

Dexia SA/NV
Place Rogier 11
1210 Brussels
RPM Brussels - n°0458.548.296

REPORT OF THE BOARD OF DIRECTORS

CROSS-BORDER MERGER BY ABSORPTION OF DEXIA PARTICIPATION LUXEMBOURG S.A. BY DEXIA SA

- Article 772/8 of the Belgian Company Code -

1. INTRODUCTION

This report (hereinafter the "Report") was established by the Board of Directors of Dexia SA, a public limited liability company under Belgian law, having its registered seat at 11 Place Rogier, 1210 Brussels, Belgium, registered with the Register of Legal Entities of Brussels under number 0458.548.296 (hereinafter, the "Company") for submission to the general shareholders meeting of the Company of the proposal of the cross-border merger by absorption of Dexia Participation Luxembourg S.A., a private limited liability company under Luxembourg law, having its registered seat at 69 Route d'Esch, L-1470 Luxembourg, Grand Duchy of Luxembourg, registered with the Trade and Companies Register under number B95732 (hereinafter, "DPL" or the "Company being Acquired", and, with the Company, the "Merging Companies").

This Report has been prepared in accordance with Article 772/8 of the Belgian Company Code, which specifies that when a company contemplates a cross-border merger, the Board of Directors of the Belgian Merging Companies shall prepare a written and detailed report to the members, which provides an overview of the assets and liabilities of Company to be merged, and which explains and justifies, from a legal and economic perspective, the opportunity and the terms and conditions of the cross-border merger and the consequences of the cross-border merger for members, creditors and employees.

This Report (and the joint merger proposal - see Section 2 below) will be submitted to the extraordinary general shareholders meeting of the Company to be held in Brussels on, or around, May 9, 2012 or, if the required quorum is not reached at the first general shareholders meeting, on or around June 13, 2012 (hereinafter, the "EGM").

At the date of this Report, the Company holds all the shares of the Company being Acquired and the Company will hold all of these shares at the effective date of the merger.

2. PROPOSED TRANSACTION

The Board of Directors of the Company proposes a cross-border merger by absorption of the Company being Acquired with, and into, the Company within the meaning of

Directive 2005/56/EC of the European Parliament and of the Council of October 26, 2005 on cross border mergers of limited liability companies (the "Directive") and pursuant to Articles 676 *jo.* 772/1 to 772/14 of the Belgian Company Code (the "Company Code") and under the simplified procedure set forth in Articles 278 and following of the Luxembourg law of August 10, 1915 on commercial companies, as amended (the "Law on commercial companies") (hereinafter, the "Merger").

Following the dissolution without liquidation, all the rights and obligations of the Company being Acquired will be transferred to the Company pursuant to Article 676 of the Company Code and Article 274 of the Law on commercial companies. The Company intends to continue the activities of the Company being Acquired, without any change to the activities of the Company.

As part of the Merger, the Boards of Directors of the Merging Companies have agreed on a joint merger proposal (the "Merger Proposal", attached as Annex 1 hereto) which will be subject to the approval of the EGM. In accordance with Article 772/14 of the Company Code, the Merger will enter into effect on the date on which the notary public will acknowledge completion of the Merger upon request of the Merging Companies on presentation of certificates and other documents evidencing the Merger.

In accordance with Article 772/9, § 4 of the Company Code and Article 278 of the Law on commercial companies, no auditor's report or a report of an independent expert are required as all the shares of the Company being Acquired are held by the Company.

3. STATUS OF THE ASSETS AND LIABILITIES OF THE MERGING COMPANIES

An overview of the assets and liabilities of the Company as of December 31, 2011 is attached as Annex 2 hereto. An overview of the assets and liabilities of the Company being Acquired as of December 31, 2011 is attached as Annex 3 hereto.

The Merger will be based on (i) the annual accounts of the Company as of December 31, 2011, which have been approved by the Board of Directors of the Company during its meeting of March 20, 2012, which will be audited by Deloitte Auditors SC s.f.d SCRL prior to the EGM, and which will be submitted to the approval of the annual general shareholders meeting of the Company, and (ii) the annual accounts of the Company being Acquired, which will be approved by the Board of Directors of the Company being Acquired during its meeting of March 22, 2012, which will be audited by Deloitte Audit, société à responsabilité limitée, prior to the general shareholders meeting of the Company being Acquired, and which will be submitted to the approval of the general shareholder meeting of the Company being Acquired prior to the completion of the Merger.

