

INVITATION TO ATTEND AN EXTRAORDINARY SHAREHOLDERS' MEETING

Brussels, 7 December 2017

DEXIA

**Invitation to attend
an extraordinary shareholders' meeting**

Brussels 7 December 2017

Dexia SA

Contents

Message from the Chairman of the Board of Directors and the Chief Executive Officer

Practical matters

Agenda for the extraordinary shareholders' meeting

Special report of the Board of Directors

General information

Message from the Chairman of the Board of Directors and the Chief Executive Officer

Brussels, 20 November 2017

Dear Sir or Madam,

Dear Shareholder,

We invite you to attend an extraordinary shareholders' meeting of Dexia SA.

This meeting will be held on Thursday 7 December 2017 from 14h00 at the registered office of Dexia at 5 Place du Champ de Mars, B-1050 Brussels.

In this brochure you will find all useful information on this meeting, the agenda and the terms and conditions of participation.

A first extraordinary shareholders' meeting was held on 17 November 2017 but it could not validly deliberate as it did not have a quorum representing at least one half of the share capital in each category of shares. This second extraordinary shareholders' meeting will be able to validly deliberate and rule whatever the proportion of the capital is represented.

We look forward to you attending the meeting.

Yours faithfully,

Wouter Devriendt

Chief Executive Officer

Robert de Metz

Chairman of the Board of Directors

Practical matters

Who may attend the shareholders' meeting?

Any shareholder, whatever the number of shares held, may personally attend the shareholders' meeting or be represented at it by a proxy.

How do you take part in the shareholders' meeting?

The extraordinary shareholders' meeting will be held on Thursday 7 December from 14h00 at the company's registered office at 5 Place du Champ de Mars, 1050 Brussels.

To facilitate the conduct of the meeting, we recommend that shareholders or their proxies arrive at the reception at 13h30, with their identity documents, to sign the attendance list. A person with the power to represent a corporate shareholder may do so at the shareholders' meeting without a proxy being necessary, insofar as their power results from a legal publication.

In accordance with Article 536 §2 of the Companies Code, the shareholders' right to vote at the meeting, in person or by way of a proxy, or even to vote prior to the meeting by correspondence, is subject to the two conditions indicated in points A and B below being met.

A. Registration

The company must be able, on the basis of the proof submitted in application of the present registration procedure, to determine that, on **23 November 2017 at midnight (Belgian time)** (the "Registration Date"), its shareholders hold the number of shares for which they intend to participate in the shareholders' meeting.

- *For holders of registered shares*

Registration will be by entry of the shareholders in the company's register of shares for the number of shares for which they wish to take part in the shareholders' meeting, on the Registration Date, without any formalities whatsoever having to be completed by the holders of registered shares, other than the confirmation procedure described in point B below.

- *For the holders of dematerialised shares*

In addition to the confirmation procedure described in point B below, holders of dematerialised shares must have obtained a certificate from an approved account holder or a liquidation organisation with which their shares are booked (or in practice, in the majority of cases, the financial institution with which the shareholder's shares are held). This document will certify the number of dematerialised shares registered in their name on the Registration Date and for which they wish to take part in the shareholders' meeting. The certificate established by the financial institution must arrive at Euroclear Belgium, Issuer Relations, 1 Boulevard du Roi Albert II, B-1210 Brussels (Belgium) or the email address ebe.issuer@euroclear.com, **by no later than Friday 1 December 2017, before 16h00.**

Only those who (A) are shareholders on the Registration Date and who have duly proved this as indicated above and who (B) have confirmed their attendance in accordance with the provisions of point B below will be entitled to participate and to vote at the shareholders' meeting.

B. Confirmation of participation

In addition to the registration procedure described in point A above, shareholders must expressly confirm their intention to participate in the shareholders' meeting to Euroclear Belgium **by no later than Friday 1 December 2017 (before 16h00)**.

- *For the holders of registered shares*

The holders of registered shares must confirm their participation by sending the participation/proxy/correspondence voting forms (the “**forms**”) established by the company, and in which Box A will have been ticked in advance, to Euroclear Belgium, Issuer Relations, 1 Boulevard du Roi Albert II, B-1210 Brussels (Belgium) or the email address ebe.issuer@euroclear.com.

In order to be taken into account, the forms must be received by Euroclear Belgium, duly completed and signed, **by no later than Friday 1 December 2017, before 16h00**.

These forms may be obtained at the company's registered office or on the website:

http://www.dexia.com/EN/shareholder_investor/general_meeting/AGdec2017/Pages/default.aspx

- *For the holders of dematerialised shares*

The holders of dematerialised shares must give instructions to the approved account holder or liquidation organisation (or in practice, in the majority of cases, their financial institution) to confirm to the company their intention to participate in the shareholders' meeting at the same time as the notification of their registration referred to in point A above. That confirmation must be received by Euroclear Belgium, Issuer Relations, 1 Boulevard du Roi Albert II, B-1210 Brussels (Belgium), or the email address ebe.issuer@euroclear.com, by no later than **Friday 1 December 2017, before 16h00**.

