for the entire European banking sector, Dexia announced an orderly resolution plan for its activities, implemented from October 2011.

This orderly resolution plan provides for the management of assets in run-off and relies on two pillars. On the one hand the disposal of the Group's main operating entities should enable viable commercial franchises to be preserved. On the other hand the grant of a funding guarantee by the Belgian, French and Luxembourg States and the recapitalisation of the Group by the Belgian and French States should enable Dexia to complete its orderly resolution.

Submitted to the European Commission for examination in March 2012, then on 14 December 2012 in a version revised, the plan for resolution of the Dexia Group was approved by the European Commission on 28 December 2012. This plan replaces the restructuring plan approved by the European Commission on 26 February 2010. Furthermore, this ratification closes the in-depth enquiry commenced by the Commission on 21 December 2011[2] within the context of the State aid received by the Group in October 2011.[3]

Ratification by the European Commission of the revised Group resolution plan represents a decisive phase in execution of the plan. In fact it constitutes a vital precursor to realisation of the Dexia SA capital increase by the Belgian and French States and the introduction of a definitive tripartite liquidity guarantee granted by the Belgian, French and Luxembourg States.

Within the framework of this plan, Dexia made a certain number of undertakings in relation to the sale of its commercial franchises and the restriction of its commercial production. The resolution strategy ratified by the Commission thus led the Group to withdraw from all the markets on which it had a presence. Dexia also made behavioural undertakings which were detailed in a press release published by the Group on 31 December 2012. All of its undertakings will be monitored by an independent expert.

b – Progress made on disposals

In line with its undertakings, at the end of 2011 the Group initiated the disposal of its main operating entities. In particular, Dexia Bank Belgium (now Belfius Bank and Insurance) was sold to the Belgian State in October 2011.

The disposal process continued during 2012 and the beginning of 2013, contributing to a significant reduction of the Group's balance sheet. In particular the Group concluded the following transactions:

- Sale on 27 July of the entire Dexia holding in the commercial joint venture RBC Dexia Investor Services (initially co-owned in equal shares by the Royal Bank of Canada and Dexia) to the Royal Bank of Canada group for a price of EUR 837.5 million, resulting in a profit of EUR 38 million for the Dexia Group.

[1] *Cf. the Annual Report of Dexia SA – Significant facts, p. 12 - 18 – for a review of the plan for 2008 - 2011.*

[2] *Cf. Press Release from the European Commission IP/11/1592 dated 21 December 2012 and IP/12/253 dated 31 May 2012*

[3] *Cf. Press Release from Dexia dated 10 October 2011*

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- Sale on 28 September 2012 of the entire Dexia holding in DenizBank to the Russian bank Sberbank for a price of EUR 2,993 million after post closing adjustments, leading to a loss of EUR 801 million for Dexia.
- Sale on 5 October 2012 of the entire Dexia holding in Banque Internationale à Luxembourg, 10% to the Luxembourg State and 90% to a Qatari investor, Precision Capital, for a total amount of EUR 730 million. The scope of the transaction excluded the that entity's "legacy" portfolio, Dexia Lettres de Gage Bank, a subsidiary under Luxembourg law specialising in refinancing public sector assets, as well as its holdings in Dexia Asset Management, RBC Dexia, Popular Banca Privada and Parfipar. Those holdings were taken over by the Dexia Group or sold on the market. In line with the undertakings made to the purchasers, prior to the sale Dexia proceeded with a EUR 204 million capital increase of Banque Internationale à Luxembourg. Including a EUR -15 million post closing adjustment, this transaction resulted in a loss of EUR 205 million for Dexia.
- Agreement on 12 December 2012 to sell Dexia Asset Management to GCS Capital[4] for an amount of EUR 380 million. This sale price could be subject to an adjustment, which is normal in such a transaction, on its finalisation planned for the first quarter of 2013. This sale remains subject to approval by the regulatory authorities and the European Commission. It relates to the entire scope of Dexia Asset Management and will have no significant impact on the Group's consolidated result.
- Sale on 31 January 2013 of the Société de Financement Local (SFIL), a proprietary holding of Dexia Municipal Agency, to the French State, as a majority shareholder alongside the Caisse des Dépôts and La Banque Postale. Dexia Municipal Agency, which was the main Dexia Group covered bond issuer, was renamed Caisse Française de Financement Local. The transaction price was set at 1 euro representing a total loss of EUR 1.8 billion for the Dexia Group. Dexia provided the usual guarantees for transactions of this nature. On the date of sale, SFIL represented a balance sheet total estimated at EUR 95 billion. This sale is a part of the project to create a pole for local public sector finance in France. As announced in the interim declaration for 9M and T3 2012, sensitive loans on the balance sheet of Dexia Municipal Agency form a part of the sale scope and neither Dexia nor Dexia Crédit Local will give any guarantee on those assets.

The proceeds of all of these disposals was allocated by Dexia SA to the early redemption of loans granted by Belfius Bank and Insurance to the Group and to Dexia Crédit local (DCL), in line with the undertakings made by the Dexia Group, and to the repayment of the emergency liquidity assistance (ELA)[5].

