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MANAGEMENT REPORT

Dexia Municipal Agency 2004

I INTRODUCTION AND DESCRIPTION OF THE GENERAL FRAMEWORK OF DEXIA MUNICIPAL AGENCY'S BUSINESS

Dexia Municipal Agency is a French credit institution that is authorized to operate as a *société financière-société de crédit foncier*. *Sociétés de crédit foncier* (SCFs) came into existence as a result of the law passed by the French Parliament in June 1999. They are well known to bond issuers and investors, and their *obligations foncières* have become one of the significant components of what is referred to as the covered bond market. The following paragraph summarizes the company's main characteristics.

Assets

The assets held by Dexia Municipal Agency are solely comprised of commitments on public sector entities that are eligible by the terms of articles L.515-16, 515-17 and 515-18 of the Monetary and Financial Code, i.e. States, local governments or groups of such, public sector establishments in the European Economic Area, Switzerland, the United States and Canada (the law also includes Japan, but Dexia Municipal Agency had no assets from this country at the end of 2004). These commitments take the form of loans or bonds, or of loans or bonds guaranteed by such public sector entities. Debt mutual funds or similar structures (ABS) are also eligible for inclusion on Dexia Municipal Agency's balance sheet if 90% of their assets are themselves directly eligible; 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. Replacement securities may be included, for a maximum of 20% of the balance sheet total, subject to the condition that they are sufficiently secure and liquid, and can be mobilized through the European central bank system. At Dexia Municipal Agency, replacement securities are comprised of covered bonds issued by other Dexia Group entities, the coverage pool of which is only composed of commitments on public sector entities, so as to ensure the transfer of synthetic eligible assets among certain Group units (see below). Moreover, at the end of 2004, Dexia Municipal Agency had not yet made use of the faculty, granted by an amendment to French legislation in 2003, to refinance finance lease commitments in which the borrower is a French public sector entity.

The assets on Dexia Municipal Agency's balance sheet are mostly derived from the commercial activities of the different entities in the Dexia Group through which it operates in public sector financing.

Liabilities

To finance these assets, Dexia Municipal Agency contracts two categories of debt:

- debt which benefits from the legal *Privilège, obligations foncières*;
- debt which does not benefit from the legal *Privilège*, i.e. debt contracted through a financing agreement with its parent company, Dexia Credit Local. In September 1999, Dexia Credit Local signed a declaration of support ensuring that it "will see that Dexia Municipal Agency... has the financial resources it needs to meet its obligations." This declaration of support is reproduced in the documents accompanying issues of *obligations foncières*.

Legal *Privilège*

The legal *Privilège* is governed by article L.515-19 of the Monetary and Financial Code and has the following characteristics.

After hedging with financial instruments, if such is the case, cash flows generated by the assets are first allocated, to serve the debt benefiting from the *Privilège*.

The liquidation of a *société de crédit foncier* does not trigger early reimbursement of *obligations foncières* and other debt benefiting from the *Privilège*; these commitments are paid at their contractual due dates and before all other commitments, which can only be settled after all privileged commitments have been satisfied.

Information on the coverage ratio and the management of interest rate and liquidity risks is provided below in the sections dedicated to these subjects.

A *société de crédit foncier* is not legally allowed to hold an equity interest in another company.

In addition, Dexia Municipal Agency has contractually entrusted general management to its parent company Dexia Credit Local. Specific management contracts have also been signed with other entities in the Group that transfer assets to Dexia Municipal Agency and continue to handle the administration of these assets vis-à-vis their national clients. At the end of 2004, the following contracts were operative: Kommunalkredit Austria, in which Dexia Credit Local has a 49% interest; Dexia Crediop (Italy), a subsidiary of Dexia Credit Local; Dexia Bank Belgium, a Dexia subsidiary; and Dexia Public Finance Norden, a Dexia Credit Local Stockholm Branch. All these management contracts already existed in 2003, and no new contract was signed in 2004.

Lastly, as reminder, Dexia Municipal Agency is not obliged to publish its financial statements in an IFRS format as of 2005, since the Company does not produce consolidated accounts.

Trend in main balance sheet items:

(billions of euros)	12/31/02	12/31/03	12/31/04	Change 03/02	Change 04/03
Total balance sheet	34.86	41.20	46.56	18.2%	13%
Assets					
1) loans	30.36	34.75	37.81		
2) securities	2.07	4.05	6.23		
Total (1+2)	32.43	38.80	44.04	19.6%	13.5%
Obligations foncières					
Balance sheet value ⁽¹⁾	25.76	29.90	36.05		
Swapped value ⁽¹⁾	26.37	31.34	37.59	18.8%	19.9%
Dexia Credit Local debt	5.3	6.9	5.6		
Shareholders' equity	0.54	0.59	0.70	9.3%	18.6%

(1) In the "balance sheet" item, currencies other than the euro are translated into euros at the closing date value rate, and the difference from the prior closing rate is recorded in translation adjustments. In the "swapped value" item, historical cost gives a straightforward and accurate image of the total outstanding.

II ASSETS OF DEXIA MUNICIPAL AGENCY IN 2004 (billions of euros, excluding accrued interest not yet due)

Gross asset production	EUR 9.2 billion *
Early reimbursements	EUR (0.6) billion *
Amortization	EUR (3.4) billion
Total net increase in assets	EUR 5.2 billion

* Note should be made that an amount of EUR 1.1 billion was eliminated from the above list in early reimbursements and gross production of loans, since these movements correspond to reimbursements and additional draw-downs on loans in the pre-financing stage during the year. No such eliminations had been effected up to now, in particular in the 2004 quarterly reports because the loans concerned and the movements back and forth had not reached a significant enough volume.

Gross production of EUR 9.2 billion can be analyzed as follows.

Production and transfers of loans: EUR 6.8 billion, of which:

EUR 0.5 billion from the activity of the international department of Dexia Credit Local, mainly in Switzerland, and EUR 6.3 billion in loans, most of which were French.

Acquisitions and transfers of securities: EUR 2.4 billion, including:

- EUR 1.7 billion in transfers of synthetic assets from the Italian and Spanish subsidiaries of Dexia Credit Local (see below);
- EUR 0.2 billion in debt securities issued by Italian municipalities transferred by Dexia Crediop;
- EUR 0.2 billion in debt securities issued by a Spanish government agency;
- EUR 0.13 billion in debt securities issued by a local administrative authority in the United States; with the balance comprised of various debt securities issued by local governments in France and Portugal and by a German borrower guaranteed by the German State.

The amount of EUR 1.7 billion in synthetic asset transfers mentioned above, corresponds to:

- EUR 1.12 billion in a debt security issued by the securitization vehicle DCC (Dexia Crediop per la Cartolarizzazione).

Dexia Crediop created a wholly owned subsidiary named DCC (Dexia Crediop per la Cartolarizzazione Srl), which is a special purpose vehicle governed by the Italian law 130/99 on securitization. DCC has a single purpose – to serve as a channel for the refinancing by Dexia Municipal Agency of Italian public sector assets generated or held by Dexia Crediop.

Dexia Crediop functions as an arranger, servicer, swap counterparty and guarantor vis-à-vis Dexia Municipal Agency.

To DCC, Dexia Crediop transfers portfolios composed of such assets, all of which are eligible for Dexia Municipal Agency. These portfolios are isolated holdings that serve as backing for DCC's issuance of class A securities reserved solely to Dexia Municipal Agency and of class B securities reserved solely to Dexia Crediop. Whenever class A securities are issued, Dexia Crediop writes a letter of guarantee to the benefit of Dexia Municipal Agency ensuring the full payment of the installments at the due dates, in an unconditional and irrevocable manner. Class A shares issued by DCC are rated by the rating agencies, reflecting the rating of Dexia Crediop's long-term debt.

The May 2004 sale by Dexia Crediop to DCC, for a total of EUR 1,131.9 million, included 151 bonds issued by Italian local governments. Backed by these assets, DCC issued a class A security, in the amount of EUR 1,128.9 million, guaranteed by Dexia Crediop and acquired by Dexia Municipal Agency, and a class B security, in the amount of EUR 3 million, acquired by Dexia Crediop. These issues were effected pursuant to a program that authorizes DCC to issue a total of EUR 10 billion. It is therefore planned to have DCC issue approximately EUR 1 billion per year on an average.

The security issued by DCC synthetically reflects the amortization profile of the cumulated maturities of the 151 Italian local government securities on DCC's balance sheet; the final due date is 2039 and the average life was 12.6 years at the time of the transfer.

- EUR 0.6 billion in *Cedulas Territoriales* issued by Dexia Sabadell Banco Local. These securities are rated Aaa by Moody's and are eligible as replacement securities. At the end of December 2004, outstanding *Cedulas Territoriales* issued by Dexia Sabadell Banco Local and held by Dexia Municipal Agency totaled EUR 1.3 billion.

Assets can be broken down by country of origin at the end of 2004 as follows (compared with the end of 2003): France: 80.4% (84.5%); Italy: 7.6% (5.6%); Spain: 3.5% (1.9%); Switzerland: 3.1% (2.5%); Belgium: 2.1% (2.4%); and other countries for small percentages.



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

In 2004, Dexia Municipal Agency issued *obligations foncières* for a total of EUR 8.7 billion (of which EUR 0.1 billion paid in 2005), with an average maturity of 7.7 years.

Issues in 2004 can be analyzed as follows:

- benchmark issues: EUR 4.4 billion;
- non-benchmark public issues: EUR 1.36 billion;
- private placements: EUR 2.95 billion euros.

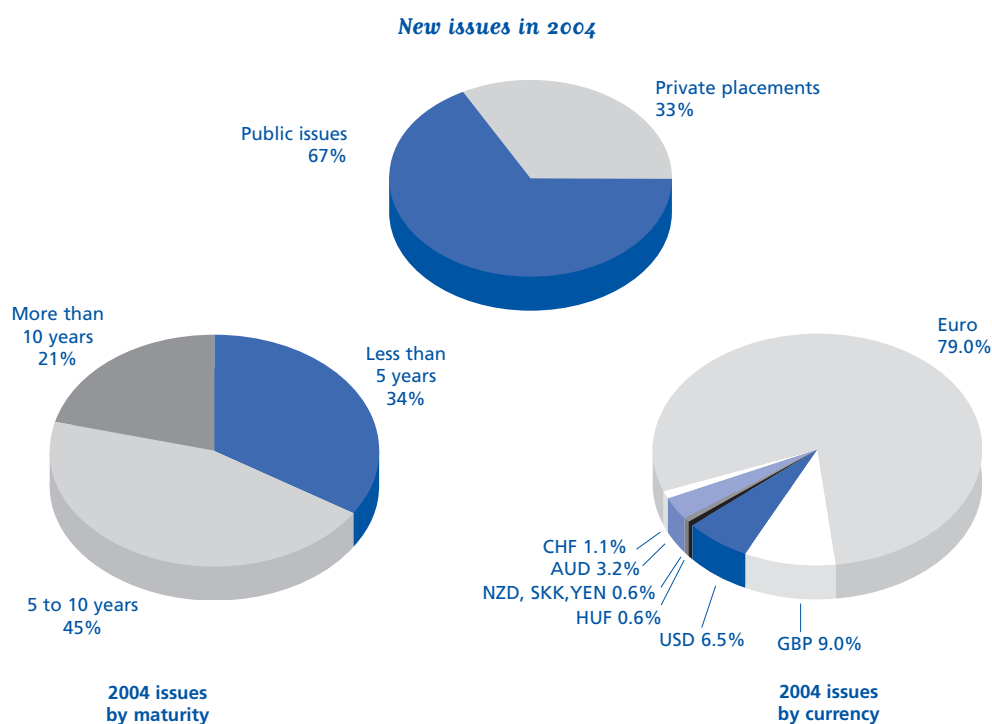
Privately placed issues accounted for one third of the total. This high proportion was justified by the strong demand in this particularly dynamic market segment.

With regard to issue currencies, the euro ranked first with 79% of the total amount, but many other currencies were used: GBP for 9%; USD for 6.5%; Australian dollars for 3.2%; Swiss francs for 1.1%; Hungarian forint for 0.6%; with the balance in yen, Swedish kronor and New Zealand dollars. All issues in foreign currencies are swapped into euros at inception.

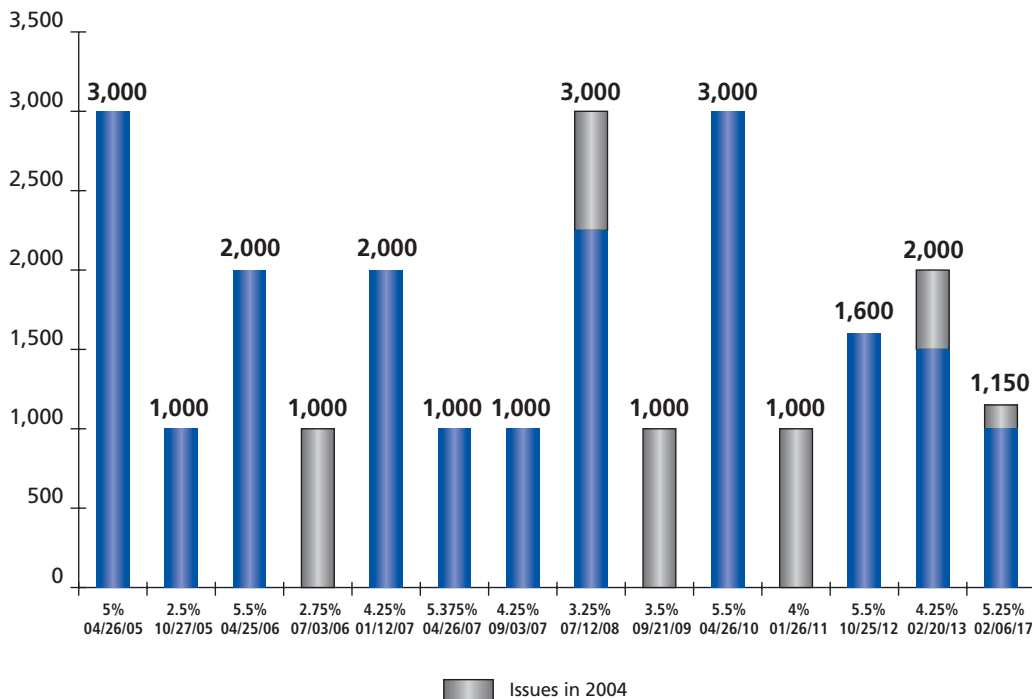
The average maturity of 7.7 years can be analyzed by category as follows:

- 21% had a maturity of more than 10 years;
- 45% had a maturity between 5 and 10 years;
- 34 % had a maturity of less than 5 years.

In 2004, Dexia Municipal Agency reimbursed a total of EUR 2.43 billion in *obligations foncières*. At the end of the period under review, Dexia Municipal Agency reported outstanding *obligations foncières* of EUR 37.7 billion in swapped value, with EUR 0.1 billion to be paid at the beginning of January 2005.