How do you vote by correspondence prior to the meeting?

Shareholders may vote by correspondence under Article 550 of the Companies Code and Article 17 of the company's articles of association. A correspondence vote must be cast by using the forms which may be obtained at the company's registered office or on the website:

http://www.dexia.com/EN/shareholder_investor/general_meeting/AGdec2017/Pages/default.aspx

Signed originals of the forms must be received by Euroclear Belgium, Issuer Relations, 1 Boulevard du Roi Albert II, B-1210 Brussels (Belgium) or at the email address ebe.issuer@euroclear.com, **by no later than Friday 1 December 2017, before 16h00**. A shareholder who wishes to vote by correspondence must comply with the registration and confirmation formalities described above.

You wish to be represented at the shareholders' meeting?

Shareholders who wish to be represented at shareholders' meeting by a proxy must use the forms provided to shareholders by the company (it being understood that, in accordance with Article 547bis, §1 of the Companies Code, a shareholder may only appoint one single person as a proxy for a shareholders' meeting). These forms may be obtained at the company's registered office or on the website:

http://www.dexia.com/EN/shareholder_investor/general_meeting/AGdec2017/Pages/default.aspx

Once completed and signed, the forms must be sent to Euroclear Belgium, Issuer Relations, 1 Boulevard du Roi Albert II, B-1210 Brussels (Belgium), or the email address ebe.issuer@euroclear.com. Forms must be received by Euroclear Belgium **by no later than Friday 1 December 2017, before 16h00**.

NB:

- Shareholders who wish to be represented must comply with the registration and confirmation formalities described above.
- On the appointment of a proxy, you must pay particular attention to any potential conflict of interest. You cannot appoint as proxy the Chairman of the shareholders' meeting, members of the Board of Directors and the Management Board and in general employees of Dexia SA, or send a "blank" proxy to the company. **You must either appoint a proxy other than the persons indicated above or vote by correspondence using the form.**
- In Belgian law, an abstention is equivalent to a vote against the resolutions indicated when the law or the articles of association set a quorum for a majority, i.e. require that the resolution put to the vote receives a specific number of votes in favour from among those who participate in the shareholders' meeting.

Right to lodge questions in writing prior to the shareholders' meeting

The directors and/or the auditor, as the case may be, will answer the questions which shareholders (who have completed the formalities for admission to the meeting provided in Article 536 §2 of the Companies Code) may pose in writing prior to the shareholders' meeting on the subject of the reports of the Board of Directors and the auditor or the items placed on the Agenda, insofar as the communication of data or facts is not liable to prejudice the company's commercial interests or the confidentiality undertakings made by the company, its directors or the auditor.

Questions must be sent to the company by no later than Friday 1 December 2017, before 16h00 to the Shareholders' Meetings Department of Dexia SA, 5 Place du Champ de Mars, B-1050 Brussels (Belgium), or the email address shareholder@dexia.com.

More detailed information on the aforementioned rights and the terms of their exercise are available on the website:

http://www.dexia.com/EN/shareholder_investor/general_meeting/AGdec2017/Pages/default.aspx

Useful documents

All documents relating to the shareholders' meeting which Belgian law requires to be provided to shareholders may be consulted on the company's website: http://www.dexia.com/EN/shareholder_investor/general_meeting/AGdec2017/Pages/default.aspx, as from the date of publication of the present convocation, or 20 November 2017.

As from that same date, shareholders may consult these documents on working days and during normal office hours at the company's registered office (5 Place du Champ de Mars, B-1050 Brussels).

They may also obtain copies, free of charge, by sending a request to the registered office, Shareholders' Meetings Department, 5 Place du Champ de Mars, B-1050 Brussels (Belgium) or the email address shareholder@dexia.com.

AGENDA
FOR THE EXTRAORDINARY SHAREHOLDERS' MEETING

I. Conditionality of resolutions of the shareholders' meeting

The effective realisation of the resolutions proposed to the shareholders' meeting (**III, IV, V, VI, VII** and **VIII** below) is subject to the condition precedent of the acceptance by the ECB of the qualification as core capital instruments of category 1 of the new ordinary shares issued (concomitantly with the issuance of the profit shares (*Contingent Liquidation Rights*) described point III below) in exchange for shares of category B. In case this approval does not take place before 28 February 2018 at the latest, the decisions of the shareholders' meeting will be considered as null and void.

