



DEXIA

Municipal Agency

2002

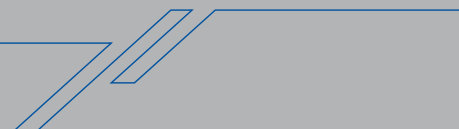
ANNUAL REPORT
The "obligations foncières"
for the local public sector

RAPPORT ANNUEL
Les obligations foncières
pour le secteur public local

AAA/Aaa/AAA



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MANAGEMENT REPORT

Dexia Municipal Agency 2002

I | ACTIVITY OF DEXIA MUNICIPAL AGENCY GENERAL FRAMEWORK

Dexia Municipal Agency (Dexia MA) is a *société de crédit foncier* created in October 1999. *Sociétés de crédit foncier* (SCF) are governed by the provisions of the law of 1999, amended in December 2001, corresponding to articles L.515-13 and following of the Monetary and Financial Code.

The principal characteristics of a *société de crédit foncier* are the following.

Sociétés de crédit foncier are credit institutions which operate within a limited framework. Their bonds, in the form of *obligations foncières*, are protected by a legal *Privilège*.

The assets of a *société de crédit foncier* are mortgage loans or loans to public-sector entities (States, local governments, public-sector institutions) or loans guaranteed by States or local governments. Debt mutual funds or similar structures (ABS) are eligible if 90% of their assets are themselves eligible. Geographically, the assets of a *société de crédit foncier* are limited to countries in the European Economic Area, Switzerland, the United States, Canada and Japan.

The liabilities of a *société de crédit foncier* include:

- debt which benefits from the legal *Privilège*: *obligations foncières* and derivative instruments used to hedge assets and *obligations foncières*;
- debt which does not benefit from the legal *Privilège*: financial resources which finance over-collateralization and, if such is the case, the derivative instruments used to hedge them.

The legal *Privilège* involves the following characteristics.

- Cash flows from the assets (total loans and securities) are first allocated to serve the debt benefiting from the *Privilège*.
- If a *société de crédit foncier* is put into receivership or liquidated, there is no accelerated sale of assets and no early reimbursement of the debt. On the contrary, debt benefiting from the *Privilège* is repaid at its normal contractual due date, whereas debt which does not benefit from the *Privilège* is frozen.
- If the shareholder of a *société de crédit foncier* is put into receivership or liquidated, the procedure cannot be extended to the *société de crédit foncier*.

In addition, a *société de crédit foncier* is not allowed to engage in other activities, and in particular may not hold an equity interest in another company.

A *société de crédit foncier* is under the authority of the Banking Commission, and is monitored by a specific controller chosen from a national list of independent auditors. The appointment of the specific controller is subject to the approval of the Banking Commission, to which he reports.

Finally, a *société de crédit foncier* cannot have any employees and “management and the collection of loans, bonds or other resources mentioned in article L.515-13 can only be done by a credit institution linked by contract to the *société de crédit foncier*” (article L.515-23).

Dexia MA fully complies with legal prescriptions, to which it has added more restrictive characteristics.

Dexia MA was created to provide long-term triple-A resources for the Dexia group’s first line of business, public sector financing. The assets on Dexia MA’s balance sheet therefore primarily come from current business activities of the group’s other companies.

Consequently, Dexia MA’s by-laws and the approval of the Comité des Etablissements de Crédit et des



Entreprises d'Investissement (CECEI) stipulate that the company's assets will be composed of loans to the public sector. No mortgage loans are allowed on Dexia MA's balance sheet.

To finance over-collateralization, both structural and occasional (assets pending new issues), Dexia MA uses an account opened with its parent company, Dexia Credit Local. This debt does not benefit from the legal *Privilège*.

In September 1999, Dexia Credit Local signed a declaration of support ensuring that it "will see that Dexia Municipal Agency... has the financial resources it needs to meet its obligations." This declaration of support is reproduced in the documents accompanying issues of *obligations foncières*.

Dexia MA has adopted extremely strict market risk management rules, which are presented in detail in this report. They have been approved by rating agencies.

In conformity with current legislation, general management of Dexia MA is entrusted to another credit institution, which is its parent company, Dexia Credit Local. In addition, specific management contracts have been signed with the group's foreign entities on the management of their respective national assets when such assets are recorded on Dexia MA's balance sheet. In 2001, a loan management contract was signed with Kommunalkredit AG (in which Dexia Credit Local has a 49% interest) for the management of Austrian loans. In 2002, a management contract was signed with Dexia Crediop for assets from Italy.

II ASSETS OF DEXIA MA

As of December 31, 2002, the assets of Dexia MA totaled EUR 32,456 million, excluding accrued interest not yet due, broken down into EUR 30,364 million in loans and EUR 2,092 million in bonds (the latter figure at the swapped historical cost). These assets are located in the European Economic Area and Switzerland.

Loans to local governments or with their full guarantee (millions of euros)

| Country | Borrowers | 12/31/01 | 12/31/02 |
|----------------------|---------------------------------------|-----------------|-----------------|
| France | Regions | 1,291.1 | 1,245.4 |
| | Departments | 3,468.7 | 3,769.1 |
| | Municipalities | 10,717.6 | 14,445.1 |
| | Groups of municipalities | 4,124.3 | 5,492.1 |
| | Public sector entities | 2,408.5 | 3,859.7 |
| | Loans guaranteed by local governments | 302.8 | 270.5 |
| | Total France | | 22,313.0 |
| Austria | Loans guaranteed by local governments | 220.6 | 219.8 |
| Italy | Municipalities | 5.0 | 19.8 |
| Portugal | Regions | – | 89.0 |
| Switzerland* | Municipalities | – | 10.3 |
| | Loans fully guaranteed | – | 943.2 |
| | Total Switzerland | – | 953.5 |
| Total loans** | | 22,538.6 | 30,364.0 |

* Loans to cantonal banks, recorded on the balance sheet under "Interbank loans and advances" (see below).

** As of December 31, 2002, EUR 597 million in other loans brought the balance sheet total of interbank loans and client loans to EUR 30,961 millions.

Outstanding loans rose from EUR 22.5 billion at the end of 2001 to EUR 30.3 billion at the end of 2002, representing an increase of EUR 7.8 billion. This net increase was the result of the following: acquisition and direct granting of loans, EUR 11 billion, minus amortization EUR 2.6 billion and minus early repayment of loans EUR 0.6 billion.

The EUR 11 billion increase was entirely attributable to Dexia Credit Local: EUR 6.4 billion transferred by

sale, including EUR 0.9 billion in Swiss loans and EUR 4.6 billion in new loans directly recorded on Dexia MA's balance sheet, with Dexia Credit Local acting on behalf of Dexia MA.

The EUR 0.9 billion in Swiss loans were transferred to Dexia MA subsequent to the extension of authorized geographic regions in the amendments to the law voted in December 2001. The great majority are loans granted to Swiss cantonal banks which all benefit from their canton's legal guarantee.

The EUR 0.6 billion in repayments mentioned above represented 2% of average outstandings in 2002. Payment default was very low, as is usually the case for government entities. Contingencies on the balance sheet totaled EUR 0.9 million, 0.003% of outstanding loans as of December 31, 2002 (see Notes to the Financial Statements - 4.2 e).

Most of the loans are amortizable, as are the majority of the bonds issued by Italian local governments.

**Securities issued by public sector entities or with their guarantee
(nominal in millions of euros)**

| Country | Issuers | Dec. 2001 | Dec. 2002 |
|----------------------------|--|--------------|----------------|
| Finland | State | 7.6 | 7.6 |
| France | Regions | - | 5.0 |
| | Departments | 3.0 | 3.0 |
| | Municipalities | 28.5 | 219.7 |
| | Total France | 31.5 | 227.7 |
| Italy | State | 371.8 | 482.8 |
| | Regions | 358.5 | 442.8 |
| | Provinces | - | 123.5 |
| | Municipalities | 71.8 | 464.8 |
| | ABS* | 55.0 | 76.0 |
| | Total Italy | 857.1 | 1,589.9 |
| Portugal | Regions | 8.5 | 8.5 |
| Austria | ABS* | - | 94.6 |
| Iceland | Security guaranteed by the State | - | 50.4 |
| Greece | State | - | 5.5 |
| Spain | Security guaranteed by the Generalitat | - | 50.0 |
| Switzerland | Cantons | - | 57.6 |
| Total securities ** | | 904.7 | 2,091.8 |

*ABS: COLOMBO Srl; ASTREA Srl: Italy; BLUE DANUBE LOANS GmbH: Austria.

See Notes to the Financial Statements - 4.3.

** The balance sheet total of EUR 2,098.7 million also included net premium/discount: EUR 5 million; accrued interest: EUR 23.9 million; and currency translation adjustments from historical swapped value: EUR 22 million.

The total debt security portfolio increased by EUR 1.1 billion, from EUR 0.9 billion at the end of 2001 to EUR 2 billion at the end of 2002.

A major part of this rise, EUR 0.6 billion, corresponded to sales of Italian securities (regional, provincial and municipal notes - BOR, BOP, BOC) by Dexia Crediop to Dexia MA. It was also through Dexia Crediop that Dexia MA acquired ASTREA for EUR 21 million. Dexia Crediop was part of the securitization syndicate, and the assets in this ABS were entirely composed of Italian public sector assets. Dexia Credit Local sold EUR 0.3 billion in securities issued by French and Swiss local governments. Several securities were from the Spanish subsidiary Dexia Sabadell and from Dexia Credit Local's international department. The balance was acquired on the market on favorable occasions (States: Italy and Greece).

The average life of the assets as of December 31, 2002, was 7.07 years.

III DEBT BENEFITING FROM THE PRIVILÈGE CONFERRED BY THE LAW: OBLIGATIONS FONCIÈRES

In 2002, Dexia MA issued *obligations foncières* for a total of EUR 7.1 billion. Benchmark issues with new maturities or increases in the volume of existing maturities represented EUR 5.1 billion. Issues for amounts less than EUR 500 million represented a total of EUR 2 billion, of which more than half were private placement issues.

Benchmark issues were denominated

- in euros:

EUR 1 billion, maturing in September 2007;

EUR 1 billion, maturing in October 2012, twice augmented by EUR 250 million for a total of EUR 1.5 billion;

EUR 750 million, maturing in 2017, augmented by EUR 100 million for a total of EUR 850 million;

- or in U.S. dollars, in the euro-dollar market:

USD 1 billion maturing in May 2007;

USD 575 million maturing in March 2009.

Non-benchmark issues made it possible to broaden the investor base geographically. In particular, an issue of 350 Australian dollars was signed in January 2002 in an Australian MTN program.

Issues in 2002, including private placements, can be broken down by currency as follows:

| | |
|-----|-------|
| EUR | 65.9% |
| USD | 24.7% |
| GBP | 4.2% |
| AUD | 2.9% |
| NZD | 1.4% |
| CAD | 0.5% |
| HKD | 0.4% |

Maturities can be broken down as follows:

| up to 5 years | from 5 to 10 years | from 10 to 12 years | from 12 to 15 years |
|---------------|--------------------|---------------------|---------------------|
| 32% | 19% | 23% | 26% |

Spreads on Euribor swaps started to widen in the second half of 2001 and the trend continued in 2002. In an environment that was generally unfavorable for issuers, there was a “flight to quality” as investors concentrated on the safest investments to the benefit of *obligations foncières* and particularly those issued by Dexia MA.

In 2002, Dexia MA reimbursed a total of EUR 778 million in *obligations foncières*.

Total outstanding obligations foncières of Dexia MA at the end of December 2002 (billions of euros)

There is no maturity in the years not mentioned in the table.

| Year | 2003 | 2004 | 2005 | 2006 | 2007 | 2009 | 2010 | 2011 |
|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Jumbo | 1.25 | 2.06 | 2.00 | 2.83 | 5.10 | 0.56 | 1.95 | – |
| Other | 0.48 | 0.12 | 1.06 | 0.63 | 1.28 | 0.57 | 1.64 | 0.49 |
| TOTAL | 1.73 | 2.18 | 3.06 | 3.46 | 6.38 | 1.13 | 3.59 | 0.49 |

| Year | 2012 | 2014 | 2015 | 2016 | 2017 | 2020 | 2026 | Total |
|--------------|------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Jumbo | 1.00 | – | – | – | 0.75 | – | – | 17.5 |
| Other | 0.8 | 0.15 | 0.03 | 0.37 | 1.1 | 0.04 | 0.20 | 8.96 |
| TOTAL | 1.8 | 0.15 | 0.03 | 0.37 | 1.85 | 0.04 | 0.20 | 26.46 |

N.B. EUR 0.1 billion of the above total were launched in 2002 and paid in 2003.