In line with the undertakings made in connection with its orderly resolution plan, Dexia continues to work on the disposal of its holding in Popular Banca Privada. Dexia will also proceed with the disposal or management in run-off of Sofaxis, Dexia Bail Régions, Dexia Bail, Dexia LLD and Dexia Flobail. Finally, the Dexia holding in Dexia Israël should be sold following a definitive decision on the various legal actions taken against Dexia Israël and Dexia Crédit Local as shareholder. These entities, the size of which is not significant at a Group level, have not been reclassified under IFRS 5.

c – Introduction of a definitive scheme for the funding guarantee granted by the Belgian, French and Luxembourg States

The definitive guarantee mechanism was approved by the European Commission on 28 December 2012. This joint and non-several guarantee scheme replaces the provisional guarantee mechanism approved by the European Commission on 21 December 2011 for a maximum amount in principal pf EUR 45 billion, then extended on two occasions in 2012 for a maximum amount in principal of EUR 55 billion.

Implementation of this guarantee will enable the Group to realise its resolution plan and Dexia Crédit Local to borrow from investors eligible for the guarantee up to EUR 85 billion in principal[6]. This ceiling includes

[4] *GSC Capital is a strategic investor based in Hong Kong, also established in London and Beijing and supported by Chinese and Qatari institutional investors*

[5] *Emergency Liquidity Assistance: liquidity lines provided by central banks*

[6] *Given that the amounts in interest and ancillaries due on the amounts in principal are guaranteed beyond this ceiling.*

funding already covered by the provisional guarantee of 2011, the outstanding of which in principal was EUR 31.2 billion as at 14 February 2013. This guarantee was granted to Dexia by the States without collateral requirements.

This definitive guarantee was spread 51.41% for Belgium (or a maximum of EUR 43.6985 billion), 45.59% for France (or a maximum of EUR 38.7515 billion) and 3% for Luxembourg (or a maximum of EUR 2.55 billion). It covers funding raised in the form of securities and financial instruments, and deposits or borrowings until 31 December 2021 with a maximum maturity of ten years.

The State remuneration under this guarantee was set at 5 basis points per annum on the average guaranteed amount, whilst the Group paid nearly 85 basis points by way of remuneration for the provisional guarantee. An establishment fee of 50 basis points was also paid on a base of EUR 85 billion, with deduction of the establishment fee of EUR 225 million already paid for the provisional guarantee of 2011.

d- Recapitalisation of Dexia SA

Negotiations between the Belgian, French and Luxembourg States and the European Commission during the summer resulted in the amendment of some principles and hypotheses of the business plan which had served as the basis for establishing the plan submitted by the States to the European Commission on 21 March 2011. The revised orderly resolution plan and the financial simulations prepared for that purpose provide funding costs heavily affecting the profit outlook for Dexia Crédit Local, particularly by virtue of restricted access to central bank funding. The revised plan also integrates the amendments made during the year to the initial scheme for the disposal of Dexia Municipal Agency.

The evolution of this outlook forced the board of directors, at its meeting held on 7 November 2012, to record a full impairment of the Dexia SA holding in Dexia Crédit Local. Booking this impairment resulted in a loss and a negative equity situation for Dexia SA, making a recapitalisation necessary. The Belgian and French States participated in a reserved capital increase in an amount of EUR 5.5 billion. This provides for an allocation to the States of preference shares giving them priority, up to 8% of the nominal value of the shares per annum, on any distribution of dividends by Dexia SA. The total dividend shortfall at the rate of 8% per annum constitutes a liquidation supplement giving the States a priority right to the distribution of any distributable net assets in the case of liquidation.

This amount of EUR 5.5 billion was calibrated to enable Dexia SA to face the evolution of the economic and financial environment to the extent that such may be considered foreseeable after honouring all of its contractual liabilities with regard to Dexia Crédit Local and/or its subsidiaries, and after recapitalisation of Dexia Crédit Local in an amount of EUR 2 billion.

In accordance with Article 633 of the Belgian Companies Code, the shareholders of Dexia SA were invited to deliberate and to decide on the continuation of its activities or the dissolution of Dexia SA as well as the capital increase reserved for the States, at the Extraordinary Shareholders Meeting held on 21 December 2012. They ruled in favour of a continuation of activity by a very large majority.

B – Other significant events

a – Change of governance

The board of directors noted the resignation of Mr Pierre Mariani as Chief Executive Officer and Chairman of the Executive Committee of Dexia SA. It appointed Karel De Boeck as Chief Executive Officer and Robert de Metz, a director since 2009, as Chairman of the Board of Directors.

The configuration of the Dexia SA board of directors was adapted to the new Group scope, with a reduction of its size to 9 members.

The Dexia SA Management Board now consists of Karel de Boeck (Chairman), Philippe Rucheton and Claude Piret.

At the same time, the Group's management structure was simplified and unified, particularly via joint administration of Dexia SA and Dexia Crédit Local, the legal structures of which remain. Indeed on 10 October 2012 Mr Karel De Boeck, Chief Executive Officer or Dexia SA, was appointed Director General of Dexia Crédit Local and Mr Robert de Metz, already Chairman of the Board of Directors of Dexia SA was appointed Chairman of the Board of Directors of Dexia Crédit Local. Similarly, the Group Committee consists of the members of management of the two entities and the heads of support lines. This enlarged Committee, which holds a wide range of competences, replaces the Executive Committee.

b - Banco Sabadell's holding in Dexia Sabadell

On 6 July 2012, applying a contractual agreement dating from 2001, Banco Sabadell informed Dexia of its intention to exercise it option to sell its 40% holding in Dexia Sabadell to Dexia. At the end of this process, Dexia would hold 100% of Dexia Sabadell. Dexia noted the decision taken by Banco Sabadell which constitutes the starting point for a process governed by the agreement in force.

