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Pricing Supplement**DEXIA MUNICIPAL AGENCY**

Euro 35,000,000,000
Euro Medium Term Note Programme
for the issue of Obligations Foncières

SERIES NO: 97**TRANCHE NO: 1**

Euro 50,000,000 2.05 per cent. *Obligations Foncières* due 22 June 2024

Redemption linked to Spanish Inflation Index

Issue Price: 100 per cent.

Holders and prospective purchasers of *Obligations Foncières* should ensure that they understand the nature of the *Obligations Foncières* and the extent of their exposure to risk and that they consider the suitability of the *Obligations Foncières* as an investment in the light of their own circumstances and financial condition. Holders and prospective purchasers of the *Obligations Foncières* should conduct their own investigations and, in deciding whether or not to purchase the *Obligations Foncières*.

Given the highly specialised nature of the *Obligations Foncières*, the Issuer and the Dealer consider that they are only suitable for highly sophisticated investors who are able to determine for themselves the risk of an investment on which the return is determined in this way.

Consequently, if you are not an investor who falls within the description above you should not consider purchasing these *Obligations Foncières* without taking detailed advice from a specialised professional adviser.

CALYON, acting through its London branch

The date of this Pricing Supplement is 18 June 2004

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This Pricing Supplement, under which the *obligations foncières* described herein (the "*Obligations Foncières*") are issued contains the final terms of the *Obligations Foncières*, and is supplemental to, and should be read in conjunction with, the original offering circular (the "*Offering Circular*") dated 3 July 2003 issued in relation to the Euro 35,000,000,000 Euro Medium Term Note Programme of Dexia Municipal Agency for the issue of *Obligations Foncières*. Terms defined in the Offering Circular have the same meaning in this Pricing Supplement. The *Obligations Foncières* will be issued on the terms of this Pricing Supplement read together with the Offering Circular. The Issuer accepts responsibility for the information contained in this Pricing Supplement which, when read together with the Offering Circular, contains all information that is material in the context of the issue of the *Obligations Foncières*.

This Pricing Supplement does not constitute, and may not be used for the purposes of, an offer of, or an invitation by or on behalf of anyone to subscribe or purchase any of the *Obligations Foncières*.

Except as disclosed in this document, there has been no significant change in the financial or trading position of the Issuer or Dexia Crédit Local since 30 December 2003 and no material adverse change in the financial position or prospects of the Issuer or Dexia Crédit Local since 31 December 2003.

The Offering Circular, together with this Pricing Supplement, contains all information relating to the assets and liabilities, financial position, profits and losses of the Issuer or Dexia Crédit Local which is material in the context of the issue and offering of the *Obligations Foncières* and nothing has happened which would require the Offering Circular to be supplemented or to be updated in the context of the issue and offering of the *Obligations Foncières*.

This Pricing Supplement has not been submitted to the clearances procedures of the *Autorité des marchés financiers*.

Signed:



Authorised Officer

Dexia Municipal Agency**Euro 50,000,000 Fixed Rate and Index Linked *Obligations Foncières* due 2024**

1	Issuer:	Dexia Municipal Agency
2	(i) Series Number:	97
	(ii) Tranche Number:	1
3	Specified Currency or Currencies:	Euro ("€")
4	Aggregate Nominal Amount:	
	(i) Series:	€50,000,000
	(ii) Tranche:	€50,000,000
5	(i) Issue Price:	100 per cent. of the Aggregate Nominal Amount
	(ii) Net proceeds:	€50,000,000
6	Specified Denominations:	€10,000
7	(i) Issue Date:	22 June 2004
	(ii) Interest Commencement Date:	22 June 2004
8	Maturity Date:	22 June 2024
9	Interest Basis:	2.05 per cent. Fixed Rate
10	Redemption/Payment Basis:	Index Linked Redemption Further particulars specified below
11	Change of Interest or Redemption/Payment Basis:	Not Applicable
12	Options:	None
13	Status:	<i>Obligations Foncières</i>
14	Listing:	Luxembourg
15	Method of distribution:	Non-syndicated

**PROVISIONS RELATING TO INTEREST (IF ANY)
PAYABLE**

16	Fixed Rate <i>Obligations Foncières</i> Provisions:	Applicable
	(i) Rate of Interest:	2.05 per cent. per annum payable annually in arrear
	(ii) Interest Payment Date(s):	22 June in each year, commencing on 22 June 2005
	(iii) Fixed Coupon Amount:	€205 per Specified Denomination
	(iv) Broken Amounts:	Not Applicable
	(v) Day Count Fraction (Condition 5(a)):	30/360 (unadjusted)
	(vi) Determination Date(s) (Condition 5(a)):	Not Applicable
	(vii) Other terms relating to the method of calculating interest for Fixed Rate <i>Obligations Foncières</i> :	Not Applicable

17	Floating Rate Provisions:	Not Applicable
18	Zero Coupon <i>Obligations Foncières</i> Provisions:	Not Applicable
19	Index Linked Interest <i>Obligations Foncières</i> Provisions:	Not Applicable
20	Dual Currency <i>Obligations Foncières</i> Provisions:	Not Applicable

