



the bank for sustainable development



Accounts and Reports 2004

Contents

Management report

<i>Business review and results</i>	4
1 – Business review	
2 – Results	
3 – Acquisition of own shares	
4 – IFRS and Basel II Projects	
<i>Corporate governance</i>	14
1 – Shareholder relations	
1.1. Shareholders	
1.2. Relations among shareholders	
1.3. Relations with shareholders	
1.4. Circular FMI/2003-02 from the Banking, Finance and Insurance Commission	
2 – The management of the Dexia Group	
2.1. The Board of Directors of Dexia SA	
2.2. The Management Board of Dexia SA	
2.3. Reorganization of the Group and the business executive committees	
2.4. The Dexia Group teams	
3 – Dexia Group audit	
3.1. Internal audit of the Dexia Group	
– Internal audit	
– Ethics and compliance	
– Report from the Chairman of the Board of Directors on the conditions for the preparation and organization of the work of the Board of Directors and the internal audit procedures established by the company	
3.2. External audit of the Dexia Group	
– Board of Statutory Auditors	
– Protocol on the prudential structure of the Dexia Group	

<i>Risk management</i>	32
1 – Credit risks	
2 – FSA Risk Management	
3 – The Basel II Project	
4 – Market risks	
5 – Asset and Liability Management (ALM)	
6 – Liquidity management	
7 – Operational risk management	
8 – Economic capital	
9 – Capital adequacy and risk-weighted assets	

Consolidated financial statements

<i>Consolidated balance sheet</i>	40
<i>Consolidated off-balance sheet items</i>	42
<i>Consolidated statement of income</i>	43
<i>Notes to the financial statements</i>	44
1 – Basis of consolidation and accounting policies	
2 – Notes on the assets of the consolidated balance sheet	
3 – Notes on the liabilities of the consolidated balance sheet	
4 – Notes on the consolidated off-balance sheet items	
5 – Notes on the consolidated statement of income	
<i>Report of the Board of Statutory Auditors on the consolidated accounts for the year ended December 31, 2004</i>	107
<i>Cash flow statement</i>	110
<i>IFRS Project</i>	112

Financial statements

<i>Balance sheet</i>	120
<i>Off-balance sheet items</i>	121
<i>Statement of income</i>	122
<i>Notes to the financial statements</i>	123
 <i>Report of the Board of Statutory Auditors on the annual financial statements for the year ended December 31, 2004</i>	 139

Additional information

<i>Agenda of the ordinary Shareholders' meeting as of May 11, 2005</i>	142
<i>General data</i>	143

The "Annual Report 2004 activities" and the "Annual Report 2004 Accounts and Reports" together represent the annual report of the Dexia holding. The "Annual Report 2004 Accounts and Reports" contains the consolidated financial statements, the annual financial statements and the management report of the Board of Directors of Dexia.

On March 29, 2005, the Banking, Finance and Insurance Commission authorized Dexia to use this annual report as a reference document for any public appeal for funds until the publication of the next annual report, within the context of the law of April 22, 2003, through the separate information procedure.

Within the context of this procedure, the annual report is to be accompanied by an operation note in order to make up a prospectus in the meaning of chapter 4 of the law of April 22, 2003. This prospectus shall be submitted to the approval of the Banking, Finance and Insurance Commission in compliance with article 14 of the law of April 22, 2003.

Management report

<i>Business review and results</i>	4
<i>Corporate governance</i>	14
<i>Risk management</i>	32

Business review

a) Dexia Group profile 2004

European bank with a global reach

Dexia was born of the alliance in 1996, of two major players in local public finance in Europe: Crédit local de France and Crédit Communal de Belgique. Both institutions, together with Banque Internationale à Luxembourg (BIL) were united in 1999 into one publicly quoted company named Dexia. This was one of the very first cross-border mergers in the European banking sector. Today, Dexia ranks as one of the top fifteen banks in the euro zone.

Addressing two markets

Dexia services two main markets: local authorities and similar institutions on the one hand, and the personal sector and households on the other hand. In the first one, Dexia has a global leading position, whilst in the latter its scope is regional.

Local public finance

Since its merger in 1999 and the subsequent acquisition in 2000 of FSA in the USA, Dexia is the world's largest player in the market of local public finance. The high level of expertise, the long-term horizon and low risk features of this business, grant a superior level of visibility and financial returns among the banking industry.

Retail sector

Not only the bank of the local authorities, Dexia is also a leading retail bank in Belgium, servicing the accounts and financial needs of several millions of customers. Its commercial presence was enlarged with the acquisition of Artesia Banking Corporation in 2001. Besides, Dexia has also developed over the years, largely from its Luxembourg base, private banking services catering to affluent customers in several European countries.

Risk culture, product expertise and performance

The success of Dexia lays not only in its renowned franchise and distribution skills, but also in its ability to conceive efficient products and develop innovative solutions to clients' financial requirements. This applies in particular to the fields of investment management and insurance services, as well as to capital market activities. In these specialist fields, the Group has been able to attract and deploy the best professional skills, and it exercises the highest standards in terms of business underwriting, risk monitoring, operational disciplines and product performance. Dexia has one of the highest credit ratings in the banking industry: two of its subsidiaries are triple A rated.

An efficient organization

Dexia's organization is a unique combination of decentralized business units and tight central management of the strategic functions, such as finance, audit and compliance, human resources, communication and investor relations. The Group Chief Executive Officer and the other six members of the Management Board steer the Group; four members lead their respective business lines, and two members supervise centrally the functions of Finance and Operations & Technology.

Four business lines

Public/Project Finance and Credit Enhancement

Dexia's global leadership in public finance is deservedly renowned. The Group operates several subsidiaries and branches in the main developed countries of the world. The very large size of the market, the quality and solvency of borrowers, and the large needs for essential public infrastructures, offer wide opportunities for Dexia to underwrite valuable business. Size and innovation are the key ingredients of Dexia's success in this business line, which represents about half of its earnings.

Personal Financial Services

In Belgium, Dexia Bank is one of the three largest players in retail banking. It offers a complete range of banking and insurance services to its clientele of households and small and medium size enterprises. In Luxembourg, Dexia BIL also has a similar position among the retail banks. In addition, a private banking business¹ has been developed over the years and extended beyond Belgium and Luxembourg. The business line operates several units and joint ventures in a number of European countries, such as Slovakia, Switzerland, Spain and France.

NB: the private Banking segment belongs to this business line since January 1, 2005 while the insurance activity was transferred to the Asset Management and Insurance business line (see below).

Investment Management and Insurance Services

Since its creation, Dexia has drawn on the expertise and business franchise of Dexia BIL in Luxembourg, in certain specialist areas such as Asset Management and Fund Administration. The acquisition of Artesia BC in 2001 has brought additional expertise and business operations, particularly in the fields of Asset Management and Insurance Services. These businesses are now gathered under this business line. Their focus is to deliver excellent products, and to keep improving operating efficiency. They supply their products not only to the Dexia distribution channels, but also, and increasingly so, to institutional clients and third party delivery channels.

Treasury and Financial Markets

Dexia's principal businesses imply an intensive presence in the capital markets, be it for the funding and management of the Group's balance sheet, or for the engineering of sophisticated products and solutions delivered to the clients of the various business lines. This business line is not only an indispensable support entity for the whole Group, but it is also an important profit center, which applies the Group's prudent risk policy, and generates substantial earnings.

b) Group activities in 2004

1. Continuing the integration of Artesia Banking Corporation

After the acquisition in 2001 of the major Belgian bank-insurance group Artesia Banking Corporation, which essentially consisted of three companies carrying on their activities on the Belgian financial services market (Artesia Bank, which operates in the field of management and financial engineering, BACOB Bank, active in the field of retail banking services and DVV Insurance, active in insurance), Dexia Bank, BACOB Bank and Artesia Banking Corporation merged on April 1, 2002.

In 2004, the process of integrating these three entities continued at a sustained pace.

Continuing IT integration

In 2004, IT integration was continued principally by tackling the fields of credit and investment. The last IT release is planned for March 2005; from that date, Dexia Bank will have a fully integrated IT system.

Reorganization of the network in line with its optimum configuration

The network of Dexia Bank branches continues to evolve towards optimum configuration. The year 2004 saw the closure of 89 branches in addition to the 124 points of sale already closed previously. As at December 31, 2004, Dexia Bank had 1,198 branches; the integration objective is fixed at 1,100 branches.

Cost synergies

In 2004, the efforts of the various working groups enabled a total of EUR 222 million to be realized in cost synergies. Remuneration synergies, amounting to EUR 140 million, represent 63% of the amount. The balance, or EUR 82 million, comes from rationalizations of the general cost base.

Reduction of posts

At the end of 2004, a total of 1,994 posts had been eliminated within the context of the integration. We would note that, of these 1,994 posts eliminated, 71% were at head office and the remainder (29%) in the branch network.

2. Transfer of Kempen & Co

Kempen & Co was acquired by the Dexia Group in July 2001. In December 2001, there was a merger of Kempen & Co and Bank Labouchere, which had been acquired in 2000, the new ensemble taking the name of Dexia Bank Nederland.

In view of the impact of market conditions on share leasing products, it was decided at the end of 2002 to split the activities of Dexia Bank Nederland. The split became effective in April 2003, retail activities continuing in the name of Dexia Bank Nederland whilst Kempen & Co, stemming from the demerger, assumed the activities of estate management, stockbrokerage and corporate finance.

Deeming that the activities of Kempen & Co were no longer in keeping with its strategic business lines, Dexia began negotiations with a group of investors and the management of Kempen & Co. Discussions closed on November 15, 2004 with the transfer of Kempen & Co to Friesland Bank, HAL Investments, NPM Capital and some of the management.

3. Development of activities

January 2004

Dexia Crédit Local enters Poland by integrating Dexia Kommunalkredit Polska into Dexia Kommunalkredit Holding, its bridgehead for Central and Eastern Europe. The Polish subsidiary aims to carry out local currency financing, project financing and the sale of structured products.

February 2004

The Australian representative office of Dexia Crédit Local is transformed into a company under local law, Finance Company, a 100% subsidiary of Dexia Crédit Local.

April 2004

Dexia Bank acquires the 49% of shares not yet held by Dexia Bank in Particuliere Begeleiding & Advisering (PBA) with a view to strengthening the position of Dexia Bank in the Netherlands in a niche retail activity. By this acquisition, Dexia Bank Belgium and its subsidiary Banque Artesia Nederland become 100% shareholders in PBA. PBA is active in the distribution, via a network of intermediaries, of mortgage loans to clients with high incomes.

August 2004

Dexia Crédit Local opens a representative office in Japan.

September 2004

Dexia Banque Internationale à Luxembourg transfers all its shares held in the Société Monégasque de Banque Privée SAM to BNP Paribas Private Bank.

October 2004

For the purposes of operational simplification, Dexia Bank decides to sell the activities of its branch in New York to the Dexia Crédit Local's subsidiary located in New York. This sale will be completed in 2005.

November 2004

Dexia Fund Services (a subsidiary of Dexia Banque Internationale à Luxembourg) strengthens its position on the French market with the 100% acquisition of FMS Hoche, former subsidiary of the Banque de Neufilze specializing in investment fund management in France.

Dexia SA sets a permanent establishment in the Grand Duchy of Luxembourg. It is the second subsidiary of Dexia SA under this form: Dexia SA already has a permanent establishment in Paris.

4. Dexia, the bank for sustainable development

After adopting a new institutional signature in 2002, "Dexia, the bank for sustainable development", in 2004 the Dexia Group continued to implement an action plan based on the principles of social and environmental responsibility. This commitment materializes in the publication of a Sustainable Development report presenting the actions taken by the Group in 2004. Dexia activities are concentrated on subjects such as management of the environment, the well-being of populations and the management of savings, which are promising for the future and entrench the Group in long-term values of general interest. For Dexia this commitment represents a vital dimension in the creation of value and a constant objective in the relations it develops with its staff, its clients and its shareholders. The year 2004 saw various initiatives such as implementation of the Equator Principles and adoption of a Charter of ethics in supplier relations. Within the context of its business lines, the result is also exemplary: particular note should be taken of the increase by more than 400% of the amount of Socially Responsible Investment funds under management and the "Bank for renewable energies 2004" prize awarded by the *Infrastructure Journal*. In images at www.dexia.com, the new Dexia TV presents major reports on matters of sustainable development as well as the initiatives which Dexia is taking in that field.

5. Promoting earnings savings among all the staff of the Group

Strengthening the feeling of belonging to a socially unified group, linking staff with strategy and growth and promoting the constitution, under advantageous conditions, of earnings savings, are the

objectives of the share ownership plan launched by the Group in 2000.

After the success of the first operation, and on a proposal from the Management Board, the Board of Directors of Dexia SA decided to put a new plan in place in 2004. The fifth increase of capital reserved for members of staff again met with success. Almost five out of ten staff members subscribed to Dexia shares, for an overall amount of EUR 100 million. Members of staff now hold 4.80% of the Group's capital.

6. Dexia in the Netherlands

The difficulties linked to the share leasing activities of the former Bank Labouchere (now Dexia Bank Nederland NV) appeared at the time of the fast and severe fall of the Amsterdam stock market in late 2001. The value of the securities used as collateral against the loans granted by the bank proved insufficient in a large number of contracts, thus potentially ending with a residual debt instead of the gain initially hoped for.

The negative publicity for this product and Dexia in the Netherlands led the Group both to seek to reassure clientele and to defend its rights and reputation in the interests of the Company and its shareholders, in view of the public recriminations, complaints and actions commenced against it on various grounds.

In an often hostile environment, the bank has taken action in several areas:

- Implementing a management structure dedicated to this crisis situation;
- Appointing an independent Committee charged with ruling on the cases of clients confronted with repayment difficulties;
- Making a commercial offer including several solutions for the limitation of losses, the extension or the rescheduling at reduced cost of contracts reaching maturity with a residual debt;
- Constitution in 2002 of major financial provisions to cover credit risks and the assumption by the bank of difficult cases and the costs of the above commercial offer;
- Constitution in 2004 of provisions aimed at covering additional charges, intended to cover additional costs of settling the cases of clients of Dexia Bank Nederland in difficulty and, moreover, to cover the estimated transaction cost.

Dexia Bank Nederland is taking all legitimate action to recover sums due to it. Dexia Bank Nederland nonetheless announced on February 11, 2005, following the agreement of Mr Wim Duisenberg to act as mediator with a view to a total settlement with its clients, that during the mediation it would introduce no new legal action against clients holding share leasing contracts. Furthermore, following an agreement concluded on February 11, 2005, Dexia terminated its proceedings against Aegon in relation to the sale of the former Bank Labouchere as a result of the payment by Aegon of an amount of EUR 218 million.

Dexia Group considers it has taken all possible managerial, legal or financial steps, in this difficult situation, to follow the case as closely as possible and to ensure that the problems arising out of the share leasing activity inherited from the former Bank Labouchere are brought to the fairest conclusion possible for the bank and its clients.

Detailed information on the state of proceedings concerning Dexia Bank Nederland appears in the appendix off the annual financial statements under the heading "Notes to the off-balance sheet".

7. Cancellation of own shares

The Extraordinary Shareholders' Meeting of Dexia SA held on May 12, 2004 decided to cancel 39,281,037 own shares held by the Company. The cancellation of these shares takes place without any reduction of the Company's share capital, which involves an increase in the intrinsic value of the remaining shares. The cancellation of own shares takes place with the aim of optimizing the Company's equity funding.

8. Overview of the direct holdings of Dexia SA as at December 31, 2004

The nine direct holdings of Dexia SA as at December 31, 2004 are as follows:

- 100% in Dexia Bank SA (Belgium);
- 100% in Dexia Crédit Local SA (France);
- 100% in Dexia Management Services Ltd (United Kingdom);
- 99.99% in Dexia Employee Benefits SA (Belgium);
- 99.99% in Dexia Participations SA (Luxembourg), which holds 45.27% of Dexia Banque Internationale à Luxembourg SA;
- 98.66% in Dexia Habitat SA (France);
- 57.66% in Dexia Banque Internationale à Luxembourg SA (Luxembourg);
- 10% in Dexia Holding Inc., a parent company of Financial Security Assurance Holdings Ltd (United States);
- 8.4% in Dexia Financière SA (Belgium).

2

Results

Changes in scope and methods

Changes in scope of consolidation

The main changes taking place in 2004 concerned the sale of Kempen & Co in the Netherlands, effective from the second quarter of the year, and the sale of Société Monégasque de Banque Privée, effective as from December 1, 2004.

FMS Hoche, a specialist fund administration company based in France, which was acquired in November 2004, will be fully-consolidated in 2005.

Pro forma financial statements

The changes in scope of consolidation in 2004, as well as the main changes occurred in 2003 (sale of the minority stake in Landbouwkrediet Group NV, sale of the online brokerage activity of Alex in the Netherlands and takeover of the stake of the minority shareholders in Dexia Hypothekenbank Berlin), were taken into account to establish pro forma financial statements for 2003 and the first three quarters of 2004 so as to enable comparisons. In absolute amounts, the difference between reported and pro forma net income is EUR -27 million (revenues lower by EUR 61 million, and costs lower by EUR 39 million).

Reallocations within business lines

Minor transfers occurred between the business lines (e.g. transfer of the segment "Equity Related Services" from Investment Management Services to Treasury and Financial Services; identifi-

cation of outstandings of Public/Project Finance at Dexia BIL – essentially corporates – previously included in Retail Financial Services). The impact on the net income of each business line is not material. Nevertheless all business line financial data, annual and quarterly, have been restated.

Analysis of the consolidated statement of income

Net income

2004 has been a record year at Dexia in terms of earnings progression: **net income** stood at EUR 1,772 million, up 23.8% or EUR 341 million. In aggregate terms, the evolution stemmed from increasing revenues – despite a negative impact of the euro/dollar exchange rate –, and a good control of the cost base. This increase was also positively influenced by nonrecurring items amounting to a net EUR 159 million in 2004, against EUR 40 million in 2003, which are analyzed on page 10-11 of this report. Excluding such nonrecurring items, and on a pro forma basis, the net income progressed by 18.2% (+19.2% at constant exchange rate), a very vigorous increase.

This marks a continuing strong operating performance – after a progression of 15.2% (+18.5% at constant exchange rate) in 2003 – which has been experienced in all business lines of the Group, sometimes at very high rates: Public and Project Finance underlying earnings went up 14.2% (+17.9% at constant exchange rate); in Retail Financial Services they went up 24.8%; in Investment Management Services the progression was 32.0%; and in Treasury and Financial Markets, it was 9.0% (+12.4% at constant exchange rate).

Revenues

Total revenues in 2004 amounted to EUR 5,392 million, up 4.5%, and up 5.6% on the underlying pro forma numbers. This stemmed from the very good operating performance, the nonrecurring revenues having amounted to only EUR 30 million. This year again, the progression of underlying revenues was curtailed by the evolution of the US dollar, which has substantially impacted the revenues of

two business lines (EUR -52 million in Public/Project Finance, and EUR -12 million in Treasury and Financial Markets) conducting a part of their business in US dollars. This shortfall was only partly compensated by the positive results (EUR +41 million) of currency hedges, booked in Central Assets.

At constant exchange rate, the progression of the underlying pro forma revenues was + 6.1%. All categories of revenues were up.

- **Net interest and related income** amounting to EUR 3,524 million, increased by 2.8%, and 2.6% on the underlying basis. The respective segment underlying contributions (analyzed later in this report) were positive in the first two business lines (respectively +7.5% and +6.6%) and in the opposite direction in IMS (-13.5%) under the effect of the decrease in loans outstandings at Dexia Bank Nederland.

- **Net commissions and other income** amounted to EUR 1,076 million, up 8.5%. The increase was twice as strong (+15.3%, or EUR +147 million) for the underlying pro forma numbers, largely explained by a vigorous resumption of fee-generating activity, both in Retail Financial Services (EUR +36 million), and Investment Management Services (EUR +106 million).

- **Technical and financial margin of insurance activities** was up 7.1% to EUR 791 million, and up 6.6% (or EUR 49 million) on the underlying pro forma basis. This increase would have been much higher (+12.5%), had the euro/dollar parity remained constant. This reflects in particular the continuing good performance of FSA, and improved environment for the other insurance activities, by comparison to 2003.

Costs

During the whole year 2004, **costs** amounted to EUR 3,012 million, down 1.4% on the equivalent number reported in 2003. Concerning the underlying cost base, after two consecutive years of compression, it was up this year by a modest 1.6%, i.e. close to the inflation rate, in line with the Group's objective. The exchange parity contributed in part to this good result, since part of the cost base is USD denominated: at constant exchange rate, the underlying costs went up 2.1%, a very satisfactory evolution when compared

Table A – Consolidated statement of income

<i>in millions of EUR</i>	2003	2004	Evolution 2004/2003
Revenues	5,160	5,392	+4.5%
– net interest and related income	3,429	3,524	+2.8%
– net commissions and other income	992	1,076	+8.5%
– technical and financial margin of insurance activities	739	791	+7.1%
Costs	(3,056)	(3,012)	-1.4%
Gross operating income	2,104	2,380	+13.1%
Cost of risk	(176)	(229)	+30.1%
Operating income	1,929	2,151	+11.5%
Net gains & recoveries on long-term investments	15	99	x 6.6.
Net allocation to GBRR	7	0	n.s.
Amortization of goodwill	(131)	(44)	-66.6%
Corporate income tax	(362)	(420)	+16.1%
Income from equity-accounted companies	56	56	+0.8%
Net income before minority interests	1,513	1,842	+21.7%
Minority interests	82	70	-15.4%
Net income	1,431	1,772	+23.8%

Table B – Underlying statement of income¹

<i>in millions of EUR</i>	2003	2004	Evolution 2004/2003
Revenues	5,160	5,392	+4.5%
Changes in consolidation scope	(61)	–	n.s.
Revenues pro forma	5,099	5,392	+5.7%
Nonrecurring items	20	30	n.s.
Underlying revenues	5,079	5,362	+5.6%
of which			
– net interest and related income	3,382	3,470	+2.6%
– net commissions and other income	955	1,101	+15.3%
– technical and financial margin of insurance activities	742	791	+6.6%
Costs	(3,056)	(3,012)	-1.4%
Changes in consolidation scope	39	–	n.s.
Costs pro forma	3,017	(3,012)	-0.1%
Nonrecurring items	(49)	4	n.s.
Underlying costs	2,968	(3,016)	+1.6%
Gross operating income pro forma	2,082	2,380	+14.3%
Nonrecurring items	(29)	34	n.s.
Underlying gross operating income	2,111	2,346	+11.1%
Cost of risk pro forma	(175)	(229)	+30.8%
Nonrecurring items	(17)	(177)	x 9.3
Underlying cost of risk	(158)	(52)	-67.1%
Net income pro forma	1,404	1,772	+26.2%
Nonrecurring items	40	159	x 4.0
Underlying net income	1,364	1,613	+18.2%

¹ i.e. excluding nonrecurring items and pro forma for 2003.

to the revenues (+6.1%) on similar basis. The analysis of underlying costs by type shows the following:

- **staff costs** amounted to EUR 1,446 million in 2004, up 3.2% compared to the previous year;
- **network commissions**, representing the commissions paid by the Group to its networks of independent agents and business introducers, amounted to EUR 355 million, up 3.2%;
- **other operating expenses** were stable at EUR 863 million;
- **depreciation and amortization and deferred acquisition costs** were down 2.1% to EUR 352 million.

Gross operating income

For the whole year 2004, the **gross operating income** progressed strongly to EUR 2,380 million, a 13.1% increase on 2003. On the basis of underlying pro forma revenues and costs, the progression was +11.1% (+11.8% at constant exchange rate).

Cost-income ratio has continued to improve and stood at 55.9% in 2004. This compares with 59.2% in 2003. Without nonrecurring items, it also improved, going from 58.4% in 2003 to 56.2% in 2004.

Cost of risk

The **cost of risk** amounted in total to EUR 229 million in 2004, compared to EUR 176 million in 2003. The charge in 2004 included

EUR 177 million of exceptional provisions made at Dexia Bank Nederland (see below). Without that specific item, the cost of risk would have been EUR 52 million, about one third of the comparable number in 2003, i.e. EUR 158 million. The favorable underlying variance is explained by several factors, all going in the good direction: risk charges were low in 2004 in the Public/Project Finance and Retail Financial Services business lines; 2003 was a high reference in Investment Management Services (EUR 18 million provisions were made in 2003 in the French Private Banking operations); and finally a reversal of EUR 17 million took place in 2004 in Treasury and Financial Markets, in view of the improvement of the situation of some counterparts.

Focus on Dexia Bank Nederland

Regarding Dexia Bank Nederland, it must be reminded that provisions amounting to EUR 478 million, both generic and specific, were booked in the 2002 financial statements, to cover costs and potential credit risks linked to the share leasing portfolio. These provisions have been partly used to date, and came to EUR 237 million for the generic provision, and EUR 158 million for the specific provisions at year-end. Beyond these amounts, Dexia announced on February 11, 2005 that it decided to make EUR 207 million of additional allowances in

the 2004 financial statements. Those were in the form of provisions to cover the foreseeable costs of certain legal risks and settlements of transactions (EUR 80 million, appearing as an additional generic provision), additional provisions for the cases of customers of Dexia Bank Nederland experiencing difficulties (EUR 102 million booked as specific provisions), and the balance of EUR 25 million in the form of accelerated amortization of capitalized expenses that were previously deferred (a negative item in "other revenues"). All these amounts are nonrecurring items. At year-end, the total stock, both for credit and legal risks (except those related to spouse consent), thus stood at EUR 317 million for the generic provisions, and EUR 260 million for the specific provisions.

A full disclosure on Dexia Bank Nederland is made on pages 93-96 of this report.

The **cost of risk ratios** (annual net charge as a percentage of total outstanding commitments) stood as follows in 2004: 1.8 basis points for the banking activities, against 5.7 basis points in 2003 (without Dexia Bank Nederland); 0.6 basis point for FSA, against 1.2 basis points in 2003.

Other items

Net gains and impairments on long-term investments amounted to EUR +99 million in 2004, against EUR +15 million in 2003.

The main gains in 2004 are described below when discussing non-recurring items.

Amortization of goodwill on fully-consolidated subsidiaries amounted to EUR 44 million in 2004, compared to EUR 131 million in 2003, which included several accelerations. The charge, in 2004, was mitigated by the amortization of the badwill of Dexia Hypothekenbank Berlin (EUR +15 million), following the purchase of the minority holding.

Corporate income tax, comprising both current and deferred taxes, amounted to EUR 420 million in 2004, against EUR 362 million in 2003. In the two years, the tax charge was low, because it has been mitigated by several positive impacts: in 2003, EUR 141 million came as a nonrecurring benefit in the context of tax deductible impairments made on certain subsidiaries, and the settlement of outstanding tax disputes. In 2004, the tax charge was also reduced under the effect of the nonrecurring provisions at Dexia Bank Nederland discussed above, and also because further impairments were made on the value of certain participations of Dexia BIL, causing a nonrecurring positive tax impact of EUR 163 million. Besides, the settlement of a tax dispute caused another positive item amounting to EUR 17 million.

The Group's underlying tax rate in 2004 was 28.5%.

Net income from equity-accounted companies, net of amortization of goodwill, amounted to EUR 56 million, unchanged on 2003.

Minority interests came to EUR 70 million in 2004 against EUR 82 million in 2003.

Financial performance – Capital – Proposed dividend

Return on equity (ROE), representing the ratio between net income for the period and average shareholders' equity (excluding the general banking risks reserve, and after income appropriation), went from 16.5%¹ in 2003 to 19.8%^{1/2} in 2004.

Earnings per share (EPS), which amounted to EUR 1.24 per share in 2003, jumped to EUR 1.58 in 2004, an increase of 28.1%. During the course of 2004, the **share buy-back program** announced to the market has been completed, with EUR 693 million invested into it, representing 47 million of shares, or 4% of outstanding shares at the beginning of the year. The shares repurchased have already partly been cancelled following the resolution to this effect of the Shareholders' Meeting held in May 2004, and the balance will be proposed for cancellation at the next Annual Shareholders' Meeting, in May 2005.

Despite the above reduction of outstanding shares, the **Tier 1 ratio**³ stood at 10.7% as of December 31, 2004, against 9.9% a year earlier. This positive variance is almost totally explained by the implementation, as of December 31, 2004, of internal models for market risks which have been approved by the regulators under the current Basel I methodology, reducing the amount of risk-weighted assets by 7%, thus releasing regulatory capital.

The Board of Directors will propose a **gross dividend per share** of EUR 0.62, an increase of 17.0% over the gross dividend per share paid last year.

Focus on noteworthy nonrecurring items

In 2004, the contribution of nonrecurring items to net income amounted to EUR +159 million (of which EUR +17 million in the fourth quarter), while they were EUR +40 million during the previous year (of which EUR +10 million in the fourth quarter). Over the year, the main evolutions are as follows.

In the revenues

Interest payments were collected on the share leasing contracts of Dexia Bank Nederland, from those clients who have accepted the Dexia Commercial Offer. This offer included interest reductions, whose value was included in the total generic provision decided by the Group in 2002. Since this provision was treated as a nonrecurring item, its utilization is treated in the same manner (related nonrecurring revenues amounted to EUR 41 million in 2004, vs. EUR 15 million in 2003, or a EUR +26 million variance). On the other direction, part of the additional allowances (EUR 207 million) related to Dexia Bank Nederland booked in the fourth quarter of 2004 was in the form of accelerated amortization of capitalized expenses (EUR -25 million), and thus deducted from revenues.

In the costs

Disposal of properties in 2004 have generated a EUR +20 million positive effect on costs partly compensated by provisions for restructuring at Dexia BIL Group (EUR -15 million). In 2003, nonrecurring costs totaled EUR -49 million.

1 If the goodwill relating to the public exchange offer on Dexia BIL shares (in 1999), on the acquisition of FSA and Labouchere (in 2000) and Artesia BC, Kempen & Co and Groupe Financière Opale (in 2001) were recorded in the assets in the balance sheet and written off over 20 years, the ROE would amount to 7.1% in 2003 and 9.2% in 2004.

2 Detail of ROE calculation (in millions of EUR):

	ROE as reported	ROE adjusted
Net income	1,772	1,772
Write-off costs charged to reserves		-636
Net income (adjusted)	1,772	1,136
Shareholders' equity (adjusted)	8,934	12,293
ROE	19.84%	9.24%

3 For the calculation of this ratio, the result for the financial year less the dividend (proposed for 2004) is included in the shareholders' equity.

Cost of risk at Dexia Bank Nederland, treated as nonrecurring item, amounted to a total net charge of EUR 177 million over the year, of which a charge of EUR 182 million in the fourth quarter of 2004 (see focus on Dexia Bank Nederland on page 93-96).

Net nonrecurring gains and impairments on long-term investments amounted to EUR +85 million in 2004, while this was a contribution in 2003 of EUR +20 million. The main gains in 2004 are:

- EUR +54 million on the sale, in the first quarter, of Dexia's stake in Belgacom;

- EUR +39 million on the sale, in the fourth quarter, of the participation held in BIAC (Brussels Airport); and
- EUR +7 million on the sale, in the fourth quarter, of Dexia BIL participation in Société Monégasque de Banque Privée in Monaco.

Nonrecurring taxes amounted to a credit of EUR +237 million in 2004 (against EUR +141 million in 2003) and stemmed, aside from the tax impacts of the nonrecurring items described above, from two events: the settlement of a tax dispute (EUR +17 million) and the positive tax incidence of impairments made on several subsidiaries of Dexia BIL Group (EUR +163 million).

Commenting on the results, Pierre RICHARD, CEO and Chairman of Dexia Management Board, declared:

"2004 has been another remarkable year for Dexia, with a high double-digit growth of the earnings per share, which has been predicted early in the year. Strong commercial and financial performances were experienced in all of our business lines without exception, whilst the Group's capital base kept growing.

The share buy-backs completed in the course of the year, combined with the strong increase of the proposed dividend underscore the capacity of Dexia to create and distribute value to its shareholders, whilst financing autonomously its own development.

Looking ahead, the high level of originations achieved in the last two years gives us very good reasons to expect a continuing positive trend of our revenues, particularly in Public/Project Finance and Personal Financial Services, although the competitive pressure starts to be felt, and will bear on the margins of new transactions. Regarding costs, the commitment at Group level is to keep chasing synergies, achieve cost savings, and contain the growth rate of general expenses in line with inflation.

The move to IFRS in 2005 will obviously introduce volatility, but all in all, although one cannot expect similar earnings increases as those experienced lately, Dexia is clearly set for another year of growth."

Main items reported as nonrecurring in 2003 and 2004

Net interest and related income

In Q1 2003: net revenues on CLN¹ portfolio (EUR +5.5 million); losses on sale of equities (EUR -4.7 million).

In Q2 2003: net revenues on CLN portfolio (EUR +4.2 million); losses on sale of equities (EUR -4.5 million); exchange gain (EUR +7.1 million).

In Q3 2003: net revenues on CLN portfolio (EUR +5.1 million); capital gain on sale of equities (EUR +3.8 million); utilization of Legiolease provision (EUR +5.2 million).

In Q4 2003: net revenues on CLN portfolio (EUR +5.0 million); capital gain on sale of equities (EUR +0.4 million); utilization of Legiolease provision (EUR +9.3 million); capital losses on non-strategic assets (EUR -8.6 million).

In Q1 2004: net revenues on CLN portfolio (EUR -7.4 million); utilization of Legiolease provision (EUR +9.8 million); capital gain on sale of portfolio holdings (EUR +8.8 million).

In Q2 2004: net revenues on CLN portfolio (EUR +12.3 million); utilization of Legiolease provision (EUR +10.0 million); losses on sale of portfolio holdings (EUR -9.6 million).

In Q3 2004: net revenues on CLN portfolio (EUR +0.1 million); capital gain on sale of equities (EUR +1.0 million); utilization of Legiolease provision (EUR +11.1 million).

In Q4 2004: net revenues on CLN portfolio (EUR +7.1 million); capital gain on sale of equities (EUR +1.1 million); utilization of Legiolease provision (EUR +9.9 million).

Net commissions and other income

In Q1 2003: insurance of CLN portfolio (EUR -4.1 million).

In Q2 2003: insurance of CLN portfolio (EUR -4.0 million).

In Q3 2003: insurance of CLN portfolio (EUR -5.6 million); interest arrears on settlement with Belgian fiscal authorities (EUR +5.8 million); Bancovall litigation (EUR -1.5 million).

In Q4 2003: insurance of CLN portfolio (EUR -3.9 million); integration of Dexia Sofaxis over 14 months (EUR +4.5 million).

In Q1 2004: insurance of CLN portfolio (EUR -3.4 million); reimbursement of interests on arrears following a settlement with the fiscal authorities (EUR +7.3 million).

In Q2 2004: insurance of CLN portfolio (EUR -3.9 million).

In Q3 2004: insurance of CLN portfolio (EUR -0.3 million).

In Q4 2004: accelerated amortization of capitalized expenses at Dexia Bank Nederland (EUR -24.9 million).

Costs

In Q1 2003: provision for restructuring costs for insurance activities (EUR -1.3 million); operating costs linked to the “Dexia Offer” at Dexia Bank Nederland (EUR -2.5 million).

In Q2 2003: provision for restructuring costs for insurance activities (EUR -0.4 million); staff reduction plan at Dexia BIL Group (EUR -15.3 million); operating costs for the “Dexia Offer” at Dexia Bank Nederland (EUR -2.3 million).

In Q3 2003: provision for restructuring costs on insurance activities (EUR +1.0 million); operating costs linked to the “Dexia Offer” at Dexia Bank Nederland (EUR -0.3 million); staff reduction plan at Dexia BIL Group (EUR -4.6 million); additional costs Landbouwkrediet NV (EUR -1.0 million); real estate restructuring and relocations at Dexia BIL Group (EUR -8.5 million).

In Q4 2003: restructuring at Dexia BIL Group (EUR -5.4 million); provision for restructuring costs for Rekord (EUR -2.5 million); integration of Dexia Sofaxis (EUR -3.9 million).

In Q1 2004: provision for restructuring costs for Dexia BIL Group (EUR -3.0 million); effect of the disposal of properties (EUR +16.5 million).

In Q2 2004: provision for restructuring costs for Dexia BIL Group (EUR -4.9 million); effect of the disposal of properties (EUR +3.5 million).

In Q3 2004: restructuring costs at Dexia Bank Nederland (EUR -1.4 million).

In Q4 2004: provision for restructuring costs for Dexia BIL Group (EUR -6.8 million).

Cost of risk

In Q1 2003: charges for Legiolease at Dexia Bank Nederland (EUR -22.8 million).

In Q2 2003: net write-back of charges for Legiolease at Dexia Bank Nederland (EUR +13.2 million).

In Q3 2003: charges for Legiolease at Dexia Bank Nederland (EUR -7.4 million).

In Q3 2004: write-back of charges for Legiolease at Dexia Bank Nederland (EUR +4.4 million).

In Q4 2004: charges for Legiolease at Dexia Bank Nederland (EUR -182.3 million).

Net gains and recoveries on long-term investments

In Q1 2003: capital gains on long-term investments (EUR +50.2 million).

In Q2 2003: impairment on long-term investments (EUR -67.9 million).

In Q3 2003: capital gains on long-term investments (EUR +11.9 million).

In Q4 2003: capital gains on long-term investments (EUR +43.8 million); net impairments on long-term investments (EUR -17.8 million).

In Q1 2004: capital gains on long-term investments (EUR +53.8 million); impairment on long-term investments (EUR -7.3 million).

In Q2 2004: impairment on long-term investments (EUR -3.0 million).

In Q4 2004: capital gains on long-term investments (EUR +45.9 million).

Accelerated goodwill amortization following impairments

In Q4 2003: accelerated goodwill amortization (EUR -80.9 million) following impairments on several participations (Ely, Dexia Partenaires France, Dexia Banque Privée France, Rekord).

In Q1 2004: accelerated goodwill amortization (EUR -9.4 million) following impairments on a participation.

In Q2 2004: accelerated goodwill amortization (EUR -5.0 million) following impairments on participations.

In Q4 2004: accelerated goodwill amortization (EUR -2.2 million) following impairments on a participation.

Taxes

All the items above are before tax. The amount of corresponding taxes, at appropriate rates, is treated as a nonrecurring item in the total amount of taxation. The individual tax incidence of some items is specified below, as well as particular tax entries.

In Q2 2003: tax credit on deductible impairment of Dutch subsidiaries (EUR +63.3 million).

In Q3 2003: tax credit following the settlement of a tax dispute (EUR +20.6 million).

In Q4 2003: restatement of tax latencies on insurance activities (EUR +42.6 million); tax credit linked to the accelerated goodwill amortizations of several participations (see above, EUR +21.6 million).

In Q1 2004: tax credit on additional deductible impairment of Dutch subsidiaries (EUR +17.3 million); reimbursement of taxes following the settlement of a tax dispute (EUR +10.2 million).

In Q2 2004: tax credit on deductible impairment of several subsidiaries (EUR +40.6 million); reimbursement of taxes following the settlement of a tax dispute (EUR +6.1 million).

In Q4 2004: tax credit on additional deductible impairments of Dexia BIL's subsidiaries (EUR +104.9 million).

¹ CLN portfolio on which a fraud was uncovered in early 2001.

Analysis of the balance sheet

Total consolidated balance-sheet footings as of December 31, 2004 amounted to EUR 389.2 billion. Compared to December 31, 2003, the amount of total assets has increased (+11.2%) due to the development of the commercial activities.

The balance sheet is shown in the bancassurance format.

Debts

The amount of customer deposits and debt securities (savings bonds, certificates and bonds) is EUR 241.5 billion at the end of 2004 (+6.3%). Their relative share in the total of the balance sheet is 62.1%.

Customer deposits stood at EUR 97.6 billion at the end of 2004, an increase of +5.7%, essentially coming from good results of commercial offers on savings accounts. Debt securities increased to EUR 143.9 billion (+6.7%), mainly due to new issues of bonds by Dexia Municipal Agency and Dexia Crediop.

Customer loans

Customer loans have slightly increased by +2.6% and stood at EUR 166.2 billion as of December 31, 2004.

Securities

The total amount of investments in government securities, bonds and other fixed-income securities as well as variable-income securities amounted to EUR 133.2 billion (+10.5%). This increase comes from the purchase of bonds and shares by the insurance companies of the Group and the development of financing of local collectivities in Italy under the form of bonds in addition to normal loans.

Interbank loans and advances/deposits

The increase of the interbank assets and liabilities is due to the development of the volume of banking activities, mainly term deposit and repo/reverse-repo activities.

Equity

Shareholders' equity in the Dexia Group (capital, additional paid-in capital, reserves, profit for the year before allocation, goodwill deducted and GBRR not included) amounted to EUR 10,464 million as of December 31, 2004 against EUR 9,790 million at the end of 2003, i.e. a growth of +6.9%.

Consolidated balance sheet (before income appropriation)¹

<i>in millions of EUR</i>	2002	2003	2004	Evolution 2004-2003 (in %)
Total assets	350,924	349,888	389,155	+11.2%
Liabilities and shareholders' equity				
Shareholders' equity	9,090	9,790	10,464	+6.9%
Minority interests	714	485	483	-0.4%
GBRR	1,842	1,793	1,793	+0.0%
Subordinated debt	5,583	5,411	4,922	-9.0%
Interbank loans and deposits	68,176	68,088	86,465	+27.0%
Customer deposits	85,322	92,343	97,609	+5.7%
Debt securities	146,505	134,905	143,914	+6.7%
Assets				
Government securities	10,886	5,977	9,734	+62.9%
Interbank loans and advances	29,841	29,696	43,571	+46.7%
Customer loans	157,773	161,941	166,199	+2.6%
Bonds and other fixed-income securities	117,009	115,351	126,871	+9.8%
Equities and other variable-income securities	4,906	5,157	6,336	+22.9%
Long-term investments	1,883	1,443	1,524	+5.6%

¹ Restated for 2002.

Acquisition of own shares – Information required by virtue of article 624 of the Company Code

3.1. Reason for acquisitions

Acquisitions of own shares by the company during the 2004 financial year arise essentially from an asset and financial management policy, including the optimization of equity funding.

In accordance with the procedure established by the company, all own shares acquired during the 2004 financial year (and which had not yet been cancelled on the occasion of the Extraordinary Shareholders' Meeting of Dexia SA held on May 12, 2004) are vowed to be cancelled. A proposal to cancel own shares will be put by the Board of Directors of Dexia SA to the next Shareholders' Meeting of the company. In accordance with the accounting principles and valuation rules adopted by the company, these own shares have been valued at their acquisition price.

3.2. Summary figures for transactions involving own shares

	Number of shares in circulation (subscribed capital)	Own shares (Dexia SA and direct subsidiaries)				
		Number of own shares	Accounting par as at Dec. 31, 2004 (EUR)	Equivalent value per share (EUR)	% in capital as at Dec. 31, 2003	% in capital as at Dec. 31, 2004
Situation as at Dec. 31, 2003	1,175,222,680	32,544,962	4.213	13.060	2.77%	
Acquisitions in the financial year		47,000,010	4.213	14.754	4.00%	
Cancellations in the financial year	(39,281,037)	(39,281,037)	4.213	13.320	(3.34%)	
Transfers in the financial year ¹		(213,000)	4.213	12.680	(0.02%)	
Issues in the financial year	9,139,723					
Situation as at Dec. 31, 2004	1,145,261,366	40,050,935	4.213	14.795	3.41%	3.50 %

¹ The shares transferred in 2004 had been held since 1999 to hedge purchase options in favor of members of staff of the Group and were sold to the said members of staff when they exercised their rights to them.

IFRS and Basel II Projects

4.1. The IFRS Project

The IFRS Project is analysed in detail on page 112-117.

4.2. The Basel II Project

The Basel II framework was finalized by the regulators assembled in the Basel Banking Supervision Committee. "Pillar 1" of the new framework defines a new calculation system for the required equity that each institution has to mobilize to cover its risks (credit and operational risks). The main objective of the new framework is to move away from simple and fixed capital adequacy standards by broad types of counterparts, to a more sophisticated approach.

Considering the quality of its portfolio and the nature of its counterparts, Dexia Group has chosen to seek compliance with the "Internal Rating Based Approach Advanced" method, since it is by far the most capital efficient for Dexia. It comes into effect on January 1, 2008 (after two years of parallel calculating with the current method).

In 2004, several projects requiring extensive resources were carried out in the following areas:

- monitoring of the main regulatory developments, so as to translate them into the methodology;
- studying and interpreting the European guideline project (CAD3), which will lead to the Basel II regulations in the European Union (the final text is expected in the course of 2005);

- preparing the collaborative reporting project for all European countries, the first version of which is being prepared in consultation with the industry and which has to be finalized by mid 2005. This methodological work also concerned the definition of the Internal Rating Systems for several categories of transactions, which were not covered previously.

From an IT point of view, Dexia will pursue the implementation of recovery processes for the whole of the Group's exposure, for all sites. This will be accomplished according to a uniform worldwide data model. The first essential step was taken in January 2005, when an "actor" database became operational, providing all data about clients (except retail) within a standardized reference framework in all the entities of the Group.

An internal validation service was also put in place within Group Risk Management. It is responsible for verifying and guaranteeing the accuracy and reliability of all models used. The introduction of this new service is bound to play a major role in the Regulator's certification process. The latter will be largely using the work performed by internal validation teams, as long as the Group's internal audit has certified that it was done according to the state of the art (notably in the strict respect for the separation of functions between developers and those in charge of validation).

The development of this project is subject to regular reporting to the Group's Management Board and Audit Committee, whose recommendations will be closely followed.

In December 2003, the Banking, Financial and Insurance Commission (Commission bancaire, financière et des assurances), the Belgian Business Federation (Fédération des Entreprises de Belgique) and Euronext Brussels established a Corporate Governance Commission to develop a Belgian reference code for corporate governance. After a public consultation period, the Corporate Governance Commission published the final version of the Belgian corporate governance code on December 9, 2004 (the "Code").

The Code replaces the recommendations made on this issue by the Banking, Financial and Insurance Commission, the Belgian Business Federation and Euronext Brussels. It became effective on January 1, 2005 for publicly-listed Belgian companies.

Dexia intends to comply with the nine principles established by the Code which form the foundation of corporate governance. This will be a special item on the agenda at the Ordinary Shareholders' Meeting of Dexia SA on May 11, 2005. In addition, Dexia will publish a "Corporate Governance Charter" and put it on its website no later than January 1, 2006.

At its meeting on February 3, 2005, the Board of Directors of Dexia SA voted to form a corporate governance committee within the Board which will be charged with studying certain corporate governance issues.

1

Shareholders Relations

1.1. Shareholders

The following table shows the principal shareholders of Dexia SA (as of December 31, 2004):

Name of shareholder	Percentage of Dexia SA capital held
Arcofin	15.70 %
Holding Communal	15.50 %
Caisse des dépôts et consignations	7.91 %
Ethias	6.40 %
CNP Assurances	1.60 %

Dexia SA directly or indirectly held 3.50% of its own shares at December 31, 2004.

The employees of the Dexia Group held 4.80% of the company shares.

As of the same date, and to the company's knowledge, no individual shareholder, with the exception of Arcofin, Holding Communal, Caisse des dépôts et consignations, and Ethias held more than 3% of Dexia SA.

In addition, the directors of Dexia SA held 149,815 shares of stock in the company as of December 31, 2004

1.2. Relations among shareholders

Dexia has no knowledge of the existence of agreements among its shareholders, nor of any concerted actions among shareholders.

1.3. Relations with shareholders

Dexia is attentive to the quality of its relations with individual and institutional shareholders. These relations are a priority for the Group, which wants to extend its commitment to greater dialogue and transparency in relations with shareholders.

After the market and geopolitical uncertainties in 2003, when stock markets fell heavily, the market trend in 2004 was positive.

The Dexia share outperformed the main market indices (except the BEL20). In fact, in 2004, the Dexia share posted an average annual performance of 24.04%, with the share price rising from EUR 13.65 at the end of 2003 to EUR 16.93 at the end of 2004.

The Group's adherence to the 2004-2006 multi-year plan, in line with fixed objectives, enabled it to confirm its rating as a "projected growth stock".

1.3.1. Relations with individual shareholders

Over the years, Dexia has developed a rigorous, regular and interactive system for providing information to shareholders. It is based on a shareholder club, a European advisory committee of individual shareholders, specially designed information documents for shareholders, a call center, and website pages.

The European club for individual shareholders

The European club for individual shareholders today has nearly 16,000 members, primarily Belgian and French shareholders. The club is a center for the distribution of financial information to shareholders who want to follow changes in the Group through the publications and documents designed specifically for them. Shareholders can register in the European club for shareholders by telephone,

E-mail or from the website www.dexia.com, as well as from the website www.boursorama.com.