Over the year, Dexia Crédit Local proceeded with a EUR 230 million capital increase of Dexia Sabadell, in order to comply with the increased level of regulatory capital set by the national regulator.

c - Judgement on the proceedings commenced by the Département de Seine-Saint-Denis against Dexia

On 8 February 2013, the District Court in Nanterre passed its judgement on the applications made by the Département de la Seine-Saint-Denis against Dexia concerning three structured loans.

The District Court in Nanterre dismissed the applications by the Département de la Seine-Saint-Denis for cancellation of the three contested loan contracts and all of its claims for damages and interest. In particular, the Court considered that these loans were not of a speculative nature, that the Département was competent to conclude these loan contracts and that Dexia had acted in observance of its duty of information and advice vis-à-vis the Département. However, the District Court in Nanterre thought that the faxes which preceded the signature of the definitive contracts could be described as a "loan contract" and that the absence of an indication of the Global Effective Rate (GER) in those faxes would result in application of the legal interest rate. Dexia notes the Court's judgement and will decide on what to steps to take.

The loans referred to in the Court's decision fall within the scope of the disposal of the Société de Financement Local and, if confirmed, the judgement would have no financial impact for the Dexia Group, as the assets sold are now borne by the Société de Financement Local. Should the District Court's decision be confirmed and become established case law, its extension to other financings on Dexia's balance sheet would be likely to introduce significant risks, which at this stage are difficult to assess.

2. Annual Results 2012

A - Presentation of the 2012 consolidated accounts of the Dexia Group

The consolidated accounts of Dexia SA as at 31 December 2012 were established in accordance with the accounting rules applicable to a going concern, which rely on certain hypotheses detailed in the section "Information in relation to presentation of the 2012 consolidated accounts of the Dexia Group".

The structural measures undertaken by the Group in October 2011 were reflected, on closure of the Group's 2011 account accounts, by the application, to Dexia Banque Internationale à Luxembourg, Dexia Municipal Agency, Dexia Asset Management and RBC Dexia Investor Services of the IFRS 5 norm relating to "non-current assets and groups held for sale". Signature of a sale and purchase agreement with Sberbank on 8 June 2012, relating to Dexia's 99.85% holding in DenizBank also enabled the IFRS 5 norm to be applied to that entity for presentation of the accounts as at 30 June 2012.

Applying that norm, the results posted by all the entities reclassified under IFRS 5 were booked in a line “net earnings from abandoned activities”. Similarly, the assets and liabilities of those entities are presented separately in a balance sheet line. The comparative period is reprocessed in the income statement; the balance sheet is not reprocessed.

The auditors have not yet completed their audit review and have indicated to the Board of Directors their intention to deliver an unqualified opinion on the consolidated financial statements, with explanatory paragraph referring to the uncertainties regarding the going concern that will be reported in the financial statements and the annual report. This report will include a detailed review of legal risks and litigations.

B – Dexia Group’s 2012 income (non-audited figures)

(EUR m)	FY 2011 as published	FY 2011 restated*	FY 2012
Income	**-4,383**	**-5,538**	**-893**
Expenses	-1,114	-521	-554
Gross operating income	**-5,497**	**-6,059**	**-1,448**
Cost of risk	-551	-478	-278
Other impairments & provisions for legal litigation	-196	-195	
Net result before tax from continuing operations	**-6,244**	**-6,732**	**-1,726**
Tax expense	-161	-83	2
Net result from continuing operations	**-6,405**	**-6,815**	**-1,724**
Net result from discontinued operations	**-5,236**	**-4,826**	**-1,163**
Net result	**-11,641**	**-11,641**	**-2,887**
Non-controlling interests	2	2	21
Net result Group share	**-11,639**	**-11,639**	**-2,866**
Net result Group share from continuing operations	**-6,398**	**-6,814**	**-1,724**
Earnings per share (EUR)	-5.97	-5.97	-1.47
Earnings per share from continuing operations (EUR)	-3.28	-3.49	-0.87

* In accordance with IFRS 5, the comparative information of the discontinued operations is disclosed separately

Over the year 2012, Dexia achieved a **net income Group share** of EUR -2,866 million, of which EUR -1,724 million was attributable to the Group’s ongoing activities.

Income from ongoing activities amounts to EUR -893 million, impacted by the establishment fee for the definitive funding guarantee mechanism, an amount of EUR 200 million, and by an impairment of EUR 176 million on the equity holding in Kommunalkredit Austria. At the same time, the Group bore high funding costs, which were not entirely covered by income from the commercial portfolios. In particular, the estimated interests paid in 2012 for the recourse to ELA and the cost of the provisional guarantee mechanism granted by the States amounts to nearly EUR 1 billion. Finally, asset disposals also weighed on income for the year, with losses on disposals of EUR 190 million for an amount of EUR 5.7 billion of non-strategic securities and loans sold.

Costs amount to EUR 554 million. This amount includes restructuring costs of EUR 82 million, covering the costs associated with the reduction of the number of staff members, a consequence of the Group’s scope being adapted to its new functions. Excluding non-recurrent elements, the cost base is reduced by some 6% compared to the previous year.

Gross operating income for the year 2012 amounts to EUR -1,447 million.

At EUR -278 million, the cost of risk is principally explained by an increase of sector provisions, particularly on ABS, by the creation of new categories of provisions and more marginally by specific provisions on certain credit files. This is a pronounced fall of 59% compared to 2011, by virtue of the sale of risk portfolios, particularly the Financial Products portfolio.