The total amount of issues on the balance sheet as of 12/31/2002 was EUR 25.75 billion. The difference from the above total was due to the fact that EUR 0.1 billion had not been paid as of December 31 and, for the balance, to the accounting impact of currency translation adjustments on the basis of December 31 exchange rates.

A detailed table of issues is presented in the “Other information” section, after the notes on the statement of income.

The average life of issues as of December 31, 2002, was 5.54 years.

IV | OTHER DEBT THAT DOES NOT BENEFIT FROM THE LEGAL PRIVILÈGE CONFERRED BY ARTICLE L.515-19 OF THE MONETARY AND FINANCIAL CODE

The current account agreement signed with Dexia Credit Local serves to finance the portion of assets greater than the amount of *obligations foncières* and shareholders’ equity. This debt does not benefit from the *Privilège*.

Since March 31, 2002, sub-accounts in this agreement identify (i) over-collateralization considered as structural, approximately 5% of the assets; (ii) temporary over-collateralization to finance assets pending new issues; and (iii) miscellaneous needs.

As of December 31, 2002, the total balance due in this agreement amounted to EUR 5.3 billion, broken down as follows:

- a 7-year, fixed rate borrowing of EUR 1.2 billion, augmented by a second 7-year drawdown of EUR 0.6 billion, for a total of EUR 1.8 billion to finance structural over-collateralization; this amount anticipates the growth in the balance sheet in 2003;
- a 2-year borrowing of EUR 3.3 billion to pre-finance the issuance program, with early reimbursement when the issues are paid;
- EUR 0.2 billion for miscellaneous needs.

In 2002, financing organized through this account revealed the following trend (billions of euros):

| | |
|--------------------|-----|
| December 31, 2001 | 3.7 |
| March 31, 2002 | 5.2 |
| June 30, 2002 | 2.7 |
| September 30, 2002 | 3.4 |
| December 31, 2002 | 5.3 |

V | COVERAGE RATIO

Article 6 of regulation 99-10 of the Banking and Financial Regulation Committee defines the ratio of coverage of resources benefiting from the *Privilège* by designated assets.

The ratio’s denominator is comprised of *obligations foncières* and other debt benefiting from the *Privilège*. The ratio’s numerator is made up of the designated assets, weighted to reflect their category.



Dexia MA's policy is to maintain a coverage ratio of 105%. In practice, given the rate of asset turnover, particularly in 2002, the coverage ratio stood as follows at the end of each quarter:

| | |
|----------------|---------|
| December 2001 | 118.70% |
| March 2002 | 124.11% |
| June 2002 | 112.27% |
| September 2002 | 114.14% |
| December 2002 | 120.13% |

This ratio is greater than the structural over-collateralization of 5% mentioned above. This supplemental over-collateralization remains occasional, although it is repeated during the period under review. It is a consequence of the timing of transfers of assets by Dexia Credit Local and other group entities to Dexia MA's balance sheet prior to the issue of *obligations foncières*.

VI COMMITMENTS GRANTED AND COMMITMENTS RECEIVED

Commitments granted were recorded off balance sheet in the amount of EUR 1.6 billion. They mainly concerned loans signed with French local governments and not yet paid out as of December 31.

Commitments received totaled EUR 4.1 billion. This amount included (i) EUR 1.6 billion in commitments by Dexia Credit Local to ensure liquidity for the repayment of *obligations foncières*, the maturity of which is in less than 12 months, a commitment contracted within the framework of the current account agreement; (ii) EUR 2.3 billion in guarantees received from local governments; and (iii) EUR 0.1 billion in currency swaps.

VII HEDGING INTEREST RATE RISKS

The same interest rate risk management policy and rules were applied as in previous years. Sensitivity limits remained unchanged in 2002.

The principles are as follows.

Hedging guidelines and risk management rules were clearly defined in a policy paper when the company was created. It has been approved by rating agencies.

Interest rate risk management involves two levels of hedging.

At the first level, most of the assets and liabilities are swapped against three-month Euribor (with a few exceptions, such as the 7-year, fixed rate borrowings from the current account, mentioned above, which are directly matched with fixed rate loans and swaps which go directly from fixed rate to Eonia). This first level can be broken down as follows: (i) specific hedging on *obligations foncières*, debt securities (asset swaps) and a certain number of client loans, and (ii) overall exposure hedging on fixed rate client loans.

A residual fixed rate gap remains after this hedging process. It is evaluated on an annual average over 30 years. The sensitivity limit authorized for this gap is set at EUR 10 million. Sensitivity is defined as the change in the gap's net present value under the impact of an unfavorable 1% shift in the yield curve.

Results are summarized in the following tables:

| 2002 | First quarter | Second quarter | Third quarter | Fourth quarter |
|---------|---------------|----------------|---------------|----------------|
| Average | 1.10 | 2.10 | 5.05 | 4.26 |
| Maximum | 6.60 | 3.30 | 7.00 | 5.07 |
| Minimum | (4.00) | 0.20 | 4.06 | 3.81 |
| Limit | 10.00 | 10.00 | 10.00 | 10.00 |

At the second level, all the Euribor lending and borrowing flows are swapped against Eonia to eliminate the interest rate risk generated by differences in due dates for the Euribor flows. Overall exposure hedging swaps leave an unhedged rate risk that is calculated for every day on a 12-month sliding scale. The sensitivity limit for the residual gap in this second level is set at EUR 2.5 million in the event of an unfavorable 1% shift in the yield curve.

| 2002 | First quarter | Second quarter | Third quarter | Fourth quarter |
|---------|---------------|----------------|---------------|----------------|
| Average | 0.30 | 0.20 | 0.06 | 0.16 |
| Maximum | 0.80 | 1.90 | 1.58 | 1.60 |
| Minimum | 0.10 | 0.00 | (0.19) | (1.70) |
| Limit | 2.50 | 2.50 | 2.50 | 2.50 |

Outstanding notional interest rate swaps can be broken down as follows (billions of euros):

First level, swaps against Euribor:

| | |
|--|------|
| specific hedging swaps on issues of obligations foncières | 27.2 |
| specific hedging swaps on loans and debt securities | 12.1 |
| (these two lines include EUR 8.5 billion in currency swaps at historical cost) | |
| overall exposure hedging swaps on fixed rate loans | 16.6 |

Second level:

| | |
|--|----|
| overall exposure hedging swaps Euribor against Eonia | 39 |
|--|----|

VIII FOREIGN EXCHANGE RISKS

Dexia MA's management policy is to take no foreign exchange risks.

Assets and liabilities originally in currencies other than the euro are swapped against three-month Euribor when they enter Dexia MA's balance sheet.

The notional amount of currency swaps as of December 31, 2002, was (billions of euros):

| | |
|--|------------|
| <u>issues of obligations foncières</u> | <u>7.1</u> |
| <u>loans</u> | <u>1.2</u> |
| <u>securities</u> | <u>0.2</u> |



IX STATEMENT OF INCOME

The statement of income is presented in the following table.

| STATEMENT OF INCOME (thousands of euros) | 2000 | 2001 | 2002 |
|---|---------------|---------------|----------------|
| Interest received on client loans and securities (net of interest on specific hedging swaps) | 634,411 | 1,008,963 | 1,298,072 |
| Interest on overall exposure hedging swaps | | | |
| Interest received | 876,414 | 1,277,488 | 1,482,856 |
| Interest paid | (924,820) | (1,369,354) | (1,701,353) |
| Net interest | (48,406) | (91,866) | (218,497) |
| minus: | | | |
| Interest on obligations foncières (net of interest on specific hedging swaps) | (324,467) | (694,355) | (796,357) |
| Interest on the account with Dexia Crédit Local | (207,588) | (145,838) | (168,653) |
| Commissions received | 0 | 72 | 3 |
| Commissions paid | (22) | (61) | (204) |
| Income (expense) on financial transactions | (8) | 98 | 92 |
| Other banking income | 0 | 6 | 22 |
| Other banking expense | 0 | 0 | (5) |
| NET BANKING INCOME | 53,920 | 77,019 | 114,473 |
| Total general operating expense (of which management contract of Dexia Credit Local and other group entities) | (21,475) | (32,376) | (45,839) |
| Taxes | (1,443) | (2,184) | (2,796) |
| OPERATING INCOME BEFORE ALLOWANCES | 31,002 | 42,459 | 65,838 |
| Cost of risk | 0 | (138) | (206) |
| OPERATING INCOME | 31,002 | 42,321 | 65,632 |
| Corporate income tax | (11,499) | (14,938) | (22,339) |
| Regulated provisions on medium- and long-term loans | (1,550) | (1,934) | (3,086) |
| NET INCOME | 17,953 | 25,449 | 40,207 |

X PROPOSED APPROPRIATION OF NET INCOME

The company distributed:

- in 2000, on the basis of 1999 net income, a dividend of EUR 3,600,000, representing a dividend of EUR 1.20 per share;
- in 2001, on the basis of 2000 net income, no dividend was distributed;
- in 2002, on the basis of 2001 net income, no dividend was distributed.

The Annual Shareholders' Meeting will be asked to vote to allocate 2002 net income to retained earnings.

| | Euros |
|--|---------------|
| Net income for the year 2002 | 40,207,101.44 |
| Allocated to the legal reserve (5%) | 2,010,355.07 |
| 2002 income available for distribution | 38,196,746.37 |
| Prior retained earnings | 41,255,785.25 |
| Retained earnings after appropriation | 79,452,531.62 |

XI | CHANGES IN CAPITAL IN 2002

As of December 31, 2001, the capital was EUR 400 million.

As of December 31, 2001, the capital was EUR 450 million. The capital increase authorized by the Ordinary and Extraordinary Shareholders' Meeting of May 21, 2002, took place in September 2002 in cash. The company's capital is almost totally owned by Dexia Credit Local (99.99%).

XII | OUTLOOK FOR THE YEAR 2003

Further growth in the acquisition of assets from other group entities is forecast for 2003. However, Dexia Credit Local will still provide the major portion.

The geographical breakdown of assets entering the balance sheet in 2003 should be roughly as follows:

65% from Dexia Credit Local in France;

25% from Dexia Crediop in Italy and Dexia Bank Belgium, with almost equal shares from each entity;

10% mainly from Dexia Stockholm, but also from Dexia Sabadell in Spain and other acquisitions.

Outstanding assets would total approximately EUR 36 billion at the end of 2003.

With regard to issues of obligations foncières, Dexia MA pursues the same policy as in the past, which consists in broadening its global investor base, while breaking down its collection of resources among several benchmark issues, complemented by small and medium-sized issues and private placements.

The volume of issues should be approximately EUR 7 billion, as in 2002, a sum which would generate outstanding obligations foncières of approximately EUR 31 billion at the end of 2003, after accounting for the reimbursements paid in 2003.



