Press release

Regulated information* – Brussels, Paris, 23 July 2010 – 6:00 pm

Result of the stress test conducted by the CEBS and the CBFA: no need for Dexia to raise additional capital

Dexia was subject to the 2010 EU-wide stress testing exercise coordinated by the Committee of European Banking Supervisors (CEBS), in cooperation with the European Central Bank (ECB), the Banking, Finance and Insurance Commission (CBFA) and the National Bank of Belgium.

Dexia acknowledges the outcomes of the EU-wide stress tests which complement the risk management procedures and regular stress testing programs set up in the group under the Pillar 2 framework of the Basel II and CRD[1] requirements. The exercise was conducted using the scenarios, methodology and key assumptions provided by the CEBS and detailed in the aggregate report published on the CEBS website[2]. The template detailing the outputs of the stress tests for Dexia is attached in Appendix.

The conclusion of the stress tests is that Dexia does not require additional capital to withstand the CEBS two-year "what-if" adverse scenario including the additional sovereign shock.

Dexia's strong capital base would enable it to weather the conservative set of assumptions of the stress tests over the next two years, while still maintaining strong capital ratios. More specifically, as a result of the assumed shock under the adverse scenario, the estimated consolidated Tier 1 capital ratio of the Group would change to 11.2% in 2011 compared to 12.3% by the end of December 2009. An additional sovereign risk scenario would have a further impact of 0.29 percentage point on the estimated Tier 1 capital ratio, bringing it to 10.9% at the end of 2011, compared with the regulatory minimum of 4%.

The results of the test suggest a buffer of EUR 7.4 billion of the regulatory capital against the threshold of 6% of Tier 1 capital adequacy ratio agreed exclusively for the purposes of this exercise. This threshold should by no means be interpreted as a regulatory minimum (the regulatory minimum for the Tier 1 capital ratio is set to 4%), nor as a capital target reflecting the risk profile of the institution determined as a result of the supervisory review process in Pillar 2 of the CRD. Those results emphasize the high credit quality of Dexia's asset base and the strength of its solvency position with Tier 1 and Core Tier 1 ratios at respectively 12.3% and 11.3% at the end of December 2009.

At the end of March 2010, the total exposure of Dexia's banking subsidiaries to EU sovereigns and counterparties assimilated to EU sovereigns amounted to EUR 58.2 billion (including EUR 17.5 billion of exposure to assimilated sovereign risks). The detailed breakdown of this exposure is given in Appendix.

Over the last 18 months, the steady improvement of the Group's capital base was mainly driven by:

- the Group's profit generation capacity: Dexia has been back to profitability since 1Q 2009 and posted a net income Group share of EUR 1,010 million in 2009 and of EUR 216 million in 1Q 2010,
- an ambitious deleveraging program which included the sale of EUR 37.3 billion of bonds and non-strategic loans between the end of 2008 and 12 July 2010.

Despite adverse market conditions, Dexia maintained a sustained pace of deleverage in 2010, selling EUR 18.4 billion of bonds and non-strategic loans.

"We consider the stress test exercise conducted on a large sample of European banks as an important milestone towards restoring investors' confidence" said Pierre Mariani, CEO of the Group. "The stress test results confirm our view that the Group has the financial strength to weather adverse macro economic conditions. They also reflect 18 months of execution of the restructuring plan of Dexia. We confirm our commitment to go further in this direction".

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

[1] *Directive EC/2006/48 – Capital Requirements Directive (CRD).*
[2] *See: http://www.c-ebs.org/EU-wide-stress-testing.aspx*

Background

The objective of the 2010 EU-wide stress test exercise conducted under the mandate from the EU Council of Ministers of Finance (ECOFIN) and coordinated by CEBS in cooperation with the ECB, the national supervisory authorities and the EU Commission, is to assess the overall resilience of the EU banking sector and the banks' ability to absorb further possible shocks on credit and market risks, including sovereign risks.

The exercise has been conducted on a bank-by-bank basis for a sample of 91 EU banks from 20 EU Member States, covering at least 50% of the banking sector, in terms of total consolidated assets, in each of the 27 EU Member States, using commonly agreed macro-economic scenarios (benchmark and adverse) for 2010 and 2011, developed in close cooperation with the ECB and the European Commission.

More information on the scenarios, methodology, aggregate and detailed individual results is available from CEBS[3]. Information can also be obtained from the website of the CBFA.

The CBFA and the National Bank of Belgium have held rigorous discussions on the results of the stress test with Dexia. Given that the stress test was carried out under a number of key common simplifying assumptions the information on benchmark scenarios is provided only for comparison purposes and should in no way be construed as a forecast.

In the interpretation of the conclusions of the EU-wide stress test exercise, it is important to note that stress tests represent a hypothetical "what if" scenario that involve an economic outcome, based on certain probability of occurrence, that may be more adverse than currently anticipated. The results of such stress tests, including the benchmark scenario, are therefore not to be considered or interpreted as a forecast of expected losses or revenues.