If this decision is still not known, the shareholders' meeting may nonetheless rule on the resolutions proposed to it. The effective realisation of those resolutions will then be postponed until the time when the decision of the ECB is known. In case this approval does not take place before 28 February 2018 at the latest, the decisions of the shareholders' meeting will be considered as null and void.

II. Special Report of the Board of Directors drawn up in application of Article 560 of the Companies Code

No resolution to be passed.

III. Proposed weighted conversion of all the shares of category B into ordinary shares and the issuance of profit shares bearing *Contingent Liquidation Rights (CLR)*

Proposal to proceed with a "weighted conversion" of all the shares of category B issued on 31 December 2012 in exchange (i) on the one hand, for ordinary shares in the Company (currently called "shares of category A"), and (ii) on the other hand, profit shares CLR.

The conversion ratio used within the framework of the proposed operation is a function of the Company's own funds, Group share, as at 30 June 2017 and the market value of the shares of category A, defined as the average closing price of shares of category A during thirty consecutive days prior to 19 September 2017. The conversion ratio involves the conversion of 28,947,368 shares of category B into 418,185,318 ordinary shares.

The CLR Profit Shares grant the States the right to benefit from a preferential distribution, at the liquidation of Dexia, after the settlement of debts and charges, of an amount of EUR 440 million per annum to count from 1 January 2018 until the date the liquidation of the company is started. This right to a preferential distribution in case of liquidation may only be exercised once, at the occasion of the Company's liquidation.

This proposed resolution has two aims, as follows:

– *on the one hand part, to ensure the observance by Dexia SA of the capital ratios imposed by the European Central Bank in its decision dated 8 December 2016 on the expiry of the transitional regime of Regulation No 575/2013 of the European Parliament and Council dated 26 June 2013 concerning the prudential requirements applicable to credit institutions and to investment companies, and amending Regulation (EU) No 648/2012 dated 31 December 2017; and*

– on the other hand, to ensure the ongoing observance of the “burden sharing” requirements imposed by the European Commission in its decision dated 28 December 2012 by virtue of the regulations on State aid.

The aim and justification of the proposal are stated in the report of the Board of Directors which appears in Item II of the Agenda.

IV. Proposal to amend the Articles of Association – Article 4 (1) and (2)

Proposal to remove the references to shares of category A and shares of category B and to amend the number of shares by replacing Article 4 (1) and (2) of the Company’s Articles of Association by the following text:

“The subscribed and fully paid up share capital amounts to five hundred million euros (EUR 500,000,000.00), represented by 420,134,302 shares without indication of their nominal value, each representing 1/420,134,302 of the share capital.

1,948,984 shares are identified by an ISIN code. Those shares are dematerialised or registered. Their holders may, at any time and at their cost, request their conversion into registered or dematerialised shares as the case may be. The 418,185,318 other shares have no ISIN code and are exclusively in registered form. Their holders may not request the conversion of these shares into dematerialised shares.”

This proposed resolution aims to remove from the Articles of Association any references to shares of category A and to shares of category B. These two share categories will be grouped together as ordinary shares but will remain separated by the existence or absence of the possibility to change their form. The ordinary shares issued in exchange for shares of category B will no longer benefit from any preferential right and will have strictly the same financial rights as the current shares of category A, but these new ordinary shares (which will be held by the Belgian and French States) will be exclusively represented in the form of registered shares without any ISIN code. In contrast to the ordinary shares currently represented under the name of “shares of category A”, these new ordinary shares may not be converted into dematerialised shares and may not be traded on the Euronext stock exchange. The ordinary shares currently represented in the name of “shares of category A” are identified by an ISIN code (ISIN BE0974290224) and for the most part represent shares held by institutional, individual and employee shareholders. These shares may still be freely converted and traded on the Euronext stock exchange.

V. Proposal to amend the Articles of Association – Article 4bis

Proposal to replace Article 4bis of the Company’s Articles of Association, under the title “Article 4bis – Profit Shares”, by the following text:

“4bis.1 The Company has issued 28,947,368 profit shares (“CLR Profit Shares”) in the circumstances and under the conditions described in the present article.

4bis.2 The characteristics of the CLR Profit Shares and the rights attached thereto are as follows:

(a) The CLR Profit Shares do not represent the Company's share capital.

(b) The CLR Profit Shares are exclusively in the form of registered shares, and are entered in the name of their holder in the register kept by the Company pursuant to the Companies Code.

(c) The CLR Profit Shares issued by the Company result from the conversion of shares of category B created and issued on 31 December 2012. Each former share of category B gave a right to one CLR Profit Share.

(d) The holders of CLR Profit Shares have no voting right in that capacity, except in the hypotheses and under the conditions provided by the Companies Code.