Information media

Three times a year, Dexia publishes a newsletter for shareholders in French and Dutch informing individual shareholders regularly about developments in the Group, earnings and reports of Dexia SA Shareholders' Meetings. The letters to shareholders are sent to club members and to shareholders who request it. They are also available on the website.

Dexia publishes a condensed annual report, designed particularly for individual shareholders, which is available in English, French and Dutch. In addition, Dexia also publishes financial notices on its quarterly, half-year and annual earnings in the Belgian, French, Luxembourg and English press.

The shareholders' guide has been designed as a practical tool for placing stock market orders, managing shares and keeping abreast of events in the company's life. It is useful in helping individual investors learn more about the Group, explaining the regulations for stock orders on the Euronext-based markets, and highlighting specific tax treatments for shares in Belgium and France, depending on the shareholder's country of residence.

The internet site (www.dexia.com)

With 42,000 visitors a month, www.dexia.com is proving to be a major forum for information about the Dexia Group for individual and institutional shareholders. The site is practical in structure, giving quick access to a wide range of information on the life of the Group, its activities, latest news, a list with prices of all the Group's investment funds and ethical funds, and the Dexia share price.

The site provides access to all the Group's main publications such as annual, quarterly and semi-annual reports, as well as press releases, information letters to shareholders, and daily and monthly reports on the share.

The revamped www.dexia.com site was launched in May 2004, and has a highly-innovative multimedia section: Dexia TV, sustainable development live. Dexia TV is a magazine with actual visual reports covering key aspects of sustainable development – the environment, economy and social concerns. Dexia TV is thus the very incarnation of the Group's strap line "Dexia, the bank for sustainable development".

Dexia SA Shareholders' Meetings

A key moment in the life of the company, ordinary shareholders' meetings are heavily publicized: in official notices published in *Le Moniteur Belge* and in the legal announcement bulletin, the *BALO*, in France; in notices published in the national press media in Belgium and France; with information provided by the toll-free number; in a notice of meeting available in English, French and Dutch that can also be downloaded from the internet.

Since 2000, shareholders' meetings have been broadcast live on the internet, allowing shareholders who cannot attend to follow the debates and resolutions in the meetings.

The European Advisory Committee of Individual Shareholders

Established in June 2001, Dexia's European Advisory Committee has taken the place of the Advisory Committee of Dexia France, which was created in 1997. Its members, four Belgian shareholders, four French shareholders and three from Luxembourg, reflect the Group's European identity.

Its role is to advise the Group in its communication policy with regard to individual shareholders.

The Advisory Committee is chaired by Pierre Richard. It meets two or three times a year.

One of the members presents a summary of the Committee's work over the previous year at the Annual Shareholders' Meeting of Dexia SA.

Dialogue with shareholders

This service can be reached toll free from France at 0800 35 50 00, Monday to Friday from 9 a.m. to 7 p.m., and from Belgium at +32 2 213 57 46. It is regularly called by shareholders with all types of questions including the price of the Dexia share, the tax treatment of dividends, the amount of the dividend, the VPR strips, and Dexia SA shareholders' meetings.

1.3.2. Relations with institutional shareholders

Relations with institutional shareholders, which hold about 30% of the capital, are extremely important to Dexia. For this purpose, the Investor Relations Department deploys a team, based partly in Brussels and partly in Paris, in charge of publishing financial and business information about the Group and maintaining relations with investors and analysts.

Information channels

Every year, the department publishes at least four Activity Reports, five Press Releases concerning the activity and the financial results. In addition, the department issues press releases on events, and a large number of presentations on the results, general and specific matters. These documents are distributed to investors who have requested them. All financial information on Dexia, and publications listed above are available on the website www.dexia.com on the page "You are an Investor", and is thus accessible to everyone. In 2004, Dexia released 31 publications (4 Activity Reports, 12 Presentations and 15 Press Releases).

Dialogue with shareholders

After each presentation of results, information meetings are organized with institutional investors. These meetings provide an opportunity to answer their questions about the Group's strategy and results. In 2004, the Management of the Group, assisted by the Investor Relations team, met individually several hundreds of investors, in 30 cities, in 16 countries around the world.

1.4. Circular FMI/2003-02 from the Banking, Financial and Insurance Commission

A Royal Decree of March 31, 2003 "concerning the obligations of issuers of financial instruments listed for trading on a Belgian regulated market" stipulates the obligations of issuers with regard to the information to be provided to the public and their obligations to holders of financial instruments. In July 2003, the Banking, Financial and Insurance Commission published a circular explaining and interpreting this Royal Decree.

The decree and the circular had a certain number of practical implications for Dexia SA, particularly Dexia's choice to use its internet site to meet its obligations to publish the information stipulated by the decree and the circular.

In making this choice, Dexia SA made a commitment to meet several conditions, particularly the creation of a distinct section on the website reserved for the financial information stipulated in the circular.

Maximum use of the website for the communication of the mandatory financial information is one component of Dexia's policy to ensure transparency for its shareholders and institutional investors. The information required by circular FMI/2003-02 from the Banking, Financial and Insurance Commission can be found under the heading "Legal and regulatory information" on the Dexia website.

The management of the Dexia Group

2.1. The Board of Directors of Dexia SA

2.1.1. Members of the Board of Directors (as of December 31, 2004)¹

As of December 31, 2004, the Board of Directors was composed of nineteen members.

The Board of Directors of Dexia SA reflects the European identity of the Group with five nationalities represented. There are also the same number of French and Belgian directors, consistent with the Franco-Belgian legal identity of Dexia SA, with each nationality representing at least one-third of the Board.

Name, age, nationality, committees, shareholding in Dexia	Term of current mandate	Primary function	Other functions	Biography
FRANÇOIS NARMON 70 years old Belgian Member of the Strategy Committee, the Compensation Committee and the Appointments Committee Holds 7,060 Dexia shares Director since 1996	2002-2006	Chairman of the Board of Directors, Dexia SA	Chairman of the Board of Directors: – Dexia BIL – DVV Insurance – Dexia Insurance	Ingénieur commercial (degree similar to MBA). Joined Crédit Communal in 1957. Chairman of the Management Board of Crédit Communal (then of Dexia SA) from 1979 to 1999. Co-Chairman of the Dexia Group from 1996 to 1999. Chairman of the Board of Directors of Dexia SA since 1999.
PIERRE RICHARD 63 years old French Member of the Strategy Committee and the Appointments Committee Holds 49,210 Dexia shares Director since 1996	2002-2006	Group Chief Executive Officer and Chairman of the Management Board, Dexia SA	Director: – Crédit du Nord – Le Monde – Air France/KLM – Generali France Holding – Companies belonging to the Dexia Group (Dexia Bank Belgium, Dexia Crédit Local, Dexia BIL, Financial Security Assurance)	Graduate of Ecole Polytechnique and Ecole nationale des Ponts et Chaussées. General Director for Local Governments, French Ministry of the Interior from 1978 to 1982. Deputy Managing Director of the Caisse des dépôts et consignations in 1983. Chairman of Crédit Local de France from 1987 to 1996. Co-Chairman of the Dexia Group from 1996 to 1999. Since 1999, Chairman of the Management Board and Chief Executive Officer of Dexia SA.
ERIC ANDRÉ 50 years old Belgian Member of the Audit committee Holds 1,500 Dexia shares Director since 2002	2002-2006	Alderman of Finance, Uccle (Belgium)	President: – Record Financial Service SCRL – DB Associates SA – Association de la Ville et des Communes de la Région de Bruxelles-Capitale Vice-president: – Association des Villes et des Communes de Belgique Director: – Record Bank SA – Akkermans & Stroobants SA	Master in Business Administration (Cornell University, USA). Before becoming active in the Brussels-Capital Region politics, he was among others expert at Bureau Fédéral du Plan. Lecturer at Ecole des Hautes Etudes Commerciales in Liège.
GILLES BENOIST <i>Independent director</i> 58 years old French Chairman of the Audit Committee Holds 300 Dexia shares Director since 1999	2000-2006	Chairman of Board, CNP Assurances	Member of the Management Board: – Groupe Caisse des Dépôts Member of the Supervisory Board: – CDC IXIS	Law degree. Graduate of Institut d'Etudes Politiques and Ecole Nationale d'Administration. Secretary-General of Crédit local de France as of 1987. Member of the Executive Board of Caisse des dépôts et consignations from 1993 to 1998.

¹ Article 2 of the Law of August 6, 1931 (Belgian Gazette of August 14, 1931) forbids ministers, former ministers and State Ministers, as well as members or former members of Legislative Assemblies to mention their status as such in acts and publications of profit-making companies.

Name, age, nationality, committees, shareholding in Dexia	Term of current mandate	Primary function	Other functions	Biography
RIK BRANSON 60 years old Belgian Member of the Strategy Committee and the Appointments Committee Holds no Dexia shares Director since 2001	2002-2006	Chairman of the Management Board, Arcofin	Chairman of the Management Board: – Arcopar – Arcoplus – Auxipar Censor: – National Bank of Belgium	Graduate degree in economics. Several functions at the Regional Investment Company of Flanders from 1980 to 1989. Joined the Arco Group in 1989, Chairman of the Management Board as of 1992.
THIERRY BRETON¹ <i>Independent director</i> 50 years old French Holds no Dexia shares Director since 2000	2001-2007	Chairman and Chief Executive Officer, France Telecom	Chairman of the Board of Directors: – Thomson SA – Orange Director: – Schneider Electric – Thomson Multimedia Member of the Supervisory Board: – AXA	Engineer. Chief Executive Officer of the CGI Group from 1990 to 1993. Executive Chairman and Vice Chairman of the Board of Directors of the Bull Group from 1993 to 1997. President of the technology university of Troyes. Prior to France Telecom, Chairman and Chief Executive Officer of Thomson SA and Thomson Multimedia from 1997 to 2002.
GUY BURTON 56 years old Belgian Holds 2,000 Dexia shares Director since 2001	2003-2007	Chief Executive Officer and Chairman of the Management Board, Ethias	Chairman of the Board of Directors: – Union des associations d'assurance mutuelle – Naviga - Mauretus SA – Network Research Belgium – Incotech – Ame Life Lux	Law degree. Joined Société Mutuelle des Administrations Publiques (now Ethias) in 1974; Secretary-General in 1991; Chief Executive Officer in 1995.
ELIO DI RUPO 53 years old Belgian Holds no Dexia shares Director since 2004	2004-2005	Chairman of the Parti Socialiste, Belgium	Burgomaster of Mons Lecturer at the Université de Mons-Hainaut Member of the European Socialist Party's Presidium Vice President of the Socialist International	BA in chemistry and PhD in science at the Université de Mons-Hainaut. Inspector General at the Energy Inspection for the Walloon Region as of 1985. Since 1987, several major political mandates at regional, national or European level. Chairman of the Parti Socialiste since 1999. Burgomaster of the city of Mons since 2001.
ANNE-MARIE IDRAC <i>Independent director</i> 53 years old French Holds no Dexia shares Director since 2004	2004-2008	Chairwoman and Chief Executive Officer, RATP	Chairwoman of the Mouvement Européen - France	Graduate of the Institut d'Etudes politiques de Paris. Law degree. Former student of ENA. Director of Land Transport at the Ministry of Equipment, Transport and Tourism (from 1993 to 1995). State Secretary for Transport (from 1995 to 1997). Deputy for the Yvelines region. Elected to the Regional Council of Ile-de-France. Retired from her political mandates in order to be named Chairwoman and CEO of RATP in 2002.
DENIS KESSLER <i>Independent director</i> 52 years old French Member of the Strategy Committee Member of the Appointments Committee (until January 11, 2005) Holds 15,285 Dexia shares Director since 1999	2000-2006	Chairman and Chief Executive Officer, SCOR Group	President: – SCOR Life US Reinsurance (USA) – SCOR Reinsurance Company (USA) – SCOR US Corporation (USA) Director: – BNP Paribas SA – Bolloré Investissement SA – Dassault Aviation – Cogedim – AMVESCAP Plc	Ecole des Hautes Etudes Commerciales. Degrees in political science, economics and philosophy. Member of Conseil économique et social, Conseil National des Assurances and Commission économique de la Nation. Member of the Société d'Economie Politique.

¹ Thierry Breton resigned as director of Dexia SA on February 28, 2005.

Name, age, nationality, committees, shareholding in Dexia	Term of current mandate	Primary function	Other functions	Biography
ANDRE LEVY-LANG <i>Independent director</i> 67 years old French Member of the Strategy Committee (until January 11, 2005) Chairman of the Appointments Committee Holds 38,000 Dexia shares Director since 2000	2000-2006	Associate Professor [émérite], Université Paris-Dauphine	Director: – Schlumberger – AGF – Institut Europlace de Finance – SCOR – Hôpital Américain de Paris	Graduate of Ecole Polytechnique. Ph.D. in Business Administration from Stanford University. Former Chairman of the Supervisory Board of Paribas, Associate Professor at Université Paris-Dauphine and company director.
FRANCIS MAYER 54 years old French Member of the Appointments Committee (as of January 11, 2005) Member of the Strategy Committee (as of January 11, 2005) Holds no Dexia shares Director since 2003	2004-2008	Chief Executive Officer, Caisse des dépôts et consignations	Member of the Supervisory Board: – CNP Assurances Vice Chairman and member of the Supervisory Board: – CNCEP Director: – Veolia Environnement – Casino Guichard-Perrachon – Accor	Former student of Ecole nationale d'administration. Qualified teacher of language and literature. Before becoming general manager of Caisse des dépôts et consignations, he was deputy manager of the Treasury division of the French Ministry of Economy and Finance (1994-1999), chairman of the Paris Club (1997-1999) and vice-chairman of the European Investment Bank (EIB) (1999-2002).
ROBERTO MAZZOTTA <i>Independent director</i> 64 years old Italian Holds no Dexia shares Director since 2001	2002-2006	Chairman, Banca Popolare di Milano	Vice Chairman of the Board of Directors: – Associazione Bancaria Italiana Director: – Associazione Nazionale Banche Popolari	Trained as an economist. Former professor at the University of Genoa. Active in Italian politics for twenty years. Entered banking in 1987.
JAN RENDERS 55 years old Belgian Holds no Dexia shares Director since 2003	2004-2008	Chairman of ACW	Chairman of the Board of Directors: – HIVA – Arcopar – Arcofin Member of the Board of Directors: – IDEWE – IBEVE	BA in sociology. He started his career in 1972 as adviser in the research department of ACW. From 1990 to 1997, he was national secretary of ACW. In 1997 he became deputy general-secretary of ACW. He was appointed general chairman in 2002.
GASTON SCHWERTZER Director <i>Independent director</i> 72 years old Luxembourg Holds 33,660 Dexia shares Director since 1999	2000-2006	Doctor of law Company director	Chairman: – Luxempart and Luxempart Energie – Sichel – Presta-Gaz – Le Foyer, Patrimonium et Associés – Eneragus Managing Director: – Audiolux Director: – S.E.S. Global – Société électrique de l'Our – Foyer Finance – Dexia Banque Internationale à Luxembourg	Career in the gas industry of Dexia. BIL since 1984. Co-founder of BIL Participations (now: Luxempart) Honorary Consul of the Republic of Nicaragua.
ANNE-CLAIRE TAITTINGER <i>Independent Director</i> 55 years old French Member of the Compensation Committee (as of February 5, 2004) Member of the Audit Committee (until March 6, 2004) Holds 1,000 Dexia shares Director since 2001	2001-2007	Chairwoman of Management Board, Groupe Taittinger Chief Executive Officer, Société du Louvre – Groupe du Louvre	Chairwoman of the Board of Directors: – Baccarat Chairwoman: – Société Immobilière de la Tour La Fayette Director (permanent representative) of Groupe Taittinger to Taittinger CCVC	Graduate of Institut d'Etudes Politiques de Paris. Prior to becoming Chairwoman of the Management Board of Groupe Taittinger, she was successively Secretary-General, Deputy Chief of Executive Officer, Chief Executive Officer, then Chairwoman of the Supervisory Board of Société du Louvre of which she is now Chief Executive Officer as a result of the separation of the functions of chairwoman and chief executive officer.

Name, age, nationality, committees, shareholding in Dexia	Term of current mandate	Primary function	Other functions	Biography
MARC TINANT 50 years old Belgian Member of the Audit Committee Holds 100 Dexia shares Director since 2001	2002-2006	Member of the Management Board, Arcofin	Director and member of the Management Board: – Arcoplus – Auxipar – Arcopar Chief Executive Officer and Vice Chairman of the Board of Directors: – EPC Director: – Retail Estates (SICAFI listed in Brussels)	Graduate and Master's degree in economics. Before joining the Arco Group in 1991, he was General Adviser to the Management Board of the Walloon Regional Investment Company.
SIR BRIAN UNWIN <i>Independent director</i> 69 years old British Member of the Compensation Committee Holds no Dexia shares Director since 2000	2000-2006	Chairman of Assettrust Housing Limited	Honorary Chairman: European Investment Bank Chairman of the Board of Directors: – European Center for Nature Conservation Director: – English National Opera Company – Federal Trust for Education and Research Member of the Executive Council: – Britain in Europe	Studied at Oxford and Yale. Former diplomat, also worked for the Chancellor of the Exchequer and on the Prime Minister's staff in the United Kingdom. Chairman of the European Investment Bank in 1993; Honorary Chairman in 2000.
FRANCIS VERMEIREN 68 years old Belgian Member of the Strategy Committee (as of January 11, 2005) Member of the Appointments Committee (as of January 11, 2005) Holds 1,700 Dexia shares Director since 2004	2004-2005	Burgomaster of Zaventem (Belgium)	Chairman of the Board of Directors: – Holding Communal	Former insurance inspector. Former manager of a tax office. Now active in politics at a national level.
OBSERVER: FRANK BEKE 58 years old Belgian Holds 1,400 Dexia shares Observer since 2001	2002-2006	Burgomaster of Ghent (Belgium)		Graduate degree in philology and communication sciences. Prior to being elected Burgomaster of Ghent in 1995, municipal councilor and alderman.

Changes in the composition of the Board of Directors of Dexia SA during the 2004 financial year

During the 2004 financial year, significant changes to members of the Board of Directors were as follows:

– At its meeting on March 4, 2004, the Board of Directors co-opted Anne-Marie Idrac to temporarily replace Paul-Louis Halley. At the Ordinary Shareholders' Meeting of Dexia SA on May 12, 2004, Mrs. Idrac was definitively elected. Her term will expire at the end of the Ordinary Shareholders' Meeting of Dexia SA in 2008.

– At the Ordinary Shareholders' Meeting of Dexia SA on May 12, 2004, Jan Renders was definitively elected. He was co-opted by the Board of Directors of Dexia SA on September 11, 2003. His term will expire at the end of the Ordinary Shareholders' Meeting of Dexia SA in 2008.

– The same Ordinary Shareholders' Meeting of Dexia SA on May 12, 2004 elected Francis Mayer to the Board. He was originally co-opted by the Board of Directors of Dexia SA on November 20, 2003. His term will expire at the end of the Ordinary Shareholders' Meeting of Dexia SA in 2008.

– Didier Donfut resigned from the Board of Directors of Dexia SA on November 16, 2004. The Board co-opted Elio Di Rupo to replace Mr. Donfut temporarily as of November 16, 2004. The Board will recommend that the next Ordinary Shareholders' Meeting of Dexia SA on May 11, 2005 elect Elio Di Rupo for a new four-year term.

– Karel De Gucht resigned from the Board of Directors of Dexia SA on November 29, 2004. The Board co-opted Francis Vermeiren to temporarily replace Mr. De Gucht as of November 29, 2004. The Board will recommend that the next Ordinary Shareholders' Meeting of Dexia SA on May 11, 2005 elect Francis Vermeiren for a new four-year term.

Independent directors

In order to ensure strong credibility for the independence criteria that it intends to apply to its members, the Board of Directors of Dexia SA decided at its meeting on February 5, 2004 to apply strict criteria for independence, based on Article 524 of the Belgian Corporate Code and the governance principles recommended by the Bouton report, which is the reference in France.

These criteria are as follows:

1. For a period of 2 years preceding his or her appointment as an independent director, the nominee may not have held office or served as a director, manager, member of the Management Board, chief executive officer, executive officer or employee of Dexia SA or a company or a person affiliated with Dexia SA or which is part of its consolidated group (this condition does not apply when the term of office of an independent director is extended).
2. An independent director may not be a director of Dexia SA for more than 12 years (termination of an independent directorship for this reason only occurs at the expiry of the current term in which the 12-year period is exceeded); termination of an independent directorship at the end of the 12-year period does not preclude renewal of the appointment as a non-independent director.
3. An independent director may not have, either at Dexia SA or in an affiliated company, a spouse or person with whom he or she lives

under a common law marriage, an immediate family member or a relative up to two removes, who is a director, manager, member of the Management Board, chief executive officer, executive officer or employee, or has a financial interest as specified in point 4 below.

4. Neither the independent director, nor his or her spouse, or the person with whom he or she lives under a common law marriage, or an immediate family member or a relative up to two removes, may hold shares representing 3% or more of the capital or of a class of shares of Dexia SA. If these persons hold rights representing less than 3% of the capital or a class of shares of Dexia SA, these rights may not exceed said limit of 3% when added to those held by the companies controlled by the independent director; lastly, the transfer deeds for these shares or the exercise of the rights attached to them may not be subject to any contractual agreements or unilateral commitments to which the independent director has subscribed.

5. The independent director may not be an executive director of a company in which Dexia SA directly or indirectly holds a position as director.

6. The independent director may not be (or be directly or indirectly associated with) a client, a supplier, an investment banker, a commercial banker (i) that is significant to Dexia SA or a company affiliated with Dexia SA or (ii) for which Dexia SA or a company affiliated to it represents a significant proportion of its business.

7. The independent director may not serve as auditor of Dexia SA at any time during the previous five years.

8. The independent director may not represent a shareholder who alone, or with one or more other shareholders, holds more than 5% of the capital of Dexia SA.

9. A director is independent if he or she has no relations of any kind whatsoever with Dexia SA, a company affiliated to Dexia SA or the management of Dexia SA, which might compromise the exercise of his or her freedom of judgment. He or she may not maintain any relations with any other company which might call into question his or her independence.

Based on these criteria, there are nine independent directors on the Dexia SA Board (as of December 31, 2004):

- Anne-Marie Idrac
- Anne-Claire Taittinger
- Gilles Benoist
- Thierry Breton¹
- Denis Kessler
- André Levy-Lang
- Roberto Mazzotta
- Gaston Schwertzer
- Sir Brian Unwin.

Non-executive members of the Board of Directors

Non-executive members of the Board of Directors exercise no management functions in the company or any of its subsidiaries. Except for Pierre Richard, who is both Chief Executive Officer and Chairman of the Dexia SA Management Board, the other members of the Board of Directors of Dexia SA are all non-executive members.

¹ Thierry Breton resigned as director of Dexia SA on February 28, 2005.

Separation of the functions of Chairman of the Board of Directors and Chief Executive Officer (CEO)

The bylaws of Dexia SA specifically define the rule for separation of the functions of Chairman of the Board of Directors and Chief Executive Officer (CEO). They must necessarily be entrusted to different individuals of different nationalities, even when the Chairman of the Board of Directors is unable to preside and is replaced by another member of the Board.

Term of office

The term of office for Board members elected on or after May 7, 2002 is a maximum of four years, which complies with good governance recommendations.

2.1.2. Responsibilities of the Board of Directors

The Board of Directors of Dexia SA determines the strategic objectives and the general policy of both the parent company and the Group. It oversees and sets guidelines for management. The Board of Directors appoints the members of the Management Board, approves the measures required to achieve the strategic objectives it defines, monitors implementation of the company's management and control programs, and reports to shareholders.

2.1.3. Operation of the Board of Directors

2.1.3.1. Bylaws

The company's bylaws lay down the following rules, which govern the operation of the Board of Directors:

– Any debate requires the presence or representation of at least half of the members of the Board.

– Decisions require the majority of the votes of all the members present or represented; in the event of a tie, the vote of the Chairman or the member who replaces him determines the vote.

– Decisions concerning the operations described below require the presence or representation of at least two-thirds of the members of the Board, and a two-thirds majority of all the members present or represented:

(i) any decision to employ authorized capital or to submit to the Ordinary Shareholders' Meeting a resolution to approve the issue of shares, bonds convertible or redeemable in shares, warrants or other financial instruments eventually conferring the right to shares, when the amount of the capital increases which would result from the issue of these shares or the conversion or redemption of these bonds or the exercise of these warrants or other financial instruments exceeds 10% of the amount of capital existing prior to these decisions;

(ii) any decision relating to the acquisition or sale of assets representing more than 10% of the company's equity;

(iii) any decision to submit to the Ordinary Shareholders' Meeting a resolution to modify the company's articles of association;

(iv) any decision relating to the appointment or dismissal of the Chairman of the Board of Directors and Chief Executive Officer.

2.1.3.2. Internal rules of the Board of Directors of Dexia SA

Since the creation of Dexia SA in 1999, the Board of Directors has operated according to a code of internal rules (hereinafter the "Regulations"). Amended on several occasions, the Regulations codify a set of rules and recommendations designed to guarantee the full exercise of power by the Board of Directors and to optimize the contribution of each member of the Board.

The Regulations define the rights and obligations of the members of the Board of Dexia SA in the exercise of their duties, operating and evaluation guidelines, relations with the Management Board, and the organization and operation of the Board's specialized committees (see hereafter), as well as a procedure to prevent and settle conflicts of interests.

Directors' rights specified in the Regulations include the right of all directors to receive all the information required to satisfactorily carry out their duties, in particular information concerning strategy.

On the subject of directors' duties, the Regulations impose a series of rules designed to guarantee the independence of Board members. They must act in the company's interests, deemed to be the interests of the shareholders as a whole, and those of the company's and the Group's customers and employees. Directors must generally ensure that they serve the Board completely independently of the interests of all parties outside the company. Directors also undertake to participate actively in the work of the Board and its specialized committees to which they belong, for which the first condition is regular attendance at meetings. They are requested to attend at least three-fourths of the meetings.

In a further measure designed to guarantee independent action of the Board, and in accordance with regulations concerning insider trading, the Regulations also impose a series of strict rules designed (i) to ensure complete transparency of trading of Dexia shares, by requiring directors to make regular formal declarations to the Chief Compliance Officer, and (ii) to prohibit certain types of transactions, even all transactions during specified periods, unless approved by the Chief Compliance Officer.

Furthermore, the Regulations establish rules concerning membership, operation and responsibilities of the specialized committees composed of members of the Board of Directors and acting under its authority. These rules are specified below for each specialized committee.

The Regulations also stipulate that when they have to approve issues related to the strategy or the general policy of the Group, the Board of Directors and the Strategy Committee may consider any question, but they are required to obtain the prior – but non-binding – opinion of the Management Board.

Finally, the Regulations provide for a detailed procedure that will be applied when a director has, directly or indirectly, an adverse interest in a decision or operation to be decided by the Board of Directors.

2.1.3.3. Activity and operation of the Board of Directors of Dexia SA during the 2004 financial year

• The Board of Directors met seven times in 2004. The directors' attendance rate at Board meetings was 81.7%.

• Besides the statutory appointments, the main issues examined by the Board of Directors were as follows:

- discussion and approval of the 2003 company and consolidated financial statements and a review of the Group's business results for the 2003 financial year;
- discussion and approval of the Group's financial statements as of March 31, June 30 and September 30, 2004 and a review of the Group's business results for the same periods;
- discussion and approval of the Dexia Group's budget for 2004;
- analysis of the Dexia Group's strategic goals;
- study of the project of union with San Paolo IMI;
- discussion and approval of the audit program for 2004;
- report from the Chairman of the Board of Dexia SA concerning the operations of the Board and the internal controls for the Group;
- discussion following the self-assessment of the Board of Directors;
- discussion and reading of the internal audit report and the report on risk assessment and monitoring in 2003;
- periodic reports of the Audit Committee;
- discussion and approval of the independence criteria for Board members, and the procedure for classifying directors as "independent directors";
- monitoring the Dexia Bank Nederland operation;
- acquisition of FMS Hoche;
- sale of Kempen & Co;
- sale of Société Monégasque de Banque Privée (SMBP);
- development of the first business in Japan and Mexico;
- Dexia's position vis-à-vis the defence/weapons sector;
- employee shareholding plan (for Company and Group employees) and the stock option plan for 2004;
- reports from the Strategy, Compensation and Appointments Committees;
- strategy and handling of treasury shares;
- changes to the audit charter;
- calling and setting the agenda for and the proposed resolutions to be submitted to the Ordinary and Extraordinary Shareholders' Meetings.

• The Chief Executive Officer, who is also Chairman of the Management Board, abstained from the deliberations of the Board of Directors related to his own remuneration and retirement plan.

• Each quarter, the Chief Executive Officer of Dexia SA provides a report to the members of the Board of Directors on the activities of the different entities and their subsidiaries. This report focuses on the Group's four key business lines and gives a detailed picture of Dexia's position in each of these segments.

• Between two meetings of the Board of Directors, the Chief Executive Officer also sends an information letter to the directors describing the major events in the life of the Dexia Group.

2.1.3.4. Self-assessment

The Board of Directors of Dexia SA conducted a self-assessment in 2004.

Overall, the 87% satisfaction rate expressed by members of the Board in the questions asked may be considered very satisfactory.

The general rate of satisfaction on the operations of the Board was better in 2004 than in 2003 (82%).

2.1.4. Directors' compensation

In 2002, Dexia SA's Ordinary Shareholders' Meeting approved a resolution to grant a maximum annual directors' remuneration of EUR 700,000. This meeting also authorized the Board to determine the practical procedures and individual allocation of this remuneration.

At its meeting on May 23, 2002, the Board of Directors decided to grant each director an annual fixed compensation of EUR 20,000 (EUR 5,000 per quarter), and directors' fees (variable compensation) of EUR 2,000 per Board meeting or specialized committee meeting.

Directors who have been in office for less than one full year shall earn a proportion of this fixed fee based on the number of quarters during which they have effectively been in office.

The Chairman of the Board of Directors does not receive any compensation for his position as director. However, at its meeting on March 13, 2000, the Compensation Committee proposed a fixed annual fee to the Chairman, for the full period of his term, as well as options granted annually. This proposition, which was approved by the Board of Directors on March 14, 2000, was taken in view of the pre-eminent role played by the current Chairman of the Board of Directors in promoting and representing the Group.

The Chief Executive Officer does not receive any fee for his position as director. However, he is remunerated for his responsibilities as Chief Executive Officer and Chairman of the Management Board (see hereafter).

2.1.5. Specialized committees created by the Board of Directors

The Board of Directors of Dexia SA has established four specialized Board committees (Strategy Committee, Audit Committee, Compensation Committee and Appointments Committee). These committees have an advisory role enabling the Board of Directors to take full advantage of individual members' expertise by allocating specific functions to each member.

2.1.5.1. Strategy Committee

a) Membership

The Strategy Committee is composed of six directors, including the Chairman and the Chief Executive Officer. The attendance rate of the directors concerned was 92.9% in 2004.

Committee members:

- François Narmon, Chairman of the Board of Directors;
- Pierre Richard, Chief Executive Officer;
- Denis Kessler, independent director;
- André Levy-Lang, independent director;
- Rik Branson;
- Karel De Gucht, member of the Strategy Committee until November 29, 2004.

Francis Mayer and Francis Vermeiren joined the Strategy Committee on January 11, 2005, the date André Levy-Lang left this committee.

Directors' fees paid to the directors of Dexia SA for the performance of their duties in 2004

<i>(in EUR)</i>	Board of Directors (fixed rem.)	Board of Directors (var. rem.)	Strategy Committee	Audit Committee	Compensation Committee	Appointments Committee	Total
Narmon, François	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Richard, Pierre	0.00	0.00	0.00	0.00	0.00	0.00	0.00
André, Éric	20,000.00	10,000.00	0.00	4,000.00	0.00	0.00	34,000.00
Benoist, Gilles ¹	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Branson, Rik	20,000.00	14,000.00	14,000.00	0.00	0.00	6,000.00	54,000.00
Breton, Thierry	20,000.00	2,000.00	0.00	0.00	0.00	0.00	22,000.00
Burton, Guy	20,000.00	6,000.00	0.00	0.00	0.00	0.00	26,000.00
De Gucht, Karel	20,000.00	12,000.00	12,000.00	0.00	0.00	4,000.00	48,000.00
Di Rupo, Elio	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Donfut, Didier	20,000.00	8,000.00	0.00	0.00	0.00	0.00	28,000.00
Idrac, Anne-Marie	15,000.00	10,000.00	0.00	0.00	0.00	0.00	25,000.00
Kessler, Denis	20,000.00	10,000.00	14,000.00	0.00	0.00	6,000.00	50,000.00
Levy-Lang, André	20,000.00	12,000.00	10,000.00	0.00	0.00	6,000.00	48,000.00
Mayer, Francis ²	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mazzotta, Roberto	20,000.00	10,000.00	0.00	0.00	0.00	0.00	30,000.00
Renders, Jan	20,000.00	14,000.00	0.00	0.00	0.00	0.00	34,000.00
Schwertzer, Gaston	20,000.00	14,000.00	0.00	0.00	0.00	0.00	34,000.00
Taittinger, Anne-Claire	20,000.00	14,000.00	0.00	2,000.00	6,000.00	0.00	42,000.00
Tinant, Marc	20,000.00	12,000.00	0.00	8,000.00	0.00	0.00	40,000.00
Unwin, Brian	20,000.00	12,000.00	0.00	0.00	6,000.00	0.00	38,000.00
Vermeiren, Francis	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<i>Beke, Frank (observer)</i>	<i>20,000.00</i>	<i>12,000.00</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>32,000.00</i>

1 Gilles Benoist does not wish to receive any Director's fees.

2 The director's fees related to the Dexia SA director mandate of François Mayer, which amounted to EUR 32,000 in 2004, were directly paid to the Caisse des dépôts et consignations.

b) Responsibilities

The Strategy Committee meets to assess the strategic position of the Dexia Group in view of developments in its markets and trading environment and its medium-term growth strategies. The Chief Executive Officer also has the power to convene a meeting of the Strategy Committee at any time to enable the members to study sensitive matters before they are put to the Board of Directors.

c) Operation and activities in 2004

In 2004, the Strategy Committee met seven times (February 3, April 27, July 1, October 27, November 10, November 16 and November 24, 2004) to consider the following issues:

- the 2004 budget;
- the 2004-2006 financial plan;
- the analysis of the strategic goals of the Dexia Group;
- the study of project of union with San Paolo IMI.

2.1.5.2. Audit Committee

a) Membership

The Audit Committee is composed of three directors:

- Gilles Benoist, independent director and chairman of the committee;

– Marc Tinant;

– Eric André.

The attendance rate of the directors on this committee was 84.6% in 2004.

b) Responsibilities

The role of the Audit Committee is to review the draft annual, quarterly, corporate and consolidated financial statements of the Group to verify the conditions under which they were established and to ensure the relevance and continuity of the accounting principles and methods applied, and to monitor the performance of the internal audit system established by the Management Board, particularly the system to manage the risks to which the Group is exposed as a result of its activities.

The Audit Committee has free access to the Statutory Auditors, the Group Auditor and the Chief Compliance Officer. It also informs the Chief Executive Officer of any such contacts.

In the context of its responsibilities, the Audit Committee:

- reads and analyzes financial information and accounting procedures and, in particular:
 - reviews the conclusions, comments and recommendations of the Statutory Auditors; it may suggest further work if deemed appropriate;

- reviews the quarterly and annual financial statements prior to approval by the Board of Directors and publication;
- gives an opinion on the appointment of Statutory Auditors.
- ensures that proper control and risk management procedures are in place and applied in respect of:
 - credit risks;
 - market risks;
 - operational risks.

For this purpose, the Audit Committee may request to be notified of conclusions of internal audits.

- may also recommend additional audits;
- ensures that sufficient resources are available to the internal audit and compliance departments;
- ensures that rules issued by market authorities are properly implemented;
- is consulted regarding the rules of ethics in force within the Group.

The Audit Committee meets at least four times a year. Three of these meetings take place prior to the Board of Directors' meetings called to approve the annual and quarterly financial statements. The Committee may meet at the request of one of its members, or the Chairman of the Board of Directors. It reports the results of its work and its comments to the Board of Directors.

c) Operation and activities in 2004

In 2004, the Audit Committee met on February 27, May 7, August 30, and December 16, to review the following issues:

- a review of the financial statements and the results of the Group as of December 31, 2003, March 31, 2004, June 30, 2004 and September 30, 2004;
- the report of the Chairman of the Board on the work of the Board of Directors and internal audits (required by the French law on financial security);
- the annual report on the status of the Group's internal controls;
- the half-year reports on the internal audit activities in the entities of the Group;
- the half-year reports from Risk Management Group on risk assessment and monitoring;
- the integrity policy of the Dexia Group;
- the draft of the internal regulations of the Audit Committee;
- changes in the methodology for preparing audit reports and implementing recommendations;
- the 2004-2008 multi-year audit plan and the 2004 and 2005 annual audit plans;
- the results of the various audit missions such as those devoted to the IFRS and Basel II projects;
- follow-up for the Legi lease and Lernout&Hauspie cases;
- follow-up on the action plans for the banking entities of the Group in New York and reports from the regulators.

2.1.5.3. Compensation Committee

a) Membership

The Compensation Committee is composed of three non-executive Group directors:

- Anne-Claire Taittinger, independent director;
- Sir Brian Unwin, independent director;
- François Narmon, Chairman of the Board of Directors;

The attendance rate of directors at meetings of the Compensation Committee was 100% in 2004.

b) Responsibilities

The responsibilities of the Committee include:

- the determination of the compensation criteria for the Chairman of the Board, the Chief Executive Officer and, based on the Chief Executive Officer's recommendation, the compensation of the members of the Management Board;
- the granting of stock options in application of the general principles defined by the Board of Directors;
- the policies for compensation paid to directors and allocation of compensation;
- the compensation policy and the policy to develop the loyalty of the members of the management boards of the principal subsidiaries, as well as the employee shareholding policy;
- the compensation policy for executive managers of the Group (including insurance and pension benefits) and compliance of the policy with the general principles established by the management bodies.

c) Operation and activities in 2004

The Compensation Committee meets at least once a year prior to the date of the Board of Directors' meeting convened to approve the annual financial statements. It may also be convened at the request of the Chairman of the Board of Directors or two of its members.

It reports to the next meeting of the Board of Directors concerning the results of its work and its meetings. On request, it provides copies of the minutes of its meetings to the Board of Directors.

In 2004, the Compensation Committee held three meetings: on February 5, May 11, and November 15. The following subjects were discussed:

- comparative analysis of the systems in effect in European groups for calculating variable compensation and bonuses;
- annual survey on compensation levels for members of the Management Board (European benchmark outside the UK);
- compensation policy for the major international subsidiaries;
- internal and external benchmarks for supplemental pension schemes and adaptation of the terms of the supplemental pension contract for the French members of the Management Board;
- determination of the general conditions of the global shareholding plan reserved for employees, and the 2004 stock option plan;
- general principles governing director compensation.

2.1.5.4. Appointments Committee

a) Membership

The Appointments Committee is composed of six directors including the Chairman of the Board of Directors and the Chief Executive Officer. It is chaired by an independent director. The attendance rate of the directors on this committee was 100% in 2004.

Members were as follows:

- André Levy-Lang, Chairman of the Committee, independent director;
- François Narmon, Chairman of the Board of Directors;
- Pierre Richard, Chief Executive Officer;
- Denis Kessler, independent director;
- Rik Branson;
- Karel De Gucht, member of the Appointments Committee until November 29, 2004.

Francis Mayer and Francis Vermeiren joined the Appointments Committee on January 11, 2005, the date Denis Kessler left the committee.

b) Responsibilities

The Appointments Committee prepares decisions of the Board of Directors relating to:

- appointments and renewals of terms of office proposed by the Board to the Ordinary Shareholders' Meeting, and recommendations for the co-opting of directors to the Board of Directors;
- appointment of members of the specialized committees of the Board of Directors;
- appointment or renewal of the term of office of the Chief Executive Officer;
- appointment or renewal of the term of office of the Chairman of the Board;
- recommendations of the Chief Executive Officer concerning the membership of the Management Board;
- changes to the internal regulations of the Board;
- organization of the annual self-assessment of the Board of Directors;
- classification of "independent" directors and monitoring good governance rules in this area.

For these purposes, the Committee is responsible for monitoring procedures adopted by major listed companies in terms of membership and operations of boards of directors. The Committee nominates one of its members to ensure proper completion of the Board's self-assessment.

The Committee may receive from any source suggestions for potential directors of Dexia SA. All potential appointments must be reviewed by the Committee before an approach is made to the person in question and before his/her name is submitted to the Board of Directors.

c) Operation and activities in 2004

The Appointments Committee meets at least once a year prior to the Board of Directors' meeting called to prepare the resolutions to

be submitted to the Shareholders' Meeting and, during the year, on a justified request from one of its members.

The Appointments Committee met three times in 2004: on March 3, September 29, and December 22. Topics discussed included the following:

- the membership of the Board of Directors;
- the membership of the specialized committees;
- the independence criteria that may be applied to directors (see above).

2.2. The Management Board of Dexia SA

2.2.1. Membership

The Management Board is composed of a maximum of eight members who are appointed and removed from office by the Board of Directors acting on the recommendation of the Chief Executive Officer. The age limit is 65.

Members of the Management Board as of January 1, 2005 were as follows:

Chairman

Pierre RICHARD

Group Chief Executive Officer

Chairman of the Supervisory Board of Dexia Crédit Local

Vice chairman of the Board of Directors of Dexia Bank Belgium

Vice chairman of the Board of Directors of Dexia Banque Internationale à Luxembourg

Vice chairman of the Board of Directors of Financial Security Assurance (FSA)

Members

Rembert von LOWIS

Group Chief Financial Officer

Vice chairman of the Supervisory Board of Dexia Crédit Local

Director of Financial Security Assurance (FSA)

Jacques GUERBER

Group Head of Public/Project Finance and Credit Enhancement

Chairman of the Management Board of Dexia Crédit Local

Director of Financial Security Assurance (FSA)

Marc HOFFMANN

Group Head of Investment Management and Insurance Services

Chairman of the Management Board of

Dexia Banque Internationale à Luxembourg

Axel MILLER

Group Head of Personal Financial Services

Chairman of the Management Board of Dexia Bank Belgium

Dirk BRUNEEL

Group Head of Treasury and Capital Markets

Chairman of the Management Board of Dexia Bank Nederland

Director of Financial Security Assurance (FSA)

Claude PIRET

Group Chief Operations & Technology Officer

Member of the Supervisory Board of Dexia Crédit Local

2.2.2. Responsibilities

In accordance with the strategic objectives and general policy guidelines defined by the Board of Directors, the Management Board runs the parent company and the Group and oversees the different business lines. To this end, each member of the Management Board is invested with operating responsibilities within the company or Group entities (by business, activity or function). The Management Board is chaired by the Chief Executive Officer, whom the Board of Directors entrusts with the daily management of the company and implementation of decisions taken by the Board of Directors. Central functions (e.g. audit, human resources, risk management, communications and investor relations, legal and tax departments and strategic planning) support the Management Board and its Chairman in their role of integration and management of the Group.

2.2.3. Operation

Since the creation of Dexia SA in 1999, the Management Board has operated according to a set of internal rules (hereinafter the "Regulations"). Amended on several occasions, these Regulations define its role and mode of operation. The collegial decision-making process, the Board's powers and certain rules governing the status of members are also subject to specific provisions in the protocol on the prudential structure of the Dexia Group signed with the Belgian Banking, Financial and Insurance Commission.

In addition to rules governing the membership of the Management Board (see above), the Regulations include the following rules:

– Powers of the Management Board

The Regulations first define the powers of the Management Board in its dealings with the Board of Directors. The Management Board must formulate a preliminary opinion regarding any proposals debated by the Board of Directors or the Strategy Committee in terms of strategy or general policy of the Group. It may make recommendations to the Board of Directors through the Chief Executive Officer. If the Chief Executive Officer takes part in discussions by the Board of Directors or its specialist committees, for which the Management Board has an acknowledged right of opinion or initiative, the Chief Executive Officer presents to and defends with the Board of Directors the points of view previously debated by the Management Board.

With respect to the role of each member of the Management Board, the Regulations specify that they have personal operational responsibilities by business line or function. In accordance with the defined strategy, each member of the Management Board is responsible for setting policies for the business line or function that he/she manages or coordinates, which is carried out together with the manager in each subsidiary of the corresponding business line or function. As part of their operational responsibilities, members of the Management Board ensure that decisions adopted by the Management Board are implemented by the companies of the Group.

– Decision-making

The Management Board operates in a collegial manner and its decisions result from a consensus of its members. It assumes joint responsibility for such decisions. If applicable, the Chairman of the

Management Board may, on his own initiative or on request from two other members, submit the issue under debate to a vote. Resolutions are adopted by a majority vote of all members present or represented. In the event of a tie vote, the Chairman shall cast the deciding vote.

– Meetings

Management Board meetings are convened by its Chairman, in principle once a week on Wednesday, or otherwise on a date fixed at the preceding meeting. If necessary, meetings can be convened at any time by the Chairman or if two or more members so desire. Each member may be represented, but one member may not represent more than one person. Each member should have sufficient information on the issues specified by the Chairman in the meeting agenda and, if possible, a file. The secretary at each meeting is the Secretary-General of the Group or any other person nominated by the Chairman. A statement of resolutions is prepared and signed by the Chairman.

– The Regulations also specify the basic principles for compensation of the members of the Management Board (see below).

2.2.4. Compensation

2.2.4.1. Compensation of the members of the Management Board

The compensation of the members of the Management Board is set by the Board of Directors of Dexia SA on the recommendation of the Compensation Committee.

Since 2000, the compensation of the members of the Management Board has been the subject of a study conducted by the Compensation Committee with the assistance of a specialized consultant (Towers Perrin). The conclusions of this report were discussed in the Compensation Committee, which then submitted its proposals to the Board of Directors. The Board adopted them in February 2004. The Compensation Committee also assigned a study to the outside consultant to support its analysis of the methods for calculating the variable portion.

The amount of the fixed compensation is set on the basis of the type and importance of the responsibilities performed by each member, with reference to the market for comparable positions.

The variable portion is capped at equal to the fixed compensation for the members of the Management Board and at 1.5 times the fixed portion for the Chief Executive Officer. It is based on the criterion of the Group's performance, in this case earnings per share, measured through net earnings per share in absolute level and in terms of the change between 2003 and 2004. Elements related to the specific contribution made by members of the Management Board to the growth of their activity and compliance with specific objectives are also used and can increase or decrease the variable portion of their compensation within a limit of 20%.

The total compensation paid in 2004 to the Chief Executive Officer was EUR 1,745,000 gross. His fixed gross compensation was EUR 825,000, completed with a variable gross compensation of EUR 920,000. In 2003, the Chief Executive Officer received total gross compensation of EUR 1,410,000, including a total variable portion of EUR 625,000.

The total gross compensation paid in 2004 to the seven members of the Management Board was EUR 7,092,000.

As part of the 2004 stock option plan, all members of the Management Board received a total of 545,000 Dexia options, 120,000 of which were granted to the Chief Executive Officer. In total, this represents 5.5% of all granted options in 2004.

In addition to their general pension plans, the members of the Management Board benefit from specific supplemental pension plans determined on the basis of the various applicable national regulations (group insurance, Article 39).

2.2.4.2. General management principles for executive management

Compensation

Compensation is reviewed once a year during the first quarter. It is determined for the corporate officers of the various subsidiaries and sub-subsidiaries of the Group on the basis of general principles defined by the respective compensation committees in accordance with the guidelines defined by the group Compensation Committee.

Fixed salaries are set on the basis of local market benchmarks and the responsibilities performed.

Variable compensation takes into account both Group performance criteria, i.e. net earnings per share and changes in net earnings per share, as well as performance criteria specific to the activity of the executive and his business.

Individual performance is taken into consideration primarily through the annual assessment conducted for each executive. Each executive is evaluated with respect to the achievement of financial and sales objectives assigned to the executives during the annual budget procedures.

A comparative analysis of the competitive practices observed in the different businesses of the Group (financial markets, private banking, asset management, commercial banking, etc.) within comparable groups is performed annually.

Career management

Since 2002, the Management Board has made efforts to centralize management of the careers of group executive managers within this Board. This also involves the recruitment and promotion policy as well as the organization of transfers within the Group.

