

P R E S S R E L E A S E



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Dexia Group – Business Review 2004

- **Another excellent year in public finance after a record 2003**
- **Volumes ahead in retail financial services, with resumed demand in mutual funds**
- **Good commercial performance in investment management services**

Public/Project Finance and Credit Enhancement

Annual growth rate

▪ Long-term outstandings* at 31/12/2004:	EUR 193.0 billion	+9%
▪ New long-term lending** in 2004:	EUR 34.4 billion	+1%
▪ FSA net par outstanding at 31/12/2004:	USD 318.7 billion	+10%
▪ FSA gross Present Value originations in 2004:	USD 927 million	+4%

Retail Financial Services

▪ Customer assets at 31/12/2004:	EUR 87.8 billion	+7%
▪ Customers loans at 31/12/2004:	EUR 24.2 billion	+6%
▪ Insurance premiums collected in 2004:	EUR 2,498 million	+14%

Investment Management Services

▪ Private banking customer assets at 31/12/2004:	EUR 27.7 billion	=
▪ Assets under management at 31/12/2004:	EUR 85.8 billion	+12%
▪ Assets under custody at 31/12/2004:	EUR 348.3 billion	+15%

* excluding affiliates

** excluding Germany and affiliates

The Board of Directors of Dexia met on Thursday, February 3, 2005 and reviewed the business report.

1. Public/Project Finance and Credit Enhancement

*Long-term outstandings*¹ reached EUR 193.0 billion at year-end 2004, up 8.6% over the last 12 months (of which EUR 176.8 billion in the local public sector, up 9.1% over the last 12 months). At constant exchange rate, the rise would have been +9.8% over the year.

Long-term outstandings

In billions of EUR	Long-term outstandings 31/12/2003	Long-term outstandings 31/12/2004	Variation
France	55.3	57.7	+4.4%
Belgium	27.0	27.8	+3.2%
Italy	24.8	28.5	+15.0%
America	24.1	26.8	+11.3%
Spain	3.9	4.9	+28.3%
United Kingdom	3.6	4.6	+29.4%
Sweden	3.2	3.4	+7.7%
Luxembourg	1.1	1.2	+6.5%
The Netherlands	0.7	0.7	-2.7%
Israel	0.3	0.3	+1.8%
Slovakia	0.4	0.6	+44.1%
Head Office*	3.6	4.9	+34.0%
Germany	29.8	31.5	+5.7%
Total¹	177.7	193.0	+8.6%

*For other countries where Dexia has no local offices

*Long-term financing originations*² amounted to EUR 34.4 billion for the full year 2004, up 0.7% compared to 2003 (+2.4% at constant exchange rate). This is the result of strong increase in new originations in France, Belgium, Spain and United Kingdom, while business has curbed in America and Italy compared to record high-levels reached in 2003.

Long-term originations

In billions of EUR	New long-term lending in 2003	New long-term lending in 2004	Variation
France	8.7	10.2	+17.0%
Belgium	4.1	4.9	+18.0%
Italy	7.0	5.7	-17.6%
Spain	1.4	1.2	+13.9%
United Kingdom	1.3	1.7	+27.1%
Sweden	0.5	0.8	+70.7%
Luxembourg	0.3	0.2	-31.7%
The Netherlands	0.1	0.3	x2.2
Israel	0.1	0.1	-29.3%
Slovakia	0.2	0.3	+68.4%
America	9.5	6.8	-29.0%
Head office*	1.0	2.0	+94.3%
Total²	34.2	34.4	+0.7%

*For other countries where Dexia has no local offices

¹ Excluding affiliates (mainly Kommunalkredit Austria)

² Excluding Germany and affiliates

In **France**, new lending in 2004 amounted to EUR 10.2 billion, of which EUR 9.8 billion for the local public sector. This progression (+17.0%) is due to the revival in the local authorities market as well as strong volumes originated with satellites of local authorities (such as public hospitals or social housing). Business with local authorities was particularly strong during the second half of the year, following a quiet period in the first half in an electoral context. Dexia managed to increase its leading market share, above 42%. Long-term outstandings amounted to EUR 57.7 billion at year-end 2004, a +4.4% increase in one year.