PROVISIONS RELATING TO REDEMPTION

21	Call Option:	Not Applicable
22	Other Option:	Not Applicable
23	Final Redemption Amount:	Index Linked Redemption, Further particulars specified in the Appendix attached hereto
24	Early Redemption Amount:	Not Applicable

GENERAL PROVISIONS APPLICABLE TO THE OBLIGATIONS FONCIÈRES

25	Form of <i>Obligations Foncières</i> :	Dematerialised <i>Obligations Foncières</i>
	(I) Form of Dematerialised <i>Obligations Foncières</i> :	Bearer dematerialised form (<i>au porteur</i>)
	(II) Registration Agent:	Not Applicable
	(III) Temporary Global Certificate:	Not Applicable
	(IV) Applicable TEFRA exemption:	Not Applicable
26	Financial Centre(s) (Condition 7(h)) or other special provisions relating to payment dates:	Not Applicable
	(i) Adjusted Payment Date (Condition 7(h)):	The next following business day unless it would thereby fall into the next calendar month, in which such event such date shall be brought forward to the immediately preceding business day.
27	Talons for future Coupons or Receipts to be attached to Definitive Materialised <i>Obligations Foncières</i> (and dates on which such Talons mature):	Not Applicable
28	Details relating to Partly Paid <i>Obligations Foncières</i> : amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the <i>Obligations Foncières</i> and interest due on late payment:	Not Applicable
29	Details relating to Instalment <i>Obligations Foncières</i> :	Not Applicable
30	Redenomination, renominatisation and reconventioning provisions:	Not Applicable
31	Consolidation provisions:	Not Applicable
32	<i>Masse</i> (Condition 10):	The initial Representative will be: Mr. Antoine de Chauveron

23, avenue Foch
75016 Paris

The alternative Representative will be :

Mr. Laurent Vallery-Radot
23, avenue Foch
75016 Paris

The Representative will not receive remuneration

33 Other terms or special conditions:

Not Applicable

DISTRIBUTION

34 (i) If syndicated, names of Managers:

Not Applicable

(ii) Stabilising Manager (if any):

Not Applicable

(iii) Manager's Commission:

Not Applicable

35 If non-syndicated, name of Dealer:

CALYON, acting through its London branch

36 Additional selling restrictions:

FRANCE:

Each of the Dealer and the Issuer has acknowledged that the *Obligations Foncières* are deemed to be issued outside the Republic of France. Each of the Dealer and the Issuer has represented and agreed that (i) it has not offered or sold and will not offer or sell, directly or indirectly, *Obligations Foncières* to the public in the Republic of France and (ii) offers and sales of *Obligations Foncières* will be made in the Republic of France in accordance with Articles L.411-1 and subsequent of the French *Code monétaire et financier* and Decree no. 98-880 dated 1 October 1998 relating to offers to qualified investors (*investisseurs qualifiés*) and/or a restricted circle of investors (*cercle restreint d'investisseurs*).

In addition, each of the Dealer and the Issuer has represented and agreed that it has not distributed or caused to be distributed and will not distribute or cause to be distributed in the Republic of France, the Offering Circular or any other offering material relating to the *Obligations Foncières* other than to qualified investors and/or a restricted circle of investors to whom offers and sales of the *Obligations Foncières* may be made as described above.

OPERATIONAL INFORMATION

37 ISIN Code:

FR0010093336

38 Common Code:

019444325

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- 39 WKN Not Applicable
- 40 Depository(ics):
- (I) Euroclear France to act as Central Depository: Yes
- (II) Common Depository for Euroclear and Clearstream, Luxembourg: No
- (III) Clearstream Banking AG, Frankfurt: No
- 41 Any clearing system(s) other than Euroclear France, Euroclear and Clearstream, Luxembourg and the relevant identification number(s): Not Applicable
- 42 Delivery: Delivery against payment
- 43 The Agents appointed in respect of the *Obligations Foncières* are:
- Fiscal Agent, Principal Paying Agent and Luxembourg Listing Agent:**
- Dexia Banque Internationale à Luxembourg
Société Anonyme
69, route d'Esch
L-1470 Luxembourg
Grand-Duchy of Luxembourg
- Paying Agents:**
- Dexia Banque S.A./Dexia Bank N.V.
44, boulevard Pachéco
B-1000 Brussels
Belgium
- Dexia Banque Privée France
39, rue d'Anjou
75008 Paris
France
- Calculation Agent:**
- CALYON
9, quai du Président Paul Doumer
92920 Paris La Défense Cedex
France
- The calculations and determinations of the Calculation Agent will be conclusive and binding upon the Issuer, the Fiscal Agent, the Paying Agents and the holders of the *Obligations Foncières*, in the absence of manifest error.
- 44 In the case of *Obligations Foncières* listed on Euronext Paris S.A.: Not Applicable

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45 OTHER INFORMATION:

Not Applicable

GENERAL

46 The aggregate principal amount of *Obligations Foncières* issued has been translated into Euro at the rate of [●], producing a sum of:

Not Applicable

47 Rating:

AAA by Standard & Poor's Rating Services and
AAA by Fitch Ratings

Aaa by Moody's Investors Services, Inc.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency

ANNEX

(This Annex forms part of the Pricing Supplement to which it is attached)

SECTION I. FINAL REDEMPTION AMOUNT OF FACE NOTE

The Final Redemption Amount of each Note will be an amount in Euro calculated as follow:

$$\text{Specified Denomination} \times (\text{SPIPC Final} / \text{SPIPC Initial})$$

Subject to a Minimum Redemption Amount of 100.00% of each Specified Denomination. For the avoidance of doubt, the Final Redemption Amount of each Note will never be less than an amount in Euro equal to EUR 10,000 for each Specified Denomination of EUR 10,000.