Consequently, **pre-tax income from continuing activities** is EUR -1,726 million.

The **tax charge** is positive, at EUR 2 million.

Net income on continuing activities is EUR -1,724 million. **Discontinued Operations** posted a loss of EUR EUR -1,163 million, explained for the most part by the losses posted on entity disposals, the detail of which is presented in Section 2-C-(a) of the present press release.

After taking account of EUR 21 million attributable to non-controlling holdings, the **net income Group share** is EUR -2,866 million as at 31 December 2012.

C – Impact of significant elements on the Group's financial situation

a - Adjustments relating to entity disposals

As previously indicated, all the entities the sale of which is highly likely within 12 months were reclassified under IFRS 5 as at 31 December 2011 or as at 30 June 2012 (DenizBank).

As illustrated in the table below, the estimated total financial impact as at the closing of these disposals may differ from that observed on reclassification under IFRS 5, principally for the following reasons:

- Entities held for sale are valued at the lower amount of book value, including latent or deferred gains or losses (Other Comprehensive Income - OCI), and their fair value reduced by sale costs[7]. The amount must then be adjusted on each accounting date in relation to the evolution of the book value (including OCI) until finalisation of the sale. This adjustment does not however change the gain or loss expected on the disposal, as the impact of the value adjustment is offset by an inverse variation of the OCI of the entity. On closing, in accordance with accounting rules, OCI in relation to the entity sold are booked in the income statement, leading to an adjustment of income.
- The financial impact resulting from disposals may also depend on adjustments associated with specific conditions provided in the sale and purchase agreements and, as the case may be, the exchange risk hedge strategy retained by Dexia.

Furthermore, the reduction of weighted risks attached to the entities sold, the size of the Dexia SA balance sheet and the impact on Group liquidity will only be taken into account on finalisation of the transaction.

Taking account of the regulatory treatment of certain elements (in particular acquisition differences, OCI), the impact of the fair value adjustment reduced by disposal costs or a disposal loss cannot be entirely reflected in Core Tier 1 equity.

The impact of the various entity disposals, as booked in 2011 and 2012 is presented below:

[7] In the case of sale, the fair value corresponds to the sale price of the entity sold

(EUR m)	Booked in 2011	Booked in 2012	In future*
Dexia Bank Belgium	-3,276	0	
RBC Dexia	-203	38	
DenizBank	-7	-801	
Banque Internationale à Luxembourg	-6	-205	
Dexia Asset Management	-4	0	
Société de Financement Local	-1,068	-638	-142
Total	**-4,564**	**-1,606**	**-142**

*estimated

RBC-Dexia Investor Services

The sale of RBC Dexia was finalised on 27 July 2012 for an amount of EUR 837.5 million, the Dexia Group posting a gain on the sale of EUR 38 million.

DenizBank

Dexia sold DenizBank to the Russian bank Sberbank on 28 September 2012, for an amount of EUR 2,993 million, including the additional amount paid post closing, generating a loss on the sale of EUR 801 million.

Banque Internationale à Luxembourg

Dexia's holding in Banque Internationale à Luxembourg was sold on 5 October 2012 to Precision Capital and the Grand Duchy of Luxembourg. The sale price was fixed at EUR 730 million, for a scope excluding the various holdings of Banque Internationale à Luxembourg, as well as its portfolio of "legacy" securities. An adjustment of EUR -15 million was booked after the closing. Moreover, Dexia undertook to sell the entity with a Core Tier 1 ratio of 9% calculated on closing under the norms of Basle III.

Dexia posted a loss on the sale of EUR 205 million, integrating the capital injection made to increase the solvency of Banque Internationale à Luxembourg in line with the undertakings made by the Group.

Dexia Municipal Agency

On 31 January 2012, Dexia sold the Société de Financement Local, proprietary holding of Dexia Municipal Agency, renamed Caisse Francaise de Financement Local, for an amount of 1 euro.

In application of IFRS norms, in 2012 Dexia booked an adjustment of EUR 638 million corresponding on the one hand to the variation of latent gains and losses (OCI) over the period and on the other hand to the revision of the sale conditions.

As the sale was finalised in January 2013, a residual impact will be booked in the first half-year 2013.

Dexia Asset Management

On 12 December 2012 Dexia announced the signature of a sale and purchase agreement with GCS Capital in relation to Dexia Asset Management. Over 2012, the Group booked an adjustment of EUR -10 million, by way of provision for litigation.

In application of IFRS norms, a residual positive impact will be booked on finalisation of the transaction, planned for the first half-year 2013.

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DKB Polska and Dexia Bail

The Dexia Group signed a sale and purchase agreement for DKB Polska and entered into negotiations for the sale of Dexia Bail. The expected financial impact of these disposals is not significant at a Group level.

b - Impairment of the holding in Kommunalkredit Austria

In H1 2012, Dexia decided to make an impairment of EUR 184 million on the EUR 200 million of participating capital held by Dexia Crédit Local in KA Finanz AG and KA new, the two banks resulting from the demerger of Kommunalkredit Austria AG in 2009[8].

On 25 April 2012, at the General Meeting of KA Finanz AG, a resolution was passed providing for the abolition of losses accumulated by the cancellation of participating capital allocated to KA Finanz AG, retroactively as at 31 December 2011. Dexia considers this decision to breach its rights, particularly the contractual conditions governing its investment, and will take all necessary steps to defend its position. Without prejudging the result of these proceedings, the Group decided to make an impairment of EUR 184 million on the EUR 200 million of participating capital in its accounts as at 30 June 2012, corresponding to abolition of the entire claim on KA Finanz AG and a provision on the claim on KA new.