The Management Board reviews all the individual promotion proposals for executive managers and prepares a qualitative report of their performance and an analysis of their compensation (fixed and variable portions, and options).

A Group policy for identifying and managing key high-potential and high-value staff has been in place for 18 months, managed by the human resources department of Dexia SA and its correspondents in the major entities. The six key skills identified at Group level – client relations, personnel management, capacity for a shared vision, openness to “best practices”, creation of value through innovation and efficient change management – are evaluated during assessment days organized at Group level, in which candidates from various backgrounds are evaluated by a jury composed of an equal number of human resource specialists and managers. A review of the high-potential members of the Group has been performed by the

Management Board once a year to identify the management strengths and weaknesses of the Group in the coming years, and implement a defined policy for training, mobility, and performance management. In order to raise the number of women among high-potential managers and, ultimately, increase the number of female executive officers, it has been decided to pay much greater attention to the balance between men and women at all assessment sessions.

In order to prepare future executive officers as team leaders, Dexia has designed two leadership training programs to strengthen their understanding of management methods and acquire a global vision of the critical challenges within a Group (human resources, communications, finance, marketing, etc.).

2.3. Reorganization of the Group and the business executive committees

The creation of Dexia in 1996 was the result of the merger of two banks, Crédit Communal de Belgique and Crédit local de France. This initiative anticipated the emergence of a single European financial market. Dexia Group was developed against an economic and political landscape successively marked by the implementation of the Single Market and the introduction of the euro.

The formation of one single Group was completed in 1999 at the time of the merger of Dexia Belgium and Dexia France.

At the end of 2003, Dexia SA took a new step in its integration process, when Dexia SA's Board of Directors approved the guiding principles and the strategies of a new managerial organization that took effect on January 1, 2004.

This new managerial organization is based on four principles:

- 1) The Management Board of Dexia SA plays a central role in the direction of the Group and its four business lines.
- 2) The managerial organization of the Group was organized until December 31, 2004 around four business lines: “Public/Project Finance and Credit Enhancement”, “Retail Financial Services”, “Investment Management Services”, and “Treasury and Financial Markets”. This restructuring included the creation of four business executive committees chaired by heads of the respective business, who are also members of the Dexia Management Board. These executive committees are composed of the principal representatives of the business lines in the operational units. In addition to certain responsibilities for managing human resources (the business line's executive officers), these executive committees are responsible for initiating the business strategy, defining annual objectives and monitoring results.
- 3) The management boards of the three major entities that founded the Group (Dexia Bank Belgium, Dexia Crédit Local and Dexia BIL) are organized as mirror images of the Management Board of Dexia SA, to allow effective and direct collaboration between the executives of the entities and the Group, both for the business lines and for financial and operational responsibilities (Chief Financial Officer and Chief Operations & Technology Officer).
- 4) To provide better service to Dexia's two markets, local public institutions and the personal sector, the Group's new managerial organization has redefined the scope of certain business lines. Planned in two phases, starting respectively on January 1, 2004 and January 1, 2005, this new organization is now operational. Since January 1, 2004,

equity-related services are part of Treasury and Financial Markets. Since January 1, 2005, the private banking activities are in "Personal Financial Services", and the insurance production platforms are part of "Investment Management and Insurance Services".

2.4. The Dexia Group teams

On an operational level, the Management Board relies on some fifteen teams totalling nearly 180 senior employees in Brussels and Paris. These teams work transversally throughout the Group. Their mission is to direct and monitor the vital functions of the Group, including audit and ethics, accounting consolidation, risk management and strategic planning, and to define and coordinate Dexia's policy in treasury and capital markets, communications, human resources, and information systems. Since the end of 2003, these responsibilities have included sustainable development.

The Chairman's office, reporting to Mireille Eastwood, coordinates and monitors the activities of the CEO and the Management Board in collaboration with the general secretariat. It also ensures optimum coordination between Group departments and the corporate office.

Olivier Van Herstraeten, who reports directly to the Chief Executive Officer, is in charge of administrative services and the legal and tax department. The administrative services department is principally responsible for ensuring that Dexia's corporate bodies and Management Board function properly in coordination with the Chairman's office. The legal and tax department deals with issues concerning the Group as a whole.

The Audit department is led by Véronique Thirion. The Auditor-General reports to the Chief Executive Officer.

The Chief Compliance Officer (Group ethics) is Jean-Noël Lequeue who reports to the CEO.

Thierry Desgain - as deputy financial director - coordinates the following teams: accounting and consolidation, strategic planning, risk management and mergers-acquisitions. He intensifies the collaboration between the managers of entities and the Group managers for financial functions.

The strategic planning and management information team, managed by Yves Guérit, is responsible for producing information to prompt long-term strategic reflection. It is responsible for preparing Dexia's budget, and for monitoring the Group's various business lines.

The risk management team, headed by Eric Hermann, is in charge of defining and organizing risk management and control, and monitoring Group funds.

Michel Buyschaert heads a team that manages and evaluates mergers, acquisitions and disposals, and studies the financial impact of internal reorganizations of Dexia's subsidiaries and equity investments.

Thierry Nederlandt heads the Group accounting and consolidation department and the project to implement the new IFRS accounting policies.

The financial communication and investor relations team, reporting to Robert Boubliil, communicates with investors, analysts and credit rating agencies relating to all relevant Group financial and strategic information.

Headed by Françoise Lefebvre, the external communication team is charged with promoting Dexia's image, especially with journalists, individual shareholders and the public.

The Basel II project is managed by André Delasnerie, assisted by risk management staff.

The goal of the Operations and Technology team is to develop synergies within the Group. André Guilliams coordinates Information/Technology (IT) and back-office operations, and Stéphane Cohen-Ganouna supervises purchasing and logistics.

The mission of the human resources and internal communications team, under Bernard-Franck Guidoni-Tarissi's management, is to develop a Group culture and working community, via both compensation, mobility and career management policies and internal information.

The Group Vice President for sustainable development, who reports to the Chief Executive Officer, is Daniel Caille, who is also the Chief Executive Officer and a member of the Management Board of Dexia Crédit Local.

3

Dexia Group audit

3.1. Internal audit of the Dexia Group

3.1.1. Internal audit

Dexia has a homogeneous internal audit function that complies with the highest standards. The mission of this function is to promote internal control within the Group and to ensure continuous performance and effective application of the control system in force.

This requirement is consistent with the Group's desire to ensure that the protection of its reputation and the efficiency and integrity of its structures are priority values.

In this context, the internal audit team evaluates whether the risks incurred by Dexia in its activities and in all its entities are identified, analyzed, and adequately covered. The internal audit team must also ensure continuous improvement in the operations of the Group.

3.1.1.1. Organization

The internal audit organization is based on three fundamental principles:

- the strategy, requirement level and operating rules for the internal audit are set by the Management Board and approved by the Audit Committee of Dexia SA;
- internal audit's responsibilities are performed by a network of audit departments that conducting their missions under the direction of the Group Auditor, who reports directly to the Chief Executive Officer. The Group Auditor has direct access to the Audit Committee to which he/she regularly reports on the internal audit operations within the Group. At the same time, both the Audit Committee and the Chairman of the Board may call on the Group Auditor to perform an audit;
- each audit department in the subsidiaries is responsible for the performance of its mission to the Chairman of the Management

Board of the entity in question and also reports functionally to the Group Auditor.

The Dexia Bank and Dexia Banque Internationale in Luxembourg audit departments have been strengthened according to their Management Boards decisions made at the end of 2003.

3.1.1.2. Assignments in 2004

During 2004, several significant “horizontal audits” involving auditors from both Dexia SA and the operating entities were completed.

Notably, horizontal audits were conducted: (i) on the internal model used to calculate regulatory requirements for the Group’s market risks; (ii) on the monitoring of the implementation of the compliance organization and of the business continuity plans; and (iii) on the progress of the IFRS and Basel II projects.

Dexia SA’s audit department also initiated audits on various matters, including, for example, analyzing its economic capital methodology, the operational steering functions and the coordination of the subsidiaries, and the organization of private banking.

Furthermore, each of the Group’s four commercial business lines were subject to specific audits involving, in particular, credit, market, and operational risks. In the area of information systems, audits were performed at Dexia Bank in the framework of the merger process with Artesia BC and the systems’ redesign.

The audits completed in 2004 gave rise to the establishment of various plans to correct weaknesses detected in the internal control system. Each action plan was approved by the Management Board of the entity concerned and is monitored on a regular basis in order to ensure that the recommendations developed are effectively implemented.

3.1.1.3. Methods

The global approach to risk, the common audit methodology, and the reporting and follow-up procedures established at the level of the parent company, all reviewed and completed in 2004, contribute to Dexia’s effective internal control system. As such, the follow-up procedure to implement the recommendations, was modified with a differentiated approach based on priorities and is more qualitative than in the past.

Furthermore, in its continued effort to harmonize and improve the quality of their audit work, the auditors increasingly use common standard audit programs developed at Group level. These standard audit programs will be integrated into the audit tool tested in 2004 on some of the audits, and its use will be extended to the operating entities in 2005.

3.1.2. Ethics and compliance¹

Since its creation at the beginning of 2003, the ethics and compliance function has significantly expanded within the Dexia Group and enjoys broad autonomy of action. Composed of a team of specialists, the unit works in close cooperation with the ethics and compliance teams of each of the Group’s three operational entities. Its role is, first, to harmonize the methodologies and procedures in every area of finance and insurance both nationally and internationally and,

second, to analyze the risk of possible failure to meet ethical standards, or to comply with laws and regulations.

3.1.2.1. Ethical principles

Dexia’s integrity policy is based on the following principles:

- the application of the same principles of ethics and conduct within all of Dexia’s entities;
- compliance with both domestic and international laws and regulations;
- the promotion of a climate of transparency and confidence with customers, employees and shareholders;
- the definition of a policy to prevent fraud or any other misuse of assets, systems, information or procedures;
- continued integrity, particularly in conducting transactions or providing information to the markets.

Within the framework of fighting money laundering and the financing of terrorism, Dexia follows the highest international standards. More particularly, Dexia adheres to the recommendations published by FATF (the Financial Action Task Force on money laundering) and the Wolfsberg principles for private and correspondent banking. The establishment of joint tools for prevention, follow-up and monitoring reinforce these principles. In so doing, the Group deployed in 2004 new joint software (ERASE) to analyze transactions enhancing the efforts to fight money laundering and the financing of terrorism as well as a code of conduct specific to private banking activities that is applicable internationally.

3.1.2.2. Organization

The mission of the Chief Compliance Officer and the Compliance Officers is to ensure the effective application of the Group’s rules of integrity. To succeed in this mission, they rely on two tools: first, the Compliance Charter, which defines the status and missions of the unit, as well as its organization, powers and responsibilities; and, second, the Group’s Code of business ethics, approved by all Group entities, which defines the rules of conduct applicable to all employees. These ethical values and good ethical practices include in particular the prevention of insider trading and the standardization of transactions on Dexia shares by employees for their own account.

The principal Compliance Officers meet regularly with regulators and supervisory authorities in the various countries in which the Dexia Group operates, in order to identify and apply the best ethical practices.

3.1.3. Report from the Chairman of the Board of Directors on the conditions for the preparation and organization of the work of the Board of Directors and the internal audit procedures established by the company

The French Financial Security Act of August 1, 2003, which is intended to increase the security for savers and insurance policyholders (particularly by improving the quality of the financial information), requires the Chairman of the Board to present a report on

¹ “Ethics and compliance” is an independent function that identifies, evaluates, issues opinions, leads and reports on the compliance risk, i.e. the risk of legal or regulatory sanctions, financial losses, or the loss of reputation that a bank could suffer as a result of non-compliance with the laws, regulations, codes of conduct and standards for good practices.

the conditions for preparing and organizing the work of the Board and the internal control procedures established by the company.

This obligation is imposed on all issuers issuing financial instruments to the public in France, whatever their country of origin and, therefore, including Dexia SA. In addition, given the Belgian-French profile of the Dexia Group, it complies with our practices that take into consideration the French situation in the area of good governance.

This report can be found on Dexia's website.

3.2. External audit of the Dexia Group

3.2.1. Board of Statutory Auditors

3.2.1.1. A Board of Statutory Auditors composed of two corporate audit firms

In accordance with Article 14 of the company's articles of association of Dexia SA, the audit of the company's financial situation and

annual financial statements is entrusted to one or more auditors who are appointed by the Ordinary Shareholders' Meeting for a maximum of three years on the recommendation of the Board of Directors.

Since 2000, a college of Statutory Auditors comprised of two audit firms has audited Dexia:

– PricewaterhouseCoopers SCCRL, an audit firm, represented by Robert Peirce, a certified public accountant. This firm was appointed for a period of 3 years ending after the 2005 Ordinary Shareholders' Meeting. Renewal for another period of 3 years ending after the 2008 Ordinary Shareholders' Meeting is on the agenda of the 2005 Ordinary Shareholders' Meeting.

– Mazars & Guérard SCCRL, an audit firm, represented by Xavier Doyen, a certified public accountant. This firm was reappointed by the Ordinary Shareholders' Meeting of May 14, 2003 for a period of three years, ending after the 2006 Ordinary Shareholders' Meeting

Compensation of the Board of Auditors

This table gives an overview of the compensation paid to members of the Dexia college, of Statutory Auditors for their services in 2004.

PricewaterhouseCoopers <i>Amounts in EUR</i>	Services rendered to Dexia SA	Services rendered to the Dexia Group (consolidated amounts)
a) Audits of the financial statements	159,523	4,781,424
b) Certification work	46,077	1,242,557
c) Tax advice	1,500	740,005
d) Other work (not certification)	468,198	3,209,990
d-1) Assigned to auditors by law	0	53,463
d-2) Not assigned to auditors by law	468,198	3,156,527
- Accounting advice (excl. IFRS)	0	40,584
- Legal advice	0	1,074,203
- Support – implementation of IFRS	0	197,575
- Support – implementation of Basel II	464,152	1,084,096
- Support – other work	0	505,527
- Other work (not support)	4,046	254,542
Total	675,298	9,973,977
Mazars & Guérard <i>Amounts in EUR</i>	Services rendered to Dexia SA	Services rendered to the Dexia Group (consolidated amounts)
a) Audits of the financial statements	154,452	2,204,797
b) Certification work	9,691	195,121
c) Tax advice	0	0
d) Other work (not certification)	1,575	570,175
d-1) Assigned to auditors by law	0	0
d-2) Not assigned to auditors by law	1,575	570,175
- Accounting advice (excl. IFRS)	0	0
- Legal advice	0	0
- Support – implementation of IFRS	1,575	389,655
- Support – implementation of Basel II	0	0
- Support – other work	0	172,620
- Other work (not support)	0	7,900
Total	165,718	2,970,093

3.2.1.2. Independence of the auditors

In 2004 Dexia worked to apply and implement the provisions of the Belgian “Corporate Governance” law of August 2, 2002, designed to strengthen the independence of auditors, and the Royal Decree for implementation of April 4, 2003, which established a list of eight services that are incompatible with the legal audit mission of corporate auditors. Most of these provisions took effect on October 1, 2003. The essential provisions include a “cooling-off” period of two years after the end of an auditor’s duties, during which an auditor may not perform any other function within a company for which he has audited the financial statements, rules designed to ensure a balance between audit and non-audit services (“ratio 1/1”), and a list of seven incompatible services. The law also sets forth new rules governing publication of auditor compensation.

Although Dexia SA is not subject to the legal restrictions in respect of “ratio 1/1” and without prejudice to the application of local rules, it has been decided to insure a close follow-up of the services invoiced by the auditors, for consulting missions other than those which fall within the scope of their legal mission to audit the financial statements.

3.2.2. Protocol on the prudential structure of the Dexia Group

The Banking, Financial and Insurance Commission signed a protocol with Dexia SA in 2001 relating to the prudential structure of the Dexia Group. This protocol, which contains important agreements between the Banking, Financial and Insurance Commission and Dexia SA in terms of corporate governance, deals in particular with the status of company executives (honesty and professional experience, treatment of conflicts of interest, loans to executives), the quality of Dexia SA shareholders, the joint nature and authority of the Dexia SA Management Board, and control of the Dexia Group. A copy of the protocol, which was slightly modified in 2003, may be obtained from the company’s corporate offices and can also be viewed on Dexia’s website:

<http://www.dexia.com/uk/dexia/corporategovernance.php>.

1

Credit risks

1.1. Organization

Group Risk Management (GRM) oversees Dexia's risk policy under the guidance of Dexia's Management Board or specialized risk committees. It sets Group guidelines on limits and delegations, sets and manages the risk surveillance function and decision processes and it implements Group-wide risk assessment methods for each of the bank's activities and operational entities (Dexia Crédit Local, Dexia Bank Belgium, Dexia Banque Internationale à Luxembourg).

Two specialized risk committees exist at Group level concerning credit risk management:

- The Credit Risk Policy Committee defines the Group's risk profile and risk guidelines;
- Dexia Credit Committee rules on questions that are beyond the scope of the delegations granted to the entities. All limits are granted directly by the Management Board. A delegation is also given to a specific committee to oversee the risks of the Credit Spread Portfolio.

1.2. Major projects in 2004

Besides the ongoing efforts to implement the required methodologies and procedure in relation with the advanced approach of Basel II, the main achievements of the year 2004 were:

- the enforcement of a set of new risk committees dedicated to the management of TFM positions at Group level (Credit Risk Committee that defines rules and delegations for the activity lines, Credit Approval Committees that rules on specific transactions, Credit Lines Committees that deal with credit line allocation between activity lines);
- the review or development of new credit risk policies (limit on insurance, generalization of the equity approach in limit definition for corporate counterparts, treatment of credit derivative, limit on sovereign counterparts...).

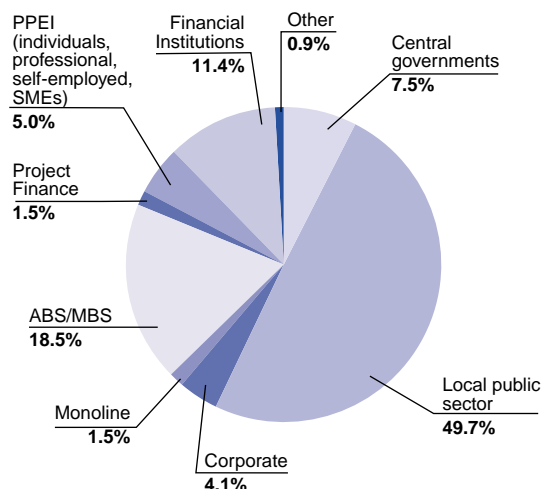
1.3. Dexia's consolidated exposure as of December 31, 2004

1.3.1. Exposure by category of counterpart

The Group's total exposure increased to EUR 610 billion at December 31, 2004, against EUR 575 billion one year earlier. They increased by 6.1% despite the fall of the US dollar against the euro (down 6.6% over the period).

The mix of counterpart in Dexia's portfolio is very stable. Half of the exposure is on local public sector (EUR 303 billion, up 7.5% compared to year-end 2003).

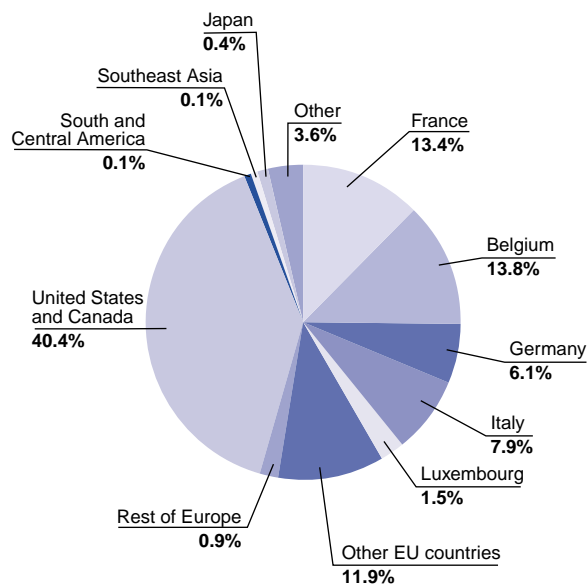
Exposure by category of counterpart (as of Dec. 31, 2004)



1.3.2. Exposure by geographical region

As of December 31, 2004, the Group's exposure is concentrated in the European Union (54.6%, EUR 333 billion at year-end 2004 against EUR 312 billion one year earlier), particularly in Belgium (13.8%) and in France (13.4%). Group's exposures in the United States and Canada represent 40.4% of total exposure, stable in euro compared to December 31, 2003 figure. Expressed in US dollars, the exposure in this part of the world increased by 13.8% over the year to USD 335 billion.

Exposure by geographical region (as of Dec. 31, 2004)



FSA risk management

FSA restricts its business to market sectors characterized not only by low loss probability but also by low loss severity and high recovery rates in the unlikely event of a claim on its guaranty. All transactions must be at least *investment-grade* quality before FSA insures them; they must meet FSA's legal and structuring requirements and fit within single and aggregate risk limits.

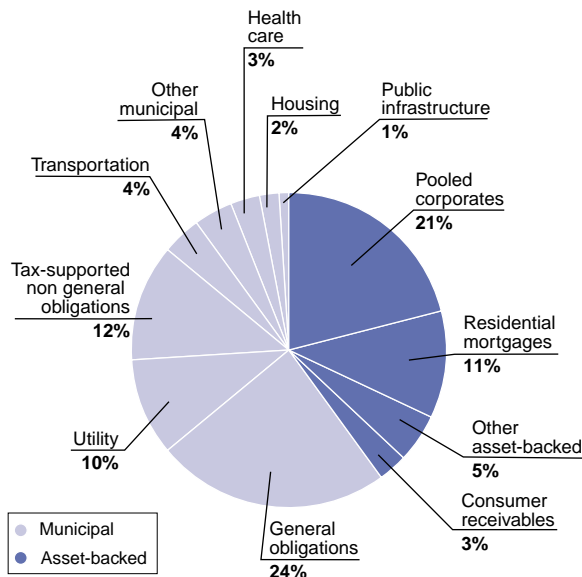
Before insuring a municipal bond, FSA typically requires a pledge of tax revenues or a claim on a dedicated revenue stream from essential public services. In the asset-backed market, FSA guarantees senior tranches structured to withstand substantial deterioration in the underlying asset performance, before FSA would be called upon to pay a claim. Most of its asset-backed securities (ABS) transactions are structured to have collateral protection that increases over time, and to have self-correcting mechanisms that are triggered to restore protection if collateral performance falls below established minimums. For example, cash flows may be shifted from subordinate to senior insured tranches or accumulated in a reserve fund. Where circumstances warrant, FSA transfers servicing or replaces collateral management.

Thorough due diligence is the hallmark of FSA's underwriting process. FSA routinely conducts site visits and file review to verify issuer information. Internal legal staff reviews documents and, in many cases, solicits opinions from outside counsel to ensure that structures perform as intended. Once a transaction is guaranteed, FSA monitors the issue throughout its life, so that FSA can spot potential problems and take action before they become serious. Reinsurance also plays a key role in the overall risk management program. Just as banks syndicate loans in order to address single-risk concerns, FSA reinsures transactions with a group of AA and AAA reinsurance companies.

Through its disciplined underwriting approach, FSA has assembled an extremely conservative insured portfolio, as evidenced by the underlying credit quality of its insured portfolio: 88% of net par insured is of A quality or higher, and 53% is AA or higher (see charts).

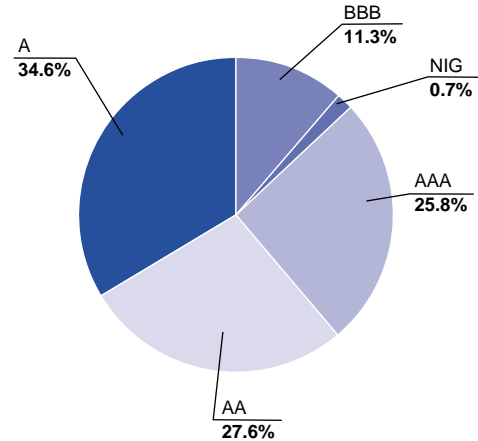
FSA insured portfolio as of december 31, 2004

Total net par outstanding: USD 325.8 billion



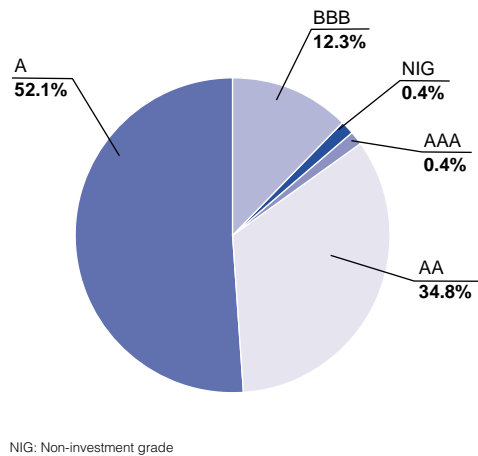
Overall (municipal + ABS)

Total net par outstanding: USD 325.8 billion



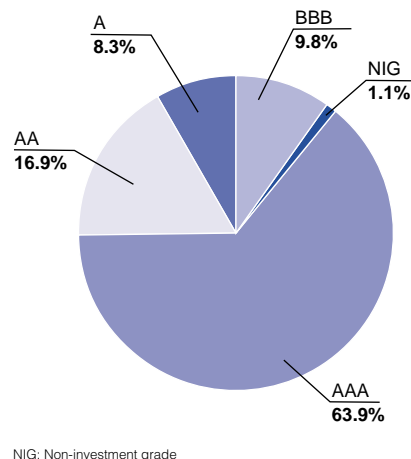
Municipal

Total net par outstanding: USD 195.5 billion



Asset-backed securities

Total net par outstanding: USD 130.3 billion



The Basel II Project

The Basel II Project is described on page 13.

Market risks

Market risks are all the risks linked to the fluctuations of market prices (interest rates, exchange rates, share prices...) stemming from the Group's capital market activities. The market risks generated by the other businesses are generally hedged and residual risks are handled by the Asset and Liability Management function (or ALM).

Dexia's market risk exposure is mainly to European interest rates. The risks in equities and in foreign exchange remain much smaller.

The main risk indicator within the Group is the value at risk (VaR). The VaR calculated by Dexia is a measure of the potential loss that can be experienced with a level of confidence of 99% and for a holding period of 10 days. It can be roughly compared to a VaR with a level of confidence of 99% and a holding period of 1 day multiplied by 3.16.

For most positions, the "parametric" method is applied. For some optional positions, a "historical" or "Monte Carlo" VaR, or a specific VaR on the "vega" (sensitivity to market volatilities) is computed.

Besides the VaR, the risk level is also constrained by nominal volume limits, limits on basis point interest rate sensitivity and spread sensitivity, limits on option sensitivities (delta, gamma, vega, θ , ρ).

The Dexia Group internal model used for the capital requirement calculus on general interest rate risk of the trading portfolio and on foreign exchange risk has received a first validation by the Regulator (value date December 31, 2004). This outlines the quality of the market risk framework set up by the Group as well on quantitative aspects as on operational ones.

4.1. Organization of the control

Dexia Management Board, advised by Group Risk Management (GRM), takes the main decisions for the Market Risk Management (overall risk limits, choice of the risk indicators, organization of the reporting and of the decision processes).

It is the task of GRM, in collaboration with the Risk Management teams of the different entities, to translate these decisions into precise and detailed limits and procedures. GRM is also in charge of defining the calculation methods that are to be applied within the Group for the computation of the statement of income as well as for measuring the risks.

The day-to-day operational control (computation of the risk indicators, control of the limits...) is first carried out by the entities. The work is coordinated by the GRM responsible for ensuring the coherence and the quality of risk control within the whole Group.

The reporting process ensures that the Group's management is closely involved. The main risk exposures are monitored in a weekly committee meeting composed of the Management Board of the entity concerned as well as the head of Capital Markets at Group's level (member of the Management Board) and GRM. The

Management Board of the Group is informed by GRM of any change in the risk profile at least every three months, more frequently if necessary.

4.2. Risk exposure

The financial activities of Dexia are mainly oriented as a support function for the Group. The table below reports the VaR figures for 2004:

Value at Risk 2004

VaR 10 days - 99% (In millions of EUR)	Average 2004	Maximum 2004
Capital Markets		
FED	7.8	16.5
Fixed Income	1.6	2.9
Securitization	1.7	2.1
Treasury and Equities		
Equities	2.5	5.4
Forex	1.3	3.3
Money Market	19.3	34.0
TFM	27.2	46.2

The average VaR consumption of EUR 27.2 million is in line with the consumption in 2003.

Asset and Liability Management (ALM)

Measurement of the balance-sheet risks is harmonized among the Group's various entities. A calculation of value at risk (VaR) - with a confidence level of 99% and a holding period of 20 days - and of the sensitivity of the net present value of the ALM positions are used as the main ALM indicators. The risk exposure is primarily to long-term interest rates in Europe and results from the difference between the amortization profiles of the fixed-rate assets and liabilities.

Earnings at risk framework is also part of ALM decision tools as it is essential to manage the occurrence and the sensitivity of the accounting results over time.

Even though the operational Asset and Liability Management remains decentralized in Dexia's three major entities, two regular monitoring processes allow Dexia ALM risks to be supervised globally:

- informal meetings of the ALM managers where they share their views on the evolution of the markets and the details of the hedging policy for the coming month;
- the Dexia ALM committee, which includes the members of the Management Board, monitors the overall consistency of the Group's Asset and Liability Management. The ALM committee also decides on the methodologies and the risk measurement guidelines, notably on the investment of shareholders' equity and on internal transfer pricing mechanisms.

In addition, a monthly report on the positions is made to the Management Board.

As part of its general policy of prudence the Dexia Group has kept on with its policy of low ALM risk exposure in 2004.

Liquidity management

Given the size of Dexia's balance sheet, the balance between its resources and their use is carefully managed. In practice, attention is paid to two main concerns:

- the adequacy of expected new lending production (in terms of maturity and amount) with the available resources;
- the Group's liquidity needs, even in troubled times.

The first question is addressed in the annual planning process. Each year, the forecasts for the new lending production are compared with the funding capacity. The purpose is to preserve an acceptable liquidity gap profile for the Group (i.e. the evolution over the years of the cash shortages/surpluses resulting from the difference between the repayment dates of the assets and of the liabilities). Besides, the Group has decided to improve its analytical accounting process, in order to reflect more accurately the funding cost of the transactions originated by the business lines, whether they require funding or bring funding. The purpose of this kind of "internal market" for liquidity is to provide the right incentive to the business lines to achieve a natural match between the lending and the funding capacities.

The second question is addressed by way of various scenarios representing highly-stressed situations. These scenarios are then translated into a set of limits and ratios. They are designed so that Dexia can withstand for several months, thanks to its liquidity reserve (notably the Credit Spread Portfolio), a total squeeze of funding and a stress on deposits while maintaining its lending activity. The liquidity position is monitored and controlled from one day up to several months. Hence, great care is given to the forecast of the expected liquidity needs in the main currencies as well as to the estimate of the liquidity reserve. Special attention is also paid to off-balance sheet liquidity commitments of the Group.

Given their importance, all the main issues regarding the liquidity of the Group are directly managed by the Group's ALM committee, which includes all the members of the Management Board.

Operational risk management

7.1. Organization

The operational risk management framework set up in 2003 relies mainly on the following elements:

- Operational Risk Correspondents, whose role is to coordinate in the different entities and activities of the Dexia Group, the collection of risk event data and the Risk & Control Self-Assessment;
- the Operational Risk Management function, in charge of the definition of methodological principles, the selection of adequate tools, and global consistency of the global framework;
- the Operational Risk Committee, which ensures on a monthly basis that the different tasks are carried out properly, and prepares the choices to be made by Senior Management.

In order to complete the regular review performed by the Operational Risk Committee, a new strategic committee with representatives of the Management Board has been established at the end of 2004. In addition to the validation of the main methodologi-

cal choices, its role will mainly include decisions towards acceptable types and levels of operational risk.

7.2. Choice of a global software supporting operational risk management

In order to answer correctly the Basel II requirements concerning the set up of a history of operational incidents and losses, a Group common database has been launched as at January 1, 2004.

In order to enable the gradual achievement of a general operational risks mapping (based on self-assessment techniques), as well as the development of adequate reports and specific Key Risk Indicators, a global software has been chosen at the end of 2004, which includes all these functionalities. It should be implemented before the end of the first quarter of 2005.

7.3. Data collection in connection with operational risk event and losses

The collection of data on the basis of common methodological principles, in one single tool for the whole Dexia Group, started beginning of 2004. In this area, the coverage and the quality of information gathered improved all over the year 2004. The objective for the future is to develop the analysis of this information, with an aim to improve operational processes, and reduce the frequency of operational risk events.

7.4. Global map of operational risks

As decided initially, this second part of the global framework (after the implementation of systematic data collection) will be gradually developed across the Group, starting beginning of the second quarter 2005. The main purpose of this exercise is to allow the line management of every activity to achieve a self-assessment of the operational risks and controls linked to their activities. The results of this assessment, which will have to be regularly updated after the first exercise, should allow a better identification of the risk profile of every business line.

7.5. Calculation of capital covering operational risk

Regarding the regulatory capital requirements, Dexia chose in 2004 the following orientation for the years to come:

- on the one hand, the first objective is to be able to apply the "Standard Approach" as at January 1, 2007 for all business lines of the Group, and as a consequence satisfy all of the application criteria defined by the regulators, especially qualitative ones;
- on the other hand, depending on the specific needs of some activities, a gradual migration plan from "Standard Approach" to "Advanced Measurement Approach" will be drafted later on.

Economic capital

As of December 31, 2004, total economic equity amounted to EUR 8.0 billion (EUR 7.8 billion as of December 31, 2003). After diversification between the Group's business lines, this figure was

EUR 6.9 billion (EUR 6.6 billion as of December 31, 2003). This difference of EUR 1.2 billion (EUR 1.2 billion as of December 31, 2003) corresponds to the portfolio effect due to the presence of different business lines within the Dexia Group, which are subject to partially independent risks.

At year-end 2004, the amounts allocated by business lines, not taking into account the portfolio effects, are as follows:

- Public/Project Finance and Credit Enhancement: EUR 3.9 billion (EUR 3.7 billion as of December 31, 2003). The growth of the activity offsets the effect of the declining US dollar against the euro.
- Retail Financial Services: EUR 1.9 billion (EUR 1.8 billion as of December 31, 2003). The organic growth of the business explains this evolution.
- Investment Management Services: EUR 0.4 billion (EUR 0.5 billion as of December 31, 2003).
- Treasury and Financial Markets: EUR 0.9 billion (EUR 0.9 billion as of December 31, 2003). The development of the activity compensates the exit of Kempen & Co of Dexia's scope of consolidation.
- Equity not allocated to the business lines: EUR 0.9 billion (EUR 1.0 billion as of December 31, 2003). This reduction reflects the sales of Group's equity participations.

Shareholders' equity is in excess of total economic equity needed by the business lines under catastrophic scenarios. The excess capital helps keeping the level of solvency and credit ratings of Dexia at desirable levels.

In 2005, the Dexia Group has undertaken to reform its methodology to calculate economic capital. It did so in view of the forthcoming introduction of new standards under Basel II, and in order to take the "pillar 2" prescriptions into account (see box).

New calculation method of economic capital

The reform concerns three main aspects:

- the changeover from the scenario-based method to a more statistical method;
- the consideration of all natures of risk for banking and insurance activities (credit risk, market risk, exchange risk, operational risk, behavioural risk...);
- the raising of the confidence interval to 99.97%, corresponding to the AA/Aa2 criteria of rating agencies, which is the Group's objective. The economic capital was calculated with this new method on the situation at June 30, 2004; it reaches EUR 8.7 billion and is thus materially below the regulatory capital on the same date (EUR 10.9 billion as Tier 1 ratio, and EUR 12.1 billion as total capital ratio, under current regulatory capital standards).

9.1. Risk-weighted assets

Dexia's total risk-weighted assets amounted to EUR 103.4 billion at year-end 2004, down 3.0% in one year. This evolution is explained by the decline of the US dollar parity impacting USD-denominated exposures, and also by a substantial gain in risk-weighted assets for the trading portfolio, resulting from the certification by regulators of the internal models for capital requirement assessment on market risks.

Noticeable is the substantial increase (+17%) in risk-weighted assets for 20% weighted counterparts, relating to the overall increase of Dexia's exposure on bank and local public sector counterparts.

9.2. Capital adequacy

With no specific equity operations in 2004, the Group's Tier 1 equity increased to EUR 11,023 thanks to retained earnings. The equity and capital adequacy ratios rose sharply because of the decrease of the risk-weighted assets. Tier 1 ratio stood at 10.7% at year-end 2004 and Total capital ratio at 11.7%. These ratios are well above the regulatory requirements.

9.3. Asset quality

Asset quality remains high: the bad debt to gross outstanding loan ratio carries on its positive trend at 0.39% this year from 0.44% at year-end 2003. The bad debt coverage by provision is slightly increasing to reach 73.2%.

9.4. Ratings

The high rating levels reflect the financial strength of Dexia Group. In 2004, Moody's and S & P confirmed their Aa2/AA rating as Fitch confirmed its AA+ rating.

The ratings of FSA and Dexia Municipal Agency are the best financial ratings that could be given to a counterpart (Aaa/AAA/AAA by Moody's, S&P and Fitch).

Capital adequacy ratio

<i>in millions of EUR</i>	2001	2002	2003	2004
Tier 1 capital ¹	9,686	10,197	10,509	11,023
Total regulatory capital ¹	11,911	11,741	11,917	12,038
Risk-weighted assets	103,633	109,365	106,540	103,355
Tier 1 ratio ¹	9.3 %	9.3 %	9.9 %	10.7 %
Capital adequacy ratio ¹	11.5 %	10.7 %	11.2 %	11.7 %

Breakdown of risk-weighted assets

<i>in millions of EUR</i>	2001	2002	2003	2004
20% weighted counterparts	28,297	29,673	28,772	33,768
50% weighted counterparts	9,968	10,103	10,190	11,790
100% weighted counterparts	57,267	61,201	57,717	53,875
Trading portfolio	8,101	8,388	9,861	3,922
Total	103,633	109,365	106,540	103,355

Quality of Risks

<i>in millions of EUR</i>	2001	2002	2003	2004
Doubtful loans	1,064	1,153	991	1,068
Nonperforming loans	833	789	717	654
Write-downs ²	1,266	1,320	1,243	1,260
Nonperforming loans/gross outstanding loans	0.54 %	0.50 %	0.44 %	0.39 %
Coverage ratio	66.7 %	68.0 %	72.8 %	73.2 %

Ratings (long term)

	Dexia Bank	Dexia Crédit Local	Dexia BIL	FSA	Dexia Municipal Agency
Moody's	Aa2	Aa2	Aa2	Aaa	Aaa
Standard & Poor's	AA	AA	AA	AAA	AAA
Fitch	AA+	AA+	AA+	AAA	AAA

¹ The profit for the financial year minus the proposed dividend is included in the shareholders' equity.

² Does not include the general provision set aside to cover potential risks on Legiolease products.

Consolidated financial statements

<i>Consolidated balance sheet</i>	40
<i>Consolidated off-balance sheet items</i>	42
<i>Consolidated statement of income</i>	43
<i>Notes to the financial statements</i>	44
1 – Basis of consolidation and accounting policies.....	44
2 – Notes on the assets of the consolidated balance sheet.....	69
3 – Notes on the liabilities of the consolidated balance sheet.....	84
4 – Notes on the consolidated off-balance sheet items.....	91
5 – Notes on the consolidated statement of income.....	99
 <i>Report of the Board of Statutory Auditors on the consolidated accounts for the year ended December 31, 2004</i>	107
 <i>Cash flow statement</i>	110
 <i>IFRS Project</i>	112

Dexia - consolidated balance sheet (before income appropriation)

<i>(in millions of EUR)</i>					
Assets		Notes	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2004
I	Cash, central banks and postal checking accounts	2.0.	2,198	3,010	2,209
II	Government securities eligible for central bank refinancing	2.1.	10 886	5 977	9 734
	A. Banking activity and other		8 713	5,769	9,468
	B. Insurance activity		2,173	208	266
III	Interbank loans and advances	2.2.	29,841	29,696	43,571
	A. Sight		2,523	3,596	4,411
	B. Other		27,318	26,100	39,160
IV	Customer loans	2.3.	157,773	161,941	166,199
V	Bonds and other fixed-income securities	2.4.	117,009	115,351	126,871
	A. Banking activity and other		101 588	101,719	109,392
	1. Government bonds		36,345	38,269	42,480
	2. Other bonds		65,243	63,450	66,912
	B. Insurance activity		15,421	13,632	17,479
VI	Equities and other variable-income securities	2.5.	4,906	5,157	6,336
	A. Banking activity and other		2,007	1,878	1,946
	B. Insurance activity		2,899	3,279	4,390
VII	Long-term investments	2.6.	1,883	1,443	1,524
	A. Investments accounted for by the equity method		494	526	583
	B. Investments at cost		1,389	917	941
	1. Banking activity and other		1,282	849	820
	2. Insurance activity		107	68	121
VIII	Intangible assets		1 100	949	871
	A. Formation expense and other intangible assets	2.9.	258	232	221
	B. Goodwill arising on consolidation	2.8.	842	717	650
IX	Property and equipment	2.10.	1 838	1,811	1,792
X	Unpaid capital		0	0	0
XII	Treasury stock	2.14.	232	425	592
XIII	Other assets	2.13.	5,632	6,125	8,411
	A. Banking activity and other		4,848	5,403	7,650
	B. Insurance activity		784	722	761
XIV	Accruals and other assets	2.11.	17,626	18,003	21,045
Total assets			350,924	349,888	389,155

<i>(in millions of EUR)</i>					
Liabilities and shareholders' equity		Notes	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2004
I	Interbank loans and deposits		68,176	68,088	86,465
	A. Sight		7,278	4,736	6,243
	B. Time	3.1.	60,898	63,352	80,222
II	Customer deposits	3.2.	85,322	92,343	97,609
	A. Savings accounts		19,917	22,012	25,570
	B. Other deposits		65,405	70,331	72,039
	1. Sight		22,713	24,232	27,005
	2. Time		42,692	46,099	45,034
III	Debt securities	3.3.	146,505	134,905	143,914
	A. Banking activity and other		137,444	134,566	143,740
	1. Notes and other bonds		94,103	82,969	90,964
	2. Other		43,341	51,597	52,776
	B. Insurance activity		9,061	339	174
IV	Other liabilities	3.12.	5,413	4,108	4,519
	A. Banking activity and other		4,245	2,911	3,214
	B. Insurance activity		1,168	1,197	1,305
V	Accruals and other liabilities	3.4.	17,458	20,886	24,493
VI	Provisions		10,821	12,079	14,493
	A. Provisions for contingencies and charges ¹	3.5.	1,471	1,282	1,110
	B. Provisions for deferred taxes	3.6.	971	644	711
	C. Technical provisions of insurance activity	3.5.	8,379	10,153	12,672
VII	General banking risks reserve	3.7.	1,842	1,793	1,793
VIII	Subordinated debt and hybrid capital instruments	3.8.	5,583	5,411	4,922
	A. Banking activity and other		5,575	5,403	4,911
	B. Insurance activity		8	8	11
IX	Capital stock	3.10.	4,744	4,786	4,825
X	Additional paid-in capital	3.10.	8,846	8,915	8,993
X bis	Commitments to capital increase	3.10.	0	0	0
XI	Retained earnings	3.10.	1,056	1,070	747
XII	Revaluation reserve	3.10.	8	8	6
XIV	Negative goodwill	2.8. – 3.10.	318	333	312
XIV bis	Deducted goodwill	2.8. – 3.10.	(7,135)	(6,602)	(5,937)
XV	Cumulative Translation Adjustments	3.10.	(46)	(151)	(254)
XVI	Minority interests	3.10.	628	403	413
XVII	Net income for the year	3.10.	1,385	1,513	1,842
	A. Net income for the year - part of the Group		1,299	1,431	1,772
	B. Minority interests in net income for the year		86	82	70
Total liabilities and shareholders' equity			350,924	349,888	389,155

¹ The part of the provision related to Legiolease is analysed in appendix 4.6.

Dexia - Consolidated off-balance sheet items

<i>(in millions of EUR)</i>		Notes	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2004
I	Contingencies	4.1.	23,653	26,745	31,547
II	Financing commitments	4.2.	50,137	59,222	55,575
III	Assets entrusted to the Group	4.3.	276 098	296,306	365,977
IV	Uncalled amounts of share capital		41	37	29
V	Commitments received		172,984	162,534	174,715
	A. Financing commitments		11,002	7,363	6,210
	B. Guarantees received		74,120	78,336	82,518
	C. Commitments received by insurance companies		87,862	76,835	85,987
VI	Foreign currency transactions	4.4.	194,299	186,003	208,435
	A. Amounts receivable		96,945	91,943	102,501
	B. Amounts to be delivered		97,354	94,060	105,934
VII	Financial futures	4.4.	1,375,782	1,420,862	1,416,737
VIII	Securities transactions	4.8.	12,974	4,005	5,795
IX	Other commitments		334,193	297,962	310,722
	A. Banking activity and other		7,223	1,361	3,152
	B. Insurance activity		326,970	296,601	307,570

Dexia - Consolidated statement of income

<i>(in millions of EUR)</i>		Notes	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2004
I	Interest income		15,782	14,142	13,474
	A. Interest income on interbank transactions		3,375	3,504	3,832
	B. Interest income on customer transactions		7,801	6,866	6,467
	C. Interest income on bonds and other fixed-income securities		4,606	3,772	3,175
II	Interest expense		(12,923)	(11,044)	(10,445)
	A. Interest expense on interbank transactions		(4,594)	(4,316)	(4,380)
	B. Interest expense on customer transactions		(2,328)	(1,811)	(1,849)
	C. Interest expense on bonds and other fixed-income securities		(6,001)	(4,917)	(4,216)
III	Income from variable-income securities		101	74	64
	A. Equities and other variable-income securities		39	27	31
	B. Long-term investments	5.1.	62	47	33
IV	Commission income	5.2.	1,217	1,142	1,212
V	Commission expense	5.2.	(277)	(203)	(190)
VI	Income from financial transactions	5.3.	462	257	431
VII	Other banking income	5.7.	384	336	343
X	Other banking expense¹	5.7.	(309)	(283)	(288)
XXII	Technical and financial margin of insurance activities²	5.14.	720	739	791
Net banking income		5.11.	5,157	5,160	5,392
VIII	General operating expense		(2,854)	(2,754)	(2,738)
	A. Staff costs	5.4.	(1,587)	(1,442)	(1,463)
	1. Payroll expense		(1,241)	(1,123)	(1,133)
	2. Social security costs		(346)	(319)	(330)
	B. Other general operating expense	5.4.	(898)	(921)	(870)
	1. Taxes other than on income		(90)	(78)	(69)
	2. Other general operating expense		(808)	(843)	(801)
	C. Network commissions		(312)	(340)	(355)
	D. Deferred acquisition costs		(57)	(51)	(50)
IX	Depreciation and amortization		(183)	(302)	(274)
Operating income before allowances			2,120	2,104	2,380
XI	Net losses and allowances for loan losses and off-balance sheet items	5.5.	(722)	(176)	(229)
XII	Net gains and recoveries of allowances on long-term investments	5.6.	(36)	15	99
XIII	Net allocation to the general banking risks reserve		82	7	0
XIV	Amortization of goodwill of fully-consolidated companies		(57)	(131)	(44)
Operating income after allowances			1,387	1,819	2,206
XV	Exceptional income	5.8.	0	0	0
XVI	Exceptional expense	5.8.	0	0	0
XVII	Corporate income tax	5.8. – 5.9.	(58)	(362)	(420)
	A. Current taxes		(345)	(503)	(534)
	B. Deferred taxes		287	141	114
Income after taxes of fully-consolidated companies			1,329	1,457	1,786
XVIII	Income and losses from companies accounted for by the equity method		66	67	71
	A. Income		77	71	72
	B. Losses		(11)	(4)	(1)
XIX	Depreciation and amortization of goodwill of companies accounted for by the equity method		(10)	(11)	(15)
Net income before minority interests			1,385	1,513	1,842
XX	Minority interests		86	82	70
XXI	Net income - part of the Group		1,299	1,431	1,772

1 In order to express the "Net banking income", these headings were transferred keeping the numbers of the European directive 86/635.

2 To include the net income of the insurance activity in the net banking income, whilst keeping the numbers of the European directive 86/635.

1

Basis of consolidation and accounting policies

1.1. Basis of consolidation

Consolidation criteria

The companies included in the consolidated financial statements of the Group have been determined in accordance with the rules and regulations applicable to their respective parent company, except where a different treatment is adopted to comply with the requirements of the banking authorities.