Where :

“Calculation Agent” is CALYON.

The Calculation Agent shall not act as agent or trustee for the Noteholders. All calculations and determinations made by the Calculation Agent in relation to the Notes shall (save in the case of bad faith, wilful default, fraud or manifest error) be final and binding on the Issuer, the Paying Agent and the Noteholders.

None of the Issuer, the Paying Agent or the Calculation Agent shall have any responsibility to any person for any errors or omissions in (i) the calculation by the Calculation Agent of any amount due in respect of the Notes or (ii) any determination made by the Calculation Agent, in each case in the absence of bad faith, wilful default or fraud.

“SPIPC” means the Spanish Inflation Index, calculated monthly by the Instituto Nacional de Estadística, published on the Bloomberg page « *SPIPC Index* » every month, providing that in case of modification of the SPIPC after its publication on Bloomberg, the Calculation Agent will only be entitled to refer to the index published in first.

“SPIPC Initial” means the Spanish Inflation Index published for the month of August 2003 and equal to 106.60

“SPIPC Final” means the Spanish Inflation Index published for the month of August 2023. If no SPIPC Final is available on the Bloomberg page, a substitute SPIPC Final shall be calculated on the basis of the most recently published figure adjusted as set out in the following formula:

$$SPIPC_{M-1} \times \left(\frac{SPIPC_{M-1}}{SPIPC_{M-13}} \right)^{1/12}$$

M means the month of August.

SECTION II / INFORMATION RELATING TO THE SPI (OR CPI)

(Source : INE web site : www.inc.es)

INSTITUTO NACIONAL DE ESTADISTICA

New system CPI Base 2001

The objective of the CPI and the demandable qualities of this indicator

The implementation of one new CPI base means a rupture in the continuity of the series of prices indices that are published.

The Consumer Price Index (CPI) which is published monthly has the objective of measuring the development of the price levels of consumer goods and services acquired by resident households in Spain. The precision with which this measurement is carried out depends on the two qualities that the whole CPI must contain: **representativity** and **temporary comparability**.

The degree of **CPI representativity** is determined by the adaptation of this indicator to the economic reality of the day; thus, the variation rate calculated will be more approximated to the evolution of the set of economic prices the more elements selected for measurement for consumer behaviour guidelines are adapted. To achieve this, the articles selected that will form part of the shopping basket must be those most consumed by the majority of the population, the sample establishments must be the most visited and the importance relative to each article in the shopping basket must respond to consumption tendencies of households. The better the selection of these elements the more representative this indicator is considered.

On the other hand, it has to be remembered that the CPI is an indicator that only has sense when comparisons are compared over time; in fact the index number hardly has significance if it is not accompanied by a comparison with indices from other periods of time to obtain the corresponding variation rates (it may be a month, a year or any other moment in time). Thus, the other quality attributable to the CPI is the **temporary comparability**: this refers to the need that all elements that define the CPI remain stable over time except, logically, the prices collected monthly. In this way, any variation in the CPI is only due to the price changes of the articles in the shopping basket and not to any change in the methodological content of this indicator.

What is a system of Consumer Price Indices. Elements that form a part of it

A CPI system is defined as the set of statistical elements and methods necessary to calculate this indicator. When its design is being planned, the two qualities described were considered as guidelines in such a way that any decision adopted when establishing the sample and methodological content must be taken towards achieving the same. The most noteworthy elements that define a CPI system are the following:

THE SHOPPING BASKET. This is the sample of articles for which prices will be collected monthly and whose development represents all consumer prices in the economy. The selection is carried out according to the importance of each one, measured from the expenditure made.

THE WEIGHTINGS . They represent the relative importance that each article in the shopping basket has compared with the others; the parameter that is used for this is expenditure made by families resident in Spain. This information is obtained from the Continuous Family Budget Survey.

THE SAMPLE OF MUNICIPALITIES And ESTABLISHMENTS. The sample of municipalities is established by virtue of the size of the population, in such a way that the municipalities selected represent the total of the same. For its part, the establishments selected

must meet a series of basic characteristics such as the affluence of the public or the length of time its lasts.

THE METHODOLOGICAL APPARATUS. This deals with a variety of aspects such as the index general calculation formula, the specific treatments of certain sets of articles or instruments to carry out quality adjustments.

Why is a base change made

As stated, once the CPI system is implemented the elements that define it must remain stable to achieve comparability over time. Nevertheless, in practice all factors that determine the elements described are in permanent change, which means that the said elements will lose their current nature with the passing of time. In this way, it seems logical that the shopping basket selected and the weightings assigned to each one of the components will lose representativity, to a greater extent in those sectors that change the most; something similar would occur with the sample establishments and even with the municipalities selected, if movements in the population have occurred from the implementation of the system.

