



ANNUAL REPORT 2005

RAPPORT ANNUEL 2005

"Obligations foncières"
for the local public sector

Les obligations foncières
pour le secteur public local

AAA/Aaa/AAA



DEXIA

Municipal Agency




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MANAGEMENT REPORT

Dexia Municipal Agency 2005

I • INTRODUCTION ON DEXIA MA'S BUSINESS ACTIVITIES



Dexia Municipal Agency (Dexia MA) is a French credit institution that is authorized to operate as a *société financière-société de crédit foncier*. As a credit institution, in the ordinary course of business, the Company conducts banking transactions that are specialized given its status as a *société financière-société de crédit foncier*, and that have an exclusive purpose, as defined in articles L. 515-13 and following of the Monetary and Financial Code. In the case of Dexia MA, this specialization is reinforced by its own bylaws and by the July 23, 1999 authorization of the CECEI (*Comité des établissements de crédit et des entreprises d'investissement*), which limits its activity to exposures to public sector entities or entities they guarantee.

Sociétés de crédit foncier, created by a French law passed in June 1999, are now well known to bond issuers and investors. They issue *obligations foncières* or contract other borrowing instruments characterized by a legal Privilege that in priority allocates the sums from the Company's assets to serve bond interest and reimbursement. These *obligations foncières* have become one of the significant components of what is referred to as the covered bond market. The following paragraphs summarize the main characteristics of Dexia MA.

Assets

The assets held by Dexia Municipal Agency are solely comprised of commitments on public sector entities that are eligible by the terms of articles L. 515-15, L. 515-16, 515-17 and 515-18 of the Monetary and Financial Code, i.e. States, local governments or groups of such, public sector establishments in the European Economic Area, Switzerland, the United States and Canada (the law also includes Japan, but Dexia Municipal Agency had no assets from this country at the end of 2005). These commitments take the form of loans or bonds, or of loans or bonds guaranteed by such public sector entities. Debt issued by mutual

funds or similar structures (ABS) are also eligible for booking on Dexia Municipal Agency's balance sheet if 90% of their assets are themselves directly eligible; debt issued by these funds must have a minimum rating of AA-/Aa3/AA- by one of the three rating agencies, Fitch, Moody's or Standard and Poor's. Replacement assets, the amount of which is limited to 20% total assets, are defined as sufficiently secure and liquid assets, i.e. eligible for refinancing through the European central bank system. Until December 2004, replacement assets of Dexia MA were comprised of covered bonds issued by other Dexia Group entities, the coverage pool of which is only composed of commitments on public sector entities, so as to ensure the transfer of synthetic eligible assets among certain Group units (see below). In 2005, Dexia Municipal Agency acquired a few securities issued by local governments that were recognized as replacement securities and as available for sale for accounting purposes.

Moreover, at the end of 2005, Dexia Municipal Agency had not yet made use of the faculty, granted by an amendment to French legislation in 2003, to book finance lease commitments in which the borrower is a French public sector entity.

Since the Dexia Group is a leader in public finance, and especially Dexia Credit Local, Dexia MA's shareholder, the majority of the assets on Dexia MA's balance sheet are naturally generated by the Group's activities.

Liabilities

Financing of assets is achieved with shareholders equity and two categories of debt:

- debt that benefits from the legal Privilege defined by law as *obligations foncières* or other resources that benefit from the legal Privilege as mentioned in their contract. At the end of 2005, Dexia Municipal Agency had only issued *obligations foncières*;
- debt that does not benefit from the legal Privilege, i.e. debt that is not covered by the assets and, therefore, would be

treated as a subordinated debt (see below). Dexia MA has contracted this debt through a financing agreement with Dexia Credit Local, its parent company. In addition, in 1999, Dexia Credit Local signed a declaration of support ensuring that it “will see that Dexia Municipal Agency has the financial resources it needs to meet its obligations.” This declaration of support is reproduced in the documents accompanying issues of *obligations foncières*.

Legal Privilege

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

- cash flows generated by the assets are allocated in priority to serve the *obligations foncières*, after hedging with financial instruments, and other resources benefiting from the Privilege, also after hedging as the case may be;
- the liquidation of a *société de crédit foncier* does not accelerate the reimbursement of *obligations foncières* and other debt benefiting from the Privilege, which continue to be paid at their contractual due dates in priority to all other commitments. These other commitments can only be settled after all debt benefiting from the Privilege has been discharged.