Over H2, the provision was reduced by EUR 8 million, corresponding to the effect of updating the provision.

The total impact over the year 2012 therefore amounts to EUR -176 million.

c - Establishment fee for the definitive funding guarantee mechanism granted by the Belgian, French and Luxembourg States

The European Commission approved the definitive funding guarantee mechanism granted by the Belgian, French and Luxembourg States. This mechanism replaces the provisional mechanism in place since October 2011. In 2012 the Group paid an establishment fee, by participation, of 50 basis points on a base of EUR 85 billion, with deduction of the establishment fee of EUR 225 million already paid for the provisional guarantee of 2011, or an amount of EUR 200 million.

D - Notes on commercial activity[9]

In line with the orderly resolution plan announced by the Group in October 2011, Public and Wholesale Banking activity is now managed in run-off. Production of long-term loans generated in 2012, at EUR 952 million, has considerably decreased (-78% on 2011). It is limited to operations to “desensitise” structured loans, earlier commitments or those emanating for subsidiaries held for sale and for which Dexia undertook to maintain the commercial franchise. This new production was realised 77% in France, one half corresponding to the distribution of pre-financed envelopes (BEI, CDC,…), and 89% for loans to the local public sector.

At EUR 8.6 billion, the collection of commercial deposits is well up (+25% on December 2011), principally by virtue of the very good performance posted in Germany, which more than offset the fall in collection recorded in France.

Net pre-tax income from Public and Wholesale Banking is EUR -242 million, well down on 2011 (EUR -100 million), principally impacted by heavy funding costs in 2012 (provisional guarantee and use of the ELA).

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[8] To recall, in November 2008, the Republic of Austria took control of Kommunalkredit Austria AG, a company in which Dexia Crédit Local held 49%, alongside the majority shareholder ÖVAG. In order to facilitate the transaction, Dexia Crédit Local agreed to convert EUR 200 million of its exposure to Kommunalkredit Austria AG into participating capital, considered to be Tier 1 securities in Austrian banking regulations. On the demerger of Kommunalkredit Austria AG, the EUR 200 million was divided as follows: EUR 151.66 million in KA Finanz AG and EUR 48.34 million in KA new.

[9] The notes are based on a view of business lines before application of IFRS 5 and a breakdown of the results between ongoing activities and those abandoned.

The assets under management at Dexia Asset Management amount to EUR 77 billion as at 31 December 2012, stable compared to H1 2012, and down slightly on year-end 2011 (-1.5%). Dexia Asset Management benefited from positive net subscriptions in its long-term investment products, as well as a broadly positive market effect. Nevertheless, this growth was counter-balanced by considerable exits in short-term monetary products, and by capital transfers made by former subsidiaries of the Dexia Group.

At EUR 44 million, the pre-tax income of Dexia Asset Management is down by -26%, principally as a result of non-recurrent elements. Fees fell by 7% as a result of the slight reduction mentioned of assets under management and a minor deterioration of the average margin.

As at 31 December 2012, the total of commitments in the Legacy Portfolio Management division are EUR 81.2 billion, including off-balance sheet commitments. Balance sheet commitments amount to EUR 79.3 billion, down EUR 13.8 billion on year-end 2011.

During 2012, Dexia sold EUR 5.7 billion of assets, including EUR 3.9 billion of bonds at a loss of EUR 93 million and EUR 1.8 billion of loans at a loss of EUR 98 million. Moreover, the exchange of securities on the disposal of RBC Dexia resulted in a loss of EUR 87 million.

Bond sales were essentially made to offset the liquidity impact of the repurchase of perpetual subordinated securities issued by DCL (cf. section "Evolution of the balance sheet, solvency and liquidity situation of the Group") and within the context of a securities exchange made on signature of the agreement to sell RBC-Dexia Investor Services to the Royal Bank of Canada[10]. The pace of securities disposals slowed over the year, the Group seeking targeted opportunities as a priority, enabling it to make earnings gains.

The sales of loans were aimed at reducing the Group's risk profile and were executed as a priority via early redemptions negotiated with clients. In 2012, the Group principally sold two loan portfolios in Mexico and Canada.

The detailed evolution of the different segments of the Legacy Division is described below.

- The bond portfolio managed in run-off amounts to EUR 67.3 billion as at 31 December 2012, down EUR 9.2 billion on the end of December 2011. In line with deleveraging objectives, the portfolio's credit quality has improved since 31 December 2011, with 91% of assets investment grade.
- The commitments of the Public and Wholesale Banking business line placed in run-off amount to EUR 9.7 billion, including EUR 2.0 billion (USD 2.6 billion) of liquidity lines (SBPA) granted to local authorities in the United States, drawn up to a limited amount of EUR 0.1 billion (USD 0.1 billion). Over the half-year, commitments were reduced by EUR 4.7 billion, principally under the effect of sales, early redemptions and natural asset amortisation.
- The Financial Products portfolio contains USD 5.3 billion (EUR 4.2 billion) of assets, including USD 4.0 billion of high quality assets (essentially US treasury notes) used specifically as collateral for guaranteed investment contracts (GIC) financing the portfolio. Outside those USD 4.0 billion, the portfolio is 93% investment grade as at 31 December 2012.

