



**DEXIA**

Municipal Agency



2003

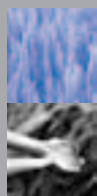
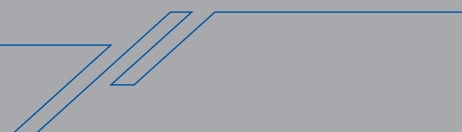
**ANNUAL REPORT**  
The "obligations foncières"  
for the local public sector

**RAPPORT ANNUEL**  
Les obligations foncières  
pour le secteur public local

AAA/Aaa/AAA

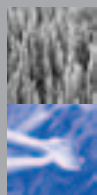
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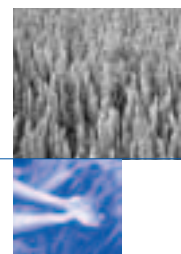


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# MANAGEMENT REPORT

## Dexia Municipal Agency 2003



### I | ACTIVITY OF DEXIA MUNICIPAL AGENCY GENERAL FRAMEWORK AND DEVELOPMENTS

Dexia Municipal Agency (Dexia MA) was authorized to operate as a *société financière-société de crédit foncier* as of October 1, 1999. By reason of its by-laws and its authorized status, its assets are composed solely of commitments on public sector entities or guaranteed by public sector entities.

Sociétés de crédit foncier (SCFs) are governed by the provisions of Section IV of the law of June 1999, amended in December 2001 by article 31 of the MURCEF law, and articles 94, 95 and 96 of the financial security law of August 2003, corresponding to articles L.515-1 and following of the Monetary and Financial Code.

Generally speaking, SCFs are only allowed to hold two categories of assets: mortgage loans and loans to public sector entities. The legal references mentioned hereafter concern only Dexia MA's specialized public finance activity.

**Assets include** commitments on counterparties that are public sector entities, defined as States, local governments or groups of such, and institutions in countries in the European Economic Area, Switzerland, the United States, Canada and Japan, and which are composed of loans or debt securities (or loans and debt securities guaranteed by such entities).

Debt mutual funds or similar structures are eligible if 90% of their assets are themselves eligible. In addition, shares in these funds must have a minimum rating of AA-/Aa3/AA- by one of the three rating agencies Fitch, Moody's or Standard and Poor's, to be counted for 100% of their amount in the coverage ratio.

Assets may also include replacement securities for a maximum of 20% of the total, i.e. sufficiently reliable and liquid securities that can be mobilized through the European Central Bank System.

Lastly, since August 2003, it is also possible to hold commitments created by leasing contracts in which the lessee is a French public sector entity. This recent change in legislation corresponds to a predictable financing development in large French local governments that use leasing arrangements to finance capital investment in public facilities and infrastructure. At the end of December 2003, no assets of this type were recorded on Dexia MA's balance sheet.

**The liabilities include** two categories of debt:

- obligations foncières;
- debt which does not benefit from the legal *Privilège*, contracted through a convention with Dexia Crédit Local.

In 1999, Dexia Crédit 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.

**Off-balance sheet items include** derivative instruments used to hedge assets and obligations foncières, and which benefit from the legal *Privilège*.

**The legal *Privilège*** involves the following characteristics.

- Cash flows from the assets 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.
- 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*.



The **coverage ratio** is defined by regulation 99-10 of the Banking and Financial Regulation Committee and by a directive of the Banking Commission. The numerator is made up of the assets, weighted less than 100% if so required, and the denominator is comprised of resources benefiting from the Privilège. The coverage ratio should always be greater than 100%.

Dexia Municipal Agency's policy is to maintain a coverage ratio of 105%. In practice, as will be presented below, this ratio is always significantly higher owing to the way assets are accumulated prior to the issue of obligations foncières.

**Interest rate risk** management must respect a sufficient level of congruence between assets and liabilities. Pursuant to articles 12 and 14 of the Banking and Financial Regulation Committee, the specific controller informs the Banking Commission if he judges that the level of congruence of rates and maturities between the assets and liabilities is insufficient. In addition, a *société de crédit foncier* is obliged to publish information on the level and sensitivity of its interest rate position. Within this general framework, Dexia Municipal Agency adopted extremely low limits from the beginning, particularly in proportion to its equity and with regard to the growth of its balance sheet. This point is developed below in the body of the report.

A *société de crédit foncier* is not legally allowed to engage in other activities, and it may not hold an equity interest in another company. These characteristics make for a very strictly specialized entity.

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.

Dexia Municipal Agency is governed by a Supervisory Board and an Executive Board. As a *société de crédit foncier*, it has no employees and, pursuant to article L.515-23 of the Monetary and Financial Code, "management and the collection of loans, bonds or other resources mentioned in article L.515-13 can only be conducted by a credit institution linked by contract to the *société de crédit foncier*". Dexia Municipal Agency has, therefore, entrusted general management to its parent company Dexia Crédit Local.

Specific management contracts have been signed with the Dexia group's foreign entities that manage the assets and commercial relations of Dexia Municipal Agency in their respective national territories. At the end of December 2003, the following contracts were operative: Austria (2001), Kommunalkredit AG, in which Dexia Crédit Local has a 49% interest; Italy (2002), Dexia Crediop; Belgium (2003), Dexia Bank Belgium; and Sweden (2003), Dexia Crédit Local, Stockholm branch.

It is important to note that not only is Dexia Municipal Agency specialized in financing public sector assets, but that, more specifically its assets are primarily made up of new and outstanding commitments on the public sector generated by the various companies in the Dexia group. Up until 2001, Dexia Municipal Agency mainly financed assets generated by Dexia Crédit Local in France. Beginning in 2002, its activity progressively expanded to group entities located outside of France, with the transfer of Italian assets produced by Dexia Crediop, then in 2003, with the transfer of Swedish and Norwegian assets by the Stockholm branch, of North American assets by the New York agency and of Belgian assets by Dexia Bank Belgium.

Special mention should be made of the Spanish local government commitments recorded on the balance sheet of Dexia Sabadell Banco Local. In order to facilitate the administrative management of these transfers, Dexia Municipal Agency took the opportunity offered by the new Spanish law that allows Spanish banks to issue *Cedulas Territoriales*, bonds secured by public sector commitments on their balance sheets. The transfer of the assets of Dexia Sabadell Banco Local to Dexia Municipal Agency was thus realized synthetically by the issuance of *Cedulas Territoriales* rated Aaa by Moody's and acquired by Dexia Municipal Agency (*Cedulas Territoriales* are eligible as replacement securities).

Since Dexia Municipal Agency has no subsidiaries or affiliates, in keeping with the law, it does not produce consolidated financial statements and is not obliged to publish them in an IFRS format as of 2005.





## II ASSETS OF DEXIA MUNICIPAL AGENCY

As of December 31, 2003, Dexia Municipal Agency reported a net increase in assets of 6.4 billion euros, a sum that represented almost the whole increase in the balance sheet total, and which can be broken down as follows:

New loans and asset transfers	+ 10.7 billion euros
Repayments	(0.7) billion euros
Amortization	(3.5) billion euros
Translation adjustments	(0.1) billion euros
<b>Net total</b>	<b>+ 6.4 billion euros</b>

New loans and asset transfers (10.7 billion euros) comprised the following items:

- new loans and transfer of French assets of Dexia Crédit Local: .....7.4 billion euros
- new loans and transfer of assets of Dexia Crédit Local's international entities: .....2 billion euros (North America 0.18 billion euros; Switzerland, Portugal, Norway and Sweden 0.58 billion euros; Italy 0.54 billion euros; and Spain 0.70 billion euros in *Cedulas Territoriales* from Dexia Sabadell Banco Local);
- transfers from Dexia Bank Belgium: .....1 billion euros
- miscellaneous securities acquired in the market: .....0.3 billion euros

An analysis of the assets on the balance sheet by country, by type (loans and debt securities) and by categories of borrowers is presented in p.11 below.

At the end of 2002, assets from France accounted for 90% of the total; at the end of 2003, France remained the leader with 85% of the total, and Italy was second with 5.6%.

Note is made that lump-sum repayments continue to represent approximately 2% of average outstanding loans. There was a 1.4 million euros net increase in contingences on non-performing loans, which rose to 2.3 million euros, representing a very small percentage (0.007%) of outstanding loans at the end of December 2003.

As of December 31, 2003, the average life of the assets was 7.6 years.

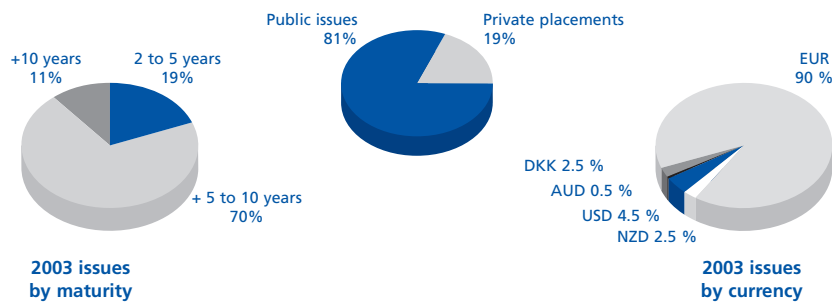
## III DEBT BENEFITING FROM THE PRIVILÈGE CONFERRED BY THE LAW: OBLIGATIONS FONCIÈRES

In 2003, Dexia Municipal Agency issued obligations foncières for a total of 6.5 billion euros with an average life of 7 years, including public issues of 5.3 billion euros with an average life of 6.3 years and private placement issues of 1.3 billion euros with an average life of 9.95 years.

Benchmark issues were denominated in euros for 90%, in U.S. dollars for 4.5%, in Danish kroner for 2.5%, in New Zealand dollars for 2.5% and in Australian dollars for 0.5%.

Analysis by maturity shows a strong concentration in the medium term: 11% of the volume issued had a maturity of more than 10 years, 70% between 5 and 10 years, and 19% from 2 to 5 years.

### Issues in 2003: analysis by type, currency and maturity



Dexia Municipal Agency pursued its policy of creating new liquid tranches and increasing existing lines. Benchmark issues and the year's taps totaled 5 billion euros broken down chronologically as follows:  
 1 billion euros maturing in 2013, then increased by 0.5 billion euros, bringing the issue to 1.5 billion euros;  
 - 1 billion euros maturing in 2008, first increased by 0.25 billion euros and then again by 1 billion euros, bringing the issue to 2.25 billion euros;  
 - 1 billion euros maturing in 2005;  
 two taps on existing tranches, 2012 and 2017, for a total of 0.25 billion euros.

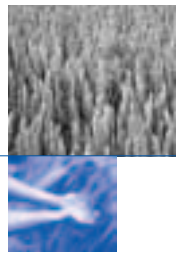
In 2003, Dexia Municipal Agency reimbursed a total of 1.67 billion euros in obligations foncières. Dexia Municipal Agency reported outstanding obligations foncières of 31.34 billion euros, broken down by year of maturity in the table below, which indicates the total per year and benchmarks.

***Outstanding issues as of December 31, 2003  
 Analysis by year of maturity (billion of euros)***

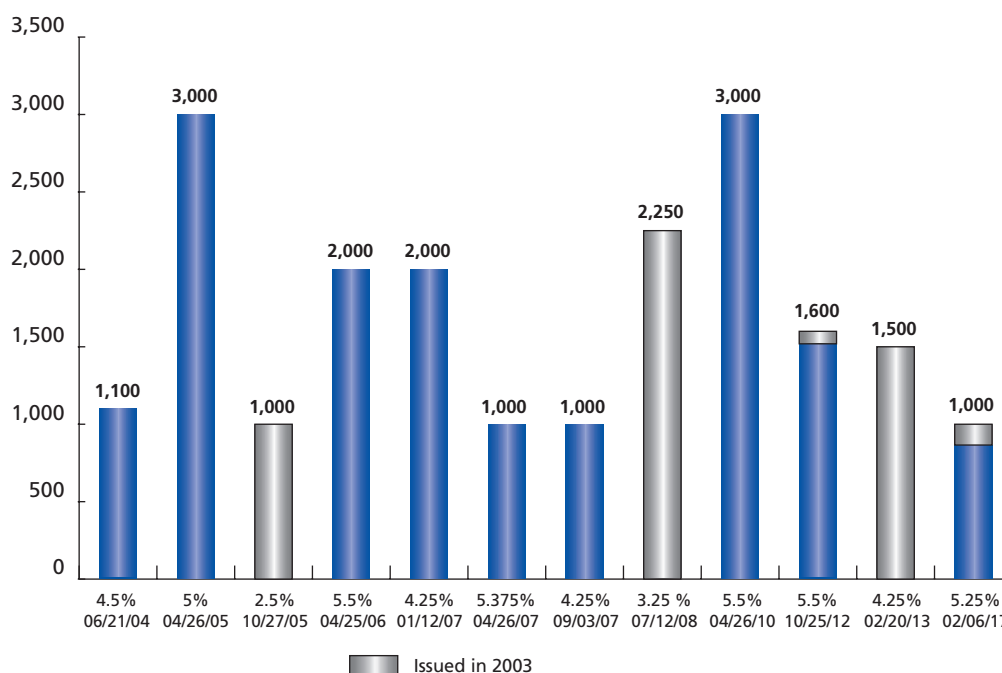
Year of maturity	Benchmarks Euros	Benchmarks USD(*)	Non- benchmarks	TOTAL
2002	-	-	-	-
2003	-	-	-	-
2004	1.10	1.06	0.03	2.19
2005	4.00	-	0.06	4.06
2006	2.00	1.11	0.35	3.46
2007	4.00	1.10	1.33	6.43
2008	2.25	-	0.30	2.55
2009	-	0.65	0.54	1.19
2010	3.00	-	0.99	3.99
2011	-	-	0.57	0.57
2012	1.60	-	0.30	1.90
2013	1.50	-	0.39	1.89
2014	-	-	0.15	0.15
2015	-	-	0.15	0.15
2016	-	-	0.36	0.36
2017	1.00	-	1.05	2.05
2018	-	-	0.19	0.19
2019	-	-	-	-
2020	-	-	-	-
2026	-	-	0.21	0.21
<b>Total</b>	<b>20.45</b>	<b>3.92</b>	<b>6.97</b>	<b>31.34</b>

(\*) Translated into euros at the swap rate

The total does not include the 75 million euros received in January 2004, maturing in 2019, and recorded off balance sheet.



