

# Communication on the hybrid capital and subordinated instruments of Dexia

Updated August 30, 2010



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# Outcome from EC negotiations

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- On February 5, 2010, the Belgian, French and Luxembourg States and the European Commission concluded an agreement in principle on the Dexia Group restructuring plan which was definitively confirmed on February 26, 2010.
  
- In the context of this decision, Dexia is notably subject to the following constraints on its subordinated debt instruments:
  - Until the end of 2011: Dexia may only pay coupons on subordinated debt and hybrid capital instruments if deemed contractually mandatory, and will not call them, as described in this presentation
  
  - Until 31 December 2014, Dexia will limit any form of dividend on its common shares and any call or discretionary payment of coupon on subordinated debt and hybrid capital instruments so that, after payment, the Group's core Tier 1 remains above or equal to:
    - 10.6% as at 31 December 2010 and then decreasing each year to 10.2% as at 31 December 2014;
    - the sum of 12.5% of the weighted risks of the "Legacy Division" and 9.5% of the weighted risks of the other business lines

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# Hybrid Tier 1 Instruments

# Dexia Banque Internationale à Luxembourg (DBL) 6.821% Tier 1 issue (XS0132253468)

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- Regarding the coupon payment of the DBL 6.821% Tier 1 issue, we confirm that coupons falling in 2010 and 2011 of this issue will become payable if for the fiscal year ending on 31 December 2009 and 31 December 2010 respectively, the coupon amount does not exceed the available profits of DBL and as long as after such payment DBL respects specific solvency and capital ratios as defined in the prospectus of the issue.\*
- As such the coupon of this Tier 1 issue falling on the 6th of July 2010 has been paid and will be paid in future as long as after such payment DBL respects defined solvency and capital ratios, which we expect will be the case.
- DBL has not redeemed this issue in July and will not redeem in it in October 2011 as per the call restrictions on Dexia's subordinated debt as agreed with the European Commission.

\* As fully described on pages 9 to 12 of the prospectus

# Dexia Funding Luxembourg (DFL) 4.892% Tier 1 issue (XS0273230572)

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- Regarding the coupon payment of the DFL 4.892% Tier 1 issue, we confirm that if on any Optional Coupon Date no Trigger Event has occurred or is continuing, DFL may in its sole discretion decide that relevant Interest Payment on the securities will be cancelled. \*
- If Dexia SA has not paid any dividend or made any other distribution since the general meeting of the ordinary shareholders or, if longer, in the 6 months preceding the coupon date, the coupon date is an Optional Coupon Date.
- If Dexia SA has paid any dividend or made any other distribution (in cash or in kind) since the general meeting of the ordinary shareholders or, if longer, in the 6 months preceding the coupon date, and no Trigger Event has occurred, the interest amount of the DFL 4.892% Tier 1 will not be cancelled.
- The Board of Directors of Dexia SA, by resolution dated the 31st of March 2010, decided to propose to the extra-ordinary shareholders' meeting scheduled for the 12th of May 2010, to approve a capital increase by incorporation of reserves and the issuance of new shares to its shareholders, in the form of bonus shares, which was accepted.
- Following the shareholders' approval on the proposed capital increase and distribution of bonus shares, the coupon will be payable on the 2nd of November 2010.
- The first call date of the DFL 4.892% Tier 1 falls on November 2, 2016.

\* The terms "Optional Coupon Date", "Trigger Event" and "Interest Payment" are defined on pages of the prospectus 21, 23 and 24 respectively. Trigger Event means:

(i) the sum of Dexia Group's assets is less than the sum of its liabilities on a consolidated basis, excluding liabilities not considered Guarantor Senior and Subordinated Indebtedness;

(ii) the total risk based consolidated capital ratio of Dexia Group falls below the minimum percentage required by applicable regulations; or

(iii) at the discretion of the CBFA, if Article 57 § 1 of the Law of 22 March 1993 has become applicable and the CBFA has imposed special measures in application thereof.