Benchmark tranches in euros
(millions)



IV | COVERAGE RATIO IN 2004

The coverage ratio is the ratio between the assets and the resources benefiting from the *Privilège*. According to article L.515-20 of the Monetary and Financial Code, “the total amount of assets of *sociétés de crédit foncier* must be greater than the amount of liabilities benefiting from the *Privilège*”. Dexia Municipal Agency’s specific controller certifies compliance with this rule for each issue. Regulation 99-10 of the Banking and Financial Regulation Committee defines the way the coverage ratio is calculated. The ratio’s denominator (article 8) “is comprised of *obligations foncières* and other resources benefiting from the *Privilège*”. The ratio’s numerator (article 9) “is made up of the assets”, weighted to reflect their category. In the case of Dexia Municipal Agency, since the loans are granted to public sector entities or guaranteed by such, they are accounted for at their historical cost (100% weighting).

The securities issued by securitization vehicles (ABS) are also accounted for, in the ratio’s calculation, at their historical cost on the balance sheet of Dexia Municipal Agency, since their rating by Fitch, Moody’s or Standard and Poor’s justifies 100% weighting (for this, one of the three agencies must give the ABSs a rating that is equal to or more than AA-, Aa3, AA-).

The debt securities and the *Cedulas Territoriales* recorded on Dexia Municipal Agency’s balance sheet are accounted for at 95% of their historical cost, a rule that applies to all debt securities and replacement securities.

Dexia Municipal Agency’s policy is to maintain a minimum 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 105% mentioned above.

The coverage ratio stood as follows in 2004 at the end of each month.

December 2003 122.47%

2004		2004	
January	120.44%	July	113.63%
February	117.76%	August	115.17%
March	114.50%	September	111.74%
April	111.85%	October	110.56%
May	115.03%	November	111.47%
June	119.01%	December	115.51%

V OTHER DEBT THAT DOES NOT BENEFIT FROM THE LEGAL PRIVILÈGE

The current account agreement signed with Dexia Credit Local serves to finance the portion of assets greater than the amount of *obligations foncières* and shareholders' equity, as well as various occasional needs. Sub-accounts in this agreement make it possible to analyze this financing by category. As of December 31, 2004, the financing provided by Dexia Credit Local, totaling EUR 5.6 billion, excluding accrued interest, could be analyzed as follows:

- EUR 2 billion to finance structural over-collateralization of *obligations foncières* at 105%;
- EUR 2.1 billion to finance undefined over-collateralization of more than 105% and miscellaneous needs;
- EUR 1.5 billion to pre-finance the issuance program.

The total balance at year end was as follows:

12/31/2002:	EUR 5.3 billion
12/31/2003:	EUR 6.9 billion
12/31/2004:	EUR 5.6 billion

VI COMMITMENTS GRANTED; COMMITMENTS RECEIVED; DEBT SECURITIES TRANSACTIONS

Commitments granted as of December 31, 2004, were recorded off balance sheet in the amount of EUR 2.8 billion. They are comprised of loans granted and not yet paid to local governments.

Commitments received included:

- EUR 4.06 billion in refinancing agreements contracted within the framework of the current account agreement with Dexia Credit Local, concerning maturities of obligations foncières of less than a year;
- EUR 0.1 billion in *obligations foncières* issued and not yet paid;
- EUR 2.96 billion in guarantees received from local governments.

Debt securities transactions appeared for EUR 1 billion, with the acquisition of one *Pfandbrief* issued by Dexia Hypothekenbank Berlin, a subsidiary of Dexia Credit Local specialized in refinancing the German public sector. The acquisition was agreed up at the end of December 2004, and the security was delivered at the beginning of January 2005. This *Pfandbrief* is rated AAA by Standard and Poor's, and will be considered as a replacement security in the coverage ratio.

VII DURATION OF ASSETS AND LIABILITIES BENEFITING FROM THE LEGAL PRIVILÈGE

Dexia Municipal Agency considers that the difference in duration between the assets and the liabilities is an appropriate way to measure maturity congruences. A maximum duration difference of three years has been set as a limit for management purposes. It is here question of setting a limit in the transformation, i.e.

managing the liquidity risk since the interest rate risk is otherwise managed via hedging instruments (see below).

It should be noted that since both the assets and the resources benefiting from the *Privilège* have a variable rate after having been swapped, Dexia Municipal Agency's balance sheet looks as if there were only a single loan vis-à-vis a single borrowing.

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)".

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

As of December 31, 2004, the values were as follows (the limit set for the duration difference, i.e. the maximum difference between the duration of the assets and the duration of the *obligations foncières* after having been swapped, stood at 3 years.

	12/31/03	12/31/04
Duration of the assets	6 years	6.19 years
Duration of the liabilities benefiting from the <i>Privilège</i>	4.56 years	4.46 years
Difference in asset-liability duration	1.44 years	1.73 years

Up to now, Dexia Municipal Agency has also monitored the average life (AL) of assets and liabilities, a value that is not discounted. This criterion will be discontinued in 2005. The AL of the assets as of December 31 was 7.71 years and the AL of the liabilities benefiting from the *Privilège* was 5.12 years.

VIII HEDGING INTEREST RATE RISK

Hedging guidelines and interest rate risk management rules were defined in a policy paper when Dexia Municipal Agency was created, and this document has been approved by rating agencies. They have not been changed since that time. The overall system may be described as follows, with two major steps involved.

- In the first stage, all the assets (except for certain loans that remain fixed rate vis-à-vis shareholders' equity) and liabilities benefiting from the *Privilège* generate Euribor flows until maturity, either naturally or via swaps. A residual fixed rate gap remains after this hedging process, and its limit is subject to particular management.
- In the second step, 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 fixing. The Eonia swaps are made on a 12-month sliding horizon. A residual gap also remains in this second level and is monitored within strict limits.

For each of the two gaps mentioned above, the fixed rate gap and the Euribor gap, the sensitivity limit is defined as the change in the gap's net present value under the impact of an unfavorable 1% (100 basis points) shift in the yield curve. The sensitivity limit for the monetary gap (Euribor/Eonia) was set at EUR 2.5 million and has not been changed since the company was created in 1999. The sensitivity limit for the fixed rate/Euribor gap had been set at EUR 5 million in 1999. In the second half of 2001, it was increased to EUR 10 million. As of December 31, 2001, total sensitivity limits stood at EUR 12.5 million (EUR 10 million + EUR 2.5 million) for a balance sheet total of EUR 25.7 billion and shareholders' equity of EUR 447 million. As of December 31, 2004, Dexia Municipal Agency reported a balance sheet total of EUR 46.6 billion and shareholders' equity of EUR 706 million. The sensitivity limit is no longer adapted to the situation and should be adjusted.

Dexia Municipal Agency intends to maintain a total sensitivity limit of 3% of shareholders' equity, without changing the monetary gap limit within this new total limit. *Vis-à-vis* the balance sheet total and shareholders' equity as of December 31, 2004, this new limit will be EUR 21 million, with EUR 18.5 million for the fixed rate gap limit and EUR 2.5 million for the Euribor gap limit.

Interest rate risk management results are summarized in the following table for each quarter of 2004 (millions of euros)

	Fixed rate sensitivity gap					Euribor sensitivity gap			
	Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4
Average	6.74	6.86	5.31	5.62	Average	0.19	0.23	0.09	(0.3)
Maximum	7.65	8.51	7.25	6.42	Maximum	0.59	1.54	1.51	2.00
Minimum	5.60	5.95	3.37	4.11	Minimum	(0.41)	(1.89)	(1.12)	(1.2)
Limit	10	10	10	10	Limit	2.5	2.5	2.5	2.5

The outstanding notional of interest rate swaps as of December 31, 2004, can be broken down by hedging category and by counterparty as follows (billions of euros).

First level, swaps against Euribor

	Total	Dexia Credit Local	Dexia Bank Belgium	Dexia Crediop	External counter- parties
Micro-hedges on issues of <i>obligations foncières</i>	29.84	0	1.31	0	28.53
Micro-hedges on loans and debt securities	17.57	2.62	0.93	0.16	13.86
Macro-hedges on loans	20.08	18.71	0.19	0	1.18

Second level, Euribor against Eonia swaps

	Total	Dexia Credit Local	Dexia Bank Belgium	Dexia Crediop	External counter- parties
Macro-hedges against Eonia	50.42	50.42	0	0	0

IX FOREIGN EXCHANGE RISK

Dexia Municipal Agency's foreign exchange risk management policy remains unchanged and consists in taking no foreign exchange risks. Therefore, assets and liabilities originally in currencies other than the euro are swapped against three-month Euribor when they enter Dexia MA's balance sheet.

The notional amount of currency swaps as of December 31, 2004, was as follows.

	Total	Dexia Credit Local	Dexia Bank Belgium	Dexia Crediop	External counter- parties
<i>Obligations foncières</i>	8.56	1.59	0.06	0	6.91
Assets	1.91	1.50	0	0	0.41
Debt securities	0.65	0.44	0.13	0	0.08

X STATEMENT OF INCOME

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

Statement of income (thousands of euros)	2002	2003	2004
Interest received on client loans and securities (net of interest on micro-hedge swaps)	1,298,072	1,341,481	1,373,930
Interest on macro-hedge swaps:			
Interest received	1,482,856	1,183,581	1,194,055
Interest paid	(1,701,353)	(1,494,607)	(1,517,976)
Net interest	(218,497)	(311,026)	(323,921)
Less:			
Interest on obligations foncières (net of interest on micro-hedge swaps)	(796,357)	(718,761)	(745,418)
Interest on the account with Dexia Credit Local	(168,653)	(169,192)	(150,628)
Commissions received	3	4	6
Commissions paid	(204)	(1,568)	(1,970)
Income (expense) on financial transactions	92	(15)	(6)
Other banking income	22	53	10
Other banking expense	(5)	(19)	(20)
NET BANKING INCOME	114,473	140,957	151,983
Total general operating expense (of which management contract of Dexia Credit Local and other group entities)	(45,839)	(53,131)	(58,107)
Taxes	(2,796)	(2,864)	(3,093)
OPERATING INCOME BEFORE CONTINGENCIES	65,838	84,962	90,783
Cost of risk	(206)	(763)	976
Corporate income tax	(22,339)	(28,625)	(31,007)
Regulated reserves on long- and medium-term loans	(3,086)	(3,485)	(4,521)
Reserves for contingencies	0	(4,625)	4,625
NET INCOME	40,207	47,464	60,856

Note on reserves for contingencies

At the end of 2003, a tax audit was conducted by French tax authorities on the payment dates for taxes generated by early loan repayment penalties and cancellation equalization payments for hedging swaps. Dexia Municipal Agency amortized early loan repayment penalties and swap cancellation equalization payments, for both accounting and tax purposes, over the residual life of the terminated instruments. This procedure was mentioned in the notes to the financial statements in the presentation of accounting policies, as it is in the notes to the 2004 financial statements.

French tax authorities notified the Company in November 2004 that this procedure was not in question in the accounting years ended prior to January 1, 2005. Informed of this decision, the Company reversed the allowance made in 2003, i.e. EUR 4.6 million. Conversely, the tax and accounting treatments on new transactions of early loan repayment penalties and swap cancellation equalization payments will be modified as of January 1, 2005.

Note on the cost of risk (generated in 2004)

A new examination at the level of the Dexia Credit Local Group of the reserve on the principal applied to non-performing loans led to a revaluation owing to the low risk of loss in the local government sector, resulting in a reversal in the accounts of Dexia Municipal Agency in 2004 (details are provided in the notes to the financial statements).

XI | PROPOSED APPROPRIATION OF NET INCOME

In previous years, Dexia Municipal Agency distributed the following dividends.

Year of distribution	Distributed from income of the year	Amount distributed (euros)	Amount per share
2000	1999	3,600,000	1.20 euros
2001	2000	0	
2002	2001	0	
2003	2002	0	
2004	Distributed from retained earnings	120,000,000	24 euros

The Shareholders' Meeting, both ordinary and extraordinary, will be asked, in its ordinary capacity, to vote a resolution to appropriate 2004 net income and to distribute a dividend as follows (euros):

Net income for the year 2004:	60,856,189.08
Allocated to the legal reserve (5%):	(3,042,809.45)
Income available for distribution:	57,813,379.63
Prior retained earnings:	4,542,996.96
Amount available for distribution:	62,356,376.59
Proposed distribution: i.e. 10 euros per share	62,000,000.00
Retained earnings after distribution:	356,376.59

XII | CHANGES IN CAPITAL IN 2004

The Extraordinary Shareholders' Meeting of March 31, 2004, decided to increase the capital by EUR 50 million. The capital increase was subscribed by Dexia Credit Local, and the funds were paid in on April 8. The capital was thus raised from EUR 450 million to EUR 500 million.

The Shareholders' Meeting, both ordinary and extraordinary, of December 3, 2004, decided, in its extraordinary capacity, to increase the capital by EUR 120 million, raising the capital from EUR 500 million to EUR 620 million.

Subsequent to this second capital increase, equivalent to the exceptional distribution decided, in its ordinary capacity, by the same Shareholders' Meeting of December 3, 2004, the Company's net equity remained unchanged.

XIII | CAPITAL INCREASE

The Shareholders' Meeting, both ordinary and extraordinary, will be asked, in its extraordinary capacity, to increase the capital by EUR 60 million, from EUR 620 million to EUR 680 million.

XIV | OUTLOOK FOR THE YEAR 2005

Dexia Municipal Agency will continue to refinance public sector assets generated by the Group; after accounting for amortization and early repayments, outstanding assets should total approximately EUR 50 billion at the end of 2005. Assets of French origin should continue to represent the largest share at approximately 53%, then Italy with 9%, Germany 9% (owing to the transfer of the Pfandbrief from Dexia Hypothekenbank mentioned above), Spain 5% (with a new issue of Cédulas Territoriales by Dexia Sabadell Banco Local), and the rest made up of transfers from the Swedish subsidiary, Swiss assets and assets from other sources.

The volume of issues should be approximately EUR 8.5 billion, bringing outstanding *obligations foncières* to approximately EUR 42 billion at the end of 2005, accounting for repayments in the amount of EUR 4 billion.