In accordance with the 7th European Directive of June 13, 1983, companies that are at least 20%-owned are included in the scope of consolidation.

The consolidated financial statements include the consolidating entity and all of the entity's domestic and foreign subsidiaries.

The consolidating entity is Dexia SA.

Full consolidation method

The full consolidation method is applied to all subsidiaries that are controlled directly or indirectly by the consolidating entity. Control is considered to be exercised when over 50% of the voting rights are held. Companies in which less than 50% of the voting rights are held but over which the consolidating entity exercises de facto control are also fully consolidated.

Proportional method

The proportional method is applied to subsidiaries that are jointly owned and managed by a limited number of shareholders, where the shareholders have agreed that all major strategic and policy decisions are to be made jointly.

Equity method

The equity method is applied to companies over which the consolidating entity exercises significant influence, directly or indirectly.

In principle, significant influence is considered to be exercised when between 20% and 50% of the voting rights are held.

Exclusion of non-material subsidiaries

Certain subsidiaries have been excluded from the scope of consolidation because their inclusion would not have a material impact on consolidated assets, net assets or income.

Subsidiaries are considered as not material if their total assets amount to less than EUR 10 million and represent less than 1% of the total assets of the consolidating entity.

If several subsidiaries are considered as not material, they may be excluded from the scope of consolidation if their aggregate assets are not material.

Changes in the scope of consolidation compared with 2003:

A. Companies consolidated for the first time or no longer consolidated in 2004

Companies fully consolidated for the first time in 2004:

DCL Asia Pacific Sydney
Dexia Crediop per la Cartolarizzazione
Dexia Employee Benefits SA
Dexia Habitat SA
FSA Capital Markets Services Ltd
FSA Credit Protection Ltd
FSA International Credit Protection Ltd
IMC Refi Company
Triumph Refi Company
Van De Walle Verzekeringen NV
VDL – Interass NV

Companies no longer fully consolidated in 2004:

Crediop BV
Dexia Generali Santé SA
Dexia Petersen-Hinrichsen Holding Denmark -> merger with Dexia Petersen-Hinrichsen Private Bank Denmark A/S & change of corporate name: Dexia Bank Denmark A/S
DH Constructief Beheer BV
GRH Informatique
IFAX, absorbed by Dexia Crédit Local SA
I-J Oever II BV
I-J Oever III BV
I-J Oever IV BV
Immo Artesia NV, absorbed by Dexia Bank Belgium SA
Kempen & Co and subsidiaries
Mercatorfonds NV
Sivart NV, absorbed by Dexia Bank Belgium SA

Companies proportionally consolidated for the first time in 2004:

Himba NV

Companies no longer proportionally consolidated in 2004:

Arlimmo NV
Financière ADSB BV
Société Monégasque de Banque Privée SA and subsidiaries

Companies accounted for by the equity method for the first time in 2004:

Immo Projets SA
Kommunalkredit Dexia Asset Management AG
RAC Investment Corp. NV

Companies no longer accounted for by the equity method in 2004:

Forum Leopold D3 NV

B. Major changes in the Group's interest percentage

	From	To
AusBIL Dexia Ltd	59	68
Aviabel	11.2	20
Particuliere Begeleiding en Advisering PBA BV	51	100

C. Main changes in corporate names

New name	Old name
Audit en Ingénierie Sociale Consulting SA	Dexia Assurance Services France SA
Dexia Bank Denmark A/S	Dexia Petersen-Hinrichsen Private Bank Denmark & Dexia Petersen-Hinrichsen Holding Denmark
Dexia Location Longue Durée	Dexia CLF Lease Services SAS
Dexia Re	BACOB Re
DS Formation France SARL	ES Form SARL
DS Services France	Dexia Sofaxis Services
Select Portfolio Servicing Inc.	Fairbanks Capital Holding Corp.
SISL SA	Société d'Investissement Suisse Luxembourgeoise

1.2. Subsidiaries, equity-accounted enterprises, affiliated enterprises and enterprises in which the Group holds rights representing at least 10% of the issued capital

1.2.A. Fully-consolidated subsidiaries

Name	Head Office	% of capital held	Business code
Adinfo SA	Boulevard Pachéco 44 B-1000 Bruxelles	51	34
Alex Finanz SA PLC	Fernando el Santo 20 ES-28010 Madrid	100	41
Alfimava BV	Herengracht 539-543 NL-1017 BW Amsterdam	100	20
Artesia Administratiekantoor BV	Spuistraat 172 NL-1012 VT Amsterdam	100	18
Artesia Bail SA (Centrabail SA)	15, rue des Pyramides F-75001 Paris	100	1
Artesia Bedrijfsfinanciering BV	Herengracht 539-543 NL-1017 BW Amsterdam	100	21
Artesia Beleggingsmaatschappij BV	Herengracht 541 NL-1017 BW Amsterdam	100	49
Artesia International Finance NV	Castorweg 22-24 Curaçao – Nederlandse Antillen	100	49
Artesia Italia SRL	Studio Tributario Societario Via dei Giardini 7 I-20121 Milano	100	21
Artesia Mortgage Capital Corporation	1180 NW Maple Street # 202 Issaquah, WA 98027 – USA	100	21
Artesia Mortgage CMBS Inc.	1013 Centre Road Wilmington, New Castle, 19801 Delaware – USA	100	21
Artesia Multi Purpose I BV	Herengracht 539-543 NL-1017 BW Amsterdam	100	35
Artesia Multi Purpose II BV	Herengracht 539-543 NL-1017 BW Amsterdam	100	35
Artesia Properties Inc.	1209 Orange Street Wilmington, New Castle, 19801 Delaware – USA	100	21
Artesialux Finance SA	10a, boulevard Royal L-2449 Luxembourg	100	49
Artesimmo I NV	Boulevard du Roi Albert II 30 boîte 55 B-1000 Bruxelles	100	31
Assurance Asset Management Cy AAMC NV	Sudermanstraat 5 B-2000 Antwerpen	100	31
Audit en Ingénierie Sociale Consulting SA (ex Dexia Assurance Services France SA)	3, avenue Claude Guillemin Site du BRGM F-45100 Orléans	100	30
AusBIL Dexia Limited	Veritas House, Level 23 207 Kent Street Sydney NSW 2000 – Australia	68	10
BACOB Finance Luxembourg SA	2, rue Nicolas Bové L-1253 Luxembourg	100	7
Bancoval SA	Fernando el Santo 20 E-28010 Madrid	50.86	1
Bancoval Activos SA	Fernando el Santo 20 E-28010 Madrid	100	14
Banque Artesia Nederland NV	Herengracht 539-543 NL-1017 BW Amsterdam	100	1

Name	Head Office	% of capital held	Business code
Belstar Assurances SA	Avenue Livingstone 6 B-1000 Bruxelles	100	28
Bewaarbedrijf Artesia Nederland NV	Herengracht 539-543 NL-1017 BW Amsterdam	100	21
BIL Invest NV	Pietermaai 15, PO Box 564 Curaçao – Nederlandse Antillen	100	10
BIL Part Investments NV	Pietermaai 15, PO Box 564 Curaçao – Nederlandse Antillen	100	7
BIL RE SA	69, route d'Esch L-2953 Luxembourg	100	27
BIL Lease SA	14-16, avenue Pasteur L-2310 Luxembourg	100	5
Brussels Business Center SA	Boulevard du Roi Albert II 30 B-1000 Bruxelles	100	31
Canadian Global Funding	PO Box 1984 GT Elizabethan Square Grand Cayman – British West Indies	0	49
CEB Fin – DKB Fin SA	Rue des Clarisses 38 B-4000 Liège	100	9
CEVI NV	Bisdomplein 3 B-9000 Gent	100	34
CIGER SA	Rue de Néverlée 12 Parc Industriel de Rhisnes B-5020 Namur	100	34
CLFG Corp.	350 Park Avenue New York, NY 10022 – USA	100	47
CLF Patrimoniale	7 à 11, quai André Citroën F-75015 Paris	100	31
Copharma Industries United	International Financial Services Centre 6 George's Dock IRL-Dublin 1	15.40	21
Cordius Advisory SA	Boulevard Pachéco 44 B-1000 Bruxelles	100	14
Corona SA	Avenue de la Métrologie 2 B-1130 Bruxelles	100	28
Crediop Overseas Bank Ltd	PO Box 707 – West Bay Road Grand Cayman – British West Indies	100	1
Day Nominees Ltd	Garden Road 1 26F Bank of China Tower Hong Kong	100	10
DCL Asia Pacific Sydney	Veritas House, Level 23 207 Kent Street Sydney NSW 2000 - Australia	100	1
Deelnemingsmaatschappij Halley BV	Keizersgracht 617 NL-1000 AV Amsterdam	100	21
Dexia Asset Management Alternative Dublin Ltd	Fitzwilton Place IRL-Dublin 2	100	14
Dexia Asset Management Belgium SA	Rue Royale 180 B-1000 Bruxelles	100	19
Dexia Asset Management France SA	Washington Plaza 40, rue de Washington F-75008 Paris Cedex 08	100	19
Dexia Asset Management Luxembourg SA	283, route d'Arlon L-1150 Luxembourg	100	19
Dexia Asset Management PTY Ltd	Veritas House, Level 23 207, Kent Street Sydney NSW 2000 – Australia	100	19

Name	Head Office	% of capital held	Business code
Dexia Asset Management SGO	40, rue de Washington F-75008 Paris	100	19
Dexia Australia PTY Ltd	Veritas House, Level 23 207 Kent Street Sydney NSW 2000 – Australia	100	47
Dexia Auto Lease SA	Avenue Livingstone 6 B-1000 Bruxelles	100	5
Dexia Bail	7 à 11, quai André Citroën F-75015 Paris	100	5
Dexia Bank Belgium SA	Boulevard Pachéco 44 B-1000 Bruxelles	100	1
Dexia Bank Denmark A/S (merger between Dexia Petersen-Hinrichsen Private Bank Denmark A/S and Dexia Petersen-Hinrichsen Holding Denmark)	Gronningen 17 DK-1270 Copenhagen	100	1
Dexia Bank Nederland NV	Piet Heinkade 55 Postbus 808 NL-1019 GM Amsterdam	100	1
Dexia banka Slovensko (ex Pvrá Komunálna Banka)	Hodzova ul. 11 010 11 Zilina – Slovakia	78.98	1
Dexia Banque Internationale à Luxembourg SA	69, route d'Esch L-2953 Luxembourg	99.93	1
Dexia Banque Privée France SA	37, rue d'Anjou F-75008 Paris Cedex 08	100	1
Dexia BIL Asia Singapore Ltd	Raffles Place 9 HEX 22-01 Republic Plaza 048619 Singapore	100	50
Dexia BIL Holding (Hong Kong) Ltd (ex NT Butterfield)	Garden Road 1 26F Bank of China Tower Hong Kong	80	10
Dexia BIL Nominees Ltd	Garden Road 1 26F Bank of China Tower Hong Kong	100	1
Dexia Capital Ireland Ltd	6 George's Dock IRL-IFSC Dublin 1	100	49
Dexia Certificaten Nederland NV	Beethovenstraat 300 NL-1077 WZ Amsterdam	100	21
Dexia CLF Banque SA	7 à 11, quai André Citroën F-75015 Paris	80	1
Dexia CLF Immo SA	1, rue Foucault F-75116 Paris	100	10
Dexia CLF Regions Bail SA	7 à 11, quai André Citroën F-75015 Paris	100	5
Dexia Corporate Services Hong Kong Ltd	51/F, Central Plaza 18 Harbour Road Wanchai, Hong Kong	100	1
Dexia Crediop per la Cartolarizzazione	Via Venti Settembre 30 I-00187 Roma	100	49
Dexia Crediop S.p.a.	Via Venti Settembre 30 I-00187 Roma	70	1
Dexia Crédit Local SA	7 à 11, quai André Citroën F-75015 Paris	100	1
Dexia Crédits Logement SA	Boulevard Pachéco 44 B-1000 Bruxelles	100	6
Dexia Delaware LLC	East North Street 15 Delaware 1991 19901 Dover – USA	100	49
Dexia Employee Benefits SA	Avenue Livingstone 6 B-1000 Bruxelles	100	20

Name	Head Office	% of capital held	Business code
Dexia Epargne Pension SA	7 à 11, quai André Citroën F-75015 Paris	100	25
Dexia Equities Espagne SA	Fernando el Santo 15 E-28010 Madrid	100	11
Dexia Factors SA	Avenue Livingstone 6 B-1000 Bruxelles	100	15
Dexia Finance SA	7 à 11, quai André Citroën F-75015 Paris	100	20
Dexia Financial Products Inc. (ex Artesia Delaware Inc.)	1209 Orange Street Wilmington, New Castle 19801 Delaware – USA	100	21
Dexia Financial Services Ireland Unltd	6 George's Dock IRL-IFSC Dublin 1	100	13
Dexia Financière NV	Boulevard Pachéco 44 B -1000 Bruxelles	100	10
Dexia Flobail SA	7 à 11, quai André Citroën F-75015 Paris	100	5
Dexia Fund Services Belgium SA	Rue Royale 180 B-1000 Bruxelles	100	11
Dexia Fund Services Cayman Ltd	Coconut Villa #2 Jennifer's Drive, PO Box 10211 APO Grand Cayman	100	13
Dexia Fund Services Dublin Ltd	Georges Quai House 43 Townsend Street IRL-Dublin 2	100	13
Dexia Fund Services France SA	39, rue d'Anjou F-75008 Paris	100	19
Dexia Fund Services Italia S.p.a.	Via Mesina 38 I-20154 Milano	100	47
Dexia Fund Services Singapore PTE Ltd	Raffles Place 42-01 9 Republic Plaza 048619 Singapore	100	36
Dexia Funding Netherlands NV	Atrium 7th floor Strawinskylaan 3105 NL-1077 ZX Amsterdam	100	49
Dexia Habitat SA	7 à 11, Quai André Citroën F-75901 Paris	100	10
Dexia Holding Inc.	350 Park Avenue New York, NY 10022 – USA	100	10
Dexia Hypothekenbank Berlin AG	Charlottenstrasse 82 D-10969 Berlin	100	1
Dexia Immo Lux Conseil SA	69, route d'Esch L-2953 Luxembourg	51	14
Dexia Insurance SA	Avenue des Arts 23 B-1000 Bruxelles	100	28
Dexia Insurance & Pensions Services SA	2, rue Nicolas Bové L-1253 Luxembourg	100	25
Dexia Investments Ireland SA	6 George's Dock IRL-IFSC Dublin 1	100	49
Dexia Kommunalkredit Holding GmbH	Türkenstrasse 9 A-1092 Wien	50.84	7
Dexia Lease Belgium SA	Boulevard Pachéco 44 B-1000 Bruxelles	100	5
Dexia Lease Services SA	Avenue Livingstone 6 B-1000 Bruxelles	100	5
Dexia Life & Pensions SA	2, rue Nicolas Bové L-1253 Luxembourg	100	19

Name	Head Office	% of capital held	Business code
Dexia Location Longue Durée (ex Dexia CLF Lease Services SAS)	7 à 11, quai André Citroën F-75015 Paris	49	5
Dexia Mahé Vendôme SA	6, place Vendôme F-75001 Paris	100	19
Dexia Management Services Ltd	Shackleton House, 2nd Floor 4 Battle Bridge Lane UK-London SE1 2RB	100	36
Dexia Municipal Agency SA	7 à 11, quai André Citroën F-75015 Paris	100	1
Dexia Nederland Holding NV	Beethovenstraat 300 NL-Amsterdam	100	10
Dexia Nominees Hong Kong Ltd	Garden Road 1 26F Bank of China Tower Hong Kong	100	1
Dexia Overseas Ltd	2, Jennifer's Drive Grand Cayman – British West Indies	100	21
Dexia Partenaires France SA	2, rue de Messine F-75008 Paris	100	10
Dexia Participation Luxembourg SA	69, route d'Esch L-2953 Luxembourg	100	10
Dexia Prévoyance France SA	3, avenue Claude Guillemin Site BRGM F-45100 Orléans	67	30
Dexia Privatbank Schweiz AG	Beethovenstrasse 48 CH-8039 Zürich	100	1
Dexia Private Bank Jersey Ltd	Victoria Chambers 12 PO Box 12 Church Street St Helier JE 49NE Jersey – Channel Islands	100	1
Dexia Re SA (ex BACOB Re)	2, rue Nicolas Bové L-1253 Luxembourg	100	27
Dexia Rekord AG	Grafenberger Allee 277-287 D-40237 Düsseldorf	100	30
Dexia Sabadell Banco Local	Paseo de las 12 Estrellas 4 Campo de las Naciones E-28042 Madrid	60	1
Dexia Securities Belgium SA	Boulevard du Roi Albert II 30 boîte 55 B-1000 Bruxelles	100	11
Dexia Securities France SA	112, avenue Kléber F-75116 Paris	100	11
Dexia Securities France Holding SA	112, avenue Kléber F-75116 Paris	100	10
Dexia Securities Services NV	Beethovenstraat 300 NL-1077 WZ Amsterdam	100	1
Dexia Société de Crédit SA	Rue des Clarisses 38 B-4000 Liège	100	6
Dexia Trust Services Hong Kong Ltd	51/F Central Plaza 18 Harbour Road Wanchai – Hong Kong	100	1
Dexia Trust Services Singapore Ltd	Raffles Place 42-01 9 HEX22-01 Republic Plaza 048619 Singapore	100	21
Deximmo SA	Boulevard du Roi Albert II 30 boîte 55 B-1000 Bruxelles	100	31
DS Formation France SARL (ex ES Form SARL)	F-18020 Bourges Cedex	100	47
DS Services France (ex Dexia Sofaxis Services)	F-18020 Bourges Cedex	100	47
DWV Finance SA	2, rue Nicolas Bové L-1253 Luxembourg	100	7

Name	Head Office	% of capital held	Business code
DW Investments BV	Herengracht 539 NL-1017 BW Amsterdam	100	7
Echo Dublin United	International Financial Services Centre 6 George's Dock IRL-Dublin 1	14.24	21
Ely Fund Managers Holding Ltd	Audrey House Ely Place UK-London EC1N 6SW	100	19
Ely Fund Managers Ltd	Audrey House Ely Place UK-London EC1N 6SW	100	19
Ely Fund Managers (EBT) Ltd	Audrey House Ely Place UK-London EC1N 6SW	100	47
Enterprise Co.	Queensgate House Grand Cayman – British West Indies	29	49
Eural Banque d'épargne SA	Boulevard du Roi Albert II 30 boîte 37 B-1000 Bruxelles	100	1
Eurco Ireland Ltd	International Financial Services Centre 6 George's Dock IRL-Dublin 1	100	28
Eurcolux SA	2, rue Nicolas Bové L-1253 Luxembourg	100	28
Eurco Re Ltd	International Financial Services Centre 6 George's Dock IRL-Dublin 1	99.93	28
Eurco Rück AG	Neugasse 6 CH-8005 Zürich	99.99	28
Eurco SA	2, rue Nicolas Bové L-1253 Luxembourg	100	28
Experta AG	22, Steinengraben CH-4003 Basel	100	19
Experta Corporate and Trust Services SA	180, rue des Aubépines L-1145 Luxembourg	100	10
Experta Immobilien AG	Steinengraben 23 CH-4200 Basel	100	16
Experta Management SA	69, route d'Esch L-2953 Luxembourg	100	19
Experta Trust Company (Bahamas) Ltd	Shirley Street CIBC-Building Nassau Bahamas	100	21
Experta Trust Services Ltd	Commercial House 330 Commercial Street St Helier JE4 8YL Jersey – Channel Islands	100	47
Exploitation Maatschappij Hereg BV	Herengracht 539-543 NL-1017 BW Amsterdam	100	31
Fidexis SA	Rue de la Charité 13-17 B-1210 Bruxelles	51	48
Fiduciaire Artesia SA	Boulevard du Roi Albert II 30 boîte 55 B-1000 Bruxelles	100	23
Financial Security Assurance Holding Ltd	350 Park Avenue New York, NY 10022 – USA	98.1	10
Financial Security Assurance Inc.	350 Park Avenue New York, NY 10022 – USA	100	28
Financial Security Assurance International Ltd	3 Bermudiana Road PO Box HM 1272 Hamilton – Bermuda	80	28
Financial Security Assurance Ltd	167 Macquarie Street Sydney – Australia	100	47

Name	Head Office	% of capital held	Business code
Financial Security Assurance UK Ltd	1 Angel Court UK-London	100	28
First European Transfer Agent SA	5, rue Thomas Edison L-1445 Strassen	100	13
Floral SA	7 à 11, quai André Citroën F-75015 Paris	100	49
FSA Asset Management LLC	350 Park Avenue New York, NY 10022 – USA	100	19
FSA Administrative Services LLC	350 Park Avenue 11356 New York – USA	100	10
FSA Capital Management Services LLC	350 Park Avenue New York, NY 10022 – USA	100	19
FSA Capital Markets Services LLC	350 Park Avenue New York, NY 10022 – USA	100	19
FSA Capital Markets Services LTD	PO Box 309 GT, Uglan House South Church Street, George Town Grand Cayman – British West Indies	100	19
FSA Credit Protection Ltd	350 Park Avenue New York, NY 10022 – USA	100	49
FSA Global Funding Ltd (Cayman)	PO Box 1093 GT Compass Center 2nd Floor Crewe Road Grand Cayman – British West Indies	29	10
FSA Insurance Company	350 Park Avenue New York, NY 10022 – USA	100	28
FSA International Credit Protection Ltd	PO Box 309 GT, Uglan House South Church Street, George Town Grand Cayman – British West Indies	100	28
FSA Portfolio Management Inc.	350 Park Avenue New York, NY 10022 – USA	100	10
FSA Services (Australia) Pty Ltd	Veritas House, Level 23 207 Kent Street Sydney NSW 2000 – Australia	100	29
FSA Services (Japan) Inc.	Tokyo Ginko Kyokai Building 17 th Floor 3-1, Marunouchi 1-chome, Chiyoda-ku Tokyo 100-0005 Japan	100	29
Fynergie SA	Boulevard Pachéco 44 B-1040 Bruxelles	100	32
I.B. Finance SA	69, route d'Esch L-2953 Luxembourg	100	10
I Broker Europe SARL	12, rue Léon Thyès L-2636 Luxembourg	100	34
I-J Oever I BV	Keizersgracht 617 NL-1000 AV Amsterdam	100	31
IMC Refi Company	350 Park Avenue NY 10022 New York – USA	100	49
Immo 26 SA	Avenue Livingstone 1000 Bruxelles	100	31
Immobilien-gesellschaft Gartenstrasse AG	Bahnhofstrasse 23 CH-6301 Zug	100	32

Name	Head Office	% of capital held	Business code
Immorente SA	Boulevard du Roi Albert II 30 B55 B-1000 Bruxelles	100	31
Independent Investment Management Ltd	Audrey House Ely Place UK-London EC1N 6SW	100	19
L.A.B.N. NV	Keizersgracht 617 NL-1000 AV Amsterdam	100	15
L.A.B.N. II NV	Keizersgracht 617 NL-1000 AV Amsterdam	100	15
L.A.B.P.S. NV	Keizersgracht 617 NL-1000 AV Amsterdam	100	15
L.A.B.S. NV	Keizersgracht 617 NL-1000 AV Amsterdam	100	15
L.A.B.S. II NV	Keizersgracht 617 NL-1000 AV Amsterdam	100	15
L.A.B.S. III NV	Keizersgracht 617 NL-1000 AV Amsterdam	100	15
Labouchere Beheer BV	Keizersgracht 617 NL-1000 AV Amsterdam	100	19
Labouchere Liquiditeitenfonds NV	Keizersgracht 617 NL-1000 AV Amsterdam	99.99	13
Legio Callcentre Services BV	Schipholweg 5-7 NL-2300 AS Leiden	100	21
Les AP assurances SA	Avenue Livingstone 6 B-1000 Bruxelles	99.25	28
Livingstone Building NV	Sudermanstraat 5 B-2000 Antwerpen	100	31
Logins NV	Generaal De Wittelaan 17 B-2800 Mechelen	100	34
LUFA NV	Landhuis Joonchi 837 Curaçao – Nederlandse Antillen	100	21
Mandataria Fiduciaire SA Mandataria Treuhand AG	Bahnhofstrasse 23 PO 858 CH-6301 Zug	100	23
Marais Investissements SARL	15, rue des Pyramides F-75001 Paris	99.8	21
Nederlandse Standaard Bank I.J.	Keizersgracht 617 NL-1000 AV Amsterdam	100	21
Otzar Hashilton Hamekomi	3, Heftman street Tel Aviv 64737 – Israël	65.31	1
Parfibank SA	Boulevard du Régent 40 B-1000 Bruxelles	100	1
Parfipar SA	10a, boulevard Royal L-2449 Luxembourg	100	21
Particuliere Begeleiding en Advisering PBA BV	Oranje Nassaulaan 37 NL-1075 AK Amsterdam	100	6
Pembroke Asset Management Ltd	Audrey House Ely Place UK-London EC1N 6SW	100	19
Pembroke Asset Management Nominees Ltd	Audrey House Ely Place UK-London EC1N 6SW	100	21
Premier International Funding	Queensgate House Grand Cayman – British West Indies	0	10
R2Co.	Queensgate House Grand Cayman – British West Indies	29	49
Realex SA	Rue de la Loi 99-101 B-1000 Bruxelles	100	31
Rekord Finanzdienstleistung AG	Grafenberger Allee 277-287 D-40237 Düsseldorf	100	30
Rekord Management & Consulting AG	Weissbadstrasse 14 CH-9050 Appenzell	100	28

Name	Head Office	% of capital held	Business code
SCI Quai de New York	1, rue Foucault F-75116 Paris	100	31
Securifund NV	22-24 Castorweg Curaçao – Nederlandse Antillen	100	21
SNC Sofcah	F-18020 Bourges Cedex	100	30
SNC Sofcap	F-18020 Bourges Cedex	100	30
SNC Sofim	F-18020 Bourges Cedex	100	47
SISL SA	69, route d'Esch L-2953 Luxembourg	100	10
Socimbal SA	Steinengraben 22 CH-4200 Basel	100	10
Sofca SA	F-18020 Bourges Cedex	100	47
Sofca Investissements SA	F-18020 Bourges Cedex	100	47
Sogeval SA	Boulevard Pachéco 44 B-1000 Bruxelles	100	14
Soprex AG	Steinengraben 22 CH-4200 Basel	100	10
Transaction Services Corporation	350 Park Avenue NY 10022 New York – USA	100	47
Triumph Refi Company	350 Park Avenue NY 10022 New York – USA	100	49
Van De Walle Verzekeringen NV	Kortrijksesteenweg 203 B-9830 Sint-Martens-Latem	100	30
VDL - Interass NV	Poelstraat 153 B-9800 Deinze	100	30
WGH SA	Avenue de l'Expansion 7 B-4432 Ans (Alleur)	100	34
Windwiek BV	Herengracht 539-543 NL-1017 BW Amsterdam	100	35
Other subsidiaries	Five subsidiaries of less importance for consolidation purposes, and which when mentioned by name could mean a major commercial disadvantage		

1.2.B. Non-consolidated subsidiaries

Name	Head Office	% of capital held	Reason for exclusion	Business code
Alazee Corp.	De Castro Street 24 – Wickham Cay 1 Tortola – British Virgin Islands	100	below materiality	19
Astris Finance	1730 K. Street, N.W., Suite 900 Washington, DC 20006-3845 – USA	55	below materiality	20
Audit-Trust SA	283, route d'Arlon L-1150 Luxembourg	100	below materiality	47
BIL Trust Guernsey Ltd	Canada Court 14 Upland Road GY1 4LE St Peter Port Guernsey – Channel Islands	100	below materiality	21
Boonefaes Verzekeringen NV	Sint-Walburgepark 1 B-8360 Veurne	100	below materiality	30
Bureau Laveaux & Martin SPRL	42, rue Lucien Burnotte B-6840 Neufchâteau	100	below materiality	30
CLF Badger SA	7 à 11, quai André Citroën F-75015 Paris	100	below materiality	10
CLF Marne La Vallée SA	7 à 11, quai André Citroën F-75015 Paris	100	below materiality	10
Compagnie pour le Foncier et l'Habitat	1, rue Foucault F-75116 Paris	100	below materiality	31

Name	Head Office	% of capital held	Reason for exclusion	Business code
Deschuytter Verzekeringen NV	Hondstraat 34 B-8970 Poperinge	100	below materiality	30
Dexia Assuréco (ex Assuréco SA)	7 à 11, quai André Citroën F-75015 Paris	100	below materiality	22
Dexia CLF Avenir	7 à 11, quai André Citroën F-75015 Paris	100	below materiality	20
Dexia CLF Développement	7 à 11, quai André Citroën F-75015 Paris	100	below materiality	20
Dexia CLF Energia	7 à 11, quai André Citroën F-75015 Paris	100	below materiality	42
Dexia CLF Energy	7 à 11, quai André Citroën F-75015 Paris	100	below materiality	42
Dexia CLF Organisation	7 à 11, quai André Citroën F-75015 Paris	100	below materiality	
Dexia Editions SARL	7 à 11, quai André Citroën F-75015 Paris	100	below materiality	45
Dexia Global and Structured Finance LLC	445 Park Avenue New York NY 10022 – USA	75	below materiality	20
Dexia Investor Services France SA	37, rue d'Anjou F-75008 Paris	98.50	below materiality	21
Dexia Kommunalkredit Polska Sp.z.o.o	Ul. Sienna 39 PL-00-121 Warsaw	100	below materiality	49
Dexia Nominees Jersey Ltd	Church Street 2-6 1427 St Helier JE4 2YN Jersey – Channel Islands	100	below materiality	21
Dexia Nominees Singapore PTE Ltd	Raffles Place 42-01 9 Hexx22-01 Republic Plaza 048619 Singapore	100	below materiality	21
Dexia Nominees (UK) Ltd	4, Battle Bridge Lane Shackleton House, Hay's Galleria UK-London SE1 2GZ	100	below materiality	21
Dexia Securities Services Custody NV	Keizersgracht 617 NL-1000 AV Amsterdam	100	below materiality	19
Dexint Développement	76, rue de la Victoire F-75009 Paris	100	below materiality	20
DW Zakenkantoor Leuven NV	Bondgenotenlaan 131 B-3000 Leuven	100	below materiality	30
Europrojet Développement SA	7 à 11, quai André Citroën F-75015 Paris	100	below materiality	20
Experta Secretaries Jersey Ltd (ex Dexia Secretaries Jersey Ltd)	Church Street 2-6 300 St Helier JE4 8YL Jersey – Channel Islands	100	below materiality	21
Experta Services Jersey Ltd (ex Dexia Services Jersey Ltd)	Church Street 2-6 300 St Helier JE4 8YL Jersey – Channel Islands	100	below materiality	41
Experta Trustees Jersey Ltd (ex Dexia Trustees Jersey Ltd)	Church Street 2-6 300 St Helier JE4 8YL Jersey – Channel Islands	100	below materiality	23
FCP Multimanagement SA	69, route d'Esch L-1470 Luxembourg	100	below materiality	14
Finance Television BV	Hoogte Kadijk, F25 143 NL-1018 BH Amsterdam	75.50	below materiality	21
Financière des Pyramides SA	15, rue des Pyramides F-75001 Paris	99.69	below materiality	21
Funds Management Services Hoche SA	3, avenue Hoche F-75008 Paris	100	below materiality	19
Global Bond Management SA	69, route d'Esch L-1470 Luxembourg	90	below materiality	14
Koffour SA	180, rue des Aubépines L-1145 Luxembourg	100	below materiality	7

Name	Head Office	% of capital held	Reason for exclusion	Business code
Koffour SA	De Castro Street 24 Wickham Cay 1 Tortola – British Virgin Islands	100	below materiality	10
Lannage SA	283, route d'Arlon L-1150 Luxembourg	100	below materiality	47
Lirepa SA	69, route d'Esch L-2953 Luxembourg	100	below materiality	10
Lothbury Nominees Ltd	Battle Bridge Lane Shackleton House UK-London SE1 2GZ	100	below materiality	35
Luxembourg Global Asset Management SA	69, route d'Esch L-2953 Luxembourg	100	below materiality	19
Luxemburger Kapitalanlagegesellschaft SA	69, route d'Esch L-1470 Luxembourg	100	below materiality	14
Monko Property Ltd	Fitzwillton House Wilton Place IRL-2 Dublin	100	below materiality	32
Service Communal de Belgique SC	Rue d'Arlon 53 boîte 13 B-1040 Bruxelles	81.80	disproportional costs	47
US Fixed Income Fund Management Company SA	69, route d'Esch L-1470 Luxembourg	100	below materiality	14
Valon SA	283, route d'Arlon L-1150 Luxembourg	100	below materiality	47
Other subsidiaries	Two subsidiaries of less importance for consolidation purposes, and which when mentioned by name could mean a major commercial disadvantage			

1.2.C. Joint subsidiaries consolidated by the proportional method

Name	Head Office	% of capital held	Business code
Arlinvest NV	Hamiltonpark 24-26 B-8000 Brugge	49	19
Finimmo NV	Pacificatiestraat 39 B-2000 Antwerpen	50	16
Himba NV	Hamiltonpark 24-26 B-8000 Brugge	99	31
Lex 2000 SA	Boulevard du Roi Albert II 30 boîte 2 B-1000 Bruxelles	50	31
Sepia SCRL	Avenue Livingstone 6 B-1000 Bruxelles	50	25
S.F. Management SA	Boulevard Marnix 24 B-1000 Bruxelles	48,31	14
Société Espace Léopold SA	Rue Godecharle 15-17 B-1050 Bruxelles	50	31

1.2.D. Non-consolidated joint subsidiaries

Name	Head Office	% of capital held	Reason for exclusion	Business code
Inforum G.I.E.	Rue d'Arlon 53 B-1040 Bruxelles	50	below materiality	41
Les AP Liège Centre SA	Boulevard d'Avroy 79 B-4000 Liège	50	below materiality	30
Rainbow ICT-Services GIE	Rue Royale 192 B-1000 Bruxelles	50	disproportional costs	34

1.2.E. Affiliated companies accounted for by the equity method

Name	Head Office	% of capital held	Business code
Auxipar SA	Avenue Livingstone 6 B-1000 Bruxelles	39.69	10
Aviabel SA	Avenue Brugmann 10 B-1060 Bruxelles	20	25
Bank Card Company SA	Boulevard du Roi Albert II 9 B-1210 Bruxelles	20.26	48
Banksys SA	Chaussée de Haecht 1442 B-1130 Bruxelles	22.52	48
Bogey SA	Rue des Champs Elysées 33 B-1050 Bruxelles	49	31
Cards Management Company SA	Boulevard du Roi Albert II 9 B-1210 Bruxelles	20	48
Conception et Coordination Léopold SA	Rue Godecharle 15-17 B-1050 Bruxelles	38.75	31
Crédit du Nord SA	34, rue des Mathurins BP 779/08 F-75361 Paris Cedex 08	20	1
Financière Centuria SAS	37, rue d'Anjou F-75008 Paris	34	19
Grand Canal Brokerage Investments Unltd	International Financial Services Centre 6 George's Dock IRL-Dublin 1	33.3	10
Immo Projets SA	Rue Sainte-Marie 5 B-4000 Liège	20.33	31
Isabel SA	Boulevard de l'Impératrice 13-15 B-1000 Bruxelles	24	39
Justinvest Antwerpen NV	Heistraat 129 B-2610 Antwerpen	33.33	32
Kommunalkredit Austria AG (Group)	Türkenstrasse 9 A-1092 Wien	49	1
Kommunalkredit Dexia Asset Management AG	Türkenstrasse 9 A-1092 Wien	49	19
Popular Banca Privada (Group) SA	95, Edificio Torre Europa Paseo de la Castellana E-28046 Madrid	39.94	1
Promotion Léopold SA	Rue Godecharle 15-17 B-1050 Bruxelles	38	31
Rabot Invest NV	Heistraat 129 B-2610 Antwerpen	25	46
RAC Investment Corp. NV	Van Eycklei 1 B-2018 Antwerpen	25	31
Select Portfolio Servicing Inc. (ex Fairbanks Capital Holding Corp.)	3815 SW Temple Salt Lake City Utah – USA	34	47
SLF Finances SA	Rue Louvrex 109 B-4000 Liège	27.99	43
SLF Immo SA	Rue Louvrex 109 B-4000 Liège	20.49	31
SLF Participations SA	Rue Louvrex 109 B-4000 Liège	20.57	19
XL Insurance	Cumberland House 1 Victoria Street Hamilton – Bermuda	15	28

1.2.F. Affiliated companies not accounted for by the equity method

This list does not include the participations in the DBB branches. The complete list can be received on demand.

Name	Head Office	% of capital held	Business code
Accuris NV	Uitbreidingsstraat 184 B-2600 Antwerpen	25.1	41
Bedrijvencentrum Regio Mechelen NV	De regenboog 11 B-2800 Mechelen	24.33	41
Belgian Olympic Travel SA	Avenue de Bouchout 9 B-1020 Bruxelles	20	47
Compagnie Financière BIL SA & Cie Secs	69, route d'Esch L-2953 Luxembourg	100	39
Créatis SA	34, rue Nicolas Leblanc BP 2013 F-59000 Lille	25	1
Cypress Point	Queensgate House Grand Cayman – British West Indies	23	17
Dexia Fondelec Energy Efficiency	Office of Walhers Walker House, Mary Street PO Box 265 GT – George Town Grand Cayman – British West Indies	28.20	13
DIMACO SA	Rue Phocas Lejeune 30 B-5032 Les Isnes	25.21	41
Europay Luxembourg SC	10, rue d'Activité L-5365 Munsbach	28.10	48
Flanders Expo NV	Maaltekouter 1 B-9051 Gent	42.11	47
Fonds Innovation Plus Nord-Pas-de-Calais	7 à 11, quai André Citroën F-75015 Paris	37.5	41
Global Insurance NV	Stationstraat 12 B-8770 Ingelmunster	25	30
Guide Pratique de la Décentralisation	6, rue Barbès F-92300 Levallois-Perret	49.65	47
Hoedemaekers BVBA	Sint-Katarinaplein 22 B-3500 Hasselt	39.02	30
Immo-Croissance Conseils SA	69, route d'Esch L-2953 Luxembourg	33.33	14
Independent Minds Ltd	Audrey House, Ely Place UK-London EC1N 6SW	27.2	19
Istituto per il Credito Sportivo	Via Giovanbattista Vico, 5 I-00192 Roma	21.62	1
Le Monde Investisseurs	21 bis, rue Claude Bernard F-75005 Paris	35.75	10
Luxesite SA	13, rue R. Stumper L-2557 Luxembourg	24.79	41
Néracaise de Participations SA	1, boulevard Haussmann F-75009 Paris	34	19
New Eryplast SA	Zone Industrielle des Hauts Sarts Deuxième Avenue 16 B-4040 Herstal	25	47
Société de la Bourse de Luxembourg SA	11, avenue de la Porte-Neuve L-2227 Luxembourg	20.99	11
Sofibru SA	Rue de Stassart 32 B-1050 Bruxelles	20	16
Sogama Crédit Associatif (ex Crédit Associatif SA)	75, rue Saint-Lazare F-75009 Paris	16.50	22
SOHR SPRL	Rue de la Station 172 B-1640 Rhode-Saint-Genèse	25.73	30
SNC du chapitre	37, rue Notre Dame des sept douleurs F-84000 Avignon	50	41

Name	Head Office	% of capital held	Business code
SPS - Sistema Permanente di Servizi	Via Livorno, 36 I-00162 Roma	20.4	46
Sustainable Energy Ventures SA	Uitbreidingstraat 62 B-2600 Antwerpen	22.51	42
Syneco Agence Conseil ASBL	Rue E. Dinot 34 B-5590 Ciney	20	47
Truswell Securities Investment Trust Co. Ltd	72 sec Nanking E road 10F 104 Taipei Taiwan – China	20	19
VRContext SA	Avenue Tedesco 5 B-1160 Brussel	22.22	34
Zakenkantoor Vandepitte - Leplae NV	Astridlaan 37 B-8310 Assebroek	26	30

1.2.G. Enterprises which are neither consolidated nor equity accounted and in which the Group holds rights representing at least 10% of the issued capital

Name	Registered office	% of capital held	Shareholders' equity (in millions of EUR)	Net profits	Year	Activity code
Achatpublic.com SA	107, avenue Parmentier F-75011 Paris	22,13				31
Assurantie Ingenieurs Architecten Pool CVBA	Avenue de Tervuren 96 B-1040 Bruxelles	10	1.70	0.05	2003	28
Bedrijvencentrum Waregem NV	Kalkhoevestraat 1 B-8790 Waregem	18.52	0.8	0.03	2003	41
Berlaymont 2000 SA	Rue Froissart 95-99 B-1040 Bruxelles	14.85	23.5	5.3	2003	31
Bruxelles-Midi SA	Chaussée de Forest 47 B-1060 Bruxelles	15	0.1	- 0.8	2003	47
Capricorn Venture Fund NV	Lei 19 bus 4 B-3000 Leuven	11.71	9	- 0.6	2002	36
CD-PME (Capital Développement pour les PME)	7, rue du Saint-Esprit L-1475 Luxembourg	10	1.7	- 0.03	2002	20
Cetrel SC	Parc d'Activité 10, Syrdall L-5365 Luxembourg	16.63	5	0.1	2001	48
Compagnie pour le Financement des Loisirs SA	48, avenue Raymond Poincaré F-75116 Paris	15	8.5	1.5	2001	17
Domus Flandria NV	Karel Oomsstraat 37 B-2018 Antwerpen	17.46	26.2	2.1	2003	16
Ecofin Water and Power opportunities PLC	77 A High Street UK-Brentwood, Essex CM14 4RR	15	142	8	2004	44
EquipNet Direct.Com	40, Messina Drive MA-02184 Braintree Massachusetts – USA	13.9	1	-0.3	2002	46
Europay Belgium SCRL	Boulevard du Roi Albert II 9 B-1210 Bruxelles	13.28	1	2.2	2003	17
Fonds Innovation Plus Poitou Charente	Place Sainte-Croix 6 F-86000 Poitiers	10				36
IDE Lux SCRL	Drève de l'Arc-en-Ciel 98 B-6700 Arlon	11.23	2	1.1	2003	43
IDE Lux Finances SCRL	Drève de l'Arc-en-Ciel 98 B-6700 Arlon	36.87	26	0.7	2003	16
IGRETEC SCRL	Boulevard Mayence 1 B-6000 Charleroi	45.5	92.7	0.2	2003	43
IHF SC	Hôtel de ville B-7100 La Louvière	71.82	16.9	0.5	2003	43

Name	Registered office	% of capital held	Shareholders' equity (in millions of EUR)	Net profits	Year	Activity code
Inasep SCRL	Rue des Viaux 1b B-5100 Naninne	40.79	20.5	0.1	2002	44
Innovatie- en Incubatiecentrum Brussel NV	Kranenberg 6 Research Park B-1731 Asse	10.42	1	0	2001	47
Interbrugse Maatschappij voor Huisvesting NV	Boeveriestraat 42 B-8000 Brugge	12.18	18	1	2001	31
Kolum Verzekeringsteam NV	Markt 17 B-2900 Schoten	19.48	0.2	0	2003	30
Lambdatech SA	Les Beyolettes 2 B-6953 Forrières	15.63	0	0	1999	46
Lorenz Simulation SA	Avenue Pré-Ailly, Centre Socran B-4031 Liège	15.04	0.05	- 0.1	2000	46
Luxair SA	Aéroport Findel L-2987 Luxembourg	13.14	114	31	1999	40
Luxexpo SA	10, Circuit de la Foire Internationale L-1347 Luxembourg	12.61	- 0.2	-0	2003	47
Max Havelaar Label Belgium SCRL	Rue d'Alost 7-11 B-1000 Bruxelles	13.33	0.1	0.0	2003	20
Nord Projets SARL	12, place Saint-Hubert F-59000 Lille	14.00	0.00	0	2003	32
Notre Maison	Boulevard Tirou 167 B-6000 Charleroi	11.9	3	0.4	2003	21
Orfival SA	Avenue Fleming 10 B-1348 Louvain-la-Neuve	18.2	244	-226	2003	30
Park De Haan NV	Place Sainte-Gudule 19 B-1000 Bruxelles	15.00	0.1	0.1	2003	14
Projenor SA	7, boulevard Louis XIV Immeuble Louis XIV F-59000 Lille	10.30	1	0.3	2003	40
Q-Star Test NV	Bedrijvencentrum Regio Brugge Lieven Bauwensstraat 20 B-8200 Brugge	15.63	0.2	- 0.2	2001	34
Red Laboratories NV	Kranenberg 6 – Research Park B-1731 Asse	14	- 0.2	- 1.0	2002	33
Salyp ELV Center NV	Rozendaalstraat 14 bus 3 B-8900 leper	15.65	1.4	- 2.3	2002	37
Sarepa SA HLM	21, avenue St Maurice du Valais F-94410 Saint-Maurice	14.90				32
SEM d'Aménagement Foncier et d'Urbanisme	24, rue François Rabelais F-66000 Perpignan	10				47
Sifrud Ste Civile	18, rue Jobbe Duval F-75015 Paris	10.21				32
Société de développement Liège Guillemins SA	Rue du Vertbois 13b B-4000 Liège	19.05	0.3	0	2003	40
Société d'Equipement du Département du Doubs	6 b 1513, rue Louis Garnier F-25008 Besançon Cedex	10.1				47
Société d'Habitation des Alpes SA HLM	74, cours Becquart Castelbon F-38500 Voiron	10.04				32
Sofibail SA	Place Léopold 3 B-5000 Namur	19.42	2.3	0.2	2002	16
Sorimmo SAS	Boulevard du parc d'affaires Eurotunnel Immeuble Habitat 62/59 F-62231 Cocquelles	15.29				32
SPE SA	Rue Royale 55/14 B-1000 Bruxelles	16.03	562	108	2003	42
SPI SCRL	Rue du Vertbois 11 B-4000 Liège	51.48	95	1.0	2003	43

Name	Registered office	% of capital held	Shareholders' equity (in millions of EUR)	Net profits	Year	Activity code
Tikiphone	Centre Vaima Papeete Tahiti n° 294514 – Polynesie	16				39
Trading Central SA	18, rue de Faubourg du Temple F-75011 Paris	14.26				20
Transvalor	80, route des Lucioles F-06560 Valbonne	10.07				20
VDK Spaarbank NV	Sint-Michielsplein 16 B-9000 Gent	17.79	169	15	2003	1
Visa Belgium SCRL	Boulevard du Roi Albert II 9 B-1210 Bruxelles	14.36	0.2	0.1	2003	48
Visalux SA	Parc d'Activité 10, Syrdall L-5365 Munsbach	12.887	1	0.3	2001	48
Vlabo Invest NV	Pater Damiaanstraat 5 B-3130 Betekom	16.57	0.5	0	2003	31
Zakenkantoor Beveren NV	Albert Panisstraat 8 bus 1 B-9120 Beveren-Waas	19.07	91	0	2003	30
Zinner SA	Rue Zinner 1 B-1000 Bruxelles	12.68	5	0	2003	32
Zonnige Kempen CV	Grote Markt 39 B-2260 Westerlo	16.3	15	0.1	2003	30

Business code

- | | |
|---|--|
| 1. Bank, credit institution | 27. Captive reinsurance |
| 2. Private savings bank | 28. General insurance |
| 3. Government credit institution | 29. Financial product agency and broking |
| 4. Banking agency | 30. Insurance agency and broking |
| 5. Leasing | 31. Real estate (proprietary portfolio) |
| 6. Home loans | 32. Real estate agency (third party) |
| 7. Development capital | 33. Health and welfare |
| 8. Consumer credits | 34. Computer business |
| 9. Other lending activities | 35. Banking associations |
| 10. Investment company | 36. Other associations |
| 11. Stock broking | 37. Sewage, road cleaning and maintenance and waste management |
| 12. Variable capital investment company | 38. Recreation |
| 13. Mutual funds | 39. Telecommunications |
| 14. Fund manager | 40. Transportation |
| 15. Factoring | 41. Other services |
| 16. Infrastructure and construction financing | 42. Energy |
| 17. Other specific financing | 43. Economic development |
| 18. Financial market administration | 44. Water |
| 19. Asset and portfolio management, financial advisory services | 45. Book publishing and multimedia |
| 20. Financial engineering, consultancy, financial research | 46. Research and development |
| 21. Other professional services in financial sector | 47. Other service activities |
| 22. Guarantee company | 48. Production, management, distribution of computerized payment media |
| 23. Trust company | 49. Financing |
| 24. Foreign currency exchange | 50. Merchant banking |
| 25. Life insurance | |
| 26. Nonlife insurance | |

1.3. Presentation and accounting principles applicable to Dexia's consolidated financial statements

1.3.1. Changes in the Group's structure

The Dexia Group was created by the 1999 public exchange offer of Dexia Belgium on Dexia France.