The base change operation mainly consists of, revising and updating each one of these components and determining the best options to achieve a specific and representative indicator that adapts to the tendencies of the economy. Up to the entry into force of the CPI, base 2001, once all the necessary elements for the calculation of this indicator have been defined these remained stable over the time that the system is in force. In this way, the CPI had a fixed reference that facilitated the temporary comparisons.

However, if the period of time in which a base is excessively long remains invariable, one runs the risk that the CPI starts to be a measure deficient of inflation. This, it may be that an article of the shopping basket stops being consumed, or is consumed less (or more) within the same. It may also be that new products appear on the market, or that the general consumption structure of Spaniards varies because their income or preferences have changed.

What novelties the new system 2001 offers

Traditionally, the CPI revised its weightings and its shopping basket every eight or nine years; this was because the source used for it was the Base Family Budgets Survey (BFBS) whose periodicity was that which marked the two CPI base changes. Therefore so that the changes in the behaviour of consumers could be collected it was necessary to wait until the following base change when the CPI would be adapted to these trends. Evidently, in some cases the time period was excessively long.

The solution to this possible loss in representativity is the continual update of at least two of the basic elements: the shopping basket and the weightings structure. However, too frequent an update would mean losing the factor fundamental to the CPI, comparability over time. If the shopping basket is revised monthly, for example, a composition fully adapted to the trends of consumers will be obtained but it cannot be said what the real evolution of the same have been as there would not be comparative elements. It is necessary therefore to look for an intermediate point in which a representative sample of the market articles and their weightings are obtained and an inflation datum that serves to know that this is happening in the economy may be obtained. With this objective the CPI, base 2001 was conceived.

The system that entered into force the present year has as its most important characteristic the rapid adaptation to the structural changes of the market, both the consumption tendencies and the composition of the basket. This system continues to use the Budget Survey as the main source, however there is something that is done differently from the other CPI systems known to date: their continuity.

Up to 1997 there were two family budget surveys: a continuous survey with quarterly periodicity and the basic, that is carried out every eight or nine years. From this year these two surveys were replaced by just one, whose periodicity was quarterly and the information that it supplies is nearer to the basic survey as to the level of detail. This new survey, known as the Continuous Family Budgets Survey (CFBS), supplied the necessary information to carry out the update of the updates

as well as the renewal of the composition of the shopping basket. But, apart from this, it makes the permanent update of the weightings as well as the revision of the shopping basket possible.

Thus, with the entry into force of the CPI, base 2001, a new CPI calculation system has started whose most important characteristics are their **dynamism** and their **current nature**. This is a CPI which is more dynamic than its predecessors to the extent that it annually revises the weightings for certain levels of functional breakdown and will include in the shortest possible period any change detected in the market components whether this is the appearance of new products, changes in the consumption structure or in the sample of municipalities or establishments.

But, moreover, this will be a more current CPI as it will revise its methodological system permanently with the objective of improving it. For this, one will be in contact with the different academic forums and national and international producer organisations.

I Consumer Price Index (CPI). Base 1992

The Consumer Price Index (CPI) is a statistical measurement of the development of the set of prices of goods and services consumed by the population resident in family households in Spain.

For the Consumer Price Index Base 1992 system, the simple arithmetic average of the monthly indices of the said year calculated according to this system is equal to 100.

The Family Budgets Survey (FBS) carried out from 1 April 1990 to 31 March 1991, supplied the basic information on spending in houses for consumer goods and services.

The reference stratum or population group whose expenditure structure serves as a selection base for representative articles and for the calculation of the weightings of the same, is the set of the population resident in family households in Spain.

The consumption field is made up by all expenditure which population households dedicate to consumption. Therefore, the investments which these households carry out remain excluded. Only the real costs which the population carry out are taken into account, which implies the exclusion of any imputed cost transaction such as those relating to autoconsumption, autosupply, imputed rent, wages in kind or subsidised consumption, such as sanitary or educational. From the more than 900 expenditure entries from the 1990/91 FBS 471 articles have been selected and classified into 8 groups, whose development of prices will represent the totality of consumer goods and services. The set of these articles commonly receives the name basket of goods.

A Laspeyres index is used to calculate the index corresponding to the period t:

$$I_t = 100 \sum_i W_i I_{it} = 100 \sum_i W_i \frac{P_{it}}{P_{i0}}$$

The weighting of a W_i article represents the proportion of expenditure carried out in this article with respect to the total expenditure carried out by households. The structure of weightings will remain fixed during the period the Consumer Price Index, Base 1992 is in force.

The index is developed with approximately 150.000 prices, of which about 29.000 establishments are reported on, distributed in 130 municipalities.

Indices are calculated for Spain, the seventeen Autonomous Communities, the fifty provinces, Ceuta, Melilla and the set made up of these two cities.