FINANCIAL STATEMENTS

Assets as of December 31, 2002

| EUR thousands | Notes | 12/31/00 | 12/31/01 | 12/31/02 |
|---|------------|-------------------|-------------------|-------------------|
| Cash, central banks and postal checking accounts | | 0 | 0 | 0 |
| Government securities eligible for central bank refinancing | | 0 | 0 | 0 |
| Interbank loans and advances | | 239 | 393 | 958,290 |
| A. Sight | | 32 | 249 | 34 |
| B. Time | 4.1 | 194 | 135 | 947,979 |
| C. Accrued interest | | 13 | 9 | 10,277 |
| Client loans | | 16,411,463 | 23,086,280 | 30,003,268 |
| A. Client loans | 4.2 | 15,976,989 | 22,538,551 | 29,416,108 |
| B. Accrued interest | | 434,474 | 547,729 | 587,160 |
| Bonds and other fixed income securities | 4.3 | 289,707 | 917,330 | 2,098,663 |
| Equities and other variable income securities | | 0 | 0 | 0 |
| Investments in non-consolidated companies and other long-term investments | | 0 | 0 | 0 |
| Investments in consolidated companies | | 0 | 0 | 0 |
| Intangible assets | | 0 | 0 | 0 |
| Property and equipment | | 0 | 0 | 0 |
| Unpaid capital | | 0 | 0 | 0 |
| Treasury stock | | 0 | 0 | 0 |
| Other assets | | 0 | 0 | 5 |
| Accruals and other assets | 4.4 | 1,030,747 | 1,751,048 | 1,800,197 |
| TOTAL ASSETS | 4.5 | 17,732,156 | 25,755,051 | 34,860,423 |

Liabilities as of December 31, 2002

| EUR thousands | Notes | 12/31/00 | 12/31/01 | 12/31/02 |
|---|------------|-------------------|-------------------|-------------------|
| Interbank loans and deposits | 5.1 | 5,120,807 | 3,730,623 | 5,331,008 |
| Client deposits (guarantees) | 5.2 | 0 | 762 | 0 |
| Debt securities | | 11,279,098 | 20,246,446 | 26,558,141 |
| A. Debt securities | 5.3 | 10,954,596 | 19,633,477 | 25,759,871 |
| B. Accrued interest | | 324,502 | 612,969 | 798,270 |
| Other liabilities | 5.4 | 88,389 | 108,598 | 409,591 |
| Accruals and other liabilities | 5.5 | 923,809 | 1,221,186 | 2,020,954 |
| Reserves for contingencies and deferred taxes | | 0 | 0 | 0 |
| Subordinated debt | | 0 | 0 | 0 |
| General banking risks reserve | | 0 | 0 | 0 |
| Shareholders' equity excluding general banking risks reserve | | 320,053 | 447,436 | 540,729 |
| Capital stock | 5.7 | 300,000 | 400,000 | 450,000 |
| Additional paid-in capital | | 0 | 0 | 0 |
| Reserves and retained earnings | 5.7 | 215 | 18,168 | 43,617 |
| Revaluation adjustments | | 0 | 0 | 0 |
| Regulated provisions | 5.6 | 1,885 | 3,819 | 6,905 |
| Net income | 5.7 | 17,953 | 25,449 | 40,207 |
| Unallocated 2001 net income | 5.7 | 0 | 0 | 0 |
| TOTAL LIABILITIES | 5.8 | 17,732,156 | 25,755,051 | 34,860,423 |

Off-balance sheet items as of December 31, 2002

| EUR thousands | Notes | 12/31/00 | 12/31/01 | 12/31/02 |
|-------------------------------|------------|------------------|------------------|------------------|
| Commitments granted | 6.1 | 2 | 365,044 | 1,654,839 |
| Financing commitments | | 2 | 365,044 | 1,654,839 |
| Commitments received | 6.2 | 1,017,318 | 1,822,149 | 4,107,085 |
| Financing commitments | | 80,480 | 614,204 | 1,729,033 |
| Guarantees received | | 936,838 | 1,207,945 | 2,378,052 |
| Foreign currency transactions | 6.3 | 2,446,883 | 12,855,168 | 17,744,818 |
| Interest rate derivatives | 6.4 | 50,220,558 | 66,904,237 | 86,332,775 |
| Other commitments received | | 0 | 0 | 0 |

Statement of income as of December 31, 2002

| EUR thousands | Notes | 12/31/00 | 12/31/01 | 12/31/02 |
|--|-------|--------------------|--------------------|--------------------|
| Interest income | | 1,510,825 | 2,286,451 | 2,780,928 |
| A. From interbank transactions | | 5 | 136 | 4,591 |
| B. From client transactions | | 628,844 | 982,674 | 1,239,537 |
| C. From bonds and other fixed income securities | | 5,562 | 26,153 | 53,944 |
| D. From overall exposure hedging transactions | | 876,414 | 1,277,488 | 1,482,856 |
| Interest expense | | (1,456,875) | (2,209,547) | (2,666,363) |
| A. On interbank transactions | | (207,588) | (145,838) | (168,653) |
| B. On bonds and other fixed income securities | | (324,467) | (694,355) | (796,357) |
| C. On overall exposure hedging transactions | | (924,820) | (1,369,354) | (1,701,353) |
| Income from variable income securities | | 0 | 0 | 0 |
| A. Equities and other variable income securities | | 0 | 0 | 0 |
| B. Long-term investments | | 0 | 0 | 0 |
| Commission income | | 0 | 72 | 3 |
| Commission expense | | (22) | (61) | (204) |
| Income from financial transactions | | (8) | 98 | 92 |
| Other banking income | | 0 | 6 | 22 |
| Other banking expense | | 0 | 0 | (5) |
| NET BANKING INCOME | | 53,920 | 77,019 | 114,473 |
| General operating expense | 7 | (22,918) | (34,560) | (48,635) |
| A. Staff costs | | 0 | 0 | 0 |
| 1. Payroll expense | | 0 | 0 | 0 |
| 2. Social Security costs | | 0 | 0 | 0 |
| B. Other general operating expense | | (22,918) | (34,560) | (48,635) |
| 1. Taxes | | (1,443) | (2,184) | (2,796) |
| 2. Other general operating expense | | (21,475) | (32,376) | (45,839) |
| C. Network commissions | | 0 | 0 | 0 |
| Depreciation and amortization | | 0 | 0 | 0 |
| OPERATING INCOME BEFORE ALLOWANCES | | 31,002 | 42,459 | 65,838 |
| Cost of risk | | 0 | (138) | (206) |
| INCOME FROM OPERATIONS | | 31,002 | 42,321 | 65,632 |
| Income (loss) on fixed assets | | 0 | 0 | 0 |
| INCOME BEFORE NON-RECURRING ITEMS AND TAXES | | 31,002 | 42,321 | 65,632 |
| Non-recurring income | | 0 | 0 | 0 |
| Non-recurring expense | | 0 | 0 | 0 |
| Corporate income tax | | (11,499) | (14,938) | (22,339) |
| A. Current taxes | | (11,499) | (14,938) | (22,339) |
| B. Deferred taxes | | 0 | 0 | 0 |
| Net allocation to general banking risks reserve and regulated provisions | | (1,550) | (1,934) | (3,086) |
| NET INCOME | | 17,953 | 25,449 | 40,207 |

Notes to the financial statements

I | CHARACTERISTICS OF THE COMPANY

Dexia Municipal Agency was authorized to operate as a société de crédit foncier on July 23, 1999, by the Comité des Etablissements de Crédit et des Entreprises d'Investissement (CECEI).

Sociétés de crédit foncier are governed by Book V, Title I, Chapter 5, Section IV of the Monetary and Financial Code and by the decrees n° 99-655 of July 29, 1999, and n° 99-710 of August 3, 1999, which define the notion of *obligations foncières* in French law.

According to article L.515-13 of the Monetary and Financial Code, the company's exclusive corporate purpose is:
-to grant or to acquire secured loans, loans to public sector entities and securities;
-to issue *obligations foncières* or any other securities benefiting from the *Privilège* in order to finance these categories of loans or securities.

Dexia Credit Local holds 99.99% of the capital of Dexia Municipal Agency.

In addition to the obligations defined in article L.515-42 of the Monetary and Financial Code, Credit local de France, now Dexia Credit Local, signed a declaration of financial support on September 16, 1999, stipulating that it will ensure that Dexia develops its activity in compliance with the requirements of the law n° 99-532 of June 25, 1999, and has the financial resources it needs to meet its obligations.

Pursuant to article L.515-22 of the Monetary and Financial Code, there is a management contract between Dexia Municipal Agency and Dexia Credit Local. This contract defines the missions carried out by Dexia Credit Local on behalf of Dexia Municipal Agency, from the origination of loans to the publication of the company's financial statements.

Moreover, in 2001, two groups of loans guaranteed by an Austrian Land were acquired by Dexia Municipal Agency through Kommunalkredit A.G. A management contract between Dexia Municipal Agency and Kommunalkredit defines relations with the Austrian debtor and procedures for payment collection.

In 2002, a management contract was signed between Dexia Municipal Agency and Dexia Crediop for assets from Italy.

For its business needs and, in particular, to pre-finance assets prior to the issuance of securities, Dexia Municipal Agency opened an account with Dexia Credit Local, the conditions of which are defined in the current account agreement signed by the two companies (see below, note 5.1).

II | MAJOR EVENTS DURING THE YEAR

Pursuant to article L.515-13 of the Monetary and Financial Code, during the year Dexia Municipal Agency acquired from Dexia Credit Local loans granted to public sector entities or to entities they guaranteed. A portion of the loans transferred in 2002 were international loans originated in Switzerland.

The loans were transferred at market value. The rules for determining this value are defined in the loan transfer agreement between Dexia Municipal Agency and Dexia Credit Local.

In addition, acting as a proxy, Dexia Credit Local directly contracted loans on behalf of Dexia Municipal Agency. To ensure financing for its activity, in 2002 Dexia Municipal Agency launched new bond issues benefiting from the *Privilège* defined in article L.515-19 of the Monetary and Financial Code, raising outstanding bond issues to EUR 25.8 billion.

Issues were launched for the first time in CAD, NZD, HKD and AUD in 2002.

These borrowings are redeemable at maturity.

Pursuant to articles L.515-14 to L.515-17 (articles L.515-14, L.515-15 and L.515-16 were changed by article 31 of the MURCEF law of December 11, 2001) and article 7 of the decree n° 99-710 of August 3, 1999, Dexia Municipal Agency hold bonds as investment securities. The securities held by Dexia Municipal Agency are issued by public sector entities or with their guarantee, and are acquired with the purpose of holding them until maturity. These securities are considered as investments.



A major portion of these securities were acquired by Dexia Municipal Agency from Dexia Crediop in 2002. They are securities issued by the Italian public sector.

III | SIGNIFICANT ACCOUNTING POLICIES

Accounting principles

Dexia Municipal Agency adapted its parent company accounts as of December 31, 2001, to ensure compliance with CRC regulations n° 99-07, n° 00-08 and n° 00-03.

The balance sheet and statement of income as of December 31, 2002, were drawn up using the same accounting principles and valuation methods as those used in the balance sheet and statement of income as of December 31, 2001.

The financial statements have been prepared in accordance with French generally accepted accounting principles on the basis of the following assumptions:

- going concern principle,
- segregation of accounting periods,
- consistency of methods,
- prudence.

The accounts conform to the indications of the directive n° 86/635/EEC of the Council of European Communities and the regulation n° 91-02 of the Banking Regulation Committee (CRB).

Client loans

Client loans are stated in the balance sheet net of contingencies for possible losses. The unpaid portion of signed loan agreements is recorded as an off-balance sheet item.

Interest on loans is recorded as banking income prorata temporis for both due and non-due amounts, as is interest on unpaid installments.

Loans are classified as non-performing when there is a contingent or certain risk of total or partial non-payment. Non-performing loans are defined as follows:

- local government loans: loans with installments that are more than nine months past due;
- other loans: loans with installments that are more than three months past due.

Contingencies are calculated on the basis of the estimated loss exposure.

Commission income is recorded in the statement of income on a cash basis.

As at Dexia Credit Local, penalties received from clients for early repayment of loans are amortized, for both accounting and tax purposes, over the residual life of the loan on the basis of outstanding interest.

This also applies to premiums and discounts recorded on loans acquired.

The repayment indemnities as well as the premiums and discounts are recorded on the balance sheet as accruals.

Securities transactions

The securities held by Dexia Municipal Agency are recorded in the assets as "Bonds and other fixed income securities".

They are securities issued by public sector entities (or with their guarantee). They are considered as investment securities. These securities are hedged against interest rate risk.

Securities considered as investment securities are recorded on the date of purchase at acquisition cost excluding commissions. Interest accrued at the date of acquisition is recorded in a separate account. The positive or negative difference between the redemption value and the market price (discount or premium) is amortized on a straight line basis over the residual life of the security.

At the end of the accounting period, latent gains are not recorded and no allowance has to be made for depreciation except in the following cases:

- a doubt about the issuer's ability to meet his obligations;
- the probability that the company will not hold these securities until maturity owing to new circumstances.

Debt securities

This item includes obligations foncières benefiting from the *Privilège* defined in article L.515-19 of the Monetary and Financial Code.