The parent company is a financial company governed by the provisions relating to the supervision of credit institutions on a consolidated basis (article 49 of the banking law of March 22, 1993, and the Belgian Royal Decree of August 12, 1994, on the supervision of credit institutions on a consolidated basis in execution of the aforementioned article).

In 2000, the French entity Dexia Crédit Local de France absorbed its subsidiary Dexia Project & Public Finance International Bank (Dexint) which regrouped its international activities.

The Crédit Communal de Belgique group was renamed Dexia Bank Belgium (DBB).

In 2000, the Group also acquired Financial Security Assurance (FSA), which is active in the credit enhancement of municipal and corporate bonds as well as in securitization instruments.

On March 13, 2001, Dexia and Arcofin signed an agreement by the terms of which Arcofin was to transfer its shares in Artesia BC (99.53% of the capital) in exchange for new Dexia shares. This acquisition was finalized on July 3, 2001. In exchange for its transfer of shares, Arcofin received on July 3, 2001, 178,934,630 new Dexia shares, in the reserved capital increase. After this transaction, Arcofin has a 15.5% equity interest in Dexia.

In December 2001, Labouchere (acquired in 2000) and Kempen & Co (acquired in 2001) merged to give birth to Dexia Bank Nederland.

In 2003, Dexia Bank Nederland was split into Kempen & Co and Dexia Bank Nederland.

The Kempen group was sold in November 2004 to a group of financial investors and to the management. The group Société Monégasque de Banque Privée was sold end September 2004.

Within the context of a simplification of structure, the holdings in certain subsidiaries held by several of the Group's companies were transferred within the Group so as to reduce the number of shareholders and thus the complexity of the Group. That simplification will continue to take place during 2005.

1.3.2. Presentation principles

The consolidated financial statements are prepared on the basis of the consolidated and harmonized financial statements of the Dexia Group's operating entities, i.e. Dexia Bank, Dexia Crédit Local and Dexia BIL.

As a consequence of the abrogation of the status of holding company in Belgium, Dexia is subject to the general application of Commercial Law on annual accounts. According to article 116 of the Belgian Royal Decree of January 30, 2001, the Group continues to present its consolidated accounts in a banking format as in the past. In fact it considers that, taking its activities into consideration, the use of a banking presentation more accurately reflects the financial situation and the result of its activities than presentation in the format of a commercial company.

The presentation applicable to credit institutions has been adapted to take into account the specific activities of insurance companies.

The presentation of the accounts was complemented by the integration into items already listed on the consolidated balance sheet

or off-balance sheet and in the consolidated statement of income of sub-items specific to insurance activities. The information in the notes to the consolidated financial statements was also complemented by the addition of new sub-items specific to consolidated non-banking activities.

1.3.3. Valuation principles applicable to the consolidated financial statements

1.3.3.1. Valuation principles – Waiver

The valuation principles which govern the consolidated financial statements of the Dexia parent company result from the harmonization of the valuation principles previously applied to prepare the combined financial statements of the banking group formed by Dexia Bank and Dexia Crédit Local.

Dexia was authorized to deduct from shareholders' equity the positive goodwill arising from consolidation resulting from the non-allocated difference between the cost price of the equity interest acquired via a public exchange offer and the Group's share of net assets at the time of acquisition. It granted the same authorization of direct deduction for the goodwill arising from the consolidation of FSA, Labouchere, Kempen & Co, Financière Opale and the merger of Dexia Bank Belgium with Artesia Banking Corporation.

Given FSA's specific activities (including credit enhancement) and the lack of standards on this matter, FSA's financial statements were consolidated on the basis of American accounting standards (US GAAP), subject to several adjustments.

The juxtaposition of two frameworks (banking and insurance), which were adapted to different accounting risks according to the nature of operations and activities, was adopted in order to preserve the concept of true and fair view.

The CBFA granted a waiver with respect to article 36bis, §2, of the Belgian Royal Decree of September 23, 1992, relating to the annual financial statements of credit institutions for the valuation of interest rate derivative transactions conducted in the framework of cash management and Asset and Liability Management (ALM) operations. It also allowed that interest rate derivative transactions conducted to carry out strategic ALM decisions which do not reduce interest rate risk may be valued with recognition of corresponding gains and losses on an accruals basis over the life of transactions, while any negative balance resulting when marked to market by strategy or, if appropriate, by currency is recorded in the statement of income.

1.3.3.2. Changes in valuation principles applicable to the consolidated financial statements compared with the consolidated financial statements of the previous year

The Group decided to apply IAS 11 "Construction contracts" as from January 1, 2004. This change of accounting rule has a positive net impact of EUR 7.6 millions in the result of the year.

1.3.3.3. Valuation principles applicable to the consolidated financial statements

A. Accounting principles

A.1. Rules, general principles and regulatory environment

The financial statements of the Dexia Group were prepared after harmonization of the main principles governing the valuation and presentation of the financial statements of the two banking groups Dexia Bank Belgium (DBB) and Dexia Crédit Local (DCL).

The principles and policies applied in the preparation of the consolidated financial statements are in accordance with European

directives and comply in all material respects with both Belgian and French accounting principles. The changes in accounting policies also take into account the conversion to IFRS in 2005.

Significant accounting policies applied by the Dexia Group are described below, item per item, together with details of any remaining differences in method and an indication of their influence on the financial statements.

Specific accounting policies pertaining to insurance activities are mentioned item per item.

The financial statements have been prepared on a going concern basis, in accordance with the basic principles of prudence, fairness, segregation of accounting periods and consistent application of accounting methods from one year to the next.

Intercompany income and expense between banking and insurance activities related to ordinary activities are not eliminated from the statement of income. This approach allows a more accurate assessment of each activity.

A.2. Foreign currency translation

A.2.1. Reference currency

The consolidated financial statements are prepared in euros.

A.2.2. Prior translation of the financial statements of foreign subsidiaries

The financial statements of the foreign subsidiaries are translated for consolidation purposes as follows:

- the assets, liabilities and off-balance sheet items are translated at year-end exchange rates, statement of income items are translated at the year's average rate vis-à-vis the euro and shareholders' equity is translated at the historical rate;
- translation differences are recorded in equity as translation adjustments and as minority interests for differences relating to third parties.

A.2.3. Accounting for foreign currency transactions

Foreign currency transactions are recorded in the currency in which the transaction was conducted and specific foreign currency position and equivalent reporting currency position accounts are opened in each currency. At each period end, the difference between the value of net positions in the foreign currency accounts translated at period end spot exchange rates and the value of net positions in the reporting currency accounts is recorded in the statement of income.

Monetary assets, liabilities and off-balance sheet items denominated in foreign currencies are translated at the official period-end exchange rate. Non-monetary items are translated at the historical rate. Foreign currency income and expense are translated at the rate applicable on the transaction date.

A.3. Recording of accruals

Income to be received and charges to be paid are recorded under the different receivables and debt items of the consolidated balance sheet that generate such income and expense.

A.4. Consolidation

In order to present the assets, liabilities and off-balance sheet items of the consolidated accounts on the same economic basis, the financial statements of consolidated subsidiaries are restated prior to consolidation on the basis of accounting and valuation principles which are identical in all material respects throughout the Group.

The main restatements concern the elimination of allowances and provisions booked solely for tax purposes, the recognition of deferred taxes and the recording of reserves for pension and retire-

ment benefits. Intercompany eliminations were carried out prior to the implementation of consolidation methods as such.

A.5. Accounting period

The consolidated financial statements cover the twelve-month period from January 1 to December 31. Subsidiaries whose accounting year ends more than three months before or after December 31 are consolidated on the basis of interim financial statements.

B. Balance sheet items

B.1. Accounting policies: assets

B.1.1. Cash and cash equivalents

Cash and cash equivalents are recorded under item I at nominal value.

B.1.2. Loans

Loans are recorded on the balance sheet at their original value minus repayments plus accrued interest not paid, which is recognized as from the due date for payment. Committed facilities not yet drawn down are recorded as off-balance sheet commitments.

Allowances are made for non-performing loans and bad debt on a case-by-case basis. Otherwise, allowances are made on the basis of observation or corresponding to risks that are latent but inherent to the sector of activity in question.

Insurance activity

Mortgage commitments are recorded for the authorized amount of the loan, while the part not yet drawn down is recorded as a liability.

Non-mortgage commitments are recorded in the assets for the amount of the loan that has been drawn down.

B.1.3. Securities portfolio

Banking activity

a. Classification

Securities are presented in the assets under the following headings:

- government securities eligible for central bank refinancing,
- bonds and other fixed-income securities,
- equities and other variable-income securities (including portfolio activity securities).

In the notes to the consolidated financial statements, these securities are classified in three portfolios based on the purpose for which they have been acquired.

The three portfolios are as follows:

- Trading securities: securities traded in a market with guaranteed liquidity and intended to be held for less than six months. Securities held for more than six months are reclassified as marketable securities available for sale or investment securities. This principle can be waived when securities are hedged by a financial instrument that is marked to market or by a sale commitment in an organized financial market or its equivalent.
- Marketable securities available for sale: securities intended to be held for more than six months, except those considered to be investment securities. This category also includes securities from the activity of the portfolio, namely variable-income securities in which the company invests on a regular basis with the sole objective of making a medium-term capital gain without the intention of investing on a permanent basis in the business of the issuing company, or of participating actively in its operational management.
- Investment securities: securities intended to be held for the long term. In the case of the DCL Group, fixed-income securities classified as investment securities are hedged, over their residual life,

against interest rate risks and/or backed by resources earmarked to finance them.

b. Acquisition cost

Acquired securities are recorded at their acquisition cost excluding commissions, except for trading securities whose acquisition cost includes commissions. Accrued interest at the date of acquisition is recorded in a separate account, except for accrued interest on trading securities which is included in the calculation of the acquisition cost.

c. Premiums and discounts

Premiums and discounts on fixed-income securities are deferred and amortized over the residual life of the securities using the yield to-maturity method. In the DCL Group, premiums and discounts on securities other than negotiable debt securities and zero coupon securities are amortized using the straight-line method. The effect of these differences in method is not material.

d. Year-end valuation of securities

Trading securities

Trading securities are marked to market at each period end and the resulting latent gain or loss is recorded in the statement of income.

Marketable securities available for sale

Marketable securities available for sale are recorded at the lower of acquisition cost or market value. In the financial statements of the DBB Group, fixed-income securities are valued on the basis of their yield to maturity at the date of acquisition, taking into account their redemption price at maturity. Realization value is based on a market price.

In the specific case of portfolio activity securities, the realization value is based on the general prospects of the issuer and the holding period.

For listed companies, the value can be equal to the average stock exchange price over a sufficiently long period, taking account of the holding period considered, in order to reduce the impact of temporary variations in stock exchange prices.

When marketable securities available for sale are hedged, the hedge is taken into account in order to determine the realization value. If the risk on the security exceeds the latent gain on the hedge, an allowance is booked for asset impairment. In the event of a net risk on the hedge, the depreciation is recorded as a provision for contingencies.

Treasury shares are recorded under cash investments. However, own shares acquired with a view to cancellation are valued at acquisition cost.

Investment securities

Fixed-income investment securities are recorded at cost, with a spread of the premiums and discounts on the related periods. An allowance is booked to cover any permanent impairment in value.

e. Transfers between portfolios

In the DCL Group, securities are only transferred to a different portfolio when the intended holding period is extended. In the DBB Group, all transfers are allowed. Securities are transferred at their market value at the transfer date. In the DCL Group, the transfer of marketable securities available for sale with an allowance for impairment at the date of transfer to the investment securities portfolio implies the reversal of the allowance, which no longer serves any purpose, over the residual life of the securities. Premiums and discounts on trading securities transferred to the marketable securities available for sale or investment securities portfolio are deferred and amortized in keeping with the general principle.

f. Disposal gains and losses

Trading securities are marked to market on a periodic basis, with the result that disposal prices are substantially the same as the securities' book value. The coupon held during the period of ownership of fixed-income securities is included in the results of financial transactions. Gains and losses on disposal of marketable securities available for sale and investment securities are determined on a line-by-line basis. DCL Group selects the securities sold by applying the First-In, First-Out (FIFO) method.

Insurance activity

Investments in fixed-income securities

Fixed-income securities are valued at cost. However, when their yield to maturity calculated at acquisition by taking into account their redemption value at maturity is different from their nominal value, the difference between the acquisition cost and the redemption value is recorded in the statement of income on an accrual basis for the remaining period of the securities.

Treasury bonds acquired as a support for liquidity are valued at cost. At the end of the year, they are marked to market if this price is less than the acquisition price.

Acquisition expense is directly recorded in the statement of income in the year in which it is incurred.

Impairments are applied whenever their redemption (total or partial) at maturity has become uncertain.

Investments in equities, shares and other variable-income securities

These securities are valued at cost.

Impairments are applied in the event of long-term capital losses or depreciation. They are justified by the general prospects of the company whose securities are held and which are based on its financial situation, its profitability and the outlook for the company.

A harmonization of operational approaches takes place within the "Insurance" activity.

Financial income and expense linked to investments in ratchet funds are recorded in the statement of income in relation to changes in technical provisions. Financial income realized during the period preceding the cut-off date is recorded under accruals. Any additional income is only booked in the statement of income at the ratchet security's maturity.

Investments related to life insurance

Investments related to transactions linked with life insurance investment funds in which the subscribers assume the investment risk are recorded on the balance sheet at their current value and are valued in accordance with article 27 of the Belgian Royal Decree of November 17, 1994, on the annual financial statements of insurance companies.

B.1.4. Long-term investments

Banking activity

This category is subdivided as follows:

- other long-term investments;
- investments at cost;
- investments accounted for by the equity method.

Other long-term investments

This category includes variable-income securities acquired with the purpose of fostering the development of long-term professional relations by creating special ties with the issuing companies, but without influencing the management of the companies whose securities are held in light of the small percentage of voting rights they represent.

These securities are recorded at cost, excluding acquisition costs. At year-end, the value is adjusted at the lower of cost or useful value.

Investments at cost

These are equities and other variable-income securities which represent rights in a company's capital when these rights, by creating a long-lasting and specific relationship with the company, aim at contributing to the activity of the entity in question and at influencing corporate management.

These securities are recorded at cost. Acquisition costs are charged directly to the statement of income. A write-down is applied when the value of the investment calculated on the basis of various criteria, including forecast earnings, percentage of equity owned and business prospects, is less than the book value of the securities.

Investments denominated in foreign currencies are translated at their historical exchange rates.

Investments accounted for by equity method

Companies accounted for by the equity method are valued on the basis of the percentage of the company's equity owned by the Group, restated in accordance with accounting principles used to prepare the consolidated financial statements of the Group.

Insurance activity

Long-term investments in this category are governed by the same principles as apply for banking activity.

B.1.5. Goodwill

Banking activity

a. General principles

Goodwill represents the difference between the cost of shares in consolidated companies and the acquiring Group's share of the company's equity at the date of consolidation, as restated in accordance with the Group's accounting policies. Fair value adjustments to net assets and liabilities are amortized, depreciated or written off to the statement of income in accordance with the rules applicable to these items.

Positive goodwill, which is residual or total in the absence of attribution to different balance sheet items, is recorded in the assets as goodwill arising on consolidation. It is amortized by the straight-line method on an accruals basis from the year of acquisition. The amortization period chosen, which may not exceed 20 years, thus reflects the documented assumptions and objectives at the time of acquisition.

Positive goodwill is totally taken into expenses if it does not exceed EUR 1 million.

Negative goodwill is recorded in the equity on the consolidated balance sheet. It may be maintained in equity if it corresponds to reserves that have been definitively acquired. If it is intended to offset future expense or losses, it is written back to the statement of income over a period compatible with the events which generated it.

b. Waiver to the general principles

Positive goodwill arising on consolidation may be charged to shareholders' equity when the application of the above-mentioned general principles does not give a true and fair view of the assets, the financial situation or the results. This procedure has been authorized by the CBFA. If granted, the waiver is mentioned in the notes to the financial statements and duly justified, with indication of its influence on the assets, the financial situation and the Group's results.

In order to provide proper information in accordance with article 30.2 of the seventh directive, the deduction is clearly stated on the consolidated balance sheet under shareholders' equity.

The impact of this waiver is detailed in note 2.8.c. to the consolidated financial statements.

The negative goodwill differences recorded in the equity is subject to a theoretical percentage write-off over a term of 20 years. The amount of the write-down is transferred each year to item XI of the balance sheet, namely to "Retained earnings".

This amount is detailed in note 2.8.d. The amount mentioned in note 2.8.e. is not transferred to item XI of the balance sheet

Insurance activity

The principles governing the determination of goodwill are compatible with the principles applied in banking activity.

B.1.6. Intangible assets

Start-up costs and formation expense are capitalized and amortized on a straight-line basis over a maximum of five years, except for costs related to capital increases, which are capitalized and amortized in 1 year.

Purchases of licenses are capitalized and amortized over a maximum of five years on the basis of their service lives.

Software developed by the company is capitalized on the basis of the lower of actual cost and a prudent estimate of their fair value or the value of future benefit to the company. It is amortized on a straight-line basis over three to five years, and on a pro rata basis in the first year.

In accordance with the Belgian Royal Decree of September 23, 1992, on the annual financial statements of credit institutions, commissions paid to compensate the introduction of new client business are recorded over the life of the transactions in question within a maximum of five years.

B.1.7. Property and equipment

Banking activity

Property and equipment are recorded in the assets at their net book value. They are recorded at historical cost minus accumulated depreciation, calculated on a straight-line basis over their estimated service lives on a pro rata basis from the year of acquisition. For any items of property and equipment that are restated or revalued in consolidation, the corresponding accumulated depreciation, allowances and gains or losses on disposal are calculated in the consolidated financial statements on the basis of the restated or revalued cost. The main service lives are as follows:

- buildings (including acquisition costs and not deductible taxes): 20 years;
- computer equipment: 3 to 6 years;
- leasehold improvements, equipment and furniture: 2 to 12 years;
- vehicles: 2 to 5 years;
- assets acquired under capital lease: duration of the lease.

With respect to property and equipment of the DBB Group that has been revalued, the revaluation difference is amortized on a straight-line basis over 20 years.

Insurance activity

Amortization periods have been harmonized within the Group.

B.1.8. Other assets

Other banking activity assets are recorded at cost minus allowances for impairment in value, determined on a prudent basis. This item also includes deferred tax assets.

Other insurance activity assets include, among other items, the reinsurers' share of technical provisions, deferred acquisition costs and premiums still to be issued.

The reinsurers' share of technical provisions are accounted for in accordance with the terms of the reinsurance contract and with legal and regulatory provisions relating to insurance and reinsurance companies.

B.1.9. Accruals and other assets

Deferred charges and accrued income are recorded in the statement of income on an accruals basis. As an exception to this rule, debt issuance costs are amortized on a straight-line basis over the life of the loan. Unrealized gains on derivatives that are marked to market in view of their characteristics and intended holding period are also recorded under this heading.

B.2. Accounting policies: liabilities and shareholders' equity

B.2.1. Loans

Loans are recorded at the value of the corresponding proceeds. Debt securities are marked to market based on their actuarial yield on issue price by taking into account the redemption price at maturity.

The DBB Group uses the yield-to-maturity method to determine the difference between the amount received and the redemption value in order to define progressively the redemption value of loans issued with a premium. The DCL Group, however, applies the straight-line method to premiums. The effect of this difference in method on the Group's net income is not material owing to the hedges contracted for these debt securities by the DCL Group, since the non-hedged part is extremely small. Interest paid in advance is recorded under accruals and other assets.

The carrying value of savings bonds issued by the DBB Group is increased by the amount of bonds subscribed prior to the cum interest date and reduced by the value of bonds redeemed early. With respect to savings bonds on which interest is systematically capitalized, accrued interest is added to the balance outstanding. Where the capitalization of interest is optional, unclaimed interest is added to the balance outstanding.

B.2.2. Other liabilities

Liabilities arising in the normal course of business, other than deposits and loans, are recorded on the basis of the amount due.

This item also includes liabilities generated by direct insurance and reinsurance transactions as well as the mathematical reserves of the Group's life insurance companies.

B.2.3. Accruals and other liabilities

Deferred income and accrued charges are recorded in the statement of income on an accruals basis. Unrealized losses on derivatives that are marked to market in view of their characteristics and intended holding period are also recorded under this heading.

B.2.4. Provisions for contingencies and charges and provisions for deferred taxes

Banking activity

Provisions for contingencies and charges are recorded to cover clearly identified losses and expense which are probable or certain at year end, but the total amount of which cannot be determined with a reasonable degree of accuracy. They also include a provision for restructuring costs related to a program that has been irrevocably decided by competent authorities and defined in details.

Deferred taxes are recorded following the liability method to account for timing differences between the recognition of assets and liabilities for financial reporting and tax purposes, as well as for consolidation adjustments. They are determined by taxable entity at the latest known local tax rates.

Net deferred tax assets are recognized when the related tax benefit can reasonably be expected to be received.

Provisions of insurance companies

The specific provisions intended to cover clearly identified losses and expense which are probable or certain at the end of the fiscal year, but the total amount of which cannot be determined with a reasonable degree of accuracy, as well as more general losses and expenses are recorded as a separate item under provisions of insurance companies.

Provisions for direct insurance claims are calculated file by file, including future settlement fees and, if necessary, they are complemented by experience acquired in the past concerning the number and amounts of claims which arrived after the end of the fiscal year. In accepted reinsurance, reserves are constituted on the basis of data communicated by the selling insurance company.

Provisions for interest rate risks related to guaranteed-rate life insurance contracts are calculated on the basis of contractual agreements as well as restrictions and specific legal and regulatory procedures related to life insurance activities.

Provisions for non-acquired premiums are calculated on an accruals basis for each contract separately on the basis of the premium net of any commission and of the time remaining to the due date of the next premium.

Provisions for equalization and catastrophes include all the amounts earmarked to offset in coming years non-recurring technical losses or to level out claims fluctuations or to cover particular risks. They are constituted on the basis of minimal attributions determined by official insurance oversight authorities in the country in which the insurance company is located.

Provisions for profit-sharing and retrocession are constituted in accordance with the procedures defined in the attribution plan filed with official insurance oversight authorities in the country in which the insurance company is located.

B.2.5. General banking risks reserve

The general banking risks reserve has been set up in accordance with the stipulations of the European directive and Belgian and French regulations. These funds are considered as quasi-equity and are to be used to protect the Group against future, unidentified potential losses arising from banking activities. The minimum threshold set by the Group is 1% of assets at risk on a consolidated basis.

B.2.6. Retained earnings

This heading also includes the proportion of the accumulated theoretical amortization of goodwill, which has been deducted directly from the shareholders' equity.

C. Off-balance sheet commitments

C.1. Consolidation of off-balance sheet commitments

Off-balance sheet commitments in the consolidated financial statements correspond to all the commitments of the consolidated companies, after elimination of commitments granted on behalf of the consolidating entities and inter-Group commitments. Minority interests in commitments granted by subsidiaries are not recognized separately.

C.2. Commitments granted and received

Commitments granted and received are recorded on the basis of the maximum exposure of the DBB/DCL/BIL banking groups vis-à-vis third parties or the maximum exposure of third parties vis-à-vis those groups. Mention is made of commitments received and granted by the insurance companies.

C.3. Currency and interest rate instruments

The notional amount of currency and interest rate instruments is recorded as an off-balance sheet commitment over the life of the contract, i.e. from the date of signature of the contract to its maturity or the starting date of the reference period in the case of forward rate agreements. The amount of the commitment is adjusted to reflect any changes in notional amounts in order to represent at all times the maximum current or future commitment. Gains and losses on off-balance sheet instruments are valued based on the underlying purpose of the transaction.

Specific hedges

Gains or losses on transactions entered into as hedges against exchange rate, interest rate or price fluctuations on identified assets or liabilities are recorded in the statement of income on a symmetrical basis with the loss or gain on the hedged instrument. The same principle applies to equalization payments received or paid when transactions are cancelled.

Trading

Transactions included in this category involve specialized management of a trading portfolio containing specific interest rate and interest rate derivative swap contracts. The result is accounted for in accordance with the marked-to-market principle, which leads to a periodic revaluation of all future flows whose impact is directly recorded in the statement of income, and to the immediate recognition in the statement of income of any paid or received flows.

Isolated open positions

Derivative transactions in this category maintain isolated open positions in order to benefit from changes in interest rates, if such occur. The result is marked to market as explained above. In the DCL Group, contrary to the procedure for foreign exchange transactions, the result of interest rate derivative transactions in this portfolio is recorded on a prudent basis which involves a periodic valuation of contracts at market price, resulting in the constitution of reserves in the event of latent capital losses, whereas latent capital gains are not recorded in the statement of income, as well as recognition of interest and equalization payments in the statement of income on an accruals basis.

Instruments used as hedges against overall interest rate exposures

Interest rate derivatives are acquired as hedges against overall interest rate exposures on the instructions of the Assets and Liability Management Committee. Gains and losses on these instruments do not reflect market fluctuations, but are recorded in the statement of income on an accruals basis. The application of this accounting treatment by the DBB Group, which represents an exception to the marked-to-market rule laid down in article 36bis of the Belgian Royal Decree on the annual financial statements of credit institutions pub-

lished in the October 6, 1992, issue of the *Belgian Gazette*, has been authorized by the Belgian CBFA.

Equalization payments are recorded as follows:

- on an accruals basis when cancellation is not linked to a prior change in the overall interest rate risk to be hedged, or
- by a symmetrical treatment for elements which led to a modification of this risk.

Transactions giving rise to asymmetrical internal contracts are accounted for in the same way as contracts with third parties.

C.4. Credit derivatives

As far as the management of its credit risk is concerned, the Group acts as a seller and a buyer in the market for credit derivatives.

• Trading activity

Credit Default Swaps (purchase of protection/sale of risk) included in the trading portfolio are processed in accordance with the principles relating to financial instruments.

The nominal amounts of the underlying components are recorded in the off-balance sheet items “other options” at the transaction date. Premiums received or paid are recorded in the balance sheet at the transaction date.

They are marked to market if the market is liquid, and according to the principle of “lower of cost or market” if the market is not liquid. Variations in the value of premiums are immediately recorded into result of the period. In the case of exercise and physical delivery of the underlying instrument, the accounting principles relating thereto are applied. In the case of exercise and financial settlement, the settled amount is immediately recorded in results of the period.

• Hedging activity

Credit Default Swaps are recorded in the off-balance sheet items as “personal guarantees received”, for the amount hedged. In the case of later and conditional payment of the premium, this is recorded entirely as income at the time of payment. In the case of payment or determination in advance of the amount of the premium, it is recorded as income on an accruals basis.

The premium paid is recorded in the item “Commissions paid for financial services”.

In the case of exercise via *cash settlement*, the indemnity received is recorded under the line “Results of financial transactions”.

• Investment

Credit Default Swaps are recorded in the off-balance sheet items as “securities of a credit substitute character” for the amount of the commitment.

In the case of later and conditional receipt of the premium, it is entered entirely as income at the time of its receipt. In the case of receipt or determination in advance of the amount of the premium, it is entered as income on an accruals basis.

The premium received is recorded in the item “Commissions received for financial services”.

A provision for commitment credits is recorded periodically if necessary to cover the credit risk incurred.

D. Statement of income

D.1. Revenue recognition

Penalties received for early repayment of customer loans are deferred and amortized in the statement of income as interest income over the residual life of the loans based on the interest that would have been earned up to the original repayment date. The same accounting treatment is applied to the equalization payments received on early repayment or paid on the redemption of loans.

Income and expense on interest rate derivative transactions conducted in execution of the strategic decisions of the Assets and Liability Management Committee which do not reduce the interest rate risk are recorded as results from financial transactions.

D.2. Presentation of income and expense on hedging instruments

Net accrued income or expense on financial derivatives acquired as specific hedges for identified assets or liabilities or groups of assets or liabilities is included in the income or expense on the underlying hedged items.

Macro-hedging ALM transaction carried out in euro implementing the decisions taken by the Markets Committee, irrespective of whether or not they have the characteristic of reducing interest rate risks, are valued with recognition in the interest margin of the results relating thereto over the term of the transactions insofar as a limit is observed restricting the interest rate position to a ceiling which is reasonable in relation to the profitability and solvency of the bank.

Macro-hedging ALM transactions carried out in foreign currencies with the aim and effect of reducing interest rate risks are valued with recognition in the interest margin of the results relating thereto over the term of the transactions.

Transactions which do not reduce (“strategic”) ALM risk may be valued with recognition in the interest margin of the results relating thereto over the term of the transactions insofar as the results include any possible negative balance resulting from the measure at the market value of the forward interest rate transactions, per strategy or per currency, according to the principle of Lower of Cost or Market (LOCOM).

D.3. Commission expenses

Commissions other than those paid to independent intermediaries with an exclusive sales mandate with regard to the banking and/or insurance products of the Dexia Group, for bringing in transactions with customers, are recorded under heading V of net banking income.

D.4. Income and charges from current insurance activity

As regards net banking income, the “technical and financial margin of insurance activities” includes the technical income and charges (life, nonlife, credit enhancements), namely premiums or contributions acquired, charges relating to claims, the reinsurers’ share in claims, net income from investments, other technical income and charges, allowances to write-offs or write-backs and allowances to reserves concerning insurance investments or write-backs.

D.5. Deferred acquisition costs of FSA

These net deferred costs include both direct and indirect charges borne by the company to obtain contracts signed during the year and reinsurance premiums on these contracts. This net amount is capitalized and subsequently spread over the life of the contracts on the same basis as the corresponding premiums.

D.6. Network costs

This heading records commission paid to intermediaries associated by exclusive sales mandate for bringing in transactions with customers.

D.7. Cost of risk

With an objective of homogeneity with the presentation of the Group’s banking activities, allocations to the general and specific provision of FSA are recorded in this item.

D.8. Exceptional income and expense

In order to give a true and fair view, exceptional income and expense results from events or transactions that do not relate to the ordinary business transactions or routine management of the Group’s assets and liabilities or to the environment of the companies in the countries in which they operate. In addition, such income and expense do not depend on decisions made in connection with the routine management of the business of the Group’s assets and liabilities, but result from external events, which are exceptional and infrequent. The elements considered as exceptional items according to Belgian standards are included in the notes 5.8 and 5.13.

Only events of this type having a significant influence on the results of the period are accounted for.

Notes on the assets of the consolidated balance sheet (in millions of EUR)

2.0. Cash, central banks and postal checking accounts (item I. Assets)

a. Accrued interest

0

b. Details of this item, excluding accrued interest

	Amount at Dec. 31, 2004
Cash	192
Funds with authorized agents	389
Monetary reserve assets	272
Central banks	1,355
Postal checking accounts	1
Total	2,209

2.1. Government securities eligible for central bank refinancing (item II. Assets)

a. Accrued interest

178

b. Analysis by maturity, excluding accrued interest

	Less than 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	No fixed maturity and other	Total
	300	1,175	1,067	6,980	34	9,556

c. Analysis by portfolio, excluding accrued interest and movements for the year

	Banking activity and other			Insurance activity	Total
	Trading securities	Securities available for sale	Investment securities		
At cost at Dec. 31, 2003	394	937	4,391	206	5,928
Movements for the year:					
– additions	40,677	782	8,662	78	50,199
– disposals and securities at maturity date	(40,646)	(554)	(5,429)		(46,629)
– transfers	0	238	(171)		67
– translation adjustments	0	12	0	(21)	(9)
At cost at Dec. 31, 2004 (A)	425	1,415	7,453	263	9,556
Allowances at Dec. 31, 2003	0	0	0	0	0
Allowances at Dec. 31, 2004 (B)	0	0	0	0	0
Net book value at Dec. 31, 2004 (A) – (B)	425	1,415	7,453	263	9,556

d. Transfers between portfolios (excluding insurance activity)

Nil.

e. Analysis in quoted and unquoted bonds, excluding accrued interest

	Net book value at Dec. 31, 2004	Market value at Dec. 31, 2004	Difference at Dec. 31, 2004
Quoted bonds	9,212	9,788	576
Unquoted bonds	344		
Total	9,556		

2.2. Interbank loans and advances: other (item III. Assets)

a. Accrued interest	480
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b. Analysis by maturity, excluding accrued interest (III.B Assets)

	Less than 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	No fixed maturity and other	Total
	22,358	7,364	5,310	3,586	67	38,685

c. Analysis by related parties, excluding accrued interest

	Amount at Dec. 31, 2003	Amount at Dec. 31, 2004
Loans and advances to other related credit institutions	6	92
Loans and advances to non-related credit institutions	29,329	42,999
Total	29,335	43,091

d. Doubtful and non-performing loans

Risk	Amount at Dec. 31, 2003	Doubtful loans		Non performing loans	Amount at Dec. 31, 2004
		Specific	General		
Gross amount	1	0	0	0	0
Loan loss reserves	(1)	0	0	0	0

e. Analysis by subordination, excluding accrued interest

	Amount at Dec. 31, 2003	Amount at Dec. 31, 2004
Subordinated interbank loans and advances to credit institutions	13	99
Other interbank loans and advances to credit institutions	29,322	42,992
Total	29,335	43,091

f. Movements for the year of subordinated loans, excluding accrued interest

	Enterprises accounted for by the equity method	Other enterprises	Total
At cost at Dec. 31, 2003	0	13	13
Movements for the year:			
- additions	0	56	56
- disposals and securities at maturity date	0	(3)	(3)
- transfers	0	33	33
At cost at Dec. 31, 2004 (A)	0	99	99
Allowances at Dec. 31, 2003	0	0	0
Allowances at Dec. 31, 2004 (B)	0	0	0
Net book value at Dec. 31, 2004 (A) – (B)	0	99	99

2.3. Customer loans (item IV. Assets)

a. Accrued interest

1,476

b. Analysis by maturity, excluding accrued interest

	Less than 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	No fixed maturity and other	Total
	20,023	11,475	40,784	88,802	3,639	164,723

c. Analysis by type of borrower, excluding accrued interest

	Amount at Dec. 31, 2003	Amount at Dec. 31, 2004
Public sector	107,319	111,321
Other sectors	53,131	53,402
Total	160,450	164,723

d. Doubtful and non-performing loans

Risk	Amount at Dec. 31, 2003	Doubtful Loans		Non performing loans	Amount at Dec. 31, 2004
		Specific	General		
Gross amount	1,707	931	137	654	1,722
Loan loss reserves	(1,077)	(571)	(21)	(558)	(1,150)
Net amount	630	360	116	96	572

e. Analysis by related parties, excluding accrued interest

	Amount at Dec. 31, 2003	Amount at Dec. 31, 2004
Loans and advances to non-consolidated affiliates	26	18
Loans and advances to other related parties	657	772
Loans and advances to non-related parties	159,767	163,933
Total	160,450	164,723

f. Analysis by subordination, excluding accrued interest

	Amount at Dec. 31, 2003	Amount at Dec. 31, 2004
Subordinated customer loans	4	31
Other customer loans	160,446	164,692
Total	160,450	164,723

g. Movements for the year of subordinated loans, excluding accrued interest

	Enterprises accounted for by the equity method	Other enterprises	Total
At cost at Dec. 31, 2003	0	34	34
Movements for the year:			
– additions	0	30	30
– disposals and securities at maturity date	0	(33)	(33)
At cost at Dec. 31, 2004 (A)	0	31	31
Allowances at Dec. 31, 2003	0	30	30
Movements for the year:			
– reversal of excess depreciation	0	(30)	(30)
Allowances at Dec. 31, 2004 (B)	0	0	0
Net book value at Dec. 31, 2004 (A) – (B)	0	31	31

2.4. Bonds and other fixed-income securities (item V. Assets)

a. Accrued interest 1,583

b. Analysis by maturity, excluding accrued interest

	Less than 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	No fixed maturity and other	Total
	5,414	10,121	33,084	71,503	5,166	125,288

c. Analysis by type of issuer, excluding accrued interest

	Amount at Dec. 31, 2003	Amount at Dec. 31, 2004
Public sector	47,339	44,870
Other sectors	66,336	80,418
Total	113,675	125,288

d. Analysis in quoted and unquoted bonds, excluding accrued interest

	Net book value at 31/12/04	Market value at 31/12/04	Difference at 31/12/04
Quoted bonds	107,990	111,551	3,561
Unquoted bonds	17,298		
Total	125,288		

e. Analysis by portfolio, excluding accrued interest and movements for the year

	Banking activity and other			Insurance activity	Total
	Trading securities	Securities available for sale	Investment securities		
At cost at Dec. 31, 2003	12,891	26,695	60,760	13,482	113,828
Movements for the year:					
– additions	100,883	25,236	45,085	5,706	176,910
– disposals and securities at maturity date	(104,916)	(19,839)	(37,462)	(1,095)	(163,312)
– transfers	0	0	175	0	175
– changes in scope of consolidation (out)	0	(40)	(8)	0	(48)
– translation adjustments	(341)	(105)	(951)	(794)	(2,191)
At cost at Dec. 31, 2004 (A)	8,517	31,947	67,599	17,299	125,362
Allowances at Dec. 31, 2003	0	35	114	4	153
Movements for the year:					
– recorded	0	8	26	1	35
– reversal of excess depreciation	0	(38)	(57)	(4)	(99)
– cancelled	0	0	(12)	0	(12)
– translation differences	0	0	(3)	0	(3)
Allowances at Dec. 31, 2004 (B)	0	5	68	1	74
Net book value at Dec. 31, 2004 (A) – (B)	8,517	31,942	67,531	17,298	125,288

f. Analysis by related parties, excluding accrued interest

	Amount at Dec. 31, 2003	Amount at Dec. 31, 2004
Bonds and other fixed-income securities issued by other related parties	11	11
Bonds and other fixed-income securities issued by other counterparties	113,664	125,277
Total	113,675	125,288

g. Analysis by subordination, excluding accrued interest

	Amount at Dec. 31, 2003	Amount at Dec. 31, 2004
Subordinated bonds and other fixed-income securities issued by credit institutions	279	231
Subordinated bonds and other fixed-income securities issued by other counterparties	625	565
Not subordinated bonds and other fixed-income securities	112,771	124,492
Total	113,675	125,288
Quoted subordinated debt securities	558	453

h. Transfers between portfolios (excluding insurance activity)

Nil.

i. Trading portfolio, excluding accrued interest

	Amount at Dec. 31, 2003	Amount at Dec. 31, 2004
Difference between market value (if higher) and cost for securities marked to market	32	27
Difference between market value (if higher) and book value for shares valued in accordance with article 35b (ter) section 2 paragraph 2 of the Royal Decree of September 23, 1992 on the annual accounts of credit institutions	3	0

j. Investment portfolio, excluding accrued interest

	Amount at Dec. 31, 2003	Amount at Dec. 31, 2004
Difference between redemption value (if higher) and book value	192	305
Difference between redemption value (if lower) and book value	890	846

k. Movements for the year of subordinated loans, excluding accrued interest

	Enterprise accounted for by the equity method	Other enterprises	Total
At cost at Dec. 31, 2003	0	921	921
Movements for the year:			
– additions	0	191	191
– disposals and securities at maturity date	0	(310)	(310)
– transfers	0	4	4
– translation adjustments	0	(5)	(5)
At cost at Dec. 31, 2004 (A)	0	801	801
Allowances at Dec. 31, 2003	0	17	17
Movements for the year:			
– recorded	0	1	1
– reversal of excess depreciation	0	(13)	(13)
At cost at Dec. 31, 2004 (B)	0	5	5
Net book value at Dec. 31, 2004 (A) – (B)	0	796	796

2.5. Equities and other variable-income securities (item VI. Assets)

a. Analysis by portfolio and movements for the year

	Banking activity and other			Insurance activity	Total
	Trading securities	Securities available for sale	Investment securities		
At cost at Dec. 31, 2003	801	643	492	3,298	5,234
Movements for the year:					
– additions	7,141	1,297	653	1,714	10,805
– disposals	(7,129)	(1,120)	(735)	(537)	(9,521)
– transfers	0	(2)	2	(42)	(42)
– changes in scope of consolidation (out)	(26)	(8)	(6)	0	(40)
– translation adjustments	0	0	0	(1)	(1)
At cost at Dec. 31, 2004 (A)	787	810	406	4,432	6,435
Allowances at Dec. 31, 2003	0	27	31	19	77
Movements for the year:					
– recorded	0	14	7	27	48
– reversal of excess depreciation	0	(11)	(10)	(11)	(32)
– cancelled	0	0	0	(4)	(4)
– reclassifications	0	(1)	1	11	11
– translation differences	0	(1)	0	0	(1)
Allowances at Dec. 31, 2004 (B)	0	28	29	42	99
Net book value at Dec. 31, 2004 (A) – (B)	787	782	377	4,390	6,336

b. Transfers between portfolios (excluding insurance activity)

Nil.

c. Analysis by country

	Amount at Dec. 31, 2003	Amount at Dec. 31, 2004
Belgian issuers	1,448	1,012
French issuers	719	1,292
Foreign issuers	2,990	4,032
Total	5,157	6,336

d. Analysis in quoted and unquoted shares

	Book value at Dec. 31, 2004	Market value at Dec. 31, 2004	Difference at Dec. 31, 2004
Quoted shares	6,073	6,296	223
Unquoted shares	263		
Total	6,336		

e. Trading portfolio

	Amount at Dec. 31, 2003	Amount at Dec. 31, 2004
Difference between market value (if higher) and cost for shares marked to market	14	18

2.6. Long-term investments (item VII. Assets)

a. Accrued interest

0

b. Analysis by type of issuer and movements for the year

	Investments at equity		Investments at cost			Total
	Financial institutions	Other	Banking activity and other		Insurance activity	
	Financial institutions	Other	Financial institutions	Other		
At cost at Dec. 31, 2003	312	214	368	565	69	1,528
Movements for the year:						
– additions	25	11	5	53	6	100
– disposals	0	(3)	(7)	(30)	(4)	(44)
– transfers	0	(1)	3	(6)	51	47
– changes in scope of consolidation (in)	0	0	0	2	0	2
– changes in scope of consolidation (out)	0	0	0	(35)	0	(35)
– translation adjustments	0	(5)	0	(2)	(1)	(8)
– other movements	35	(5)	0	0	0	30
At cost at Dec. 31, 2004 (A)	372	211	369	547	121	1,620
Allowances at Dec. 31, 2003	0	0	(2)	(82)	(1)	(85)
Movements for the year:						
– recorded	0	0	(1)	(16)	0	(17)
– reversal of excess depreciation	0	0	0	3	1	4
– reclassifications	0	0	0	1	0	1
– translation differences	0	0	0	1	0	1
Allowances at Dec. 31, 2004 (B)	0	0	(3)	(93)	0	(96)
Net book value at Dec. 31, 2004 (A) – (B)	372	211	366	454	121	1,524

c. Quoted and unquoted shares

	Quoted shares			Unquoted shares
	Book value at Dec. 31, 2004	Market value at Dec. 31, 2004	Difference at Dec. 31, 2004	Book value at Dec. 31, 2004
Investments at equity	0	0	0	583
Investments at cost	611	826	215	330
Total	611	826	215	913

d. Strategic investments - quoted shares

	Net book value at Dec. 31, 2004	Market Value at Dec. 31, 2004
Société Générale	298	419
Veolia Environnement	127	179
Autoroute du Sud de la France	38	57

e. Investments at equity - Unquoted shares - Details of significant investments

	Net book value at Dec. 31, 2004
Auxipar	16
Crédit du Nord	279
Select Portfolio Servicing Inc. (ex Fairbanks Capital Holding Corp.)	36
Kommunalkredit Austria	92
Soc. Coopérative de Production d'Electricité (SPE)	74
SLF Finances SA	63
VDK Spaarbank NV	19
XL Insurance	40

2.7. Analysis of assets by maturity, excluding accrued interest (summary)

	Amount at Dec. 31, 2003	Government securities eligible for central bank refinancing	Interbank loans and advances	Customer loans	Bonds and other fixed-income securities	Amount at Dec. 31, 2004
Less than 3 months	43,405	300	22,358	20,023	5,414	48,095
3 months to 1 year	32,517	1,175	7,364	11,475	10,121	30,135
1 to 5 years	75,200	1,067	5,310	40,784	33,084	80,245
Over 5 years	144,573	6,980	3,586	88,802	71,503	170,871
No fixed maturity and other	10,146	34	67	3,639	5,166	8,906
Total	305,841	9,556	38,685	164,723	125,288	338,252

2.8. Goodwill arising on consolidation (item VIII.B. Assets and item XIV. and XIVbis Liabilities)

a. Details and movements for the year

	Goodwill arising on consolidation (item VIII.B. Assets)		Negative goodwill (item XIV. Liabilities)		Deducted goodwill (item XIV.bis Liabilities)	
	Fully-consolidated companies	Companies at equity	Fully-consolidated companies	Companies at equity	Fully-consolidated companies	Companies at equity
Net book value at Dec. 31, 2003	536	181	331	2	6,602	0
Movements for the year:						
– movements due to an increase of percentage held	9	3	0	0	0	0
– changes in scope of consolidation (out)	0	0	0	0	(29)	0
– amortization	(59)	(14)	(15)	0	(636)	0
– other movements	(6)	0	(6)	0	0	0
Net book value at Dec. 31, 2004	480	170	310	2	5,937	0

b. Write-off periods - gross amounts

Consolidation and equity-accounted differences related to the following companies are written off over 20 years

	Start of amortization	Fully-consolidated companies	Companies at equity
Dexia Crediop	1996,1999,2001	177	–
Dexia AM France	1998	66	–
Dexia BIL post OBO	1999,2001	17	–
Dexia Insurance	1999	73	–
Dexia Sofaxis	1999	60	–
Popular Banca Privada SA	1999,2002	–	33
Bancoval	2000	16	–
Crédit du Nord	2000	–	178
Dexia banka Slovensko	2000	5	–
Dexia Life and Pensions	2000	5	–
Dexia Nordic Private Bank	2001	36	–
Ely Fund Managers	2001	44	–
Otzar Hashilton Hamekomi	2001,2003	14	–
Dexia Bank Denmark A/S	2001	6	–
DVV Insurance	2002	57	–
Dexia BIL Holding (Hong Kong) Ltd	2002	18	–
Total		594	211

c. Imputation of the positive differences on the own fund

	Depreciation period	Year	Consolidation differences	Equity-accounted differences
Dexia BIL	20	1999	678	–
Dexia France	20	1999	2,911	–
FSA	20	2000	1,448	–
Labouchere	20	2000	612	–
Financière Opale	20	2001	183	–
Artesia BC	20	2001	1,736	–
Total			7,568	–

d. Amortization cost imputed on the reserves

Amortization cost imputed on the reserves at Dec. 31, 2003 (A)	Depreciation period	
		1,863
Amortization of the year:		
Dexia BIL	20	34
FSA	20	72
Labouchere	20	277
Financière Opale	20	120
Kempen & Co	20	46
Artesia BC	20	87
Total (B)		636
Kempen & Co - out of scope		(868)
Total (C)		(868)
Cumulated amortization at Dec. 31, 2004 (A) + (B) + (C)		1,631

e. Theoretical amortization charges of non-deducted goodwill

Amortization cost not deducted on the reserves at Dec. 31, 2003 (A)	Depreciation period	
		730
Amortization of the year: Dexia France	20	146
Total (B)		146
Cumulated amortization at Dec. 31, 2004 (A) + (B)		876

f. Goodwill deducted from shareholders' equity: Kempen & Co

Goodwill deducted from shareholders' equity, gross amount	897
Ordinary amortizations (20 year)	(123)
Exceptional amortizations	(745)
Net amount on March 31, 2004	29

The goodwill has been amortized on a normal rhythm during 6 months in 2001 and 3 months in 2004, as the company has been deconsolidated on april 1, 2004. The non amortized amount deducted from the shareholders' equity in March 31, 2004, has been taken into account of the results of disposal in 2004.