Groups and Weightings (up to December 2000)

Group	Denomination	Weighting
1	Food	293,607
2	Clothing	114,794
3	Housing	102,803
4	Household	66,840
5	Medicine	31,260
6	Transport	165,419
7	Culture	72,671
8	Others	152,606
	Total	1.000.000

II Change in CPI system. Preview of the most important characteristics (from January 2001)

Introduction

The Consumer Price Index (CPI) requires for its development the selection of a sample of goods and services representative of the population's different consumer behaviour, as well as the structure of weightings which defines the importance of each one of these products. As in the majority of these countries, Spain's CPI obtains this information from the Family Budgets Survey (FBS) which was carried out for the last time in the period between April 1990 and March 1991. This survey is the one which is used to carry out the last CPI base change, currently in force.

From then on, consumer behaviour has changed considerably, whether due to changes in likes or fashions, their purchasing capacity or because new products have appeared in the market towards which spending has been diverted. All these changes must be reflected in the composition of the CPI and in its weighting structure. It is for this reason that it has been considered appropriate to carry out a change in the System which permits a better adaptation of this indicator for current economic reality.

The new Family Budgets Survey (FBS) was implemented from the 2nd quarter of 1997 to substitute the one which was being carried out quarterly and the Basic Survey which was being done in periods of between eight and nine years, which was the one used for the different changes in CPI base.

This new survey facilitates information on the expenditure of families in greater detail than its predecessor does with lesser periodicity than the Basic Survey. This means that the new CPI system, whose general lines are presented in this document, derive from a conceptual planning which is different to all previous systems.

It is for this reason that it has been considered appropriate to carry out a change in the system which permits a better adaptation of this indicator for current economic reality, its **dynamism** is emphasised as the weightings can be used in short periods of time, which without doubt result in a better and quicker adaptation to development of the market. Moreover, this adaptation to the development of the market and to consumer behaviour will also be achieved with the possibility of **including new products** when their consumption starts to be significant.

On the other hand, the new system will be technically more **modern**, as it will allow the immediate inclusion of improvements in the methodology which the different academic forums and national and international bodies offer. In this sense, the decisions emanating from the Working Group are especially valued for the harmonisation of the CPI in the European Union (EU).

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With this purpose, a continuous updating **consumption structure system** will be created, based on a continuous flux of information between the CPI and the CFBS, as a fundamental source of information.

Phases of the change in the CPI system

The implementation of the **New Consumer Price Indices System (CPI)** will supply a new general framework of production of consumer price indices, incorporating a process of progressive updating in the different slopes which configure the whole CPI system. The said process materialises in the establishment of different updating *phases*, by virtue of the available and necessary information in order to achieve the reliability required for the CPI.

The successive phases in which the progressive change in the CPI system is carried out will be extended over **two years**, revising the different methodological aspects which make up this indicator and which will end with the preparation of a new basket of goods as well as with the collection of the prices which will serve as a reference for the calculation of the new index. All modifications which are carried out in each one of the phases will enter into force in December of each year, which will be when the links are made, thus allowing the first index to be published with the novelties included in the month of January.

The transactions which will be carried out in each phase as well as the dates when they will enter into vigour are indicated below.

Phase I (from January 2001)

The first phase of action has been developed during the year 2000 for its incorporation into the CPI for **January 2001**.

The aspects which have been implemented are the following:

Updating of weightings

The weightings will be updated with the data coming from the CFBS; in this first phase only the weightings for the large groups on a national level have been updated.

The remaining breakdowns will adapt to these new weightings in order to maintain the coherence of consumer structures.

Functional classification of the articles

Consumer spending has been classified in the CFBS according to nomenclature elaborated by the INE, based on the classification of COICOP consumption (Classification of Individual Consumption by Purpose) and harmonised EU nomenclature for seven digits. This is the same which is used in the classification of the Harmonised Consumer Price Index (HCPI) and which will serve as a base for its adaptation to the CPI.

In the first phase the CPI will be classified into 12 groups, in place of the eight which classified the CPI, base 1992. This new classification is the following:

Group	Denomination
1	Foods and Non-alcoholic Beverages
2	Alcoholic Beverages and Tobacco
3	Clothing and Footwear
4	Housing
5	Household
6	Medicine
7	Transport
8	Communications
9	Leisure and Culture
10	Education
11	Hotels, Cafes and Restaurants
12	Others

Change in the treatment of *centralised collection articles or tariff articles*

The methodology for calculating the weightings of the different modalities which intervene in the final price of this type of article will be modified. From January 2001 weighting will be done by expenditure, instead of by the number of units as has been done up to now, whenever the available information permits it.

Due to the changes introduced, the indices calculated with the new structure from January 2001 will have to be linked by means of the calculation of a coefficient in the following way:

$$C_A^{92/99} = \frac{92 \int_A^{2000}}{99 \int_A^{2000}}$$

Therefore, a relationship coefficient will be calculated for each one of the functional/geographic groupings.

In this way, each one of the indices calculated with the new weightings, from January 2001, will be multiplied by their respective relationship coefficient (which will remain fixed). Obviously, each aggregation *A* will have its own relationship coefficient, for which the indices linked lose the additive property. In other words, the general linked index is not the result of the weighted sum of the linked indices of the groups.

Phase II (from January 2002)

In Phase II a complete revision of the rest of the methodological aspects which configure every Consumer Price Index system and which have not been considered in the first phase will be carried out. Among these aspects, the selection of municipalities and establishments, the collection of prices, the specifications of articles and the treatment of aspects such as sales and offers..., paying special attention to Eurostat recommendations are worthy of note.