Pursuant to article L.515-20 of the Monetary and Financial Code and article 6 of CRBF regulation n° 99-10 of July 27, 1999, total assets must always exceed liabilities benefiting from the *Privilège* referred to in article L.515-19 of the Monetary and Financial Code.

These debt securities are recorded at face value.

Redemption and issuance premiums are amortized on a straight line basis over the life of the securities pro-rata temporis. They are recorded on the balance sheet under the same headings as the corresponding outstanding debt.

Amortization of these premiums is recorded in the statement of income as "Interest expense on bonds and other fixed income securities". In the event bonds are issued above par, amortization of issuance premiums is deducted from interest expense on bonds and other fixed income securities.

Interest on bonds is recorded as a banking expense for accrued amounts due and not yet due calculated pro-rata temporis on the basis of contractual rates.

Bond issuance costs and commissions are amortized on a straight line basis over the life of the related loans. Equalization payments made or received on the redemption of debt are amortized over the residual life of the bonds.

Bonds denominated in foreign currencies are accounted for by the same method as foreign currency transactions (see below).

Financial future transactions

Dexia Municipal Agency engages in financial future transactions to hedge against the interest rate and foreign exchange risks to which it is exposed in its activity.

Depending on their purpose, these transactions are assigned to specific hedging or overall exposure hedging portfolios as defined by CRB regulations n° 90-15 and n° 92-04. Evaluation and accounting principles are determined according to the portfolio to which they are assigned.

Pursuant to article L.515-18 of the Monetary and Financial Code, these transactions benefit from the *Privilège* defined in article L.515-19 of the Monetary and Financial Code provided that their purpose is to hedge the assets or debt benefiting from the *Privilège*.

The law stipulates that transactions hedging sources of financing which do not benefit from the *Privilège* do not benefit from the *Privilège*.

For Dexia Municipal Agency, this is the account opened with Dexia Credit Local. This source of financing does not benefit from the *Privilège* and is not hedged (see note 5.1).

The notional amount of these hedging transactions is recorded as an off-balance sheet item over the life of the contract, i.e. from the date the contract is signed (including forward contracts) up to maturity. The amount recorded is adjusted to reflect any changes in nominal amounts so as to represent the maximum current or future commitment.

Specific hedging transactions

Specific hedging transactions are designed to hedge against the interest rate risk related to an item or a set of homogeneous items and identified from the start. They involve swaps used to hedge primary issues, securities in the investment bond portfolio and certain client assets.

Losses and gains on these transactions are recorded in the statement of income in the same way gains and losses on the hedged item or homogeneous set of items are recorded. This principle likewise applies to equalization payments made or received when the hedging instrument is transferred.



Overall exposure hedging transactions

This category includes transactions designed to hedge and manage the company's overall exposure to interest rate risk on assets, liabilities and off-balance sheet items, excluding specific hedging transactions. They were authorized by a specific decision of the Executive Board of Dexia Municipal Agency on December 1, 1999, pursuant to article 14 of CRBF regulation n° 99-10.

These overall exposure hedging transactions have the effect of reducing the company's overall exposure to interest rate risk inherent in its activity.

Losses and gains on these transactions are recorded prorata temporis in the statement of income as "Interest expense on overall exposure hedging transactions" and "Interest income from overall exposure hedging transactions". A contra entry is recorded in accruals up to the date of collection or payment of the funds. Equalization payments received or made on canceled transactions are deferred and recognized over the residual life of the canceled contracts.

Foreign currency transactions

Pursuant to CRB regulation n° 89-01, amended by regulation n° 90-01 of February 23, 1990, Dexia Municipal Agency records foreign currency transactions in accounts opened and denominated in each of the currencies used.

Specific foreign exchange position accounts and foreign exchange position equivalent accounts are opened in each currency.

At the end of each accounting period, the differences between the amounts resulting from a market price valuation of the foreign exchange position accounts at the date of closing and the amounts recorded in the foreign exchange position equivalent accounts are recorded in the statement of income.

Foreign exchange transactions

In the course of systematic hedging of its foreign exchange risk, Dexia Municipal Agency enters into currency swaps. These currency swaps are initiated to eliminate the risk of foreign exchange rate fluctuations which might affect an asset or a liability as soon as a risk occurs. They are mainly used to hedge certain bond issues and certain securities transactions and client loans.

Results of foreign exchange hedging transactions are accounted for by recording the difference between the hedging rate and the spot rate – contango or backwardation – prorata temporis in the statement of income.

Non-recurring income and expense

Non-recurring income and expense result from events or transactions that do not relate to ordinary business operations or routine management of the company's assets and liabilities.

Furthermore, the income or expense involved does not depend on decisions taken within the framework of usual management of the company's activities or assets, but results from external events of a completely exceptional nature. Only items of this nature which have a significant impact on the period's net income are recorded as non-recurring income and expense.

Tax consolidation

Dexia Municipal Agency applies the tax consolidation system.

Dexia Municipal Agency and its parent company Dexia Credit Local are lodged in a new tax consolidation structure. As of January 1, 2002, the consolidating company is Dexia's permanent establishment in France. This entity pays the total tax owed by the companies in the tax group, including the précompte equalization tax and the minimum corporate income tax payment. Dexia Municipal Agency records in its accounts the amount of tax for which it would be liable if it were not a member of the tax group.

Tax savings realized by the tax group are recognized as a profit in the accounts of Dexia Credit Local.



IV | NOTES TO THE ASSETS (EUR millions)

4.1 - Time Interbank loans

This item is composed of loans to Swiss cantonal banks, which benefit from a legal guarantee of their cantons for an amount of EUR 953.6 million (including accrued interest). The balance concerns loans to municipal credit and welfare institutions and a loan to a real estate financing institution guaranteed by a local government.

a. Accrued interest included in this item: 10.3

b. Analysis by residual maturity excluding accrued interest

| Less than 3 months | 3 months to 1 year | 1 year to 5 years | More than 5 years | Total |
|--------------------|--------------------|-------------------|-------------------|-------|
| – | 0.1 | 317.8 | 630.1 | 948.0 |

c. Analysis by initial maturity excluding accrued interest

| | Net amount as of 12/31/00 | Net amount as of 12/31/01 | Gross amount as of 12/31/02 | Decrease in value as of 12/31/02 | Net amount as of 12/31/02 |
|---------------------------------|------------------------------|------------------------------|--------------------------------|--|------------------------------|
| Commitments of less than 1 year | – | – | – | – | – |
| Commitments of more than 1 year | 0.2 | 0.1 | 948.0 | – | 948.0 |
| TOTAL | 0.2 | 0.1 | 948.0 | – | 948.0 |

4.2 - Client loans

a. Accrued interest included in this item: 587.2

b. Analysis by residual maturity excluding accrued interest

| Less than 3 months | 3 months to 1 year | 1 year to 5 years | More than 5 years | Total |
|--------------------|--------------------|-------------------|-------------------|----------|
| 1,543.8 | 2,358.6 | 10,394.8 | 15,118.9 | 29,416.1 |

c. Analysis by the economic sector of the counterparty's commitments excluding accrued interest

| Economic sector | Amount as of 12/31/00 | Amount as of 12/31/01 | Amount as of 12/31/02 |
|-----------------|--------------------------|--------------------------|--------------------------|
| Public sector | 15,221.7 | 21,603.9 | 28,281.4 |
| Other sectors* | 775.3 | 934.6 | 1,134.7 |
| TOTAL | 15,977.0 | 22,538.5 | 29,416.1 |

* Social housing sector: public entities and private companies and other loans guaranteed by local governments.

d. Analysis by initial maturity excluding accrued interest

| | Net amount as of 12/31/00 | Net amount as of 12/31/01 | Gross amount as of 12/31/02 ⁽¹⁾ | Decrease in value as of 12/31/02 | Net amount as of 12/31/02 |
|---------------------------------|------------------------------|------------------------------|---|--|------------------------------|
| Commitments of less than 1 year | | | | | |
| Commitments of more than 1 year | 15,977.0 | 22,538.5 | 29,417.0 | (0.9) | 29,416.1 |
| TOTAL | 15,977.0 | 22,538.5 | 29,417.0 | (0.9) | 29,416.1 |

(1) Including non-performing loans: EUR 2.0 million.

e. Contingencies on non-performing loans - changes during the year

| Loss contingencies | Amount | Amount | Increases | Decreases | Amount |
|--------------------|----------------|----------------|------------|--------------|------------|
| | as of 12/31/00 | as of 12/31/01 | | | |
| On loans | - | 0.2 | 0.8 | (0.2) | 0.8 |
| On interest | - | - | 0.1 | - | 0.1 |
| TOTAL | - | 0.2 | 0.9 | (0.2) | 0.9 |

4.3 - Bonds and other fixed income securities*a. Accrued interest included in this item: 23.9**b. Analysis by residual maturity excluding accrued interest*

| Less than 3 months | 3 months to 1 year | 1 year to 5 years | More than 5 years | Total |
|--------------------|--------------------|-------------------|-------------------|---------|
| - | 106.4 | 194.8 | 1,773.5 | 2,074.7 |

c. Analysis by the issuer's economic sector excluding accrued interest

| Issuer's economic sector | Amount | Amount | Amount |
|--------------------------|----------------|----------------|----------------|
| | as of 12/31/00 | as of 12/31/01 | as of 12/31/02 |
| Public sector | 288.8 | 851.7 | 1,807.4 |
| Other sectors | - | 55.0 | 267.3* |
| TOTAL | 288.8 | 906.7 | 2,074.7 |

* Securities: - ABS: - Colombo srl: EUR 55 million (rated Aaa Moody's, AAA S&P)
 - ASTREA srl: EUR 21 million (rated Aa2 Moody's, AA-Fitch)
 ABS Colombo and ASTREA are completely made up of loans to the Italian public sector.
 - Blue Danube Funding GmbH: EUR 94.6 million
 (rated AA+ S&P - guaranteed by the Land of Lower Austria)
 - Landsvirkjun: EUR 43.4 million (guaranteed by the State of Iceland)
 - Feria de Valencia: EUR 53.3 million (guaranteed by the Generalitat de Valencia)

d. Analysis by listed securities and other securities excluding accrued interest

| | Amount | Amount | Amount |
|-------------------|----------------|----------------|----------------|
| | as of 12/31/00 | as of 12/31/01 | as of 12/31/02 |
| Listed securities | 288.8 | 851.7 | 917.1 |
| Other securities | - | 55.0 | 1,157.6 |
| TOTAL | 288.8 | 906.7 | 2,074.7 |

e. Analysis by type of portfolio excluding accrued interest and changes during the year

| Portfolio | Gross amount as of 12/31/00 | Gross amount as of 12/31/01 | Increases | Decreases | Reduction | Amount as of 12/31/02 |
|--------------|--------------------------------|--------------------------------|----------------|---------------|----------------------------|--------------------------|
| | | | | | in value as of 12/31/02 | |
| TS | - | - | - | - | - | - |
| SAS | - | - | - | - | - | - |
| IS | 288.8 | 906.7 | 1,248.8 | (80.8) | - | 2,074.7 |
| TOTAL | 288.8 | 906.7 | 1,248.8 | (80.8) | - | 2,074.7 |

Portfolio: TS: Trading securities
 SAS: Securities available for sale, liquidity support
 IS: Investment securities

4.4 - Accruals and other assets

| | Amount as of 12/31/00 | Amount as of 12/31/01 | Amount as of 12/31/02 |
|---|--------------------------|--------------------------|--------------------------|
| Deferred premiums on hedging transactions | 8.8 | 78.3 | 135.6 |
| Deferred charges on bond issues | 18.7 | 62.5 | 79.5 |
| Deferred charges on hedging transactions | 17.4 | 0.0 | 45.6 |
| Deferred premiums on acquisition of loans from Dexia Crédit Local | 333.0 | 505.8 | 411.1 |
| Other deferred charges | 0.5 | 3.2 | 3.5 |
| Accrued interest not yet due on hedging transactions | 624.3 | 941.2 | 1,122.4 |
| Translation adjustments | 27.7 | 160.0 | 0.0 |
| Other accrued income | 0.3 | 0.0 | 2.5 |
| TOTAL | 1,030.7 | 1,751.0 | 1,800.2 |

4.5 - Total assets

| Analysis by original currency | Amount in original currency as of 12/31/02 | Amount in EUR as of 12/31/02 |
|-------------------------------|---|---------------------------------|
| Assets in EUR | 33,149.4 | 33,149.4 |
| Assets in AUD | 5.1 | 2.7 |
| Assets in CAD | 41.3 | 25.0 |
| Assets in CHF | 1,913.6 | 1,317.6 |
| Assets in GBP | 5.4 | 8.3 |
| Assets in HKD | 0.8 | 0.1 |
| Assets in JPY | 5,974.1 | 48.0 |
| Assets in NZD | 7.1 | 3.6 |
| Assets in USD | 320.6 | 305.7 |
| TOTAL | | 34,860.4 |

V | NOTES TO THE LIABILITIES (EUR millions)

5.1 - Interbank loans and deposits

This item includes the balance of the account opened with Dexia Credit Local. This account is intended to finance the needs of Dexia Municipal Agency related to its activity, in particular, to the financing of structural over-collateralization and of loans prior to issuance of *obligations foncières*.