2.9. Formation expense and other intangible assets (item VIII.A. Assets)

a. Details and movements for the year

	Goodwill	Reorganization expense	Other intangible assets (exclusive commission art. 27 bis)	Total
At cost at Dec. 31, 2003	24	212	541	777
Movements for the year:				
– increase	7	2	97	106
– decrease	0	(1)	(26)	(27)
– changes in scope of consolidation (out)	0	0	(2)	(2)
– other	0	0	1	1
At cost at Dec. 31, 2004 (A)	31	213	611	855
Amortization and allowances at Dec. 31, 2003	9	168	368	545
Movements for the year:				
– increase	3	26	94	123
– decrease	0	(1)	(33)	(34)
Amortization and allowances at Dec. 31, 2004 (B)	12	193	429	634
Net book value at Dec. 31, 2004 (A) – (B)	19	20	182	221

b. Details of formation expense

Net book value at Dec. 31, 2004	20
of which:	
– reorganization costs	20

2.10. Property and equipment (item IX. Assets)

	Lands and buildings	Equipment, furniture and vehicles	Assets under capital leases	Other property assets	Assets under construction and prepayments	Total
At cost at Dec. 31, 2003	1,657	1,264	11	976	62	3,970
Movements for the year:						
– additions (and produced fixed assets)	65	64	0	222	173	524
– disposals and retirements (-)	(154)	(82)	(7)	(232)	(43)	(518)
– reclassifications (+/-)	(9)	11	1	(22)	15	(4)
– changes in scope of consolidation (in)	0	0	0	0	0	0
– changes in scope of consolidation (out)	(5)	(18)	0	(13)	0	(36)
– translation adjustments	1	(1)	0	0	0	0
At cost at Dec. 31, 2004 (A)	1,555	1,238	5	931	207	3,936
Revaluations at Dec. 31, 2003	137	0	0	80	0	217
Movements for the year:						
– reclassifications (+/-)	(9)	0	0	(1)	0	(10)
Revaluations at Dec. 31, 2004 (B)	128	0	0	79	0	207
Amortizations and allowances at Dec. 31, 2003	854	1,015	2	504	1	2,376
Movements for the year:						
– depreciation for the year	67	84	1	103	1	256
– reversals of excess depreciation (-)	(2)	1	0	(31)	0	(32)
– depreciation written off on disposal (-)	(42)	(78)	0	(108)	0	(228)
– reclassifications (+/-)	(20)	(1)	0	(6)	23	(4)
– changes in scope of consolidation (out)	(1)	(6)	0	(10)	0	(17)
Amortizations and allowances at Dec. 31, 2004 (C)	856	1,015	3	452	25	2,351
Net book value at Dec. 31, 2004 (A) + (B) - (C)	827	223	2	558	182	1,792
of which:						
– lands and buildings			2			
– plant, machinery, equipment			0			
– furniture and vehicles			0			

2.11. Accruals and other assets (item XIV. Assets)

a. Details

	Amount at Dec. 31, 2003	Amount at Dec. 31, 2004
Redemption premiums and other deferred charges on borrowings	638	380
Potential and deferred losses on financial future hedges	1,807	2,238
Accrued income on hedging transactions	5,240	5,739
Accrued income on trading transactions	9,502	11,575
Translation differences	35	43
Other deferred charges	499	750
Other accrued income	282	320
Total	18,003	21,045

b. Analysis of potential and deferred losses on financial future hedges

	Amount at Dec. 31, 2003	Amount at Dec. 31, 2004
Securities transactions	0	61
Foreign currency transactions	46	4
Other financial instruments		
– interest rate instruments	1,704	2,108
– other forward purchases and sales	57	65
Total	1,807	2,238

c. Analysis of accrued income on hedging transactions

	Amount at Dec. 31, 2003	Amount at Dec. 31, 2004
Foreign currency transactions	426	551
Other financial instruments		
– interest rate instruments	4,475	5,166
– other forward purchases and sales	339	22
Total	5,240	5,739

d. Analysis of accrued income on trading transactions

	Amount at Dec. 31, 2003	Amount at Dec. 31, 2004
Foreign currency transactions	251	455
Other financial instruments		
– interest rate instruments	9,251	10,949
– other forward purchases and sales	0	171
Total	9,502	11,575

2.12. Breakdown of Dexia risk-weighted assets (RWA)

<i>in millions of EUR</i>	Amount at Dec. 31, 2002	Amount at Dec. 31, 2003	Amount at Dec. 31, 2004
Counterparts with a 20% weighting ¹	29,673	28,772	33,768
Counterparts with a 50% weighting ²	10,103	10,190	11,790
Counterparts with a 100% weighting ³	61,201	57,717	53,875
Trading portfolio ⁴	8,388	9,861	3,922
Total	109,365	106,540	103,355

- Counterparts with a 20% weighting correspond to local authorities (excluding those in certain countries, such as Germany and Sweden which have a 0% weighting) and financial institutions in OECD countries.
- Counterparts with a 50% weighting include mortgage borrowers, primarily private borrowers in Belgium and housing associations in the United Kingdom.
- Counterparts with a 100% weighting consist mainly of private borrowers - essentially in Belgium and Luxembourg - and corporate borrowers together with assets not included in either of the two above categories.
- Risk-weighted trading portfolio assets correspond to market risk equivalents (interest rate risk, currency risk, settlement-delivery risk etc.) The amount of the risk weighted assets has decreased because of the introduction of the internal models to value the market risks.

2.13. Other assets (item XIII. Assets)

a. Details of item XIII.A. Other assets: banking activity and other

	Amount at Dec. 31, 2004
Precious metals	68
Assets for resale	199
Miscellaneous assets, of which:	
– tax receivables	204
– premiums paid for swaptions written out	152
– other assets	836
– deposit of paid guarantees	5,024
– premiums paid for options	544
– provision for coupons	28
– short-term receivables	155
– deferred taxes - assets ¹	440
Total	7,650

1. Mainly Dexia BIL (EUR 284 million) and DBNL (EUR 55 million).

b. Details of item XIII.B. Other assets: insurance activity

	Amount at Dec. 31, 2004
Share of the reinsurers in the technical reserves	247
Receivables resulting from direct insurance transactions	89
Deferred acquisition costs	226
Other insurance assets	199
Total	761

2.14. Treasury stock (item XII. Assets)

	Amount of capital held	Number of shares
Treasury stock:		
– held by the company itself	164	38,906,865
– held by its affiliates	5	1,144,070
Total	169	40,050,935

Pursuant to authorizations given the Extraordinary Shareholders' Meetings of May 14, 2003, and May 12, 2004, Dexia bought back its own shares within the limits and the conditions in accordance with article 620 of the Belgian Company Code. These shares were acquired exclusively with a view to cancellation, which will be proposed to the next Extraordinary Shareholders' Meeting. They were subsequently valued at their acquisition price in accordance with the accounting principle selected by the Board of Directors.

Notes on the liabilities of the consolidated balance sheet (in millions of EUR)

3.1. Interbank loans and deposits: time (item I.B. Liabilities)

a. Accrued interest

802

b. Analysis by maturity, excluding accrued interest (item I.B.)

	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	No fixed maturity and other	Total
	61,063	12,082	2,110	4,165	0	79,420

c. Analysis by related parties, excluding accrued interest

	Amount at Dec. 31, 2003	Amount at Dec. 31, 2004
Interbank loans and deposits to other related parties	1	31
Interbank loans and deposits to non-related parties	62,498	79,389
Total	62,499	79,420

d. Analysis by country, excluding accrued interest

	Amount at Dec. 31, 2003	Amount at Dec. 31, 2004
Belgium	11,276	16,908
France	333	5,993
Foreign EU-countries	25,258	32,834
Foreign countries outside the EU	25,632	23,685
Total	62,499	79,420

3.2. Customer deposits (item II. Liabilities)

a. Accrued interest

317

b. Analysis by maturity, excluding accrued interest and sight deposits (item II.B.1)

	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	No fixed maturity and other	Total
	25,497	8,437	5,238	5,063	26,055	70,290

c. Analysis by related parties, excluding accrued interest

	Amount at Dec. 31, 2003	Amount at Dec. 31, 2004
Customer deposits to non-consolidated affiliates	25	18
Customer deposits to other related parties	183	208
Customer deposits to non-related parties	91,687	97,066
Total	91,895	97,292

d. Analysis by type of customer, excluding accrued interest

	Amount at Dec. 31, 2003	Amount at Dec. 31, 2004
Public sector	15,619	17,806
Other sectors	76,276	79,486
Total	91,895	97,292

e. Analysis by country, excluding accrued interest

	Amount at Dec. 31, 2003	Amount at Dec. 31, 2004
Belgium	49,593	50,500
France	2,908	2,014
Foreign EU-countries	27,294	26,451
Foreign countries outside the EU	12,100	18,327
Total	91,895	97,292

3.3. Debt securities (item III. Liabilities)**a. Accrued interest**

2,464

b. Analysis by maturity, excluding accrued interest

	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	No fixed maturity and other	Total
	26,668	21,527	55,986	36,848	421	141,450

c. Analysis by type of security and movements during the year, excluding accrued interest

	Savings bonds	Bond loans	Certificates of deposit Negotiable debts and other	Total
Amount at Dec. 31, 2003	14,223	67,027	50,975	132,225
Movements for the year:				
– additions	1,647	38,084	15,004	54,735
– disposals and securities at maturity date	(4,947)	(28,958)	(10,113)	(44,018)
– transfers	0	2,736	(2,736)	0
– translation adjustments	0	(489)	(1,003)	(1,492)
Amount at Dec. 31, 2004	10,923	78,400	52,127	141,450

d. Analysis by related parties, excluding accrued interest

	Amount at Dec. 31, 2003	Amount at Dec. 31, 2004
Debt securities to non-related parties	132,225	141,450
Total	132,225	141,450

3.4. Accruals and other liabilities (item V. Liabilities)

a. Details of accruals and other liabilities

	Amount at Dec. 31, 2003	Amount at Dec. 31, 2004
Issue premiums on borrowings	0	2
Redemption premiums on loans	558	490
Potential and deferred gains on hedging transactions	2,193	1,844
Accrued charges on hedging transactions	5,276	5,358
Accrued charges on trading transactions	9,436	11,832
Unrealized translation gains	2,325	3,054
Received deferred rent	46	39
Other deferred income	268	931
Other accrued expense	784	943
Total	20,886	24,493

b. Analysis of potential and deferred gains on hedging transactions

	Amount at Dec. 31, 2003	Amount at Dec. 31, 2004
Securities transactions	29	13
Foreign currency transactions	95	28
Other financial instruments		
– interest rate instruments	1,991	1,697
– other forward purchases and sales	78	106
Total	2,193	1,844

c. Analysis of accrued charges on hedging transactions

	Amount at Dec. 31, 2003	Amount at Dec. 31, 2004
Foreign currency transactions	292	465
Other financial instruments		
– interest rate instruments	4,574	4,893
– other forward purchases and sales	410	0
Total	5,276	5,358

d. Analysis of accrued charges on trading transactions

	Amount at Dec. 31, 2003	Amount at Dec. 31, 2004
Securities transactions	15	0
Foreign currency transactions	346	276
Other financial instruments		
– interest rate instruments	9,075	11,415
– other forward purchases and sales	0	141
Total	9,436	11,832

3.5. Provisions for contingencies and charges (item VI.A and VI.C Liabilities)

	Pensions and other retirement commitments	Taxes	Loan losses on credit commitments	Losses on foreign currency, positions securities and other financial instruments	Other risks and charges	Provisions of insurance companies	Total
Amount at Dec. 31, 2003	147	197	182	50	706	10,153	11,435
Movements for the year:							
– increase	20	98	47	16	114	3,331	3,626
– decrease	(15)	(52)	(114)	(21)	(101)	(805)	(1,108)
– transfers	(2)	(33)	2	(1)	(105)	1	(138)
– changes in scope of consolidation (out)	(1)	0	0	0	(17)	0	(18)
– translation adjustments	0	(5)	(3)	0	1	(8)	(15)
Amount at Dec. 31, 2004	149	205	114	44	598	12,672	13,782

Legiolease Risk

The Legiolease risks are covered in the group's accounts by specific provisions deducted from client receivables and by provisions included in "other provisions for risks and costs". The evolution of both items was the following in 2004:

	Writedowns on receivables	Provisions for other risks and costs	Total
Amount at Dec. 31, 2003	125	331	456
Increase (+) and decrease (-) for 2004	33	(94)	(61)
Additional increase for december 2004	102	80	182
Amount at Dec. 31, 2004	260	317	577

The amount of the provisions in the liabilities was used up to EUR 94 million in 2004, a part of which was used to cover the charges for specific risks on receivables. Additional provisions were charged at the end of the year as provisions in the liabilities to cover the estimated cost of transactions (EUR 80 million) and as specific provisions to settle the case of Dexia Bank Nederland clients facing difficulties (EUR 102 million).

3.6. Provisions for deferred taxes (item VI.B Liabilities)

	Deferred taxes Timing differences	Deferred tax liabilities	Total
Amount at Dec. 31, 2003	355	289	644
Movements for the year:			
– increase	209	41	250
– decrease	(96)	(153)	(249)
– transfers	57	31	88
– translation adjustments	(22)	0	(22)
Amount at Dec. 31, 2004	503	208	711

3.7. General banking risks reserve (item VII. Liabilities)

	General banking risks reserve	Total
Amount at Dec. 31, 2003	1,793	1,793
Movements for the year:		
– increase	5	5
– decrease	(5)	(5)
Amount at Dec. 31, 2004	1,793	1,793

3.8. Subordinated debt (item VIII. Liabilities)

a. Accrued interest

74

b. Analysis by maturity, excluding accrued interest

	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	No fixed maturity and other	Total
	47	348	1,168	2,240	1,045	4,848

c. Movements for the year, excluding accrued interest

	Subordinated debt	Total
Amount at Dec. 31, 2003	5,331	5,331
Movements for the year:		
– additions	28	28
– disposals and securities at maturity date	(400)	(400)
– translation adjustments	(111)	(111)
Amount at Dec. 31, 2004	4,848	4,848

d. Interests and commission payments on subordinated debt

	Amount at Dec. 31, 2003	Amount at Dec. 31, 2004
Interests, commissions...	218	213

e. Analysis by related parties, excluding accrued interest

	Amount at Dec. 31, 2003	Amount at Dec. 31, 2004
Subordinated debt to non-related parties	5,331	4,848
Total	5,331	4,848

f. Item as a whole, excluding accrued interest

	Amount at Dec. 31, 2003	Amount at Dec. 31, 2004
Hybrid capital instruments	500	500
Amounts owed by other consolidated enterprises	4,831	4,348
Total	5,331	4,848

g. Details of subordinated debt. Detailed list available on request.

3.9. Analysis of liabilities by maturity, excluding accrued interest (summary)

	Amount at Dec. 31, 2003	Interbank loans and deposits	Customer deposits	Debt securities	Subordinated debt	Amount at Dec. 31, 2004
Less than 3 months	96,097	61,063	25,497	26,668	47	113,275
3 months to 1 year	39,233	12,082	8,437	21,527	348	42,394
1 to 5 years	61,005	2,110	5,238	55,986	1,168	64,502
Over 5 years	46,558	4,165	5,063	36,848	2,240	48,316
No fixed maturity and other	24,841	0	26,055	421	1,045	27,521
Total	267,734	79,420	70,290	141,450	4,848	296,008

3.10. Shareholders' equity

a. Details of shareholders' equity

	Group part	Minority interests	Total
At Dec. 31, 2003			
Capital stock	4,786	0	4,786
Additional paid-in capital	8,915	0	8,915
Retained earnings	1,070	403	1,473
Revaluation reserve	8	0	8
Cumulative translation adjustments	(151)	0	(151)
Negative goodwill	333	0	333
Deducted goodwill	(6,602)	0	(6,602)
Net income for the year	1,431	82	1,513
Shareholders' equity at Dec. 31, 2003	9,790	485	10,275
Movements for the year:			
- variation of capital stock	39	0	39
- variation of additional paid-in capital	78	0	78
- variations of revaluation reserves	(2)	0	(2)
- dividends paid (-) and received (+)	(594)	0	(594)
- cancellation of own shares	(523)	0	(523)
- translation adjustments	(103)	0	(103)
- negative goodwill	(21)	0	(21)
- deducted goodwill	665	0	665
- deducted goodwill written off from the reserves	(636)	0	(636)
- net income for the year	1,772	70	1,842
- other movements	(1)	(72)	(73)
At Dec. 31, 2004			
Capital stock	4,825	0	4,825
Additional paid-in capital	8,993	0	8,993
Retained earnings	747	413	1,160
Revaluation reserves	6	0	6
Cumulative translation adjustments	(254)	0	(254)
Negative goodwill	312	0	312
Deducted goodwill	(5,937)	0	(5,937)
Net income for the year	1,772	70	1,842
Shareholders' equity at Dec. 31, 2004 (A)	10,464	483	10,947
General banking risks reserve at Dec. 31, 2003	1,793	0	1,793
General banking risks reserve at Dec. 31, 2004 (B)	1,793	0	1,793
Equity and quasi-equity at Dec. 31, 2004 (A) + (B)	12,257	483	12,740

3.11. Analysis of assets and liabilities by currency

Classification by accounting currency	In EUR	Other EU currencies	Non-EU currencies	Total
Total assets ¹	306,942	31,876	50,337	389,155
Total liabilities ¹	316,718	8,233	64,204	389,155

¹ equivalent in millions of EUR.

3.12. Other liabilities (item IV. Liabilities)

a. Detail of item IV.A. Other liabilities: banking activity and other

	Amount at Dec. 31, 2004
Taxes, remuneration and social security	0
– amount due to the tax authorities	0
– amounts due to the National Security Office	0
Taxes	296
– taxes payable	198
– estimated tax liabilities	98
Other liabilities	2,918
– collaterals for commitments received	530
– pension funds	20
– other tax and social debts	344
– suppliers	196
– premiums received from issued swaptions	173
– premiums received from issued options	596
– other debts	1,059
Total	3,214

b. Detail of item IV.B. Other liabilities: insurance activity

	Amount at Dec. 31, 2004
Debts for deposits from assignees	168
Debts resulting from direct insurance transactions	1,051
Debts resulting from reinsurance transactions	74
Other insurance liabilities	12
Total	1,305

3.13. Fiduciary operations art. 27ter section 1 paragraph 3

	Amount at Dec. 31, 2004
Analysis of assets	nil
Analysis of liabilities	nil

Notes on the consolidated off-balance sheet items (in millions of EUR)

4.1. Contingencies (item I. Off-balance sheet items)

a. Analysis by nature of customer

	Amount at Dec. 31, 2003	Amount at Dec. 31, 2004
Contingencies to credit institutions	4,405	6,295
Contingencies to customers	22,340	25,252
Total	26,745	31,547

b. Analysis by related parties

	Amount at Dec. 31, 2003	Amount at Dec. 31, 2004
Contingent liabilities to non-consolidated affiliates	1	2
Contingent liabilities to other related parties	0	2
Contingent liabilities to non-related parties	26,744	31,543
Total	26,745	31,547

c. Analysis by nature of operations

	Amount at Dec. 31, 2003	Amount at Dec. 31, 2004
Non-negotiated acceptances	41	100
Guarantees serving as direct credit substitutes	21,383	24,318
Other guarantees	2,040	3,545
Documentary credits	372	197
Assets charged as collateral security on behalf of third parties	2,909	3 387
Total	26,745	31,547

4.2. Financing commitments (item II. Off-balance sheet items)

a. Analysis by nature of customer

	Amount at Dec. 31, 2003	Amount at Dec. 31, 2004
Commitments to credit institutions	3,003	2,356
Commitments to customers	53,380	50,444
Commitments on bonds	2,839	2,775
Total	59,222	55,575

b. Analysis by related parties

	Amount at Dec. 31, 2003	Amount at Dec. 31, 2004
Financing commitments to non-consolidated affiliates	5	1
Financing commitments to other related parties	101	226
Financing commitments to non-related parties	59,116	55,348
Total	59,222	55,575

4.3. Assets entrusted to the Group (item III. Off-balance sheet items)

	Amount at Dec. 31, 2003	Amount at Dec. 31, 2004
Assets entrusted under a fiduciary regime	3,969	4,686
Sealed deposits	292,337	361,291
Total	296,306	365,977

4.4. Off-balance sheet instruments

a. Analysis by product and market

Type of transaction	Amount at Dec. 31, 2003	Hedging		Trading		Amount at Dec. 31, 2004
		Micro	Macro	Isolated open position	Specialized portfolio management	
Foreign currency transactions ¹						
– forward transactions	41,702	26,939	6,585	122	17,944	51,590
– currency and interest rate swaps	49,309	28,870	13,726	0	10,788	53,384
– currency options	3,049	149	0	0	804	953
– future rate agreements	0	0	0	0	7	7
Other financial instruments						
Interest rate instruments ²						
– interest rate swaps	1,197,586	185,341	397,818	6,619	630,094	1,219,872
– interest rate futures	15,931	584	9,342	7	11,137	21,070
– future rate agreements	112,000	5,542	915	19	78,825	85,301
– interest rate options	58,004	1,681	380	195	45,737	47,993
Other forward purchases and sales ³						
– other options contracts	37,092	3,392	0	3,200	35,656	42,248
– other futures transactions	177	5	5	85	0	95
– other forward purchases and sales	72	0	0	157	0	157
Total	1,514,922	252,503	428,771	10,404	830,992	1,522,670

1 amounts to be delivered.

2 nominal/notional reference amount.

3 agreed buying/selling price.

b. Analysis by market

Type of transaction	Over-the-counter market	Controlled market	Total
Foreign currency transactions	105,892	42	105,934
Other financial instruments			
– interest rate instruments	1,349,543	24,693	1,374,236
– other forward purchases and sales	41,482	1,018	42,500

c. Analysis in conditional and unconditional transactions

Type of transaction	Unconditional transactions	Conditional transactions	Total
Foreign currency transactions	105,043	891	105,934
Other financial instruments			
– interest rate instruments	1,291,366	82,870	1,374,236
– other forward purchases and sales	38,412	4,088	42,500

d. Analysis by maturity

Type of transaction	Less than 1 year	1 to 5 years	Over 5 years	No fixed maturity and other	Total
Foreign currency transactions	60,428	23,530	21,976	0	105,934
Other financial instruments					
– interest rate instruments	597,887	395,653	380,696	0	1,374,236
– other forward purchases and sales	6,125	23,780	12,595	0	42,500

e. Isolated open position transactions

Amount of isolated open position transactions	5
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f. Effect on results of exemption from the valuation rule referred to in article 36 bis section 2 of the Belgian Royal Decree of September 23, 1992 relating to interest-rate futures

Analysis by type of interest-rate future	Amount at Dec. 31, 2004 ¹	Difference between market value and carrying value ²
As part of cash-management	29,964	(1,260)
As part of asset and liability management	98,484	(1,591)

1 nominal/ notional reference amount.

2 +: positive difference between the market value and results accounted for.

–: negative difference between the market value and results accounted for.

4.5. Assets given as a collateral

	Mortgages ¹	Goodwill pledges ²	Pledges on other assets ³	Pledges on future assets ⁴
Balance sheet debts				
– sales of loans	0	0	20,434	0
Off-balance sheet commitments				
– interest rate futures	0	0	4,354	0
– securities transactions	0	0	8,884	0
– lines of credit	0	0	5	0

1 stated at the lower of the mortgage value and the book value of the mortgage real estate.

2 value of the pledge.

3 book-value of pledged assets.

4 value of future assets.

4.6. Off-balance sheet items and commitments not included in the accounts

A. The following items are mentioned within the framework of the acquisitions of Dexia Crédit Local

Dexia Crédit Local undertakes to buy the shares held by the directors of FSA. As of 31 December 2004, they represent a total amount of EUR 65 million.

B. Description of the supplementary retirement of survivor's pension plan in charge of the companies included in the consolidation

Different companies of the Group put in place complementary pension schemes. Some of these schemes are defined benefit schemes and others are defined contribution schemes. These schemes are

financed either by internal and external companies of the Group or by pension funds.

C. Disclosure on Dexia Bank Nederland – The Legi lease case in the Netherlands

Background

The difficulties linked to the share leasing activities of the former Bank Labouchere (now Dexia Bank Nederland NV, hereafter to be referred to as DBNL) appeared at the time of the fast and severe fall of the Amsterdam stock market in late 2001. The value of the securities used as collateral against the loans granted by the bank proved insufficient in a large number of contracts, thus potentially ending with a residual debt instead of the gain initially hoped for.

DBNL had to face a climate of negative publicity in the Netherlands with respect to both its products and the company, combined with a substantial number of complaints and lawsuits engaged on sev-

eral accounts. In an often hostile environment, DBNL has taken and further implemented or continued action in several areas:

- gear the internal organization to deal with the growing number of disputes and settlements;
- launch, in 2003, a "commercial offer" aimed at mitigating the financial consequences suffered by the customers, in exchange for their acceptance to pursue the relationship with the bank on amicable terms;
- establish, the same year, a "Hardship Commission" mandated to settle the cases of customers facing problems;
- constitute, in 2002, provisions aimed at covering the costs of the commercial offer, the potential credit defaults, and the bank's undertaking to settle the "Hardship Commission" cases and other similar settlements.

Litigations

A number of disputes have arisen between DBNL and its customers with respect to share leasing products. Dexia has reported on this matter in its 2003 and First Half 2004 and Q3 2004 Activity Reports.

DBNL is faced with claims which are mainly based on alleged: misleading information/error with respect to the share leasing products; failure to ascertain whether the share leasing product is suitable for a customer in view of his investment experience and objectives and his financial situation ("duty of care"); failure to obtain the consent of the spouse of the customer; false and misleading (oral) statements by intermediaries; cold calling; door-to-door sales; waivers related to the Dexia Offer not being binding; and violations of the Consumer Credit Act.

The disputes are either with individual parties or collective foundations (Stichting Leaseverlies, Stichting Eegalease, Stichting Leaseleed, Stichting Juniorlease). They are presented to different types of courts or arbitrators, mainly the sub-district and district courts, courts of appeal, the Dutch Securities Institute (DSI) and the Disputes Committee for the Banking Industry. In past reports and press releases, Dexia has informed the public about significant evolutions. This information is available on Dexia website www.dexia.com.

A summarized overview of the main areas of conflict is as follows:

Duty of care

These allegations are based on the General Banking Terms and Conditions and on the duty of care doctrine which was developed in case law. In recent months, DBNL has been confronted with court judgments denying DBNL wholly or partially the right to claim remaining debts (and sometimes even awarding individual clients a partial refund of the interest paid on a securities leasing contract) on the basis of a breach of this duty of care. These judgments relate in general to the individual situation of the customers.

Lack of spousal consent

The securities leasing contracts are allegedly voidable pursuant to Section 1:88 of the Netherlands Civil Code (NCC), based on the lack of spousal consent for entering into the contracts. The legal issue is whether a securities leasing contract qualifies as an instalment buying contract in the sense of this Section. According to DBNL,

the alleged right of the spouse is an individual right with no automatic effect on all share leasing contracts lacking spousal consent. The outcome of this matter depends - among other issues - on the interpretation of the legal history of the NCC and cannot be predicted. A number of lower courts have ruled that share leasing contracts are voidable on the basis of this section, but other lower courts have come to the opposite conclusion. In three almost identical interlocutory judgments, the Court of Appeal of Den Bosch held on February 1, 2005 as its preliminary view that a securities leasing contract is a form of instalment buying and that the Section 1:88 NCC is applicable thereto. The potential financial risks linked to this issue are estimated in this report (see below).

Consumer Credit Act

In some cases, the lower courts held that the Consumer Credit Act (CCA) is applicable on share leasing contracts and that DBNL offered and sold such contracts in breach of the provisions of the CCA, resulting in those contracts being void or subject to avoidance.

On February 16, 2005, the Arnhem District Court rendered an interlocutory judgment to this effect in which it overruled DBNL's defence. In some other cases, it was held by lower courts that the CCA is not applicable to share leasing contracts. This is also the view of the Dutch Minister of Finance and DBNL shares this view. So the CCA should not be an issue for DBNL.

Dutch Securities Institute (DSI)

After the Grievance Committee DSI rendered the nine rulings of February 4, 2004 as described in last year's Annual Report, it rendered an additional four rulings on May 27, 2004. In its "May rulings", the Grievance Committee essentially took the same approach as in its earlier nine rulings. However, the Appeals Committee DSI quashed one of the February 2004 rulings in its ruling of January 27, 2005 but honored plaintiff's claim based on breach of duty of care and awarded the plaintiff a full waiver of the remaining debt and a partial repayment of the interest amount paid by him upfront. The Appeals Committee of DSI furthermore rejected DBNL's defence that it is not liable for actions of the independent financial intermediary, since it held that in this case, the intermediary should be deemed to have acted on the instructions of and for the benefit of DBNL.

Depot Lease

Approximately 5,500 clients have entered into securities contracts with DBNL, in connection with a securities deposit ("Depot Lease") constituted to pay the terms of the leasing contracts. Stichting leaseleed is a foundation that represents more than 400 of those clients who, through independent financial intermediaries, have entered into such Depot Lease contracts. Stichting Leaseleed has initiated legal proceedings in the form of a collective complaint against DBNL in July 2004.

Assessment

The purpose of the disclosure below is to give an update of the status of the portfolio, and to enable the readers to assess the risks linked to possible credit defaults, and outstanding and potential future litigations.

1. Situation of the portfolio as of December 31, 2004

Contracts with insufficient collateral are split up into:

a) a category which did not qualify for the Dexia Offer as a redemption of the loan amount takes place (during the term of the lease) or a capital amount at the end of the contract is guaranteed; and

b) another category consisting of the contracts without periodic redemption or guaranteed capital, which qualified for the Dexia Offer. The contracts qualifying for the Dexia Offer have been split up into clients who: b1) have accepted the Dexia Offer; and b2) have not accepted it.

in millions of EUR, unless otherwise stated

1.a. Portfolio as of December 31, 2004

	Number of contracts	Loan amount	Collateral	Surplus (+) or lack (-) of collateral
Total outstanding portfolio	291,973	2,448	1,704	
- Contracts with sufficient collateral	35,485	146	214	68
- Contrats with insufficient collateral	256,488	2,302	1,490	(812)
<i>Of which:</i>				
- a) Contracts with redemption or guaranteed capital	96,266	858	623	(236)
- b) Contracts without redemption or guaranteed capital	160,222	1,443	867	(576)
<i>Of which:</i>				
- b1) Accepted the Dexia Offer (and signed the waiver)	79,913	709	431	(278)
- b2) Not accepted the Dexia Offer	80,309	734	436	(298)

1.b. Contracts that ended before December 31, 2004

	212,195	2,257	1,492	
Total outstanding portfolio				
- Contracts with sufficient collateral	49,306	287	373	86
- Contrats with insufficient collateral	162,889	1,970	1,118	(852)
<i>Of which:</i>				
- a) Contracts with redemption or guaranteed capital ¹	37,530	419	286	(133)
- b) Contracts without redemption or guaranteed capital	125,359	1,551	832	(719)
<i>Of which:</i>				
- b1) Accepted the Dexia Offer (and signed the waiver)	46,003	527	273	(254)
- b2) Not accepted the Dexia Offer	79,356	1,024	560	(464)

¹ Mainly early-terminated contracts.

2. Potential financial risks linked to lack of spousal consent

Dexia has taken the view that until the Supreme Court of the Netherlands (*Hoge Raad*) edicts its judgment, there is no ground to recognize costs or make provisions related to spousal consent. However, in view of this remaining uncertainty, and in order to inform the public about the magnitude of potential costs to DBNL, the expense which could result from a possible negative final outcome of the legal proceedings on this subject, has been estimated using two approaches.

i) The first approach is based on the actual number of letters claiming nullification received from customers or their spouses. Section 1:88 NCC in effect aims at protecting spouses against risks taken by their partner, and can therefore be applied only if it is formally invoked by a spouse. Since March 2003, DBNL received a total of approximately 20,000 letters requesting nullification of the underlying contracts based on section 1:88 NCC. The total risk with respect to these clients can be broken down as shown in the table below.

Potential financial risks linked to lack of spousal consent

Approach of "Section 1:88 NCC" legal risk as of February 15, 2005 based on nullification requests

The risks mentioned below are related to all negative contracts for which a request for nullification has been sent by the client and/or his spouse.

<i>in millions of EUR</i>	Lack of collateral	Payment made to the bank	Legal interests	Total
Total risk	186	191	31	408
Already provisioned as of December 31, 2004				(48)
Additional risk not covered by provisions				360

This gross amount is likely to be reduced, after additional fact finding in the bank's files and databases. It is expected for instance that the bank will be able to evidence, in a number of cases, that clients have signed a waiver or that the request for nullification is not valid as the spouse was aware of the contract for more than three years and a number of facts can be established like payment from a joint account, which will permit to disqualify a number of requests for nullification. Of note, since August 2002 there has been no substantial production of new contracts.

ii) The second approach, more theoretical, takes into account both active and expired or otherwise ended contracts. The amounts potentially at risk are calculated by making the assumption that the civil status of the bank's clients is statistically spread as in the Dutch population, i.e. 59% of the adult population is married or living in a registered partnership. Besides, in a selected sample, it was found that 13.1% of the contracts contain two signatures, which reduces

the estimated population of contracts at risk from 59.0% to 45.9%. This latter percentage of risk can be further reduced if the bank can establish, for those nullification requests made more than three years after the contract was signed, that monthly payments were made from a joint account, as those requests are foreclosed. As the analysis of the abovementioned sample shows that 19.0% of the contracts have been collected from joint accounts, the legal risk existing on contracts sold before December 2001 falls to 26.9%.

In the table below, contracts where clients have waived their rights - following acceptance of the commercial offer, settlement by the Hardship Commission, or otherwise - are excluded.

Potential financial risks linked to lack of spousal consent

Statistical approach of calculation of "Section 1:88" legal risk as of December 31, 2004

<i>in millions of EUR, unless otherwise stated</i>	Lack of collateral	Payment made to the bank	Legal interests	Total
Total risk	215	367	88	670
Already provisioned as of December 31, 2004				(55)
Additional risk not covered by provisions				615

Recent developments

On February 11, 2005, Dexia announced that significant steps towards a settlement of the share leasing issue were made.

First, Dexia and Aegon reached an agreement whereby the two groups put an end to their dispute. To this end, Aegon has paid as full and final settlement an amount of EUR 218 million to Dexia in 2005, with a view to help resolving appropriately the cases of share leasing clients of DBNL facing financial difficulties, and allocate more funds to indemnify clients, whether or not represented by a foundation. Dexia, on its side, has recognized additional expenses amounting to EUR 207 million in its 4th quarter 2004 financial statements, aimed at covering additional costs of allowances for the customers of DBNL experiencing financial difficulties, as well as other foreseeable transactions. The latter expenses however do not cover legal risks related to spousal consent, which will depend on the decision of the Supreme Court of the Netherlands (Hoge Raad), as indicated above.

Further to an initiative of the Central Bank of the Netherlands, Mr Wim Duisenberg, former Governor of the European Central Bank, has accepted to act as mediator to seek a settlement between DBNL and its clients. Dexia will give its full support to the mediator, and during the mediation process, DBNL will not introduce any new

legal proceedings against its clients who are party to a share leasing contract.

D. Other litigation

1. Lernout&Hauspie

As a consequence of the accusations against Dexia Bank announced on June 24, 2003 within the context of the criminal investigations opened in 2001 against former managers of LHSP for acts carried out between July 2, 1999 and September 1, 2000 by Artesia Banking Corporation, four civil cases were brought against Dexia Bank and Dexia SA in the United States, one of which was a class action¹ and 3 were individual actions brought by former holders of L&H shares; summonses were served on Dexia SA in February and March 2004.

As regards the three individual actions, the opposing parties agreed to desist from the action against Dexia SA without nonetheless waiving the right to re-introduce a new claim on the basis of these same facts; as regards the class action, the plaintiffs also indicated their intention to desist from the action against Dexia SA under the same conditions.

¹ These are collective proceedings the equivalent of which are not known in Belgian Law. In principle, the result of the proceedings will not only affect the parties who commenced the action, in this case three physical persons, but also all those persons who are in an identical situation. This requires determination of which persons are in an identical situation, which is done by "class certification", a decision by the Court determining the conditions that must be fulfilled for a party to be in the particular "class". The proceedings brought against Dexia Bank Belgium have still not been subject to "class certification". The plaintiffs nonetheless indicate in the summons that they have commenced the action on their own behalf as well as on behalf of any person who purchased LHSP shares or call options on LHSP shares or who sold put options on those same shares, but only on the Nasdaq between August 19, 1998 and November 9, 2000.

An application lodged by Dexia Bank Belgium aimed at refusal of the claim without examination as to fundamentals ("motion to dismiss") was refused by decision dated February 9, 2005; such a motion to dismiss consists of holding that, irrespective of the pertinence of the facts as presented by the plaintiff, the claim should in any event be refused, for example on the grounds that it would be statute barred.

Both Dexia SA and Dexia Bank keenly contest the fundamental facts of all the claims made against them.

A detailed statement on the case and the litigation involved is to be found in the annual report of Dexia Bank for 2004 (www.dexia.be).

2. Inheritance duties

An investigation was opened by the judicial authorities on September 28, 1999 at Dexia Bank concerning a possible fraud with regard to inheritance duties. This investigation, which seems to be coming to an end, resulted in accusations against three former directors of Dexia Bank, one of whom is a current member of the Board of Directors of Dexia SA and a current director of Dexia Bank at the end of March 2004. This accusation does not however mean the guilt of the persons concerned, in whom Dexia SA and Dexia Bank still have the utmost confidence.

4.7. Counterpart risk on derivatives

a. Volume OECD

Counterpart	Rating	Non-weighted, non-compensated equivalent of risks	Weighted, non-compensated equivalent of risks	Impact of the compensation on the non-weighted equivalent of risks	Impact of the guarantees on the non-weighted equivalent of risks	Non-weighted equivalent of risks after compensation and guarantees
Credit institutions	AAA	1,382	273	671	0	711
	AA	30,660	6,128	22,240	364	8,057
	A	17,764	3,554	11,824	360	5,580
	BBB	504	101	417	6	81
	BB	3	2	0	1	2
	Unquoted	286	52	137	0	149
Public sector	AA	80	0	0	0	80
	A	9	2	0	0	9
	Unquoted	123	19	1	0	122
Other sectors	AAA	90	45	1	0	89
	AA	5,119	1,431	4,530	6	583
	A	814	172	701	0	112
	BBB	55	27	0	0	55
	BB	503	251	0	0	503
	Unquoted	1,464	586	647	192	625

b. Volume out of OECD

Counterpart	Rating	Non-weighted, non-compensated equivalent of risks	Weighted, non-compensated equivalent of risks	Impact of the compensation on the non-weighted equivalent of risks	Impact of the guarantees on the non-weighted equivalent of risks	Non-weighted equivalent of risks after compensation and guarantees
Credit institutions	AA	117	23	0	0	117
Other sectors	AAA	282	141	272	0	10
	AA	1	0	0	0	1
	Unquoted	15	7	0	0	15

4.8. Securities transactions (item VIII. Off-balance sheet items)

a. Analysis by product and market

	Amount at Dec. 31, 2003	Amount at Dec. 31, 2004
Purchases		
– spot	719	1,932
– forward	1,931	804
Sales		
– spot	553	718
– forward	802	2,341
Total	4,005	5,795

b. Analysis by forward transactions

	Amount at Dec. 31, 2003	Hedging		Trading		Other	Amount at Dec. 31, 2004
		Micro-	Macro-	Isolated open position	Specialized portfolio management		
Securities transactions	2,733	60	2,564	0	521	0	3,145

c. Analysis by market

	Over-the-counter market	Controlled market	Total
Securities transactions	3,145	0	3,145

d. Analysis by maturity

	Less than 1 year	1 to 5 years	Over 5 years	No fixed maturity and other	Total
Securities transactions	1,913	729	503	0	3,145

e. Isolated open position transactions

Amount of isolated open position transactions	0
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Notes on the consolidated statement of income (in millions of EUR)

5.1. Income from long-term investments (item III.B. Statement of income)

	Amount at Dec. 31, 2003	Amount at Dec. 31, 2004
Non-consolidated subsidiaries and affiliates	7	5
Other related parties	8	14
Other long-term investments	32	14
Total	47	33

5.2. Breakdown of commissions (items IV. and V. of the income statement)

a. Commission income (item IV. of the income statement)

Nature	Amount at Dec. 31, 2003	Amount at Dec. 31, 2004
Unit trusts and mutual funds (management)	389	510
Unit trusts and mutual funds (administration)	70	70
Insurance activity	99	103
Credit activity	91	67
Stock exchange activity	70	65
Purchase and sale of other securities	61	53
Payment services	110	98
Safe-keeping fees and services on securities	34	34
Financial engineering	11	11
Private and institutional management	73	67
Transactions on financial instruments	28	17
Other financial services	106	117
Total	1,142	1,212

b. Commission expense (item V. of the income statement)

Nature	Amount as at Dec. 31, 2003	Amount as at Dec. 31, 2004
Unit trusts and mutual funds (management)	17	8
Unit trusts and mutual funds (administration)	2	5
Insurance activity	11	12
Credit activity	38	29
Stock exchange activity	19	15
Purchase and sale of other securities	4	7
Payment services	20	22
Safe-keeping fees and services on securities	13	11
Financial engineering	4	2
Private and institutional management	4	3
Transactions on financial instruments	5	16
Other financial services	66	60
Total	203	190

5.3. Income from financial transactions (item VI. Statement of income)

	Amount at Dec. 31, 2003	Amount at Dec. 31, 2004
Net gains and changes in provisions:		
– on trading securities and other financial instruments	77	254
– on marketable securities available for sale and investment securities and associated results	79	66
– on foreign currency transactions	101	111
Total	257	431

Net changes to allowances and associated results on net gains on disposal on securities available for sale are as follows:	Amount at Dec. 31, 2003	Amount at Dec. 31, 2004
– Charges to allowances	(128)	(68)
– Recoveries of allowances	201	121
Subtotal	73	53
– Losses on disposal	(510)	(205)
– Gains on disposal	500	215
Subtotal	(10)	10
Total	63	63

5.4. Employee information and other general operating expense (item VIII. A. and B. Statement of income)

	2003		2004	
	Consolidated companies		Consolidated companies	
	Fully	Proportionally	Fully	Proportionally
Average number of employees				
– unskilled	74	0	55	1
– administrative	17,941	4	17,538	3
– management ¹	834	1	860	1
– other	996	0	1,050	0
Payroll costs (in millions of EUR)	1,485	3	1,485	3
– salaries and benefits	1,022	3	1,022	3
– payroll taxes	265	0	270	0
– contributions to voluntary benefit plans	61	0	66	0
– other payroll costs	101	0	94	0
– pension costs	36	0	33	0
Provisions for pensions and other retirement commitments	10	0	12	0
– increase (+)	18	0	17	0
– decrease (-)	(8)	0	(5)	0
Provisions for other risks and costs				
Provisions for integration costs				
– increase	0	0	0	0
– decrease	(35)	0	(35)	0
Other provisions				
– increase	13	0	8	0
– decrease	(35)	0	(10)	0
Other general operating expense (VIII.B.2.)				
Other general operating expense	858	2	818	2
Provision for integration costs				
– increase	0	0	0	0
– decrease	(17)	0	(19)	0

¹ senior executive.

5.5. Net losses and allowances for loan losses and off-balance sheet items (item XI. Statement of income)

	Losses and increases ¹	Gains and recoveries	Total
Customer loans	(358)	156	(202)
Off-balance sheet items	(1)	13	12
Provisions for contingencies and charges	(128)	101	(27)
Other	(71)	59	(12)
Total	(558)	329	(229)

¹ difference between the gross outstanding loans and the amount recovered.

5.6. Net gains and recoveries of allowances on long-term investments (item XII. Statement of income)

	Amount at Dec. 31, 2003		Amount at Dec. 31, 2004	
	Related parties	Other	Related parties	Other
Increase in allowances	0	(110)	(11)	(6)
Recoveries of allowances	0	7	0	4
Subtotal	0	(103)	(11)	(2)
Losses on capital	0	(10)	0	(15)
Gains on disposal	0	128	0	127
Subtotal	0	118	0	112
Total	0	15	(11)	110

5.7. Other banking income and other banking expense

a. Other banking income (item VII. Statement of income)

	Amount at Dec. 31, 2004
Net results of other companies	184
Other banking income of credit institutions	159
Total	343

b. Other banking expense (item X. Statement of income)

	Amount at Dec. 31, 2004
Net results of other companies	(101)
Other banking expense of credit institutions	(187)
Total	(288)

5.8. Exceptional income (item XV, XVI. and XVII. Statement of income)

a. Analysis of exceptional items

	Amount at Dec. 31, 2004
Exceptional income (item XV. Statement of income)	0
Exceptional expense (item XVI. Statement of income)	0

b. Exceptional items in accordance with the Belgian Royal Decree of September 23, 1992

	Amount at Dec. 31, 2004
1. Exceptional income (+)	
A. Adjustments to depreciation and write-downs on intangible and tangible assets	1
B. Adjustments to write-downs on financial fixed assets	4
C. Adjustments to provisions for exceptional liabilities and charges	0
D. Gain on disposal of fixed assets	164
E. Other exceptional income	1
Total	170
2. Exceptional expense (-)	
A. Exceptional depreciation and amortization on formation expense and intangible and tangible fixed assets	(21)
B. Write-downs on financial fixed assets	(17)
C. Provisions for exceptional contingencies and charges	0
D. Loss on disposal of fixed assets	(18)
E. Other exceptional expense	(2)
Total	(58)

c. Tax on exceptional items (detail of item XVII. Statement of income)

	Amount at Dec. 31, 2004
Corporate income tax	0

5.9. Corporate income tax (item XVII. Statement of income)

	Amount at Dec. 31, 2003	Amount at Dec. 31, 2004
Current taxes (item XVII.A.)		
– tax on income for the year	443	457
– tax on prior years' income	60	77
Total	503	534
Deferred taxes (item XVII.B.)		
– allocations to provisions	196	326
– reversals of provisions	(337)	(440)
Total	(141)	(114)
Total: Corporate income tax	362	420

The tax charge of 2004 has been influenced by the deductible write-offs of BIL on consolidated shares on Dexia Financière (holding DBNL & Kempen & Co) and on Dexia Securities France. Lower tax rate in some countries (Luxembourg, Ireland, etc.) and the fact that gains on sale of shares are untaxed in Belgium also provoke this impact. Some tax provisions have been reversed in 2004.

5.10. Compensation paid to directors and officers

Compensation paid to executive directors and officers by subsidiaries and affiliates including pension benefits paid to former executive directors and officers.	
Management Board	2
Board of Directors	1
Supervisory Board	0
<hr/>	
Loans	
Management Board	0
Board of Directors	0
Supervisory Board	0

5.11. Geographical and sectorial information

a. By enterprise located in

	Net banking income	Operating income before allowances	Net income
Belgium	2,548	785	619
France	676	292	231
Luxembourg	670	285	382
Other countries	1,498	1,018	610
Total	5,392	2,380	1,842

b. By segment

	Net banking income	Operating income before allowances	Net income
Public and Project Finance and Credit Enhancement	2,013	1,340	1,029
Retail Financial Services	1,915	518	356
Investment Management Services	868	324	248
Treasury and Financial Markets	539	361	339
Capital and non-allocated	57	(163)	(130)
Total	5,392	2,380	1,842

c. Breakdown of net banking income according to origin

	Amount at Dec. 31, 2003		Amount at Dec. 31, 2004	
	Belgian operations	Foreign operations	Belgian operations	Foreign operations
I. Interest receivable and similar income	4,397	9,745	3,962	9,512
II. Interest expense	(2,797)	(8,247)	(2,396)	(8,049)
III. Income from variable-income securities	44	29	40	24
A. Equities and other variable-income securities	21	6	23	8
B. Long-term investments	23	23	17	16
IV. Commission income	416	726	465	747
V. Commission expense	(81)	(122)	(67)	(123)
VI. Income from financial transactions	52	205	127	304
VII. Other banking income	251	86	274	69
X. Other banking expense	(145)	(138)	(148)	(140)
XII. Technical and financial margin of insurance activities	276	463	306	485
Total	2,413	2,747	2,563	2,829

5.12. Consolidated earnings

a. Five-year consolidated financial highlights

	2000	2001	2002	2003	2004
Net banking income	3,740	5,631	5,157	5,160	5,392
Net income before minority interests	1,063	1,525	1,385	1,513	1,842
Net income for the year	1,001	1,426	1,299	1,431	1,772

b. Consolidated earnings per share

in EUR	2000	2001	2002	2003	2004
Net income for the year	0,98	1,15	1,13	1,24	1,58

5.13. Consolidated statement of income - presentation according to the Belgian Royal Decree of September 23, 1992

Consolidated statement of income	Amount at Dec. 31, 2004
I. Interest receivable and other similar income	14,290
of which: interest from fixed-income securities	3,365
II. Interest payable and similar charges	(10,792)
III. Income from equity investment securities	94
A. From shares and other equity investment securities	32
B. From participating interests and shares constituting financial fixed assets	62
IV. Commissions receivable	1,239
V. Commissions payable	(630)
VI. Profit (loss) on financial transactions	685
A. On trading of securities and other financial instruments	361
B. On disposal of investment securities	324
VII. General administrative expense	(2,352)
A. Remuneration, social security costs and pensions	(1,494)
B. Other administrative expense	(858)
VIII. Depreciation and write-downs on formation expense, intangible and tangible fixed assets	(409)
IX. Adjustments in write-downs on receivables and in provisions for off-balance sheet items "I. Contingent liabilities" and "II. Commitments which could give rise to a credit risk"	(192)
X. Adjustments in write-downs on the investment portfolio of debt securities, shares and other fixed-income or equity investment securities	58
XI. Utilization and write-backs of provisions for liabilities and charges other than those included in the off-balance sheet items "I. Contingent liabilities" and "II. Commitments which could give rise to a credit risk"	222
XII. Provisions for liabilities and charges other than those included in the off-balance sheet items "I. Contingent liabilities" and "II. Commitments which could give rise to a credit risk"	(197)
XIII. General banking risks reserve	0
XIV. Other operating income	1,575
XV. Other operating expenses	(1,512)
XVI. Profits (loss) on normal business activities before tax of consolidated enterprises	2,079
XVII. Exceptional income ¹	170
XVIII. Exceptional expense ¹	(58)
XIX. Profits (loss) for the year before tax of consolidated enterprises	2,191
XX. Corporate income tax	(420)
A. Income taxes	(944)
B. Tax adjustments and write-backs of tax provisions	524
XXI. Profit (loss) of consolidated enterprises	1,771
XXII. Portion of the result of the enterprises accounted for by the equity method	
A. Results showing profit	72
B. Results showing loss	(1)
XXIII. Consolidated profit (loss)	1,842
XXIV. Share of minority interests in result	70
XXV. Share of group in result	1,772

¹ The note 5.8. gives the breakdown of exceptional results according to the Belgian Royal Decree of September 23, 1992.

