

Dexia SA

Share capital increase under the accounting par value with disapplication of the preferential subscription right

Report of the Statutory Auditor

***(Report related to articles 582, 596 and 598
of the Belgian Company Code)***

We note that the English version of this report is only a free translation. The official reports were issued in French and Dutch. In case of differences the content of the French and Dutch version of the report prevails.

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1. INTRODUCTION

In the context of articles 582, 596 and 598 of the Belgian Company Code (“BCC”), we have the honour to report to you on the proposition of the share capital increase under the accounting par value with disapplication of the preferential subscription right of the company Dexia SA (the “Company”, “DSA” or “Dexia”).

Our report relates to the share capital increase under the accounting par value with disapplication of the preferential subscription right. In that regard, Article 582 of the Belgian Company Code, states that:

"In case the agenda of the General Shareholders Meeting contains the issue of shares without a nominal value, below the par value of the old shares of the same class, this has to be mentioned expressly in the convening notice to this General Shareholders Meeting.

A detailed report must be prepared by the Board of Directors in respect of the transaction which shall in particular deal with the issue price and the financial consequences of the transaction for the shareholders. A report shall be made by the statutory auditor or, in his absence, by a certified auditor appointed by the Board of Directors, or by an external accountant appointed in the same way, in which he shall certify that the financial and accounting information in the report of the Board of Directors provides a true and fair view and provides sufficient information for the General Shareholders Meeting which must vote on the proposal."

The article 596 of the BCC states that:

"The general meeting which must consider and resolve upon the capital increase, the issue of convertible bonds or the issue of subscription rights, may in accordance with the provisions regarding a quorum and the majority required for an amendment of the articles of association, restrict or exclude pre-emption rights in the interest of the company. Such a proposal must be mentioned specifically in the convening notice.

The board of directors shall account for its proposal in a detailed report which, in particular, shall deal with the issue price and financial consequences of the transaction for the shareholders. A report shall be made by the statutory auditor or, in his absence, by a certified auditor appointed by the board of directors, or by an external accountant who is appointed in the same manner, in which he certifies as to the correctness of the financial and bookkeeping information in the report of the board of directors and that the same contains sufficient information for the general meeting which must vote in respect of the proposal. Such reports shall be filed for deposit at the clerk's office of the Commercial Court in the manner required under Article 75. They shall be mentioned in the agenda. A copy thereof can be received in accordance with Article 535.

The absence of the reports mentioned in this Article renders the decision of the general meeting null and void.

The resolution of the general meeting to restrict or exclude pre-emption rights must be filed for deposit at the clerk's office of the Commercial Court in accordance with Article 75."

The article 598 of the BCC states that:

"Where a pre-emption right is restricted or excluded in favor of one or more designated persons who are not employees of the company or of one of its subsidiaries, the identity of the beneficiary or beneficiaries of the restriction or exclusion of the pre-emption rights must be mentioned in the report drafted by the board of directors, and in the convening notice.

Moreover, for companies of which the shares are traded on a regulated market as mentioned in Article 4, the issue price may not be less than the average stock trading price during the thirty days preceding the day on which the issue commenced.

For companies other than those referred to in the second paragraph, the issue price must at least equal the established net asset value of the security which, save in case of unanimous agreement between the shareholders, shall be established on the basis of a report made either by the statutory auditor or, in his absence, by a certified auditor appointed by the board of directors, or by an external accountant appointed in the same manner.

The reports drafted by the board of directors, must also state the consequences of the proposed issue for the position of an existing shareholder, in particular insofar as his share of the profit and the capital is concerned. A statutory auditor or, in his absence, a certified auditor appointed by the board of directors, or an accountant appointed in the same manner, shall provide detailed advice in respect of the elements forming the basis on which the issue price is calculated and its justification.”

The purpose of our report is to issue an opinion in which we shall certify that the financial and accounting information in the report of the Board of Directors provides a true and fair view and provides sufficient information for the General Shareholders Meeting which must vote on the proposal.

Our report contains the following:

- Identification of the company;
- Identification of the transaction;
- Consequences of the operation for the shareholders
- Work performed;
- Subsequent events; and
- Conclusion.

This report is prepared exclusively for the members of the Board of Directors and the Shareholders of the Company related to the share capital increase under the accounting par value with disapplication of the preferential subscription right as described above and cannot be used for any other purposes.

2. IDENTIFICATION OF THE COMPANY

The public limited company Dexia was founded as «Crédit Communal-Holding», per act of 15 July 1996, by the notary Herwig Van de Velde, member of the civile society as a company with limited liability «Van de Velde & Guillemyn, Associated notaries» and which had its registered office in Brussels, published in the Belgian Bulletin of Acts, Orders and Decrees of 30 July 1996 under n° 960731-145 and 146.

The company has its registered office in 1050 Brussels, Place du Champ de Mars 5. Its company number is 0458 548 296.