**Euro benchmark issues by maturity  
(billion euros)**



As of December 31, 2003, the average life of the obligations foncières was 5.2 years.

**IV | COVERAGE RATIO**

Article 6 of regulation 99-10 of the Banking and Financial Regulation Committee defines the coverage ratio as: resources benefiting from the Privilège / 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 assets, weighted to reflect their category. The ratio should be equal to or more than 100%.

Dexia Municipal Agency's policy is to maintain a coverage ratio of 105%. In practice, given the rate of asset turnover in anticipation for issues of obligations foncières, there is occasional supplemental over-collateralization that is much greater than the structural over-collateralization of 5% mentioned above.

The coverage ratio stood as follows in 2003:

December 2002: 120.13%

2003		2003	
January	125.45%	July	118.05%
February	120.87%	August	118.10%
March	118.96%	September	120.23%
April	118.91%	October	115.84%
May	113.29%	November	114.86%
June	116.32%	December	122.47%



## V | 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 Crédit Local serves to finance the portion of assets greater than the amount of obligations foncières and shareholders' equity, as well as various occasional needs. Sub-accounts in this agreement identify the financing of structural over-collateralization (fixed rate maturing in 2009); pre-financing of the current issuance program (two-year borrowing with early reimbursement when the issues are paid); and the balance, which finances, with no maturity, the assets not yet included in the issuance program and miscellaneous cash requirements.

As of December 31, 2003, the total balance due in this agreement amounted to 6.9 billion euros, broken down as follows:

- 1.8 billion euros to finance structural over-collateralization of 5%;
- 3.7 billion euros to pre-finance the issuance program;
- 1.4 billion euros for the balance of the assets and miscellaneous needs.

In 2003, financing organized through this account revealed the following trend (billions of euros):

<u>December 31, 2002</u>	<u>5.3</u>
<u>March 31, 2003</u>	<u>5.2</u>
<u>June 30, 2003</u>	<u>4.6</u>
<u>September 30, 2003</u>	<u>5.8</u>
<u>December 31, 2003</u>	<u>6.9</u>

## VI | COMMITMENTS GRANTED AND COMMITMENTS RECEIVED

Commitments granted as of December 31, 2003, were recorded off balance sheet in the amount of 2.34 billion euros. They concerned commitments signed with local governments, and not yet paid out as of December 31.

Commitments received included 2.16 billion euros contracted within the framework of the current refinancing agreements with Dexia Crédit Local concerning maturities of obligations foncières of less than a year, 75 million euros from an issue of obligations foncières launched in 2003 and to be paid to Dexia MA in January 2004, and 2.77 billion euros in guarantees received from local governments.

## VII | AVERAGE LIFE (AL) AND DURATION (D)

AL and D are indicators used to measure the match of assets and obligations foncières, particularly in terms of transformation limits and maturity congruence.

Calculations are based on the fact that, as explained in the following paragraph, all the assets once swapped against variable rates and all the obligations foncières also swapped against variable rates behave as a single loan vis-à-vis a single borrowing. This being said, AL is calculated as follows:

“Sum of the periods  $t$  weighted by the Cash Flows( $t$ ) / Sum of the Cash Flows( $t$ )”.

Since the assets and liabilities are both variable rate, the cash flows (CF $t$ ) are constituted by the amortization of capital at date  $t$ , and the numerator is the amount of the principal at the date of the calculation.

Duration (D) is calculated as follows:

“Sum of the periods  $t$  weighted by the Cash Flows( $t$ ) and discounted at the interest rates of the zero coupon curve for date  $t$  / Sum of the Cash Flows( $t$ )” discounted at the interest rates of the zero coupon curve for date ( $t$ )”.





As of December 31, 2003, AL and D were calculated as follows:

	AL assets:	7.6 years
Average life:	AL liabilities:	5.2 years
	Difference in AL:	2.4 years
<hr/>		
	D assets:	6 years
Duration:	D liabilities:	4.56 years
	Difference in D:	1.44 years

These figures give a satisfactory image of the assets-liabilities match.

NB: the traditional formulas used are as follows:

$$AL = \frac{\sum_{t=1}^T (t \times CF_t)}{\sum_{t=1}^T (CF_t)} \quad D = \frac{\sum_{t=1}^T [(t \times CF_t) / (1+st)^t]}{\sum_{t=1}^T [CF_t / (1+st)^t]}$$

with "st" the interest rate in the zero coupon curve for the period t and "T" the final maturity.

## VIII HEDGING INTEREST RATE RISKS

Hedging guidelines and risk management rules were clearly defined in a policy paper when the company was created, and this document has been approved by rating agencies. Interest rate risk management policy involves swapping fixed rate items in the assets and liabilities against variable rates to obtain two sets that evolve in as parallel a manner as possible in response to interest rate fluctuations.

From a technical point of view, 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 (there are a few exceptions such as the financing of structural over-collateralization with Dexia Crédit Local, which is directly matched with fixed rate loans, and certain swaps that go directly from fixed rate to Eonia). This first level can be broken down as follows: (i) micro-hedge on obligations foncières, debt securities (asset swaps) and a certain number of client loans, and (ii) macro-hedge 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 10 million euros. 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 per quarter in 2003 are summarized in the following table.  
(million of euros)

Fixed rate	First quarter	Second quarter	Third quarter	Fourth quarter
sensitivity gap				
Average	6.27	4.15	4.39	7.2
Maximum	7.76	6.10	8.49	9.48
Minimum	5.29	1.76	1.77	5.41
Limit	10	10	10	10

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. Hedging management of monetary indexes is made with macro hedge swaps for every day on a 12-month sliding scale. The sensitivity limit for the residual gap in this second level is set at 2.5 million euros in the event of an unfavorable 1% shift in the yield curve.

Results are summarized in the following table.  
(million of euros)

Monetary sensitivity gap	First quarter	Second quarter	Third quarter	Fourth quarter
Average	0.26	0.50	0.38	0.46
Maximum	0.61	1.25	0.95	1.55
Minimum	(0.14)	(0.71)	(0.07)	(0.44)
Limit	2.5	2.5	2.5	2.5

Note should be taken of the fact that these two sensitivity limits, for the fixed rate gap and the monetary gap (10 million euros + 2.5 million euros = 12.5 million euros), add up to a very strong constraint considering the size of Dexia Municipal Agency's balance sheet. Consequently, this total limit of 12.5 million euros represents a very small risk, corresponding to 2.2% of Dexia Municipal Agency's equity, which totaled 581.3 million euros as of December 31, 2003.

Outstanding notional interest rate swaps as of December 31, 2003, can be broken down by hedging category and by counterparty as follows (billion of euros).

First level, swaps against Euribor:

	Total	Dexia Crédit Local	Dexia Bank	Dexia Crediop	Outside the group
micro-hedge swaps on issues of obligations foncières	24.51	0.33	1.23	0.00	22.95
micro-hedge swaps on loans and debt securities	14.42	3.15	0.98	0.17	10.12
macro-hedge swaps on fixed rate loans	19.56	18.97	0.09	0.00	0.50

Second level, monetary hedging swaps:

	Total	Dexia Crédit Local	Dexia Bank	Dexia Crediop	Outside the group
macro-hedge swaps against Eonia	44.66	44.66	0.00	0.00	0.00

## IX FOREIGN EXCHANGE RISKS

Assets and liabilities originally in currencies other than the euro are swapped against three-month Euribor when they enter Dexia Municipal Agency's balance sheet. Dexia Municipal Agency's management policy is to take no foreign exchange risks.

At cost, the notional amount of currency swaps as of December 31, 2003, was (billion of euros):

	Total	Dexia Crédit Local	Dexia Bank	Dexia Crediop	Outside the group
Issues of obligations foncières	7.6	1.3	0.0	0.0	6.3
Loans	1.6	1.2	0.0	0.0	0.4
Securities	0.4	0.4	0.3	0.0	0.1

## X | STATEMENT OF INCOME

The statement of income is presented in the following table.:

(thousands of euros)	2001	2002	2003
Interest received on client loans and securities <i>(net of interest on micro-hedge swaps)</i>	1,008,963	1,298,072	1,341,481
Interest on macro-hedge swaps			
Interest received	1,277,488	1,482,856	1,183,581
Interest paid	(1,369,354)	(1,701,353)	(1,494,607)
Net interest	(91,866)	(218,497)	(311,026)
minus:			
Interest on obligations foncières <i>(net of interest on micro-hedge swaps)</i>	(694,355)	(796,357)	(718,761)
Interest on the account with Dexia Crédit Local	(145,838)	(168,653)	(169,192)
Commissions received	72	3	4
Commissions paid	(61)	(204)	(1,568)
Income (expense) on financial transactions	98	92	(15)
Other banking income	6	22	53
Other banking expense	0	(5)	(19)
<b>NET BANKING INCOME</b>	<b>77,019</b>	<b>114,473</b>	<b>140,957</b>
Total general operating expense	(32,376)	(45,839)	(53,131)
<i>(of which management contract of Dexia Crédit Local and other group entities)</i>	(31,100)	(44,421)	(51,764)
Taxes	(2,184)	(2,796)	(2,864)
<b>OPERATING INCOME BEFORE CONTINGENCIES</b>	<b>42,459</b>	<b>65,838</b>	<b>84,962</b>
Cost of risk	(138)	(206)	(763)
<b>INCOME FROM OPERATIONS</b>	<b>42,321</b>	<b>65,632</b>	<b>84,199</b>
Corporate income tax	(14,938)	(22,339)	(28,625)
Regulated provisions	(1,934)	(3,086)	(3,485)
Reserves for contingencies	0	0	(4,625)
<b>NET INCOME</b>	<b>25,449</b>	<b>40,207</b>	<b>47,464</b>

Dexia Municipal Agency recorded loss contingencies of 4.6 million euros related to a disagreement with French tax authorities following a tax audit in 2003. Dexia Municipal Agency contests the position of the tax authorities, but recorded contingencies for reasons of prudence. Details are provided in the notes to the financial statements.

## XI | PROPOSED APPROPRIATION OF NET INCOME

The company distributed:

- in 2000, on the basis of 1999 net income, a dividend of 3,600,000 euros, representing a dividend of 1.20 euros 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;
- in 2003, on the basis of 2002 net income, no dividend was distributed.

The Annual Shareholders' Meeting will be asked to vote to allocate 2003 net income to retained earnings.

	(euros)
Net income for the year 2003	47,463,647.73
Allocated to the legal reserve (5%)	2,373,182.39
2003 income available for distribution	45,090,465.34
Prior retained earnings	79,452,531.62
Retained earnings after appropriation	124,542,996.96

## XII | CHANGES IN CAPITAL IN 2003

As of December 31, 2002, the capital was 450 million euros.

As of December 31, 2003, the capital was unchanged at 450 million euros. The company's capital is almost totally owned by Dexia Crédit Local (99.99%).

## XIII | CAPITAL INCREASE

In order to enable the company to pursue its growth, a capital increase of 50 million euros is scheduled for 2004. Capital stock will thus be increased from 450 million euros to 500 million euros

## XIV | OUTLOOK FOR THE YEAR 2004

Dexia Municipal Agency will continue to fulfill the mission it has been assigned in the Dexia group: to finance local government assets, primarily in Europe, generated by group entities.

Acquisition of these assets, as envisaged at the beginning of 2004, should be as follows:

- 60% from Dexia Crédit Local in France;
- 15% from Dexia Crédit Local's international department, the Swedish branch and Dexia Sabadell Banco Local in Spain;
- 13% from Dexia Crediop in Italy;
- 12% from Dexia Bank Belgium.

Assets will continue to be transferred from Dexia Sabadell Banco Local in the form of *Cedulas Territoriales*.

Accounting for amortization and early repayments, outstanding assets should total approximately 41 billion euros at the end of 2004.

Dexia Municipal Agency intends to pursue the same issuance policy as in the past with a broader total investor base. The volume of issues should be approximately 6.5 billion euros, approximately 15% of which would be medium-sized issues and private placements, and the rest benchmark issues or further subscriptions to existing benchmark issues.

Outstanding obligations foncières are expected to total between 35 and 36 billion euros at the end of 2004, after accounting for the reimbursements paid during the year.