From the creation of Dexia Municipal Agency, this account was entirely financed on the Eonia index. At the end of March 2002, sub-accounts were opened within the master-account in order to make a distinction between the financing of such elements as over-collateralization, stock of assets prior to issuance and other items.

- One sub-account is to record over-collateralization financing. This financing involves a seven-year maturity bullet borrowing, which bears a fixed interest rate. The fixed interest rate is not swapped; on the asset side, there is an equal volume of client loans, with a fixed non-swapped interest rate.
- A second sub-account is to record the financing of assets prior to issuance of *obligations foncières*. This financing involves a two-year maturity borrowing, redeemable at the time the *obligations foncières* are received. It bears interest on the Eonia index, and is not swapped.
- The rest of the current account, with no defined maturity, bears interest on Eonia, and is not swapped.

The current account agreement will exist between Dexia Credit Local and Dexia Municipal Agency as long

as Dexia Municipal Agency is authorized to operate as a *société de crédit foncier* and acquires or grants loans to public sector entities.

This source of financing does not benefit from the *Privilège* defined in article L.515-19 of the Monetary and Financial Code.

| | Amount as of 12/31/00 | Amount as of 12/31/01 | Amount as of 12/31/02 |
|---|--------------------------|--------------------------|--------------------------|
| Balance of current account | 5,068.9 | 3,721.5 | 176.9 |
| Accrued interest not yet due on the current account | 20.8 | 9.1 | 4.8 |
| Balance of the ancillary account – maturity 4/1/09 | – | – | 1,200.0 |
| Balance of the ancillary account – maturity 12/31/09 | – | – | 600.0 |
| Balance of the ancillary account – maturity 12/31/04 | – | – | 3,300.0 |
| Accrued interest not yet due on the ancillary account | – | – | 49.0 |
| Unallocated sums | – | – | 0.3 |
| Interbank debt - Time | 30.3 | – | – |
| Accrued interest not yet due on interbank debt | 0.8 | – | – |
| TOTAL Dexia Credit Local | 5,120.8 | 3,730.6 | 5,331.0 |

a. Analysis by residual maturity excluding accrued interest

| | Less than 3 months | 3 months to 1 year | 1 year to 5 years | More than 5 years | Total |
|-------|--------------------|--------------------|-------------------|-------------------|---------|
| Sight | – | – | – | 176.9 | 176.9 |
| Time | – | – | 3,300.0 | 1,800.0 | 5,100.0 |

5.2 – Client deposits

| | Amount as of 12/31/00 | Amount as of 12/31/01 | Amount as of 12/31/02 |
|------------------------------------|--------------------------|--------------------------|--------------------------|
| Other deposits - Sight | – | – | – |
| Other deposits – Time (guarantees) | – | 0.8 | – |
| TOTAL | – | 0.8 | – |

5.3 - Debt securities

a. Accrued interest included in this item: 798.3

b. Analysis by residual maturity excluding accrued interest

| Type of securities | Less than 3 months | 3 months to 1 year | 1 year to 5 years | More than 5 years | Total |
|-----------------------|-----------------------|-----------------------|----------------------|----------------------|----------|
| Obligations foncières | 1,499.8 | 137.8 | 14,573.6 | 9,548.7 | 25,759.9 |

c. Changes during the year excluding accrued interest

| Amount as of 12/31/00 | Amount as of 12/31/01 | Increases | Decreases | Change in value of foreign currencies | Reduction of value as of 12/31/02 | Amount as of 12/31/02 |
|--------------------------|--------------------------|-----------|-----------|---|---|--------------------------|
| 10,954.6 | 19,633.5 | 7,340.5 | (785.2) | (428.9) | – | 25,759.9 |

5.4 – Other liabilities

| | Amount as of 12/31/00 | Amount as of 12/31/01 | Amount as of 12/31/02 |
|---|--------------------------|--------------------------|--------------------------|
| Cash received as collateral | 77.9 | 102.8 | 399.4 |
| Accrued interest not yet due on cash received as collateral | – | 0.2 | 0.3 |
| Taxes | 10.4 | 5.6 | 9.9 |
| TOTAL | 88.3 | 108.6 | 409.6 |

5.5 - Accruals and other liabilities

| | Amount as of 12/31/00 | Amount as of 12/31/01 | Amount as of 12/31/02 |
|--|--------------------------|--------------------------|--------------------------|
| Deferred discounts on hedging swaps | 99.7 | 158.7 | 239.1 |
| Deferred income on loans | 17.1 | 52.1 | 180.4 |
| Discounts recorded on acquisition of loans from Dexia Crédit Local | 161.5 | 156.0 | 164.4 |
| Other deferred income | – | 114.4 | – |
| Accrued interest not yet due on hedging swaps | 638.2 | 730.5 | 826.8 |
| Other accrued charges | 7.3 | 9.5 | 12.1 |
| Translation adjustments | – | – | 598.2 |
| TOTAL | 923.8 | 1,221.2 | 2,021.0 |

5.6 - Reserves for contingencies

This item includes reserves for medium-and long-term loan losses.

| Gross amount as of 12/31/00 | Gross amount as of 12/31/01 | Increases | Decreases | Gross amount as of 12/31/02 |
|--------------------------------|--------------------------------|-----------|-----------|--------------------------------|
| 1.9 | 3.8 | 3.1 | – | 6.9 |

5.7 - Equity

| | Amount as of 12/31/00 | Amount as of 12/31/01 | Amount as of 12/31/02 |
|----------------------------|--------------------------|--------------------------|--------------------------|
| Capital stock | 300.0 | 400.0 | 450.0 |
| Additional paid-in capital | – | – | – |
| Legal reserve | 0.2 | 1.1 | 2.4 |
| Retained earnings (+/-) | – | 17.1 | 41.3 |
| Translation adjustments | – | – | – |
| Net income (+/-) | 17.9 | 25.4 | 40.2 |
| TOTAL | 318.1 | 443.6 | 533.9 |

Capital stock is divided into 4,500,000 shares with a par value of EUR 100 as of December 31, 2002.

2001 income (EUR 25,449,059.13) was allocated as follows:

| | |
|-------------------|---------------|
| Legal reserve | 1,272,452.96 |
| Retained earnings | 24,176,606.17 |

5.8 - Total liabilities

| Analysis by original currency | Amount in original currency as of 12/31/02 | Amount in EUR as of 12/31/02 |
|-------------------------------|---|---------------------------------|
| Liabilities in EUR | 33,149.4 | 33,149.4 |
| Liabilities in AUD | 5.1 | 2.7 |
| Liabilities in CAD | 41.3 | 25.0 |
| Liabilities in CHF | 1,913.6 | 1,317.6 |
| Liabilities in GBP | 5.4 | 8.3 |
| Liabilities in HKD | 0.8 | 0.1 |
| Liabilities in JPY | 5,974.1 | 48.0 |
| Liabilities in NZD | 7.1 | 3.6 |
| Liabilities in USD | 320.6 | 305.7 |
| TOTAL | - | 34,860.4 |

VI | NOTES TO THE OFF-BALANCE SHEET ITEMS (EUR millions)

6.1 - Commitments granted

| | Amount as of 12/31/00 | Amount as of 12/31/01 | Amount as of 12/31/02 |
|---|--------------------------|--------------------------|--------------------------|
| Financing commitments guaranteed to credit institutions | - | - | - |
| Financing commitments guaranteed to clients | - | 365.0 | 1,654.8 |
| TOTAL | - | 365.0 | 1,654.8 |

6.2 - Commitments received

| | Amount as of 12/31/00 | Amount as of 12/31/01 | Amount as of 12/31/02 |
|---|--------------------------|--------------------------|--------------------------|
| Financing commitments received from credit institutions | 80.5 | - | 1,627.6 |
| Currencies borrowed | - | 614.1 | 101.4 |
| Guarantees received from credit institutions | 11.5 | 64.4 | 31.4 |
| Guarantees received from local governments | 925.3 | 1,143.6 | 2,346.7 |
| TOTAL | 1,017.3 | 1,822.1 | 4,107.1 |

6.3 - Foreign currency transactions

Cash and forward foreign exchange transactions are recorded at their value in foreign currencies translated at the year-end exchange rate. The items "Currencies to receive" and "Currencies to deliver" are composed of long currency swaps with intermediate payment flows corresponding to hedging transactions.

| | Amount as of 12/31/00 | Amount as of 12/31/01 | Amount as of 12/31/02 |
|---|--------------------------|--------------------------|--------------------------|
| Currencies to receive / Currencies to deliver | 1,237.2 | 6,507.6 | 8,573.3 |
| Currencies to deliver / Currencies to receive | 1,209.6 | 6,347.6 | 9,171.5 |
| TOTAL | 2,446.8 | 12,855.2 | 17,744.8 |

6.4 - Commitments on financial futures

Commitments related to unconditional interest rate-based financial futures are recorded at the face value mentioned in the contracts in accordance with CRB regulations n° 88-02 and n° 90-15.

a. Analysis of over-the-counter interest rate transactions per residual life

| Type of transaction | Amount as of 12/31/00 | Amount as of 12/31/01 | Less than 1 year | 1 year to 5 years | More than 5 years | Total as of 12/31/02 |
|------------------------------|-----------------------|-----------------------|-------------------------|-------------------------|-------------------------|----------------------|
| Unconditional transactions | 50,220.5 | 66,904.2 | 42,034.0 ⁽¹⁾ | 14,797.6 ⁽²⁾ | 29,501.2 ⁽³⁾ | 86,332.8 |
| (1) of which deferred start: | 5,834.0 | | | | | |
| (2) of which deferred start: | 168.0 | | | | | |
| (3) of which deferred start: | 3,612.7 | | | | | |
| Total: | 9,614.7 | | | | | |

These hedging transactions include specific hedging and overall exposure hedging transactions.

b. Analysis of interest rate transactions: specific hedging - overall exposure hedging

| | Amount as of 12/31/00 | Amount as of 12/31/01 | Amount as of 12/31/02 |
|--------------------------|-----------------------|-----------------------|-----------------------|
| Specific hedging | 17,261.1 | 23,570.5 | 30,695.6 |
| Overall exposure hedging | 32,959.4 | 43,333.7 | 55,637.2 |
| TOTAL | 50,220.5 | 66,904.2 | 86,332.8 |

c. Analysis of interest rate transactions by product type

| | Amount as of 12/31/00 | Amount as of 12/31/01 | Amount as of 12/31/02 |
|-------------------------|-----------------------|-----------------------|-----------------------|
| Interest rate swaps | 50,220.5 | 66,904.2 | 86,332.8 |
| Forward rate agreements | – | – | – |
| Interest rate options | – | – | – |
| TOTAL | 50,220.5 | 66,904.2 | 86,332.8 |

d. Analysis of interest rate transactions by position management

| | Amount as of 12/31/00 | Amount as of 12/31/01 | Amount as of 12/31/02 |
|---|-----------------------|-----------------------|-----------------------|
| Isolated open positions | – | – | – |
| Specialized portfolio management transactions | 50,220.5 | 66,904.2 | 86,332.8 |
| TOTAL | 50,220.5 | 66,904.2 | 86,332.8 |



VII | NOTES TO THE STATEMENT OF INCOME (EUR millions)

Dexia Municipal Agency has no salaried employees in accordance with article L.515-22 of the Monetary and Financial Code. Within the framework of its management contract, Dexia Credit Local conducts all operations, transactions and functions of all types on behalf of Dexia Municipal Agency.