The methodological aspects included in this phase will enter into force in January 2002. Among the most important the following are worthy of note.

Selection of the sample

The objective of this operation is to obtain significant indicators for all levels of functional and geographical breakdown for which the CPI is published. To this end, the process of selection of the sample has been structured into three large sections, each one of which has as an objective the selection of the different components of the same. These are the following.

- Selection of municipalities.
- Selection of commercial areas and establishments.
- Determination of the number of observations.

Obtaining weightings, selection of article and its specifications

The process in order to determine the composition of the basket of goods and its structure of weightings uses fundamental CFBS information as a source.

Each CFBS consumption plot must be represented by one or more articles in the CPI, in such a way that the development of their prices represents that of all elements which integrate the said item. Once the composition of the basket of goods is defined the characteristics of each one of their components will be determined. The operation consists of elaborating the description of each article with the objective of facilitating their identification on behalf of the person carrying out the survey and allows correct collection of the prices.

Adaptation to the COICOP

The 2001 CPI will be completely adapted to the COICOP.

General method of calculation

Up to now, all previous Spanish systems used what is called a Laspeyres type index with fixed base, the same as many European Union countries. The fundamental advantage of an index of this type is that it permits comparability of a same structure of articles and weightings over the time that the system is in force; however, it has a disadvantage and this is that the weightings structure ceases to be in force as time passes and consumer consumption lines develop.

The new system will use the linked Laspeyres formula, which consists of referring prices in the current period to prices from the year immediately before; moreover, with a periodicity which will not exceed two years the weightings of the plot with information coming from the CFBS will be updated.

The use of the weightings coming from the CFBS in order to calculate the linked indices avoids the autoweighting of the CPI plots by means of the level of indices. In other words the plots will not gain weight in the basket of goods as its index reaches greater magnitude.

On the other hand, the annual update of weightings has the following advantages:

- the CPI adapts to the market changes and consumer habits in over a very brief period of time.
- The appearance of new goods and services on the market for their inclusion in the CPI may be detected, as well as the disappearance of those which are not considered to be very significant.

Basically, the calculation process is the same as that of a Laspeyres: weighted averages of the indices of the articles which make up each one of the functional breakdowns for which the indices are obtained are calculated, and they are compared to the calculations of the previous month. In this case the weightings used do not remain fixed during the period of force of the system.

Therefore the formulation is the following:

$${}_{t-1}I_G^{mt} = \sum_i {}_{t-1}W_i {}_{t-1}I_i^{mt}$$

where:

${}_{t-1}I_G^{mt}$ is the general index in month m of the year t with reference to the year $t-1$.

${}_{t-1}W_i$ is the weighting of the component i with reference to the year $t-1$.

${}_{t-1}I_i^{mt}$ is the general index of the component i in month m of the year t with reference to the year $t-1$.

Notable characteristics of the new system

Base period

The base period is that for which the arithmetic average of the monthly indices will be made equal to 100. The year 2001 will be the base period of the new system which means that all indices which are calculated will refer to this year.

Reference period of the structure

This is the period to which the weightings which serve the structure of the system are referred; given that these are obtained from the Continuous Family Budgets Survey (CFBS), the CPI reference period is the period during which this survey is developed.

The current change of system will be carried out with the information coming from the Continuous Family Budgets Survey (CFBS), which will supply the basic information on family expenditure on consumer goods and services. The new system of base 2001 indices will use the CFBS which will be carried out between the second trimester of 1999 and the first of 2000; nevertheless, the weightings will be updated for the year 2001 in such a way that the reference period of the weightings structure and the base period coincide.

Treatment of prices

The treatment of prices includes all operations directed to obtaining information which will be used for the calculation of price indices which are finally published. Among them, the most important are the treatment of changes in quality and the process of data cleansing and validation.

Changes in quality

The treatment of the changes in quality is one of the subjects which most affects any price index.

A change in quality occurs when one of the characteristics in variety changes for which the price is taken up and it is considered that this change implies a change in the utility which is reported to the consumer.

For the correct measurement of the development of prices it is appropriate to estimate to what extent the variation observed in the price is due to the change in the quality of the product and which part of this variation is attributable to the price, independent of its quality.

The methods which are most used in the CPI are the **experts consultation** which consists of requesting information from the manufacturers or sellers in order to be able to estimate the change; the **prices of the options**, which the component elements of the old product analyse in order to establish the cost of the differences between both; and the **overlapping price**, based on supposing that the value of the difference in quality between the product which disappears and the new one is the difference in price between them in the overlapping period. In other words, in the period in which the price of both is in force.

The new system will introduce a novelty in the methods of adjustments in quality which have been used up to now for the CPI and is the use of the **hedonic regression** in order to carry out quality adjustments in determined groups of products such as electrical domestic appliances. Studies are currently being carried out on this subject.

Inclusion of offers and sales

One of the most important changes which will occur in the CPI with the entry into force of the new system, base 2001, will be the inclusion of the lowered prices.