In **Belgium**, production reached EUR 4.9 billion in 2004, up 18.0% compared to 2003. This rise is even more significant looking at the local public sector alone (EUR 3.2 billion, up 22.9%). This growth was driven by business with “other local players” and was also due to large transactions booked in the fourth quarter of the year with local authorities. In 2004, Dexia Bank maintained its 80% market share in the local authorities market. At year-end 2004, long-term outstandings amounted to EUR 27.8 billion, a 3.2% increase in one year.

In **Italy**, new business amounted to EUR 5.7 billion in 2004, down 17.6% from the record level of 2003. However, the activity remained quite strong, especially in bond issues that represented 40% of new financing commitments. Dexia Crediop together with Dexia Capital Markets participated in many transactions with large local authorities, notably the regions. The activity was extremely strong in 2004 (5 times the volumes of 2003) in financing infrastructures in the transportation and wind energy sectors. Several of these transactions were guaranteed by the Italian State. As of December 31, 2004, long-term outstanding reached EUR 28.5 billion, up 15.0% compared to one year earlier.

In **America**, production reached EUR 6.8 billion (USD 8.4 billion) in 2004, down 29.0% compared to 2003, or down 22.5% at constant exchange rate. The business in the Municipal sector was indeed affected by a decreasing market. The downward trend experienced in the first half became less marked over the whole year: Dexia New-York managed to increase its liquidity guarantees business and found new opportunities in the US Muni market. At year-end, outstanding loans reached EUR 26.8 billion (or USD 36.5 billion), up 11.3% (or 20.0% in dollar terms).

In **Spain**, originations of Dexia Sabadell Banco Local (DSBL) amounted to EUR 1.4 billion, of which EUR 1.2 billion came from the local public sector. This rise of 13.9% compared to 2003 is considerable taking into account that the local debt market was quite flat. This was achieved through large transactions with the City of Madrid and the Regions of Catalonia and Valencia. In Project Finance, DSBL has arranged and underwritten several transactions in the transportation, the wastewater treatment and the wind energy sectors. As of December 31, 2004, long-term outstanding in Spain reached EUR 4.9 billion, up 28.3% in one year.

In the **United Kingdom**, originations totalled EUR 1.7 billion in 2004, up 27.1% compared to 2003. EUR 1.1 billion new transactions were booked in the public sector, which represents a significant increase compared to the previous year (+72.3%); this is the result of the successful marketing of a new product. Dexia was also very active in arranging infrastructure finance (hospitals, schools and universities) and one of the leading institutions in the PFI sector in 2004, in the pioneer country of Private Public Partnership.

For the activities carried out directly from the **Head Office**, Dexia financed many local authorities worldwide: in Portugal, in Switzerland, in Japan (City of Tokyo) and also in Poland (City of Warsaw). Several Project Finance transactions were also completed during the year, including projects in the transportation, oil and gas and wind energy sectors.

In January 2005, the Infrastructure Journal named Dexia “Renewable Arranger for the Year 2004”, awarding the bank for all operations carried out over the year 2004 in the renewable energies sector, notably in the wind energy sector.

Other noteworthy matters concern:

- Germany, where Dexia Hypothekenbank Berlin continued to develop its offering of structured products to local authorities. Outstandings of structured loans reached EUR 2.1 billion at year-end 2004.
- Austria, where originations of Kommunalkredit Austria – 49% owned by Dexia – were up 22.9% to reach EUR 3.0 billion, including joint-transactions with Dexia, notably in Eastern Europe. Total Kommunalkredit Austria outstanding amounted to EUR 9.9 billion as of December 31, 2004.

Debt management volumes reached EUR 10.1 billion in 2004 (EUR 14.6 billion in 2003). In France, activity amounted to EUR 6.0 billion, the second half of the year catching up with the slow start in the beginning of the year, due to regional elections. In Belgium, active debt management applied to EUR 2.9 billion outstandings (less than the EUR 5.4 billion in 2003 during which a few very large transactions were implemented). Volumes in Italy reached EUR 1.2 billion.