In addition, specific management contracts grant Kommunalkredit the management of loans (payment collection) in Austria.

General operating expense can be broken down as follows:

| Amount | as of 12/31/02 |
|---|----------------|
| Taxes | 2.8 |
| Other general operating expenses ⁽¹⁾ | 45.8 |
| TOTAL | 48.6 |

(1) This item mainly includes the management commission billed by Dexia Credit Local and other group companies to Dexia Municipal Agency in the framework of a management contract signed by the two companies, i.e. EUR 44.4 million.



Supplemental disclosures

Dexia Municipal Agency was authorized to operate as a *société de crédit foncier* on July 23, 1999, by the Comité des Etablissements de Crédit et des Entreprises d'Investissement (CECEI). It is therefore subject to the regulations governing credit and investment companies.

In addition, *sociétés de crédit foncier* are governed by Book V, Title I, Chapter 5, Section IV of the Monetary and Financial Code and by the decree n° 99-655 of July 29, 1999, issued in application of articles L.515-13 and L.515-21 of the Monetary and Financial Code and the decree n° 99-710 of August 3, 1999, issued in application of Title IV of the second part of the same law (articles L.515-14, L.515-15 and L.515-16 were changed by article 31 of the MURCEF law of December 11, 2001).

The required documents for the following ratios are currently prepared on a consolidated basis by Dexia Credit Local, which owns 99.99 % of the capital of Dexia Municipal Agency:

- capital adequacy ratio,
- control of major risks.

On the other hand, the liquidity ratio and the equity to long-term funds ratio are calculated on the basis of data presented in the financial statements of Dexia Municipal Agency. In 2002, Dexia Municipal Agency had a monthly liquidity ratio of more than 100 %; as of December 31, 2002, it was 227%. The shareholders' equity to long-term funds ratio (*) stood at 60.55%.

Pursuant to article L.515-20 of the Monetary and Financial Code and article 6 of CRBF regulation n° 99-10 of July 27, 1999, Dexia Municipal Agency's total assets must always exceed liabilities benefiting from the *Privilège* referred to in article L.515-19 of the Monetary and Financial Code.

As of December 31, 2002, the coverage ratio was 120.13 %.

(*) This ratio expresses the relationship between shareholders' equity and resources with more than five years until maturity as numerator and assets with residual maturity of more than five years as denominator.



Sources and applications of funds (EUR millions)

| | 2002 |
|--|------------------|
| 1 - SELF-FINANCING | |
| Change in shareholders' equity (A1) | 50.0 |
| Net income (A2) | 40.2 |
| Amortization and depreciation | – |
| Contingencies | 4.0 |
| Recoveries of contingencies | 0.1 |
| Net amortization, depreciation and contingencies (B) | 3.9 |
| Cash flow (C) = (A1) + (A2) + (B) | 94.1 |
| Dividend paid (D) | – |
| Net financing (E) = (C) - (D) | 94.1 |
| 2 - INVESTMENTS | |
| Change in intangible assets and property and equipment, at cost (F) | – |
| Internally generated financing (G) = (E) - (F) | 94.1 |
| 3 - EXTERNAL SOURCES OF FUNDS | |
| Change in subordinated debt | – |
| Change in client deposits (guarantees) | (0.8) |
| Change in debt securities | 6,311.7 |
| Change in deposits (foreign currencies and euros) | – |
| Change in accruals and other liabilities | 799.8 |
| Change in other liabilities | 301.0 |
| Change in borrowings * | 5,149.0 |
| Change in client deposits | – |
| CHANGE IN EXTERNAL SOURCES OF FUNDS (H) | 12,560.7 |
| TOTAL SOURCES OF FUNDS (I) = (G) + (H) | 12,654.8 |
| 4 - USES OF FUNDS | |
| Change in client loans | 6,917.8 |
| Change in interbank loans and money market securities | 957.9 |
| Change in accruals and other assets | 49.2 |
| Change in other assets | – |
| Change in investments in subsidiaries and affiliates, at cost | – |
| Change in marketable securities and investment securities, at cost | 1,181.3 |
| Change in issue and call premiums (assets and liabilities netted off) | – |
| TOTAL USES OF FUNDS (J) | 9,106.2 |
| NET SOURCES (USES) OF FUNDS (K) = (I) - (J) | 3,548.6 |
| 5 - CASH AND CASH EQUIVALENTS | |
| Change in current accounts * | (3,548.6) |
| Change in Trésor Public issue account | – |
| CASH AND CASH EQUIVALENTS = (K) | (3,548.6) |

* These amounts correspond to the change in the account opened with Dexia Credit Local, for which the financing conditions are described in note 5.1.

They can be broken down as follows:

| | |
|--|-----------|
| Change in drawdowns of more than one year | 5,149.0 |
| Change in drawdowns from current account | (3,548.6) |
| Total net change in Dexia Credit Local account | 1,600.4 |

Statements of income for the last five years (EUR thousands)

| | 1998 | 1999 | 2000 | 2001 | 2002 |
|--|-------|-----------|-----------|-----------|-----------|
| Financial position: | | | | | |
| - Capital stock | 38 | 300,000 | 300,000 | 400,000 | 450,000 |
| - Number of shares | 2,500 | 3,000,000 | 3,000,000 | 4,000,000 | 4,500,000 |
| Results of operations: | | | | | |
| - Revenues ⁽²⁾ | N.S. | 40,947 | 586,659 | 927,830 | 1,095,918 |
| - Income before income tax, amortization, depreciation and contingencies net of recoveries | (2) | 6,695 | 31,002 | 42,458 | 65,838 |
| - Corporate income tax | N.S. | 2,544 | 11,499 | 14,938 | 22,339 |
| - Net income | (2) | 3,816 | 17,953 | 25,449 | 40,207 |
| - Dividend ⁽¹⁾ | N.S. | 3,600 | 0 | 0 | 0 |
| Per share data: | | | | | |
| - Revenues | N.S. | 13.65 | 195.55 | 231.96 | 243.54 |
| - Income before income tax, amortization, depreciation and contingencies net of recoveries | N.S. | 1.38 | 6.51 | 6.88 | 14.63 |
| - Corporate income tax | N.S. | 0.85 | 3.84 | 3.73 | 4.96 |
| - Net income | N.S. | 1.27 | 5.99 | 6.36 | 8.93 |
| - Dividend per share | N.S. | 1.20 | 0 | 0 | 0 |

N.S.: Not Significant.

(1) Proposed distribution for 2002.

(2) As of December 31, 2002, net expense on overall exposure hedging (EUR 218,497) was included in revenues. Data for the previous years was modified to reflect this new policy.

Data for previous years before modification

| | 1998 | 1999 | 2000 | 2001 |
|-------------------------------|------|--------|---------|-----------|
| Results of operations: | | | | |
| - Revenues | N.S. | 44,392 | 635,073 | 1,019,526 |
| Per share data: | | | | |
| - Revenues | N.S. | 14.80 | 211.69 | 254.88 |

Dexia Municipal Agency has no salaried employees in accordance with article L.515-22 of the Monetary and Financial Code.



Coverage ratio (EUR millions)

Pursuant to article L.515-20 of the Monetary and Financial Code and article 6 of the CRBF regulation n° 99-10 of July 27, 1999, the total assets of *sociétés de crédit foncier* must always exceed liabilities benefiting from the *Privilège* referred to in article L.515-19 of the Monetary and Financial Code.

| Assets covering sources of funds benefiting from the Privilège (weighted amounts) | 12/31/02 EUR millions |
|---|----------------------------------|
| Securities | 1,824.0 |
| Receivables related to these securities | 21.6 |
| Other Class 1 assets | 958.3 |
| Loans to public sector entities | 29,416.1 |
| Receivables related to these loans | 587.2 |
| Asset-backed securities that meet the conditions of paragraph 2.a of the appendix to regulation n° 99-10 | 150.8 |
| Class 3 accruals | 1,168.0 |
| Total assets | 34,126.0 |

| Sources of funds benefiting from the Privilège defined in article L.515-19 of the Monetary and Financial Code | 12/31/02 EUR millions |
|--|----------------------------------|
| Obligations foncières | 25,765.0 |
| Liabilities related to these securities | 798.3 |
| Amounts owed under the contract provided for in article L.515-22 of the Monetary and Financial Code | 11.4 |
| Amounts owed for financial futures benefiting from the Privilège defined in article L.515-19 of the Monetary and Financial Code | 1,833.5 |
| Total liabilities | 28,408.2 |
| COVERAGE RATIO | 120.13 % |

List of bonds issued by Dexia Municipal Agency with stock exchange on which listed

| Description of securities | Currency | Nominal amount in the currency | Outstanding as of 12/31/02 (EUR millions) | Redemption value (EUR millions)* | Final due date | Stock exchange |
|-------------------------------|------------|--------------------------------|---|----------------------------------|----------------|-------------------|
| 5.00% - 26/04/05 | EUR | 1,250,000,000 | 1,246 | 1,250 | 26/04/05 | Several exchanges |
| 5.50% - 26/04/10 | EUR | 1,250,000,000 | 1,235 | 1,250 | 26/04/10 | Several exchanges |
| 4.75% - 27/01/03 | EUR | 1,250,000,000 | 1,250 | 1,250 | 27/01/03 | Several exchanges |
| Composite rate - 23/02/15 | EUR | 30,000,000 | 30 | 30 | 23/02/15 | Luxembourg |
| 5.50% - 26/04/10 | EUR | 500,000,000 | 490 | 500 | 26/04/10 | Several exchanges |
| 5.00% - 26/04/05 | EUR | 750,000,000 | 747 | 750 | 26/04/05 | Several exchanges |
| 5.375% - 26/04/07 | EUR | 1,000,000,000 | 997 | 1,000 | 26/04/07 | Luxembourg, Paris |
| Floater rate - 17/05/12 | EUR | 200,000,000 | 200 | 200 | 17/05/12 | Paris |
| Composite rate - 24/05/10 | EUR | 135,000,000 | 135 | 135 | 24/05/10 | Paris |
| 5.00% - 26/04/05 | EUR | 500,000,000 | 493 | 500 | 26/04/05 | Several exchanges |
| Composite rate - 07/07/10 | EUR | 15,000,000 | 15 | 15 | 07/07/10 | Paris |
| Fixed rate 5.50% - 26/04/10 | EUR | 300,000,000 | 294 | 300 | 26/04/10 | Several exchanges |
| Fixed rate 4.75% - 27/01/03 | EUR | 250,000,000 | 250 | 250 | 27/01/03 | Several exchanges |
| Fixed rate 5.50% - 25/04/06 | EUR | 2,000,000,000 | 2,000 | 2,000 | 25/04/06 | Several exchanges |
| 5.25% - 21/02/11 | EUR | 250,000,000 | 254 | 250 | 21/02/11 | Luxembourg |
| 5.25% - 21/02/11 | EUR | 240,000,000 | 243 | 240 | 21/02/11 | Luxembourg |
| 5.50% - 26/04/10 | EUR | 250,000,000 | 252 | 250 | 26/04/10 | Several exchanges |
| 5.125% - 27/02/09 | EUR | 250,000,000 | 253 | 250 | 27/02/09 | Luxembourg |
| 5.00% - 26/04/05 | EUR | 500,000,000 | 501 | 500 | 26/04/05 | Several exchanges |
| 5.50% - 26/04/10 | EUR | 700,000,000 | 713 | 700 | 26/04/10 | Several exchanges |
| 4.50% - 21/06/04 | EUR | 1,000,000,000 | 998 | 1,000 | 21/06/04 | Luxembourg, Paris |
| 4.25% - 12/01/07 | EUR | 2,000,000,000 | 1,991 | 2,000 | 12/01/07 | Luxembourg, Paris |
| 5.125% - 27/02/09 | EUR | 240,000,000 | 246 | 240 | 27/02/09 | Luxembourg |
| 5.25% - 06/02/17 | EUR | 750,000,000 | 733 | 750 | 06/02/17 | Luxembourg, Paris |
| Guaranteed Capital - 12/04/12 | EUR | 30,000,000 | 30 | 30 | 12/04/12 | Luxembourg |
| Guaranteed Capital - 06/05/12 | EUR | 15,000,000 | 15 | 15 | 06/05/12 | Luxembourg |
| Guaranteed Capital - 29/05/14 | EUR | 30,000,000 | 30 | 30 | 29/05/14 | Luxembourg |
| Guaranteed Capital - 30/05/14 | EUR | 30,000,000 | 30 | 30 | 30/05/14 | Luxembourg |
| 5.50% - 25/10/12 | EUR | 1,000,000,000 | 994 | 1,000 | 25/10/12 | Luxembourg, Paris |
| Guaranteed Capital - 30/06/14 | EUR | 13,000,000 | 13 | 13 | 30/06/14 | Luxembourg |
| Guaranteed Capital - 05/07/12 | EUR | 15,000,000 | 15 | 15 | 05/07/12 | Luxembourg |
| Guaranteed Capital - 15/07/12 | EUR | 30,000,000 | 30 | 30 | 15/07/12 | Luxembourg |
| Indexed rate - 09/08/17 | EUR | 300,000,000 | 300 | 300 | 09/08/17 | Luxembourg |
| 5.50% - 25/10/12 | EUR | 250,000,000 | 261 | 250 | 25/10/12 | Luxembourg, Paris |
| 5.50% - 25/10/12 | EUR | 250,000,000 | 260 | 250 | 25/10/12 | Luxembourg, Paris |
| Indexed rate - 09/08/17 | EUR | 100,000,000 | 100 | 100 | 09/08/17 | Luxembourg |
| 4.25% - 03/09/07 | EUR | 1,000,000,000 | 996 | 1,000 | 03/09/07 | Luxembourg, Paris |
| Guaranteed Capital - 06/09/12 | EUR | 10,000,000 | 10 | 10 | 06/09/12 | Luxembourg |
| Guaranteed Capital - 30/09/14 | EUR | 33,000,000 | 33 | 33 | 30/09/14 | Luxembourg |
| Guaranteed Capital - 03/10/14 | EUR | 20,000,000 | 20 | 20 | 03/10/14 | Luxembourg |
| Guaranteed Capital - 22/10/14 | EUR | 20,000,000 | 20 | 20 | 22/10/14 | Luxembourg |
| Floater rate - 26/11/04 | EUR | 25,000,000 | 25 | 25 | 26/11/04 | Luxembourg |
| 3.00% indexed - 25/07/17 | EUR | 250,000,000 | 250 | 250 | 25/07/17 | Luxembourg |
| 5.25% - 06/02/17 | EUR | 100,000,000 | 103 | 100 | 06/02/17 | Luxembourg, Paris |
| 4.50% - 21/06/04 | EUR | 100,000,000 | 102 | 100 | 21/06/04 | Luxembourg, Paris |
| SUBTOTAL | EUR | 19,231,000,000 | 19,203 | 19,231 | | |