Over the year 2012, the Legacy Division posted a pre-tax loss of EUR -868 million. This is principally explained by the negative earnings of EUR -575 million resulting from the high funding cost.

3. Evolution of the balance sheet, solvency and liquidity situation of the Group

A – Balance sheet and solvency

As at 31 December 2012, the consolidated balance sheet total of the Dexia Group amounts to EUR 357 billion, down EUR 56 billion on 31 December 2011 and EUR 54 billion compared to 30 June 2012. Over the year, this evolution resulted essentially from the sales of Banque Internationale à Luxembourg, DenizBank

[10] *Cf. press release dated 3 April 2012*

and RBC Dexia (EUR -44.6 billion), the impairment of assets (EUR -18.7 billion) and asset sales (EUR -6.7 billion taking DMA into account), in part offset by the rise in asset values (EUR +6.1 billion, approximately one half associated with derivatives) and the effect of the capital increase (EUR +5.5 billion). The collateral paid by the Group is down by EUR 1.1 billion in 2012.

At the end of 2012, the Group core equity amounts to EUR 10.9 billion, compared to EUR 7.6 billion at the end of 2011. This rise is explained by the EUR 5.5 billion capital increase on 31 December 2012 and the impact of the repurchase of Tier 1 hybrid capital issues by DCL and DFL, in part offset by the loss posted over the financial year.

Latent or deferred gains or losses (Other Comprehensive Income – OCI) are EUR -8.1 billion, down EUR 1.5 billion compared to 31 December 2011. This is explained by the EUR 0.6 billion improvement of the AFS reserve in 2012, principally resulting from the tightening of credit spreads on sovereign bonds, and the evolution of the Group's scope.

As at 31 December 2012, Core Tier 1 is EUR 10.9 billion, up EUR 5.6 billion on the end of 2011. Despite the negative result, this evolution is essentially explained by the following elements:

- the EUR 5.5 billion capital increase on 31 December 2012;
- the proceeds of the redemption of the Tier 1 hybrid capital of Dexia Credit Local and Dexia Funding Luxembourg amount to EUR 486 million, booked as Group capital, in application of IFRS norms. To recall, there were two public redemption calls relating to perpetual non-cumulative securities (Tier 1 hybrids) during Q1 2012. The first, launched on 20 February 2012 and finalised on 29 February 2012 related to securities issued by Dexia Funding Luxembourg in a nominal amount of EUR 500 million; the second, launched on 2 March 2012 and closed on 14 March 2012, related to securities issued by Dexia Crédit Local in a nominal amount of EUR 700 million. The two transactions received a favourable welcome on the market, posting success rates of 91.84% and 91.96% respectively;
- the reimbursement by Belfius Bank and Insurance in Q1 2012 of the subordinated debts held by Dexia, enabling the Group to stop deducting EUR 310 million from Tier 1;
- the redemption of redeemable subordinated debt securities (Lower T2 hybrids) by Dexia Crédit Local during H2 2012 improved Core Tier 1 by EUR 151 million;
- a positive effect of EUR 276 million associated with the depreciation of the euro;
- a positive effect of EUR 1.8 billion by virtue of the sales of Denizbank, RBC-Dexia Investor Services and Banque Internationale à Luxembourg .

On the same date, Tier 1 equity amounted to EUR 11.0 billion, up EUR 4.7 million on 2012, principally as a result of:

- the proceeds of redemptions of T1 and T2 capital issues, the exchange effect and entity sales as explained above;
- the redemption of hybrid Tier 1 capital issues by Dexia Credit Local and Dexia Funding Luxembourg resulting in a fall of EUR 903 million in hybrid capital.

CAD capital CAD amounts to EUR 11.5 billion, up EUR 2.9 billion on the end of 2011. CAD capital benefits from the variations explained above, but suffers a negative variation of EUR 1.6 billion taking account of the reduction of T2 subordinated debt still issued.

Weighted risks fell substantially over the year 2012, to reach EUR 55.3 billion at the end of 2012, against EUR 83.4 billion at the end of 2011. This evolution is explained by the reduction of credit risk by EUR -24.6 billion principally associated with entity disposals, asset sales and a favourable exchange effect. Entity disposals and the exchange effect also had a positive impact on market risk.

These elements result in an increase of the solvency of the Dexia Group. The Tier 1 ratio is 19.9% (against 7.6% at the end of December 2011) and the Core Tier 1 ratio is 19.7% (against 6.4% at the end of December 2011). The CAD ratio is 20.9% against 10.3% as at 31 December 2011.

B - Evolution of the liquidity situation of the Dexia Group

In 2012, the Dexia Group had to face difficult market conditions, particularly in the first half-year, as a result of persisting pressures on sovereign debts within the euro zone.

Against that background, the extension and the raising of the ceiling of the provisional guarantee mechanism to EUR 55 billion authorised temporarily by the European Commission enabled the Group to raise the amount of new guaranteed funding to EUR 54 billion, whilst it was EUR 21.6 billion at the end of 2011[11].

Moreover, the capital increase at the end of December 2012 was a significant contribution of liquidity for the Group[12].

These guaranteed debt issues and the proceeds of the capital increase were used primarily to reduce drawings on the emergency liquidity line (ELA) to zero. They also permitted reimbursement of the non-covered funding granted to the Group by Belfius Bank and Insurance (formerly Dexia Bank Belgium) in line with the agreements concluded on the sale of Dexia Bank Belgium to the Belgian State.