Short-term loans amounted to EUR 19.2 billion as of December 31, 2004, the outstanding being mainly split between France and Belgium. They were down 22.9% for several reasons, most notably due to the fact that some short-term facilities have been consolidated in long-term outstandings.

Deposits and assets under management of the business line's customers have continued to increase and reached EUR 26.1 billion by the end of 2004, up 19.0% on one year earlier.

Finally, **insurance services** (excluding FSA) have also continued to grow. These activities cater primarily to local authority employees and also to institutional customers in Belgium and in France. These include brokerage activities, conducted mainly by Dexia Sofaxis (premiums were EUR 343 million in 2004, up 15.2% compared to 2003). For Dexia Insurance (Belgium and France), premiums totalled EUR 225 million (up 38.0% on 2003), of which EUR 172 million for life insurance products.

Regarding **FSA** (Financial Security Assurance), the activity in 2004 exceeded the record 2003 level³. Gross Present Value (PV) premiums reached USD 927 million, up 3.6% compared to 2003. USD 433 million of this total was in the US Municipal sector (down 10.3% compared to 2003). New issue volumes in the US municipal bond market declined in 2004 compared to the high level of 2003 supported by the large amounts of refinancing in a context of low interest rates. US Asset-Backed Securities (ABS) originations increased by 31.9%, generating USD 234 million of gross PV premiums. Regarding International business, new transactions insured totalled USD 186 million PV premiums. FSA had expected to insure a greater number of infrastructure transactions during the year, but some significant transactions were postponed. This will increase the transaction pipeline for 2005. Finally, PV Net Interest Margin in the financial products segment rose 67.1% for the full year, reflecting increased activity in both municipal and structured guaranteed investment contracts. As of December 31, 2004, the net par outstanding reached USD 318.7 billion (+9.9% compared to end of December 2003), of which USD 195.5 billion relate to the Municipal sector.

FSA originations

In millions of USD	2003	2004	Variation
Gross PV premiums	895	927	+3.6%
US Municipal	483	433	-10.3%
US Asset-Backed Securities	178	234	+31.9%
International	190	186	-2.1%
Financial Products	44	74	+67.1%

³ For more details on activity and financial results of FSA, see press release dated February 9 2005, available on FSA company website www.fsa.com

2. Retail Financial Services

These services are mainly carried out in Belgium and Luxembourg, where Dexia holds a large market position, and also in France where Dexia develops insurance business.

In 2004, interest rates remained globally low in Europe (with a flattening of the yield curve in the second part of the year) and equity capital markets continued to recover. While clients continued to prefer guaranteed-yield products in the first part of the year, demand in mutual funds resumed in the second half of the year.

At year-end 2004, *customer assets* were 7.3% ahead on the prior year, at EUR 87.8 billion. Balance-sheet products (EUR 56.8 billion) were up 2.4% over the last twelve months, with a change in the product mix (shift from saving bonds to savings accounts continued throughout the year), while off-balance-sheet products (mutual funds and insurance products) increased significantly over the year (+17.6% in one year), with an acceleration in the fourth quarter (+9.0% in the last three months of 2004).

Principal trends were as follows:

- A strong increase in savings accounts (+15.3%) in 2004, reaching EUR 28.9 billion at year-end; this is the result of the shift from savings bonds (-21.8% in one year) to savings accounts. The growth rate of this product slowed down in the second half of the year, customers preferring to invest in mutual funds.
- A slight increase in other deposits (+4.3% over 12 months).
- A strong increase in mutual funds, especially in the fourth quarter. Customer assets in mutual funds amounted to EUR 20.0 billion at year-end 2004, a 13.5% increase in one year (or EUR 2.4 billion). Net inflows represented 1.8 billion for the whole year and EUR 1.1 billion solely for the fourth quarter.