(e) The holders of CLR Profit Shares have a right to a preferential distribution at the occasion of Dexia's liquidation, after the settlement of debts and charges of Dexia. The preferential distribution is equal to an amount of EUR 440,000,000 multiplied by the number of years that have elapsed between 1 January 2018 and the date the liquidation of the company is started. If the liquidation is started during a year, the part of the last year that has elapsed is calculated pro rata. This preferential distribution is divided between the holders of CLR Profit Shares proportionally to the number of CLR Profit Shares they hold. Any resulting balance after attribution of this preferential distribution is then attributed to shareholders proportionally to the number of shares they hold.

(f) The holders of CLR Profit Shares do not in that capacity have any preferential rights on future issues by the Company of shares, subscription rights, convertible bonds, other preference shares, or any other category of shares.

(g) The CLR Profit Shares will not be admitted for trading on a regulated or non-regulated market.

This proposed resolution aims to implement in the Articles of Association the conversion of shares of category B into ordinary shares and into CLR Profit Shares under Resolution III, with a view to describing the characteristics and rights attached to those CLR Profit Shares. The CLR Profit Shares incorporate a portion of the preferential right which was previously incorporated in shares of category B.

For your information, the former Article 4bis of the Articles of Associations dealt with the guarantee for the "financial products" portfolio of Financial Security Assurance (FSA) provided by the French and Belgian States in the framework of the sale, finalised on 1st July 2009, of the insurance activities of FSA to Assured Guaranty Ltd. The former Article 4bis of the articles of associations entitled the states to recover from Dexia any amount paid pursuant

to their guaranty through the exercise of subscription rights (warrants) for a period of 5 years to allow the States to be compensated through the issuance of new shares, or if the occasion arose, of profit shares, following the contribution in kind to Dexia of their right of reimbursement¹.

As a result of the sale of all assets concerned in 2011, it is considered relevant to remove the statutory provisions dealing with the profit shares that can be issued in that context. The fact that these statutory provisions are removed does not affect the rights of the States to exercise, as the case may be, their rights to recourse against Dexia in the form of a capital conversion.

VI. Proposal to amend the Articles of Association – Article 4ter

Proposal to remove Article 4ter from the Company’s Articles of Association

The former Article 4ter described the rights attached to shares of category B. As those shares are being converted into ordinary shares and into CLR Profit Shares, this article shall be removed.

VII. Proposal to amend the Articles of Association – Article 19

Proposal to remove Article 19 (3) from the Company’s Articles of Association

The former Article 19(3) stated that “The dividend is distributed as a priority to the holders of class B shares, in the conditions and according to the terms stipulated in Article 4ter”. As the shares of category B are being converted into ordinary shares and into CLR Profit Shares, this article shall be removed.

VIII. Proposal to amend the Articles of Association – Article 20

Proposal to replace Article 20 (3) from the Company’s Articles of Association by the following indent:

“After clearance of Dexia’s debts and liabilities, the proceeds of liquidation are assigned as a priority to the CLR Profit Shares holders in the conditions and according to the terms stipulated in Article 4ter.”

Former Article 20(3) stated that “After clearance of Dexia’s debts and liabilities, the proceeds of liquidation are assigned as a priority to the holders of class B shares in the conditions and according to the terms stipulated in Article 4ter.” As the shares of category B are being converted into ordinary shares and into CLR Profit Shares, this article shall be removed and replaced by a reference to the CLR Profit Shares whose rights can only be exercised after liquidation of the Company.

IX. Proposal to grant powers

Proposal to grant two directors, acting jointly, or the Chief Executive Officer, acting alone, with power of substitution, all the powers to execute the resolutions to be passed by the extraordinary shareholders’ meeting, and to complete any necessary or useful formality to that effect, amongst other things to establish by notary deed the fulfilment of the condition precedent of the

¹ Please refer to the annual report of Dexia of 2016 p.112-113.

acceptance by the ECB of the qualification as core capital instruments of category 1 of the new ordinary shares issued in exchange for shares of category B, or on the contrary the absence of such a decision on 28 February 2018 at the latest, and to grant the instrumental notary all powers to coordinate the company's articles of association following the aforementioned amendments.

This proposed resolution aims to give the necessary powers to ensure the execution of the resolutions passed by the extraordinary shareholders' meeting and in particular to establish by notary deed, the fulfilment of the condition precedent, if it has not been fulfilled at the occasion of the shareholders meeting and to ensure the completion of the formalities necessary for the coordination of the articles of association and publication of the resolutions.