Its main objective is described as follows:

“ The company has its objective; both in Belgium as abroad:

- 1. ‘the acquisition, the possession, the management and the transfer, in the manner that it is, of all participations in companies or all other moral persons, whatever their legal form, existing or to found, who practise activities of a credit institution, insurance company or reinsurance or who practise financial, industrial, commercial or civil, administrative or technical activities, just as all kinds of shares, obligations, public funds and all other financial instruments of some nature;*
- 2. the supply of assistance services or the administrative, commercial and financial management and the achievement of all study work for the benefit of third parties and in particular for the benefit of companies and other moral persons, whatever their legal form, in which it holds directly or indirectly a participation, just as the supply of loans, advances or guarantees, in some form;*
- 3. the achievement of all movable, immovable, real, financial, industrial, commercial or civil operations, including the acquisition, the management, the hiring and the transfer of all movable and immovable goods, which refer directly or indirectly to the realization of its social object or which are likely to support the realization of it.”*

2.1. The social capital of DEXIA SA

As at September 30, 2012, the social capital amounts to EUR 500.000.000, represented by 1.948.984.474 shares without designation of the nominal value of which 322.701.095 nominative shares, 1.624.965.353 dematerialized shares and 1.318.026 (physical) bearer shares. The shares are quoted on Euronext Brussels, Euronext Paris and the Luxembourg Stock Exchange.

2.2. The authorized capital of DEXIA SA

The Extraordinary General Shareholders Meeting of 9 May 2012 decided to reduce the authorized capital to the level of the social capital of EUR 500.000.000. The renewal of the authorized capital approved by the General Shareholders Meeting of 13 May 2009 continues to be usable until the General Shareholders Meeting of 2014 for an amount adapted by the Extraordinary General Shareholders Meeting of 9 May 2012. During the financial year 2012, the Board of Directors has not made use of the authorized capital.

2.3. Summary of current warrant plans (inscription rights)

The summarising table of the inscription rights («WARRANTS») DEXIA not exercised at 31 December 2011 and linked to option plans issued before 2012, is presented below:

	Prix d'émission (en EUR) ⁽⁵⁾	Période d'exercice		Nombre de warrants octroyés	Nombre de warrants exercés	Nombre de warrants annulés car caducs	Nombre de warrants résiduels avant cession ⁽⁵⁾
		du	au				
Warrants attribués en 2001							
Warrants « ESOP 2001 »	16,15	30 juin 2004	31 déc. 2011 ⁽¹⁾	8 100 000	2 715 038	952 736	0
Warrants attribués en 2002							
Warrants « ESOP 2002 »	12,35/10,74 ⁽²⁾	30 sept. 2005	23 juillet 2012 ⁽¹⁾	10 000 000	5 541 057	529 182	4 087 911
	12,35						1 121 371
	10,74						2 966 540
Warrants attribués en 2003							
Warrants « ESOP 2003 »	10,28	30 sept. 2006 ⁽¹⁾	24 juillet 2013 ⁽¹⁾	10 000 000	2 247 878	452 169	8 065 490
Warrants attribués en 2004							
Warrants « ESOP 2004 »	12,26	30 sept. 2007 ⁽¹⁾	24 juillet 2014 ⁽¹⁾	10 000 000	81 250	735 678	10 232 603
Warrants attribués en 2005							
Warrants « ESOP 2005 »	16,30	30 juin 2008	29 juin 2015 ⁽¹⁾	9 994 950	15 000	922 926	9 991 281
Warrants attribués en 2006							
Warrants « ESOP 2006 »	16,83	30 juin 2009	29 juin 2016 ⁽¹⁾	9 760 225	15 000	737 980	9 899 471
Warrants « plan d'actionnariat réseau 2006 »	19,21	29 oct. 2011	29 oct. 2011	197 748	0	218 671	0
Warrants « ESOP 2006 » DenizBank	18,73	15 déc. 2009 ⁽¹⁾	14 déc. 2016 ⁽¹⁾	235 000	030 987		228 878
Warrants attribués en 2007							
Warrants « ESOP 2007 »	21,02	30 juin 2010	29 juin 2017 ⁽¹⁾	10 322 550	0493 956		10 883 145
Warrants attribués en 2008							
Warrants « ESOP 2008 »	9,12	30 juin 2011	29 juin 2018	7 093 355	0110 906		7 553 684
Warrants « ESOP 2008 »	11,44	30 juin 2012	29 juin 2018	3 466 450	0224 660		3 531 624
Warrants « garantie des États FP » ⁽³⁾		11 mai 2011	11 mai 2016 ⁽⁴⁾	2	0	0	2

(1) Sauf conditions particulières.

(2) 13,35: France/10,74 : autres pays.

(3) Concerne l'émission, décidée par l'assemblée générale extraordinaire du 11 mai 2011, d'un droit de souscription (« warrant ») en faveur de l'État belge, et d'un droit de souscription (« warrant ») en faveur de l'État français, en rapport avec le mécanisme de remboursement de la garantie octroyée par les États belge et français au titre de certaines obligations de Dexia liées aux activités Financial Products du groupe FSA, dans le cadre de la vente de FSA à Assured Guaranty. Pour une description des caractéristiques spécifiques de ces droits de souscription, veuillez consulter le rapport spécial du conseil d'administration du 18 mars 2011: http://www.dexia.com/docs/2009/2009_legal/20090519_rapportSpecialFSA_FR.pdf.