*Loans to local governments and bonds as of 12/31/2003 (million of euros)*

	12/31/02			12/31/03		
	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
<b>FRANCE</b>						
Regions	1,245.4	5.0	1,250.4	1,304.0	55.0	1,359.0
Departments	3,769.1	3.0	3,772.1	4,061.0	3.0	4,064.0
Municipalities	14,445.1	219.7	14,664.8	15,617.0	217.3	15,834.3
Groups of municipalities	5,492.1	0.0	5,492.1	6,585.0	0.0	6,585.0
Public sector entities	3,859.7	0.0	3,859.7	4,724.0	0.0	4,724.0
Loans guaranteed by local governments	270.5	0.0	270.5	264.0	0.0	264.0
<b>Total</b>	<b>29,081.9</b>	<b>227.7</b>	<b>29,309.6</b>	<b>32,555.0</b>	<b>275.3</b>	<b>32,830.3</b>
<b>AUSTRIA</b>						
Länder	0.0	0.0	0.0	218.6	0.0	218.6
ABS	0.0	94.6	94.6	0.0	94.1	94.1
Loans guaranteed by local governments	219.8	0.0	219.8	0.0	0.0	0.0
<b>Total</b>	<b>219.8</b>	<b>94.6</b>	<b>314.4</b>	<b>218.6</b>	<b>94.1</b>	<b>312.7</b>
<b>PORTUGAL</b>						
Regions	89.0	8.5	97.5	56.6	8.5	65.1
Municipalities	0.0	0.0	0.0	160.2	0.0	160.2
Securities guaranteed by the State or by local governments	0.0	0.0	0.0	0.0	24.5	24.5
<b>Total</b>	<b>89.0</b>	<b>8.5</b>	<b>97.5</b>	<b>216.8</b>	<b>33.0</b>	<b>249.8</b>
<b>ICELAND</b>						
Securities guaranteed by the State or by local governments	0.0	50.4	50.4	0.0	50.4	50.4
<b>Total</b>	<b>0.0</b>	<b>50.4</b>	<b>50.4</b>	<b>0.0</b>	<b>50.4</b>	<b>50.4</b>
<b>FINLAND</b>						
State	0.0	7.6	7.6	0.0	7.6	7.6
Municipalities	0.0	0.0	0.0	54.9	0.0	54.9
Public sector entities	0.0	0.0	0.0	34.6	0.0	34.6
<b>Total</b>	<b>0.0</b>	<b>7.6</b>	<b>7.6</b>	<b>89.5</b>	<b>7.6</b>	<b>97.1</b>
<b>GREECE</b>						
State	0.0	5.5	5.5	0.0	31.2	31.2
<b>Total</b>	<b>0.0</b>	<b>5.5</b>	<b>5.5</b>	<b>0.0</b>	<b>31.2</b>	<b>31.2</b>
<b>ITALY</b>						
State	0.0	482.8	482.8	0.0	599.2	599.2
Regions	0.0	442.8	442.8	0.0	419.5	419.5
Provinces	0.0	123.5	123.5	0.0	219.4	219.4
Municipalities	19.8	464.8	484.6	19.2	829.5	848.7
ABS	0.0	76.0	76.0	0.0	72.6	72.6
<b>Total</b>	<b>19.8</b>	<b>1,589.9</b>	<b>1,609.7</b>	<b>19.2</b>	<b>2,140.2</b>	<b>2,159.4</b>

	12/31/02			12/31/03		
	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
<b>SPAIN</b>						
<i>Cedulas Territoriales</i>	0.0	0.0	0.0	0.0	700.0	700.0
Securities guaranteed by the State or by local governments	0.0	50.0	50.0	0.0	50.0	50.0
<b>Total</b>	<b>0.0</b>	<b>50.0</b>	<b>50.0</b>	<b>0.0</b>	<b>750.0</b>	<b>750.0</b>
<b>SWITZERLAND</b>						
Cantons	0.0	57.6	57.6	0.0	16.5	16.5
Municipalities	10.3	0.0	10.3	48.8	0.0	48.8
Loans guaranteed by local governments	943.2	0.0	943.2	911.4	0.0	911.4
<b>Total</b>	<b>953.5</b>	<b>57.6</b>	<b>1,011.1</b>	<b>960.2</b>	<b>16.5</b>	<b>976.7</b>
<b>BELGIUM</b>						
Regions	0.0	0.0	0.0	287.0	93.3	380.3
Communities	0.0	0.0	0.0	74.0	189.6	263.6
Securities guaranteed by the State or by local governments	0.0	0.0	0.0	0.0	126.6	126.6
Loans guaranteed by government entities	0.0	0.0	0.0	145.7	0.0	145.7
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>506.7</b>	<b>409.4</b>	<b>916.1</b>
<b>GERMANY</b>						
Länder	0.0	0.0	0.0	0.0	70.0	70.0
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>70.0</b>	<b>70.0</b>
<b>UNITED STATES</b>						
States	0.0	0.0	0.0	0.0	145.0	145.0
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>145.0</b>	<b>145.0</b>
<b>MONACO</b>						
Public sector entities	0.0	0.0	0.0	0.5	0.0	0.5
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.5</b>	<b>0.0</b>	<b>0.5</b>
<b>SWEDEN</b>						
Municipalities	0.0	0.0	0.0	112.1	0.0	112.1
Loans guaranteed by local governments	0.0	0.0	0.0	68.1	0.0	68.1
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>180.2</b>	<b>0.0</b>	<b>180.2</b>
<b>CANADA</b>						
Provinces	0.0	0.0	0.0	0.0	35.6	35.6
Municipalities	0.0	0.0	0.0	0.0	4.8	4.8
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>40.4</b>	<b>40.4</b>
<b>Total(*)</b>	<b>30,364.0</b>	<b>2,091.8</b>	<b>32,455.8</b>	<b>34,746.7</b>	<b>4,063.1</b>	<b>38,809.8</b>

(\*) Excluding premiums and discounts

Premiums and discounts on debt securities	5.1	45.6
Translation adjustments on debt securities	(22.2)	(57.6)
Value of debt securities on the balance sheet	2,074.7	4,051.1
Premiums and discounts are recorded as accruals		



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

**Members of the supervisory board  
and their membership in other boards in 2003**

*Chairman of the supervisory board*

**Jacques GUERBER**

*Chairman of the Executive Board, Dexia Crédit Local*

*Chairman of the Board of Directors, Ifax*

*Member of the Board of Directors, Crédit du Nord*

*Member of the Board of Directors, Dexia Insurance*

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

*Permanent representative of Dexia Crédit Local, Member of the Board of Directors of Dexia Finance*

*Member of the Supervisory Board, Financière Centuria*

**VICE CHAIRMAN OF THE SUPERVISORY BOARD**

**Rembert VON LOWIS**

*Vice Chairman of the Supervisory Board, Dexia Crédit Local*

*Member of the Board of Directors, Dexia Bank*

*Member of the Board of Directors, Dexia BIL*

*Member of the Board of Directors, Dexia Holdings Incorporated*

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

*Chairman of the Board of Directors, Dexia Habitat*

**MEMBERS OF THE SUPERVISORY BOARD**

**Daniel CAILLE**

*Member of the Executive Board and CEO, Dexia Crédit Local*

*Chairman of the Board of Directors, Daniel Caille SAS*

*Member of the Board of Directors, Progress*

*Chairman of the Board of Directors, Domus Vi Holding*

*Member of the Board of Directors, Compagnie Générale de Travaux d'Hydraulique – SADE*

*Chairman of the Board of Directors, Dexia CLF Banque*

*Chairman of the Supervisory Board, SOFCA*

*Member of the Board of Directors, Dexia Habitat*

*Member of the Board of Directors, Fomento de Construcciones y Contratas S.A.*

*Member of the Board of Directors, Générale de Santé Services S.A.*

**Dirk BRUNEEL**

*Chairman of the Board of Directors, Dexia Securities France Holding*

*Chairman of the Board of Directors, Dexia Securities France*

*Member of the Board of Directors, Dexia Financière S.A.*

*Member of the Board of Directors, Dexia Insurance*

*Member of the Board of Directors, Ehsal*

*Member of the Board of Directors, DVV Verzekeringen NV – Les AP Assurances SA*

*Member of the Board of Directors, VEV*

*Member of the Board of Directors, Zinner N.V.*

*Member of the Board of Directors, Artesialux Finance S.A.*

*Member of the Board of Directors, Dexia Global Investments Luxembourg SA*

*Member of the Board of Directors, Dexia Participation Luxembourg*

*Member of the Board of Directors, Parfipar SA*

*Chairman of the Supervisory Board, Dexia Bank Nederland N.V.*



*Member of the Executive Board, Dexia Nederland Holding N.V.*  
*Member of the Supervisory Board, Kempen & Co N.V.*  
*Member of the Board of Directors, Dexia Capital Ireland*  
*Member of the Board of Directors, Dexia Financial Services Ireland*  
*Member of the Board of Directors, Dexia Investments Ireland*  
*Chairman of the Board of Directors, AMCC*  
*Member of the Board of Directors, FSA Holdings Ltd.*

**Dexia Bank, represented by Edith BERNEMAN**

*Member of the Board of Directors, Centrum Voor Informatica N.V.*  
*Member of the Board of Directors, Ciger SA*  
*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, Adinfo S.A.*  
*Member of the Board of Directors, Dexia Lease Services N.V.*

**Dexia Crédit Local, represented by Bruno DELETRE**

*Member of the Executive Board and CEO, Dexia Crédit Local*  
*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*  
*Chairman of the Board of Directors, Dexia Sabadell Banco Local*

**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 SpA*

**Dexia Sabadell Banco Local, represented by José Luis CASTILLO**

*Chief Executive Officer, Dexia Sabadell Banco Local*

**Jean-Paul GAUZES**

*Member of the Board of Directors, Dexia Finance*  
*Member of the Board of Directors and Chief Executive Officer, Ifax*  
*Permanent representative of Dexia Crédit Local, member of the Board of Directors of Dexia CLF Immo*  
*Permanent representative of Dexia Crédit Local, member of the Board of Directors of Floral*  
*Member of the Board of Directors and Chief Executive Officer, Dexia Habitat*

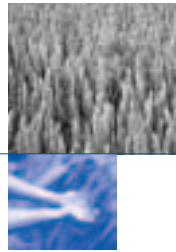
**Jean LE NAOUR**

**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 2003

### 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 Hypothekenbank Berlin*

*Member of the Board of Directors, Société d'Investissement Suisse-Luxembourgeoise (SISL)*

*Chairman of the Board of Directors, Dexia CLF Finance Company*

### Members

**Jean Claude SYNAVE**

*Chief Executive Officer*

**Sylvie VADE**

*Chief Executive Officer*

**Gilles LAURENT**

*Member of the Board of Directors, Dexia Sabadell Banco Local*

*Member of the Board of Directors, Dexia CLF Finance Company*

## Compensation of the members of the supervisory board and the executive board

Dexia Municipal Agency pays no compensation to the members of the Supervisory Board and the Executive Board, who are all salaried employees of the Dexia group and who exercise their mandates without any specific compensation.

## 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 Potel, 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 controller

Statutory: Fidus, 12 rue de Ponthieu, 75008 Paris,  
represented by Christian Comeran

Alternate: Groupement d'expertise de France,

10 rue de la Grange Batellière, 75009 Paris,

represented by F. Dumenil



## Statutory Auditors' Report (translated from French into English)

*In compliance with the assignment entrusted to us by the shareholders' annual general meeting, we hereby report, for the year ended December 31, 2003, on:*

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

*These financial statements were 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 applicable in France. Those standards require that we plan and perform the audit in order to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis our opinion.

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, 2003, and of the results of its operations for the year then ended in accordance with accounting principles generally accepted in France.

Without qualifying our opinion, we draw your attention to the new accounting presentation explained in the third paragraph of the section on "Client loans" in the notes to the financial statements, in accordance with the first application of CRC regulation 2002-03 as of January 1, 2003.

### 2 | JUSTIFICATION OF ASSESSMENTS

In accordance with the requirements of article L.225-235 of the Commercial Code, introduced by the Financial Security Law of August 1, 2003, which came into effect for the first time this year, the assessments we made in order to arrive at the opinion expressed above, concerning the accounting policies followed and the significant estimates, in particular the fiscal loss contingencies mentioned in note 3.9 of the notes to the financial statements, that were used to produce the financial statements as well as their general presentation, give rise to no particular comments.

### 2 | SPECIFIC VERIFICATIONS AND INFORMATION

We have also the specific verifications required by law in accordance with the professional standards applied in France.

We have no comment as to the fair presentation and the conformity with the financial statements of the information given in the management report of the Executive Board, and in the documents addressed to shareholders with respect to the financial position and financial statements.



In accordance with the law, we would like to point out to you that the information required by article L.225-102-1 of the Commercial Code on the remuneration paid and all kinds of personal benefits granted during the year to the members of the Supervisory Board and the Executive Board by the company in which they exercise their mandate and by the company that controls it (as defined by article L.233-16 of the Commercial Code) mentioned in the Management Report, provides no figures. The company justifies the absence of any mention of compensation because it does not pay the members of the Supervisory Board and the Executive Board, who are all salaried employees of the Dexia group and exercise their mandate with no specific compensation.

Paris, March 10, 2004

**Caderas Martin**

Daniel Butelot

Olivier Avril

**Mazars & Guérard**

Guillaume Potel

Anne Veaute

# FINANCIAL STATEMENTS

## Assets as of December 31, 2003

EUR thousands	Notes	12/31/01	12/31/02	12/31/03
Cash, central banks and postal checking accounts	2.1	0	0	20,116
Public sector securities eligible for central bank refinancing	2.2	0	0	2,046,562
Interbank loans and advances		393	958,290	966,430
A. Interbank loans - Sight	2.3	249	34	45
B. Accrued interest - Sight		0	0	0
C. Interbank loans - Time	2.4	135	947,979	956,942
D. Accrued interest - Time		9	10,277	9,443
Client loans		23,086,280	30,003,268	34,377,548
A. Client loans	2.5	22,538,551	29,416,108	33,789,700
B. Accrued interest		547,729	587,160	587,848
Bonds and other fixed income securities	2.6	917,330	2,098,663	2,048,628
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	5	5
Accruals and other assets	2.7	1,751,048	1,800,197	1,740,045
<b>TOTAL ASSETS</b>	<b>2.8</b>	<b>25,755,051</b>	<b>34,860,423</b>	<b>41,199,334</b>





*Liabilities as of December 31, 2003*

EUR thousands	Notes	12/31/01	12/31/02	12/31/03
Interbank loans and deposits	3.1	3,730,623	5,331,008	6,932,143
Client deposits (guarantees)	3.2	762	0	0
Debt securities		20,246,446	26,558,141	30,724,302
A. Debt securities	3.3	19,633,477	25,759,871	29,904,452
B. Accrued interest		612,969	798,270	819,850
Other liabilities	3.4	108,598	409,591	58,822
Accruals and other liabilities	3.5	1,221,186	2,020,954	2,887,764
Reserves for contingencies and deferred taxes	3.9	0	0	4,625
Subordinated debt		0	0	0
General banking risks reserve		0	0	0
<b>Shareholders' equity excluding general banking risks reserve</b>		<b>447,436</b>	<b>540,729</b>	<b>591,678</b>
Capital stock	3.7	400,000	450,000	450,000
Additional paid-in capital		0	0	0
Reserves and retained earnings	3.7	18,168	43,617	83,824
Revaluation adjustments		0	0	0
Regulated provisions	3.6	3,819	6,905	10,390
Net income	3.7	25,449	40,207	47,464
Unallocated 2003 net income	3.7	0	0	0
<b>TOTAL LIABILITIES</b>	<b>3.8</b>	<b>25,755,051</b>	<b>34,860,423</b>	<b>41,199,334</b>