* Determined by the interest rate and currency swap used to hedge the bond issue.

| Description of securities | Currency | Nominal amount in the currency | Outstanding as of 12/31/02 (EUR millions) | Redemption value (EUR millions)* | Final due date | Stock exchange |
|---------------------------|------------|--------------------------------|---|----------------------------------|----------------|-----------------------|
| 4.00% - 08/03/10 | CHF | 500,000,000 | 346 | 311 | 08/03/10 | Swiss exchanges |
| 3.75% - 15/05/03 | CHF | 200,000,000 | 138 | 128 | 15/05/03 | Swiss exchanges |
| 4.375% - 22/12/06 | CHF | 200,000,000 | 138 | 129 | 22/12/06 | Swiss exchanges |
| 4.25% - 15/08/07 | CHF | 200,000,000 | 139 | 130 | 15/08/07 | Swiss exchanges |
| 4.00% - 08/03/10 | CHF | 200,000,000 | 136 | 128 | 08/03/10 | Swiss exchanges |
| 3.00% - 30/11/07 | CHF | 300,000,000 | 207 | 203 | 30/11/07 | Swiss exchanges |
| 3.00% - 30/11/07 | CHF | 300,000,000 | 205 | 204 | 30/11/07 | Swiss exchanges |
| SUBTOTAL | CHF | 1,900,000,000 | 1,309 | 1,233 | | |
| 7.40% - 24/08/20 | JPY | 2,000,000,000 | 16 | 20 | 24/08/20 | None |
| 7.10% - 24/08/20 | JPY | 2,000,000,000 | 16 | 20 | 24/08/20 | None |
| 2.315% - 08/08/16 | JPY | 3,000,000,000 | 24 | 28 | 08/08/16 | Luxembourg |
| SUBTOTAL | JPY | 7,000,000,000 | 56 | 68 | | |
| 5.5% - 23/01/04 | USD | 1,000,000,000 | 958 | 1,061 | 23/01/04 | Luxembourg |
| Floater rate - 30/06/06 | USD | 200,000,000 | 191 | 222 | 30/06/06 | Luxembourg |
| 5.43% - 28/06/05 | USD | 50,000,000 | 48 | 57 | 28/06/05 | Luxembourg |
| 5.125% - 11/09/06 | USD | 750,000,000 | 722 | 826 | 11/09/06 | Luxembourg |
| 5.125% - 11/09/06 | USD | 250,000,000 | 240 | 280 | 11/09/06 | Luxembourg |
| 4.875% 11/01/07 | USD | 300,000,000 | 288 | 334 | 11/01/07 | Luxembourg |
| 5.625% - 27/03/09 | USD | 500,000,000 | 474 | 569 | 23/03/09 | Luxembourg |
| 4.875% - 24/05/07 | USD | 1,000,000,000 | 963 | 1,099 | 24/05/07 | Luxembourg, Frankfurt |
| 5.625% - 27/03/09 | USD | 75,000,000 | 73 | 79 | 27/03/09 | Luxembourg |
| 5.31% - 12/09/17 | USD | 20,000,000 | 19 | 20 | 12/09/07 | Luxembourg |
| SUBTOTAL | USD | 4,145,000,000 | 3,976 | 4,547 | | |
| 5.50% - 16/07/26 | GBP | 125,000,000 | 190 | 206 | 16/07/26 | Luxembourg |
| 5.254% - 14/12/16 | GBP | 215,000,000 | 330 | 345 | 14/12/16 | None |
| Floater rate - 22/11/17 | GBP | 189,000,000 | 291 | 300 | 22/11/17 | None |
| SUBTOTAL | GBP | 529,000,000 | 811 | 851 | | |
| 5.00% - 11/12/07 | CAD | 100,000,000 | 61 | 71 | 11/12/07 | Luxembourg |
| 5.00% - 11/12/07 | CAD | 50,000,000 | 30 | 35 | 11/12/07 | Luxembourg |
| SUBTOTAL | CAD | 150,000,000 | 91 | 106 | | |
| 6.00% - 15/10/07 | AUD | 350,000,000 | 189 | 206 | 15/10/07 | Sydney |
| SUBTOTAL | AUD | 350,000,000 | 189 | 206 | | |
| 7.00% - 26/11/07 | NZD | 100,000,000 | 50 | 51 | 26/11/07 | Luxembourg |
| 6.25% - 02/10/07 | NZD | 100,000,000 | 51 | 47 | 02/10/07 | Luxembourg |
| SUBTOTAL | NZD | 200,000,000 | 101 | 98 | | |
| 5.22% - 05/12/17 | HKD | 200,000,000 | 24 | 26 | 05/12/17 | Luxembourg |
| SUBTOTAL | HKD | 200,000,000 | 24 | 26 | | |
| TOTAL | | | 25,760 | 26,366 | | |

* Determined by the interest rate and currency swap used to hedge the bond issue.

List of bonds negotiated by Dexia Municipal Agency in 2002 and issued in 2003

| Description of securities | Currency | Nominal amount in the currency | Outstanding as of 12/31/02 (EUR millions) | Redemption value (EUR millions)* | Final due date | Stock exchange |
|---------------------------|----------|--------------------------------|---|----------------------------------|----------------|----------------|
| 4.25% - 08/03/10 | EUR | 100,000,000 | 100 | 100 | 08/01/03 | Luxembourg |
| TOTAL | | 100,000,000 | 100 | 100 | | |

* Determined by the interest rate and currency swap used to hedge the bond issue.

Independent Auditors' General Report

(translated from French)

In compliance with the assignment entrusted to us by the shareholders' annual general meeting, we hereby report, for the year ended December 31, 2002, on

- *our audit of the accompanying financial statements of Dexia Municipal Agency;*
- *the specific verifications and information required by law.*

These financial statements have been approved by the Executive Board. Our role is to express an opinion on these financial statements based on our audit.

1 | Opinion on the financial statements

We conducted our audit in accordance with the professional standards applied in France. These standards require that we plan and perform procedures in order to obtain reasonable assurance that the financial statements are free of any material misstatements. An audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also involves assessing the accounting principles used and significant estimates made by management, as well as evaluating the general presentation of the financial statements. We believe that our audit provides a reasonable basis for the opinion hereafter stated.

In our opinion, the financial statements give a true and fair view of the company's financial position and its assets and liabilities as of December 31, 2002, and of the results of its operations in the year then ended in conformity with accounting principles generally accepted in France.

2 | Specific verifications and information

We have performed the specific verifications required by law in conformity with accounting principles generally accepted in France.

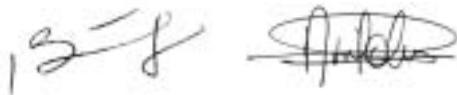
We have no comment as to the fair presentation and the conformity with the financial statements of the information contained in the management review of the Executive Board and in the documents addressed to shareholders with respect to the company's financial position and financial statements.

Paris, March 28, 2003

Caderas Martin

Daniel Butelot

Olivier Avril



Mazars & Guérard

Guillaume Potel

Anne Veaute



ORDINARY SHAREHOLDERS' MEETING

of May 27, 2003

REPORT OF THE EXECUTIVE BOARD ON THE PROPOSED RESOLUTIONS

The Executive Board invites shareholders to approve the following resolutions.

- The first resolution concerns the approval of the company's financial statements.
- The Shareholders' Meeting will then be invited to approve the auditors' special report on agreements involving directors governed by article 225-88 of the Code de Commerce (second resolution).
- As a consequence of the adoption of the first two resolutions, the Shareholders' Meeting will give discharge to members of the management bodies for the performance of their duties during the year (third resolution).
- The Shareholders' Meeting will then vote on the appropriation of net income (fourth resolution).
- The Shareholders' Meeting will be asked to appoint Dirk BRUNEEL and Daniel CAILLE as members of the Supervisory Board for a term of six years (fifth and sixth resolutions).

The above-mentioned proposed resolutions were presented to the Supervisory Board at its March 11, 2003, meeting. The Board approved them without reserve.

OBSERVATIONS OF THE SUPERVISORY BOARD

Pursuant to the provisions of article 225-68 of the Code de Commerce, we hereby state that we have no comment to make on the management review of the Executive Board or on the financial statements for the year ended December 31, 2002.

The Supervisory Board first wishes to thank the Executive Board for the initiatives taken and the results achieved during the year ended December 31, 2002.

The Supervisory Board

PROPOSED RESOLUTIONS

First resolution

APPROVAL OF THE COMPANY'S FINANCIAL STATEMENTS

The Ordinary Shareholders' Meeting, after hearing the reports presented by the Executive Board, the Auditors and the Specific Controller, and the comments of the Supervisory Board, approves the company's financial statements for the year ended December 31, 2002, as presented, with all the transactions which generated these financial statements or are mentioned in the above reports, showing net income of EUR 40,207,101.44.

Second resolution

APPROVAL OF AGREEMENTS INVOLVING DIRECTORS

After hearing the Auditors' special report on agreements involving directors governed by article 225-86 of the Code de Commerce, the Ordinary Shareholders' Meeting approves the agreements referred to in this report, in accordance with the provisions of article 225-88.

Third resolution

DISCHARGE TO MEMBERS OF THE MANAGEMENT BODIES

By virtue of the adoption of the first two resolutions, the Ordinary Shareholders' Meeting gives full discharge to members of the management bodies for the performance of their duties during the year ended December 31, 2002.