(4) Les warrants sont émis pour une durée de cinq ans

(5) Afin de protéger les détenteurs de warrants contre les conséquences économiques défavorables découlant de l'émission d'actions de bonus à la suite de la décision de l'assemblée générale extraordinaire du 11 mai 2011, le prix d'exercice des warrants a été réduit et le nombre de warrants augmenté conformément à un ratio d'ajustement déterminé selon la Corporate Action Policy d'Euronext NYSE Liffe. Ces ajustements ont été constatés par acte notarié le 14 juin 2011. Grâce à cet ajustement, les détenteurs de warrants se trouvent dans la même situation financière qu'avant l'émission des actions de bonus.

2.4. Composition of the shareholders of DEXIA SA before the proposed capital increase

The main shareholders of Dexia SA before the proposed capital increase are:

	Stake before the proposed share capital increase
Caisse des dépôts et consignation	17.61%
Holding Communal	14.26%
Groupe Arco	10.19%
État fédéral belge via Société Fédérale de Participations et d'Investissement	5.73%
État français	5.73% ¹
Groupe Ethias	5.04%
CNP Assurances	2.96%
Région flamande via le Vlaams Toekomstfonds	2.87%
Région wallonne	2.01%
Région de Bruxelles-Capitale	0.86%
Employees	0.57%
Others	32.17%

¹ Via the Société de prise de participation de l'Etat

3. IDENTIFICATION OF THE TRANSACTION

3.1. Context

- As described in the Special Report prepared by the board of Directors in accordance with article 633 of BCC (the “633 Special Report”) and that was made available to you, DSA and the Dexia group have been facing a very severe crisis since 2008. This crisis deepened in 2011 following the worsening of the sovereign debt crisis and, more generally, the decline of the macroeconomic environment. In that context, and in order to avoid a rapid deterioration in the Dexia group’s liquidity situation and the snowball effect of a systemic risk, the Belgian, French and Luxembourg States supported the Dexia group and its restructuring plan by granting a guarantee on certain funding raised by DSA and DCL. The guarantee was approved by the European Commission on December 21, 2011 on a temporary basis for a maximum principal amount of EUR 45 billion. On May 31, 2012, the European Commission decided to extend the temporary guarantee, granted for funding raised by DSA or DCL, until September 30, 2012 and to approve the increase in the ceiling on the principal amount of the guarantee to EUR 55 billion. On September 26, 2012, the temporary guarantee, was, again, extended with the approval of the European Commission for funding raised until January 31, 2013.

In accordance with undertakings given in the context of the approval of the temporary guarantee by the European Commission and in order to obtain a definitive approval of the guarantee, the Belgian, French and Luxembourg States filed an orderly resolution plan for the Dexia group on March 21 and 22, 2012 with the European Commission (the “Orderly Resolution Plan”). The Orderly Resolution Plan included the strategy of the Dexia group, a business plan and a presentation of the future outlook of the group taking into account, in particular, the sale of the operational entities. This plan was based on a certain number of fundamental structuring assumptions, described under item 2.3 of the 633 Special Report.

In order to deal with that deteriorated environment, the Dexia group began, as from October 2011, profound changes to its structure, including the sale of all its strategic operational entities, including Dexia Banque Belgique (now Belfius Banque et Assurances) (“DBB”), Dexia Banque internationale à Luxembourg (now Banque Internationale à Luxembourg) (“BIL”) and DenizBank. The sale of those strategic operational entities led the Dexia group to book a loss, including a loss of EUR 4.2 billion on the sale of DBB, a loss of EUR 199 million on the sale of BIL and a loss of EUR 744 million on the sale of DenizBank.

- During Q3 2012, the Belgian, French and Luxembourg States and the European Commission actively continued discussions with a view to filing a revised orderly resolution plan for the Dexia group with the European Commission. These discussions, and the evolution of the conditions prevailing on the markets, led to amendments to a number of principles and assumptions underlying the business plan which had been a basis for the Orderly Resolution Plan.

Financial simulations prepared in the context of the revised orderly resolution plan now forecast funding costs that heavily impact the future profitability of the Dexia group, including DCL. This results from factors that have appeared recently including first and foremost the requirements of the central banks in terms of funding mix. Indeed, the initial forecasts prepared by the Dexia group included a predominant use of eligible securities issued by DCL and subscribed by group entities to be posted as collateral with the central banks, allowing the group to refinance itself at the European Central Bank’s Main Refinancing Operation (“MRO”) rate. The cap imposed by the central banks, after the Orderly Resolution Plan was drawn up, on that type of funding has obliged the Dexia group to very profoundly adapt the funding plan underlying its initial business plan in order to include less dependency on funding from the central banks. During its orderly resolution, the group now expects to use greater proportions of short and medium term market funding such as issuances guaranteed by the Belgian, French and Luxembourg States which are far more expensive than funding at the MRO rate and covered (repos) and other market funding. These new funding assumptions will enable the orderly resolution plan to be consistent with the anticipation of a return to “normalized” market conditions implying changes to monetary policies during the Dexia group’s resolution period.