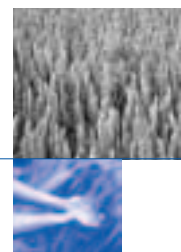
*Off-balance sheet items as of December 31, 2003*

EUR thousands	Notes	12/31/01	12/31/02	12/31/03
<b>Commitments Granted</b>	<b>4.1</b>	<b>365,044</b>	<b>1,654,839</b>	<b>2,366,340</b>
Financing commitments		365,044	1,654,839	2,366,340
<b>Commitments Received</b>	<b>4.2</b>	<b>1,822,149</b>	<b>4,107,085</b>	<b>5,031,351</b>
Financing commitments		614,204	1,729,033	2,236,346
Guarantees received		1,207,945	2,378,052	2,795,005
Foreign currency transactions	4.3	12,855,168	17,744,818	18,775,241
Interest rate derivatives	4.4	66,904,237	86,332,775	103,196,170
Other commitments received		0	0	0
Commitments related to securities transactions	4.5	0	0	23,000

Statement of income as of December 31, 2003

EUR thousands	Notes	12/31/01	12/31/02	12/31/03
<b>Interest income</b>		<b>2,286,451</b>	<b>2,780,928</b>	<b>2,525,062</b>
A. From interbank transactions		136	4,591	22,447
B. From client transactions		982,674	1,239,537	1,241,475
C. From bonds and other fixed income securities		26,153	53,944	77,559
D. From overall exposure hedging transactions		1,277,488	1,482,856	1,183,581
<b>Interest expense</b>		<b>(2,209,547)</b>	<b>(2,666,363)</b>	<b>(2,382,560)</b>
A. On interbank transactions		(145,838)	(168,653)	(169,192)
B. On bonds and other fixed income securities		(694,355)	(796,357)	(718,761)
C. On overall exposure hedging transactions		(1,369,354)	(1,701,353)	(1,494,607)
<b>Income from variable income securities</b>		<b>0</b>	<b>0</b>	<b>0</b>
A. Equities and other variable income securities		0	0	0
B. Long-term investments		0	0	0
<b>Commission income</b>		<b>72</b>	<b>3</b>	<b>4</b>
<b>Commission expense</b>		<b>(61)</b>	<b>(204)</b>	<b>(1,568)</b>
<b>Income from financial transactions</b>		<b>98</b>	<b>92</b>	<b>(15)</b>
<b>Other banking income</b>		<b>6</b>	<b>22</b>	<b>53</b>
<b>Other banking expense</b>		<b>0</b>	<b>(5)</b>	<b>(19)</b>
<b>NET BANKING INCOME</b>		<b>77,019</b>	<b>114,473</b>	<b>140,957</b>
<b>General operating expense</b>	5.1	<b>(34,560)</b>	<b>(48,635)</b>	<b>(55,995)</b>
A. Staff costs		0	0	0
1. Payroll expense		0	0	0
2. Social Security costs/contributions		0	0	0
B. Other general operating expense		(34,560)	(48,635)	(55,995)
1. Taxes		(2,184)	(2,796)	(2,864)
2. Other general operating expense		(32,376)	(45,839)	(53,131)
C. Network commissions		0	0	0
<b>Depreciation and amortization</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>OPERATING INCOME BEFORE CONTINGENCIES ALLOWANCES</b>		<b>42,459</b>	<b>65,838</b>	<b>84,962</b>
Cost of risk		(138)	(206)	(763)
<b>INCOME FROM OPERATIONS</b>		<b>42,321</b>	<b>65,632</b>	<b>84,199</b>
Income (loss) on fixed assets		0	0	0
<b>INCOME BEFORE NON-RECURRING ITEMS AND TAXES</b>		<b>42,321</b>	<b>65,632</b>	<b>84,199</b>
<b>Non-recurring income</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>Non-recurring expense</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>Corporate income tax</b>		<b>(14,938)</b>	<b>(22,339)</b>	<b>(33,250)</b>
A. Current taxes		(14,938)	(22,339)	(28,625)
B. Deferred taxes		0	0	0
C. Loss contingencies	5.2	0	0	(4,625)
Net allocation to general banking risks reserve and regulated provisions		(1,934)	(3,086)	(3,485)
<b>NET INCOME</b>		<b>25,449</b>	<b>40,207</b>	<b>47,464</b>

# Notes to the financial statements



## I SIGNIFICANT ACCOUNTING POLICIES

### Accounting principles

Dexia Municipal Agency prepares its financial statements in conformity with CRC regulations n° 99-07, n° 00-08 and n° 00-03. The balance sheet and statement of income as of December 31, 2003, 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, 2002.

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

- ongoing 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 undrawn portion of signed loan agreements is recorded as an off-balance sheet item.

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

CRC regulation 2002-03, applicable, as of January 1, 2003, to companies overseen by the CRBF, stipulates that a loan is considered as non-performing when it presents one of the following characteristics:

- a probable or certain risk that it will not be repaid (unpaid for more than nine months for local government borrowers, and for more than three months for the others);
- a factual bad risk (worsening of the financial situation, alert procedures);
- the existence of litigation.

In addition, this regulation introduces a new category of bad debt: compromised non-performing loans. Loans unpaid for more than one year are recorded in this category. This regulation also requires the identification of outstanding loans that have been restructured under non-market conditions; Dexia Municipal Agency had no outstanding loans in this category as of December 31, 2003.

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 Crédit 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 penalties 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

- “Public sector securities eligible for central bank refinancing”;
- “Bonds and other fixed income securities”.

In the past, all securities were recorded as “Bonds and other fixed income securities” whether or not they were eligible for central bank refinancing.

Except for the *Cedulas Territoriales* issued by Dexia Sabadell Banco Local (rated Aaa by Moody’s) and considered as “replacement securities”, all securities are issued or guaranteed by public sector entities. From an accounting point of view, 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 is 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 *prorata 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 *prorata 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 bond. 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 micro-hedge or macro-hedge 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 hedging transactions do not benefit from the Privilège when related to sources of financing which do not themselves benefit from the Privilège.

For Dexia Municipal Agency, this is the account opened with Dexia Crédit Local. This source of financing does not benefit from the Privilège and is not hedged (see note 3.1).



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.

#### **Micro-hedge transactions**

Transactions are booked as micro-hedges when they are designed to hedge against the interest rate risk related to an item or a set of homogeneous items identified from the start. They involve swaps used to hedge primary issues, securities in the investment bond portfolio and certain client assets.

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

#### **Macro-hedge 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 micro-hedge 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 macro-hedge transactions have the effect of reducing the company's overall exposure to interest rate risk inherent in its activity. Expenses and income on these transactions are recorded prorata temporis in the statement of income as "Interest expense on macro-hedge transactions" and "Interest income from macro-hedge 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 that might affect an asset or liability as soon as such a risk is recognized. They are mainly used to hedge certain bond issues and, in the assets, 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 that 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 Crédit 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 recorded in the accounts of Dexia's permanent establishment in France.

### Identity of the parent company consolidating the accounts of Dexia Municipal Agency SA

Dexia Crédit Local  
7-11 quai André Citroën • 75015 Paris

## II NOTES TO THE ASSETS (millions of euros)

### 2.1 - Cash, central banks and postal checking accounts

	Amount as of 12/31/01	Amount as of 12/31/02	Amount as of 12/31/03
Mandatory reserves	-	-	20.1
<b>TOTAL</b>	-	-	<b>20.1</b>

### 2.2 - Public sector securities eligible for Central Bank refinancing

As of December 31, 2002 this category of securities was recorded on the balance sheet as "Bonds and other fixed income securities".

*a. Accrued interest included in this item: 15.5*

*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
-	7.6	859.3	1,164.1	2,031.0

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

ISSUER'S ECONOMIC SECTOR	Amount as of 12/31/03
Public sector	1,086.6
Other sectors (ABS)	166.7 <sup>(*)</sup>
Other sectors (guaranteed by a State or local government)	77.7
<i>Cedulas Territoriales</i>	700.0 <sup>(*)</sup>
<b>TOTAL</b>	<b>2,031.0</b>

(\*) Asset-backed securities: - Colombo srl: 51.6 million euros (rated Aaa Moody's, AAA S&P)  
- ASTREA srl: 21 million euros (rated Aa2 Moody's, AA- Fitch)  
The Colombo and ASTREA ABS are entirely composed of Italian public sector commitments.  
- Blue Danube Loan Funding GmbH: 94.1 million euros (rated AA+ S&P – guaranteed by the Land of Lower Austria)

(\*) *Cedulas Territoriales* issued by Dexia Sabadell Banco Local, rated Aaa Moody's.





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

	Amount as of 12/31/03
Listed securities	1,779.8
Other securities	251.2
<b>TOTAL</b>	<b>2,031.0</b>

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

Portfolio	Amount as of 12/31/01	Gross amount as of 12/31/02	Increases	Decreases	Other changes <sup>(1)</sup>	Amount as of 12/31/03
TS	-	-	-	-	-	-
SAS	-	-	-	-	-	-
IS	-	-	1 018.0	(19.4)	1 032.4	2 031.0
<b>TOTAL</b>	-	-	<b>1 018.0</b>	<b>(19.4)</b>	<b>1 032.4</b>	<b>2 031.0</b>

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

(1) This item represents the amount, as of December 31, 2002, of public sector securities eligible for central bank financing that was included in "Bonds and other fixed income securities" at the end of the previous year.

### 2.3 - Sight interbank loans

See note 3.1

	Amount as of 12/31/01	Amount as of 12/31/02	Amount as of 12/31/03
Balance of current account	-	-	-
Accrued interest not yet due on the current account	-	-	-
<b>TOTAL Dexia Crédit Local</b>	-	-	-

### 2.4 - 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 911.5 million euros (excluding accrued interest).

*a. Accrued interest included in this item: 9.4*

*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
2.5	71.8	507.0	375.6	956.9

*c. Analysis by initial maturity excluding accrued interest*

	Net amount as of 12/31/01	Net amount as of 12/31/02	Gross amount as of 12/31/03	Decrease in value as of 12/31/03	Net amount as of 12/31/03
Créances à moins d'un an	-	-	-	-	-
Créances à plus d'un an	0.1	948.0	956.9	-	956.9
<b>TOTAL</b>	<b>0.1</b>	<b>948.0</b>	<b>956.9</b>	<b>-</b>	<b>956.9</b>

## 2.5 - Client loans

a. *Accrued interest included in this item: 587.8*

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
1,496.8	2,431.0	11,663.2	18,198.7	33,789.7

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

Economic sector	Amount as of 12/31/01	Amount as of 12/31/02	Amount as of 12/31/03
Public sector	21,603.9	28,281.4	32,424.0
Other sectors *	934.6	1,134.7	1,365.7
<b>TOTAL</b>	<b>22,538.5</b>	<b>29,416.1</b>	<b>33,789.7</b>

\* 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 12/31/01	Net amount as of 12/31/02	Gross amount as of 12/31/03 <sup>(1)</sup>	Decrease in value as of 12/31/03	Net amount as of 12/31/03
Commitments of less 1 year	-	-	1.1	-	1.1
Commitments of more than 1 year	22,538.5	29,416.1	33,790.9	(2.3)	33,788.6
<b>TOTAL</b>	<b>22,538.5</b>	<b>29,416.1</b>	<b>33,792.0</b>	<b>(2.3)</b>	<b>33,789.7</b>

(1) Including non-performing client loans: EUR 3.7 million euros, and compromised non-performing loans: EUR 1.8 million euros

e. *Analysis of commitments by category of outstandings excluding accrued interest*

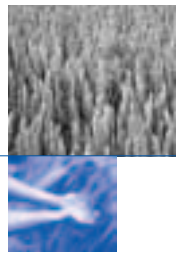
	Gross amount as of 12/31/01	Gross amount as of 12/31/02	Gross amount as of 12/31/03
Sound commitments	22,537.1	29,414.2	33,786.5
Restructured commitments	-	-	-
Non-performing loans	1.6	1.9	3.7
Compromised non-performing loans	-	0.9	1.8
<b>TOTAL</b>	<b>22,538.7</b>	<b>29,417.0</b>	<b>33,792.0</b>

f. *Contingencies on non-performing loans - changes during the year*

Contingencies on non-performing loans	Amount as of 12/31/01	Amount as of 12/31/02	Allocation	Reversals	Amount as of 12/31/03
For non-performing loans					
On loans	0.2	0.8	1.1	0.8 <sup>(*)</sup>	1.1
On interest	-	0.1	0.1	0.1	0.1
For compromised non-performing loans					
On loans	-	-	1.0 <sup>(*)</sup>	-	1.0
On interest	-	-	0.1	-	0.1
<b>TOTAL</b>	<b>0.2</b>	<b>0.9</b>	<b>2.3</b>	<b>0.9</b>	<b>2.3</b>

(\*) Including EUR 0.1 million euros linked to the reclassification of non-performing loans as compromised non-performing loans

On the basis of the reclassification of non-performing loans as compromised non-performing loans



applicable as of January 1, 2003, pursuant to CRC regulation n° 2002-03, contingencies on non-performing loans were as follows:

Contingencies on non-performing loans	Amount as of 12/31/02	Allocation	Reversals	Amount as of 12/31/03
For non-performing loans				
On loans	0.7	1.1	0.7	1.1
On interest	0.1	0.1	0.1	0.1
For compromised non-performing loans				
On loans	0.1	0.9	-	1.0
On interest	-	0.1	-	0.1
<b>TOTAL</b>	<b>0.9</b>	<b>2.2</b>	<b>0.8</b>	<b>2.3</b>

## 2.6 - Bonds and other fixed income securities

*a. Accrued interest included in this item: 28.6*

*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
4.6	12.3	262.5	1,740.7	2,020.1

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

Issuer's economic sector	Amount as of 12/31/01	Amount as of 12/31/02 <sup>(1)</sup>	Amount as of 12/31/03
Public Sector	851.7	1,807.4	1,848.0
Other sectors (ABS)*	55.0	170.6	-
Other sectors (garanteed by a State or local government)	-	96.7	172.1
<b>TOTAL</b>	<b>906.7</b>	<b>2,074.7</b>	<b>2,020.1</b>

\* Cf note 2-2-e. As of December 31, 2003, the sum of 1,032.4 million euros was transferred from this category and reclassified as public sector securities eligible for central bank financing.