At the end of 2012, funding received within the context of monetary policy operations of the European Central Bank, including LTRO operations, amounts to EUR 50 billion, or EUR 18 billion more than the level at the end of 2011. The Group participation in the second LTRO operation[13] at three years launched by the context of monetary policy operations of the European Central Bank had a beneficial impact on the Group's funding profile enabling it to reduce its short-term liquidity requirement and to extend the term of its funding.

During 2012, the long-term funding activity of the Dexia Group was also marked by the covered bond redemption transactions of Dexia Municipal Agency (DMA) and Dexia Kommunalkredit Deutschland (DKD). DMA redeemed EUR 830 million of real estate bonds and DKD used a public redemption call to redeem EUR 2.6 billion of Pfandbriefe. These transactions enabled a part of the liquidity arising from asset impairment to be used and treasury management to be optimised as well as the management of the cover pool of those two issuers. Covered bond issuers in the Group were not active on the primary market in 2012. Total outstanding on covered bonds issued by the three Group issuers fell by EUR 13.9 billion over the year to reach EUR 86.3 billion.

The Dexia Group remains sensitive to certain exogenous factors. In particular, these include falling interest rates, the general deterioration of agency ratings, particularly on the banking sector and sovereigns, and pressures on the countries of Southern Europe, considering the specific exposures of the residual bank. These elements are likely to weigh on the Group's liquidity situation and its solvency.

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[11] To the amount of debts issued under the guarantee scheme provisionally authorised in 2011 by the European Commission should be added the guaranteed outstanding from issues under the 2008 agreement amounting to EUR 19.5 billion as at 31 December 2012.

[12] Cf. Press release by Dexia dated 31 December 2012

[13] "LTRO" or " long-term refinancing operation" launched on 1 March 2012 with a maturity of three years

Appendices

Appendix 1 – Balance-sheet

Consolidated balance sheet

EUR m	31 Dec. 2011	31 Dec. 2012	Var. 31/12/2011 vs. 31/12//2012
Total assets	**412,759**	**357,210**	**-13.5%**
of which			
Loans and advances to customers	173,550	150,019	**-13.6%**
Financial assets at fair value through profit and losses and financial investments	43,381	38,741	**-10.7%**
Derivatives	28,298	30,526	**7.9%**
Non-current assets and disposal groups held for sale	110,359	84,599	**-23.3%**
Total liabilities	**413,079**	**353,900**	**-14.3%**
of which			
Due to banks	106,384	87,478	**-17.8%**
Customer borrowings and deposits	19,419	11,111	**-42.8%**
Derivatives	56,037	59,660	**6.5%**
Debt securities	105,288	109,651	**4.1%**
Liabilities included in disposal groups held for sale	116,350	79,357	**-31.8%**
Total equity	**-320**	**3,310**	**n.s.**
of which			
Core shareholders' equity	7,589	10,919	**43.9%**
Total shareholders' equity	-2,018	2,852	n.s.
Net assets per share			
- core shareholders' equity (EUR)	3,89	0.35	n.s.
- total shareholders' equity (EUR)	-1,04	0.09	n.s.

Appendix 2 – Capital adequacy (non-audited figures)

EUR m (except where indicated)	Dec. 31, 2011	June 30, 2012	Dec. 31, 2012
Tier 1 capital	6,305	5,762	10,989
Total regulatory capital	8,589	7,357	11,535
Weighted risks	83,374	87,903	55,321
Tier 1 ratio	7.6%	6.6%	19.9%
Core Tier ratio	6.4%	6.2%	19.7%
Capital adequacy ratio	10.3%	8.4%	20.9%

* Given the specific regulatory treatment of hybrids in calculating the regulatory capital, the level of accounting and regulatory capital may differ

Appendix 3 – Maximum Credit Risk Exposure as at 31 December 2012 (non-audited figures)

The maximum credit risk exposure (MCRE) represents the accounting net carrying amount of exposures, being the notional amounts after deduction of specific impairments and available for sale reserve amounts, and taking into account accrued interests and impact of fair-value hedge accounting.

MCRE calculated according to IFRS 7

DEXIA GROUP EXPOSURE BY GEOGRAPHICAL REGION

EUR m	Total	Activities held for sale (IFRS 5)	Continued activities
Austria	2,220	272	1,948
Belgium	15,919	5,227	10,692
Central and eastern Europe	4,333	132	4,201
France (Including Dom-Tom)	84,791	51,303	33,489
Germany	25,404	956	24,448
Greece	227	0	227
Hungary	1,390	0	1,390
Ireland	1,595	2	1,592
Italy	37,459	3,999	33,460
Japan	7,321	25	7,296
Luxembourg	530	14	516
Netherlands	980	0	980
Others	7,852	83	7,769
Portugal	3,884	75	3,809
Scandinavian countries	1,768	194	1,574
South and Central America	1,110	0	1,110
Southeast Asia	1,220	0	1,220
Spain	23,493	518	22,975
Supra-European	878	46	832
Switzerland	3,977	3,801	176
Turkey	680	0	680
United Kingdom	18,894	696	18,198
United States and Canada	32,202	690	31,513
Total exposure	**278,127**	**68,033**	**210,094**