- This increase in the Dexia group's funding costs, the significance of the balance sheet to which they apply, and the amendments to the funding plan resulting therefrom, mean the funding costs have a greater impact on the profitability prospects of DCL than what was included in previous forecasts made by the Dexia group, in particular in the context of the Orderly Resolution Plan and in the 2011 financial statements and interim statements at June 30, 2012.

DSA's stake in DCL was valued at EUR 5 billion. This valuation was based on future positive cash flow forecasts for DCL which were, in turn, based upon the assumptions established by the Dexia group in the context of the Orderly Resolution Plan, the 2011 financial statements and the June 30, 2012 interim financial statements and that are described in item 2.3 to the 633 Special Report. Given the increase in the Dexia group's funding costs, these assumptions will not materialize and the valuation of DCL at EUR 5 billion was no longer justified. DSA therefore had to book an impairment on the full value of its stake in DCL as it was not possible to establish a value at the date at which the September 30, 2012 financial statements were drawn up, given the uncertainty in relation to the impact of certain factors included in the revised orderly resolution plan.

During its meeting held on November 7, 2012 in connection in particular with the approval of the Company's interim statement in relation to its financial situation at September 30, 2012, the Board acknowledged that following the losses incurred as a result, in particular, of the impairment on DSA's stake in DCL, DSA's net assets had been reduced to EUR -2.685 billion, which is under a quarter of the share capital, being EUR 500 million. Given that this amount was lower than one of the thresholds set forth in Article 633 of the BCC, the Board is required to convene a general meeting of the shareholders in order for the shareholders to vote on whether to continue the Company's activities or to dissolve and liquidate it.

- In the 633 Special Report, the Board proposes to the shareholders to continue the activities of DSA and sets forth the measure proposed to improve the financial condition of DSA, namely a share capital increase reserved to the Belgian and French States in compliance with the minimum price rule set forth in Article 598 of the BCC.

The Board believes that this share capital increase should be of a total amount of EUR 5.5 billion, in order to restore DSA's net assets to a level above half the share capital, to satisfy all its contractual obligations vis-à-vis DCL and its subsidiaries and to proceed with a share capital increase in DCL for an amount of EUR 2 billion. These last two transactions are imperative in order to allow DCL to continue to comply with its net stand alone asset ratios.

The share capital increase will also allow DSA and the Dexia group to continue to implement the orderly resolution of the group in accordance with the terms of the orderly resolution plan that will shortly be filed with the European Commission, and allow for the run off of assets until their maturity, thus avoiding the negative consequences described in the 633 Special Report. The amount of EUR 5.5 billion corresponds to the amount that the Board considers necessary in order for DSA to benefit, after the share capital increase in DCL and satisfaction of its contractual obligations vis-à-vis DCL and its subsidiaries, from sufficient net assets and liquidity to cope with future changes to the economic and financial environment in which the Dexia group operates, to the extent that such changes can be deemed foreseeable at the date hereof. The amount of the share capital increase has therefore been determined in such a way as to allow the Dexia group to continue its orderly resolution subject to no significant deterioration in the credit risk and subject to the markets evolving in accordance with current projections.

- Given the condition of DSA, described above, the amount of the required recapitalization and the general urgency of the situation, the implementation of a share capital increase reserved to the Belgian and French States appears to be the only solution. The States have agreed to the following apportionment: (i) the Belgian State acting directly or through the Société Fédérale de Participations et d'Investissement, pursuant to a delegated mission, will subscribe to the share capital increase for an amount of EUR 2.915 billion; and (ii) the French State will subscribe to the share capital increase for an amount of EUR 2.585 billion.

The new shares that would be subscribed by the Belgian and French States would benefit from preferential rights in accordance with the principle, already announced by DSA during the publication of the 2011 annual report and mentioned again in the press release dated August 3, 2012 (1H 2012 Results and Update on the Progress of the Group's Resolution Plan), that any future improvement in the financial condition of DSA will firstly and mainly benefit the guarantor States given the risk that they bear pursuant to the guarantee granted to the Dexia group.

Those preferential rights also implement the burden sharing requirements set forth by the European Commission in accordance with State aid rules. Indeed, the European Commission has indicated that, in this case, it would only approve the final orderly resolution plan of the Dexia group if, in case of a recapitalization by the States, it included a full economic eviction of existing shareholders.

3.2. Summary of the Transaction

The Board has resolved to propose to the general meeting of shareholders a share capital increase in cash, reserved to the Belgian and French States in an amount of EUR 5.5 billion. The main terms of the proposed share capital increase are the following:

3.2.1. CONDITIONALITY.

If the general meeting approves the share capital increase, the effective implementation thereof would be subject to (i) obtaining all statutory and regulatory authorizations required for the subscription of the new shares by the Belgian State (acting directly or through the Société Fédérale de Participations and d'Investissement, pursuant to a delegated mission) on the one hand, and by the French State, on the other, and (ii) the authorization by the European Commission pursuant to State aid rules. The Belgian and French States expect that the share capital increase will take place before December 31, 2012.