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

	Amount as of 12/31/01	Amount as of 12/31/02	Amount as of 12/31/03
Listed securities	851.7	917.1	69.0
Other securities	55.0	1,157.6	1,951.1
<b>TOTAL</b>	<b>906.7</b>	<b>2,074.7</b>	<b>2,020.1</b>

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

Portfolio	Amount as of 12/31/01	Gross amount as of 12/31/02	Increases	Decreases	Change in value of foreign currencies	Other changes as of 12/31/03 <sup>(1)</sup>	Amount as of 12/31/03
TS	-	-	-	-	-	-	-
SAS	-	-	-	-	-	-	-
IS	906.7	2,074.7	1,175.0	(173.2)	(24.0)	(1,032.4)	2,020.1
	<b>906.7</b>	<b>2,074.7</b>	<b>1,175.0</b>	<b>(173.2)</b>	<b>(24.0)</b>	<b>(1,032.4)</b>	<b>2,020.1</b>

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

(1) Balance of public sector securities eligible for central bank financing as of December 31, 2002

**2.7 - Accruals and other assets**

	Amount as of 12/31/01	Amount as of 12/31/02	Amount as of 12/31/03
Deferred losses on hedging transactions	78.3	135.6	210.7
Deferred charges on bond issues	62.5	79.5	65.1
Deferred charges on hedging transactions	-	45.6	5.0
Deferred premiums on acquisition of loans from Dexia Crédit Local France	505.8	411.1	312.8
Deferred premiums on acquisition of loans other than from Dexia Crédit Local France <sup>(1)</sup>	-	-	33.8
Other deferred charges	3.2	3.5	0.3
Accrued interest not yet due on hedging transactions	941.2	1,122.4	1,112.3
Translation adjustments	160,0	-	-
Other accrued income	-	2.5	-
Other assets	-	-	-
<b>TOTAL</b>	<b>1,751.0</b>	<b>1,800.2</b>	<b>1,740.0</b>

(1) Until 12/31/02, this account was included in "Other deferred charges"



## 2.8 - Total assets

Analysis by original currency	Amount in original currency as of 12/31/03	Amount in euros as of 12/31/03
Assets in EUR	39,118.8	39,118.8
Assets in AUD	5.1	3.1
Assets in CAD	46.4	28.6
Assets in CHF	2,083.4	1,337.3
Assets in DKK	6.7	1.0
Assets in GBP	5.4	7.7
Assets in HKD	0.8	0.1
Assets in JPY	15,612.4	115.6
Assets in NZD	18.3	9.5
Assets in SEK	1,728.4	190.3
Assets in USD	489.2	387.3
<b>TOTAL</b>		<b>41,199.3</b>

## III | NOTES TO THE LIABILITIES (millions of euros)

### 3.1 - Interbank loans and deposits

This item includes the balance of the account opened with Dexia Crédit Local. This account is intended to finance the needs of Dexia Municipal Agency related to its activity, in particular, to finance structural over-collateralization and 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 distinguish among types of financing (over-collateralization, stock of assets prior to issuance and other). The master-account totaled 6,931.1 million euros broken down as follows (excluding accrued interest):

- One sub-account, totaling 1,800.0 million euros, records structural over-collateralization financing. This financing involves two 2009 maturity bullet borrowings, 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, totaling 3,700.0 million euros, records the financing of assets prior to issuing 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.
- The rest of the current account, in Eonia, with no defined maturity, finances assets not yet included in the issuance program and miscellaneous needs. It totals 1,382.2 million euros.

The current account agreement will exist between Dexia Crédit 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 12/31/01	Amount as of 12/31/02	Amount as of 12/31/03
Balance of current account	3,721.5	176.9	1,382.2
Accrued interest not yet due on the current account	9.1	4.8	1.7
Balance of the ancillary account - maturity 04/01/09	-	1,200.0	1,200.0
Balance of the ancillary account - maturity 12/31/09	-	600.0	600.0
Balance of the ancillary account - maturity 12/31/05	-	-	3,700.0
Balance of the ancillary account - maturity 12/31/04	-	3,300.0	-
Accrued interest not yet due on the ancillary account	-	49.0	48.2
Unallocated sums	-	0.3	-
<b>TOTAL Dexia Crédit Local</b>	<b>3,730.6</b>	<b>5,331.0</b>	<b>6,932.1</b>

*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	-	-	-	1,382.2	1,382.2
Time	-	-	3,700.0	1,800.0	5,500.0

### 3.2 - Client deposits

	Amount as of 12/31/01	Amount as of 12/31/02	Amount as of 12/31/03
Other deposits - Sight	-	-	-
Other deposits - Time (garantees)	0.8	-	-
<b>TOTAL</b>	<b>0.8</b>	<b>-</b>	<b>-</b>

### 3.3 - Debt securities

*a. Accrued interest included in this item: 819.9*

*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	792.0	1,125.0	15,583.7	12,403.8	29,904.5
Of which issuance premiums	(0.2)	-	27.1	(14.5)	12.4

*c. Changes during the year excluding accrued interest*

Amount as of 12/31/01	Gross amount as of 12/31/02	Increases	Decreases	Change in value of foreign currencies	Decrease in value as of 12/31/03	Amount as of 12/31/03
19,633.5	25,759.9	6,626.9	(1,669.7)	(812.6)	-	29,904.5





### 3.4 - Other liabilities

	Amount as of 12/31/01	Amount as of 12/31/02	Amount as of 12/31/03
Cash received as collateral	102.8	399.4	50.3
Accrued interest not yet due on cash received as collateral	0.2	0.3	-
Taxes	5.6	9.9	8.5
<b>TOTAL</b>	<b>108.6</b>	<b>409.6</b>	<b>58.8</b>

### 3.5 - Accruals and other liabilities

	Amount as of 12/31/01	Amount as of 12/31/02	Amount as of 12/31/03
Deferred gains on hedging swaps	158.7	239.1	385.8
Deferred income on hedging swaps	-	-	6.8 <sup>(1)</sup>
Deferred gains on loans	52.1	180.4	101.1
Discounts recorded on acquisition of loans other than from Dexia Crédit Local France	-	-	100.9 <sup>(2)</sup>
Discounts recorded on acquisition of loans from Dexia Crédit Local France	156.0	164.4	145.1
Other deferred income	114.4	-	-
Accrued interest not yet due on hedging swaps	730.5	826.8	833.2
Other accrued charges	9.5	12.1	15.4
Translation adjustments	-	598.2	1,293.8
Other liabilities	-	-	5.7
<b>TOTAL</b>	<b>1,221.2</b>	<b>2,021.0</b>	<b>2,887.8</b>

(1) Until December 31, 2002, this amount was included in "Deferred gains on hedging swaps"

(2) As of December 31, 2002 this amount was included in "Deferred income on loans"

### 3.6 - Reserves for contingencies

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

Gross amount as of 12/31/01	Gross amount as of 12/31/02	Increases	Decreases	Gross amount as of 12/31/03
3.8	6.9	3.5	-	10.4

### 3.7 - Equity

	Amount as of 12/31/01	Amount as of 12/31/02	Amount as of 12/31/03
Capital stock	400.0	450.0	450.0
Additional paid-in capital	-	-	-
Legal reserve	1.1	2.4	4.4
Retained earnings (+/-)	17.1	41.3	79.5
Translation adjustments	-	-	-
Net income (+/-)	25.4	40.2	47.5
Unallocated net income	-	-	-
<b>TOTAL</b>	<b>443.6</b>	<b>533.9</b>	<b>581.4</b>

As of December 31, 2003, capital stock is divided into 4,500,000 shares with a par value of 100 euros.

### 3.8 - Total liabilities

Analysis by original currency	Amount in original currency as of 12/31/03	Amount in euros as of 12/31/03
Liabilities in EUR	39,118.6	39,118.6
Liabilities in AUD	5.1	3.1
Liabilities in CAD	46.4	28.6
Liabilities in CHF	2,083.5	1,337.3
Liabilities in DKK	6.7	1.0
Liabilities in GBP	5.5	7.8
Liabilities in HKD	1.0	0.1
Liabilities in JPY	15,612.0	115.6
Liabilities in NZD	18.3	9.5
Liabilities in SEK	1,728.4	190.4
Liabilities in USD	489.1	387.3
<b>TOTAL</b>		<b>41,199.3</b>

### 3.9 - Loss contingencies

Gross amount as of 12/31/01	Gross amount as of 12/31/02	Allocation	Reversals	Gross amount as of 12/31/03
-	-	4,625	-	4,625

At the end of 2003, a tax audit resulted in a disagreement between French tax authorities and Dexia MA concerning payment dates for taxes generated by early loan repayment penalties and cancellation equalization payments for hedging swaps.

Dexia MA amortizes the early loan repayment penalties, for both accounting and tax purposes, over the residual life of the repaid loans. Likewise, the swap cancellation equalization payments are spread over the residual life of the cancelled transactions. Besides, this procedure is mentioned in the presentation of accounting policies of the notes to the financial statements.

French tax authorities are charging full tax on early loan repayment penalties and/or swap cancellation equalization payments for any year in which they were made. Dexia MA and Dexia Crédit Local contest the position of the tax authorities, and the disagreement has yet to be resolved. Prudence, however, dictated a loss contingency in the amount of 4.625 million euros.

Because of the accounting method employed, which in any case will not be changed, the tax assessed would generate a deferred tax asset. The impact on net income would be nil, except for the difference between the tax rate in the current year and in previous years (the rate has decreased in recent years). And the charge recorded would be comprised of:

- 1) the tax rate differential for the years concerned,
- 2) any late payment interest that might be due as of December 31, 2003.

It is on this basis that Dexia MA determined its loss contingency.

#### IV | NOTES TO THE OFF-BALANCE SHEET ITEMS (millions of euros)

##### 4.1 - Commitments granted

	Amount as of 12/31/01	Amount as of 12/31/02	Amount as of 12/31/03
Financing commitments granted to credit institutions	-	-	-
Financing commitments granted to clients	365.0	1,654.8	2,366.3
<b>TOTAL</b>	<b>365.0</b>	<b>1,654.8</b>	<b>2,366.3</b>

##### 4.2 - Commitments received

	Amount as of 12/31/01	Amount as of 12/31/02	Amount as of 12/31/03
Financing commitments received from credit institutions (*)	-	1,627.6	2,236.4
Currencies borrowed	614.1	101.4	-
Garantees received from credit institutions	64.4	31.4	25.0
Garantees received from local governments	1,143.6	2,346.7	2,770.0
<b>TOTAL</b>	<b>1,822.1</b>	<b>4,107.1</b>	<b>5,031.4</b>

(\*) Including 2,161.3 million euros in refinancing agreements with Dexia Crédit Local for maturities of obligations foncières of less than a year.

##### 4.3 - Foreign currency transactions

Cash and forward foreign exchange transactions are recorded at their value in foreign currencies translated at the exchange rate at the end of the period.

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 12/31/01	Amount as of 12/31/02	Amount as of 12/31/03
Currencies to receive / Currencies to deliver	6,507.6	8,573.3	8,740.9
Currencies to deliver / Currencies to receive	6,347.6	9,171.5	10,034.3
<b>TOTAL</b>	<b>12,855.2</b>	<b>17,744.8</b>	<b>18,775.2</b>

##### 4.4 - Commitments on financial futures

Commitments related to interest rate swaps 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**

Residual life

Type of transaction	Amount as of 12/31/01	Amount as of 12/31/02	Less than 1 year	1 year to 5 years	More than 5 years	Total as of 12/31/03
Unconditional transactions	66,904.2	86,332.8	46,347.8 (1)	21,416.0 (2)	35,432.4 (3)	103,196.2
(1) of which deferred start:	6,569.0					
(2) of which deferred start:	961.3					
(3) of which deferred start:	5,255.9					
Total	12,786.2					

These hedging transactions include micro-hedge and macro-hedge transactions.

**b. Analysis of interest rate transactions: micro-hedge - macro-hedge**

	Amount as of 12/31/01	Amount as of 12/31/02	Amount as of 12/31/03
Micro-hedge	23,570.5	30,695.6	39,024.0
Macro-hedge	43,333.7	55,637.2	64,172.2
<b>TOTAL</b>	<b>66,904.2</b>	<b>86,332.8</b>	<b>103,196.2</b>

**c. Analysis of interest rate transactions by product type**

	Amount as of 12/31/01	Amount as of 12/31/02	Amount as of 12/31/03
Interest rate swaps	66,904.2	86,332.8	103,196.2
Forward rate agreements	-	-	-
Interest rate options	-	-	-
<b>TOTAL</b>	<b>66,904.2</b>	<b>86,332.8</b>	<b>103,196.2</b>

**d. Analysis of interest rate transactions by position management**

	Amount as of 12/31/01	Amount as of 12/31/02	Amount as of 12/31/03
Isolated open positions	-	-	-
Specialized portfolio management transactions	66,904.2	86,332.8	103,196.2
<b>TOTAL</b>	<b>66,904.2</b>	<b>86,332.8</b>	<b>103,196.2</b>

**4.5 - Commitments related to securities transactions**

	Amount as of 12/31/01	Amount as of 12/31/02	Amount as of 12/31/03
Securities purchased			
Spot	-	-	23.0
Forward	-	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>23.0</b>



### 5.1 - General operating expenses :

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 Crédit Local conducts all operations, transactions and functions of all types on behalf of Dexia Municipal Agency.