Loans to local governments and bonds as of 12/31/2004
(millions of euros)

	12/31/03			12/31/04		
	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
FRANCE						
Regions	1,304.0	55.0	1,359.0	1,261.0	50.0	1,311.0
Departments	4,061.0	3.0	4,064.0	4,267.2	3.0	4,270.2
Municipalities	15,617.0	217.3	15,834.3	16,586.8	239.5	16,826.3
Groups of municipalities	6,585.0	-	6,585.0	6,955.6	-	6,955.6
Public sector entities	4,724.0	-	4,724.0	5,813.0	-	5,813.0
Loans guaranteed by local governments	264.0	-	264.0	271.3	-	271.3
Total	32,555.0	275.3	32,830.3	35,154.9	292.5	35,447.4
AUSTRIA						
Länder	218.6	-	218.6	217.3	-	217.3
ABS	-	94.1	94.1	-	93.3	93.3
Total	218.6	94.1	312.7	217.3	93.3	310.6
PORTUGAL						
Regions	56.6	8.5	65.1	56.6	8.5	65.1
Municipalities	160.2	-	160.2	163.6	-	163.6
Securities guaranteed by the State or by local governments	-	24.5	24.5	-	47.5	47.5
Loans guaranteed by local governments	-	-	-	2.5	-	2.5
Total	216.8	33.0	249.8	222.7	56.0	278.7
ICELAND						
Securities guaranteed by the State or by local governments	-	50.4	50.4	-	50.4	50.4
Total	-	50.4	50.4	-	50.4	50.4
FINLAND						
State	-	7.6	7.6	-	-	-
Municipalities	54.9	-	54.9	51.3	-	51.3
Public sector entities	34.6	-	34.6	30.8	-	30.8
Total	89.5	7.6	97.1	82.1	-	82.1
GREECE						
State	-	31.2	31.2	-	31.2	31.2
Total	-	31.2	31.2	-	31.2	31.2
ITALY						
State	-	599.2	599.2	-	599.2	599.2
Regions	-	419.5	419.5	-	395.2	395.2
Provinces	-	219.4	219.4	-	208.4	208.4
Municipalities	19.2	829.5	848.7	18.6	966.4	985.0
ABS	-	72.6	72.6	-	52.4	52.4
Securities issued by DCC (see note1 below)	-	-	-	-	1,128.9	1,128.9
Total	19.2	2,140.2	2,159.4	18.6	3,350.5	3,369.1

	12/31/03			12/31/04		
	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
SPAIN						
Cedulas Territoriales	-	700.0	700.0	-	1,300.0	1,300.0
Securities guaranteed by the State or by local governments	-	50.0	50.0	-	250.0	250.0
Total	-	750.0	750.0	-	1,550.0	1,550.0
SWITZERLAND						
Cantons	-	16.5	16.5	177.4	16.5	193.9
Municipalities	48.8	-	48.8	169.3	-	169.3
Loans guaranteed by local governments	911.4	-	911.4	1,004.6	-	1,004.6
Total	960.2	16.5	976.7	1,351.3	16.5	1,367.8
BELGIUM						
Regions	287.0	93.3	380.3	361.0	93.3	454.3
Communities	74.0	189.6	263.6	-	189.6	189.6
Securities guaranteed by the State or by local governments	-	126.5	126.5	-	126.5	126.5
Loans guaranteed by local governments	145.7	-	145.7	144.3	-	144.3
Total	506.7	409.4	916.1	505.3	409.4	914.7
GERMANY						
Länder	-	70.0	70.0	-	70.0	70.0
Securities guaranteed by the State or by local governments	-	-	-	-	38.6	38.6
Total	-	70.0	70.0	-	108.6	108.6
UNITED STATES						
States	-	145.0	145.0	-	145.0	145.0
Municipalities	-	-	-	-	132.3	132.3
Total	-	145.0	145.0	-	277.3	277.3
Monaco						
Public sector entities	0.5	-	0.5	-	-	-
Total	0.5	-	0.5	-	-	-
SWEDEN						
Municipalities	112.1	-	112.1	144.4	-	144.4
Loan guaranteed by local governments	68.1	-	68.1	110.8	-	110.8
Total	180.2	-	180.2	255.2	-	255.2
CANADA						
Provinces	-	35.6	35.6	-	22.4	22.4
Municipalities	-	4.8	4.8	-	-	-
Total	-	40.4	40.4	-	22.4	22.4
Total	34,746.7	4,063.1	38,809.8	37,807.4	6,258.1⁽¹⁾	44,065.5

(1) Excluding premiums and discounts

Premiums and discounts on securities	45.6	33.0
Translation adjustments on securities	(57.6)	(52.7)
Value of securities on the balance sheet	4,051.1	6,238.4

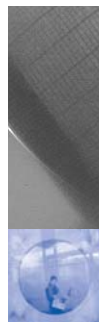
Premiums and discounts are recorded in accruals.

The DCC security of EUR 1,128.9 million was issued by DCC - Dexia Crediop per la Cartolarizzazione, a securitization vehicle entirely owned by Dexia Crediop. Its purpose is to allow refinancing by Dexia MA of Italian public sector assets transferred by Dexia Crediop to DCC. The security held by Dexia MA benefits from the guarantee of Dexia Crediop and is consequently rated AA by Fitch, AA- by Standard & Poor's, and Aa2 by Moody's.

As of December 31, 2004, the assets held by DCC could be broken down as follows:

Assets held as of December 31, 2004, by DCC - Dexia Crediop per la Cartolarizzazione

Italian assets	millions of euros
State	80.0
Regions	252.8
Provinces	288.3
Municipalities	475.7
DCC bank account with Dexia Bank Belgium	35.1
Total	1,131.9



Supervisory Board and Executive Board of Dexia Municipal Agency

MEMBERS OF THE SUPERVISORY BOARD AND THEIR MEMBERSHIP IN OTHER BOARDS IN 2004

Chairman

Jacques GUERBER

Chairman of the Executive Board, Dexia Credit Local
Member of the Board of Directors, Credit 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 Credit Local, Member of the Board of Directors of Dexia Finance
Member of the Supervisory Board, Financière Centuria
Vice Chairman of the Board of Directors, Dexia Asset Management (until September 10, 2004)

Vice Chairman

Rembert von LOWIS

Vice Chairman of the Supervisory Board, Dexia Credit Local
Member of the Board of Directors, Dexia Bank Belgium
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

Daniel CAILLE

Member of the Executive Board and CEO, Dexia Credit Local
Member of the Board of Directors, Progress
Chairman of the Supervisory Board, Domus Vi Holding
Chairman of the Board of Directors, Dexia CLF Banque
Chairman of the Supervisory Board, Dexia Sofaxis
Member of the Board of Directors, Dexia Habitat

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 SA
Member of the Board of Directors, Dexia Insurance
Member of the Board of Directors, Ehsal
Member of the Board of Directors, DVV Verzekeringen N.V. – 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 SA
Member of the Board of Directors, Dexia Global Investments Luxembourg SA (until December, 2004)
Member of the Board of Directors, Dexia Participation Luxembourg
Member of the Board of Directors, Parfipar SA
Chairman of the Executive Board, Dexia Bank Nederland N.V.
Member of the Executive Board, Dexia Nederland Holding 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, Financial Security Assurance Holdings Ltd
Member of the Board of Directors, Banque Artésia Nederland N.V. (since April 2004)

Dexia Bank Belgium, 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 SA
Member of the Board of Directors, Adinfo SA
Member of the Board of Directors, Dexia Lease Services N.V.

Dexia Credit Local, represented by Bruno DELETRÉ

Member of the Executive Board and Chief Executive Officer, Dexia Credit 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 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 GAUZÈS

Member of the Board of Directors, Dexia Finance
Permanent representative of Dexia Credit Local, member of the Board of Directors of Dexia CLF Immo
Permanent representative of Dexia Credit 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 (delegate), 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 2004

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, SISL

Chairman of the Board of Directors, Dexia CLF Finance Company (until December 2004)

Members

Jean-Claude SYNAVE

Chief Executive Officer

Sylvie VADÉ

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 (until December 2004)

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 salaried employees of the Dexia Group and who exercises 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: Pierre Masieri

CADERAS MARTIN

76, rue de Monceau, 75008 Paris

represented by Daniel Butelot, Partner, and Olivier Avril, Partner

Alternate: François Martin

SPECIFIC CONTROLLERS

Statutory: FIDUS

12 rue de Ponthieu, 75008 Paris,

represented by Christian Commerman

Alternate: GROUPEMENT D'EXPERTISE DE FRANCE

10 rue de la Grange Batelière, 75009 Paris,

represented by François Duménil

Dexia Municipal Agency

FINANCIAL STATEMENTS

Statutory Auditors' Report

(Free translation of a French language original)

This is a free translation into English of the statutory auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. This report includes information specifically required by French law and this is presented after the Opinion on the financial statements. This information includes an explanatory paragraph discussing the auditors' assessment (1) of certain significant accounting matters. These assessments were made for the purpose of issuing an opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements. The report also includes information relating to the specific verification (2) of information in the management report.

This report together with the statutory auditors' report addressing financial and accounting information in the Chairman's report on internal control, should be read in conjunction with French law and professional auditing standards applicable in France.

To the shareholders,

In compliance with the assignment entrusted to us by your shareholders' annual general meeting, we hereby report to you, for the year ended December 31, 2004, on:

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

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

1 | OPINION ON THE FINANCIAL STATEMENTS

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also involves assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion. In our opinion, the financial statements give a true and fair view, in all material respects, of the company's financial position and its assets and liabilities as of December 31, 2004, and of the results of its operations for the year then ended in accordance with the accounting rules and principles applicable in France.

2 | JUSTIFICATION OF ASSESSMENTS

In accordance with the requirements of article L.225-235 of the Commercial code, relating to the justification of our assessments, we bring to your attention that your company allocated contingencies to cover the credit risks inherent in its activities (see the note on "Client loans" in the notes to the financial statements). In our assessment of these estimates, we examined control procedures related to credit risk management, the appreciation of the risk of non-recovery and the coverage of such risk by specific contingencies.

These assessments were thus made within the framework of the performance of our audit of the financial statements, taken as a whole, and therefore contributed to form our unqualified opinion expressed in the first part of this report.

3 | SPECIFIC VERIFICATIONS AND INFORMATION

We also performed the specific verifications required by law in accordance with the professional standards applicable in France.

We have no matters to report regarding the fair presentation and the compliance 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 the 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 payment given and on whatever sort 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 assessed 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 9, 2005

The Statutory Auditors

Caderas Martin

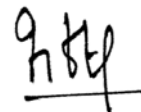
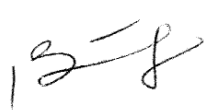
Daniel Butelot
Associé

Olivier Avril
Associé

Mazars & Guérard

Guillaume Potel
Associé

Anne Veaute
Associée



Assets as of December 31, 2004

EUR thousands	Notes	12/31/02	12/31/03	12/31/04
Cash, central banks and postal checking accounts	2.1	-	20,116	18,460
Government and public entity securities eligible for central bank refinancing	2.2	-	2,046,562	1,156,323
Interbank loans and advances		958,290	966,430	1,097,935
A. Interbank loans - Sight	2.3	34	45	45
B. Accrued interest - Sight		-	-	-
C. Interbank loans - Time	2.4	947,979	956,942	1,086,717
D. Accrued interest - Time	2.4	10,277	9,443	11,173
Client loans	2.5	30,003,268	34,377,548	37,307,566
A. Client loans		29,416,108	33,789,700	36,720,815
B. Accrued interest		587,160	587,848	586,751
Bonds and other fixed income securities	2.6	2,098,663	2,048,628	5,141,611
Equities and other variable income securities		-	-	-
Investments in non-consolidated companies and other long-term investments		-	-	-
Investments in consolidated companies		-	-	-
Intangible assets		-	-	-
Property and equipment		-	-	-
Unpaid capital		-	-	-
Treasury stock		-	-	-
Other assets		5	5	16
Accruals and other assets	2.7	1,800,197	1,740,045	1,840,971
TOTAL ASSETS	2.8	34,860,423	41,199,334	46,562,882

Liabilities as of December 31, 2004

EUR thousands	Notes	12/31/02	12/31/03	12/31/04
Interbank loans	3.1	5,331,008	6,932,143	5,585,214
Client deposits (guarantees)	3.2	-	-	-
Debt securities		26,558,141	30,724,302	36,921,393
A. Debt securities	3.3	25,759,871	29,904,452	36,048,331
B. Accrued interest	3.3	798,270	819,850	873,062
Other liabilities	3.4	409,591	58,822	270,928
Accruals and other liabilities	3.5	2,020,954	2,887,764	3,078,293
Reserves for contingencies and deferred taxes	3.9	-	4,625	-
Subordinated debt		-	-	-
General banking risks reserve		-	-	-
Shareholders' equity excluding general banking risks reserve		540,759	591,678	707,054
Capital stock	3.7	450,000	450,000	620,000
Additional paid-in capital		-	-	-
Reserves and retained earnings	3.7	43,617	83,824	11,287
Revaluation adjustments		-	-	-
Regulated provisions	3.6	6,905	10,390	14,911
Net income	3.7	40,207	47,464	60,856
Unallocated net income	3.7	-	-	-
TOTAL LIABILITIES	3.8	34,860,423	41,199,334	46,562,882

Off-balance sheet items as of December 31, 2004

EUR thousands	Notes	12/31/02	12/31/03	12/31/04
COMMITMENTS GRANTED	4.1	1,654,839	2,366,340	2,806,789
Financing commitments		1,654,839	2,366,340	2,806,789
COMMITMENTS RECEIVED	4.2	4,107,085	5,031,351	7,141,438
Financing commitments		1,729,033	2,236,346	4,156,650
Guarantees received		2,378,052	2,795,005	2,984,788
Foreign currency transactions	4.3	17,744,818	18,775,241	22,655,870
Interest rate derivatives	4.4	86,332,775	103,196,170	117,914,297
Other commitments received		-	-	-
Commitments related to securities transactions	4.5	-	23,000	1,000,000

Statement of income as of December 31, 2004

EUR thousands	Notes	12/31/02	12/31/03	12/31/04
Interest income		2,780,928	2,525,062	2,567,985
A. From interbank transactions		4,591	22,447	24,691
B. From client transactions		1,239,537	1,241,475	1,234,351
C. From bonds and other fixed income securities		53,944	77,559	114,888
D. From macro-hedge transactions		1,482,856	1,183,581	1,194,055
Interest expense		(2,666,363)	(2,382,560)	(2,414,022)
A. On interbank transactions		(168,653)	(169,192)	(150,628)
B. On bonds and other fixed income securities		(796,357)	(718,761)	(745,418)
C. On macro-hedge transactions		(1,701,353)	(1,494,607)	(1,517,976)
Income from variable income securities		-	-	-
A. Equities and other variable income securities		-	-	-
B. Long-term investments		-	-	-
Commission income		3	4	6
Commission expense		(204)	(1,568)	(1,970)
Income from financial transactions		(92)	(15)	(6)
Other banking income		22	53	10
Other banking expense		(5)	(19)	(20)
NET BANKING INCOME		114,473	140,957	151,983
General operating expense	5.1	(48,635)	(55,995)	(61,200)
A. Staff costs		-	-	-
1. Payroll expense		-	-	-
2. Social contributions		-	-	-
B. Other general operating expense		(48,635)	(55,995)	(61,200)
1. Taxes		(2,796)	(2,864)	(3,093)
2. Other general operating expense		(45,839)	(53,131)	(58,107)
C. Network commissions		-	-	-
Depreciation and amortization		-	-	-
OPERATING INCOME BEFORE CONTINGENCIES		65,838	84,962	90,783
Cost of risk		(206)	(763)	976
INCOME FROM OPERATIONS		65,632	84,199	91,759
Income (loss) on fixed assets		-	-	-
INCOME BEFORE NON-RECURRING ITEMS AND TAXES		65,632	84,199	91,759
Non-recurring income		-	-	-
Non-recurring expense		-	-	-
Corporate income tax		(22,339)	(33,250)	(26,382)
A. Current taxes		(22,339)	(28,625)	(31,007)
B. Deferred taxes		-	-	-
C. Loss contingencies	5.2	-	(4,625)	4,625
Net allocation to general banking risks reserve and regulated provisions		(3,086)	(3,485)	(4,521)
NET INCOME		40,207	47,464	60,856

Notes to the financial statements as of december 31, 2004

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, 2004, 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, 2003.