3.2.2. AMOUNT.

The aggregate amount of the cash subscriptions by the States would be EUR 5.5 billion. Given that the proposed issuance price per new share is EUR 0.19, and therefore below the accounting par value of existing shares, being EUR 0.2565, the aggregate amount subscribed will be booked to the share capital, which would be increased from EUR 500,000,000 to EUR 6,000,000,000.

3.2.3. SUBSCRIPTION PRICE.

The subscription price would be EUR 0.19, being the average closing DSA share price on NYSE Euronext Brussels for the 30 calendar day period prior to the resolution of the Board, dated November 14, 2012, proposing to the extraordinary general meeting of shareholders to proceed with the envisaged share capital increase. This price is lower than the accounting par value of the existing shares of the Company, being EUR 0.2565.

3.2.4. ISSUANCE OF PREFERENCE SHARES.

The share capital increase would take the form of an issuance of 28,947,368,421 new preference shares, granting the right to dividends for the ongoing financial year, issued in consideration for an immediately paid up contribution in cash of EUR 5.5 billion.

The new shares would be issued without VVPR strips.

The new shares would grant their owners the rights described in the wording proposed as a new Article *4ter* of the Company's articles of association, pursuant to the proposed resolution nr. 4.3 of the convening notice to the Company's extraordinary general shareholders' meeting to be held on November 21, 2012, and summarized hereafter.

3.2.4.1. **VOTING RIGHTS.**

The new preference shares would have the same voting rights as the existing shares.

3.2.4.2. **DIVIDENDS.**

Subject to the occurrence of the proposed share capital increase, all dividend distributions by the Company will, hence forth, be allocated in priority to the holders of preferred shares, up to an amount per preference share corresponding to 8% per annum of the amount of the subscription price paid for such share. Any potential surplus would then be allocated to the holders of ordinary shares up to an amount per share corresponding to the amount distributed to the preference shares and any remainder will then be distributed on a pari passu basis to the holders of both classes of shares.

3.2.4.3. **LIQUIDATION SUPPLEMENT.**

Any potential shortfall, in respect of the preference shares, between the amount corresponding to 8% of the subscription price paid for such share and the effective amount of the yearly dividend distribution, will not be carried forward to future annual distributions, but this difference and any other differences in subsequent years would constitute a liquidation supplement (the "Liquidation Supplement") payable in priority, in accordance with the terms set forth below, to the holders of preference shares.

3.2.4.4. **LIQUIDATION DISTRIBUTIONS.**

Subject to the occurrence of the proposed share capital increase, and upon a subsequent liquidation of the Company, any distributions in connection therewith will be allocated in priority to the holders of preference shares up to an amount per preference share equal to the subscription price paid for such share, increased by any Liquidation Supplement and reduced by any amounts already repaid in connection with a share capital reduction. Any remainder would then be allocated to the holders of ordinary shares up to an amount representing their right to a capital reimbursement in respect of such shares and then up to an amount corresponding to the Liquidation Supplement, and any remaining amount will then be allocated on a pari passu basis to holders of both classes of shares.

3.2.4.5. **SHARE CAPITAL REDUCTIONS IN KIND, SHARE BUY-BACKS.**

Subject to the occurrence of the proposed share capital increase, the product of future share capital reductions of the Company carried out by repayments to shareholders, will be booked in priority against the part of the share capital represented by the preference shares and will be allocated in priority to the holders of preference shares up to an amount equal to the subscription price paid for such share, reduced by any amounts already repaid pursuant to any share capital reductions.

Subject to the occurrence of the proposed share capital increase, future share buy-backs by the Company will be carried out in priority on preference shares.

Subject to the occurrence of the proposed share capital increase, no share capital reduction operations or share buy-back transactions may be carried out in respect of ordinary shares without the prior approval of at least 75% of votes attached to the preference shares.

3.2.4.6. *SHARE CAPITAL REDUCTIONS IN ORDER TO SET-OFF LOSSES OR CREATE RESERVES.*

Subject to the occurrence of the proposed share capital increase, future share capital reduction operations of the Company with a view to setting off losses or to create reserves will be booked in priority against the ordinary shares, meaning that any right to the reimbursement of share capital in respect of each ordinary share will be reduced by the same amount. However, such share capital reduction transactions would be carried out in such a way as to ensure that the total amount of the right to the repayment of share capital of all the shares of a given class shall remain strictly positive. For the rest, the rights attached to the shares shall not be affected.

3.2.5. WARNING.

Items 3.2.4.2 to 3.2.4.6 are a summary of the rights attached to the preference shares that are proposed to be issued. The Board refers to the proposed wording for the new Article *4ter* of the articles of association, pursuant to the proposed resolution nr. 4.3 in the convening notice to the extraordinary general shareholders' meeting of the Company to be held on November 21, 2012, for a precise and complete explanation of such rights.