The annual and (consolidated) accounts of the Company as of December 31, 2011, and the annual accounts of the Company being Acquired as of December 31, 2011, will be made available to shareholders of the Company and of the Company being

Acquired at the registered seat of each of the Merging Companies as from April 6, 2012. The annual accounts of the Company will be submitted to the approval of the annual general shareholders meeting of the Company prior to the effective date of the Merger in accordance with Article 772/14 of the Company Code.

After approval of the annual accounts of the Company and of the Company being Acquired, these annual accounts will be attached to, and will form an integrated part of, the documentation relating to the Merger.

4. LEGAL AND ECONOMIC ASPECTS OF THE MERGER

In accordance with Article 772/8 of the Company Code, the following information must be included in this Report:

4.1 Opportunity of the Merger explained and justified from a legal and economic perspective

The Board of Directors considers that the Dexia group will benefit from the proposed Merger for reasons of simplifying the Dexia group structure.

Dexia Banque Internationale à Luxembourg S.A., a credit institution under Luxembourg law, having its registered seat at 69 Route d'Esch, L-1470 Luxembourg and registered with the Trade and Companies Register under number B0006307 ("Dexia BIL") is currently owned by the Company being Acquired for 42.23% and by the Company for 57.68%.

The Company and the Company being Acquired are currently in negotiations with a prospective buyer in order to sell their participations in Dexia BIL.

As a consequence of the Merger, the participation that the Company being Acquired holds in Dexia BIL will be transferred to the Company, which will own 99.91% of Dexia BIL.

The Board of Directors of each of the Merging Companies considers that the Merger will facilitate the sale of Dexia BIL by gathering almost all of the shares of Dexia BIL in the Company.

4.2 Terms and conditions and procedural methods of the Merger explained and justified from a legal and economic perspective

(a) *Terms and conditions of the Merger*

The Merger constitutes a merger by absorption within the meaning of Articles 772/1 and following *juncto* 676, 1° of the Company Code. No new share will be issued by the Company in connection with the Merger. In accordance with Article 1.9 of the Merger Proposal, the transactions of the Company being Acquired will be treated for accounting purposes as being those of the

Acquiring Company as from January 1, 2012, effective date of the Merger from an accounting perspective.

The conditions of the Merger are set forth in the Merger Proposal and have been established in accordance with Article 772/6 of the Company Code.

As the Company being Acquired holds direct and indirect qualified participations in regulated entities, as defined in the Luxembourg laws of 5 April 1993 on the financial sector, as amended, and of 17 December 2010 relating to undertakings for collective investment, the authorization of the Financial Sector Supervisory Commission (*Commission de surveillance du secteur financier*) will be required (the "Authorization") prior to the entry into effect of the Merger (as defined below). The entry into effect of the Merger is conditional upon receiving the Authorization.

(b) *Procedural methods of the Merger*

The Merger is implemented in accordance with Articles 772/1 and following of the Company Code and Articles 278 and following of the Law on commercial companies.

In accordance with Article 772/11 of the Company Code, the Merger requires the approval of the EGM with a three quarters majority of votes. The shareholders present at the EGM must represent at least half of the share capital. If the required quorum is not reached at the first meeting, another meeting must be convened. Such meeting can validly deliberate and decide, regardless of the share of the share capital represented. The EGM will be held in Brussels on, or around, May 9, 2012 or, if the required quorum is not reached at the first general meeting on, or about, June 13, 2012.

In accordance with Articles 261 and 279 of the Law on commercial companies, the Merger Proposal is prepared and approved by the Board of Directors of the Company being Acquired, and, as it is a cross-border merger and all the shares of the Company being Acquired are held by the Company, the approval by the general shareholders meeting of the Company being Acquired is not required. The Merger Proposal must however be established by notarial deed before a notary public in Luxembourg, the Merging Companies being represented.