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 and Financial Regulation Committee (CRBF).

Change in rules governing the presentation and valuation of financial statements

Within the framework of the first application of CRC regulation 2004-06, Dexia Municipal Agency indicates in the notes to the financial statements the fair value of the derivatives presented off-balance sheet. Moreover, latent capital losses on investment securities, which may be covered by an allowance on the balance sheet and excluding the effect of hedging, are indicated in the corresponding notes to the financial statements

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 prorata temporis for both due and non-due amounts, as is interest on unpaid installments.

Dexia Municipal Agency applies regulation CRC regulation n° 2002-03, in effect as of January 1, 2003, for companies overseen governed by the CRBF. This regulation 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 any 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, 2004.

The contingency rate applied to non-performing loans is proportional to the related risk. Until December 31, 2003, the contingency rate for unpaid installments was 100% for the portion in principal and interest. As of 2004, the amount of interest remains covered for 100% in compliance with current banking regulations. However, an updated review, at the level of the Dexia Credit Local group, of the portion in principal passed in reserve for contingency led to a new estimate because of the low risk of loss in the local government sector, which is 3% of total principal owned, generating a reversal for Dexia Municipal Agency of the

provision in the amount of EUR 1,225 thousand for Dexia Municipal Agency.

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

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

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

The repayment penalties 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 as “Investment securities” in the assets under the headings:

- Government and public entity securities eligible for central bank refinancing;
- Bonds and other fixed income securities.

The item “Government and public entity securities eligible for central bank refinancing” includes securities issued by public sector entities that may be refinanced through the European system of central banks. (Note should be made of the fact that as of December 31, 2003, this item also included securities eligible for refinancing by the central bank that were guaranteed by a public sector entity or covered by public sector commitments. In previous years, all these securities were recorded under the heading “Bonds and other fixed income securities”.)

The item “Bonds and other fixed income securities” includes the following categories of securities (see below 2.6):

- securities issued by public sector entities that are not eligible for refinancing by central banks;
- securities guaranteed by public sector entities;
- securities issued by securitization structures for Italian public sector ABS, Colombo srl and Astrea srl, and securities issued by an Austrian securitization structure, Blue Danube Loan Funding GmbH, guaranteed by the Land of Lower Austria;
- securities issued by subsidiaries of the Dexia Credit Local group for Dexia Municipal Agency, in order to facilitate asset transfers and refinancing. As of December 31, 2004, there were two categories of such securities:
 - securities issued by Dexia Sabadell Banco Local, the Spanish subsidiary of Dexia Credit Local; these securities were issued in the form of *Cedulas Territoriales* (securities already in existence as of December 31, 2003);
 - securities issued by DCC - Dexia Crediop per la Cartolarizzazione srl, the securitization vehicle of Dexia Crediop, the Italian subsidiary of Dexia Credit Local. This securitization vehicle is solely dedicated to the refinancing of Italian public sector assets by Dexia Municipal Agency. In addition, the securities it issues for Dexia Municipal Agency benefit from a total guarantee by Dexia Crediop (see below 2.6). The DCC securitization vehicle was introduced in the second quarter of 2004 with the issue for Dexia Municipal Agency of EUR 1.1 billion in securities representing the Italian public sector assets held by the vehicle.

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 impairment 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 loans. Equalization payments made or received on the redemption of debt are amortized over the residual life of the bonds.

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

Financial future transactions

Dexia Municipal Agency uses 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 Credit 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 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 recognized 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 general 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 recognized *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 CRBF 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, on the one hand, and the amounts recorded in the foreign exchange position equivalent accounts, on the other, 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.

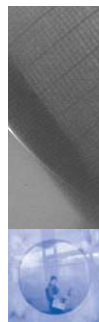
Since January 1, 2002, Dexia Municipal Agency and its parent company Dexia Credit Local have been lodged in a tax consolidation structure, which is Dexia’s permanent establishment in France.

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 Credit 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 12/31/02	Amount as of 12/31/03	Amount as of 12/31/04
Mandatory reserves	-	20.1	18.5
TOTAL	-	20.1	18.5

2.2 - Government and public entity securities eligible for central bank refinancing

a. *Accrued interest included in this item: 13.1*

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
46.3	51.4	85.6	959.8	1,143.1

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

	Amount as of 12/31/04
Listed securities	1,015.1
Other securities	128.0
TOTAL	1,143.1

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

Portfolio	Amount as of 12/31/02	Gross amount as of 12/31/03	Increases	Decreases	Other changes(1)	Amount as of 12/31/04
TS	-	-	-	-	-	-
SAS	-	-	-	-	-	-
IS	-	2,031.0	29.6	(26.2)	(891.3)	1,143.1
	-	2,031.0	29.6	(26.2)	(891.3)	1,143.1

(1) of which EUR (891.3) million related to reclassification in "Bonds and other fixed rate securities".

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

2.3 - Sight inter-bank loans

	Amount as 12/31/02	Amount as of 12/31/03	Amount as of 12/31/04
Balance of current account	-	-	-
Accrued interest not yet due on the current account	-	-	-
TOTAL Dexia Credit Local	-	-	-

2.4 - Time inter-bank loans

This item is composed of an amount of EUR 1,004.6 million (excluding accrued interest) in loans to Swiss cantonal banks. These banks benefit from a legal guarantee of their cantons.

The remainder is comprised of loans to French banks guaranteed by a local government or the French State.

a. Accrued interest included in this item: 11.2

b. Analysis by residual maturity excluding accrued interest

Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total
1.4	88.8	697.0	299.5	1,086.7

c. Analysis by initial maturity excluding accrued interest

	Net amount as of 12/31/02	Net amount as of 12/31/03	Gross amount as of 12/31/04	Decrease in value as of 12/31/04	Net amount as of 12/31/04
Commitments of less than 1 year	-	-	-	-	-
Commitments of more than 1 year	948.0	956.9	1,086.7	-	1,086.7
TOTAL	948.0	956.9	1,086.7	-	1,086.7

2.5 - Client loans

a. Accrued interest included in this item: 586.8

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
1,677.9	2,578.7	12,183.3	20,281.4	36,721.3

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

Economic sector	Amount as of 12/31/02	Amount as of 12/31/03	Amount as of 12/31/04
Public sector	28,281.4	32,424.0	35,146.8
Other sectors*	1,134.7	1,365.7	1,574.5
TOTAL	29,416.1	33,789.7	36,721.3

* 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 12/31/02	Net amount as of 12/31/03	Gross amount as of 12/31/04 ⁽¹⁾	Decrease in value as of 12/31/04	Net amount as of 12/31/04
Commitments of less than 1 year	-	1.1	-	-	-
Commitments of more than 1 year	29,416.1	33,788.6	36,721.3	(0.5)	36,720.8
TOTAL	29,416.1	33,789.7	36,721.3	(0.5)	36,720.8

(1) Including non-performing client loans: EUR 2.4 million; and compromised non-performing loans: EUR 1.8 million.

e. Analysis of loans by category of outstanding commitments excluding accrued interest

	Gross amount as of 12/31/02	Gross amount as of 12/31/03	Gross amount as of 12/31/04	Decrease in value as of 12/31/04	Net amount as of 12/31/04
Sound commitments	29,414.2	33,786.5	36,717.1	-	36,717.1
Restructured commitments	-	-	-	-	-
Non-performing loans	1.9	3.7	2.4	(0.1)	2.3
Compromised non-performing loans	0.9	1.8	1.8	(0.4)	1.4
TOTAL	29,417.0	33,792.0	36,721.3	(0.5)	36,720.8

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

Contingencies on non- performing loans	Amount as of 12/31/02	Amount as of 12/31/03	Allocation	Reversals ⁽¹⁾	Transfert	Amount as of 12/31/04
For non-performing loans						
On loans	0.8	1.1	0.2	(0.5)	(0.7)	0.1
On interest	0.1	0.1	0.1	(0.1)	-	0.1
For compromised non-performing loans						
On loans	-	1.0	0.1	(1.4)	0.7	0.4
On interest	-	0.1	-	(0.1)	-	-
TOTAL	0.9	2.3	0.4	(2.1)	-	0.6

(1) Including a change in the calculation of statistical loss contingencies (see I, p. 86).

2.6 - Bonds and other fixed income securities

a. Accrued interest included in this item: 46.3

b. Analysis by residual maturity excluding accrued interest

Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total
14.3	-	1,884.5	3,196.5	5,095.3

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

Issuer's economic sector	Amount as of 12/31/02	Amount as of 12/31/03 *	Amount as of 12/31/04 *
Public sector	1,807.4	1,848.0	2,287.9
Other sectors (guaranteed by a State or local government)	170.6	172.1	232.9
Other sectors (ABS) ⁽¹⁾	96.7	-	145.7
<i>Cedulas territoriales</i>			
issued by Dexia Sabadell Banco Local ⁽²⁾	-	-	1,300.0
DCC - Dexia Crediop per la Cartolarizzazione ⁽³⁾	-	-	1,128.8
TOTAL	2,074.7	2,020.1	5,095.3

(1) Asset-backed securities (ABS):

- Colombo srl: EUR 39.1 million (rated Aaa Moody's, AAA S&P)
- Astrea srl: EUR 13.4 million (rated AA Fitch, Aa2 Moody's)
- The ABS Colombo and Astrea are entirely composed of Italian public sector commitments.
- Blue Danube Loan Funding GmbH: EUR 93.3 million (rated AA+ S&P - guaranteed by the Land of Lower Austria)

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

(3) DCC - Dexia Crediop per la Cartolarizzazione (rated AA Fitch, Aa2 Moody's and AA S&P).

* See I, "Securities transactions" (p. 87) for reclassification.

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

	Amount as of 12/31/02	Amount as of 12/31/03	Amount as of 12/31/04
Listed securities	917.1	69.0	1,729.4
Other securities	1,157.6	1,951.1	3,365.9
TOTAL	2,074.7	2,020.1	5,095.3

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

Portfolio	Amount as of 12/31/02	Gross amount as of 12/31/03	Increases	Decreases	Change in value of foreign currencies	Other changes as of 12/31/04 ⁽¹⁾	Amount as of 12/31/04
TS	-	-	-	-	-	-	-
SAS	-	-	-	-	-	-	-
IS	2,074.7	2,020.1	2,321.17	(116.9)	(20.9)	891.3	5,095.3
	2,074.7	2,020.1	2,321.17	(116.9)	(20.9)	891.3	5,095.3

(1) The other changes correspond to securities reclassified as of January 1, 2004, from "Government and public entity securities eligible for central bank refinancing" to "Bonds and other fixed income securities" in the amount of EUR 891.3 million, including EUR 3.6 million in premiums and discounts amortized in the first half of 2004. For purposes of comparison, the securities reclassified as of January 1 were as follows:

- Dexia Sabadell Banco Local – *Cedulas Territoriales*: EUR 700 million,
- Blue Danube Loan Funding GmbH (guaranteed by the Land of Lower Austria): EUR 94.1 million,
- Zarco Finance BV (guaranteed par Madeira): EUR 24.6 million,
- Colombo srl: EUR 51.6 million,
- Astrea srl: EUR 21.0 million.

The assets of the ABS Colombo srl and Astrea srl are entirely composed of Italian public sector commitments..

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

2.7 - Accruals and other assets

	Amount as of 12/31/02	Amount as of 12/31/03	Amount as of 12/31/04
Deferred losses on hedging transactions	135.6	210.7	148.6
Deferred charges on bond issues	79.5	65.1	72.0
Deferred charges on hedging transactions ⁽¹⁾	45.6	5.0	127.7
Premiums on acquisition of assets from Dexia Credit Local in France	411.1	312.8	229.4
Premiums on acquisition of assets other than from Dexia Credit Local in France	-	33.8	26.5
Other deferred charges	3.5	0.3	0.3
Accrued interest not yet due on hedging transactions	1,122.4	1,112.3	1,236.5
Translation adjustments	-	-	-
Other accrued income	2.5	-	-
Other assets	-	-	-
TOTAL	1,800.2	1,740.0	1,841.0

(1) Until December 31, 2003, this item was composed of accrued coupons. The other charges were recorded as "Deferred losses on hedging transactions". As of January 1, 2004, "Deferred charges on hedging transactions" also records charges on hedging transactions that have not been unwound.

2.8 - Total assets

Analysis by original currency	Amount in original currency as of 12/31/04	Amount in euros as of 12/31/04
Assets in EUR	44,029.2	44,029.2
Assets in AUD	34.6	19.8
Assets in CAD	35.7	21.8
Assets in CHF	2,567.1	1,663.8
Assets in DKK	6.8	0.9
Assets in GBP	7.2	10.2
Assets in HUF	160.3	0.7
Assets in HKD	0.7	0.1
Assets in JPY	15,524.2	111.2
Assets in NZD	18.7	9.9
Assets in SEK	2,379.5	263.8
Assets in SKK	8.5	0.2
Assets in USD	587.5	431.3
TOTAL		46,562.9

III | NOTES TO THE LIABILITIES (millions of euros)

3.1 – Inter-bank loans

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

Until the first quarter of 2002, 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 EUR 5,561.1 million, broken down as follows (excluding accrued interest):

- the current account, in EONIA, with no defined maturity, financing assets not yet included in the issue program and miscellaneous needs with a balance of EUR 2,061.1 million;
- a sub-account to finance the stock of assets prior to issuance, on EONIA with a maturity of 2 years, repayable when issues are cashed with a balance of EUR 1,500 million;
- a sub-account to finance structural over-collateralization, including (a) EUR 1,100 million in unswapped fixed rate with a maturity of 2009 (the contra entry in the assets for this financing is an equivalent volume of client loans, also in unswapped fixed rate), and (b) EUR 200 million and EUR 700 million in long-term financing adjusted in the fourth quarter of 2004 (on TAM with a maturity of 2011 and 2012), bringing structural over-collateralization financing to EUR 2,000 million, up from EUR 1,800 million in 2003.

The policy of Dexia Municipal Agency is to maintain minimum structural over-collateralization of 5% (i.e. 105% of outstanding *obligations foncières*).