3.2.6. SUBSCRIBERS.

The share capital increase would be subscribed by the Belgian and French States; The apportionment of the new preference shares (the "class B shares") would be the following:

3.2.6.1. Belgian state acting directly or through the société fédérale de participations et d'investissement acting pursuant to a delegated mission: 15,342,105,263 class B shares; and

3.2.6.2. French state: 13,605,263,158 class B shares.

3.2.7. CORPORATE RESOLUTIONS.

In order to be approved, the proposal of the Board to increase the Company's share capital and to disapply the preferential subscription right of existing shareholders requires the presence of shareholders representing at least half of the share capital and the approval of at least 75% of votes cast at the extraordinary general meeting. If the share capital increase is approved by the general meeting, the Board would propose to the shareholders to delegate to two board members of DSA the powers to finalize the transaction and to acknowledge that the share capital increase has effectively taken place.

The share capital increase would be evidenced in a notarial deed drawn up on or around December 28, 2012 and the new class B shares of DSA would be issued at that date. The share capital would be increased by the aggregate amount of the subscriptions, being EUR 5.5 billion. As a result, the share capital would be increased from EUR 500 million to EUR 6 billion.

3.3. Justification of the operation

The Board of Directors disclose in its special report the following justification of the operation:

3.3.1. Given (i) DSA's situation, as described under item 3.1 above, (ii) the amount of the required recapitalization, and (iii) the general urgency of the situation, the Board considers that the recapitalization of DSA by the Belgian and French States is the only solution which will allow DSA to continue its activities and for its subsidiaries (mainly DCL) to avoid an insolvency situation. A disorderly liquidation of DSA or the bankruptcy of DCL would have serious and systemic consequences further described in the 633 Special Report.

An urgent recapitalization of the Company is therefore required. However, the timeframe and the formalities related to a share capital increase with preferential subscription rights (and, in particular, the requirement to prepare and seek the approval of a public offering prospectus) would have been incompatible with the need for a recapitalization in the very near future. In addition, given the amount of the recapitalization and the limited probability of any return on the new shares, it is very probable that a public offer would have been insufficiently subscribed.

3.3.2. In addition, given that the share capital increase would be a reserved share capital increase, and that the minimum price rule of Article 598 of the BCC will apply, the dilution of existing shareholders not taking part in the share capital increase will be limited.²

3.3.3. The Board therefore believes that, given the context described under item 3.1 above and further detailed in the 633 Special Report, the structure of the operation, being a reserved share capital increase with disapplication of the preferential subscription right, proposed by the Board is the best suited and the disapplication of the preferential subscription right, for DSA's existing shareholders, would therefore be in the corporate benefit of DSA, including its shareholders and stakeholders interests, including the group's creditors, the guarantor States and the employees of DSA and its subsidiaries.

3.4. Identification of subscribers and determination of the subscription price

In accordance with Article 598 of the BCC, (i) the beneficiaries of the share capital increase with disapplication of the preferential subscription right have been identified (see item 3.2.6 above); and (ii) the issuance price would be equal to the average DSA's closing share price on NYSE Euronext Brussels during the 30 calendar day period prior to the resolution of the Board, taken during its meeting held on November 14, 2012, proposing the share capital increase to the extraordinary general meeting of shareholders, being EUR 0.19 per share.

² It is, however, stressed that the characteristics of the preference shares will entail, in addition to a dilutive effect in terms of percentage of ownership of the share capital and voting rights, the crystallization of a value close to zero and quasi-absence of prospects for any returns or increases to the value on existing shares. Please see item 4 hereafter in relation thereto.

4. CONSEQUENCES OF THE OPERATION FOR THE SHAREHOLDERS

The Board of Directors of Dexia SA discloses in its special report the following consequences of the operation for the shareholders

4.1. Disapplication of the preferential subscription rights (article 596 of the BCC)

The Board proposes to increase the share capital of DSA by issuing 28,947,368,421 class B shares, in accordance with the terms set forth under item 3.2 above. In connection with such share capital increase, the Board proposes to disapply the preferential subscription right of existing DSA shareholders set forth in Articles 592 and following of the BCC. The share capital increase is therefore subject to the conditions and formalities set forth in the BCC for the disapplication or limitation of the preferential subscription right.

Article 596, second indent of the BCCs stipulates that in case of disapplication or limitation of the preferential subscription right, *“the board must justify its proposal in a detailed report on, in particular, the price of the issuance and the financial consequences of the transaction for the shareholders. (...)”*

4.2. Identification of the subscribers and minimum price rule (Article 598 of the BCC).

The proposed share capital increase would take place with disapplication of the preferential subscription right in favor of determined persons who are not members of the personnel.

Article 598 of the BCC states that in case of disapplication or limitation of the redemption right in favor of determined persons who are not members of the personnel, *“the identity of the beneficiary or beneficiaries of the limitation or disapplication of the preferential subscription right must be mentioned in the report drawn up by the board of directors (...). In addition, the issue price, in listed companies, may not be lower than the average share price over the 30 day period prior to the beginning of the issuance”*.

4.3. Issuance of shares below the accounting par value (Article 582 of the BCC)

The Board proposes to increase the Company's share capital by issuing 28,947,368,421 class B shares at a price per share equal to the average DSA closing share price on NYSE Euronext Brussels during the 30 day period prior to the decision of the Board proposing to the extraordinary general meeting of shareholders to proceed with a share capital increase, being EUR 0.19. This subscription price would be lower than the current accounting par value of the DSA shares, being EUR 0.2565 (the share capital being equal to EUR 500,000,000 represented by 1,948,984,474 shares). The issuance of shares is therefore subject to the conditions and formalities of the BCC in case of issuance of shares below the accounting par value of the existing shares of the same class.