Fourth resolution

APPROPRIATION OF NET INCOME

The Ordinary Shareholders' Meeting resolves to appropriate net income for the year as follows:

| Appropriation of net income | EUR |
|--|---------------|
| Net income for 2002 | 40,207,101.44 |
| Legal reserve (5%) | 2,010,355.07 |
| 2002 income available for distribution | 38,196,746.37 |
| Prior retained earnings | 41,255,785.25 |
| Retained earnings after appropriation | 79,452,531.62 |

The Ordinary Shareholders' Meeting notes that for 1999, a dividend of EUR 1.20, plus tax credit (avoir fiscal), was paid per share and that no dividend was paid for the fiscal years 2000 and 2001.

Fifth resolution

APPOINTMENT OF A MEMBER OF THE SUPERVISORY BOARD

The Ordinary Shareholders' Meeting decides to appoint Dirk BRUNEEL as a member of the Supervisory Board for a term of six years, which will end after the Ordinary Shareholders' Meeting held in 2009 and called to approve the financial statements for the year ending December 31, 2008.

Sixth resolution

APPOINTMENT OF A MEMBER OF THE SUPERVISORY BOARD

The Ordinary Shareholders' Meeting decides to appoint Daniel CAILLE as a member of the Supervisory Board for a term of six years, which will end after the Ordinary Shareholders' Meeting held in 2009 and called to approve the financial statements for the year ending December 31, 2008.

Seventh resolution

POWERS

The Ordinary Shareholders' Meeting gives full powers to the bearer of a copy or extract of the minutes of the meeting to carry out all legal formalities.



LEGAL AND ADMINISTRATIVE INFORMATION

INFORMATION ABOUT THE COMPANY

Corporate name

The name Dexia Municipal Agency was adopted at the Extraordinary Shareholders' Meeting of August 31, 1999.

Registered office

Tour Cristal, 7 - 11 quai André Citroën, 75015 Paris

Legal structure

Société anonyme à Directoire et Conseil de Surveillance, a joint-stock corporation with an Executive Board and a Supervisory Board.

Official CECEI approval

The company was approved by the Comité des Établissements de Crédit et des Entreprises d'Investissement (CECEI) on July 23, 1999, as a financial company / *société de crédit foncier*. This approval took effect on October 1, 1999.

Applicable legislation

A corporation under the provisions of articles 210-1 and following of the Code du Commerce, articles L.511-1 and following of the Monetary and Financial Code and articles L.515-13 and following of the Monetary and Financial Code.

Incorporation date

The company was created on December 29, 1998, for a period of 99 years.

Corporate purpose (article 2 of the by-laws)

As provided in its by-laws, Dexia Municipal Agency's exclusive purpose is:

- to grant or acquire loans to public sector entities as defined in article 515-15 of the Code des Marchés Financiers as well as assets considered as loans as defined in article 515-16 of the same Code;
- to hold assets defined by decree as replacement assets;
- to finance the above-mentioned loans, to issue *obligations foncières* benefiting from the *Privilège* defined in article L.515-19 of the Monetary and Financial Code and to raise other funds, under issue or subscription contract referring to the *Privilège*.

Dexia Municipal Agency may also fund the above-mentioned activities by issuing bonds or other sources of financing which do not benefit from the *Privilège* defined in article L.515-19 of the Monetary and Financial Code.

Pursuant to the law n° 81-1 of January 2, 1981, passed to facilitate corporate borrowing, Dexia Municipal Agency may assign all the assets it owns.

Company registration and APE business identification code

Dexia Municipal Agency is registered as a company under the number 421 318 064 PARIS (*Registre du commerce et des sociétés*). Its APE code is 652 C.

Availability of information

Legal documents on Dexia Municipal Agency may be consulted at the company's registered office: Tour Cristal, 7 - 11 quai André Citroën, 75901 PARIS CEDEX 15.

Fiscal year (article 39 of the by-laws)

The company's fiscal year begins on January 1 and ends on December 31.

Exceptional events and legal proceedings

There is no exceptional event, legal proceedings or claim pending or in process which could have a material impact on the assets and liabilities, financial position or consolidated results of the group composed by the company and its subsidiaries.

Appropriation of income (article 40 of the by-laws)

Income available for distribution comprises net income for the year less any prior year losses and any allocations required pursuant to the by-laws, plus any retained earnings carried forward from previous years. From the available surplus, the Annual Shareholders' Meeting, voting on a recommendation of the Executive Board, may allocate all or a part of the remaining income to retained earnings. There are no priority shares or dividends.

Annual Shareholders' Meetings

CALLING OF MEETINGS (ARTICLE 28 OF THE BY-LAWS)

Annual shareholders' meetings are called according to the provisions of current legislation. They are held at the company's registered office or any other location specified in the notice of meeting.

All shareholders have the right to obtain copies of the documents required to make an informed decision concerning the overall management and control of the company and the matters to be voted on in annual shareholders' meetings.

The types of documents concerned and the terms of their availability and dispatch are determined by the applicable legislation and regulations.

RIGHT TO ATTEND ANNUAL SHAREHOLDERS' MEETINGS (ARTICLE 29 OF THE BY-LAWS)

All shareholders are entitled to attend the meetings upon presentation of proof of identity, provided that their shares have been paid up to the extent called and are registered in their name at least five days prior to the date of the meeting.

Shareholders may give proxy to another shareholder.

Proxies must be deposited at the company's headquarters at least five days prior to the date of the meeting.

VOTING RIGHTS (ARTICLE 32 OF THE BY-LAWS)

The voting rights attached to the shares are proportional to the percentage of capital the shares represent. Each share conveys one voting right.

At annual shareholders' meetings, the number of votes that may be cast by each shareholder corresponds to the number of shares held plus the number of shares for which the shareholder holds proxy.



INFORMATION ABOUT THE COMPANY'S CAPITAL AND SHARES

Capital

Capital stock totals EUR 450,000,000 represented by 4,500,000 nominative shares with no stated par value. There are no other securities which grant rights to shares in the capital of Dexia Municipal Agency.

Shareholding structure in the last five years

At the Ordinary and Extraordinary Shareholders' Meeting of August 31, 1999, the company CLF Développement approved a change in the by-laws (adoption of management by an Executive Board and a Supervisory Board, change of name to Dexia Municipal Agency) and increased the capital to EUR 300,000,000.

Pursuant to the authorization given by the Extraordinary Shareholders' Meeting of May 10, 2001, the Executive Board increased the capital to EUR 400,000,000 on September 25, 2001.

Pursuant to the authorization given by the Extraordinary Shareholders' Meeting of May 21, 2002, the Executive Board increased the capital to EUR 450,000,000 on September 19, 2002.

| | 1998 | 1999 | 2000 | 2001 | 2002 |
|--|-------|-------|-------|-------|-------|
| Dexia Credit Local | 99.9% | 99.9% | 99.9% | 99.9% | 99.9% |
| French and/or Belgian private, institutional and corporate investors | 0.03% | 0.03% | 0.03% | 0.03% | 0.03% |

At the Shareholders' Meeting of May 21, 2002, there were 4,000,000 voting rights in existence.

Declaration of financial support

On September 16, 1999, Dexia Credit Local formalized a declaration of financial support for its subsidiary Dexia Municipal Agency.

"Within the scope of its financing policies, Credit Local de France has created a société de crédit foncier, governed by the provision of section IV of the law n° 99-532 of June 25, 1999, and named Dexia Municipal Agency.

"Credit Local de France will hold more than 95% of the capital of Dexia Municipal Agency on a long-term basis.

"Credit Local de France will ensure that Dexia Municipal Agency develops its activity in compliance with the requirements of the above-mentioned law and has the financial resources it needs to meet its obligations."

**SUPERVISORY BOARD AND EXECUTIVE BOARD
OF DEXIA MUNICIPAL AGENCY**

**Members of the Supervisory Board
and their membership in other boards in 2002**

Chairman

Jacques GUERBER

Chairman of the Management Board, Dexia Credit Local

Chairman of the Board of Directors, Ifax

Chairman of the Board of Directors, Dexia CLF Banque

Member of the Board of Directors, Crédit du Nord

Member of the Board of Directors, Dexia Insurance

Member of the Board of Directors, Localmundi

Member of the Board of Directors, Financial Security Assurance Holdings Ltd

Chairman of the Supervisory Board, SOFCA

Vice Chairman of the Supervisory Board, Dexia Asset Management France

Chairman of the Supervisory Board, Dexia Banque Privée France

Permanent representative of Dexia Credit Local to the Board of Directors of Dexia Finance

Vice Chairman

Rembert VON LOWIS

Vice Chairman of the Supervisory Board, Dexia Credit Local

Member of the Board of Directors, Dexia Bank

Member of the Board of Directors, Dexia BIL

Member of the Supervisory Board, Dexia Bank Nederland

Member of the Board of Directors, Dexia Holdings Incorporated

Member of the Board of Directors, Financial Security Assurance Holdings Ltd

Members

Dexia Bank, represented by Edith BERNEMAN

Member of the Board of Directors, Artesia Lease N.V.

Member of the Board of Directors, Artesia Leasing & Renting N.V.

Member of the Board of Directors, Centrum Voor Informatica

Member of the Board of Directors, CIGER

Member of the Board of Directors, Dexia Auto Lease N.V.

Member of the Board of Directors, Dexia Factors N.V.

Member of the Board of Directors, Dexia Lease Belgium S.A.

Member of the Board of Directors, Novolease N.V.

Member of the Board of Directors, WGH Informatique N.V.

Dexia Credit Local, represented by Bruno DELETRE

Member of the Executive Board, Dexia Crediop

Member of the Board of Directors, Dexia Crediop

Member of the Board of Directors, Dexia Finance

Member of the Board of Directors, Financial Security Assurance Holdings Ltd

Chairman of the Board of Directors, Dexia Holdings Incorporated

Member of the Board of Directors, Financial Security Assurance UK Ltd

Chairman of the Supervisory Board, Dexia Hypothekenbank Berlin

Vice Chairman of the Supervisory Board, Kommunalkredit Austria

Chairman of the Board of Directors, Dexia Global Structured Finance LLC



Dexia Crediop, represented by Gérard BAYOL
Chief Executive Officer, Dexia Crediop
Member of the Board of Directors, Dexia Finance
Chairman of the Board of Directors, Dexia Fund Services Italia

Dexia Sabadell Banco Local, represented by José Luis CASTILLO
Member of the Board of Directors and Chief Executive Officer, Dexia Sabadell Banco Local

Jean-Paul GAUZÈS
Member of the Board of Directors, Dexia Finance
Member of the Board of Directors and Chief Executive Officer, Ifax
Permanent representative of Dexia Credit Local to the Board of Directors of Dexia CLF Immo
Permanent representative of Dexia Credit Local to the Board of Directors of Floral

Jean LE NAOUR

Jean-Luc PETITPONT
Member of the Board of Directors and Chief Executive Officer, Dexia Finance

Pierre Homi RAHMANI
Chairman of the Board of Directors and Chief Executive Officer, Dexia Finance
Member of the Board of Directors, Floral

Members of the Executive Board and their membership in other boards in 2002

Chairman

Philippe DUCOS
Member of the Board of Directors, Dexia Finance
Member of the Board of Directors, Dexia Crediop
Member of the Supervisory Board, Dexia Hypothekbank Berlin
Member of the Board of Directors, Société d'Investissement Suisse-Luxembourgeoise (SISL)

Members

Jean Claude SYNAVE
Executive Officer

Sylvie VADE
Executive Officer

Gilles LAURENT
Member of the Board of Directors, Dexia Sabadell Banco Local
Member of the Board of Directors, Dexia Finance Company

AUDITORS

The auditors of Dexia Municipal Agency and their alternates
(appointed on August 31, 1999, for a term of six years) are:

MAZARS ET GUÉRARD

Le Vinci - 4, allée de l'Arche, 92075 Paris La Défense Cedex
represented by Guillaume POTEI, Partner, and Anne VEAUTE, Partner
Alternate: Yves BERNHEIM

CADERAS MARTIN

76, rue de Monceau, 75008 Paris
represented by Daniel BUTELOT, Partner, and Olivier AVRIL, Partner
Alternate: François MARTIN

SPECIFIC CONTROLLERS

- Statutory: Fidus, 12 rue de Ponthieu, 75008 Paris,
represented by Christian COMERMAN
- Alternate: Groupement d'expertise de France, 10 rue de la Grange Batelière, 75009 Paris,
represented by F. DUMENIL