DEXIA SA/NV
5 Place du Champ de Mars, 1050 Brussels
RPM 458.548.296 (Brussels)
(the “**Company**”)

**SPECIAL REPORT OF THE BOARD OF DIRECTORS OF THE COMPANY IN
APPLICATION OF ARTICLE 560 OF THE COMPANIES CODE**

Dear Shareholders,

In the framework of the orderly resolution plan of the Company, approved by the European Commission dated 28 December 2012 and to comply with the requirements of the banking regulations, the Board of Directors of the Company has decided to convene an extraordinary shareholders’ meeting to be held on 17 November 2017 (or 7 December 2017 if a second meeting has to be convened when there is no quorum at the first meeting) for the purposes, in particular, of ruling on the weighted conversion of shares of category B into ordinary shares (corresponding to the current shares of category A) with the attribution of profit shares.

This proposal involves a change of the rights attached to the categories of shares, and this constitutes an amendment referred to in Article 560 of the Companies Code.

Consequently, in application of Article 560 (2) of the Companies Code, the Board of Directors of the Company has the honour of presenting this report to explain the object and to give a detailed justification of this proposal.

I. Context

1. On the date of this report, the Company’s share capital is represented by 1,948,984 ordinary shares of category A and 28,947,368 preference shares of category B. The preference shares of category B enjoy preferential rights (*cf. infra*, No 3). Moreover, the shares of category A are listed on Euronext Brussels, whilst the shares of category B are not listed.

2. The shares of category B were issued by the Company on 31 December 2012 in favour of the Belgian and French States (the “**States**”) on the occasion of a EUR 5.5 billion capital increase to which only the States subscribed by cash contribution immediately paid up. This capital increase fell within the broader framework of the Company’s resolution plan, also including major State guarantee mechanisms¹. This resolution plan was approved by the European Commission on 28 December 2012. Its aim was to avoid Dexia’s insolvency and immediate liquidation². Following the increase of the Company’s capital on 31 December 2012, the States became majority shareholders of the Company, in an amount of 50.02%

¹ Please refer to the annual report of Dexia of 2016, p.111-112.

² See the reports from the Board of Directors date 29 November 2012 respectively pursuant to article 633 of the Company code (capital requirement lower than ¼ of the registered share) and pursuant to articles 582.596 and 598 of the company code (this reports are available on Dexia website, Governance> Board of Directors> special reports).

(for the *Société Fédérale de Participations et d'Investissement* acting under a delegated mission of the Belgian State) and 44.40% (for the French State).

The preferential rights attached to the shares of category B are aimed in particular at meeting the “burden sharing” requirement imposed by the European Commission in its aforementioned decision dated 28 December 2012. Under this principle, any improvement of the Company’s financial situation must firstly and primarily benefit the guarantor and shareholder States.

The shares of category B thus enable the States (to the exclusion of historic shareholders) to collect any future profits in the event of the Company returning to better fortune and guarantee a full contribution from historic shareholders to the resolution effort, as required by the European Commission. The latter had in fact indicated to the States that it would only approve the Company resolution plan insofar as, in the case of recapitalisation of the Company by the States, it provided a complete economic eviction of the existing shareholders.

3 The preferential rights attached to the shares of category B grant the States a priority on the distribution of Company dividends and liquidation proceeds. These preferential rights are described in Article 4^{ter} 2 of the Company’s articles of association, and may be summarised as follows:

- In the case of distribution by the Company of an (interim) dividend, the latter would be attributed as a matter of priority to the holders of shares of category B up to 8% of the subscription price (or 8% of EUR 5.5 billion, i.e. EUR 440 million per annum). Any balance would then be attributed (a) to the holders of ordinary shares in category A up to the amount per share distributed to the holders of shares of category B and (b) beyond that amount, to the holders of shares of category A and B, proportionally to the number of shares they hold. The amounts not paid to the holders of shares of category B by virtue of the annual preferential distribution of dividends are cumulative with the liquidation supplement. That liquidation supplement returns as a matter of priority to the holders of shares of category B.
- In the case of liquidation of the Company, liquidation distributions would be attributed as a matter of priority to the holders of shares of category B up to their subscription price, or EUR 5.5 billion, increased by the liquidation supplement and after deduction, as the case may be, of amounts already repaid by virtue of a capital reduction. Any balance would then be attributed in the following order: (a) to the holders of shares of category A, up to the amount represented by their right to repayment of capital associated with their shares of category A; (b) to the holders of shares of category A, up to an amount per share equal to the liquidation supplement paid per share of category B; and (c) to the holders of shares of category A and B, proportionally to the number of shares they hold³.
- In the case of a capital reduction with a view to clearing losses or to creating reserves, this would be charged as a matter of priority to the ordinary shares of category A, in the sense that the right to the repayment of capital associated with the shares of category A would be reduced by the

³ The scenario presented for in the articles of associations, which could have lead to an integral reclassification of the shares of category B1 into shares of category B3 (articles 4^{ter}3 and 4^{ter}4 of the articles of association) could not be implemented. In that scenario, the States would not have retained their preferential rights in relation to the dividends and the liquidation supplement. At the time of the liquidation, the States, holders of shares of category B3, would have received a liquidation bonus of EUR 499,999,999 corresponding to the amount representing their right to the repayment of the capital with the balance, if any, to be attributed to the holders of shares A and B3, proportionally to the number of shares they hold. The statutory conversion mechanisms can however no longer be applied in view of the evolution of the requirements of the ECB.

same amount (it being understood that the total amount of the rights to repayment of capital of all the shares of a given category will always remain strictly positive). Otherwise, the rights attached to the shares are not affected. Such a capital reduction operation with a view to clearing the Company's losses was carried out at the Company shareholders' meeting held on 8 May 2013⁴.