In this respect Article 582, second indent of the BCC states, in this respect, that *“the transaction must be the object of a detailed report by the board on, in particular, the issuance price and the financial consequences of the transaction for the shareholders”*.

4.4. Consequences of the share capital increase on the shareholders

4.4.1. SHAREHOLDER DILUTION.

Following the proposed share capital increase, the stake of existing shareholders would be reduced from 100% to 6.31%. The potential stake of holders of securities giving an access to the share capital (in this case, subscription rights issued by DSA) would be diluted to that extent.

The position of existing shareholders would be modified as follows following the share capital increase:

	Stake before the proposed share capital increase	Stake after the proposed share capital increase
Caisse des dépôts et consignation	17.61%	1.11%
Holding Communal	14.26%	0.90%
Groupe Arco	10.19%	0.64%
État fédéral belge via Société Fédérale de Participations et d'Investissement	5.73%	50.02%
État français	5.73% ¹	44.40% ²
Groupe Ethias	5.04%	0.32%
CNP Assurances	2.96%	0.19%
Région flamande via le Vlaams Toekomstfonds	2.87%	0.18%
Région wallonne	2.01%	0.13%
Région de Bruxelles-Capitale	0.86%	0.05%
Employees	0.57%	0.04%
Others	32.17%	2.03%

¹ through the Société de prise de participation de l'Etat.

² 0.36% held through the *Société de prise de participation de l'Etat* and 44.04% held directly.

4.4.2. ECONOMIC CONSEQUENCES OF THE PREFERENTIAL RIGHTS OF THE B SHARES.

4.4.2.1. The preference rights of the new shares reflect the principle that the probability of dividends, share capital repayments or liquidation proceeds to existing shareholders is extremely limited.

4.4.2.2. These preferential rights, which are a condition imposed by the Belgian and French States to the recapitalization of DSA, constitute the implementation, on the one hand, of the already stated principle that any improvement in the future financial situation of the Company must firstly and mainly benefit the guarantor States, given the risks they bear and, on the other, the requirements of the European Commission in terms of burden sharing. Indeed, the European Commission has indicated, in this case, that it would not approve the definitive orderly resolution plan of the Dexia group unless it provided, in case of a recapitalization by the States, for a full economic eviction of existing shareholders.

- 4.4.2.3. The class B preference shares also give their holder a preferential right in case of share capital reductions in DSA in order to set off losses or to create a reserve (see point 3.2.4.6 above). Such share capital reduction transactions shall be allocated to the class A ordinary shares in priority, meaning that the part of the share capital that each class A ordinary share represents shall be reduced (it being understood that it must remain above zero) and without, however the other rights, including voting rights, attached to such class A ordinary shares being affected. Since the part of the share capital represented by the class A ordinary shares would amount to EUR 500,000,000 following the share capital increase proposed by the Board, any share capital reduction by an amount equal to or higher than EUR 500 million would result in the part of the share capital represented by the class A ordinary shares being close to zero and in the right of holders of class A ordinary shares to a share capital reimbursement being reduced to close to zero, without such amount being able to be reduced below zero.
- 4.4.2.4. Given that the financial statements at September 30, 2012, show negative net assets in an amount of EUR 2.685 billion, the Board shall probably be required, all other things being equal, to book a loss equal to or higher than EUR 2.685 billion in the financial statements at December 31, 2012 and to propose to the extraordinary general meeting of shareholders of DSA to approve a formal share capital reduction in DSA in order to set off the losses or a part thereof; the Board will probably also propose an additional share capital reduction in order to create a reserve for future losses and thus bring the share capital level back to an adequate level, in order to avoid the probability of a new situation in which the net assets would be insufficient vis-à-vis the share capital. In accordance with the preferential rights of the class B shares, these share capital reductions would be set off in priority against the class A ordinary shares which means that the part of the share capital represented by the class A ordinary shares would be reduced to an amount close to zero (it being understood that such amount must remain positive) and that the rights of the holders of class A shares to any share capital repayment would be reduced to an amount close to zero (it being understood that it would not be reduced below zero). The holders of class A ordinary shares would, however, keep their voting rights, and the right to any dividends in the event, which Dexia considers to be unlikely, that any distributions are higher than the preferential dividend due to the class B shares.
- 4.4.2.5. Whilst, as indicated above, the rights of preference shares reflect the principle that the prospects of dividends, share capital or liquidation proceeds reimbursements to existing shareholders are extremely limited, the Board believes that this simply confirms an existing situation: since the net assets are negative and the prospects for future dividend distributions are extremely limited, the value of existing shares is, today, de facto equal to zero.

5. WORK PERFORMED

The financial and accounting information included in the special report of the Board of Directors has been verified in accordance to the norms and recommendations of the Institute of Accredited Auditors (IBR/IRE). In the execution of this mission, we have based ourselves on the work performed in respect to our mandate as auditor of the company.