After approval of the Merger by the EGM and the Board of Directors of the Company being Acquired, and after adoption of the Merger Proposal by notarial deed before a notary public in Luxembourg, notaries public in Belgium and Luxembourg will issue certificates certifying the existence and legality of acts and formalities imposed to Merging Companies in accordance with Article 772/12 of the Company Code and Article 273 of the Law on commercial companies. In accordance with Articles 772/13 and 772/14, paragraph 1 of the Company Code, the Belgian notary public will control that

the Merging Companies have approved the Merger Proposal in the same terms and will establish a deed recording the effective date of the Merger, making the Merger enforceable against third parties.

In accordance with Article 12 of the Directive, the effective date of the Merger is determined by the law of the Member State of the Company, *i.e.*, in this case, Belgian law. In accordance with Article 772/14 of the Company Code, the Merger will enter into effect on the date on which the notary public will acknowledge completion of the Merger upon request of the Merging Companies on presentation of certificates and other documents evidencing the Merger.

4.3 Consequences of the Merger for members, creditors and employees explained and justified from a legal and economic perspective

(a) *Legal Consequences of the Merger*

From the effective date of the Merger, the Merger will have the legal consequences described in Article 682 of the Company Code and Article 274 of the Law on commercial companies. Following the dissolution without liquidation, all of the assets and liabilities of the Company being Acquired will be transferred to the existing permanent establishment in Luxembourg of the Company pursuant to Article 676 of the Company Code. As a consequence of the Merger, the Company being Acquired will cease to exist and the shares of Company being Acquired held by the Company will be canceled.

Pursuant to Article I.1.3 of the Merger Proposal, the transactions of the Company being Acquired will be treated for accounting purposes as being those of the Company as from January 1, 2012, effective date of the Merger from an accounting perspective.

(b) *Consequences of the Merger for members*

As the Merger constitutes a simplified merger by absorption pursuant to Articles 772/1 and following *juncto* 676, 1 of the Company Code and as all shares of the Company being Acquired are held by the Company, no new share will be issued by the Company.

Upon the Merger taking effect, the participation in the Company being Acquired will be replaced on the balance sheet of the Company by the assets and liabilities of the Company being Acquired and a capital loss will be registered by the Company.

(c) *Consequences of the Merger for employees*

The Company being Acquired has no employee. The Merger will have no negative effect on employment in any of the Merging Companies and the

rights and obligations of the employees of the Company will change pursuant to the Merger.

(d) *Consequences of the Merger for creditors*

Upon the Merger taking effect, creditors of the Company being Acquired will become creditors of the Company, under the universal title of succession. The Board of Directors of the Company considers that the Merger will not endanger the payment of claims of any existing creditor of the Company being Acquired or the Company.

In accordance with Article 684 of the Company Code, no later than within two months from publication in the Belgian Official Gazette of the deeds establishing completion of the Merger, the creditors of the Company whose claim existed prior to such publication and is still outstanding, may request security interest, notwithstanding any contrary agreement. Article 268 of the Law on commercial companies provides that the creditors whose claim, still outstanding or not, existed prior to the date of publication of the Luxembourg notary public's certificate under Article 273 of the Law on commercial companies, may, within two months from such publication, request security interest if they can demonstrate credibly that the Merger constitutes a risk for the exercise of their rights and that the Company has not provided them with equivalent guarantees.

4.4 Methods used to determine the exchange ratio of the shares, importance of such methods, valuation derived from such method, difficulties that arose and proposed exchange ratio explained and justified from a legal and economic perspective

As the Merger constitutes a simplified merger by absorption within the meaning of Articles 772/1 and following *juncto* 676, 1° of the Company Code, no new share will be issued by the Company to the shareholders of the Company being Acquired in connection with the Merger and no exchange ratio will therefore be determined. This point is therefore not applicable.

5. RIGHT TO REVIEW THIS REPORT

In accordance with Article 772/8, paragraph 2 of the Company Code and Article 267 of the Law on commercial companies, this Report will be made available to members and representatives of employees of the Merging Companies for their review, at the latest one month before the date of the EGM for the Company and one month before the effective date of the Merger for the Company being Acquired, at the registered seat of each of the Merging Companies.

* * *

Done at , on March 20, 2012.

For the Board of Directors,

Jean-Luc Dehaene

Chairman of the Board of Directors

Pierre Mariani

CEO

Annexes :

- Joint Merger Proposal
- Assets and liabilities of the Company as of December 31, 2011
- Assets and liabilities of the Company being Acquired as of December 31, 2011