Customer assets (at quarter-end)

In billions of EUR	Dec. 03	March 04	June 04	Sept. 04	Dec. 04	Evol. Dec. 04 / Sept. 04	Evol. Dec. 04 / Dec. 03
Deposits	33.6	35.4	36.9	37.0	37.7	+2.0%	+12.5%
<i>Savings accounts</i>	<i>25.0</i>	<i>26.7</i>	<i>27.7</i>	<i>28.1</i>	<i>28.9</i>	<i>+2.7%</i>	<i>+15.3%</i>
<i>Other deposits</i>	<i>8.5</i>	<i>8.7</i>	<i>9.2</i>	<i>8.9</i>	<i>8.9</i>	<i>-0.3%</i>	<i>+4.3%</i>
Savings bonds	14.6	13.5	12.7	12.1	11.4	-5.5%	-21.8%
Dexia euro-bonds	7.4	7.3	7.3	7.6	7.7	+0.7%	+4.3%
Cooperator's shares	1.3	1.3	1.3	1.3	1.3	-	+1.8%
Mutual funds	17.7	18.3	18.3	18.6	20.0	+7.6%	+13.5%
Life insurance	7.4	7.8	8.2	8.5	9.6	+13.5%	+30.1%
Total customer assets	81.8	83.5	84.6	85.1	87.8	+3.2%	+7.3%

Regarding **insurance activities**, *technical reserves on life policies were up 30.1% in one year. This increase is explained both by better capital markets and good commercial performances in 2004, in all categories of policies.*

Premiums received sold to retail customers reached EUR 2,498 million in 2004, up 13.6% on 2003. The best performance came from unit-linked products – branch 23 - (+27.2% in one year), especially in France (Dexia Epargne Pension). In non-life, new premiums reached EUR 343 million, up 8.3% on 2003.

Earned insurance premiums

Assets under management reached EUR 85.8 billion at year-end, up 12.3% (EUR +9.4 billion) on one year earlier. This evolution results from a positive market effect but mostly from strong organic growth (EUR 5.3 billion), both institutional clients and retail clients showing a greater appetite for mutual funds especially in the last part of the year. As of December 31, 2004, assets under management to institutional clients amounted to EUR 27.0 billion (EUR 18.3 billion of mandates and EUR 8.7 billion of mutual funds). Dexia AM, which manages EUR 71.2 billion assets, still shows a very good productivity ratio (costs represented 13 basis points of assets under management, stable on 2003), one of the lowest in the industry. This gives Dexia a strong competitive edge in the institutional market.

• Assets under management as of 31/12/2003	EUR 76.4 billion
• Net inflow Nine months 2004	EUR + 3.5 billion
• Market effect Nine months 2004	EUR + 2.3 billion
• Assets under management as of 30/09/2004	EUR 82.3 billion
• Net inflow Fourth Quarter 2004	EUR + 1.7 billion
• Market effect Fourth Quarter 2004	EUR + 1.8 billion
• Assets under management as of 31/12/2004	EUR 85.8 billion (+12.3% in one year)

Activity remained very strong in *Fund Administration*.

Total *assets under custody* amounted to EUR 348.3 billion at year-end 2004, up 15.0% on one year earlier. Funds represent EUR 188.7 billion of the total, up 35.8% in one year. The activity has developed in new countries such as Italy, which completed Dexia Fund Services franchise in Europe (Luxembourg and France, the two largest European markets, Ireland, Belgium and the Netherlands).

The *central administration* activity has experienced growth (+8.4% in one year in terms of net asset value to calculate), with new mandates won in the fourth quarter. Dexia Fund Services acquired FMS Hoche in November 2004, a fund administration based in Paris, with a view to strengthening its position on the French market, the largest in Europe. This company will be consolidated as from 2005.

The *transfer agent* activity also improved, the number of transactions (subscriptions/repurchase) rose 41.7% in one year, with a strong rebound in the fourth quarter.

Share-leasing outstanding loans in the Netherlands were EUR 2.4 billion at year-end, falling significantly (-20.9%) from the level at December 31, 2003 (EUR 3.1 billion). The total lack of collateral for the portfolio amounted to 812 million at year-end.

Commenting on the activity in 2004, Pierre RICHARD, Group Chief Executive Officer, declared:

“ 2004 demonstrates once again the efficiency of Dexia business model. We are pleased of the good business originations the group has achieved, as we regard them as essential to secure future earnings in the long-term.”

**Dexia reminds that an investor Day will be held in Paris on February 11, 2005.
A press release will be published the same day at 11:45 am, Paris/Brussels time.**