Our controls were limited to the verification of the proposition of the share capital increase under the accounting par value with disapplication of the preferential subscription right, that will be submitted for approval to the Extraordinary Shareholders Meeting of Dexia SA.

6. SUBSEQUENT EVENTS

At the date of this report, we understand that no significant events took place since 7 November 2012, date on which the Board of Directors Meeting approved and communicated the company's financial interim situation as of 30 September 2012.

The board of directors of Dexia SA met on 14 November 2012 and approved the revised plan for the orderly resolution of the Dexia Group which will be notified for approval to the European Commission by the Belgian, French and Luxembourg States very shortly. The European Commission's decision is expected by the end of 2012.

This revised plan, confirms the strategy followed by the Group since October 2011 and intends to avoid the materialisation of the systemic risk that the bankruptcy of the Group would represent to the Belgian, French and European financial systems:

- it contains an undertaking to dispose of various operating entities of the Group. This process is well advanced and Dexia has disposed of almost all of its commercial franchises;
- it reaffirms the support provided by the Belgian, French and Luxembourg States to the Dexia Group enabling it to complete the Group's orderly resolution. This support is expressed by the States granting a tripartite guarantee of up to a maximum EUR 85 billion of principal, as well as an undertaking by the Belgian and French States to subscribe to an EUR 5.5 billion capital increase for Dexia SA in the form of preference shares. The financial consequences of this capital increase for the current shareholders are described in section 4;
- with the sale of Dexia Municipal Agency (DMA) to a new credit institution, in which France would be the majority shareholder, it permits the creation of a new scheme for French local public sector financing. As indicated in the Interim Declaration dated 8 November 2012, Dexia will not grant a guarantee to DMA on the portfolio of structured credits. The credits initially covered by that guarantee, and the current outstanding of which amounts to EUR 9.4 billion, will remain on the DMA balance sheet.

Dexia provided information on the progress of discussions between the European Commission and the States in the Interim Declaration relating to its results for Q3 2012. In that Declaration, the Group specified the principal changes to have occurred in relation to the plan notified to the Commission in March 2012. In particular, the new assumptions on funding rely on anticipated "normalised" market conditions over the Group's resolution period. These new assumptions appear to be more costly than anticipated in March 2012, which lead Dexia SA, in its interim financial statements as at 30 September 2012, to book a full write off of its holding in Dexia Crédit Local, reflected by negative net assets.

7. CONCLUSION

In view of the share capital increase under the accounting par value with disapplication of the preferential subscription right, that will be proposed to the Extraordinary Shareholders Meeting of 21 December 2012, we have the honour to report to you on the mission entrusted to us by the Board of Directors in accordance with articles 582, 596 and 598 of the Belgian Company Code (BCC).

The purpose of our report is to issue an opinion in which we shall state that the financial and accounting information in the report of the Board of Directors provides a true and fair view and provides sufficient information for the General Shareholders Meeting which must vote on the proposal.

The financial and accounting information included in the special report of the Board of Directors has been verified in accordance to the norms and recommendations of the Institute of Accredited Auditors (IBR/IRE). In the execution of this mission, we have based ourselves on the work performed in respect of our mandate as auditor of the Company.

Based on the work performed, we have no knowledge of important information, available at the date of our report, related to the operation and which is not presented in a true and fair view in the special report of the Board of Directors.

In our opinion, the financial and accounting information included in the attached special report of the Board of Directors of 14 November 2012 provides a true and fair view and provides sufficient information for the General Shareholders Meeting which must vote on the proposal of the share capital increase under the accounting par value with disapplication of the preferential subscription right.

Without qualifying the opinion disclosed here above, we draw the attention on the following matters:

- We understand that the Company has recorded in its statutory accounts an impairment on the full value of its stake in DCL as it was not possible to establish a value at the date at which the September 30, 2012 financial statements were drawn up, given the uncertainty surrounding the impact of certain factors included in the revised orderly resolution plan. Ideally, a valuation of the stake in DCL should be performed taking into account the new assumptions withheld in the revised plan for the orderly resolution and in accordance with the valuation method for participating interests and shares in affiliated companies adopted by Dexia SA.
- Article 598 of the BCC states that "...the subscription price, for listed companies, should not be lower than the average share price for the last 30 calendar day period prior to the start of the share capital increase". In its special report prepared in accordance with articles 582, 596 and 598 of the BCC, the Board of Directors refers to the average closing DSA share price on NYSE Euronext Brussels for the 30 calendar day period prior to the resolution of the Board proposing to the extraordinary general meeting of shareholders to proceed with the envisaged share capital increase. This method is in accordance with the "Term Sheet" agreed between the States.
- The Board of Directors propose a subscription price equal to the legal minimum required by article 598 of BCC and consequently the preferential characteristic of the new shares has not been the subject of a valuation.

This report is prepared exclusively for the members of the Board of Directors and the Shareholders of the Company related to the share capital increase under the accounting par value with disapplication of the preferential subscription right as described above and cannot be used for any other purposes.

Diegem, 15 November 2012

The statutory auditor
DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises
SC s.f.d. SCRL
Represented by

Frank Verhaegen
Partner

Bernard De Meulemeester
Partner