In addition, specific management contracts grant different entities of the Dexia group the management of loans and securities in their respective countries (Kommunalkredit, Dexia Crediop, Dexia Norden and Dexia Bank Belgium). These management costs are recorded as general expenses except for third-party commissions and fees related to the management of the securities portfolio billed by Dexia Crediop, which were included in "Commission expense" in the amount of 1.4 million euros as of December 31, 2003.

General operating expense can be broken down as follows.

	Amount as of 12/31/03
Taxes	2.9
Other general operating expenses*	53.1
<b>TOTAL</b>	<b>56.0</b>

\* This item mainly includes the management commission billed by Dexia Crédit Local and other group companies to Dexia Municipal Agency in the framework of a management contract signed by the two companies, i.e. 51.8 million euros.

### 5.2 - Loss contingencies

Cf note 3.9



## 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.

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 4 of the Monetary and Financial Code and by the decree 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 law of June 25, 1999 (articles L.515-14, L.515-15 and L.515-16 were modified by:

- article 31 of the MURCEF law of December 11, 2001,
- and articles 94 to 96 of the financial security law of August 2, 2003).

The required documents for the following ratios are currently prepared on a consolidated basis by Dexia Crédit 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 2003, Dexia Municipal Agency had a monthly liquidity ratio of more than 100 %; as of December 31, 2003, it was 167%. The shareholders' equity to long-term funds ratio (\*) stood at 62.78%.

Pursuant to article L.515-20 of the Monetary and Financial Code and article 6 of CRBF regulation 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, 2003, the coverage ratio was 122.47%.

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



## Sources and applications of funds (EUR millions)

	2003
<b>1 - SELF-FINANCING</b>	
CHANGE IN SHAREHOLDERS' EQUITY (A1)	0
NET INCOME ( A2)	47.4
Amortization and depreciation	0
Contingencies	10.4
Reversals of contingencies	0.9
NET AMORTIZATION, DEPRECIATION AND CONTINGENCIES (B)	9.5
CASH FLOW (C) = (A1) + (A2) + (B)	56.9
DIVIDEND PAID (D)	0
<b>NET FINANCING (E) = (C) - (D)</b>	<b>56.9</b>
<b>2 - INVESTMENTS</b>	
CHANGE IN INTANGIBLE ASSETS AND PROPERTY AND EQUIPMENT, AT COST (F)	0
<b>INTERNALLY GENERATED FINANCING (G) = (E) - (F)</b>	<b>56.9</b>
<b>3 - EXTERNAL SOURCES OF FUNDS</b>	
Change in subordinated debt	0
Change in client deposits (guarantees)	0
Change in debt securities	4,166.2
Change in deposits (foreign currencies and euros)	0
Change in accruals and other liabilities	866.8
Change in other liabilities	(350.8)
Change in borrowings (*)	399.2
Change in client deposits	0
CHANGE IN EXTERNAL SOURCES OF FUNDS (H)	5,081.4
<b>TOTAL SOURCES OF FUNDS (I) = (G) + (H)</b>	<b>5,138.3</b>
<b>4 - USES OF FUNDS</b>	
Change in client loans	4,375.7
Change in interbank loans and money market securities	8.4
Change in accruals and other assets	(60.2)
Change in other assets	0
Change in investments in subsidiaries and affiliates, at cost	0
Change in marketable securities and investment securities, at cost	1,996.5
Change in issue and call premiums (assets and liabilities netted off)	0
<b>TOTAL USES OF FUNDS ( J)</b>	<b>6,320.4</b>
<b>NET USES OF FUNDS (K) = (J) - (I)</b>	<b>1,182.1</b>
<b>5 - CASH AND CASH EQUIVALENTS</b>	
Change in current accounts (*)	(1,202.2)
Change in Trésor Public account	20.1
<b>CASH AND CASH EQUIVALENTS = (K)</b>	<b>(1,182.1)</b>

(\*) These amounts correspond to the change in the account opened with Dexia Crédit Local, for which the financing conditions are described in note 3.1.

They can be broken down as follows.

- Increase in drawdowns of more than one year	399.20
- Increase in drawdowns from current account	1,202.20

Total net increase in Dexia Crédit Local account 1,601.40



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

	1999	2000	2001	2002	2003
<b>Financial position</b>					
- Capital stock	300,000	300,000	400,000	450,000	450,000
- Number of shares	3,000,000	3,000,000	4,000,000	4,500,000	4,500,000
<b>Results of operations</b>					
- Revenues <sup>(2)</sup>	40,947	586,659	927,830	1,095,918	1,051,535
- Income before income tax, amortization, depreciation and contingencies net of reversals	6,695	31,002	42,458	65,838	84,962
- Corporate income tax	2,544	11,499	14,938	22,339	28,625
- Net income	3,816	17,953	25,449	40,207	47,464
- Dividend <sup>(1)</sup>	3,600	0	0	0	0
<b>Per share data</b>					
- Revenues	13.65	195.55	231.96	243.54	233.67
- Income after income tax, amortization, depreciation and contingencies net of reversals	1.38	6.51	6.88	14.63	18.89
- Corporate income tax	0.85	3.84	3.73	4.96	6.36
- Net income	1.27	5.99	6.36	8.93	10.55
- Dividend per share <sup>(1)</sup>	1.20	0	0	0	0

(1) Proposed distribution for 2003.

(2) Since December 31, 2002, the net result of overall exposure hedging is included in revenues. Data for the previous years has been modified to reflect this new policy.

Data for previous years before modification

	1999	2000	2001
<b>Results of operations</b>			
- Revenues	44,392	635,073	1,019,526
<b>Per share data</b>			
- Revenues	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 (millions of euros)

Pursuant to article L.515-20 of the Monetary and Financial Code and article 6 of CRBF regulation 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.

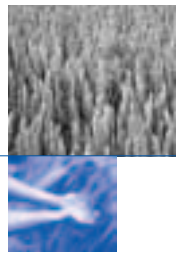
<b>Assets covering sources of funds benefiting from the Privilège (weighted amounts)</b>	<b>12/31/03 EUR millions</b>
Securities	3,646.8
Receivables related to these securities	41.0
Other Class 1 assets	986.5
Loans to public sector entities	33,789.7
Receivables related to these loans	587.8
Shares of mutual funds that meet the conditions of paragraph 2.a of the appendix to regulation 99-10	167.7
Class 3 accruals	1,117.3
<b>Total assets</b>	<b>40,336.8</b>

<b>Sources of funds benefiting from the Privilège defined in article L.515-19 of the Monetary and Financial Code</b>	<b>12/31/03 EUR millions</b>
Obligations foncières	29,916.9
Liabilities related to these securities	819.9
Amounts owed under the contract provided for in article L.515-22 of the Monetary and Financial Code	14.7
Amounts owed for financial futures benefiting from the Privilège defined in article L.515-19 of the Monetary and Financial Code	2,183.3
<b>Total liabilities</b>	<b>32,934.9</b>
<b>Coverage ratio</b>	<b>122.47%</b>

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

Description of securities	Currency	Nominal amount in the currency	Nominal amount in euros	Redemption value (millions of euros)*	Final due date	Stock exchange
6.00% - 15/10/07	AUD	350,000,000	208	206	15-Oct-07	Sydney
5.00% - 16/01/26	AUD	20,000,000	11	11	16-Jan-26	Australian Stock Exchange
<b>SUBTOTAL</b>	<b>AUD</b>	<b>370,000,000</b>	<b>220</b>	<b>217</b>		
5.00% - 11/12/07	CAD	100,000,000	62	71	11-Dec-07	Luxembourg
5.00% - 11/12/07	CAD	50,000,000	31	35	11-Dec-07	Luxembourg
<b>SUBTOTAL</b>	<b>CAD</b>	<b>150,000,000</b>	<b>92</b>	<b>106</b>		
4.375% - 22/12/06	CHF	200,000,000	129	130	22-Dec-06	Swiss exchanges
4.25% - 15/08/07	CHF	200,000,000	129	129	15-Aug-07	Swiss exchanges
3.00% - 30/11/07	CHF	300,000,000	193	203	30-Nov-07	Swiss exchanges
3.00% - 30/11/07	CHF	300,000,000	191	204	30-Nov-07	Swiss exchanges
4.00% - 08/03/10	CHF	500,000,000	322	311	08-Mar-10	Swiss exchanges
4.00% - 08/03/10	CHF	200,000,000	127	128	08-Mar-10	Swiss exchanges
<b>SUBTOTAL</b>	<b>CHF</b>	<b>1,700,000,000</b>	<b>1,092</b>	<b>1,105</b>		
CIBOR3M-0.075% - 19/03/08	DKK	1,253,142,000	168	169	19-Mar-08	Luxembourg
<b>SUBTOTAL</b>	<b>DKK</b>	<b>1,253,142,000</b>	<b>168</b>	<b>169</b>		
4.50% - 21/06/04	EUR	1,000,000,000	999	1,000	21-June-04	Luxembourg, Paris
4.50% - 21/06/04	EUR	100,000,000	101	100	21-June-04	Luxembourg, Paris
Floater.rate-26/11/04	EUR	25,000,000	25	25	26-Nov-04	Luxembourg
5.00% - 26/04/05	EUR	1,250,000,000	1,248	1,250	26-Apr-05	Several exchanges
5.00% - 26/04/05	EUR	750,000,000	748	750	26-Apr-05	Several exchanges
5.00% - 26/04/05	EUR	500,000,000	496	500	26-Apr-05	Several exchanges
5.125% - 27/02/09	EUR	500,000,000	501	500	26-Apr-05	Several exchanges
2.50% - 27/10/05	EUR	1,000,000,000	996	1,000	27-Oct-05	Luxembourg, Paris
FR.5.50% - 25/04/06	EUR	2,000,000,000	2,000	2,000	25-Apr-06	Several exchanges
4.25% - 12/01/07	EUR	2,000,000,000	1,993	2,000	12-Jan-07	Luxembourg, Paris
5.375% - 26/04/07	EUR	1,000,000,000	997	1,000	26-Apr-07	Luxembourg, Paris
4.25% - 03/09/07	EUR	1,000,000,000	996	1,000	03-Sept-07	Luxembourg, Paris
3.25% - 12/07/08	EUR	1,000,000,000	995	1,000	12-July-08	Luxembourg, Paris
3.25% - 12/07/08	EUR	250,000,000	249	250	12-July-08	Luxembourg, Paris
3.25% - 12/07/08	EUR	1,000,000,000	989	1,000	12-July-08	Luxembourg, Paris
3.50% - 15/12/08	EUR	75,000,000	76	75	15-Dec-08	Luxembourg
5.125% - 27/02/09	EUR	250,000,000	252	250	27-Feb-09	Luxembourg
5.125% - 27/02/09	EUR	240,000,000	245	240	27-Feb-09	Luxembourg
4.25% - 08/03/10	EUR	100,000,000	101	100	08-Mar-10	Luxembourg
5.50% - 26/04/10	EUR	1,250,000,000	1,237	1,250	26-Apr-10	Several exchanges
5.50% - 26/04/10	EUR	500,000,000	491	500	26-Apr-10	Several exchanges
FR 5.50% - 26/04/10	EUR	300,000,000	295	300	26-Apr-10	Several exchanges
5.50% - 26/04/10	EUR	250,000,000	252	250	26-Apr-10	Several exchanges
5.50% - 26/04/10	EUR	700,000,000	711	700	26-Apr-10	Several exchanges
Composite rate - 24/05/10	EUR	135,000,000	135	135	24-May-10	Paris
Composite rate - 07/07/10	EUR	15,000,000	15	15	07-July-10	Paris
5.25% - 21/02/11	EUR	250,000,000	253	250	21-Feb-11	Luxembourg
5.25% - 21/02/11	EUR	240,000,000	243	240	21-Feb-11	Luxembourg
Euribor 6 months - 26/03/11	EUR	15,000,000	15	15	26-Mar-11	Luxembourg
4.00% - 31/03/11	EUR	75,000,000	76	75	31-Mar-11	Luxembourg

\* Value determined by the interest rate and currency swap contracted to hedge the bond issue