The current account agreement between Dexia Credit Local and Dexia Municipal Agency will exist 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 12/31/02	Amount as of 12/31/03	Amount as of 12/31/04
Balance of current account	176.9	1,382.2	2,061.1
Accrued interest not yet due on the current account	4.8	1.7	3.3
Balance of the ancillary account – maturity 2004	3,300.0	-	-
Balance of the ancillary account – maturity 2005	-	3,700.0	-
Balance of the ancillary account – maturity 2007	-	-	1,500.0
Balance of the ancillary account – maturity 2009	1,800.0	1,800.0	1,100.0
Balance of the ancillary account – maturity 2011	-	-	200.0
Balance of the ancillary account – maturity 2012	-	-	700.0
Accrued interest not yet due on the ancillary account	49.0	48.2	20.3
Unallocated sums	0.3	-	0.5
TOTAL Dexia Crédit Local	5,331.0	6,932.1	5,585.2

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	-	-	-	2,061.1	2,061.1
Time	-	-	2,600.0	900.0	3,500.0

3.2 - Client deposits

	Amount as of 12/31/02	Amount as of 12/31/03	Amount as of 12/31/04
Other deposits - Sight	-	-	-
Other deposits - Time (guarantees)	-	-	-
Total	-	-	-

3.3 - Debt securities

a. Accrued interest included in this item: 873.1

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	-	4,033.4	16,260.1	15,754.9	36,048.4
<i>Of which issuance premiums</i>	-	(3.3)	(20.9)	(64.9)	(89.1)

c. Changes during the year excluding accrued interest

Amount as of 12/31/02	Gross amount as of 12/31/03	Increases	Decreases	Translation adjustments	Decrease in value as of 12/31/04	Amount as of 12/31/04
25,759.9	29,904.5	8,723.8	(2,382.1)	(197.9)	-	36,048.3

3.4 - Other liabilities

	Amount as of 12/31/02	Amount as of 12/31/03	Amount as of 12/31/04
Cash received as collateral	399.4	50.3	266.5
Accrued interest not yet due on cash received as collateral	0.3	-	0.1
Taxes	9.9	8.5	4.3
TOTAL	409.6	58.8	270.9

3.5 - Accruals and other liabilities

	Amount as of 12/31/02	Amount as of 12/31/03	Amount as of 12/31/04
Deferred gains on hedging transactions	239.1	385.8	98.2
Deferred income on hedging transactions ⁽¹⁾	-	6.8	366.8
Deferred income on loans	180.4	101.1	124.4
Discounts recorded on acquisition of loans other than from Dexia Credit Local in France	-	100.9	96.2
Discounts recorded on acquisition of loans from Dexia Credit Local in France	164.4	145.1	123.2
Other deferred income	-	-	-
Accrued interest not yet due on hedging transactions	826.8	833.2	931.0
Other accrued charges	12.1	15.4	16.4
Translation adjustments	598.2	1,293.8	1,321.3
Other liabilities	-	5.7	0.8
TOTAL	2,021.0	2,887.8	3,078.3

(1) Until December 31, 2003, this item was composed of accrued coupons. The other income was recorded as "Deferred gains on hedging transactions". As of January 1, 2004, "Deferred income on hedging transactions" also records income on hedging transactions that have not been unwound.

3.6 - Regulated provisions

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

Gross amount as of 12/31/02	Gross amount as of 12/31/03	Increases	Decreases	Gross amount as of 12/31/04
6.9	10.4	4.5	-	14.9

3.7 - Equity

	Amount as of 12/31/02	Amount as of 12/31/03	Amount as of 12/31/04
Capital stock	450.0	450.0	620.0
Additional paid-in capital	-	-	-
Legal reserve	2.4	4.4	6.7
Retained earnings (+/-)	41.3	79.5	4.5
Translation adjustments	-	-	-
Net income (+/-)	40.2	47.5	60.9
Unallocated net income	-	-	-
TOTAL	533.9	581.4	692.1

On March 31, 2004, the Extraordinary Shareholders' Meeting decided a capital increase of EUR 50 million, increasing the capital from EUR 450 million to EUR 500 million.

On December 3, 2004, the Shareholders' Meeting decided, in its extraordinary capacity, a capital increase of EUR 120 million and, in its ordinary capacity, an exceptional distribution of EUR 120 million. As of December 31, 2004, the capital is divided into 6,200,000 shares with a par value of EUR 100.

3.8 - Total liabilities

Analysis by original currency	Amount in original currency as of 12/31/04	Amount in euros as of 12/31/04
Assets in EUR	44,029.2	44,029.2
Assets in AUD	34.6	19.8
Assets in CAD	35.7	21.8
Assets in CHF	2,567.2	1,663.8
Assets in DKK	6.8	0.9
Assets in GBP	7.2	10.2
Assets in HUF	160.3	0.7
Assets in HKD	0.7	0.1
Assets in JPY	15,524.2	111.2
Assets in NZD	18.7	9.9
Assets in SEK	2,379.5	263.8
Assets in SKK	8.5	0.2
Assets in USD	587.5	431.3
TOTAL		46,562.9

3.9 - Loss contingencies

Gross amount as of 12/31/02	Gross amount as of 12/31/03	Allocation as of 12/31/03	Reversals as of 12/31/03	Gross amount as of 12/31/04
-	4.6	-	(4.6)	-

At the end of 2003, a tax audit was conducted by French tax authorities on the payment dates for taxes generated by early loan repayment penalties and cancellation equalization payments for hedging swaps. Dexia Municipal Agency amortized early loan repayment penalties and swap cancellation equalization payments, for both accounting and tax purposes, over the residual life of the terminated instruments. This procedure was mentioned in the notes to the financial statements in the presentation of accounting policies, most recently in the notes to the 2004 financial statements.

French tax authorities notified the Company in November 2004 that this procedure was not in question in the accounting years ended prior to January 1, 2005. Informed of this decision, the Company reversed the allowance made in 2003, i.e. EUR 4.6 million.

Conversely, the tax and accounting treatments on new transactions of early loan repayment penalties and swap cancellation equalization payments will be modified as of January 1, 2005.

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

4.1 - Commitments granted

	Amount as of 12/31/02	Amount as of 12/31/03	Amount as of 12/31/04
Financing commitments granted to credit institutions	-	-	7.4
Financing commitments granted to clients ⁽¹⁾	1,654.8	2,366.3	2,799.4
TOTAL	1,654.8	2,366.3	2,806.8

(1) Signed contracts for loans not yet paid out to clients.

4.2 - Commitments received

	Amount as of 12/31/02	Amount as of 12/31/03	Amount as of 12/31/04 ⁽¹⁾
Financing commitments received from credit institutions ⁽¹⁾	1,627.6	2,236.4	4,156.7
Currencies borrowed	101.4	-	-
Guarantees received from credit institutions	31.4	25.0	18.4
Guarantees received from local governments	2,346.7	2,770.0	2,966.4
TOTAL	4,107.1	5,031.4	7,141.5

(1) Including EUR 4,056.7 million in refinancing agreements from Dexia Credit Local for *obligations foncières* of less than one year as of December 31, 2004.

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 12/31/02	Amount as of 12/31/03	Amount as of 12/31/04	Fair value as of 12/31/04
Currencies to receive / Currencies to deliver	8,573.3	8,740.9	10,006.7	12.7
Currencies to deliver / Currencies to receive	9,171.5	10,034.3	11,327.9	32.8
TOTAL	17,744.8	18,775.2	21,334.6	45.5

4.4 - Commitments on interest rate derivatives

Commitments on interest rate derivatives are recorded at the face value mentioned in the contracts in accordance with CRBF regulations n° 88-02 and n° 90-15.

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

Type of transaction	Amount as of 12/31/02	Amount as of 12/31/03	Less than 1 year	1 year to 5 years	More than 5 years	Total as of 12/31/04
Unconditional transactions	86,332.8	103,196.2	55,950.3 ⁽¹⁾	21,108.9 ⁽²⁾	40,855.1 ⁽³⁾	117,914.3
(1) of which deferred start:	7,680.7					
(2) of which deferred start:	1,254.5					
(3) of which deferred start:	5,793.1					
Total	14,728.3					

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

b. Analysis of interest rate swap transactions

	Amount as of 12/31/02	Amount as of 12/31/03	Amount as of 12/31/04	Fair value as of 12/31/04
Micro-hedge	30,695.6	39,024.0	47,411.4	729.4
Macro-hedge	55,637.2	64,172.2	70,495.1	(855.0)
TOTAL	86,332.8	103,196.2	117,906.5	(125.6)

c. Analysis of interest rate transactions by product type

	Amount as of 12/31/02	Amount as of 12/31/03	Amount as of 12/31/04
Interest rate swaps	86,332.8	103,196.2	117,906.5
Forward rate agreements	-	-	-
Interest rate options	-	-	7.8
TOTAL	86,332.8	103,196.2	117,914.3

d - Analysis of interest rate transactions by counterparty

	Amount as of 12/31/03	Amount as of 12/31/04
Parent and other Dexia Group companies	67,332.1	74,324.3
Counterparties with equity interests	-	-
Other counterparties	35,864.1	43,590.0
TOTAL	103,196.2	117,914.3

e. Analysis of interest rate transactions by position management

	Amount as of 12/31/02	Amount as of 12/31/03	Amount as of 12/31/04
Isolated open positions	-	-	-
Specialized portfolio management transactions	86,332.8	103,196.2	117,914.3
TOTAL	86,332.8	103,196.2	117,914.3

4.5 - Securities transactions

	Amount as of 12/31/02	Amount as of 12/31/03	Amount as of 12/31/04
Securities purchased			
Spot	-	23.0	1,000.0
Forward	-	-	-
TOTAL	-	23.0	1,000.0

V | NOTES TO THE STATEMENT OF INCOME (millions of euros)

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 Credit 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 Austria, Dexia Crediop, Dexia Public Finance 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 EUR 2.0 million as of December 31, 2004.

General operating expense can be broken down as follows.

	Amount as of 12/31/04
Taxes	3.1
Other general operating expenses (This item mainly includes the management commissions billed by Dexia Crédit Local and other Group companies to Dexia Municipal Agency under the management contracts they have signed, i.e. EUR 56.6 million.)	58.1
TOTAL	61.2

5.2 - Loss contingencies

See 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 (CECEI).

It is therefore subject to the regulations governing credit establishments 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. The above-mentioned articles were amended by:

- article 31 of the MURCEF law of December 11, 2001;
- 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 Credit Local, which owns 99.99 % of the capital of Dexia Municipal Agency:

- capital adequacy ratio,
- control of major risks.

On the other hand, the liquidity ratio and the equity to long-term funds ratio are calculated on the basis of data presented in the financial statements of Dexia Municipal Agency. In 2004, Dexia Municipal Agency had a monthly liquidity ratio of more than 100 %; as of December 31, 2004, it was 175%. The shareholders' equity to long-term funds ratio (*) stood at 64.51%.

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, 2004, the coverage ratio was 115.51 %.

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

Sources and applications of funds (millions of euros)

	2004
1 - SELF-FINANCING	
Change in shareholders' equity (A1)	170.0
Net income (A2)	60.9
Contingencies	4.8
Reversals of contingencies	(6.7)
Net contingencies (B)	(1.9)
Cash flow (C) = (A1) + (A2) + (B)	229.0
Dividend paid (D)	120.0
NET FINANCING (E) = (C) - (D)	109.0
2 - INVESTMENTS	
Change in intangible assets and property and equipment, at cost (F)	-
INTERNALLY GENERATED FINANCING (G) = (E) - (F)	109.0
3 - EXTERNAL SOURCES OF FUNDS	
Change in subordinated debt	-
Change in client deposits (guarantees)	-
Change in debt securities issued (obligations foncières)	6,197.1
Change in deposits (foreign currencies and euros)	-
Change in accruals and other liabilities	190.5
Change in other liabilities	212.1
Change in loan contracts (with Dexia Credit Local *)	(2,027.9)
Change in client deposits	-
Change in external sources of funds (H)	4,571.8
TOTAL SOURCES OF FUNDS (I) = (J) + (H)	4,680.8
4 - USES OF FUNDS	
Change in client loans	2,928.3
Change in interbank loans and money market securities	131.5
Change in accruals and other assets	100.9
Change in other assets	-
Change in investments in subsidiaries and affiliates, at cost	-
Change in marketable securities and investment securities, at cost	2,202.7
TOTAL USES OF FUNDS (J)	5,363.4
NET USES OF FUNDS (K) = (I) - (J)	(682.6)
5 - CASH AND CASH EQUIVALENTS	
Change in current accounts (with Dexia Credit Local ⁽¹⁾)	(681.0)
Change in Trésor Public account	(1.6)
CASH AND CASH EQUIVALENTS = (K)	(682.6)

(1) These amounts correspond to the change in the account opened with Dexia Credit Local, for which the financing conditions are described in note 3.1. They can be broken down as follows:

- Decrease in drawdowns of more than one year	(2,027.9)
- Increase in current account	681.0
- Total net decrease in Dexia Credit Local account	(1,346.9)

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

	2000	2001	2002	2003	2004
Financial position:					
- Capital stock	300,000	400,000	450,000	450,000	620,000
- Number of shares	3,000,000	4,000,000	4,500,000	4,500,000	6,200,000
Results of operations:					
- Revenues ⁽¹⁾	586,659	927,830	1,095,918	1,051,535	1,066,479
- Income before income tax, amortization, depreciation and contingencies net of reversals	31,002	42,458	65,838	84,962	90,041
- Corporate income tax	11,499	14,938	22,339	28,625	31,007
- Income after income tax, amortization, depreciation and contingencies net of reversals	17,953	25,449	40,207	47,464	60,856
- Exceptional distribution ⁽²⁾	-	-	-	-	120,000
- Dividend ⁽³⁾	-	-	-	-	62,000
Per share data:					
- Revenues ⁽¹⁾	195.55	231.96	243.54	233.67	172.01
- Income before income tax, amortization, depreciation and contingencies net of reversals	6.51	6.88	9.67	12.52	9.52
- Corporate income tax	3.84	3.73	4.96	6.36	5.00
- Income before income tax, amortization, depreciation and contingencies net of reversals	5.99	6.36	8.93	10.55	9.82
- Exceptional distribution ⁽²⁾	-	-	-	-	24.00
- Dividend per share ⁽³⁾	-	-	-	-	10.00

(1) Since December 31, 2002, the net result of macro-hedges is included in revenues. Data for the previous years has been modified to reflect this policy.

(2) Distribution decided by the Shareholders' Meeting of December 3, 2004, the number of share being 5 million.

(3) Proposed distribution for 2004

Data for previous years before modification

	2000	2001
Results of operations:		
- Revenues	635,073	1,019,526
Per share data:		
- Revenues	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.