4 Regulation No 575/2013 of the European Parliament and Council dated 26 June 2013 concerning the prudential requirements applicable to credit institutions and investment companies and amending Regulation (EU) No 648/2012 (the "**CRR Regulation**") allows instruments constituting State aids, such as the shares of category B, to be treated as category 1 core capital (*Common Equity Tier 1* or "*CET1*")⁵ under a transitional regime which expires on 31 December 2017⁶.

5 On 12 December 2016, the European Central Bank (the "**ECB**") sent the Company its decision taken within the framework of the Supervisory Review and Evaluation Process, (the "**SREP**"). In its decision, the ECB set, *inter alia*, the qualitative and quantitative regulatory requirements regarding own funds which will be applicable to the Company and certain of its subsidiaries as from 1 January 2018⁷.

Against that background, the ECB asked the Company to submit a plan allowing the conversion of all the shares of category B into instruments eligible as category 1 core capital instruments, given that the transitional regime from which such shares benefited under the CRR Regulation would expire on 31 December 2017 (*cf. supra*, No 4).

6 The States submitted a plan (the "**Conversion Plan**") to the European Commission with a view to complying both with the regulations regarding State aid (the aforementioned "burden sharing" principle) and the decision of the ECB within the framework of the SREP. The Conversion Plan contains the proposal which will be put to the extraordinary shareholders' meeting of the Company to be held on 17 November 2017 (or 7 December 2017 if a second meeting has to be convened when there is no quorum at the first meeting) to proceed with the conversion of shares of category B into ordinary shares with the attribution of profit shares (*cf. infra*, No 8).

On 19 September 2017, the European Commission authorized the State aid resulting from the Conversion Plan submitted by the Belgian and French States.

7 On 29 September 2017, the Company officially submitted the Conversion Plan to the ECB. Implementation of the Conversion Plan and of the proposed Statutory amendments is subject to condition precedent of the approval by the ECB of the treatment as category 1 core capital instruments of the new ordinary shares issued (concomitantly with the issuance of profit shares (*Contingent Liquidation Rights*) described in point 8 below) in exchange for shares of category B. In case this approval does not take place before 28 February 2018 at the latest, the decisions of the shareholders meeting will be considered as null and void.

⁴ The deferred loss amounted to 5.5 billion euros. The capital reduction was imputed in priority on the class A shares in the sense that the right to the reimbursement of share capital of class A shares in case of a liquidation now amounts to a global amount of EUR 1 for all class A shares. The other rights attached to the class A shares (such as the voting right and the right to dividends) were not affected by this capital reduction.

⁵ Art 28 of the CRR Regulation.

⁶ Art. 483(1) of the CRR Regulation.

⁷ Decision of the ECB dated 8 December 2016 establishing the prudential requirements applicable to Dexia, notified to Dexia on 12 December 2016 and made public in the 15 December 2016 Press Release.

II Object and consequences of the proposed operation

8 The Conversion Plan proposes a “weighted conversion” of all the shares of category B issued on 31 December 2012 and held by the States in order to take account the requirements of the ECB and the European Commission. Within the framework of converting their shares of category B, the States will receive (i) on the one hand, ordinary shares of the Company, and (ii) on the other hand, profit shares (“Contingent Liquidation Rights” or “CLR”).

The conversion ratio used within the framework of the operation proposed in the Conversion Plan is a function of the Company’s equity, Group share, as at 30 June 2017 (date of the most recently published financial statements) and the market value of the shares of category A, defined as the average closing price of shares of category A during thirty consecutive days prior to 19 September 2017 (date of the publication of the decision of the European Commission). In accordance with the table below, the conversion ratio will therefore be 14.446 ordinary shares (i.e. currently shares of category A) against one share of category B, so that after the operation the shareholders of category A should represent 0.46% of the shares of the Company.