Description of securities	Currency	Nominal amount in the currency	Nominal amount in euros	Redemption value (millions of euros)*	Final due date	Stock exchange
Guaranteed capital - 12/04/12	EUR	30,000,000	30	30	12-Apr-12	Luxembourg
Guaranteed capital - 06/05/12	EUR	15,000,000	15	15	06-May-12	Luxembourg
Floater rate - 17/05/12	EUR	200,000,000	200	200	17-May-12	Paris
Guaranteed capital - 05/07/12	EUR	15,000,000	15	15	05-July-12	Luxembourg
Guaranteed capital - 15/07/12	EUR	30,000,000	30	30	15-July-12	Luxembourg
Guaranteed capital - 06/09/12	EUR	10,000,000	10	10	06-Sept-12	Luxembourg
5.50% - 25/10/12	EUR	1,000,000,000	995	1,000	25-Oct-12	Luxembourg, Paris
5.50% - 25/10/12	EUR	250,000,000	260	250	25-Oct-12	Luxembourg, Paris
5.50% - 25/10/12	EUR	250,000,000	259	250	25-Oct-12	Luxembourg, Paris
5.50% - 25/10/212	EUR	100,000,000	110	100	25-Oct-12	Luxembourg, Paris
4.25% - 20/02/13	EUR	1,000,000,000	995	1,000	20-Feb-13	Luxembourg, Paris
4.25% - 20/02/13	EUR	500,000,000	497	500	20-Feb-13	Luxembourg, Paris
Indexed rate - 08/04/13	EUR	25,000,000	25	25	08-Apr-13	Luxembourg
Indexed rate - 02/09/13	EUR	25,000,000	25	25	02-Sept-13	Luxembourg
Indexed rate - 24/09/13	EUR	50,000,000	50	50	24-Sept-13	Luxembourg
Indexed rate - 26/09/13	EUR	30,000,000	30	30	26-Sept-13	Luxembourg
Indexed guaranteed capital - 01/10/13	EUR	95,000,000	95	95	01-Oct-13	Luxembourg
Indexed rate - 30/12/13	EUR	140,000,000	140	140	30-Dec-13	Luxembourg
Indexed rate - 30/12/13	EUR	25,350,000	25	25	30-Dec-13	Luxembourg
Guaranteed capital - 29/05/14	EUR	30,000,000	30	30	29-May-14	Luxembourg
Guaranteed capital - 30/05/14	EUR	30,000,000	30	30	30-May-14	Luxembourg
Guaranteed capital - 30/06/14	EUR	13,000,000	13	13	30-June-14	Luxembourg
Guaranteed capital - 30/09/14	EUR	33,000,000	33	33	30-Sept-14	Luxembourg
Guaranteed capital - 03/10/14	EUR	20,000,000	20	20	03-Oct-14	Luxembourg
Guaranteed capital - 22/10/14	EUR	20,000,000	20	20	22-Oct-14	Luxembourg
Composite rate - 23/02/15	EUR	30,000,000	30	30	23-Feb-15	Luxembourg
Indexed guaranteed capital - 09/10/15	EUR	62,000,000	62	62	09-Oct-15	Luxembourg
Indexed rate - 07/12/15	EUR	53,000,000	53	53	07-Dec-15	Luxembourg
5.25% - 06/02/17	EUR	750,000,000	734	750	06-Feb-17	Luxembourg, Paris
5.25% - 06/02/17	EUR	100,000,000	102	100	06-Feb-17	Luxembourg, Paris
5.25% - 06/02/17	EUR	150,000,000	161	150	06-Feb-17	Luxembourg, Paris
3.00% indexed - 25/07/17	EUR	250,000,000	250	250	25-July-17	Luxembourg
Indexed rate - 09/08/17	EUR	300,000,000	300	300	09-Aug-17	Luxembourg
Indexed rate - 09/08/17	EUR	100,000,000	100	100	09-Aug-17	Luxembourg
Fixed then indexed coupon - 09-08/17	EUR	50,000,000	50	50	09-Aug-17	Luxembourg
Indexed rate - 02/04/18	EUR	136,000,000	136	136	02-Apr-18	Luxembourg
Indexed guaranteed capital - 20/11/18	EUR	50,000,000	50	50	20-Nov-18	Luxembourg
<b>SUBTOTAL</b>	<b>EUR</b>	<b>23,737,350,000</b>	<b>23,713</b>	<b>23,737</b>		
5.254% - 14/12/16	GBP	215,000,000	305	345	14-Dec-16	None
Floater rate - 22/11/17	GBP	189,000,000	268	300	22-Nov-17	None
5.50% - 16/07/26	GBP	125,000,000	175	205	16-July-26	Luxembourg
<b>SUBTOTAL</b>	<b>GBP</b>	<b>529,000,000</b>	<b>749</b>	<b>850</b>		
5.22% - 05/12/17	HKD	200,000,000	20	26	05-Dec-17	Luxembourg
<b>SUBTOTAL</b>	<b>HKD</b>	<b>200,000,000</b>	<b>20</b>	<b>26</b>		
2.315% - 08/08/16	JPY	3,000,000,000	22	28	08-Aug-16	Luxembourg
<b>SUBTOTAL</b>	<b>JPY</b>	<b>3,000,000,000</b>	<b>22</b>	<b>28</b>		

\* Value determined by the interest rate and currency swap contracted to hedge the bond issue

Description of securities	Currency	Nominal amount in the currency	Nominal amount in euros	Redemption value (millions of euros)*	Final due date	Stock exchange
5.25% - 20/08/07	NZD	100,000,000	52	51	20-Aug-07	Luxembourg
6.25 % - 02/10/07	NZD	100,000,000	52	47	02-Oct-07	Luxembourg
7.00 % - 26/11/07	NZD	100,000,000	52	51	26-Nov-07	Luxembourg
6.50% - 11/12/08	NZD	100,000,000	52	54	11-Dec-08	Luxembourg
5.75% - 07/04/09	NZD	100,000,000	52	50	07-Apr-09	Luxembourg
<b>SUBTOTAL</b>	<b>NZD</b>	<b>500,000,000</b>	<b>261</b>	<b>253</b>		
5.50% - 23/01/04	USD	1,000,000,000	792	1,061	23-Jan-04	Luxembourg
5.43% - 28/06/05	USD	50,000,000	40	57	28-June-05	Luxembourg
Floater rate - 30/06/06	USD	200,000,000	158	222	30-June-06	Luxembourg
5.125% - 11/09/06	USD	750,000,000	598	826	11-Sept-06	Luxembourg
5.125% - 11/09/06	USD	250,000,000	199	280	11-Sept-06	Luxembourg
4.875% - 11/01/07	USD	300,000,000	239	334	11-Jan-07	Luxembourg
4.875% - 24/05/07	USD	1,000,000,000	798	1,099	24-May-07	Luxembourg, Frankfurt
5.625% - 27/03/09	USD	500,000,000	394	569	27-Mar-09	Luxembourg
5.625% - 27/03/09	USD	75,000,000	61	79	27-Mar-09	Luxembourg
Libor 3 months USD - 25/11/10	USD	344,190,000	273	300	25-Nov-10	None
5.31% - 12/09/17	USD	20,000,000	16	20	12-Sept-17	Luxembourg
<b>SUBTOTAL</b>	<b>EUR</b>	<b>4,489,190,000</b>	<b>3,566</b>	<b>4,847</b>		
<b>BALANCE SHEET TOTAL</b>			<b>29,904</b>	<b>31,338</b>		

*List of bonds negotiated by Dexia Municipal Agency in 2003 and issued in 2004*

Description of securities	Currency	Nominal amount in the currency	Outstanding as of 12/31/03 (millions of euros)	Redemption value (millions of euros)*	Start due date	Stock exchange
Indexed coupon - 15/12/19	EUR	75,000,000	75	75	02-Jan-04	Luxembourg
<b>OFF-BALANCE SHEET TOTAL</b>		<b>75,000,000</b>	<b>75</b>	<b>75</b>		

\* Value determined by the interest rate and currency swap contracted to hedge the bond issue



# REPORT OF THE CHAIRMAN OF THE SUPERVISORY BOARD

## *on the conditions of preparation and organization of the Board's working sessions and on internal control procedures<sup>(1)</sup>*

### I | CONDITIONS OF PREPARATION AND ORGANIZATION OF THE SUPERVISORY BOARD'S WORKING SESSIONS

The purpose of Dexia Municipal Agency is to finance public sector commitments generated by the Dexia group by issuing obligations foncières rated AAA. This role is strategic.

The Supervisory Board is comprised of twelve members. The Chairman of the Supervisory Board is the Chief Executive Officer of the Dexia group's first line of business (public finance and credit enhancement).

The Vice Chairman of the Supervisory Board is the Dexia group's Chief Financial Officer. The other members include the Chief Executive Officer of Dexia Crédit Local for France and the Chief Executive Officer for international business, the Chairman and Chief Executive Officer of Dexia Finance. There is also the head of Dexia's Treasury and Financial Markets division, the Chief Executive Officer of the Italian subsidiary Dexia Crediop and its loan administration officer, the Chief Executive Officer and board member of the Spanish subsidiary Dexia Sabadell Banco Local, a representative of Dexia Bank Belgium as well as the General Counsel of Dexia Crédit Local.

The Supervisory Board meets every three months. The company's two auditors and specific controller also attend the meetings.

The Chairman of the Supervisory Board and the Chairman of the Executive Board send the Board members an agenda and a file with reports or documents relating to the subjects to be treated sufficiently in advance of the meeting.

The agenda respects a regular format: minutes, business review of the previous quarter and of current trends including issuance conditions, presentation of the financial statements, development of projects to acquire assets from foreign entities, and miscellaneous thematic subjects. Specific topics are added on certain occasions: reports in application of regulation 2001-01 and regulation 99-10, the specific controller's report.

The information and documents provided should enable the Board to have a full, clear and accurate view of the company's situation and development.

### II | DEXIA MA'S PARTICULAR OPERATING STRUCTURE

As a *société de crédit foncier*, Dexia MA is not allowed to employ staff and must entrust the management of all its operations to Dexia Crédit Local by contract. Even if it is independent and has its own Supervisory Board and Executive Board, the company serves as a refinancing instrument for Dexia Crédit Local from an operating point of view. It is thus subject to the procedures and controls applicable to Dexia Crédit Local, its authorized agent, in addition to those that concern its particular activity.

The report that follows accounts for these two indissolubly linked aspects.

(1) In compliance with article L.225-68 of the Code de Commerce (originally article 117 of the financial security law of August 2, 2003).



### III GENERAL ORGANIZATION OF INTERNAL CONTROL SYSTEMS

There are three major categories of internal control.

First, the organization distinguishes between the operating functions that originate the transactions and the control functions that validate them.

1. Operating controls, of the front office category, are carried out by line operatives and their direct managers with respect to the function's procedures.

The functions dedicated to Dexia MA are identified and personally assigned in the divisions and central services. There is a permanent functional link between these divisions and services and the members of Dexia MA's Executive Board. In order to satisfy the legal and regulatory requirements of a société de crédit foncier and to meet the criteria of quality, simplicity and transparency Dexia MA targets, the people in charge of operations at Dexia MA monitor particular procedures within the general framework of the procedures of Dexia Crédit Local. The procedures of Dexia MA are updated as new developments occur, under the responsibility of management in the divisions concerned and in agreement or at the initiative of a member of Dexia MA's Executive Board. They are collected in a handbook of procedures specific to Dexia MA that can be consulted on the local area network by the teams involved.

2. Internal controls to validate operations, of the middle office category, include setting limits a priori and checking a posteriori that these limits have been respected. Controls are independent from the operating sphere and are conducted by the Risk Control department (credit risks, financial activities risks, etc.). They take place as operations occur or on a regular basis. Through specialized teams, the Risk Control department covers the full range of risks to which the company is exposed. Among its missions, it assures Dexia MA's Executive Board that the company's low risk profile is constantly maintained, so that its AAA rating, which is essential to group refinancing, cannot be questioned.

3. An independent control is conducted by the Dexia Crédit Local group's internal audit division, which is responsible for monitoring on a permanent basis the performance and effective application of the operating and validation controls described above.

The management of Dexia Crédit Local's internal audit division reports on its missions to the Supervisory Board and the Chairman of the Executive Board of Dexia Crédit Local. With regard to Dexia MA, it also has responsibility vis-à-vis Dexia MA's Supervisory Board.

It is placed under the responsibility of a General Auditor, who reports to the Chairman of the Executive Board of Dexia Credit Local (who is also the Chairman of the Supervisory Board of Dexia MA) and functionally to the General Auditor of the Dexia Group, in accordance with the audit charter. The General Auditor may call on the Executive Board of Dexia MA whenever necessary.

The contract between Dexia MA and Dexia Crédit Local stipulates in article 9: "The management of Dexia Crédit Local's internal audit division audits all of the transactions and procedures of Dexia MA, as it does for Dexia Crédit Local and that company's other subsidiaries within the framework of the criteria generally applicable to the Dexia group. In addition, it acts as Dexia MA's **own** internal control unit for all that concerns CRB regulation 97-02 (control of Dexia MA's transactions and internal procedures, audit trails, measurement of risks and results, etc.)."

The methodology used in the audits and in risk analysis, developed by the Dexia group, is standardized and common to all group entities. The frequency of the audits is determined on the basis of these analyses and on the current year's program, which schedules audits at Dexia Municipal Agency.

During its audits, the internal audit division evaluates whether the risks to which Dexia Municipal Agency is exposed are correctly perceived, measured and hedged.



Audits generate a set of recommendations targeting weak points or areas for improvement, in order to bolster procedures and internal control. They are transposed into an action plan that Dexia MA's Executive Board approves and monitors. Monitoring reports are examined at Executive Board meetings and then sent on to the general auditor and the Chairman of the Supervisory Board.

## IV | CONTROLS OF DEXIA MA'S SPECIFIC RISKS

### Asset credit risk

The assets eligible for Dexia MA's balance sheet – commitments on public sector entities or assimilated assets by virtue of the law – run little risk of default.

Eligibility, which is defined by current legislation and regulations, is the subject of particular controls.

For new French loans, these controls are conducted:

- by loan administration centers;
- by daily processing of loan administration at headquarters.

For foreign assets, controls are conducted:

- by the group subsidiary that generated the asset;
- by the Risk Control department.

A control is also effected by a member of Dexia MA's Executive Board.

The Risk Control department analyzes asset counterparties and gives them an internal rating. This department determines consolidated commitment limits for the Dexia Crédit Local group. On the basis of these factors, commitment decisions are taken, for Dexia Crédit Local as well as for Dexia MA, at the weekly credit committee meeting or according to current delegation instructions. In addition, the Default Committee and the Contingencies Committee examine the treatment of arrears every quarter.

### Swap counterparty risks

For Dexia MA, bank counterparty risk is solely that of counterparties in hedging operations with which the company has signed ISDA or AFB (French banking association) master agreements that meet rating agency standards for sociétés de crédit foncier. Counterparties are only admitted if they have a certain rating. The Risk Control department controls these ratings and any changes; the information is forwarded to a member of Dexia MA's Executive Board. The Executive Board initiates specific action if a counterparty ceases to be eligible because of a downgrade in rating.

### Market risk

Dexia MA is not allowed to hold a trading portfolio.

The bonds that are included in Dexia MA's assets were acquired with the intention of holding them to maturity. For accounting purposes, they are classed as investment securities and involve no market risk.

The sole market risk may come from a foreign exchange risk. Dexia MA's management policy is to take no foreign exchange risks. Assets and liabilities originally in foreign currencies are swapped against euros when they are acquired. The Risk Control department regularly controls the symmetry of specific hedging swaps, a category that includes currency swaps. General accounting verifies that for each reporting period there is no foreign exchange position.

### Overall interest rate risk

Dexia MA manages the overall interest rate risk within strict limits by following simple principles, the application and monitoring of which involve several sets of controls.