The CPI, base 1992, does not contemplate the collection of these prices for which their inclusion in the new system will produce a rupture in the series of this indicator which is not possible to solve with the method of legal links, used each time a base change is carried out.

Periodicity of the change of System

Due to the availability of annual data on weightings coming from the Continuous Family Budgets Survey (CFBS), one of the most important modifications in this new process of change in system is the continuous updating of weightings.

Once the new CPI System is established, the process will be recorded in two sections:

A) Continuous adaptation of the CPI

This will consist of the **annual revision** of weightings for determined levels of geographical and functional breakdown; here the convenience or inconvenience of widening the composition of the coverage of products as well as the possibility of

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modifying some of the treatments used in the calculation of the index will be studied each year.

B) Structural revision of the CPI

A complete change of base will be carried out every five years; therefore the operations to carry out will consist in determining the composition of the basket of goods, the weightings for the most broken down levels and the selection of the sample. This will also be accompanied by a much more complete revision of all the methodological aspects which define the CPI.

In this way, a more dynamic indicator and which adapts quicker to market movements and to the appearance of methodological innovations will be achieved. Moreover, this will comply with EU demands by means of Eurostat.

A framework of how to act which is totally different to that existing up to the present moment is established from now, in not dealing with a mere change of base but rather a much wider process.

In the event the INE decides to proceed with a material change in the formula for or the method of calculating the CPI, then the Calculation Agent shall automatically apply the CPI published by the INE pursuant such new formula or method of calculating.

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SECTION III/ LEVEL OF THE SHIPS (OR CPI)

(Source : Bloomberg)

Periods	Level
May 2004	110.40
April 2004	109.70
March 2004	108.20
February 2004	107.50
January 2004	107.40
December 2003	108.20
November 2003	108.00
October 2003	107.70
September 2003	106.90
August 2003	106.60
July 2003	106.10
June 2003	106.80
May 2003	106.70
April 2003	106.80
March 2003	106.00
February 2003	105.20
January 2003	105.00
December 2002	105.50
November 2002	105.10
October 2002	104.90
September 2002	103.90
August 2002	103.50
July 2002	103.20

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June 2002	104.00
May 2002	103.90
April 2002	103.60
March 2002	102.20
February 2002	101.40
January 2002	101.30

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DESCRIPTION OF THE ASSETS

source: Management Report as at 31 December 2003

Assets as at 31 December 2003¹:**LOANS TO LOCAL GOVERNMENTS:**Amounts in
millions of Euros**Loans to French local authorities**

Regions	1,304
Departments	4,081
Municipalities	15,617
Groups of municipalities	6,585
Public sector entities	4,724
Loans wholly guaranteed by local governments	264
TOTAL	32,555

The loans come from the activity of Dexia Crédit Local either by *cession* from its balance sheet or as loans granted by Dexia Municipal Agency and commercialised by Dexia Crédit Local

Austria

Loans wholly guaranteed by local governments	218.6
TOTAL	218.6

Loans granted by Dexia Municipal Agency and commercialised by Kommunalkredit Austria

Italy

Municipalities	19.20
TOTAL	19.20

Loans granted by Dexia Municipal Agency and commercialised by Dexia Crediop

¹ latest description of the issuer's assets publicly disclosed.

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Portugal	
Regions	56.6
Municipalities	160.2
TOTAL	216.8
Belgium	
Regions	287
Communities	74
Loans wholly guaranteed by local governments	145.7
TOTAL	508.7
Switzerland	
Municipalities	48.8
Loans wholly guaranteed by local governments	911.4
TOTAL	960.2
Finland	
Municipalities	54.9
Public sector entities	34.6
TOTAL	89.5
Monaco	
Public sector entities	0.5
TOTAL	0.5
Sweden	
Municipalities	112.1
Loans wholly guaranteed by local governments	68.1
TOTAL	180.2
DEBT SECURITIES:	
France	
State	0

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Regions.....	55
Departments	3
Municipalities	217.3
Groups of municipalities	0
TOTAL	275.3
Italy	
State.....	599.2
Regions.....	419.5
Provinces.....	219.4
Municipalities	829.6
Asset Backed Securities.....	72.6
TOTAL	2,140.2
Greece	
State.....	31.2
Regions.....	0
Departments	0
Towns.....	0
Asset Backed Securities.....	0
Others Public Authorities	0
TOTAL	31.2
Finland	
State.....	7.6
Regions.....	0
Departments	0
Towns.....	0
Other Public Authorities	0
TOTAL	7.6

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Portugal

State.....	0
Regions.....	8.5
Departments	0
Towns.....	0
Other Public Authorities	0
Debt securities guaranteed by state or by local governments	24.5
TOTAL	33

Austria

State.....	0
Regions.....	0
Departments	0
Towns.....	0
Asset Backed Securities.....	94.1
Other Public Authorities	0
TOTAL	94.1

Iceland

State.....	0
Regions.....	0
Departments	0
Towns.....	0
Asset Backed Securities.....	0
Debt securities guaranteed by state or by local governments.....	50.4
TOTAL	50.4