Assets covering sources of funds benefiting from the <i>Privilège</i> (weighted amounts applying regulation CRBF 99-10)	12/31/04
Securities	4,684.5
Receivables related to these securities	47.0
Other Class 1 assets	1,116.4
Loans to public sector entities	36,720.8
Receivables related to these loans	586.8
Shares of mutual funds that meet the conditions of paragraph 2.a of the appendix to regulation 99-10	1,284.6
Class 3 accruals	1,240.2
Total assets	45,680.3

Sources of funds benefiting from the <i>Privilège</i> defined in article L.515-19 of the Monetary and Financial Code	12/31/04
Obligations foncières	36,137.5
Liabilities related to these securities	873.1
Amounts owed under the contract provided for in article L.515-22 of the Monetary and Financial Code	15.9
Amounts owed for financial futures benefiting from the <i>Privilège</i> defined in article L.515-19 of the Monetary and Financial Code	2,519.5
Total liabilities	39,546.0
COVERAGE RATIO	115.51%

Auditors' fees in 2004

Thousands of euros	Mazars et Guérard	Cadéras Martin	Total
Audit services rendered	-	-	-
Audit, certification, examination of company financial statements	98	62	160
Other service rendered	-	-	-
Other services	-	-	-
Legal, tax, labor issues	-	-	-
Internal audit	-	-	-
Other (to specify if >10% of audit fees)	-	-	-
Total	98	62	160

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 (millions of euros)	Redemption value *	Final due date	Stock exchange
6.00% - 15/10/07	AUD	350,000,000	201	206	15-Oct-07	Sydney
5.00% - 16/01/26	AUD	20,000,000	11	11	16-Jan-26	Australian Stock Exchange
6.00% - 04/02/09	AUD	250,000,000	143	153	4-Feb-09	Australian Stock Exchange
5.75% - 02/04/14	AUD	200,000,000	113	121	2-Apr-14	Australian Stock Exchange
SUBTOTAL	AUD	820,000,000	468	491		
5.00% - 11/12/07	CAD	100,000,000	61	71	11-Dec-07	Luxembourg
5.00% - 11/12/07	CAD	50,000,000	30	35	11-Dec-07	Luxembourg
SUBTOTAL	CAD	150,000,000	91	106		
4.00% - 08/03/10	CHF	500,000,000	325	311	8-Mar-10	Swiss exchanges
4.00% - 08/03/10	CHF	200,000,000	129	128	8-Mar-10	Swiss exchanges
4.375% - 22/12/06	CHF	200,000,000	130	129	22-Dec-06	Swiss exchanges
4.25% - 15/08/07	CHF	200,000,000	130	130	15-Aug-07	Swiss exchanges
3.00% - 30/11/07	CHF	300,000,000	195	204	30-Nov-07	Swiss exchanges
3.00% - 30/11/07	CHF	300,000,000	193	203	30-Nov-07	Swiss exchanges
2.375% - 12/10/11	CHF	150,000,000	97	98	12-Oct-11	Several exchanges
SUBTOTAL	CHF	1,850,000,000	1,200	1 203		
CIBOR 3M-0.075% - 19/03/08	DKK	1,253,142,000	168	169	19-Mar-08	Luxembourg
SUBTOTAL	DKK	1,253,142,000	168	169		
FT 5.5% - 25/04/06	EUR	2,000,000,000	2 000	2 000	25-Apr-06	Several exchanges
5.375% - 26/04/07	EUR	1,000,000,000	998	1 000	26-Apr-07	Luxembourg-Paris
5.00% - 26/04/05	EUR	1,250,000,000	1 250	1 250	26-Apr-05	Several exchanges
5.00% - 26/04/05	EUR	750,000,000	750	750	26-Apr-05	Several exchanges
5.00% - 26/04/05	EUR	500,000,000	499	500	26-Apr-05	Several exchanges
5.50% - 26/04/10	EUR	1,250,000,000	1 239	1 250	26-Apr-10	Several exchanges
5.50% - 26/04/10	EUR	500,000,000	493	500	26-Apr-10	Several exchanges
5.50% - 26/04/10	EUR	300,000,000	295	300	26-Apr-10	Several exchanges
Composite rate -24/05/10	EUR	135,000,000	135	135	24-May-10	Paris
Floater rate - 17/05/12	EUR	200,000,000	200	200	17-May-12	Paris
Composite rate - 07/07/10	EUR	15,000,000	15	15	07-July-10	Paris
Composite rate - 23/02/15	EUR	30,000,000	30	30	23-Feb-15	Luxembourg
5.25% - 21/02/11	EUR	250,000,000	253	250	21-Feb-11	Luxembourg
5.25% - 21/02/11	EUR	240,000,000	242	240	21-Feb-11	Luxembourg
5.125% - 27/02/09	EUR	250,000,000	252	250	27-Feb-09	Luxembourg
5.125% - 26/04/05	EUR	500,000,000	500	500	26-Apr-05	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	710	700	26-Apr-10	Several exchanges
4.25% - 12/01/07	EUR	2,000,000,000	1 996	2 000	12-Jan-07	Luxembourg - Paris
5.25% - 06/02/17	EUR	750,000,000	736	750	6-Feb-17	Luxembourg - Paris
5.125% - 27/02/09	EUR	240,000,000	244	240	27-Feb-09	Luxembourg
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	07-May-12	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
5.50% - 25/10/12	EUR	1,000,000,000	996	1 000	25-Oct-12	Luxembourg - Paris

* 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 (millions of euros)	Redemption value *	Final due date	Stock exchange
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	16-July-12	Luxembourg
Guaranteed capital - 30/06/14	EUR	13,000,000	13	13	30-June-14	Luxembourg
Indexed rate - 09/08/17	EUR	300,000,000	300	300	09-Aug-17	Luxembourg
5.50% - 25/10/12	EUR	250,000,000	259	250	25-Oct-12	Luxembourg - Paris
4.25% - 03/09/07	EUR	1,000,000,000	997	1 000	03-Sept-07	Luxembourg - Paris
5.50% - 25/10/12	EUR	250,000,000	258	250	25-Oct-12	Luxembourg - Paris
Guaranteed capital -06/09/12	EUR	10,000,000	10	10	06-Sept-12	Luxembourg
Indexed rate - 09/08/17	EUR	100,000,000	100	100	09-Aug-17	Luxembourg
Guaranteed capital - 03/10/14	EUR	20,000,000	20	20	03-Oct-14	Luxembourg
Guaranteed capital - 30/09/14	EUR	33,000,000	33	33	30-Sept-14	Luxembourg
Guaranteed capital - 22/10/14	EUR	20,000,000	20	20	22-Oct-14	Luxembourg
5.25% - 06/02/17	EUR	100,000,000	102	100	06-Feb-17	Luxembourg - Paris
4.25% - 08/03/10	EUR	100,000,000	101	100	08-Mar-10	Luxembourg
4.25% - 20/02/13	EUR	1,000,000,000	996	1 000	20-Feb-13	Luxembourg - Paris
3.25% - 12/07/08	EUR	1,000,000,000	996	1 000	12-July-08	Luxembourg - Paris
5.25% - 06/02/17	EUR	150,000,000	160	150	06-Feb-17	Luxembourg - Paris
Indexed rate - 07/12/15	EUR	53,000,000	53	53	07-Dec-15	Luxembourg
5.50% - 25/10/12	EUR	100,000,000	109	100	25-Oct-12	Luxembourg - Paris
3.25% - 12/07/08	EUR	250,000,000	249	250	12-July-08	Luxembourg - Paris
Indexed rate - 30/12/13	EUR	140,000,000	140	140	30-Dec-13	Luxembourg
Indexed rate -02/04/18	EUR	136,000,000	136	136	02-Apr-18	Luxembourg
Indexed rate -08/04/13	EUR	25,000,000	25	25	08-Apr-13	Luxembourg
Indexed rate - 30/12/13	EUR	25,350,000	25	25	30-Dec-13	Luxembourg
4.25% - 20/02/13	EUR	500,000,000	498	500	20-Feb-13	Luxembourg - Paris
3.25% - 12/07/08	EUR	1,000,000,000	992	1 000	12-July-08	Luxembourg - Paris
Indexed rate - 02/09/13	EUR	25,000,000	25	25	02-Sept-13	Luxembourg
3.50% - 15/12/08	EUR	75,000,000	75	75	15-Dec-08	Luxembourg
Indexed rate - 26/09/13	EUR	30,000,000	30	30	26-Sept-13	Luxembourg
Indexed guaranteed capital - 09/10/15	EUR	62,000,000	62	62	09-Oct-15	Luxembourg
Indexed rate - 24/09/13	EUR	50,000,000	50	50	24-Sept-13	Luxembourg
Indexed guaranteed capital - 01/10/13	EUR	95,000,000	95	95	01-Oct-13	Luxembourg
Fixed then indexed coupon - 09/08/17	EUR	50,000,000	50	50	09-Aug-17	Luxembourg
2.50% - 27/10/05	EUR	1,000,000,000	998	1 000	27-Oct-05	Luxembourg - Paris
4.00% - 30/03/11	EUR	75,000,000	76	75	31-Mar-11	Luxembourg
Indexed guaranteed capital -20/11/18	EUR	50,000,000	50	50	20-Nov-18	Luxembourg
Euribor 6 months - 26/03/11	EUR	15,000,000	15	15	28-Mar-11	Luxembourg
Coupon indexed on CMS - 15/12/19	EUR	75,000,000	75	75	15-Dec-19	Luxembourg
4.00% - 26/01/11	EUR	1,000,000,000	999	1 000	26-Jan-11	Paris - Luxembourg
Coupon indexed on CMS - 19/02/18	EUR	40,000,000	40	40	19-Feb-18	Luxembourg
5.25% - 06/02/17	EUR	150,000,000	160	150	06-Feb-17	Paris - Luxembourg
Coupon indexed on CMS -02/02/14	EUR	13,000,000	13	13	03-Feb-14	Luxembourg
Indexed guaranteed capital - 01/10/13	EUR	25,000,000	25	25	01-Oct-13	Luxembourg
Coupon indexed on CMS - 20/02/19	EUR	111,500,000	112	112	20-Feb-19	Luxembourg
Indexed guaranteed capital - 26/02/16	EUR	20,000,000	20	20	26-Feb-16	Luxembourg
3.25% - 12/07/08	EUR	750,000,000	746	750	12-July-08	Paris - Luxembourg
Guaranteed capital - 17/03/14	EUR	50,000,000	50	50	17-Mar-14	Luxembourg
Indexed guaranteed capital - 03/03/14	EUR	20,000,000	20	20	03-Mar-14	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 (millions of euros)	Redemption value *	Final due date	Stock exchange
Indexed guaranteed capital - 10/03/14	EUR	10,600,000	11	11	10-Mar-14	Luxembourg
Coupon indexed on CMS - 05/03/20	EUR	30,000,000	30	30	05-Mar-20	Luxembourg
Coupon indexed on CMS - 15/03/19	EUR	65,000,000	65	65	15-Mar-19	Luxembourg
Coupon indexed on CMS - 15/03/16	EUR	50,000,000	50	50	15-Mar-16	Luxembourg
Range accrual on CMS - 15/03/21	EUR	40,000,000	40	40	15-Mar-21	Luxembourg
Range accrual on CMS - 30/03/19	EUR	40,000,000	40	40	29-Mar-19	Luxembourg
Indexed coupon -15/04/19	EUR	27,000,000	27	27	15-Apr-19	Luxembourg
Coupon indexed on CMS - 26/04/19	EUR	35,000,000	35	35	26-Apr-19	Luxembourg
Coupon indexed on CMS - 15/04/19	EUR	51,500,000	52	52	15-Apr-19	Luxembourg
Coupon indexed on CMS - 15/04/19	EUR	100,000,000	100	100	15-Apr-19	Luxembourg
Non inversion range accrual - 21/04/24	EUR	25,000,000	25	25	21-Apr-24	Luxembourg
4.25% - 20/02/13	EUR	500,000,000	502	500	20-Feb-13	Paris - Luxembourg
Coupon indexed on CMS - 21/05/14	EUR	23,000,000	23	23	21-May-14	Luxembourg
Coupon indexed on CMS - 21/05/16	EUR	10,000,000	10	10	21-May-16	Luxembourg
Coupon indexed on CMS - 07/06/19	EUR	10,000,000	10	10	07-June-19	Luxembourg
Indexed guaranteed capital - 02/07/14	EUR	63,000,000	63	63	02-July-14	Luxembourg
Indexed capital - 22/06/24	EUR	50,000,000	50	50	22-June-24	Luxembourg
Range accrual on CMS - 24/06/24	EUR	100,000,000	100	100	24-June-24	Luxembourg
2.75% - 03/07/06	EUR	1,000,000,000	997	1 000	03-July-06	Luxembourg - Paris
4.25% - 28/12/12	EUR	75,000,000	76	75	28-Dec-12	Luxembourg
Coupon indexed on CMS 30 years - 15/07/19	EUR	37,000,000	37	37	15-July-19	Luxembourg
Coupon indexed - 30/07/19	EUR	30,000,000	30	30	30-July-19	Luxembourg
Coupon indexed on CMS 10 years - 01/09/19	EUR	80,000,000	80	80	01-Sept-19	Luxembourg
Multi-index coupon - 27/08/19	EUR	8,500,000	9	9	27-Aug-19	Luxembourg
Coupon indexed on CMS - 10/09/14	EUR	32,000,000	32	32	10-Sept-14	Luxembourg
3.50% - 21/09/09	EUR	1,000,000,000	997	1 000	21-Sept-09	Luxembourg - Paris
Coupon indexed on CMS 10 years - 30/09/14	EUR	28,500,000	29	29	30-Sept-14	Luxembourg
4.47625%-11/10/19	EUR	100,000,000	100	100	11-Oct-19	Luxembourg
Coupon indexed on CMS 30 years - 21/10/19	EUR	65,000,000	65	65	21-Oct-19	Luxembourg
Euribor 6 months - 05/11/10	EUR	200,000,000	200	200	05-Nov-10	Luxembourg
Complex max coupon - 18/11/19	EUR	15,000,000	15	15	18-Nov-19	Luxembourg
Coupon indexed on CMS - 02/12/19	EUR	200,000,000	200	200	02-Dec-19	Luxembourg
E3M - 7bps - 09/08/06	EUR	25,000,000	25	25	09-Aug-06	Paris
Capitalized Eonia coupon - 1bp - 20/07/06	EUR	50,000,000	50	50	20-July-06	Paris
Capitalized Eonia coupon - 20/07/06	EUR	50,000,000	50	50	20-July-06	Paris
5.80% adjusted modify following- 03/12/24	EUR	120,000,000	120	120	03-Dec-24	Luxembourg
Coupon indexed on CMS - 26/11/11	EUR	75,000,000	75	75	26-Nov-11	Luxembourg
Coupon indexed on CMS - 06/12/14	EUR	50,000,000	50	50	06-Dec-14	Luxembourg
Coupon indexed on CMS - 26/11/11	EUR	75,000,000	75	75	26-Nov-11	Luxembourg
SUBTOTAL	EUR	29,162,950,000	29,153	29 163		
5.50% - 16/07/26	GBP	125,000,000	175	205	16-July-26	Luxembourg
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
4.875% - 30/12/08	GBP	200,000,000	283	299	30-Dec-08	Luxembourg
4.875% - 30/12/08	GBP	100,000,000	141	148	30-Dec-08	Luxembourg
4.875% - 30/12/08	GBP	70,000,000	98	104	30-Dec-08	Luxembourg
5.25% - 07/12/06	GBP	150,000,000	212	224	07-Dec-06	Luxembourg
SUBTOTAL	GBP	1,049,000,000	1,483	1 626		