Dexia MA's goal is to neutralize interest rate risk as much as possible from an operating standpoint. The method used consists in converting assets and liabilities into two sets that are pegged on a variable index, so that they move in a parallel manner under the impact of changes in the yield curve. Interest rate risk is then contained within a limit of 10 million euros for the fixed rate sensitivity gap and 2.5 million euros for the monetary sensitivity gap (in both cases, sensitivity implies a variation in the gap's net present value for a 1%, i.e. 100bp, change in the yield curve).

Limits are controlled by the ALM team, which reports weekly and the Risk Control department, which reports on a monthly basis.

### **Risk of non-compliance with the coverage ratio and maturity congruence**

Pursuant to CRBF regulation 99-10, Dexia MA constantly complies with the conditions of the ratio of coverage of resources benefiting from the Privilège by assets. The specific controller has access to information that allows confirmation of each issue's compliance with the coverage ratio. As a security measure, Dexia MA announced that it would maintain a coverage ratio of 105% (the legal minimum is 100%).

The unit in charge of stress scenarios, which are prepared for the rating agencies, establishes regularly the extinction profiles of assets and obligations foncières.

On such occasions, a control is conducted of asset coverage of the obligations foncières.

In addition, a projection is made monthly of the coverage ratio over the horizon of future years; it takes into account the updated forecasts of asset acquisition and obligations foncières issuance.

The extinction profile of assets and obligations foncières, as mentioned above, provides a graphic illustration of the congruence of maturities, which is measured monthly by comparing the average life and duration of assets and liabilities. Considering that the interest rate risk is already hedged, the gap in average life and in duration between the assets and the liabilities always remains in a very satisfactory interval.

The unit in charge of stress scenarios and the Risk Control department report their findings to Dexia MA's Executive Board, which forwards the information to the Supervisory Board. Average life and duration are presented in the management report as of December 31, 2003, and in the document on the quality of the assets and interest rate risk management sent to the Banking Commission and published in the BALO.

### **Legal risk**

Dexia MA's contractual commitments originate in or are approved by the legal and tax department of Dexia Crédit Local, in keeping with the group's general practice.

### **Operating risks involving information systems**

The security of Dexia MA's information systems is managed within Dexia Crédit Local. A security policy has been defined, including directives and operating procedures broken down by risk sector: physical security, security of system access control, security of data bases and applications, security of continued operation. A continuity plan has been drawn up under the supervision of a dedicated piloting committee. Critical IT production systems are installed at a single location with a service provider in a highly secured environment with a broadband connection to Dexia Crédit Local - Dexia Municipal Agency.

## **V | CONTROLS BY THE SPECIFIC CONTROLLER**

The specific controller plays an essential role in a société de crédit foncier, as stipulated in articles L.515-30 and L.515-31 of the Monetary and Financial Code as well as in decree 99-710 of August 3, 1999, and CRBF regulation 99-10. A member of the French auditors' professional organization, he is named by the company's executive management upon approval of the Banking Commission. The specific controller carries out





appropriate controls in cooperation with the auditors and is completely independent of the company's executive and deliberative boards.

The specific controller has access to all information, from both management and internal control centers. In addition, operating services and internal control units have been instructed to provide certain information directly on specific occasions or regularly through a member of the Executive Board. Such information allows the specific controller to monitor the coverage ratio, the nature of new assets and interest rate risk management on a regular basis.

## VI | PREPARATION AND PROCESSING OF ACCOUNTING AND FINANCIAL INFORMATION

### Production of financial statements

The company's financial statements should give a faithful picture of its assets, financial situation and results. Accounting at Dexia MA is organized as follows:

- subsidiary accounting: a back office accounting for loan administration and a back office accounting for market activities (issues of obligations foncières, asset securities, hedging instruments);
- general accounting.

Dexia MA's general accounting is done by a dedicated accounting unit of Dexia Crédit Local, which produces the financial statements of Dexia MA.

For the production of the financial statements, the accounting information system is automatically supplied with most of the required data by upstream management systems that manage transactions with clients, market counterparties and operating expenses. When data is entered into one of the management systems, it is automatically recorded in accounting according to a pre-defined plan.

When complex or unusual operations are accounted for manually, they should be processed using specific internal control procedures. The general principle governing the organization of accounting is traceability, based on a documented trail to ensure audit investigations.

The completeness and accuracy of accounting entries are guaranteed at a first level by back office accounting controls, in particular by analyzing bank reconciliations and technical suspension accounts. Every month, operations recorded in the accounts are compared with management balances, and symmetry controls are conducted on micro-hedge operations. To verify the consistency of interest expense and income from one period to another, interest is compared with average outstanding balances, and average rates are compared between periods.

The general accounting teams carry out additional controls when monthly, quarterly and annual financial statements are produced. The work already accomplished in the back offices is periodically reviewed to make sure that controls (outlined in a formal list) were correctly carried out.

When end-of-quarter results are published, the accounting unit presents a synthetic report on the controls carried out, including detailed reports on accounting controls by back offices and the general accounting department. These reports include checklists of the controls accomplished, and in some cases a commentary. The synthetic report is forwarded to a member of Dexia MA's Executive Board.

Independently of general accounting procedures, management control calculates net banking income using an economic model. Net banking income for management purposes and net banking income for accounting purposes are compared analytically.

Accounting entries generated by these processes are then regrouped and aggregated according to an automated and standardized process in order to produce the financial statements of Dexia Municipal Agency.



### Approval of the financial statements

The financial statements, balance sheet, statement of income and notes, are subjected to particular examination during the preparatory phase and in their final form by a member of Dexia MA's Executive Board.

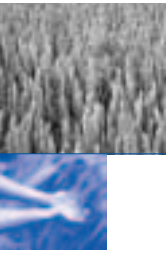
Dexia MA's Executive Board meets to approve quarterly financial statements. The company's two auditors attend the meeting and the specific controller is also invited.

The annual report is prepared by Dexia MA's Executive Board with the assistance of support functions at Dexia Crédit Local, in particular, the general accounting, loan administration and Risk Control departments. The auditors verify the information it contains. The information is also available, with some differences in presentation, in the document on the quality of the assets and the management of interest rate risk submitted to the Banking Commission and published in the BALO, in compliance with instruction 2000-04.

### Role of the auditors

Dexia Municipal Agency is audited by two auditors who crosscheck their findings.

The auditors are associated in the whole process of financial and accounting control, in order to ensure efficiency and transparency. In due diligence, they analyze accounting procedures and evaluate current internal control systems in order to determine the nature, period and extent of their controls. Their audit is not intended to give a formal appreciation of the efficiency and reliability of internal control systems. Nevertheless, on this occasion, they may issue recommendations on internal control procedures and systems that could have an effect on the quality of financial and accounting information produced, submitted to the Board and published.



**STATUTORY AUDITORS' REPORT**  
**prepared in accordance**  
**with article L.225-235 of the Commercial Code,**  
**on the report prepared by the Chairman**  
**of the Supervisory Board of Dexia Municipal Agency,**  
**on information given on the internal control procedures**  
**relating to the preparation and processing**  
**of financial and accounting information**

To the shareholders,

In our capacity as statutory auditors of Dexia Municipal Agency, and in accordance with article L.225-235 of the Commercial Code, we report to you on the report prepared by the Chairman of the Supervisory Board, in accordance with article L.225-68 of the Commercial Code for the year ended December 31, 2003.

Under the responsibility of the Supervisory Board, it is for management to determine and implement appropriate and effective internal control procedures. It is for the Chairman to give an account, in his report, of the conditions in which the duties of the Supervisory Board are prepared and organized and the internal control procedures in place within the company.

It is our responsibility to report to you our observations on the information set out in the Chairman's report to the internal control procedures relating to the preparation and processing of financial and accounting information.

In accordance with professional guidelines applicable in France, we were obtained and understanding of the objectives and general organization of internal control, as well as the internal control procedures relating to the production and processing of accounting and financial information as set out in the Chairman's report.

On the basis of these procedures, we have no matters to report in connection with the information given on the internal control procedures relating to the preparation and processing of financial and accounting information, contained in the Chairman of the Supervisory Board's report, prepared in accordance with article L.225-68 of the Commercial Code.

Paris, March 10, 2004

**Caderas Martin**

Daniel Butelot

Olivier Avril

**Mazars & Guérard**

Guillaume Potel

Anne Veaute



# ORDINARY SHAREHOLDERS' MEETING of May 6, 2004

## REPORT OF THE EXECUTIVE BOARD ON THE PROPOSED RESOLUTIONS

The Executive Board invites shareholders to approve the following resolutions at the Ordinary Shareholders' Meeting of May 6, 2004.

- 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 225-86 of the Commercial Code (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 Pierre Masiéri as alternate auditor to replace Yves Bernheim (fifth resolution) and to take note that the financial statements for the year ended December 31, 2003, were certified by Guillaume Potel and Anne Veaute, partners, representing the firm Mazars & Guérard on the one hand, and by Daniel Butelot and Olivier Avril, partners, representing the firm Caderas Martin on the other hand (sixth resolution).
- Lastly, the shareholders are asked to approve the issuance of bonds for a new period of five years.

The above-mentioned proposed resolutions were presented to the Supervisory Board at its meeting on March 9, 2004. The Board stated it would adopt them without reserve.

The Executive Board

## OBSERVATIONS OF THE SUPERVISORY BOARD

*Pursuant to the provisions of article 225-68 of the Commercial Code, 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, 2003.*

*The Supervisory Board first wishes to thank the Executive Board for the initiatives taken and the results achieved during the year ended December 31, 2003.*

*The Supervisory Board*

## PROPOSED RESOLUTIONS

### First resolution

#### APPROVAL OF THE COMPANY'S FINANCIAL STATEMENTS

The Ordinary Shareholders' Meeting, after hearing the reports of the Executive Board, the Chairman of the Supervisory Board and the Auditors, as well as the comments of the Supervisory Board, approves the company's financial statements for the year ended December 31, 2003, as presented, with all the transactions which generated these financial statements or are mentioned in the above reports, showing net income of EUR 47,463,647.73.

### Second resolution

#### APPROVAL OF AGREEMENTS INVOLVING DIRECTORS

After hearing the Auditors' special report on agreements involving directors governed by article 225-86 of the Commercial Code, the Ordinary Shareholders' Meeting approves the report.



### 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, 2003.

### Fourth resolution

#### APPROPRIATION OF NET INCOME

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

Appropriation of net income	euros
Net income in 2003	47,463,647.73
Legal reserve (5%)	2,373,182.39
2003 income available for distribution	45,090,465.34
Prior retained earnings	79,452,531.62
Retained earnings after appropriation	124,542,996.96

The Ordinary Shareholders' Meeting notes that no dividend was paid for the fiscal years 2000, 2001 and 2002.

### Fifth resolution

#### APPOINTMENT OF A NEW ALTERNATE AUDITOR

The Ordinary Shareholders' Meeting appoints Pierre Masiéri as alternate auditor to replace the late Yves Bernheim. His term will end after the Ordinary Shareholders' Meeting held in 2005 and called to approve the financial statements for the year ending December 31, 2004.

### Sixth resolution

#### AUDIT OF THE FINANCIAL STATEMENTS

In application of article L.822-14 of the Commercial Code, the Ordinary Shareholders' Meeting takes note that the financial statements for the year ended December 31, 2003, were certified by Guillaume Potel and Anne Veaute, partners, representing the firm Mazars & Guérard on the one hand, Daniel Butelot and Olivier Avril, partners, representing the firm Caderas Martin on the other hand.

### Seventh resolution

#### ISSUANCE OF BONDS

The Ordinary Shareholders' Meeting authorizes the issuance by the company, on one or several occasions, in France or other countries, of subordinated or non-subordinated bonds for a maximum amount of EUR 15 billion per year, or the corresponding value in foreign currencies or in monetary units defined with reference to several currencies, in the proportions and under the forms and conditions of issuance, remuneration and amortization it will consider appropriate.

The Ordinary Shareholders' Meeting confers all powers to the Executive Board, which may itself, pursuant to article L.248-41 of the Commercial Code, sub-delegate them to its Chairman to effect this issue or these issues, and specifies that it has all latitude to determine the characteristics of the bonds.

In keeping with the law, this authorization is valid for a period of five years from the date of this Ordinary Shareholders' Meeting.

### Eighth resolution

#### POWERS

The Ordinary Shareholders' Meeting gives full powers to Jean-Pierre Delpeuch 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 Etablissements de crédit et des Entreprises d'Investissement (CECEI) on July 23, 1999, as a financial company - société de crédit foncier. This approval became definitive on October 1, 1999.

### Applicable legislation

A corporation under the provisions of articles L.210-1 and following of the Commercial Code, 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 L.515-15 of the Monetary and Financial Code as well as assets considered as loans as defined in article L.515-16 of the same Code;
- to hold assets defined by decree as replacement assets;
- in order 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 PARIS B 421 318 064 (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 results.

### **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 current legislation, 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 as required by 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)**

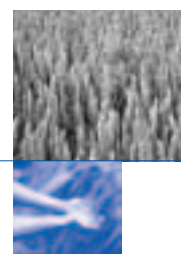
All shareholders are entitled to attend the meetings upon presentation of proof of identity, provided that their shares have been paid up to the extent called and are registered in their name at least five days prior to the date of the meeting.

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 that 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.

	1999	2000	2001	2002	2003
Dexia Crédit Local	99.99 %	99.99 %	99.99 %	99.99 %	99.99 %
French and/or Belgian private, institutional and corporate investors	0.01 %	0.01 %	0.01 %	0.01 %	0.01 %

At the Shareholders' Meeting of May 27, 2003, there were 4,500,000 voting rights in existence.

### Declaration of financial support

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

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

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

*"Crédit Local de France-Dexia 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."*





INFORMATION JURIDIQUES ET ADMINISTRATIVES



Dexia Municipal Agency  
Société Anonyme à Directoire et Conseil de Surveillance  
au capital de 450.000.000 euros  
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Dexia Municipal Agency  
“Société Anonyme” with an Executive Board and a Supervisory Board  
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