Spain

State	0
Cedulas Territoriales	700
Regions	0
Departments	0
Towns	0

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Asset Backed Securities.....	0
Debt securities guaranteed by state or by local governments	50.00
TOTAL.....	750.00
Belgium	
State	0
Regions	93.3
Communities	189.6
Towns	0
Asset Backed Securities.....	0
Debt securities guaranteed by state or by local governments	126.6
TOTAL.....	409.4
Switzerland	
Cantons	16.5
TOTAL.....	16.5
USA	
Member States	145.00
TOTAL.....	145.00
Germany	
Länder	70.00
TOTAL.....	70.00
Canada	
Provinces	35.6
Municipalities.....	4.8
TOTAL.....	40.4

RECENT DEVELOPMENTS

Since 1 January 2003, Dexia Municipal Agency has made the following issues of *Obligations Foncières*:

AUD 20,000,000 due January 2006

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AUD 250,000,000 due January 2009

AUD 200,000,000 due April 2014

under the EMTN Programme a total of approximately EUR 10,434,149,790.

The General Meeting of Dexia Municipal Agency held on 31 March 2004 has decided to increase the share capital from EUR 450,000,000 to EUR 500,000,000.

FORM OF SPECIFIC CONTROLLER'S CERTIFICATE

ORIGINAL IN FRENCH LANGUAGE

ATTESTATION DU CONTROLEUR SPECIFIQUE

Messieurs les membres du Directoire de la Société Dexia Municipal Agency.

En notre qualité de contrôleur spécifique de votre société et en exécution des dispositions prévues par les Articles L.515-29 à L.515-31 du Code monétaire et financier et par l'Article 9-IV du décret n° 99-710 du 3 août 1999, nous devons établir une attestation du respect de la règle prévue à l'Article L.515-20 de ce Code dans le cadre de toute émission d'obligations foncières d'une valeur unitaire au moins égale à 500 millions d'euros.

Dans le cas où les émissions d'un montant unitaire inférieur à 500 millions d'euro ne font pas l'objet d'une attestation dans le cadre du programme trimestriel d'émission de ressources découlant de la règle prévue à l'Article L.515-20 du Code Monétaire et Financier, il nous appartient de produire une attestation du respect de cette règle pour chaque émission, quel que soit son montant.

L'Article L.515-20 du Code monétaire et financier dispose que le montant total des éléments d'actif des sociétés de crédit foncier doit être supérieur au montant des éléments de passif bénéficiant du privilège mentionné à l'Article L.515-19 de ce même Code.

La société Dexia Municipal Agency envisage d'émettre un emprunt de CINQUANTE MILLIONS (50.000.000) d'euros à échéance du 22 juin 2024.

A la date de la présente attestation, nous avons vérifié le respect de la règle prévue par l'Article L.515-20 du Code monétaire et financier et les modalités de calcul du ratio de couverture prévues par les dispositions du règlement n°99-10 du 9 juillet 1999 du Comité de la réglementation bancaire et financière, en effectuant les travaux que nous avons estimés nécessaires.

Sur la base de ces travaux, nous attestons que le montant des éléments d'actif de la société Dexia Municipal Agency sera supérieur au montant des éléments de passif privilégiés tels que définis par l'Article L.515-19 du Code précité, après prise en compte du règlement de la présente émission et des émissions ayant fait l'objet d'attestations antérieures.

Paris, le 16 juin 2004.

Le contrôleur spécifique

FIDUS

Représentée par

Christian COMERMAN

Associé

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The following is a convenience translation of the original French language certificate:

SPECIFIC CONTROLLER'S CERTIFICATE

"To the members of the *Directoire* of Dexia Municipal Agency,

In our capacity as specific controller (*contrôleur spécifique*) of your company, and in compliance with the duties imposed under Articles L.515-29 to L.515-31 of the French *Code monétaire et financier* and Article 9-IV of the French decree no. 99-710 of 3 August, 1999, we are required to provide an attestation of the compliance with the rule set out in Article L.515-20 of this *Code monétaire et financier* in the case of any issue of *obligations foncières* for a total amount of at least Euro 500 million.

In the case of the issues of a principal amount of less than Euro 500 million which are not subject to certification on the basis of the quarterly programme according to the rules set out in Article L.515-20 of the *Code monétaire et financier*, it is our duty to issue a statement concerning compliance with such rule for every issue, whatever its amount is.

Pursuant to Article L.515-20 of the French *Code monétaire et financier*, the total value of the assets of the *sociétés de crédit foncier* shall be greater than the value of their liabilities benefiting from the *privilege* defined in Article L.515-19 of this Code.

Dexia Municipal Agency proposes to issue *obligations foncières* in an amount of EUR 50 million (50,000,000) maturing on 22 June 2024.

As of the date hereof, we have reviewed the compliance with the rule set out in Article L.515-20 of the French *Code monétaire et financier* and the method for calculating the cover ratio set out in Regulation no. 99-10 of 9 July 1999 of the *Comité de la réglementation bancaire et financière*.

On the basis of our examination, we hereby certify that the value of the assets of Dexia Municipal Agency will be greater than the value of its liabilities benefiting from the *privilege* defined in Article L.515-19 of this Code, after settlement of this issue and of the issues which have been the subject of previous attestations.

Paris, 16 June 2004.

The Specific Controller

FIDUS

Represented by

Christian COMERMAN

Partner"