5.14. Technical and financial margin of insurance activities (item XXII. Statement of income)

a. Details of item XXII.

	Amount at Dec. 31, 2003	Amount at Dec. 31, 2004
Interest income	487	675
Interest expense	(101)	(206)
Income from variable-income securities	20	29
Commission income	25	27
Commission expense	(90)	(85)
Income from financial transactions	114	317
Other banking income	284	34
Total	739	791

b. Details of other banking income

	Amount at Dec. 31, 2003	Amount at Dec. 31, 2004
Premiums and contributions received	2,972	3,330
Premiums and contributions paid	(271)	(297)
Allowance charges	(827)	(1,103)
Adjustments of the technical reserves	(1,681)	(1,879)
Other technical income	34	(27)
Other non-technical income	57	10
Total	284	34

Report of the Board of Statutory Auditors on the consolidated accounts for the year ended december 31, 2004

To the Shareholders of Dexia NV/SA

In accordance with legal and regulatory requirements, we are pleased to report to you on the performance of the audit mandate, which you have entrusted to us.

We have audited the consolidated statements as of and for the year ended December 31, 2004, which have been prepared under the responsibility of the Board of Directors and which show a balance sheet total of EUR 389,155 (000,000) and a profit for the year of EUR 1,772 (000,000) (group share). We have also reviewed the Directors' report on the consolidated accounts.

Unqualified opinion on the consolidated financial statements, with explanatory paragraph

We conducted our audit in accordance with the standards of the "Institut des Reviseurs d'Entreprises/Instituut der Bedrijfsrevisoren". Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, taking into account the legal and regulatory requirements applicable to consolidated financial statements in Belgium.

In accordance with those standards, we considered the company's administrative and accounting organisation, as well as its internal control procedures. We obtained the explanations and information required for the purpose of our audit and examined, on a test basis, evidence supporting the amounts in the consolidated financial statements. We assessed the accounting principles used and significant estimates made by the Group, as well as the overall

presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements as at December 31, 2004 present fairly the net worth, the financial position and the consolidated results of the group in compliance with the applicable legal and regulatory requirements, and the information given in the notes to the consolidated financial statements is adequate.

Without amending our unqualified opinion, we nevertheless draw the attention to the note 4.6.c. to the consolidated accounts, describing some legal disputes with regard to the share leasing in the Netherlands, the final outcome of which is uncertain at this moment.

Additional certification and informations

We supplement our report with the following additional certification and informations, which do not have any impact on our audit opinion on the consolidated financial statements:

- the Directors' report on the consolidated accounts contains the information required by the law and is consistent with the consolidated accounts;
- we draw your attention to note 1.3. with respect to the consolidated valuation rules, which includes namely a description of the dispensations obtained from the Banking, Finance and Insurance Commission and of some remaining differences in valuation rules within the Group.

March 29, 2005

Board of Statutory Auditors

PricewaterhouseCoopers
Reviseurs d'Entreprises SCCRL,
Represented by

R. Peirce

Mazars & Guérard
Reviseurs d'Entreprises SCCRL,
Represented by

X. Doyen

(free translation)

Additional information

Unaudited data

Cash flow statement

<i>In millions of EUR</i>	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2004
Operating activities			
– Consolidated net income	1,299	1,431	1,772
– Minority interests in consolidated net income	86	82	70
– Income of companies accounted for under the equity method	(66)	(67)	(71)
– Dividends from companies accounted for under the equity method	31	36	46
– Amortization of capital expenditure, on tangible and intangible assets	375	348	342
– Amortization of goodwill	67	142	59
– Allowances for loan losses	281	37	144
– Allowances on fixed income securities available for sale and other securities available for sale	65	(60)	16
– Allowances on long-term investments	60	92	15
– Change in provisions	491	1,715	2,518
– Change in general banking risks reserve	(82)	(82)	0
– Deferred taxes	(287)	(56)	(114)
– Capital gains or loss on sale of assets and securities available for sale	(448)	(231)	(153)
– Change in operating working capital requirements	3,519	1,587	18,452
Increase of operating cash flow	5,391	4,974	23,096
Investing activities			
– Acquisition of tangible assets	(284)	(197)	(524)
– Acquisition of intangible assets	(118)	(96)	(106)
– Acquisition of securities available for sale and investment securities	(103,736)	(91,540)	(79,691)
– Acquisition of long-term investments	(615)	(267)	(110)
– Sale of tangible assets	324	59	310
– Sale of securities available for sale and investment securities	102,657	86,878	60,795
– Sale of long-term investments	266	356	297
Increase (decrease) of net cash from investing activities	(1,506)	(4,807)	(19,029)
Financing activities			
– Capital increase	59	42	39
– Increase of additional paid-in capital	73	69	78
– Increase of capital/additional paid-in capital-received from third parties	15	16	4
– Issue/reimbursement of subordinated debt	(342)	215	(372)
– Purchase/sale of company shares	(127)	(383)	(691)
– Dividends paid	(552)	(557)	(594)
– Dividends paid to minority interests	(59)	(44)	(58)
Increase (decrease) of net cash from financing activities	(933)	(642)	(1,594)
Net increase in net cash and cash equivalents	2,952	(475)	2,473
– Net cash and cash equivalents at the beginning of the year (excluding outstanding accrued interest)	5,279	8,231	7,756
– Change	2,952	(475)	2,473
– Net cash and cash equivalents at the end of the year (excluding outstanding accrued interest)	8,231	7,756	10,229

Definitions

The statement of cash flows is inspired by International Accounting Standard IAS 7. Some notes on acquisitions and sales and some complementary information default in comparison with IAS 7 requirements.

Using the indirect method, it analyzes the change in net cash and cash equivalents by noting the contribution of each activity (operating, investing and financing).

The indirect method reconstitutes the flows based on the year's net income.

The item *net cash and cash* corresponds to the difference between:

- cash and cash equivalents in the assets excluding accrued interest (i.e. government securities eligible for national bank refinancing and interbank sight loans and advances);
- cash equivalents in the liabilities excluding accrued interest (i.e. interbank sight loans and deposits).

The *change in net cash and cash equivalents* is broken down by distinguishing three categories of activities.

- *Operating activities* include cash flows generated by self-financing activities, i.e. the year's net income corrected for income items that do not create any real cash flow (cash revenues/expenditures), as for example net allocation to depreciation, write-downs, reserves, etc. and income items corresponding to investing and financing activities (i.e. non-trading) as well as changes in accruals which together make it possible to link the income to the year in question.

The gross change in working capital requirements corresponds to the difference between gross changes in asset items related to operating activities and gross changes in liabilities related to operating activities.

- *Investing activities* correspond to the purchase and sale of long-term assets and all other investments not included in operating activities.

With respect to companies accounted for under the equity method, only cash movements between the parent company and its affiliate are included in the statement of cash flows (reversal of income and reincorporation of dividends paid to the parent company).

The net cash of the companies acquired is (totally or partially) deducted from the purchase price and the net cash of the companies sold is (totally or partially) deducted from the selling price.

- *Financing activities* generate cash flows arising from changes in the amount and composition of shareholders' equity and borrowings on the capital markets.

Reconciliation between the published consolidated balance sheet as of December 31, 2003 in Dexia GAAP and the consolidated opening balance sheet as of January 1, 2004 under EU GAAP.

	31/12/2003 Dexia	Difference	01/01/2004 EU GAAP	Unaudited figures
ASSETS			ASSETS	
I Cash, central banks and postal checking accounts	3,010	1,478	4,488	I Cash and balances with central banks
II Government securities eligible for central bank refinancing	5,977	(5,977)		
III Interbank loans and advances	29,696	(1,884)	27,812	II Due from banks
IV Customer loans	161,941	2,796	164,737	III Loans and advances to customers
V Bonds and other fixed-income securities	115,351	11,006	126,357	Total IV+V+VI+VII
A. Banking activity and other	101,719		17,488	IV Loans and securities - held for trading
1. Government bonds	38,269		0	V Loans and securities - designated at fair value
2. Other bonds	63,450		108,036	VI Loans and securities - available for sale
B. Insurance activity	13,632		833	VII Loans and securities - held to maturity
VI Equities and other variable-income securities	5,157	(5,157)		
A. Banking activity and other	1,878			
B. Insurance activity	3,279			
		18,082	18,082	VIII Net positive value of derivatives
			0	IX Fair value revaluation of portfolio hedge
VII Long-term investments	1,443			
A. Investments accounted for by the equity method	526	175	701	X Investments in associates
B. Investments at cost	917	(917)		
1. Banking activity and other	849			
2. Insurance activity	68			
VIII Intangible assets	949	(232)	717	XII Intangible assets and goodwill
A. Formation expense and other intangible assets	232			
B. Goodwill arising on consolidation	717			
IX Property and equipment	1,811	(295)	1,516	XI Tangible fixed assets
XII Treasury stock	425	(425)		
XIII Other assets	6,125	365	6,490	Total XIII-XIV-XV
A. Banking activity and other	5,403		621	XIII Tax assets
B. Insurance activity	722		5,806	XIV Other assets
			63	XV Non current assets held for sale
XIV Accruals and other assets	18,003	(18,003)		
TOTAL ASSETS	349,888	1,012	350,900	TOTAL ASSETS

	31/12/2003 Dexia	Difference	01/01/2004 EU GAAP	Unaudited figures		
LIABILITIES AND SHAREHOLDERS' EQUITY			EQUITY AND LIABILITIES			
I	Interbank loans and deposits	68,088	146	68,234	I	Due to banks
II	Customer deposits	92,343	(7,264)	85,079	II	Customer borrowings and deposits
			6,048	6,048	III	Liabilities held for trading
			0	0	IV	Liabilities designated at fair value
			0	0	VI	Fair value revaluation of portfolio hedge
III	Debt securities	134,905	1,028	135,933	VII	Debt securities
IV	Other liabilities	4,108	3,794	7,902	XII	Other liabilities
V	Accruals and other liabilities	20,886	(2,648)	18,238	V	Net negative value of derivatives
VI	Provisions					
	A. Provision for contingencies and charges	1,282	(177)	1,105	X	Provisions and other obligations
	B. Provisions for deferred taxes	644	283	927	XI	Tax liabilities
	C. Technical provisions of insurance activity	10,153	(167)	9,986	IX	Technical provisions from insurance companies
VII	General banking risks reserve	1,793	(1,793)	0		
VIII	Subordinated debt and hybrid capital instruments	5,411	109	5,520	VIII	Subordinated and convertible debts
				0	XIII	Non current liabilities held for sale
	Total debts	339,613	(641)	338,972	TOTAL LIABILITIES	
IX	Capital stock	4,786		4,786	XIV	Subscribed capital
X	Additional paid-in capital	8,915		8,915	XV	Additional paid-in capital
XI	Retained earnings	2,501		(2,260)	XVII	Reserves and retained earnings
XII	Revaluation reserve	8		0	XVI	Treasury shares
XIV	Negative goodwill	333		0	XVIII	Net income for the period
XIVb	Goodwill deducted from equity	(6,602)				
	Subtotal	9,941	1,500	11,441	Core shareholders' equity	
				0	XIX	Gains and losses of securities not recognized in the income statement
				0	XX	Gains and losses of derivatives not recognized in the income statement
				0	XXI	Gains and losses of associates not recognized in the income statement
				0	XXII	Non realized performance relating to non current assets held for sale
XV	Cumulative Translation Adjustments (+/-)	(151)	151	0	XXIII	Cumulative translation adjustments
	Total equity of the Group	9,790	1,651	11,441	Total shareholders' equity	
XVI	Minority interests	485	2	487	XXIV	Minority interests
	Equity total	10,275	1,653	11,928	Total equity	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			349,888	1,012	350,900	TOTAL EQUITY AND LIABILITIES

1. Transitional phase to new IFRS standards

From January 1, 2005 onwards, all European companies, quoted on the stock exchange and issuing equity capital, will have to publish their consolidated financial statements in accordance with the IFRS standards endorsed by the European Commission. Belgian companies that only issue debt securities will have to apply these standards as from January 1, 2007.

A structural project has been elaborated mid 2002 in order to prepare the companies for the changes to IFRS. This project is led by a Steering Committee, headed by the financial director of Dexia. In the course of the last three years, this project has been implemented in order to adapt all the systems and procedures necessary for the integration of these new standards.

This project was carried out in coordination with the other members of Dexia Group: Dexia Crédit Local, Dexia Bank and Dexia BIL, also taking part in the Steering Committee of Dexia. In order to ensure the continuity of the production of accounts and the quality of new financial positions, this project included:

- the preparation of the financial statements in the course of 2004 on the basis of already existing standards from that period of time and of which the application was foreseen on January 1, 2005 by the European Union;
- the elaboration of a follow up and the help of subsidiaries and offices in order to implement the project;
- the discussion with the auditors about all the significant interpretations, which finally led in the creation of a new accounting manual.

The Group decided to select the accounting options that will limit the volatility in the statement of income, even if it increases the volatility of the reserves accounts (AFS and cash flow hedge reserves).

2. Presentation of financial statements

The consolidated financial statements of Dexia will be prepared in accordance with European Union Accounting Principles (EU GAAP).

On July 19, 2002, the European Commission published the EC 1606/2002 regulation. The European listed groups have to apply IFRS as from January 1, 2005. Supplements to this regulation have been published several times since 2002, validating the various texts published by the IASB with the exception of IAS 39.

The European Commission carves out some paragraphs of IAS 39 with the objective of:

- forbidding to designate liabilities at fair value at the option of the entity,
- enabling the European financial institutions to reflect appropriately in their consolidated accounts the economic hedges they make in the course of their interest rate risk management.

The Group's financial statements are therefore prepared in accordance with all IFRS and IFRIC regulations published until March 31, 2005, except for the conditions of application of interest rate portfolio hedging and the possibility to hedge core deposits. Therefore, they cannot be described as IFRS compliant in the sense of IAS 1, but under EU GAAP.

Dexia will adopt the new accounting rules on January 1, 2005 and will accordingly restate its previously reported 2004 consolidated financial statements. The Group decided to apply IAS 32 and 39 and IFRS 4 as from January 1, 2005, without anticipated application as allowed by IFRS 1.

3. Effect of changes in accounting policies due to first time adoption

3.1. Dates of First Time Adoption

The Group has decided to apply all IAS, IFRS, SIC and IFRIC approved by the European Commission as of January 1, 2004, except the following one that are applied as of January 1, 2005:

- IAS 32 and related SIC-IFRIC;
- IAS 39 and related SIC-IFRIC;
- IFRS 4.

3.2. Presentation

For presentation purposes, the Group decided to apply the presentation of financial assets and liabilities as described in IAS 32 and 39 for 2004 and 2005. However, financial assets and liabilities are valued following Dexia GAAP in 2004 and IFRS in 2005, as allowed by IFRS 1.

3.3. Analysis of IFRS 1 options

- Business combination

Dexia doesn't apply IFRS 3 *Business Combination* retrospectively to business combinations that occurred before January 1, 2004.

- Employee benefits

Dexia elects to recognize all cumulative actuarial gains and losses in reserves at the date of transition.

- Cumulative translation differences

Dexia has decided to use the exemption to reset the cumulative translation differences to zero at the date of transition.

- Share-based payment transactions

As from January 1, 2004, Dexia will apply IFRS 2 Share-based Payment to equity instruments that were granted after November 7, 2002.

4. Reconciliation between the published consolidated balance sheet as of December 31, 2003 in Dexia GAAP and the consolidated opening balance sheet as of January 1, 2004 under EU GAAP

The table on p.112-113 shows reconciliation between the published accounts as at December 31, 2003 in Dexia GAAP and the opening balance sheets as at January 1, 2004 under EU GAAP. In order to facilitate the cross references between the Dexia and the EU GAAP, lines of Dexia financial statements will show a D before the heading of the line and the EU GAAP line will begin with E.

The explanations given below have not for purpose to explain in details the reclassifications and adjustments but to explain which are the major changes and when there is a special point of attention.

All information included in the reconciliation document are unaudited amounts and must be considered as not definitive as new standards or interpretations may still be published before the publication of the quarterly statements in May 2005.

• Assets

4.1. E-I: Cash and balances with central banks

The monetary reserves to the central banks have been reclassified from D-III: *Interbank loans and advances* to E-I: *Cash and balances with central banks*. The classification of monetary reserves at the central banks on line D-III under Dexia GAAP was mandatory under Belgian GAAP.

4.2. E-II: Due from banks

The decrease of the heading is mainly explained by the comment in 4.1. above.

4.3. E-III: Loans and advances to customers

The increase in this heading is mainly due to a reclassification of bonds that were recorded in D-V: *Bonds and other fixed-income securities* but which were not quoted and have been considered as loans to customers under IAS 39.

This heading also includes leasing contracts that have been requalified from operational leases to finance leases and are therefore now reported under heading in place of D-IX: *Property and equipment*. Some provisions for credit risks, including the ones regarding Legiolease that were partly classified under D-VI: *A Provisions for contingencies and charges*, are now deducted from the related assets as specific impairment.

4.4. E-IV-VII: Loans and securities

Loans and securities includes the reclassification of the following lines in Dexia GAAP:

- D-II: *Government securities eligible for central bank refinancing*;
- D-V: *Bonds and other fixed-income securities*;
- D-VI: *Equities and other variable-income securities*;
- D-VII B: *Long-term investments: Investments at cost*;
- D-XII: *Treasury stock*.

Loans and securities is divided in different sections:

- E-IV: *Loans and securities held for trading*, that includes the trading activities existing under Dexia GAAP and the Unit Linked Products (Branch 23), that are considered as trading as they are marked to market under Dexia GAAP. Unit Linked Products were classified in lines D-V for bonds and D-VI for shares in Dexia GAAP.

- E-V: *Loans and securities designated at fair value*: this line can only be used as from January 1, 2005, as this possibility only exists when IAS 39 is applicable. This line will include the Unit Linked Products as from January 1, 2005. The related liability that is classified under E-IX: *Technical provisions from insurance companies* in 2004 will be reclassified in E-IV: *Liabilities designated at fair value* in 2005 in order to have a parallel treatment in 2005.

- E-VI: *Loans and securities Available For Sale (AFS)*: this heading include the main items listed above reclassified from Dexia GAAP. In 2004, it also includes the treasury shares that will be deducted from equity as from January 1, 2005.

- E-VII: *Loans and securities - Held To Maturity (HTM)*: this heading includes mainly bonds that will be held to maturity.

4.5. E-VIII: Net positive value of derivatives

This heading includes mainly the accrued interests and derivative premiums on derivatives that represented the major part of the heading D-XIII and D-XIV: *Accruals and other assets* in Dexia GAAP.

4.6. E-IX: Fair value revaluation of portfolio hedge

This heading is not used in 2004 as IAS 39 is only applicable as from January 1, 2005. It will include the interest rate fair value revaluation of the hedged items included in a portfolio hedge, except for AFS hedged items that will remain the AFS heading E-VI: *Loans and securities Available For Sale* as AFS are reported at fair value.

4.7. E-X: Investments in associates

The difference between D-VII A: *Investments accounted for by equity method* and this line comes from the fact that D-VIII B: *Intangible assets - Goodwill arising on consolidation* of associates are now also included under this heading.

4.8. E-XI: Tangible fixed assets

The adjusting element is the reclassification of assets given in leasing from operational leases in Dexia GAAP to financial lease in EU GAAP. There are also some adjustments that have been booked on the value of the building – see equity reconciliation section.

4.9. E-XII: Intangible assets and goodwill

The goodwill on equity accounted companies has been transferred to the value of the associates – see point 4.7. Capitalised restructuring expenses not fully depreciated in Dexia GAAP have been deducted from equity as of December 31, 2003.

4.10. E-XIII: Tax assets

This heading includes the tax assets and deferred taxes that were included in D-XIII: *Other assets* and the deferred tax adjustments on EU GAAP, mainly on pensions adjustments (see equity reconciliation).

4.11. E-XIV: Other assets

Other assets mainly comprise accrued income (non-interest related), prepayments and other accounts receivable. They also include insurance products (reinsurance, insurance premiums receivables, etc.), construction contracts, inventories, plan assets relating to employee benefit obligations. These other assets are recorded at amortised cost less any allowance for impairment if applicable. Pension plan assets are recognized following IAS 19 requirements.

4.12. E-XV: Non current assets held for sale

This line includes the assets held for sale in accordance with the requirements of IFRS 5. It mainly includes a building in France sold in 2004 and star agencies in Belgium.

• Liabilities

4.13. E-I: Due to banks

Immaterial change, coming from reclassification of discount and issue premiums recorded in D-XIV: *Accruals and other asset* and D-V: *Accruals and other liabilities* in Dexia financial statements.

4.14. E-II: Customer borrowings and deposits

The heading D-II: *customer deposits* includes trading short positions on interest rate that were reclassified in line E-III: *Liabilities held for trading*. Some debts issued by FSA were considered as D-II: *Customers deposits* under Dexia GAAP but are considered as E-VII: *Debt securities* under EU GAAP. This explains the increase of the debts securities under EU GAAP – see 4.19.

4.15. E-III: Liabilities held for trading

This heading includes mainly trading short positions on interest rate coming from the heading D-II: *Customer deposits* under Dexia GAAP.

4.16. E-IV: Liabilities designated at fair value

This line can only be used as from January 1, 2005, as this possibility only exists when IAS 39 is applicable. This line will include the mathematical reserves of Unit Linked Products as from January 1, 2005 – see also 4.4. This heading will also include liabilities with embedded derivatives that cannot be bifurcated. EC Regulation does not allow the possibility to designate liabilities at fair value except when allowed by EC Directives and Regulations, which is the case with the above two elements.

4.17. E-V: Net negative value of derivatives

Is similar as 4.5. for the liabilities.

4.18. E-VI: Fair value revaluation of Portfolio hedge

This heading will only be used in 2005 and will include the interest rate fair value revaluation of the hedged items included in a portfolio hedge.

4.19. E-VII: Debt securities

The issue premiums and discounts were included in D-XIV: *Accruals and other assets* and D-V: *Accruals and other liabilities* in Dexia financial statements are now allocated to their related assets and liabilities, the main item being E-VII: *Debts securities*.

It also includes debts issued by FSA that were considered as D-II: *Customers deposits* under Dexia GAAP – see 4.14.

4.20. E-VIII: Subordinated and convertible debt

The main impact comes from the fact that the D-VIII: *Subordinated debt and hybrid capital instruments* did not include the non-subordinated but convertible debts.

4.21. E-IX: Technical provisions from insurance companies

This heading includes the technical provisions of insurance companies. This line will be impacted on January 1, 2005, when all insurance products that do not qualify as insurance products will be requalified and thus reclassified. Unit Linked Products provisions included under this heading in 2004 will be transferred to E-XI: *Liabilities designated at fair value* in 2005.

4.22. E-X: Provisions and other obligations

This heading has been changed in comparison with Dexia GAAP by the constitution of employee benefits (IAS 19) provisions, the reversal of provisions that were not IAS 37 compliant, and the fact that some provision for credit risk, including the Legiolease provision part in the provisions, have been deducted from their related assets – see 4.3. Deferred taxes liabilities have been reclassified to E-X: *Tax liabilities*.

4.23. E-XI: Tax liabilities

Includes current tax payables included in D-IV: *Other liabilities*, the deferred taxes in D-VI B: *Provisions for deferred taxes*, and deferred taxes on changes in accounting principles, mainly on reversal of provisions for risks and charges.

4.24. E-XII: Other liabilities

The increase comes from the reclassification, from D-V: *Accruals and other liabilities*, of accruals now recorded under this heading. Liabilities of insurance companies (insurance products) are also recorded under this heading.

4.25. Equity

This heading includes the equity under Dexia GAAP and the adjustments coming from the first adoption of EU rules. The main impact comes from the reclassification of the D-VII: *General Banking Risks Reserve* in equity in 2004.

The first time adoption of the EU GAAP as of January 1, 2004 (except IAS 32, IAS 39 and IFRS 4) leads to an increase by EUR 1,651 million of the Group shareholders' equity (capital and reserves), from EUR 9,790 million under the previous standards to EUR 11,441 million under the new standards. This increase stems from (pre-tax impacts):

• General Banking Risks Reserves:	EUR +1,793
• Obligations regarding employee benefits:	EUR -322
• Reversal of provisions not compliant:	EUR +136
• Adjustments of tangible assets:	EUR +24
• Adjustments of intangible assets:	EUR -45
• Income recognition:	EUR -4
• Deferred taxes:	EUR +73
• Other adjustments:	EUR -4

Comments:

• General Banking Risks Reserves:	EUR +1,793
• Obligations regarding employee benefits:	EUR -322

The amount is transferred in equity as required by IAS 30.

The Group mandated an actuary in 2003, Mercer, who reviewed all employees benefits, made calculations for some plans and ensured consistency of the methodology used when other actuaries did the calculations. Actuarial assumptions have been harmonized in the Group for discount rate, return on assets and inflation by geographic area. The main impact on equity comes from the fact that defined benefit pensions obligations are calculated based on local legislation, that does not take into account the increase of salaries, whereas IAS 19 imposes to take them into account.

Some advantages were not valued under local GAAP and have provided for. Termination benefits provisions were reviewed and take into account the expected number of employees that will accept the prepension offers done by the company.

The Group will use the "corridor" to decrease the volatility of the income statement.

• Reversal of provisions not compliant:	EUR +136
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This adjustment is mainly constituted by the reversal of the provision for AGDL (Association for the Guarantee of Deposits) of Dexia BIL, in Luxembourg, for EUR 80 million. The remaining reversed provisions are maintenance provisions, restructuring costs not IAS 19/37 compliant, litigation claims, etc.

• Adjustments on tangible assets:	EUR +24
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Some of the leasing contracts granted by the companies of the Group to the customers have been requalified from operating leases to finance leases or the contrary, leading to a net decrease of tangible fixed assets and an increase of customers loans. The impact on equity is + EUR +33 million before taxes. Impairments tests have been performed on buildings, leading to impairments of EUR 16 million. The depreciation basis of some tangible assets was reviewed and lead to a reversal of accumulated depreciation for EUR +8 million.

The Group has chosen to apply the historic cost for its assets, including its investments properties, and will therefore not revalue them by equity or income statement in the future.

- Adjustments of intangible assets: EUR -45

Restructuration costs have been capitalised and depreciated under Dexia GAAP. The net amount of EUR 44 million as of January 1, 2004, has been reversed as such expenses cannot be capitalised under those norms. Intangible assets are mainly represented by software. The Dexia accounting rule was already based on IAS 38; therefore adjustments were not significant.

- Income recognition: EUR -4

This adjustment comes from debit card revenues now recognized over their term life in one company of the Group. Most of the revenues, mainly commissions, arising from the Group's activities were already recognized on an accrual basis over the life of the underlying transaction.

- Deferred taxes: EUR +73

The Group decided to base his deferred taxes calculation on IAS 12 in 2003 in Dexia GAAP. This heading is therefore the result of accounting change impacts, mainly the constitution of employee benefits and the reversal of provisions not IFRS compliant. The adjustment also includes a provision for undistributed reserves of associates.

5. Impact of First Time Adoption of IAS 32/39 and IFRS 4 on January 1, 2005

5.1. Impact of IAS 32 and 39

In order to facilitate the comparison between periods and as required by IAS 30, the presentation of the financial statements has already been applied as from January 1, 2004, but the financial instruments are still valued under Dexia GAAP in 2004.

The main impacts on January 1, 2005 will come from:

- the valuation of financial assets and liabilities in AFS (Available For Sale) reserve or in retained earnings in case of hedging or impairment;
- the revaluation of the derivatives to their market value;
- the deduction of treasury shares from equity;
- the adjustment of provisions for loan losses (specific and statistic);
- the adjustment of the value of some debts.

5.2. Impact of IFRS 4

Some insurance products sold by insurance companies are considered as financial instruments under IFRS 4. The Group applies IFRS 4 as from January 1, 2005, in order to be consistent with the date of implementation of IAS 32 and 39.

General provisions, including catastrophe and equalization reserves, will be removed on January 1, 2005.

An insurer applies a liability adequacy test for his insurance products. It shall assess at each reporting date whether its recognized insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts.

Dexia will use the possibility under IFRS 4 to continue to account for its insurance products under local GAAP if they qualify as such under IFRS 4. Insurance activities of the Group are mainly performed by Dexia Insurance – Les AP assurances in Belgium (life and nonlife products) and by Financial Security Assurance (FSA) in the USA (credit enhancement of municipal and corporate bonds).

Financial statements

<i>Balance sheet</i>	120
<i>Off-balance sheet items</i>	121
<i>Statement of income</i>	122
<i>Notes to the financial statements</i>	123
<i>Report of the Board of Statutory Auditors on the annual financial statements for the year ended December 31, 2004</i>	139

Dexia - balance sheet (before income appropriation)

ASSETS <i>(in thousands of EUR)</i>	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2004
Fixed assets	17,549,107	18,209,687	18,799,949
I Formation expenses	45,330	22,178	4,835
II Intangible assets	388	727	1,002
III Tangible assets	4,490	3,151	2,165
B. Plant, machinery and equipment	707	624	418
C. Furniture and vehicles	2,980	2,368	1,676
E. Other tangible assets	803	159	68
F. Assets under construction and advance payments			3
IV Financial assets	17,498,899	18,183,631	18,791,947
A. Affiliated enterprises	17,498,889	18,183,621	18,791,937
1. Participating interests	16,130,285	16,366,361	16,318,162
2. Amounts receivable	1,368,604	1,817,260	2,473,775
C. Other financial assets	10	10	10
2. Amounts receivable and cash guarantees	10	10	10
Current assets	452,336	505,303	724,962
V Amounts receivable after more than one year	0	13,693	53,181
B. Other amounts receivable	0	13,693	53,181
VII Amounts receivable within one year	72,758	1,711	24,988
A. Trade debtors	98	20	298
B. Other amounts receivable	72,660	1,691	24,690
VIII Investments	221,214	451,980	620,228
A. Own shares	166,007	408,092	577,823
B. Other investments and deposits	55,207	43,888	42,405
IX Cash at bank and in hand	146,338	26,371	11,194
X Deferred charges and accrued income	12,026	11,548	15,371
Total assets	18,001,443	18,714,990	19,524,911

LIABILITIES AND SHAREHOLDERS' EQUITY <i>(in thousands of EUR)</i>		Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2004
Capital and reserves		16,987,186	16,843,536	16,904,723
I	Capital	4,744,459	4,786,164	4,825,428
	A. Issued capital	4,744,459	4,786,164	4,825,428
II	Share premium account	8,845,633	8,914,668	8,992,910
IV	Reserves	634,481	1,509,777	1,390,262
	A. Legal reserve	468,474	474,446	478,616
	B. Reserves not available for distribution	166,007	408,092	577,823
	1. In respect of own shares held	166,007	408,092	577,823
	D. Reserves available for distribution	0	627,239	333,823
V	Profit carried forward	2,277,145	1,097,825	631,898
V bis	Net income for the year	485,468	535,102	1,064,225
Provisions and deferred taxation		6,476	14,683	23,248
VII	A. Provisions for liabilities and charges	6,476	14,683	23,248
	4. Other liabilities and charges	6,476	14,683	23,248
Creditors		1,007,781	1,856,771	2,596,940
VIII	Amounts payable after more than one year	912,667	1,751,322	2,506,838
	A. Financial debts	912,667	1,751,322	2,506,838
	5. Other loans	912,667	1,751,322	2,506,838
IX	Amounts payable within one year	83,056	93,111	73,602
	B. Financial debts	7	5,484	97
	1. Credit institutions	7	5,484	97
	C. Trade debts	15,292	12,265	12,851
	1. Suppliers	15,292	12,265	12,851
	E. Taxes, remuneration and social security	50,495	3,501	20,249
	1. Taxes	49,568	739	16,865
	2. Remuneration and social security	927	2,762	3,384
	F. Other amounts payable	17,262	71,861	40,405
X	Accrued charges and deferred income	12,058	12,338	16,500
Total liabilities and shareholders' equity		18,001,443	18,714,990	19,524,911

Off-balance sheet items

<i>(in thousands of EUR)</i>	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2004
Miscellaneous rights and commitments:			
– Personal guarantees given on behalf of third parties	0	0	20
– Bank rental guarantee for the Square de Meeûs building	483	483	483
– Real guarantees given on own assets	15	17	17
– Foreign currency transactions - amounts receivable	141,169	141,169	141,169
– Foreign currency transactions - amounts to be delivered	127,998	106,280	98,548
– Stock options	459,735	574,934	696,201
– Commitment to acquire Dexia Nederland Holding NV	0	0	93,000
– Commitment towards Dexia Bank Nederland NV (see notes point 4.4 hereafter)	PM	PM	PM

Dexia SA - statement of income

<i>(in thousands of EUR)</i>			
	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2004
Charges			
II	Operating charges	74,655	83,103
	B. Services and other goods	30,158	33,607
	C. Remuneration, social security costs and pensions	10,970	13,676
	D. Depreciation and other amounts written off formation expenses, intangible and tangible fixed assets	26,780	27,218
	F. Increase; decrease in provisions for liabilities and charges	6,476	8,207
	G. Other operating charges	271	395
V	Financial charges	37,832	37,284
	A. Interest and other debt charges	33,384	33,741
	C. Other financial charges	4 448	3,543
VIII	Exceptional charges	87,101	25,247
	A. Exceptional depreciation and other amounts written off formation expense, intangible and tangible fixed assets		322
	B. Amounts written off financial fixed assets	87,101	25,247
X	A. Income taxes	106	127
XI	Profit for the period	485,468	535,102
XIII	Profit for the period available for appropriation	485,468	535,102
Total charges		685,162	680,863
Income			
I	Operating income	331	344
	D. Other operating income	331	344
IV	Financial income	662,034	663,134
	A. Income from financial fixed assets	636,222	654,370
	B. Income from current assets	22,559	6,874
	C. Other financial income	3,253	1,890
VII	Exceptional income	0	1,236
	B. Write-back of amounts written off financial fixed assets	0	1,236
X	B. Adjustment of income taxes and write-back of tax provisions	22,797	16,149
Total income		685,162	680,863
Profit brought forward of the previous period			631,898
Profit for the period to be appropriated			1,064,225
Profit to be appropriated			1,696,123

1

Presentation of the financial statements

Dexia SA presents its financial statements before appropriation of the year's net income.

2

Financial statements of the year and accounting plan

Dexia SA, a financial firm, is a company governed by Belgian law whose financial instruments are authorized for trading in a regulated Belgian market, and it is therefore subject to the obligation to publish yearly financial statements as prescribed by the Belgian Company Code and its decree of application dated January 30, 2001.

The accounting plan is presented in accordance with the accounting plan prescribed in the Royal Decree of September 12, 1983, amended by the Royal Decree of August 4, 1996.

The items provided for in the accounting plan that do not apply to Dexia have been excluded.

The financial statements are presented in thousands of euros.

3

Accounting policies

3.1. General policies

3.1.1. Legislation

Accounting policies are in conformity with the Royal Decree of January 30, 2001, in application of the Belgian Company Code.

If legislation allows options or authorizes a waiver, the accounting policies hereafter shall mention the option chosen of whether such a waiver has been applied.

3.1.2. Foreign currency translation into euros

Monetary assets, liabilities, rights and commitments denominated in foreign currencies are translated into euros at the last day average year-end exchange rate.

Non-monetary items are translated into euros at the exchange rate ruling in effect on the transaction date.

Foreign currency income and expense are translated into euros at the exchange rate ruling in effect on the date on which the income or expense is recognized in the statement of income.

3.2. Assets

3.2.1. Formation expenses (item I)

Formation expenses are recorded as an asset and amortized on a straight-line basis at the rate of at least 20% per year.

3.2.2. Intangible fixed assets (item II)

License acquisitions are recorded as intangible fixed assets when the acquisition price is at least equal to EUR 495.79 per item, or when delivery is broken down into partial shipments representing less than EUR 495.79 each but the total delivery is at least EUR 495.79.

Software recorded in the assets is written down over a maximum of 5 years.

The cost involved in the research and development of internal software is expensed in the financial year in which it is incurred.

Following the change in the law on corporate income tax, a pro rata system was introduced for intangible assets acquired as of January 1, 2003. As a result, these assets are no longer written down on a full year basis in the year of acquisition.

3.2.3. Tangible fixed assets (item III)

Following the change in the law on corporate income tax, a pro rata system was introduced for tangible assets acquired as of January 1, 2003. As a result, these assets are no longer written down on a full year basis in the year of acquisition.

3.2.4. Long-term investments (item IV)

Participating interests and shares are stated at acquisition cost or contribution cost. Related transaction costs are recorded directly in the statement of income.

Reductions in value are recorded in the case of capital losses or lasting depreciation. They are determined by reference to the financial position, profitability and prospects of the company concerned in which shares and/or equity interests are held.

Shares and equity interests may be revaluated in the case of a certain, permanent increase in their fair value to the company compared with their book value.

Amounts receivable under long-term investments are valued following the same rules as for long- and short-term loans.

3.2.5. Long- and short-term loans (items V and VII)

Loans are stated at their nominal value. Allowances are booked to cover any risk of non-recovery.

3.2.6. Short-term investments and cash assets (items VIII and IX)

Cash is stated at nominal value based on the cash sheets produced on the balance sheet date.

Current account balances are stated at nominal value.

Securities are stated at cost, excluding related acquisition costs which are recorded in the statement of income in the year in which they are incurred.

At balance sheet date, value reductions are applied to short-term investments and liquid assets if their realization value is lower than the book value.

Complementary value reductions are applied to these assets in order to reflect either a change in their realization or market value, or the risks inherent in the nature of the products concerned or the activities conducted.

Nevertheless, own shares acquired with a view to cancellation are valued at cost as they may only be destroyed further to the agreement of the Shareholders' Meeting.

3.3. Liabilities

3.3.1. Revaluation surpluses (item III)

Shares and participating interests that are recorded as long-term investments may be revaluated in the case of a certain, permanent increase in their fair value for the company compared with their book value.

They are maintained in this item until the realization of the assets concerned or their inclusion in the capital.

3.3.2. Provisions for liabilities and charges (item VII)

At balance sheet date, the Board of Directors, acting with prudence, sincerity and good faith, examines the provisions to be built up in order to cover all possible risks or losses that might have occurred during the financial year or previous financial years.

Provisions relating to previous financial years are regularly reviewed and reversed if they no longer serve a purpose.

3.3.3. Debts of over one year and up to one year (items VIII and IX)

Debts are stated in the balance sheet for their nominal value.

3.4. Off-balance sheet items

Off-balance sheet items are recorded for the nominal value of the rights and commitments mentioned in the agreement or for their assessed value.

4

Notes to the annual financial statements

Since 2000, Dexia SA has combined the holding and management of financial interests by defining the strategies to be implemented at Group level. This policy introduced by Dexia's Management Board led to the creation of several departments at Dexia Holding to coordinate different functions at Group level such as audit, ethics, compliance, IT management, strategic planning, consolidation, risk management, corporate communications and human resources.

With its head office situated in Brussels, Dexia SA already has a permanent establishment in Paris. On November 1, 2004 Dexia SA set up a permanent establishment in Luxembourg.

Dexia SA is a cross-border holding company that employs 166 people who work in Brussels, Paris and Luxembourg. From an accounting point of view, the financial statements of Dexia SA include the accounts of Brussels, the Dexia SA head office, and those of the permanent establishments in Paris and Luxembourg.

4.1. The balance sheet total (before income appropriation)

The balance sheet total was EUR 19,525 million as at December 31, 2004, against EUR 18,715 million as at December 31, 2003, or an increase of 4%.

4.2. Assets

Fixed assets

4.2.1. Formation expenses

All the expenses related to the capital increases that have taken place since 1999 have been recorded in the assets as "Formation expenses" and are amortized over a period of five years.

These are expenses linked to the public exchange offer for Dexia BIL shares in 1999 (acquisition value EUR 30 million) and all the expenses related to the public exchange offer, the simplified public exchange offer and the public offer of withdrawal on Dexia France shares in 2000 (acquisition value EUR 85 million). In 2001, the expenses incurred (EUR 4.9 million) were due to the Dexia share split and shareholding plan for Group employees. In 2002, 2003 and 2004, the expenses related to the shareholding plan which concerned some 24,000 Dexia Group employees in 22 countries totaled EUR 3 million, EUR 1.8 million and EUR 2 million, respectively.

The net book value of formation expenses amounts to EUR 4.8 million.

4.2.2. Intangible fixed assets

Intangible fixed assets totaled EUR 1 million and mainly concerned the acquisition and development of software. These intangible fixed assets are depreciated on a straight-line basis at a rate of 33.33%.

4.2.3. Tangible fixed assets

Tangible fixed assets which have a book value of EUR 2.2 million have a gross acquisition value of EUR 9.9 million.

Property, plant and equipment contribute a gross acquisition value of EUR 2.7 million and are depreciated on a straight-line basis over a period of ten years.

Office and computer equipment represented a gross investment of EUR 4.2 million, depreciated on a straight-line basis at a rate of 25%.

Other tangible fixed assets included the installation of the premises rented in Brussels at the Square de Meeûs (gross acquisition value of EUR 3 million) depreciated on a straight-line basis over a period of four years.

Other tangible fixed assets (EUR 0.003 million) relate to an advance paid on the order of office furniture.

4.2.4. Long-term investments

Interests in affiliated companies

The item "Interests in affiliated companies" representing EUR 16,366 million as at 31 December 2003 was EUR 16,318 million as at December 31, 2004.

It includes the following equity interests:

EUR 6,380 million	100% of Dexia Bank Belgium SA, Brussels. On September 30, 2004, Dexia SA acquired within the Group 52,122 Dexia Bank Belgium shares for EUR 1.8 million.
EUR 6,614 million	100% interest in Dexia Crédit Local SA, Paris, France.
EUR 1,751 million	57.66% interest in Dexia Banque Internationale à Luxembourg SA (Dexia BIL), Luxembourg.
EUR 1,279 million	100% interest in Dexia Participation Luxembourg, Luxembourg, which owns 42.26% of Dexia BIL.
EUR 284 million	10% interest in Dexia Holding Inc. in New York, USA, a holding company which owns 98.1% of Financial Security Assurance Holding Ltd.
EUR 8 million	8.42% interest in Dexia Financière SA, Brussels, Belgium. Dexia Financière SA was created in January 2003 to serve as an indirect holding company for the entities created by the break-up of Dexia Bank Nederland, i.e. Kempen & Co NV and Dexia Bank Nederland NV. On April 11, 2003, the shareholders of Dexia Bank Nederland NV, including Dexia SA, transferred their shares to the Belgian holding company Dexia Financière SA. In 2004, an additional reduction of value by EUR 51 million was recorded so as to align the book value of the interest held in Dexia Financière SA to its intrinsic value.
EUR 1 million	100% interest in Dexia Habitat SA, Paris, France.
EUR 1 million	99.99% interest in Dexia Employee Benefits SA, Brussels, Belgium. On June 30, 2004, Dexia SA participated in the formation of the SA Dexia Employee Benefits to an amount of 99.99%. This subsidiary has the object of researching and designing products reserved for company employees with a view to their being marketed through third parties which offer advice on social and financial engineering.
PM	100% interest in Dexia Management Services Ltd, London, United Kingdom.

Receivables on affiliated companies

This item includes subordinated loans granted to Group entities for a total of EUR 2,473.8 million.

Current assets

4.2.5. Long-term loans

Other receivables

Since 2002, Dexia SA's permanent establishment in Paris has headed the tax consolidation group in France, which as at December 31, 2004 included the following companies:

- CLF Badger
- CLF Marne-la-Vallée Participation
- CLF Patrimoniale
- Compagnie pour le Foncier et l'Habitat
- Dexia Assuréco
- Dexia Bail
- Dexia CLF Avenir
- Dexia CLF Développement
- Dexia CLF Energia
- Dexia CLF Energy
- Dexia CLF Immo
- Dexia CLF Organisation
- Dexia Crédit Local
- Dexia Editions
- Dexia Finance
- Dexia Flobail
- Dexia Habitat (formerly Dexia CLF Création)
- Dexia Municipal Agency
- Dexint Développement
- Europrojet Développement
- Floral
- Sofca.

Because the commitments subscribed by Dexia Crédit Local and its subsidiaries allow Dexia through its permanent establishment to lock in temporary tax savings, it was agreed that the resources produced by the permanent establishment will be lent to the tax consolidation Group's subsidiaries that made it possible to realize these tax savings through advances called "tax deferred advances".

Tax deferred advances granted by the permanent establishment with contractual maturity after December 31, 2005 totaled EUR 20.2 million as at December 31, 2004.

The sale of Kempen & Co NV to a group of financial investors and management was finalized on November 15, 2004.

Within the context of that agreement, a subordinated loan of EUR 33 million granted by Dexia SA to Kempen & Co NV remains in place. The terms and conditions of that loan were amended in order to take account of the fact that Kempen & Co NV is now independent and does not have a rating.

4.2.6. Short-term loans

Commercial receivables

The item "Commercial receivables" relates to advances paid to suppliers (EUR 0.3 million).

Other receivables

As mentioned above, the permanent establishment of Dexia SA heads the tax consolidation group in France. The permanent establishment is therefore solely liable to the French tax authorities for corporate income tax, withholding tax and annual flat tax due from the fiscal group in France.

Belonging to a tax consolidation group for the aforementioned subsidiaries (cf. "Long-term loans") is neutral in comparison to the fiscal situation which might have arisen if they had not consolidated and the subsidiary companies must therefore pay the permanent establishment their contribution to corporate income tax on the tax consolidation group. In this context the permanent establishment holds a global loan of EUR 23.4 million on the subsidiary companies taking part in French tax consolidation.

The work rules state that compensation is to be paid in advance. This represents a receivable of EUR 0.4 million as at December 31, 2004. Professional withholding and social charges relating thereto amount to EUR 0.3 million.

In addition, the holding company has a EUR 0.3 million tax credit with the Belgian tax authorities representing a refund of the withholding tax on dividends on own shares received in 2004, the balance of EUR 0.3 million consisting of miscellaneous receivables.

4.2.7. Investments

Own shares

Pursuant to the decision taken by the Extraordinary Shareholders' Meeting on May 12, 2004, the own shares held by Dexia SA as at 4 March 2004, or 39,281,037 shares representing EUR 523.7 million, were cancelled without reduction of capital stock.

Subsequent to the authorization granted by the Extraordinary Shareholders' Meetings on 14 May 2003 and 12 May 2004, from March 5, 2004 Dexia SA acquired 38,906,965 of its own shares for a total of EUR 577.8 million.