* 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 (millions of euros)	Redemption value *	Final due date	Stock exchange
5.22% - 05/12/17	HKD	200,000,000	19	26	05-Dec-17	Luxembourg
SUBTOTAL	HKD	200,000,000	19	26		
9.75% - 15/12/06	HUF	13,000,000,000	53	52	15-Dec-06	Luxembourg
SUBTOTAL	HUF	13,000,000,000	53	52		
2.315% - 08/08/16	JPY	3,000,000,000	21	28	08-Aug-16	Luxembourg
Libor 6 months - 18/08/14	JPY	1,000,000,000	7	7	18-Aug-14	Luxembourg
SUBTOTAL	JPY	4,000,000,000	29	36		
7.00% - 26/11/07	NZD	100,000,000	53	51	26-Nov-07	Luxembourg
6.25% - 02/10/07	NZD	100,000,000	53	47	02-Oct-07	Luxembourg
5.75% - 07/04/09	NZD	100,000,000	53	50	07-Apr-09	Luxembourg
5.25% - 20/08/07	NZD	100,000,000	53	51	20-Aug-07	Luxembourg
6.50% - 11/12/08	NZD	100,000,000	53	54	11-Dec-08	Luxembourg
5.75% - 07/04/09	NZD	50,000,000	26	27	07-Apr-09	Luxembourg
SUBTOTAL	NZD	550,000,000	292	280		
5.20% - 24/09/24	SKK	605,000,000	16	15	24-Sept-24	Luxembourg
SUBTOTAL	SKK	605,000,000	16	15		
Floater rate - 30/06/06	USD	200,000,000	147	222	30-June-06	Luxembourg
5.43% - 28/06/05	USD	50,000,000	37	57	28-June-05	Luxembourg
5.125% - 11/09/06	USD	750,000,000	553	829	11-Sept-06	Luxembourg
5.125% - 11/09/06	USD	250,000,000	184	276	11-Sept-06	Luxembourg
4.875% - 11/01/07	USD	300,000,000	221	334	11-Jan-07	Luxembourg
5.625% - 27/03/09	USD	500,000,000	366	564	27-Mar-09	Luxembourg
4.875% - 24/05/07	USD	1,000,000,000	738	1 099	24-May-07	Luxembourg
6.25% - 27/03/09	USD	75,000,000	56	85	27-Mar-09	Luxembourg
5.31% - 12/09/17	USD	20,000,000	15	20	12-Sept-17	Luxembourg
Libor 3 months USD - 25/11/10	USD	344,190,000	253	300	25-Nov-10	None
5.00% - 12/12/12	USD	70,000,000	52	58	12-Dec-12	Luxembourg
Libor USD 1M - 0.035% - 01/07/19	USD	269,500,000	198	223	01-July-19	Luxembourg
6.25% - 19/07/24	USD	20,000,000	15	16	19-July-24	Luxembourg
Step up coupon - 17/09/14	USD	30,000,000	22	25	17-Sept-14	Luxembourg
Step up coupon - 24/09/14	USD	25,000,000	18	20	24-Sept-14	Luxembourg
Zero coupon - 27/09/24	USD	80,000,000	18	61	27-Sept-24	Luxembourg
Step up coupon - 22/10/14	USD	25,000,000	18	20	22-Oct-14	Luxembourg
Step up coupon - 22/10/14	USD	25,000,000	18	20	22-Oct-14	Luxembourg
Step up coupon - 22/10/14	USD	50,000,000	37	41	22-Oct-14	Luxembourg
Zero coupon - 25/10/24	USD	80,000,000	18	61	25-Oct-24	Luxembourg
Libor 3 months USD - 17/11/14	USD	127,920,000	94	100	17-Nov-14	Unlisted
SUBTOTAL	USD	4,291,610,000	3,077	4,431		
BALANCE SHEET TOTAL			36,048	37,596		

List of bonds negotiated by Dexia Municipal Agency in 2004 and issued in 2005

Description of securities	Currency	Nominal amount in the currency	Nominal amount (millions of euros)	Redemption value *	Final due date	Stock exchange
Composite rate - 14/01/15	EUR	100,000,000	100	100	14-Jan-15	Luxembourg
OFF-BALANCE SHEET TOTAL		100,000,000	100	100		

* 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 governance and on internal control procedures⁽¹⁾

CONDITIONS OF PREPARATION AND ORGANIZATION OF THE SUPERVISORY BOARD'S GOVERNANCE

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 Credit 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 Chief Administrative 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 head of the legal and tax department of Dexia Credit Local.

The composition of the Supervisory Board was not modified in 2004.

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, the presentation of the financial statements, and the development of foreign asset acquisition projects. Specific topics are added on certain occasions: reports in application of articles 42 and 43 of regulation 97-02; information to be published relating to the quality of assets as well as the level and sensitivity of the interest rate position in application of article 13 of regulation 99-10.

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

During Supervisory Board meetings, the Executive Board develops the points on the agenda by comments and synthetic presentations. The Board advises on strategic choices and, if necessary, makes recommendations that are followed up on in subsequent meetings. The Board pays special attention to transfers of public sector assets to Dexia Municipal Agency by Group entities, as well as to the issue policy and the performance of *obligations foncières* in the secondary market. With regard to the Company's general strategy, the Supervisory Board believes that in the case of Dexia Municipal Agency, the optimization of issuance conditions in the AAA range is linked to investors' perception of the Company's excellent asset quality and very low risk profile. The management guidelines set up by the Executive Board of Dexia Municipal Agency and the reports submitted to the Supervisory Board on these subjects allow it to have the desired confidence in these matters of prime importance. These points are developed below.

(1) In compliance with article L.225-68 of the Commercial code (originally article 117 of the Financial Security Law of August 2, 2003).

II DEXIA MUNICIPAL AGENCY'S PARTICULAR OPERATING STRUCTURE

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

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

III GENERAL ORGANIZATION OF INTERNAL CONTROL SYSTEMS - INTERNAL CONTROL APPLIED AT DEXIA MUNICIPAL AGENCY

The general organization distinguishes between the operating functions that originate transactions and the control functions that validate them.

There are three major categories of internal control.

- Operating controls in the front office category are carried out by line operators and their direct managers with respect to the function's procedures.

The functions dedicated to Dexia Municipal Agency 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 Municipal Agency'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 Municipal Agency targets, the people in charge of operations at Dexia Municipal Agency follow particular procedures within the general framework of the procedures of Dexia Credit Local. The procedures of Dexia Municipal Agency 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 Municipal Agency's Executive Board. They are collected in a handbook of procedures specific to Dexia Municipal Agency that can be consulted on the local area network by the teams involved.

- Internal controls to validate operations, in 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 Municipal Agency'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.

An independent control is carried out by the Dexia Credit 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 Credit Local's internal audit division reports on its missions to the Supervisory Board and the Chairman of the Executive Board of Dexia Credit Local. With regard to Dexia Municipal Agency, it also has responsibility vis-à-vis Dexia Municipal Agency'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 Executive Board of Dexia Municipal Agency) 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 Municipal Agency whenever necessary.

The contract between Dexia Municipal Agency and Dexia Credit Local stipulates in article 9: "The management of Dexia Credit Local's internal audit division audits all of the transactions and procedures of



Dexia Municipal Agency, as it does for Dexia Credit 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 Municipal Agency's own internal control unit for all that concerns CRB regulation 97-02 (control of Dexia Municipal Agency'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 Municipal Agency'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 IDENTIFICATION OF RISKS COMPATIBLE WITH THE ACTIVITY OF DEXIA MUNICIPAL AGENCY - RISK MONITORING AND CONTROL

When the Company was created in 1999, a distinction was made between risks that are compatible and risks that are not compatible with the legal and regulatory framework of *sociétés de crédit foncier* and with the specific nature of Dexia Municipal Agency's by-laws and its approval by French banking authorities (Comité des établissements de crédit et des entreprises d'investissement (CECEI) de la Banque de France). In several cases, rating agencies expressed restrictions or validated limits for risks compatible with the Company's activity. Subsequently, a policy paper was drafted to make a synthesis of these compatible risks, "Principles and Rules for DMA's Risk Management", a document that received the approval of rating agencies, since these principles have not been modified. The general approach, adopted by Dexia Municipal Agency's Executive Board and applied in each Dexia Credit Local department in charge of operations, involves monitoring: i) that risks not compatible with the activity of Dexia Municipal Agency are not taken by the Company or are eliminated from the start, ii) that risks compatible with the activity are exactly maintained within authorized limits, and iii) that control reports are established at the level of the front-and middle-offices of Dexia Credit Local, that they are forwarded to Dexia Municipal Agency's Executive Board, that the results of such controls are presented to the Supervisory Board and, finally, that these results are reported to the specific comptroller and the data is made available for his investigations.

Credit risk on assets

The assets eligible for Dexia Municipal Agency's balance sheet are commitments on public sector entities or benefiting from their guarantee as defined by the L.515-15, 16, 17 of the Monetary and Financial Code. The great majority of these assets come from the commercial public sector financing activities of Dexia Group entities. When new assets are transferred or allocated to Dexia Municipal Agency's balance sheet, eligibility is verified at two successive levels for both French and non-French assets. These verifications follow standard procedures.

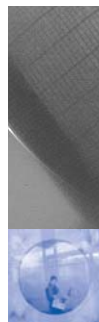
For new French loans, these controls are conducted:

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

For foreign assets, controls are conducted:

- by the Group subsidiary or entity that generated the asset;
- by the Risk Control Department. A control is also effected by a member of Dexia Municipal Agency's Executive Board.

Credit risk on assets is overseen by the Risk Control Department's Commitments unit, which analyzes risks and synthesizes analyses by foreign subsidiaries applying Group methods. It produces an internal rating



and sets a commitment ceiling. The internal risk rating scale has 18 levels, two of which for counterparties that have defaulted; a correspondence table ensures consistency between the scale of internal ratings and agency rating scales. The Risk Control Department determines the consolidated commitments limits for the Dexia Credit Local Group within the overall limits of the Dexia Group. Commercial entities have delegations at their disposal within the limits set; any particular cases that have not been foreseen in the delegation arrangements are examined at Dexia Credit Local's weekly Credit committee meeting. Commitments on public sector entities that correspond to the activity of the Dexia Credit Local Group and the balance sheet of Dexia Municipal Agency run little risk of default. Files that, nevertheless, fall into this category are examined quarterly by the Outstanding Monitoring committees, which decide contingencies and by the Default committees as long as the files remain open. Contingencies are decided by the Loss Contingencies committee that is chaired by the Risk Control Department.

Credit risk on bank counterparties

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

Market risks

These risks are among those that are not compatible with Dexia Municipal Agency's balance sheet. Bonds held in the assets cannot be recorded in the trading portfolio. They are acquired with the intention to be held until maturity and are considered as investment securities. In addition, Dexia Municipal Agency cannot have a derivative instrument in an isolated open position. All derivatives used by Dexia Municipal Agency are part of a hedging strategy, either micro- or macro-hedges. The sole market risk may come from a foreign exchange risk. Dexia Municipal Agency'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 micro-hedge swaps, a category that includes currency swaps. General Accounting verifies that for each reporting period there is no foreign exchange position.

General interest rate risk

Dexia Municipal Agency uses micro and macro interest rate hedges to manage general interest rate risk. Micro-hedges cover the interest rate risk on *obligations foncières*, and on a part of debt securities and loans. These micro-hedges are subject to a symmetry check by the market's back office, market subsidiary accounting and client subsidiary accounting and General Accounting. Macro-hedges are basically used to manage interest rate risk on fixed rate loans not covered by micro-hedges. The goal of Dexia Municipal Agency is to neutralize interest rate risk as much as possible from an operating standpoint.

Dexia Municipal Agency manages general interest rate risk within strict limits by following simple principles involving several sets of controls. The method used consists in converting assets and liabilities on a variable index so that they move in a parallel manner under the impact of yield curve movements. Interest rate risk related to the fixed rate gap is then contained within a limit of 10 million euros and the risk related to the monetary gap is contained within a EUR 2.5 million limit (in both cases, the sensitivity limit implies a variation in the gap's net present value for a 1%, i.e. 100bp, change in the yield curve).

Respect of limits is monitored by i) the ALM management team, which checks and reports on its own activities on a weekly basis as a first level control, and ii) by the Financial activities control unit of the Risk Control Department, which reports monthly.



Compliance with the coverage ratio, the congruence of maturities and liquidity risk

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

The unit in charge of stress scenarios to be used by rating agencies regularly produces the extinction profile of amortizations of assets and *obligations foncières*.

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

In addition, every month, the coverage ratio is projected in the future by incorporating updated forecasts including the acquisition of assets and the issuance of *obligations foncières*.

The profile on the basis of the extinction of assets and *obligations foncières* mentioned above provides a graphic illustration of the congruence of maturities.

The congruence of maturities of assets and liabilities 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 is always very satisfactory. In 2004, it was recognized that the duration gap between assets and *obligations foncières* is a good measure of congruence. The limit of this duration gap between assets and *obligations foncières* was set at 3 years as of 2005.

This data is reported to the Executive Board by the stress scenarios unit and the Financial activities control section of the Risk Control Department. The Executive Board then transmits the data to the Supervisory Board. The average life and duration are mentioned in the management report at the end of 2004, and in the document on the quality of assets and interest rate risk management addressed to the Commission Bancaire and published in the official legal bulletin BALO.

Legal risk

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

Money laundering risk

Dexia Credit Local employees in charge of Dexia Municipal Agency transactions are required to attend training sessions organized by the compliance division throughout the Dexia Credit Local Group, which also monitors general compliance in conformity with regulation 97-02 as amended.

With regard to the placement of Dexia Municipal Agency issues, the Distribution Agreement of the EMTN programme includes a specific clause obliging traders to comply with the European Council directive of June 10, 1991, on the prevention of money laundering. For stand alone issues (issues not in the EMTN programme), traders should commit to comply with the same clause. The same commitment concerning compliance with the European directive on money laundering is required of banking correspondents that serve as intermediaries for investors in private placements.

Operating risks involving information systems

The security of Dexia Municipal Agency's information systems is managed within Dexia Credit 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 Credit 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. 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 | PRODUCTION AND PROCESSING OF ACCOUNTING AND FINANCIAL INFORMATION

Preparation of financial statements

The company's financial statements should give a faithful picture of its assets, financial situation and results. Accounting at Dexia Municipal Agency is the responsibility of the Accounting Division of Dexia Credit Local. In the second half of 2004, the organization of Accounting was modified at Dexia Credit Local in order to centralize control resources. Specialized subsidiary accounting teams previously decentralized in client and market back-offices now report to the Chief Accounting Manager, who also benefits from the creation of an independent accounting control team and a quality team. These adaptations were made in order to apply IFRS standards in a uniform manner within the group. (It should be noted that if Dexia Municipal Agency does not produce consolidated accounts and, consequently, is not required to publish its financial statements in IFRS format, it must nevertheless produce accounting information in this format for the Group's consolidation requirements.) The accounting team in charge of Dexia Municipal Agency's financial statements and the team in charge of those of Dexia Credit Local, its parent company, now report to the same officer.