Calculation of the conversion ratio ⁸			
		Operation	Result
€11.12	(1)		Market price of a share of category A
€4,672,943,784	(2)		Equity, Group share, of Dexia SA/NV
1,948,984	(3)		Current number of shares of category A
€21,677,575	(4)	(1)x(3)	Market capitalisation of shares of category A
0.46%	(5)	(4)/(2)	Percentage of equity capital, Group share, of de Dexia SA/NV
28,947,368	(6)		Current number of shares of category B
420,134,302	(7)	(3)/(5)	Total number of ordinary shares after conversion of the shares of category B
418,185,318	(8)	(7)-(3)	Of which the number of ordinary shares issued in exchange for shares of category B
14.446	(9)	(8)/(6)	Conversion ratio

9 The CLR profit shares issued in favour of the States in the proposed operation do not represent the Company’s capital, but grant the States a right to benefit from a preferential right at the occasion of the liquidation of the company amounting to EUR 440 million per annum (or 8% of EUR 5.5 billion: *cf. supra*, No 3) as from 1 January 2018 until the day the liquidation is started.

The rights attached to the profit shares CLR are described within the new article 4*bis* which replaces the former article 4*bis* of the articles of association.

⁸ The figures of this table have been rounded. The operations have been executed on the basis of exact figures.

For your information, the former Article 4bis of the Articles of Associations dealt with the guarantee for the “financial products” portfolio of Financial Security Assurance (FSA) provided by the French and Belgian States in the framework of the sale, finalised on 1st July 2009, of the insurance activities of FSA to Assured Guaranty Ltd. The former Article 4bis of the articles of associations entitled the states to recover from Dexia any amount paid pursuant to their guaranty through the exercise of subscription rights (warrants) for a period of 5 years to allow the States to be compensated through the issuance of new shares, or if the occasion arose, of profit shares, following the contribution in kind to Dexia of their right of reimbursement.⁹

As a result of the sale of all assets concerned in 2011, it is considered relevant to remove the statutory provisions dealing with the profit shares that can be issued in that context. The fact that these statutory provisions are removed does not affect the rights of the States to exercise, as the case may be, their rights to recourse against Dexia in the form of a capital conversion.

10 The operation described in the Conversion Plan will be submitted for resolution of the extraordinary shareholders’ meeting of the Company to be held on 17 November 2017 (or 7 December 2017 if a second meeting has to be convened when there is no quorum). Article 560 of the Companies Code is applicable to this proposed resolution insofar as it involves a change of the rights attached to the share categories. Under Article 560 (4) 1 of the Companies Code, the resolution may only be passed by there being, within each of share categories A and B, a quorum of 50% (this quorum requirement will no longer apply if a second meeting has to be convened when there is no quorum at the first meeting) and a majority of 75% of the shares present or represented.

11 If the aforementioned proposed resolution is passed by the extraordinary shareholders’ meeting of the Company, such resolution will result in the abolition of shares of category B. As a consequence, the capital of the Company will then only be represented by ordinary shares (which are currently known as “shares of category A”), which will all be treated as category 1 core capital (“CET1”) if the ECB approves such a treatment.

Moreover, if the operation envisaged in the Conversion Plan is approved, it will have the following consequences on the rights of the shareholders of the Company:

- as regards *shareholders’ voting rights*: the planned operation will involve a dilution of the holders of shares of category A, from 6.31% to 0.46%;
- as regards *shareholders’ economic rights*: the preferential rights to dividends attached to the shares of category B will be removed as from 1 January 2018 and those shares will be converted into ordinary shares at a ratio of one share of category B against 14.446 ordinary shares. As from the conversion, all the shareholders will have identical economic rights. Owing to the Company’s financial situation and its prospects, however, it is extremely unlikely that a dividend distribution can be envisaged. Beyond this right to dividends attached to all the ordinary shares, by virtue of the profit shares CLR the States will also have a preferential right at the occasion of the liquidation of the Company, equal to the amount of EUR 440 million per annum (*cf. supra*, No 9).

⁹ Please refer to the annual report of Dexia of 2016, p.112-113.

As a consequence, if the Company were to be liquidated, the States would have at that time a preferential right to the liquidation distribution resulting from the profit shares CLR which would amount to an amount of EUR 440 million per annum calculated as from 1 January 2018 (*cf. supra*, No 9) until the date the liquidation of the Company is started.

Any balance would then be attributed to all the holders of ordinary shares, proportionally to the number of shares they hold.