The conclusions of the stress testing exercise for Dexia are necessarily based on the market conditions and Dexia's sovereign exposure as per the reference dates retained for purposes of the EU-wide stress testing exercise and are subject to the assumptions, methodologies and scenarios defined for purposes of this exercise. The statements above would therefore be incomplete without reference to, and should be viewed in conjunction with, these assumptions, methodologies and scenarios, which are available at http://www.c-ebs.org/EU-wide-stress-testing.aspx.

Benchmark and adverse scenarios, including the additional choc on sovereigns involve assumptions on expected losses or revenues and deleveraging of the balance-sheet that do not constitute "forward looking statements". Actual outcomes and results may differ materially from those presented as the results of the stress tests and Dexia assumes no obligation to update and/or revise the conclusions or the data upon which they have been based.

Appendices

Template 1 – Individual publication
Template 2 – Sovereign exposure

[3] *See: http://www.c-ebs.org/EU-wide-stress-testing.aspx*

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Template for bank specific publication of the stress test outputs

Name of bank: DEXIA

Actual results

At December 31, 2009	mln EUR
Total Tier 1 capital	17,573
Total regulatory capital	20,251
Total risk-weighted assets	143,170
Pre-impairment income (including operating expenses)	1,952
Impairment losses on financial assets in the banking book	-544
1 yr Loss rate on Corporate exposures (%)[1]	0.43%
1 yr Loss rate on Retail exposures (%)[1]	0.37%
Tier 1 ratio (%)	12.3%

Outcomes of stress test scenarios

The stress test was carried out under a number of key common simplifying assumptions (e.g. constant balance sheet, uniform treatment of securitisation exposures). Therefore, the information relative to the benchmark scenarios is provided only for comparison purposes. Neither the benchmark scenario nor the adverse scenario should in any way be construed as a forecast.

Benchmark scenario at December 31, 2011[2]	mln EUR
Total Tier 1 capital after the benchmark scenario	17,974
Total regulatory capital after the benchmark scenario	20,929
Total risk-weighted assets after the benchmark scenario	134,138
Tier 1 ratio (%) after the benchmark scenario	13.4%

Adverse scenario at December 31, 2011[2]	mln EUR
Total Tier 1 capital after the adverse scenario	16,987
Total regulatory capital after the adverse scenario	19,455
Total risk-weighted assets after the adverse scenario	152,140
2 yr cumulative pre-impairment income after the adverse scenario (including operating expenses)[2]	2,424
2 yr cumulative impairment losses on financial assets in the banking book after the adverse scenario[2]	-3,512
2 yr cumulative losses on the trading book after the adverse scenario[2]	43
2 yr Loss rate on Corporate exposures (%) after the adverse scenario[1, 2]	1.04%
2 yr Loss rate on Retail exposures (%) after the adverse scenario[1, 2]	0.90%
Tier 1 ratio (%) after the adverse scenario	11.2%

Additional sovereign shock on the adverse scenario at December 31, 2011	mln EUR
Additional impairment losses on the banking book after the sovereign shock[2]	-260
Additional losses on sovereign exposures in the trading book after the sovereign shock[2]	-257
2 yr Loss rate on Corporate exposures (%) after the adverse scenario and sovereign shock[1, 2, 3]	1.18%
2 yr Loss rate on Retail exposures (%) after the adverse scenario and sovereign shock[1, 2, 3]	1.07%
Tier 1 ratio (%) after the adverse scenario and sovereign shock	10.9 %
Additional capital needed to reach a 6 % Tier 1 ratio under the adverse scenario + additional sovereign shock, at the end of 2011	-

1. Impairment losses as a % of corporate/retail exposures in AFS, HTM, and loans and receivables portfolios
2. Cumulative for 2010 and 2011
3. On the basis of losses estimated under both the adverse scenario and the additional sovereign shock

Sovereign exposures (1)

Banking group's exposure on a consolidated basis
Amount in million reporting currency

Name of bank	Dexia
Reporting date	31/03/10

	Gross exposures	of which Banking book	of which Trading book
Austria	1,785	1,764	21
Belgium	7,903	6,319	1,584
Bulgaria	144	144	0
Cyprus	44	44	0
Czech Republic	465	464	0
Denmark	51	51	0
Estonia	0	0	0
Finland	184	164	20
France	2,753	2,426	326
Germany	12,339	12,017	322
Greece	3,747	3,679	69
Hungary	1,806	1,804	2
Iceland	0	0	0
Ireland	147	145	2
Italy	17,553	16,417	1,136
Latvia	50	50	0
Liechtenstein	0	0	0
Lithuania	183	182	1
Luxembourg	144	135	9
Malta	0	0	0
Netherlands	209	188	21
Norway	0	0	0
Poland	2,510	2,499	11
Portugal	2,817	2,802	16
Romania	380	380	0
Slovakia	403	400	3
Slovenia	51	43	8
Spain	1,823	1,788	34
Sweden	663	663	0
United Kingdom	17	17	0
TOTAL	**58,170**	**54,586**	**3,584**

(1) Central governments and assimilated