DEXIA GROUP EXPOSURE BY CATEGORY OF COUNTERPART			
EUR m	Total	Activities held for sale (IFRS 5)	Continued activities
Central governments	35,016	4,606	30,410
Local public sector	160,295	56,753	103,542
Corporate	8,570	145	8,425
Monolines	5,652	0	5,652
ABS/MBS	12,938	4,908	8,031
Project finance	15,957	18	15,939
Individuals, SME and self-employed	4	0	4
Financial institutions	39,694	1,603	38,091
Other	0	0	0
Total exposure	**278,127**	**68,033**	**210,094**

Appendix 4 – Group exposure to GIIPS risk at 31 December 2012 (non-audited figures)

(CRE on final counterparts)

EUR m	Local public sector	Corporate and project finance	Financial institutions	ABS/MBS	Other non-sovereign exposures	Total*
Greece	92	117		60		269
Ireland		89	1,408**	87	3	1,587
Italy	18,114	1,390	1,601	199	182	37,380
Portugal	2,051	231	158	152		4,463
Spain	10,929	2,967	7,181	1,024	26	22,647

*including sovereign exposures

**o/w EUR 1,2 bn on the Belfius group

Appendix 5 – Group exposure to GIIPS Government Bonds (non-audited figures)

EUR m	31/12/2011 Notional	30/06/2012 Notional	31/12/2012 Notional	31/12/2012 MCRE	o/w banking	Var notional 31 dec 2012 vs 31 dec 2011
Greece	3,117	41,090	0	0	0	-100%
Ireland	0	Notional	0	0	0	-
Italy*	9,604	819	11,550	12,339	12,339	20%
Portugal	1,967	0	1,822	1,307	1,307	-7%
Spain	488	10,778	468	450	450	-4%

* The increase in nominal exposure on Italian sovereign bonds is due to the restructuring of swaps in bonds.

Appendix 6 – Bond portfolio in run-off at 31 December 2012 (non-audited figures)

EUR bn	AAA	AA	A	BBB	NIG	Total
Public sector	1.1	11.7	4.3	4.0	1.7	22.8
Sovereigns	1.4	1.4	6.9	0.4	1.6	11.7
Banks	1.2	1.8	2.0	1.6	0.4	7.0
Covered bonds	1.3	0.1	2.0	3.4	0.4	7.2
ABS	4.4	0.2	0.2	0.2	0.2	5.1
MBS	0.3	0.8	0.5	0.2	0.5	2.3
Other	0.3	0.8	1.9	5.9	1.0	9.9
Total (nominal bef. protection)	**10.0**	**16.7**	**17.7**	**15.7**	**5.9**	**66.0**

Appendix 7 – Quality of assets (non-audited figures)

Quality of assets*					
EUR m (except where indicated)	31/12/2010	30/06/2011	31/12/2011	30/06/2012	31/12/2012
Impaired loans and advances to customers	5,554	3,228	2,534	2,174	1,676
Specific impairments on loans and advances to customers	3,214	1,844	1 594	1 307	405
Assets quality ratio **	1.6%	1.1%	1.1%	1.0%	0.90%
Coverage ratio ***	57.9%	57.1%	62.9%	60.1%	24.2%

* Figures calculated on the total scope (continuing and discontinued operations)
** The ratio between the impaired loans and advances to customers and the gross outstanding loans and advances to customers.
*** The ratio between the specific impairments on loans and advances to customers and the impaired loans and advances to customers.

Appendix 8 – Ratings at 21 February 2013

	Long-term	Outlook	Short-term
Dexia Credit Local			
Fitch	A+	Negative outlook	F1+
Moody's	Baa2	Negative outlook	P-2
Standard & Poor's	BBB	Stable outlook	A-2
Dexia Kommunalbank Deutschland (Pfandbriefe)			
Standard & Poor's	A	Stable outlook	-
Dexia LGD Banque (lettres de gage)			
Standard & Poor's	BBB	Stable outlook	-

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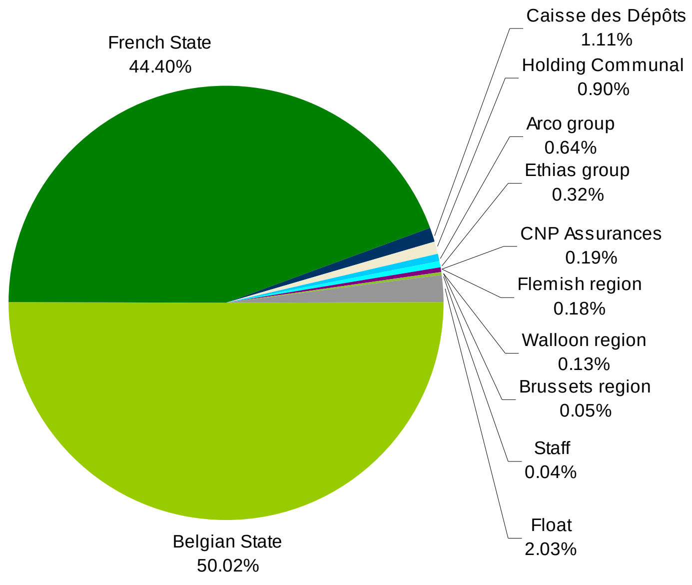
Appendix 9 – State guarantee fees (non-audited figures)

EUR m	2011	2012
Funding related fees (2008 guarantee)	-281	-173
Financial Products portfolio related fees (2008 guarantee)	-47	0
Setting-up fee for the new guarantee (2011)	-225	-200
New guarantee related fees	0	-370
Total fees paid	**-553**	**-743**

Appendix 10 – Shareholding structure at 31 December 2012



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