# Dexia Crédit Local (DCL) 4.30% Tier 1 issue (FR0010251421)

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- Regarding the coupon payment of the DCL 4.30% Tier 1 issue, we confirm that:
  - If DCL has not declared or paid any dividend on common equity in the year preceding any coupon date, this coupon date is an Optional Interest Payment Date
  - If on any Optional Interest Payment Date no Capital Deficiency Event has occurred, DCL may in its sole discretion decide that the relevant interest amount on the notes will not be paid \*
- As agreed with the European Commission, DCL will not be paying any dividend on common equity in 2010 and in 2011.
- In consequence, the coupons of the DCL 4.3% Tier 1 will not be paid during this period.
- The first call date of the DCL 4.3% Tier 1 falls on November 18, 2015.

\* The terms "Optional Interest Payment Date" and Capital Deficiency Event" are defined on pages of the prospectus 26, 23 respectively.

"Capital Deficiency Event" means the first date on which either of the following events occurs:

(a) the total risk-based consolidated capital ratio of the Issuer, calculated in accordance with Applicable Banking Regulations, falls below the minimum percentage required by Applicable Banking Regulations; or

(b) the Issuer is notified by the Relevant Banking Regulator that it has determined, in its sole discretion, in the view of the deteriorating financial condition of the Issuer, that the foregoing paragraph (a) of this definition would apply in the near term.

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## Tier 2 Instruments

## Dexia Bank (DBB) FRF 1,500,000,000 Upper Tier 2 issue (BE0116241358)

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- Regarding the coupon payment of the DBB FRF UT2 issue, we confirm that on any Optional Interest Payment Date, DBB may elect not to pay interest. Any interest not paid on an Interest Payment Date constitute Arrears of Interest. \*
- If during the six months immediately preceding the Interest Payment Date, no dividend has been declared or paid on DBB common equity, the Interest Payment Date is an Optional Interest Payment Date.
- As agreed with the EC, DBB will not be paying any dividend on common equity in 2010 and 2011.
- In consequence, the coupons of the DBB FRF UT2 will not be paid during this period.
- DBB will not redeem this issue in 2010 and 2011 as per the call restrictions on Dexia's subordinated debt as agreed with the European Commission.

\* The terms "Optional Interest Payment Date" and related definitions are defined on pages 5 and 6 and condition 6 (b) on page 9. Arrears of Interest as described on pages 4 and 5.

## Lower Tier 2 instruments and other Upper Tier 2 instruments

- Coupon payments of Dexia Lower Tier 2 instruments are deemed to be contractually mandatory and therefore do not fall within the scope of the restrictions on coupon payments on Dexia's subordinated debt as agreed with the European Commission.
- The possibilities of early redemption of Lower Tier 2 instruments and Upper Tier 2 instruments in 2010 and 2011 fall within the scope of the restrictions on Dexia's subordinated debt as agreed with the European Commission. Instruments listed on a stock exchange and impacted by such a restriction are the following:

| ISIN CODE    | STATUS | ISSUER         | AMOUNT (Mio) | COUPON*          | END DATE   | FIRST CALL | FREQUENCY              |
|--------------|--------|----------------|--------------|------------------|------------|------------|------------------------|
| XS0254491268 | LT2    | DBIL           | USD 150      | 3M Libor + 0.20% | 16/05/2016 | 16/05/2011 | quarterly thereafter   |
| CH0025572386 | LT2    | DBIL           | CHF 100      | 2.75%            | 14/06/2016 | 14/06/2011 | quarterly thereafter   |
| XS0259302585 | LT2    | DBIL           | USD 100      | 3M Libor + 0.22% | 05/07/2016 | 05/07/2011 | quarterly thereafter   |
| XS0116242784 | UT2    | Dexia Overseas | USD 50       | 3M Libor + 0.75% | Perp       | 25/08/2010 | quarterly thereafter   |
| XS0117920149 | UT2    | Dexia Overseas | USD 100      | 3M Libor + 0.75% | Perp       | 21/09/2010 | quarterly thereafter   |
| BE0116241358 | UT2    | DBB            | EUR 228.7    | 6M eur + 1.87%   | Perp       | 18/05/2010 | semi-annual thereafter |

\* Situation March 2010

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