These own shares were acquired within the limits and under the conditions provided in article 620 of the Company Code in order to be cancelled, a resolution that will be submitted to the next Extraordinary Shareholders' Meeting. They were, therefore, booked at cost in application of the accounting principles decided by the Board of Directors.

Corresponding acquisition costs were immediately recorded as an expense.

Other investments

Other investments concerned a term deposit of up to one month in the amount of EUR 42.3 million as well as 5,500,000 Dexia VVPR strips worth EUR 0.06 million.

4.2.8. Cash in hand

Available cash in accounts totaled EUR 11.2 million.

4.2.9. Deferred charges and accrued income

Deferred charges totaled EUR 0.4 million and accrued income was EUR 15 million.

Accrued income included pro-rata interest generated by the subordinated loans granted to Group entities (EUR 14.1 million), the currency swap with Dexia Crédit Local (EUR 0.7 million) and interest on tax deferred advances (EUR 0.2 million).

4.3. Liabilities

Shareholders' equity

As at December 31, 2004, the holding company's shareholders' equity including 2004 net income before appropriation totaled EUR 16,904.7 million and is composed of the following items.

4.3.1. Capital

Subscribed capital totaled EUR 4,825.4 million as at 31 December 2004, compared with EUR 4,786.2 million as at 31 December 2003. This increase of EUR 39.2 million resulted from the following operations:

1. a capital increase reserved to employees and associates of the Dexia Group as part of the 2004 shareholding plan in the amount of EUR 32.9 million;
2. the exercise of warrants granted to employees in the amount of EUR 6.3 million.

As at December 31, 2004, the company's capital was represented by 1,145,261,366 shares, including 754,466,751 bearer shares and 390,794,615 registered shares. The total number of Dexia VVPR strips was 639,111,038.

4.3.2. Additional paid-in capital

Each capital increase is accompanied by additional paid-in capital, which totaled EUR 8,992.9 million.

4.3.3. Reserves and retained earnings

Reserves included the legal reserve (EUR 478.6 million) and an unavailable reserve for own shares (EUR 577.8 million) constituted during the year 2004 by a transfer from the available reserve with an available reserve of EUR 333.8 million.

Retained earnings from 2003 totaled EUR 631.9 million.

4.3.4. Net income for the year

As at December 31, 2004, net income totaled EUR 1,064.2 million. This result is composed of the dividends received from Dexia's operating entities (EUR 1,186.5 million), financial results (EUR 1.8 million) and foreign tax proceeds (EUR 20.1 million), after deduction of the holding company's operating expenses (EUR -92.9 million) and exceptional income (EUR -51.3 million).

Provisions and deferred taxes

4.3.5. Provisions for other liabilities and charges

Succeeding Dexia Crédit Local at the head of the tax consolidation group in France, Dexia, through its permanent establishment,

assumed vis-à-vis the former head of the tax consolidation group commitments initially subscribed by Dexia Crédit Local within the context of a tax leverage operation carried out in France with the approval of French tax authorities. For the 2004 financial year, these operations resulted in tax savings of EUR 9.2 million (cash savings) included in the total of EUR 21.6 million mentioned in the note "Corporate income tax", and in an allowance in the same amount.

Moreover, during the 2004 financial year, there was utilization and take-over of provisions for other liabilities and charges in the amount of EUR 1 million as a consequence of the abandonment of the loan granted in favor of a subsidiary taking part in the fiscal consolidation in accordance with the commitment initially subscribed by Dexia Crédit Local in its regard. That abandonment was within the context of a tax leverage operation with the approval of the French tax authorities and corresponds to the tax savings previously achieved.

The balance of these provisions existing as at December 31, 2004 is EUR 22.9 million.

The shareholders' equity of Dexia SA includes the special reserve for long-term gains recorded under liabilities of the permanent establishment in Paris as at December 31, 2003, which amounts to EUR 10 million. Taking account of the transfer of this special reserve planned for 2005, which will give rise to an exceptional tax charge of 2.5%, a provision for other liabilities and charges of EUR 0.2 million was made as at December 31, 2004.

The move from the permanent establishment currently situated at 7-11, Quai André Citroën to new premises at 33, rue La Fayette, in the 9th arrondissement is planned for autumn 2005. From that point of view, a provision has been made for removal costs in an amount of EUR 0.1 million.

Debts

4.3.6. Amounts payable after more than one year

Financial debts payable after more than one year concerned loans contracted with Group companies in the amount of EUR 2,506.8 million.

4.3.7 Amounts payable within one year

Financial debts

These debts concern overdrafts on sight accounts for EUR 0.1 million.

Trade debts

Invoices from suppliers to be paid totaled EUR 4.3 million and invoices payable were EUR 8.6 million.

Taxes, remuneration and social security

This item included:

- the tax liability of the permanent establishment in Paris to the French tax authorities as the head of the tax consolidation group in France (EUR 16.3 million). In fact, Dexia's permanent establishment is the only entity liable to corporate income tax, the withholding tax and the annual flat tax owed by the tax group in France, with the understanding that the subsidiaries reimburse the permanent establishment for their share of the tax paid by the tax consolidation group for its companies;

- VAT to be paid (EUR 0.5 million);
- debts corresponding to remuneration and social contributions (EUR 3.4 million).

Other debts

Remaining dividends for the fiscal year 2003 totaled EUR 14.7 million, and the remaining dividends for previous years amounted to EUR 24.7 million.

Other debts also includes the debt not yet due following the acquisition of own shares, which amounts to EUR 1 million.

4.3.8. Accrued charges and deferred income

This item is composed exclusively of expenses to be accrued as follows:

- financial charges on a currency swap (EUR 3.4 million);
- financial charges linked to loans due after more than one year (EUR 11.9 million);
- pro rata operating expenses attributable to the fiscal year 2004 (EUR 1.1 million);
- positive translation adjustments subsequent to the depreciation of the US dollar vis-à-vis the euro (EUR 0.1 million).

4.4. Off-balance sheet items - commitments

Dexia SA has significant commitments that are recorded off balance sheet:

- a bank guarantee for the rental of a building at Square de Meeûs in Brussels to house the head office of Dexia SA since 2000 (EUR 0.5 million);
- the acquisition of the American group Financial Security Assurance was partly financed through a currency interest rate swap contract signed with Dexia Crédit Local in the amount of USD 134.2 million (EUR 98.5 million as at December 31, 2004) against EUR 141.2 million;
- as at December 31, 2004, the number of stock options granted and not yet exercised stood at 50,684,800. On the basis of the exercise prices, this operation results in an off-balance sheet commitment of EUR 696.2 million;
- on December 5, 2002, Dexia SA took a commitment, with regard to its subsidiary Dexia Bank Nederland NV and each of the entities created by the break-up of Dexia Bank Nederland, to the exclusion of any other party, to ensure that Dexia Bank Nederland or the entities devolved from it should at all times remain in a position to meet their obligations vis-à-vis third parties and that Dexia SA should enable them to continue their activities including maintaining relations with account holders and other customers. This commitment was also taken in order to guarantee that third parties would not be prejudiced by the break-up of Dexia Bank Nederland. This commitment would not be changed or withdrawn unless the previous consent of the Dutch Central Bank (De Nederlandsche Bank) had been obtained. The sale of Kempen & Co NV to a group of financial investors and management was finalized on November 15, 2004; within the context of that sale, in a letter dated the same day, Dexia SA reconfirmed its commitment to Dexia Bank Nederland, which remains a 100% subsidiary of Dexia to the exclu-

sion of any other party; in addition to the usual guarantees given to the purchasers to whom Dexia SA is also bound, Dexia SA will indemnify Kempen & Co for risks relating to share leasing contracts sold by Dexia Bank Nederland NV, formerly Labouchere, and undertakes to indemnify Kempen & Co for any damages resulting from a limited and identified number of factors;

- Dexia SA undertook to repurchase 100% of the shares of Dexia Nederland Holding NV in Dexia Financière SA on the basis of a valuation made of these at EUR 93 million subject to a return to better fortune clause granted to Dexia BIL and Dexia Bank, and other shareholders of Dexia Financière, for the case where the value of Dexia Nederland Holding, including the DBNL holding, should be revised upwards as a consequence of decisions in favor of DBNL;
- as a consequence of the accusations against Dexia Bank announced on June 24, 2003 within the context of the criminal investigations opened in 2001 against two former managers of LHSP for facts which occurred between July 2, 1999 and September 1, 2000 at Artesia Banking Corporation, four civil cases were brought against Dexia Bank and Dexia SA in the United States, one of which was a class action and three were individual actions brought by former holders of L&H shares; summonses were served on Dexia SA in February and March 2004; as regards the three individual actions, the plaintiffs agreed to desist from the action against Dexia SA without nonetheless waiving the right to reintroduce a new application on the basis of those same facts; as regards the class action, the plaintiffs also indicated their intention to desist from the action against Dexia SA under the same conditions; an application lodged by Dexia Bank aimed at refusal of the claim without examination of the fundamentals ("motion to dismiss") was refused by decision dated February 9, 2005; such a motion to dismiss consists of holding that, irrespective of the pertinence of the facts as presented by the plaintiff, the application should in any event be refused, for example on the grounds that it would be statute-barred; both Dexia SA and Dexia Bank keenly contest the fundamental facts of all the claims made against them; a detailed statement on the case and the litigation involved is to be found in the annual statements of Dexia Bank for 2004 (www.dexia.be).

4.5. Statement of income

4.5.1. Operating results

Other operating income represents a refund from the Banking, Finance and Insurance Commission of a portion of the contribution by Dexia SA to its operating expenses (EUR 0.1 million), as well as miscellaneous income (EUR 0.1 million).

Miscellaneous services and other goods increased by EUR 9.1 million to EUR 42.7 million. This item includes fees paid to consultants, experts, auditors and Group subsidiaries for their services, which amounted to EUR 27 million against EUR 19.6 million in 2003. The increase in fees is linked to the tasks of steering and control entrusted to corporate teams in the Dexia Group. Logistics costs (leasing of premises, telecommunications, travel, supplies) totaled EUR 11.2 million, compared with EUR 9.3 million in 2003, that growth being linked to the evolution of the Dexia SA workforce. Printing and advertising costs linked to corporate publications were

only EUR 2.3 million in 2004, compared to EUR 2.4 million in 2003. The subscription paid to the Banking, Finance and Insurance Commission stood at EUR 0.9 million in 2004, whilst compensation paid to members of the Board of Directors was stable at EUR 1.3 million.

The average number of persons directly employed by Dexia rose from 72 to 88, a trend which explained the increase in payroll and social contributions from EUR 13.7 million to EUR 20.5 million.

Members of staff benefit from a supplementary retirement and survival pension scheme for which both employers and staff premiums have been paid to a group insurance. Some members of the Management Board also benefit from a supplementary scheme as defined by article 39 of the French CGI, the contributions for which are paid to an external insurance company.

Amortization of formation expenses represented EUR 19.3 million, amortization of intangible fixed assets EUR 0.4 million, and depreciation of tangible fixed assets EUR 1.2 million.

4.5.2. Financial results

Financial income from long-term investments included the dividends paid by Group entities (EUR 1,186.5 million), as well as interest received and earned for subordinated loans (EUR 47.6 million). Among dividends received is an interim dividend amounting to EUR 366 million, paid by Dexia Bank.

Income from current assets includes the interest generated by the currency swap contracted with Dexia Crédit Local (EUR 3 million), proceeds from tax deferred advances (EUR 0.3 million) and income from money-market investments (EUR 1.8 million). Dividends on own shares amounted to EUR 2.6 million, whilst the subordinated loan granted to Kempen & Co produced EUR 0.1 million interest from the transfer of that holding.

Other financial income resulted from a hedging operation in the amount of EUR 0.5 million.

Interest paid and due in relation to the loans granted by Group entities totaled EUR 42.1 million. Financial charges relating to the currency interest rate swap with Dexia Crédit Local were EUR 7.7 million, and other interest charges were EUR 0.1 million.

Other financial charges were mainly composed of commissions linked to the payment of dividends by payment organizations, which are Dexia Bank, ING, Dexia BIL and Euro Émetteurs Finance (EUR 3 million), the cost of fiduciary services (EUR 0.2 million), and costs linked to the acquisition of company shares (EUR 0.4 million).

In addition, there is the abandonment of the loan granted by the permanent establishment in favor of a subsidiary taking part in the fiscal consolidation in accordance with the commitment initially subscribed by Dexia Crédit Local as head of the tax consolidation group in France (EUR 0.6 million). That abandonment, within the context of a tax leverage operation with the approval of the French tax authorities, gave rise to the utilization of the provision for other liabilities and charges of the same size (cf. above "Provisions for other liabilities and charges").

4.5.3. Exceptional results

Taking account of the economic and financial environment, Dexia SA decided to record a new value correction of EUR 51 mil-

lion on its holding in Dexia Financière SA in order to account for the depreciation of Dexia Bank Nederland NV.

Moreover, taking the planned move of the permanent establishment in autumn 2005 into consideration, an exceptional amortization of EUR 0.3 million was made on the tangible assets concerned, so as to align their book value to their use value for the company as at December 31, 2004.

4.5.4. Corporate income tax

Belgian tax due includes that on income in the financial year (EUR 0.1 million), as well as foreign taxes due on income in the previous financial year within the context of the tax consolidation in France (EUR 1.5 million).

Proceeds from foreign income taxes (EUR 21.6 million) are explained by the fact that the permanent establishment is at the head of the tax consolidation group in France. In fact, the tax savings realized by the tax consolidation group are recorded in the accounts of the permanent establishment and considered as an immediate gain.

4.5.5. Net income for the year

Net income for 2004 totaled EUR 1,064.2 million.

4.6. Statement of formation expenses

<i>(in thousands of EUR)</i>	Amounts
Net book value as at Dec. 31, 2003	22,178
Movements during the period:	
– new expenses incurred & expenses of capital increase	1,981
– amortization	(19,324)
Net book value as at Dec. 31, 2004	4,835
Detailing: expenses of formation or capital increase, loan issue expenses and other formation expenses	4,835

4.7. Statement of intangible assets (licences)

<i>(in thousands of EUR)</i>	Amounts
Acquisition cost as at Dec. 31, 2003	1,847
Movements during the period:	
– acquisitions, including produced fixed assets	712
Acquisition cost as at Dec. 31, 2004	2,559
Amortization and amounts written down as at Dec. 31, 2003	1,120
Movements during the period:	
– recorded	437
Amortization and amounts written down as at Dec. 31, 2004	1,557
Net book value as at Dec. 31, 2004	1,002

4.8. Statement of tangible fixed assets

<i>(in thousands of EUR)</i>	Plant, machinery and equipment	Furniture and vehicles	Other tangible assets	Assets under construction and advance payments
Acquisition cost as at Dec. 31, 2003	974	5,486	2,983	0
Movements during the period:				
– acquisitions	43	406	22	3
– sales and disposals	0	(2)	0	0
Acquisition cost as at Dec. 31, 2004	1,017	5,890	3,005	3
Depreciation as at Dec. 31, 2003	350	3,118	2,824	0
Movements during the period:				
– recorded	249	1,098	113	0
– written down after sales and disposals	0	(2)	0	0
Depreciation as at Dec. 31, 2004	599	4,214	2,937	0
Net book value as at Dec. 31, 2004	418	1,676	68	3

4.9. Statement of financial fixed assets

1. Participating interests and shares

<i>(in thousands of EUR)</i>	Amounts
Acquisition cost as at Dec. 31, 2003	16,391,608
Movements during the period:	
– acquisitions	2,810
Acquisition cost as at Dec. 31, 2004	16,394,418
Amounts written down as at Dec. 31, 2003	25,247
Movements during the period:	
– recorded	51,009
Amounts written down as at Dec. 31, 2004	76,256
Net book value as at Dec. 31, 2004	16,318,162

2. Amounts receivable

<i>(in thousands of EUR)</i>	Affiliated enterprises	Other enterprises
Net book value as at Dec. 31, 2003	1,817,260	10
Movements during the period:		
– additions	777,193	0
– exchange differences	(87,678)	0
– others	(33,000)	0
Net book value as at Dec. 31, 2004	2,473,775	10

4.10. Investments: other investments and deposits

<i>(in thousands of EUR)</i>	Previous period	Period
Term deposits with credits institutions	43,888	42,350
falling due:		
– within one month	43,250	42,350
– between one month and one year	638	0
Other investments not yet shown above	0	55

4.11. Deferred charges and accrued income

<i>(in thousands of EUR)</i>	Period
Deferred charges	410
Accrued income: interest	14,961

4.12. Statement of capital

a. Issued capital

	Amounts (in thousands of EUR)	Number of shares
Issued capital as at Dec. 31, 2003	4,786,164	
Changes during the period:		
– capital increase for staff and employees of Dexia Group	32,942	7,819,033
– exercise of warrants for Group staff	6,322	1,500,690
Issued capital as at Dec. 31, 2004	4,825,428	

b. Structure of the capital

	Amounts (in thousands of EUR)	Number of shares
Different categories of shares		
• Shares without indication of nominal value, each representing 1/1,145,261,366 of the issued capital	4,825,428	1,145,261,366
• Registered shares and bearer shares:		
– registered		390,794,615
– bearer		754,466,751

c. Own shares held by

	Amount of capital (in thousands of EUR)	Number of shares
– the company itself	163,915	38,906,865
– its direct subsidiaries	4,820	1,144,070

d. Commitments to issue shares

	Amount of capital (in thousands of EUR)	Number of shares
Following the exercising of conversion rights:		
– amount of outstanding convertible loans	0	0
– amount of capital to be issued	0	0
– maximum number of shares to be issued	0	0
Following the exercising of subscription rights:		
– number of outstanding subscription rights	0	50,684,800
– amount of capital to be issued	213,535	0
– maximum number of shares to be issued	0	50,684,800

e. Amount of authorized capital, not issued

(in thousands of EUR)	Amount
	2,912,566

f. Shares issued, not representing capital

	Number of shares	Voting right attached thereto
whereof:		
– held by the company itself	0	0
– held by its subsidiaries	0	0

4.13. Analysis by current portions of amounts initially payable after more than one year

<i>(in thousands of EUR)</i>	not more than one year	between one and five years	over five years
Financial debts	0	167,062	2,339,776
1. Subordinated loans	0	0	0
2. Unsubordinated debentures	0	0	0
3. Leasing and other similar obligations	0	0	0
4. Credit institutions	0	0	0
5. Other loans	0	167,062	2,339,776
Trade debts	0	0	0
1. Suppliers	0	0	0
2. Bills of exchange payable	0	0	0
Advances received on contracts in progress	0	0	0
Other amounts payable	0	0	0
Total	0	167,062	2,339,776

4.14. Amounts payable for taxes, remuneration and social security

<i>(in thousands of EUR)</i>	Period
Taxes	
a) Expired taxes payable	0
b) Non-expired taxes payable	529
c) Estimated taxes payable	16,336
Remuneration and social security	
a) Amounts due to the National Office of Social Security	0
b) Other amounts payable relating to remuneration and social security	3,384

4.15. Accrued charges and deferred income

<i>(in thousands of EUR)</i>	Period
Accrued charges: interest	15,282
Accrued charges: general operating expense	1,065
Positive exchange rate differential	153

4.16. Operating results

	Previous period	Period
Other operating income		
Whereof: the total amount of subsidies and compensatory amounts obtained from public authorities	0	0
Employees recorded in the personnel register		
a) Total number at the closing date	80	104
b) Average number of employees in full-time equivalents	72	88.4
c) Number of actual working hours	119,417	140,721
Personnel charges (in thousands of EUR)		
a) Remuneration and direct social benefits	9,502	11,994
b) Employers' contribution for social security	3,148	3,928
c) Employers' premium for extra-statutory insurance	810	4,573
d) Other personnel charges	3	31
e) Pensions	213	0
Provisions for liabilities and charges (in thousands of EUR)		
Increases	8,207	9,528
Decreases	0	(963)
Other operating charges (in thousands of EUR)		
Taxes related to operations	310	364
Other charges	85	5
Temporary personnel and persons placed at the disposal of the enterprise		
a) Total number at the closing date	0	0
b) Average number of employees in full-time equivalents	1.2	0.2
c) Number of actual working hours	2,297	406
d) Charges to the enterprise (in thousands of EUR)	75	16

4.17. Income taxes

<i>(in thousands of EUR)</i>	Period
Analysis of heading X.A.	
Income taxes of the current period	107
a) Taxes and withholding taxes due or paid	448
b) Excess of income tax prepayments and withholding taxes capitalized	(341)
c) Estimated additional charges for income taxes	0
Income taxes on previous periods	1,446
a) Additional charges for income taxes due or paid	1,446
b) Additional charges for income taxes estimated or provided for	0
Taxes of the current period that are materially affected by differences between the profit before taxes and the estimated taxable profit	
Definitively taxed income	1,125,776
Tax integration in France	PM
An indication of the effect of exceptional results on the amount of income taxes relating to the current period	
The exceptional results concern, up to 51,000,000 EUR, a decrease of participating interest in Dexia Financière. The amounts written down on shares are not deductible.	

4.18. Other taxes and taxes borne by third parties

<i>(in thousands of EUR)</i>	Previous period	Period
Total amount of value added tax, turnover taxes and special taxes charged during the period:		
1. To the enterprise (deductible)	0	0
2. By the enterprise	0	0
Amounts retained on behalf of third parties for:		
1. Payroll withholding taxes	3,778	4,550
2. Withholding taxes on investment income	94,598	99,819

4.19. Rights and commitments not accrued in the balance sheet

<i>(in thousands of EUR)</i>	Period
Personal guarantees, given or irrevocably promised by the enterprise, as security parties' debts or commitments	20
Whereof:	
– Maximum amount for which other debts or commitments of third parties are guaranteed by the enterprise	20
Substantial commitments to acquire fixed assets	93,000
– Dexia Nederland Holding NV	93,000
Amount of forward contracts	
– Goods purchased (to be received)	0
– Goods sold (to be delivered)	0
– Currencies purchased (to be received)	141,169
– Currencies sold (to be delivered)	98,548

Financial relationships

5.1. Financial relationships with directors

The amount of direct and indirect remuneration and pensions, included in the income statement, as long as the disclosure does not concern exclusively or mainly, the situation of a single identifiable person.

To the directors <i>(in thousands of EUR)</i>	2,898
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5.2. Relationships with affiliated enterprises and enterprises linked by participating interests

<i>(in thousands of EUR)</i>	Affiliated enterprises	
	Previous period	Period
Financial fixed assets	18,183,621	18,791,937
Investments	16,366,361	16,318,162
Amounts receivable:		
– subordinated	1,817,260	2,473,775
– others	0	0
Amounts receivable	14,321	43,666
After one year	13,692	20,181
Within one year	629	23,485
Current investments	43,887	42,350
Shares	0	0
Amounts receivable	43,887	42,350
Amounts payable	1,762,716	2,506,838
After one year	1,751,322	2,506,838
Within one year	11,394	0
Substantial commitments to acquire fixed assets	0	93,000
Dexia Nederland Holding NV	0	93,000
Financial results		
From financial fixed assets	654,369	1,234,113
From current assets	6,502	4,773
Other financial income	0	0
From interests and debts	33,669	49,849
Other financial charges	2,690	2,302

6.1. Statement of the persons employed

A. Employees recorded in the personnel register

	Full-time (period)	Part-time (period)	Total (T) or total full-time equivalents (FTE) (period)	Total (T) or total full-time equivalents (FTE) (previous period)
1. During the period and during the previous period				
Average number of employees	79	15.1	88.4 (ETP)	72 (ETP)
Number of actual working hours	124,792	15,929	140,721 (T)	119,417 (T)
Personnel charges <i>(in thousands of EUR)</i>	10,602	2,981	13,583 (T)	11,384 (T)
Amount of the benefits in addition to wage <i>(in thousands of EUR)</i>			85 (T)	0 (T)
2. As at the closing date of the period				
		Full-time	Part-time	Total of full-time equivalents
a. Number of employees recorded in the personnel register		85	19	98.3
b. By nature of the employment contract				
Contract of unlimited duration		80	19	93.3
Contract of limited duration		5	0	5
c. By sex				
Male		57	15	67.4
Female		28	4	30.9
d. By professional category				
Management personnel		3	7	8.1
Employees		80	12	88.2
Other		2	0	2

B. Temporary personnel and persons placed at the disposal of the enterprise during the period

	Temporary personnel	Persons placed at the disposal of the enterprise
During the period		
Average number of personnel employed	0.2	0
Number of actual working hours	406	0
Charges to the enterprise <i>(in thousands of EUR)</i>	16	0

6.2. List of personnel movements during the period

A. Entrants

	Full-time	Part-time	Total of full-time equivalents
During the period			
a. Number of employed persons recorded in the personnel register	32	4	35.2
b. By nature of the employment contract			
Contract of unlimited duration	26	4	29.2
Contract of limited duration	6	0	6
c. By sex and level of education			
Male: secondary education	1	0	1
higher non-university education	3	0	3
university education	18	4	21.2
Female: secondary education			
higher non-university education	3	0	3
university education	7	0	7

B. Leavers

	Full-time	Part-time	Total of full-time equivalents
During the period			
a. Number of employed persons of which the date of termination of the contract has been recorded in the personnel register during the period	11	1	11.5
b. By nature of the employment contract			
Contract of unlimited duration	8	1	8.5
Contract of limited duration	3	0	3
c. By sex and level of education			
Male: secondary education	0	0	0
higher non-university education	3	0	3
university education	6	1	6.5
Female: secondary education	0	0	0
higher non-university education	1	0	1
university education	1	0	1
d. By reason of termination of contract			
Dismissal	0	0	0
Other reason	11	1	11.5

6.3. Statement concerning the implementation of measures stimulating employment during the period

Measures stimulating employment

	Number of employed persons involved		Amount of the advantage (in thousands of EUR)
	Number	In full-time equivalents	
Structural reduction of social security contributions	107	100.5	199
Number of employees involved in one or more measures stimulating employment	–	–	–
Total for the period	107	100.5	
Total for the previous period	87	83.9	

6.4. Information on vocational training for employed persons during the period

	Male	Female
Number of employees involved	62	30
Number of training hours	1,923	1,066
Costs for the enterprise (in thousands of EUR)	266	140

Report of the Board of Statutory Auditors on the annual financial statements for the year ended December 31, 2004

To the Shareholders of Dexia NV/SA

In accordance with legal and regulatory requirements, we are pleased to report to you on the performance of the audit mandate, which you have entrusted to us.

We have audited the financial statements as of and for the year ended December 31, 2004, which have been prepared under the responsibility of the Board of Directors and which show a balance sheet total of EUR 19,524,911 (000) and a profit for the year of EUR 1,064,225 (000). We have also carried out the specific additional audit procedures required by law.

Unqualified opinion on the financial statements, with explanatory paragraph

We conducted our audit in accordance with the standards of the "Institut des Reviseurs d'Entreprises/Instituut der Bedrijfsrevisoren". Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, taking into account the legal and regulatory requirements applicable to financial statements in Belgium.

In accordance with those standards, we considered the company's administrative and accounting organisation, as well as its internal control procedures. Company officials have responded clearly to our requests for explanations and information. We examined, on a test basis, evidence supporting the amounts in the financial statements. We assessed the accounting principles used and significant estimates made by the company, as well as the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, taking into account the applicable legal and regulatory requirements, the financial statements present fairly the com-

pany's net worth and financial position as of December 31, 2004 and of the results of its operations for the year then ended, and the information given in the notes to the financial statements is adequate.

Without amending our unqualified opinion, we nevertheless draw the attention to the point 1.b.6. of the management report, describing some legal disputes with regard to the share leasing in the Netherlands, the final outcome of which is uncertain at this moment, and to the note 4.4. to the annual accounts mentioning the engagement of the company towards Dexia Bank Nederland.

Additional certifications and information

We supplement our report with the following certifications and information which do not have any impact on our audit opinion on the financial statements:

- the Directors' report contains the information required by the law and is consistent with the financial statements;
- without prejudice to certain formal matters of minor importance, and taking into account the dispensations obtained from the Banking Finance and Insurance Commission on presentation of its annual financial statements, the accounting records are maintained and the financial statements have been prepared in accordance with the legal and regulatory requirements applicable in Belgium;
- there are no transactions undertaken or decisions taken in violation of the company's statutes or company law which we have to report to you;
- the appropriation of results proposed to the Ordinary Shareholders' Meeting complies with the legal and statutory provisions.

March 29, 2005

Board of Statutory Auditors

PricewaterhouseCoopers
Reviseurs d'Entreprises SCCRL,
Represented by

R. Peirce

Mazars & Guérard
Reviseurs d'Entreprises SCCRL,
Represented by

X. Doyen

(free translation)

Additional information

*Agenda of the Ordinary Shareholders' Meeting
as of May 11, 2005* 142

General data 143

1

The management report from the Board of Directors, reports from the Board of Auditors for the financial year 2004, the annual consolidated financial statements and the report from the Chairman of the Board of Directors on the work of the Board and the internal audit.

2

Point of information on corporate governance

3

Resolutions

1. Resolution to approve the annual financial statements for the 2004 financial year.
2. The profit for the 2004 financial year amounts to EUR 1,064.2 million. The profit carried forward from the previous year stands at EUR 631.9 million, making a total profit for appropriation of EUR 1,696.1 million.

Resolution to appropriate the profit thus:

- to the legal reserve up to EUR 3.9 million;
 - to the available reserve EUR 750.0 million;
 - to the payment of a gross dividend of EUR 0.62 per share, with the exception of own shares which the company itself holds on May 6, 2005, on which the dividend rights are cancelled by the Ordinary Shareholders' Meeting in accordance with article 622 of the Company Code;
 - with the balance to be transferred to the profit carried forward.
3. Resolution to give full discharge to the directors.
 4. Resolution to give full discharge to the auditors.
 5. Resolution to proceed with the appointment for a new mandate of director of four years expiring at the end of the Ordinary Shareholders' Meeting of 2009 of Elio DI RUPO, appointed provisionally by the Board of Directors on November 16, 2004, replacing Didier DONFUT, having resigned.

Elio DI RUPO (Belgian, 53 years old) has a BA in chemistry and a PhD in science at the Université de Mons-Hainaut. He became Inspector General at the Energy Inspection for the Walloon Region as of 1985. Since 1987, he has had several major political mandates at regional, national and European levels. He has been Chairman of the Parti Socialiste since 1999. He has also been Burgomaster of the city of Mons since 2001.

6. Resolution to proceed with the appointment for a new mandate of director of four years expiring at the end of the Ordinary Shareholders' Meeting of 2009 of Francis VERMEIREN, appointed provisionally as of November 29, 2004 by the Board of Directors, replacing Karel DE GUCHT, having resigned.

Francis VERMEIREN (Belgian, 68 years old) is a former insurance inspector. He also was the manager of a tax office. He is now active in politics at a national level. He is also Burgomaster of Zaventem and Chairman of the Board of Directors of Holding Communal SA.

7. Resolution to allow the Board of Directors to replace Thierry BRETON, who is resigning, by co-opting a director whose definitive appointment shall be subject to ratification by the next Ordinary Shareholders' Meeting of Dexia SA, in accordance with the appointment procedure applicable at Dexia SA.

8. Resolution to confirm the following persons as independent directors within the meaning of article 524 of the Company Code and who, for the purposes of the procedure provided for in that article, meet all the criteria of independence set out therein and the other criteria of independence adopted by the Board of Directors:

- Gilles Benoist
- Anne-Marie Idrac
- Denis Kessler
- André Levy-Lang
- Roberto Mazzotta
- Gaston Schwertzer
- Anne-Claire Taittinger
- Sir Brian Unwin.

9. Resolution to renew the appointment of the company PricewaterhouseCoopers represented by Robert Peirce as auditor for a term of three years expiring at the end of the Ordinary Shareholders' Meeting of 2008.

10. Resolution to fix the emoluments of the Board of Auditors at EUR 200,000 per annum to carry out their legal mission of account audit.

11. Resolution to approve the allocation insofar as is necessary of a total of 3,130 shares to the employees of Financial Security Assurance, Inc. ("FSA") and its direct and indirect subsidiaries established in the United States, within the context of the Dexia Group's 2004 employee shareholding plan for which the subscription period ran from August 23, 2004 to October 1, 2004, in application of the tax regime provided for in article 423 of the Internal Revenue Code.

1

Name

The company is called "Dexia".

2

Registered office

The registered office of the company is at 1 Square of Meeûs, 1000 Brussels (RPM Brussels VAT BE 0458.548.296).

3

Legal form, incorporation, duration

The company is a limited company under Belgian law that makes a public appeal for investment. It was incorporated on July 15, 1996 for an indefinite period.

4

Corporate object

Article 3 of the Articles of Association reads as follows:

"The company has the object, both in Belgium and in other countries, of:

1. the acquisition, holding, management and sale, by whatever means, of all equity interests in companies or any other legal entities, whatever their legal form, existing or to be created, which operate as credit institutions, insurance or reinsurance companies or which carry on financial, industrial, commercial or civil, administrative or technical activities, as well as all types of shares, bonds, public funds and any other financial instruments of whatever nature;
2. the provision of assistance or administrative, commercial and financial services and accomplishment of all research on behalf of third parties and in particular on behalf of companies and other legal entities, whatever their legal form, in which it holds a direct or indirect equity interest, as well as the provision of loans, advances, guarantees or securities, in whatever form;
3. the conducting of all movable property, real property, financial, industrial, commercial or civil transactions including the acquisition, management, leasing and sale of all movable and real property, related directly or indirectly to the realization of its corporate object or likely to contribute to such realization."

5

Disputes

Beside certain individual actions commenced either before the ordinary courts or the arbitrage tribunal of the Dutch Securities Institute, Dexia Bank Nederland, a subsidiary of Dexia SA is subject to four collective actions commenced respectively by the Stichting Leaseverlies, by the Stichting Eegalease, by the Stichting Leaseleed and by the Stichting Juniorlease. These actions relate to share leasing contracts

by virtue of which the former Bank Labouchere, acquired by the Dexia Group in August 2000, financed the acquisition of Dutch shares listed on the AEX by means of a medium or long-term loan. This product, which was also sold by other banking groups, was extremely successful in the Netherlands. As a consequence of the constant and lasting fall of the financial markets, the value of the portfolio of shares held by clients was substantially reduced, in many cases falling to an amount lower than the outstanding amount of the loan. This situation, which received considerable media attention, led some clients to blame Dexia Bank Nederland (which had in the meantime taken over the former Bank Labouchere) in particular for having not informed them properly of the risks associated with share leasing, for not having respected their contingency right, for not having complied with consumer legislation and for not having asked for the agreement of the spouse. The feature linking waiver of action against Dexia Bank Nederland was also cited. These allegations are contested by Dexia. A detailed statement on the litigation in progress appears in the appendix to the consolidated financial statements under the heading "Notes on off-balance sheet items".

As a consequence of the accusations against Dexia Bank announced on June 24, 2003 within the context of the criminal investigations opened in 2001 in the LHSP case for acts carried out between July 2, 1999 and September 1, 2000 by Artesia Banking Corporation, four civil cases were brought against Dexia Bank and Dexia SA in the United States, one of which was a class action and 3 were individual actions. Summonses were served on Dexia SA in February and March 2004.

As regards the three individual actions, the opposing parties agreed to desist from the action against Dexia SA without nonetheless waiving the right to reintroduce a new claim on the basis of these same facts; as regards the class action, the plaintiffs also indicated their intention to desist from the action against Dexia SA under the same conditions.

Both Dexia SA and Dexia Bank keenly contest the fundamental facts of all the claims made against them.

A detailed statement on the case and the litigation involved is to be found in the annual report of Dexia Bank for 2004 (www.dexia.be).

Dexia is not engaged in any other administrative, fiscal, legal or arbitration action likely to have a significant impact on its financial situation.

6

Share capital

6.1. Evolution of capital over the 2004 financial year

The evolution of capital is presented below in chronological order.

6.1.1. March 31, 2004: capital increase – exercise of subscription rights ("F1998" warrants)

This first increase of capital results from the exercise of a certain number of subscription rights issued by the Board of Directors of Dexia SA on July 6, 2000, within the framework of the authorized capital, in favor of certain of the Group's members of staff (issue of 60,450 "F1995" warrants exercisable at a price of EUR 60.64, 76,350 "F1996" warrants exercisable at a price of EUR 59.45, 99,425 "F1997" warrants exercisable at a price of EUR 81, and 100,190 "F1998" warrants exercisable at a price of EUR 112.67).¹

¹ Number and exercise price before division by 10.

This increase of capital was subject to notarized deed dated March 31, 2004 observing the exercise of 1,500 subscription rights at a price of EUR 11.27 ("F1998" warrants), then to observe the effective realization of the increase of capital thus resulting from the creation of 1,500 new shares with VVPR strips increasing the company's capital from EUR 4,786,164,417.53 to EUR 4,786,170,527.03, represented by 1,175,224,180 shares.

6.1.2. May 12, 2004: modification to the representation of capital as a consequence of the cancellation and destruction of own shares

The Extraordinary Shareholders' Meeting of the company was held on May 12, 2004 to decide on the cancellation and destruction of 39,281,037 own shares without any reduction of capital, thus modifying the representation of capital of 4,786,170,527.03 by reducing the total number of shares from 1,175,224,180 to 1,135,943,143 after cancellation.

6.1.3. June 30, 2004: increase of capital – exercise of subscription rights ("F1996", "F1997" and "F1998" warrants)

A second increase of capital took place through the exercise of subscription rights by virtue of notarized deed dated June 30, 2004. This related to the exercise of 99,500 subscriptions rights arising from the stock option plan referred to in 6.1.1. above (of which 22,500 subscription rights at a price of EUR 5.945 ("F1996" warrants), 53,000 at a price of EUR 8.10 ("F1997" warrants) and 24,000 at a price of EUR 11.27 ("F1998" warrants)), through the creation of 99,500 new shares with VVPR strips, thus increasing the company's capital from EUR 4,786,170,527.03 to EUR 4,786,589,720.53, represented by 1,136,042,643 shares.

6.1.4. September 30, 2004: increase of capital – exercise of subscription rights ("F1996", "F1997", "F1998", "A1999" and "ESOP 2000" warrants)

An increase of capital by the issue of 149,010 new shares with VVPR strips was observed by notarized deed dated September 30, 2004 and results from the exercise of the following categories of subscription rights:

- a) 111,000 subscription rights were exercised by their beneficiaries within the context of the stock option plan described in point 6.1.1. above, of which 23,000 at a price of EUR 5.945 ("F1996" warrants), 59,000 at a price of EUR 8.10 ("F1997" warrants) and 29,000 at a price of EUR 11.27 ("F1998" warrants).
- b) 36,010 subscription rights of the category "A1999" were exercised by their beneficiaries at a price of EUR 13.81. These options had been issued by the Board of Directors of Dexia SA on March 14, 2002, within the context of a public offer of exchange, with a view to allowing the holders of options on shares issued in 1999 and 2000 by Artesia Banking Corporation SA (which had merged in the meantime with Dexia Bank Belgium), to exchange the options allocated to them in 1999 and/or 2000 by Artesia Banking Corporation SA for subscription rights issued by Dexia SA and divided into categories ("A1999" warrants in exchange for options issued by Artesia during the financial year 1999 and "A2000" warrants in exchange for options issued by Artesia during the financial year 2000).
- c) 2,000 subscription rights of the category "ESOP 2000" warrants were exercised at a price of EUR 14.58. These options had been issued by the Board of Directors of Dexia SA on May 30, 2000 within the con-

text of the Dexia equity stock option plan for the year 2000 in favor of certain members of staff (executives and management) of the Group.

As a consequence of that exercise, the amount of the company's capital was increased from 4,786,589,720.53 to 4,787,217,499.66 (the balance not corresponding to the accounting par being allocated to an issue premium account), represented by 1,136,191,653 shares.

6.1.5. December 20, 2004: increase of capital – exercise of subscription rights and increase of capital reserved for members of staff of the Dexia Group (employee share ownership plan)

A double increase of capital observed by notarized deed dated December 20, 2004.

a) Increase of capital resulting from the exercise of subscription rights ("F1996", "F1997", "F1998", "A1999", "A2000" and "ESOP 2000" warrants)

A first increase of capital through the issue of 445,480 new shares with VVPR strips results from the exercise of the following categories of subscription rights by their beneficiaries:

- (i) 280,300 subscription rights of the categories described in point 6.1.1. above, of which 34,250 at a price of EUR 5.945 ("F1996" warrants), 56,050 at a price of EUR 8.10 ("F1997" warrants) and 190,000 at a price of EUR 11.27 ("F1998" warrants);
- (ii) 79,680 subscription rights of the categories of options referred to in point 6.1.4. b) above, of which 78,490 at a price of EUR 13.81 ("A1999" warrants) and 1,190 at a price of EUR 15.17 ("A2000" warrants);
- (iii) 85,500 subscription rights of the categories of options referred to in point 6.1.4. c) above, at a price of EUR 14.58 ("ESOP 2000" warrants).

b) Increase of capital reserved for members of staff of the Dexia Group (share ownership plan 2004)

The second increase of capital on December 20, 2004 falls within the context of the share ownership plan 2004 aimed at all members of staff and all employees of the Dexia Group, in accordance with terms similar to those for 2000, 2001, 2002 and 2003 Dexia share ownership plans. In all, 7,819,033 new Dexia shares with VVPR strips were subscribed and issued on December 20, 2004 within the context of the 2004 share ownership plan.

It is also to be noted that a total of 184,074 subscription rights (of a maximum 2,000,000 issued under suspensive condition by the Extraordinary Shareholders' Meeting of the company on May 12, 2004) were also issued on December 20, 2004 in favor of employees who had subscribed to the offer providing for the free grant of 6 subscription rights for 10 subscribed shares without discount (term of offer only made to employees of the self-employed network of branches of Dexia Bank and DVV Insurance in Belgium).

As a consequence of the exercise of the subscription rights referred to in points (a) (i) to (iii) above and the subscription to the increase of capital within the context of the 2004 share ownership plan (point (b) above), a total of 8,264,513 new shares with VVPR strips were issued on December 20, 2004, increasing the company's capital from 4,787,217,499.66 to 4,822,035,892.93 (the balance being allocated to an issue premium account), represented by 1,144,456,166 shares.

6.1.6. December 31, 2004: increase of capital – exercise of subscription rights (“F1996”, “F1997” and “ESOP 2000” warrants)

The last increase of capital of the year 2004 observed by notarized deed dated December 31, 2004, results from the exercise, by their beneficiaries, of 805,200 subscription rights aforementioned, through the creation of 805,200 new shares with VVPR strips:

- a) 195,000 subscription rights of the categories described in point 6.1.1. above, of which 50,000 at a price of EUR 5.945 (“F1996” warrants) and 145,000 at a price of EUR 8.10 (“F1997” warrants);
- b) 610,200 subscription rights of the categories of options referred to in point 6.1.4. c) above, at a price of EUR 14.58 (“ESOP 2000” warrants).

As a consequence of this increase of capital, the company’s share capital was increased from 4,822,035,892.93 to 4,825,428,200.53 (the balance being allocated to an issue premium account), represented by 1,145,261,366 shares.

It is finally to be noted that, by a resolution of the Board of Directors of the company passed on May 12, 2004, it was decided to issue under the suspensive condition of their effective attribution a maximum of 10,000,000 subscription rights (“ESOP 2004” warrants) within the context of the Dexia equity stock option plan 2004 reserved for members of staff (including members of the management bodies of the Group) of the company and its subsidiaries in Belgium and other countries. The subscription price of these options was fixed at 13.56 EUR per subscription right.

6.2. Summary table of Dexia subscription rights (“warrants”) (as at December 31, 2004)

	Exercise price (in EUR)	Exercise period		Number of subscription rights allocated	Number of subscription rights exercised	Number of residual subscription rights
		from	to			
Subscription rights attributed in 2000						
“F1996” warrants	5.95	3 September 01	3 September 06	763,500	663,500	100,000
“F1997” warrants	8.10	27 May 02	27 May 07	994,250	715,600	278,650
“F1998” warrants	11.27	29 May 03	29 May 08	1,001,900	294,500	707,400
“ESOP 2000” warrants	14.58	15 June 04 ¹	31 December 10 ¹	5,915,000	717,700	5,197,300
“Shareplan net 2000” warrants	15.88	30 June 05	30 June 05	1,377,180	0	1,377,180
Subscription rights allocated in 2001						
“ESOP 2001” warrants	17.86	14 June 05 ¹	31 December 11 ¹	8,100,000	0	8,100,000
“Shareplan net 2001+Germany” warrants	17.23	26 October 06	26 October 06	469,524	0	469,524
Subscription rights allocated in 2002						
“ESOP 2002” warrants	13.66/11.88 ²	24 July 06 ¹	23 July 12 ¹	10,000,000	0	10,000,000
	13.66					2,450,000
	11.88					7,550,000
“Shareplan net 2002” warrants	10.97	31 October 07	31 October 07	495,096	0	495,096
“A1999” warrants	13.81	1 May 03	31 July 07 ¹	1,994,406	114,500	1,879,906
“A2000” warrants	15.17	1 May 04	31 July 08 ¹	1,597,184	1,190	1,595,994
Subscription rights allocated in 2003						
“ESOP 2003” warrants	11.37	2 July 07	24 July 13	10,000,000	0	10,000,000
“Shareplan net 2003” warrants	13.37	31 October 08	31 October 08	299,676	0	299,676
Subscription rights allocated in 2004						
“ESOP 2004” warrants	13.56	1 January 08	22 July 14	10,000,000	0	10,000,000
“Shareplan net 2004” warrants	15.77	30 October 09	30 October 09	184,074	0	184,074
						50,684,800

¹ excluding specific conditions.

² 13.66: France / 11.88: other countries.

6.3. Share capital as at December 31, 2004

As at December 31, 2004, the share capital amounted to EUR 4,825,428,200.53 represented by 1,145,261,366 shares with no nominal value, of which 390,794,615 registered shares and 754,466,751 bearer shares. The shares are listed on Euronext Brussels, Euronext Paris and the Luxembourg Stock Exchange.

6.4. Notifications under the legislation on transparency

Under the terms of the law of March 2, 1989 on the publication of large holdings in companies listed on the Stock Exchange and on the basis of article 5 of the Articles of Association of Dexia SA, shareholders are obliged to notify their holding to the Banking, Finance and Insurance Commission and to Dexia, if their equity interest reaches a threshold of 3%, then 5% or a multiple of 5%.

For the calculation of holding percentages, the numerator consists of the number of effective voting rights and the number of future voting rights, potential or not (resulting from conversion rights and undertakings in, or subscription rights to securities to be issued), held by the person making the declaration. The denominator consists of the number of effective voting rights and the number of future voting rights, potential or not (resulting from conversion rights and undertakings in, or subscription rights to securities to be issued) of Dexia SA.

This notification is also obligatory in the following cases:

- in the event of takeover or sale of a company which must itself submit a declaration;
- in the event of a decrease in voting rights to below one of the aforementioned thresholds.

Moreover, in application of the "Protocol on the prudential supervision of the Dexia Group" (cf. Corporate Governance), Dexia SA has asked its large shareholders to inform the company and the Banking, Finance and Insurance Commission as soon as possible prior to any of the aforementioned transactions.

Five declarations were made on the basis of the aforementioned provisions.

- The Dexia SA holding (= own shares) rose on January 16, 2004 above the threshold of 3% (3.03%).
- Deutsche Bank notified Dexia SA on January 21, 2004 that its holding had fallen below the threshold of 3% (2.65%).
- The Dexia SA holding (= own shares) rose again on May 12, 2004 below the threshold of 3% (1.00%).
- Holding Communal notified Dexia SA on June 11, 2004 that its holding had risen above the threshold of 15% (15.69%).
- The Dexia SA holding (= own shares) again rose above the threshold of 3% (3.03%) on December 7, 2004.

7

Places where the public may consult documents

The Articles of Association of the company are available at the office of the Clerk to the Commercial Court of Brussels and at the company's registered office.

The annual reports as well as the annual financial statements and the consolidated financial statements are lodged with the National Bank of Belgium. These documents may also be obtained from the company's registered office.

Decisions in relation to appointments and resignations of members of the Board of Directors are published in the Appendix to the *Belgian Gazette*. Financial notices concerning the company, as well as convocations to shareholders' meetings are published in the financial newspapers, the daily press and periodicals.

8

Calendar of publication of periodic information

- Date of the Ordinary Shareholders' Meeting for the 2004 financial year: May 11, 2005;
- Date of the Ordinary Shareholders' Meeting for the 2005 financial year: May 10, 2006;
- Date of payment of dividend for the 2004 financial year: May 26, 2005;
- Half-yearly information: September 8, 2005.

Dexia SA

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