For the production of 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 by a first level control exercised by subsidiary accounting units, in particular by analyzing bank reconciliation and technical suspension accounts. Every month, operations recorded in the accounts are compared with management balances, and symmetry controls are conducted on micro-hedged 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 at monthly, quarterly and annual closing periods. The work already accomplished in subsidiary accounting units is periodically reviewed to make sure that controls (of which a formal list is kept) were correctly carried out.

When end-of-quarter results are produced, General Accounting establishes a synthesis on the controls carried out, including detailed reports on controls made by subsidiary accounting units and the General

Accounting teams. These reports include checklists of the controls accomplished, and in some cases a commentary. The synthesis is forwarded to a member of Dexia Municipal Agency's Executive Board.

Independently of General Accounting, 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 to serve as the basis for 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 scrutiny during the preparatory phase and in their final form by a member of Dexia Municipal Agency's Executive Board.

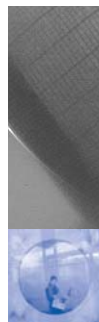
Dexia Municipal Agency's Executive Board meets to approve quarterly financial statements. The company's two auditors attend the meeting and the specific controller is also invited.

The annual report is prepared by Dexia Municipal Agency's Executive Board in liaison with Dexia Credit Local, in particular, General Accounting, Production Loan Administration and the Risk Control Department. 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 throughout the process used to control financial and accounting data in order to ensure efficiency and transparency. In due diligence, they analyze accounting procedures and evaluate current internal control systems solely to determine the nature, period and extent of their controls. Their audit makes no judgment on the efficiency and reliability of internal control systems. Nevertheless, on this occasion, they may make recommendations on internal control procedures and systems that could influence 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
(Free translation of a French language original)*

This is a free translation into English of the statutory auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. This report includes information specifically required by French law and this is presented after the Opinion on the financial statements. This information includes an explanatory paragraph discussing the auditors' assessment (1) of certain significant accounting matters. These assessments were made for the purpose of issuing an opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements. The report also includes information relating to the specific verification (2) of information in the management report.

This report together with the statutory auditors' report addressing financial and accounting information in the Chairman's report on internal control, should be read in conjunction with French law and professional auditing standards applicable in France.

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 hereby 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, 2004.*

It is the responsibility of the Chairman of the Supervisory Board to give an account, in his report of the conditions in which the tasks and governance of the Supervisory Board are prepared and organized and of the internal control procedures implemented within the company.

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

We conducted our work in accordance with the professional guidelines applicable in France. These guidelines require that we assess the fairness of information given in the report prepared by the Chairman of the Supervisory Board on the internal control procedures relating to the preparation and processing of financial and accounting information. We have:

- *obtained an understanding of the objectives and general organization of internal control, as well as the internal control procedures relating to the preparation and processing of financial and accounting information, as set out in the Chairman's report; and*
- *obtained an understanding of the company's procedures supporting the information provided in the Chairman's report.*

Based on the procedures we have performed, we have no matters to report in connection with the information provided on the company's internal control procedures relating to the preparation and processing of financial and accounting information, contained in the report of the Chairman of the Supervisory Board, prepared in accordance with article L.225-68 of the Commercial code.

Paris, March 9, 2005

The Statutory Auditors

Caderas Martin

Daniel Butelot
Associé

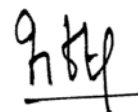
Olivier Avril
Associé

Mazars & Guérard

Guillaume Potel
Associé

Anne Veaute
Associé






SHAREHOLDERS' MEETING

of March 24, 2005

Report of the Executive Board on the proposed resolutions

The Executive Board invites shareholders to approve the following resolutions at the Ordinary and Extraordinary Shareholders' Meeting of March 24, 2005.

At the Ordinary Shareholders' Meeting:

- 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 L.225-86 of the Code de Commerce (second resolution).
- As a consequence of the adoption of the first two resolutions, the Shareholders' Meeting will give discharge to the members of the Executive Board for the performance of their duties during the year (third resolution).
- The Shareholders' Meeting will then vote on the allocation of net income (fourth resolution).
- The Shareholders' Meeting will be asked to take note that the financial statements for the year ended December 31, 2004, 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 (fifth resolution).
- The Shareholders' Meeting will be asked to renew the appointments as members of the Supervisory Board of Jacques Guerber, Rembert von Lowis of Menar, Jean-Luc Petitpont, Jean Le Naour, Jean-Paul Gauzès, Pierre Homi Rahmani, Dexia Credit Local and Dexia Bank Belgium, whose terms come to an end the day of the Shareholders' Meeting (sixth to thirteenth resolutions).
- The Shareholders' Meeting will also be asked to appoint François Duroillet as a new member of the Supervisory Board (fourteenth resolution).
- The Shareholders' Meeting will be asked to renew the mandate of the statutory and alternate auditors (fifteenth to eighteenth resolutions).

At the Extraordinary Shareholders' Meeting:

- The Shareholders' Meeting will be invited to vote on the principle of a capital increase in the amount of 60,000,000 euros (nineteenth resolution).
- In consequence of the previous resolution, article 6 of the Company's bylaws should be modified (twentieth resolution).

Finally, the Shareholders' Meeting will give full powers to carry out all legal formalities (twenty-first resolution).

The above-mentioned proposed resolutions were presented to the Supervisory Board at its meeting on March 8, 2005. The Board stated it would adopt them without reserve.

The Executive Board

Observations of the Supervisory Board

Pursuant to the provisions of article L.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, 2004.

The Supervisory Board wishes to thank the Executive Board for the initiatives taken and the results achieved during the year ended December 31, 2004.

The Supervisory Board

Proposed resolutions of the Shareholders' Meeting

AT THE ORDINARY SHAREHOLDERS' MEETING

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, 2004, as presented, with all the transactions which generated these financial statements or are mentioned in the above reports, showing net income of EUR 60,856,189.08.

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 agreements therein mentioned.

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 the executive members of the Executive Board for the performance of their duties during the year ended December 31, 2004.

Fourth resolution:

APPROPRIATION OF NET INCOME

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

Appropriation of net income	euros
Net income in 2004	60,856,189.08
Legal reserve (5%)	(3,042,809.45)
Retained earnings	4,542,996.96
2004 income available for distribution	62,356,376.59
Dividends distributed	62,000,000.00
Retained earnings after allocation	356,376.59

Each share will receive a dividend of 10 euros.

The dividend will be paid as of March 31, 2005.

In addition, the Ordinary and Extraordinary Shareholders' Meeting of December 3, 2004, decided to allocate an exceptional distribution of 24 euros to each share.

The Ordinary Shareholders' Meeting notes that no dividend was paid for the fiscal years 2001, 2002 and 2003.

Fifth 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, 2004, 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.

Sixth resolution:

RE-APPOINTMENT OF A MEMBER OF THE SUPERVISORY BOARD

Noting that the term of Jacques Guerber as a member of the Supervisory Board comes to an end after this meeting, the Ordinary Shareholders' Meeting decides to re-appoint him as a member of the Supervisory Board for a term of six years, which will end after the Ordinary Shareholders' Meeting held in 2011 and called to approve the financial statements for the year ending December 31, 2010.

Seventh resolution:

RE-APPOINTMENT OF A MEMBER OF THE SUPERVISORY BOARD

Noting that the term of Rembert von Lowis de Menar as a member of the Supervisory Board comes to an end after this meeting, the Ordinary Shareholders' Meeting decides to re-appoint him as a member of the Supervisory Board for a term of six years, which will end after the Ordinary Shareholders' Meeting held in 2011 and called to approve the financial statements for the year ending December 31, 2010.

Eighth resolution:

RE-APPOINTMENT OF A MEMBER OF THE SUPERVISORY BOARD

Noting that the term of Dexia Bank Belgium as a member of the Supervisory Board comes to an end after this meeting, the Ordinary Shareholders' Meeting decides to re-appoint this establishment as a member of the Supervisory Board for a term of six years, which will end after the Ordinary Shareholders' Meeting held in 2011 and called to approve the financial statements for the year ending December 31, 2010.

Ninth resolution:

RE-APPOINTMENT OF A MEMBER OF THE SUPERVISORY BOARD

Noting that the term of Jean-Luc Petitpont as a member of the Supervisory Board comes to an end after this meeting, the Ordinary Shareholders' Meeting decides to re-appoint him as a member of the Supervisory Board for a term of six years, which will end after the Ordinary Shareholders' Meeting held in 2011 and called to approve the financial statements for the year ending December 31, 2010.

Tenth resolution:

RE-APPOINTMENT OF A MEMBER OF THE SUPERVISORY BOARD

Noting that the term of Jean Le Naour as a member of the Supervisory Board comes to an end after this meeting, the Ordinary Shareholders' Meeting decides to re-appoint him as a member of the Supervisory Board for a term of six years, which will end after the Ordinary Shareholders' Meeting held in 2011 and called to approve the financial statements for the year ending December 31, 2010.

Eleventh resolution:

RE-APPOINTMENT OF A MEMBER OF THE SUPERVISORY BOARD

Noting that the term of Jean-Paul Gauzès as a member of the Supervisory Board comes to an end after this meeting, the Ordinary Shareholders' Meeting decides to re-appoint him as a member of the Supervisory Board for a term of six years, which will end after the Ordinary Shareholders' Meeting held in 2011 and called to approve the financial statements for the year ending December 31, 2010.

Twelfth resolution:

RE-APPOINTMENT OF A MEMBER OF THE SUPERVISORY BOARD

Noting that the term of Pierre Homi Rahmani as a member of the Supervisory Board comes to an end after this meeting, the Ordinary Shareholders' Meeting decides to re-appoint him as a member of the Supervisory Board for a term of six years, which will end after the Ordinary Shareholders' Meeting held in 2011 and called to approve the financial statements for the year ending December 31, 2010.

Thirteenth resolution:

RE-APPOINTMENT OF A MEMBER OF THE SUPERVISORY BOARD

Noting that the term of Dexia Credit Local as a member of the Supervisory Board comes to an end after this meeting, the Ordinary Shareholders' Meeting decides to re-appoint this establishment as a member of the Supervisory Board for a term of six years, which will end after the Ordinary Shareholders' Meeting held in 2011 and called to approve the financial statements for the year ending December 31, 2010.

Fourteenth resolution:

APPOINTMENT OF A MEMBER OF THE SUPERVISORY BOARD

The Ordinary Shareholders' Meeting decides to appoint François Duroillet as a member of the Supervisory Board for a term of six years, which will end after the Ordinary Shareholders' Meeting held in 2011 and called to approve the financial statements for the year ending December 31, 2010.

Fifteenth resolution:

RE-APPOINTMENT OF A STATUTORY AUDITOR

Noting that the term of Caderas Martin as the Company's independent statutory auditor comes to an end after this meeting, the Ordinary Shareholders' Meeting re-appoints this firm for a term of six years, which will end after the Ordinary Shareholders' Meeting held in 2011 and called to approve the financial statements for the year ending December 31, 2010.

Sixteenth resolution:

RE-APPOINTMENT OF A STATUTORY AUDITOR

Noting that the term of Mazars et Guérard as the Company's independent statutory auditor comes to an end after this meeting, the Ordinary Shareholders' Meeting re-appoints this firm for a term of six years, which will end after the Ordinary Shareholders' Meeting held in 2011 and called to approve the financial statements for the year ending December 31, 2010.

Seventeenth resolution:

RE-APPOINTMENT OF AN ALTERNATE AUDITOR

Noting that the term of François Martin as the Company's independent alternate auditor comes to an end after this meeting, the Ordinary Shareholders' Meeting re-appoints him for a term of six years, which will end after the Ordinary Shareholders' Meeting held in 2011 and called to approve the financial statements for the year ending December 31, 2010.

Eighteenth resolution:

RE-APPOINTMENT OF AN ALTERNATE AUDITOR

Noting that the term of Pierre Masieri as the Company's independent alternate auditor comes to an end after this meeting, the Ordinary Shareholders' Meeting re-appoints him for a term of six years, which will end after the Ordinary Shareholders' Meeting held in 2011 and called to approve the financial statements for the year ending December 31, 2010.

AT THE EXTRAORDINARY SHAREHOLDERS' MEETING

Nineteenth resolution:

CAPITAL INCREASE IN THE AMOUNT OF EUR 60,000,000 VIA THE CREATION OF NEW SHARES IN CASH

The Extraordinary Shareholders' Meeting, after hearing the Executive Board's report and noting that the capital stock is entirely paid up, decides to increase capital stock by EUR 60,000,000 from EUR 620,000,000 to EUR 680,000,000 via the creation of 600,000 new shares in cash with a par value of EUR 100 each.

The new shares are issued at par and will be fully paid up at subscription in cash. They will have effect as of January 1, 2005, whatever the date of the capital increase, and will be completely assimilated to existing shares and subject to all the provisions of the by-laws and decisions of the Shareholders' Meetings from their creation.

Subscriptions will be received between March 31, 2005, and April 4, 2005, included, at the Company's registered office. The funds paid to back the subscriptions will be deposited with Dexia CLF Banque.

Twentieth resolution:

AMENDMENT TO ARTICLE 6 OF THE BY-LAWS

The Extraordinary Shareholders' Meeting, with the suspensive condition that there is, in fact, a capital increase, decides to amend article 6 of the Company's by-laws as follows.

Article 6: Capital stock

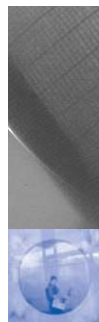
"Capital stock is set at the sum of EUR 680,000,000. It is divided into 6,800,000 shares with a par value of EUR 100 each."

The accomplishment of the capital increase will be sufficiently evidenced by the certificate of deposit of funds drawn up by Dexia CLF Banque.

Twenty-first resolution:

POWERS

The Ordinary Shareholders' Meeting gives full powers to Florence Mannes 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 *société financière - 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 French 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)

The Company'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*.

The Company may also fund the above-mentioned activities by issuing bonds or other sources of financing that 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, the Company may assign all the assets it owns, whatever the nature (professional or not) of these assets.

COMPANY REGISTRATION AND APE BUSINESS IDENTIFICATION CODE

Dexia Municipal Agency is registered as a company under the number PARIS B 421 318 064
(Paris Trade and Companies Register).
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 to reserves pursuant to current legislation, plus any retained earnings carried forward from previous years.

From the available surplus, the Ordinary 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.

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 620,000,000 represented by 6,200,000 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.

The Extraordinary Shareholders' Meeting of March 31, 2004, increased the capital to EUR 500,000,000.

The Extraordinary Shareholders' Meeting of December 3, 2004, increased the capital to EUR 620,000,000.

	2000	2001	2002	2003	2004
- 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 6, 2004, there were 5,000,000 voting rights in existence increased to 6,200,000 voting rights by the Extraordinary Shareholders' Meeting of December 3, 2004.

DECLARATION OF FINANCIAL SUPPORT

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

"Within the scope of its financing policies, Crédit Local de France 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 will hold more than 95% of the capital of Dexia Municipal Agency on a long-term basis.

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