12 The tables below show the situation of the shareholders of the Company before and after implementation of the Conversion Plan:

Current shareholders' rights

	Voting rights	Economic rights	
		Right to dividends	Right to liquidation distributions
Shares of category A	6.31%	Subsidiary right	Subsidiary right, (preference granted to the category B shareholders) ¹⁰
Shares of category B	93.69%	Preferential right	Preferential right

Shareholders' rights after implementation of the Conversion Plan

	Voting rights	Economic rights	
		Right to dividends	Right to liquidation distributions
Ordinary shares received in exchange for shares of category A	0.46%	Yes	Subsidiary right (preference granted to holders of CLR)
Shares received in exchange for shares of category B			
Ordinary shares	99.54%	Yes	Subsidiary right (preference granted to holders of CLR)
CLR	0	No	Preferential right (by virtue of CLR)

¹⁰ The right to repayment in the framework of a liquidation now equals a global amount of EUR 1 for all shares of category A (*cf. above footnote n°4*). A higher amount could only be attributed to the holders of shares of category A, if, at the closing of the liquidation, the net assets to be distributed, after the settlement of debts and charges of Dexia, exceed EUR 5.5 billions plus the liquidation supplement (of EUR 440 million per year as from the emission of the shares of category B on the 31st December 2012), which is unlikely.

III Justification for the proposed resolution

13 The resolution submitted to the extraordinary shareholders' meeting of the Company to be held on 17 November 2017 (or 7 December 2017 if a second meeting has to be convened when there is no quorum at the first meeting) has the following two aims:

- on the one hand, to ensure the observance by the Company of the capital requirements imposed by the ECB in its decision dated 8 December 2016 on the expiry of the transitional regime of the CRR Regulation on 31 December 2017; and
- on the other hand, to ensure the ongoing observance of the "burden sharing" requirements imposed by the European Commission in its decision dated 28 December 2012 by virtue of the regulations on State aid.

Dexia's compliance with these two objectives is vital to ensure the company's continuity. If Dexia were not to convert its preference shares into ordinary shares before 31 December 2017, the group would no longer comply with the prudential ratios applicable to it and its entities would face the risk to lose their banking license. The allocation of profit shares CLR to the States was necessary to obtain the approval of this conversion by the European Commission.

14 The proposed conversion takes into consideration the market value of the shares of category A, which is considerably higher than the liquidation value of those shares (cf. above, footnote 4), and compares it to the amount of Dexia's equity, group share. As such, it preserves some of the value given by the market to the shares of category A in existence today.

15 On 19 September 2017, the European Commission decided that the Conversion Plan constitutes a State aid, which is part of the same resolution operation which started in 2012 and which is intended to avoid Dexia's insolvency and immediate liquidation. The European Commission considers that the Conversion Plan observes the principles of "burden sharing" contained in its decision dated 28 December 2012 and that the measures contemplated are compatible with the internal market (Article 107 TFEU). In order to justify its decision, the European Commission declares in particular that "*the Conversion Plan sufficiently ensures there is no undue benefit is granted to ordinary shareholders at the expense of taxpayers*".

16 The European Commission considered that the proposed conversion would not grant an "*undue benefit*" to the holders of shares of category A and would meet the "*burden sharing*" requirements despite the fact that the proposed conversion replaces the amount which may be repaid for all the shares of category A in the event of liquidation¹¹ by an amount, per share, equal to that which would be obtained for an ordinary share resulting from the conversion of shares of category B.

This replacement was rendered acceptable within the framework of the regime of State aid by the fact that **on the one hand** it would be realized with a dilution of the holders of shares of category A¹² **and on**

¹¹See above, footnote 4.

¹² Dilution resulting from the attribution to the holders of shares of category A of a part of the equity, part of the group, equal to their market capitalization (EUR 21,677,575, see table above, under number 8). This part remains theoretical given the lack of prospect of any dividend distribution and the preferential right in case of liquidation attached to the profit shares CLR.

the other hand because it would be realized with the concomitant issue of CLR Profit Shares, which would give their holders (the former holders of shares of category B) a preferential right in the case of liquidation of the Company equal to an amount of EUR 440 million per annum as from 1 January 2018 until the date the liquidation is started. This latter amount is a translation (reduced to a single preferential right payable in the case of liquidation) of the preferential rights previously attached to the shares of category B (described above, 3).

17 The Board of Directors of the Company is of the opinion that the operation described above is necessary and in line with the Company's corporate interest because it enables it (i) to comply with regulatory capital requirements by converting the shares of category B into ordinary shares on the basis of the market value of the shares of category A, which constitutes a fair conversion basis and (ii) to fulfil the obligations of "burden sharing" resulting from the resolution plan approved by the European Commission on 28 December 2012, by substituting the preferential rights attached to the shares of category B by the preferential right attached to the CLR Profit Shares. This operation offers a structural and permanent solution which appropriately meets the economic interests of present and future shareholders of the Company.

For the reasons stated above, the Board of Directors of the Company asks the shareholders of the Company to approve the conversion of the shares of category B into ordinary shares with the attribution of profit shares in accordance with the terms described above.

Signed in Brussels, on 11 October 2017,

For the Board of Directors,

General information

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Contacts

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This document is also available in Dutch and French. In case of discrepancy between the English, the French and the Dutch versions, the text of the French version shall prevail.