As a complement to the Privilege, the law provides that the bankruptcy or liquidation of the shareholder of a *société de crédit foncier* cannot be extended to the *société de crédit foncier*.

Various prudential provisions concerning management of the *société de crédit foncier*

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

Information on the Coverage Ratio, i.e. the ratio between the debt benefiting from the Privilege and the assets that cover them, as well as interest rate and liquidity risk management are discussed below in specific chapters.

Furthermore, Dexia Municipal Agency has contractually entrusted its parent company Dexia Credit Local with operational management. Specific management contracts have also been signed with other entities in the Group that transfer assets to Dexia Municipal Agency and continue to handle the administration of these assets vis-à-vis their national clients. At the end of 2005, the following contracts were operative: Kommunalkredit Austria, in which Dexia Credit Local has a 49% interest; Dexia Crediop (Italy), a subsidiary of Dexia Credit Local; Dexia Bank Belgium, a Dexia SA subsidiary; and Dexia Credit Local, Stockholm branch. All these management contracts already existed the last two years, and no new contract was signed in 2005.

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

Trend in main balance sheet items

| Change in the balance sheet Billions of euros | 12/31 2003 | 12/31 2004 | 12/31 2005 | Change Dec. 05 /Dec.04 | Change Dec. 05 /Dec.03 |
|--|---------------|---------------|---------------|------------------------------|------------------------------|
| TOTAL ASSETS | 41.20 | 46.56 | 53.39 | 15% | 30% |
| of which: | | | | | |
| (1) loans | 34.75 | 37.81 | 41.35 | 9% | 19% |
| (2) securities | 4.05 | 6.23 | 9.28 | 49% | 129% |
| TOTAL (1)+(2) | 38.80 | 44.04 | 50.63 | 15% | 30% |
| <i>obligations foncières:</i> | | | | | |
| balance sheet value: | 29.90 | 36.05 | 41.74 | 16% | 40% |
| swapped value | 31.34 | 37.59 | 42.60 | 13% | 36% |
| Dexia Crédit Local debt | 6.88 | 5.56 | 7.04 | 27% | 2% |
| Shareholders' equity (incl. net income) | 0.591 | 0.707 | 0.801 | 13% | 36% |

II • DEXIA MUNICIPAL AGENCY'S ASSETS IN 2005 (billions of euros, excluding accrued interest not yet due)

| | |
|-------------------------------------|------------------------|
| Gross asset production | EUR 10.7 billion |
| Early reimbursements | EUR (0.7) billion |
| Amortization | EUR (3.4) billion |
| Total net increase in assets | EUR 6.6 billion |

Gross production of EUR 10.7 billion is analyzed as follows (see table below):

- Production and transfers of loans: EUR 7.5 billion, of which EUR 1.2 billion in loans from the international activities of Dexia Credit Local, and EUR 6.3 billion in loans from France.
- Acquisitions and transfers of debt securities: EUR 3.2 billion, including:
 - EUR 2.8 billion in transfers of synthetic assets from the Italian, German and Spanish subsidiaries of Dexia Credit Local (see below);
 - EUR 0.4 billion debt securities issued by local governments (Spain, Italy, France).

The amount of EUR 2.8 billion in synthetic asset transfers mentioned above, corresponds to:

- EUR 1.06 billion in a debt security issued by a securitization vehicle named DCC - Dexia Crediop per la Cartolarizzazione S.r.l. This is the second security issued by this vehicle, which serves to transfer a block of securities issued by Italian local governments in the form of a securitized instrument from Dexia Crediop to Dexia Municipal Agency. The first issue of this nature, conducted in 2004, concerned a total of EUR 1.1 billion. The process is as follows. Dexia Crediop is a subsidiary of Dexia Credit Local with headquarters in Rome. Dexia Crediop created a wholly owned subsidiary named DCC - Dexia Crediop per la Cartolarizzazione S.r.l., which is a special purpose vehicle governed by the Italian law 130/99 on securitization. DCC has

a single purpose – to serve as a channel for the refinancing by Dexia Municipal Agency of Italian public sector assets generated or held by Dexia Crediop.

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

To DCC, Dexia Crediop transfers portfolios composed of such assets, all of which are eligible for Dexia Municipal Agency. These portfolios are isolated holdings that serve as backing for DCC's issuance of class A securities reserved solely to Dexia Municipal Agency and of class B securities reserved solely to Dexia Crediop. Thus it was that a first issue was conducted in 2004, and a second in 2005. Whenever class A securities are issued, Dexia Crediop writes a letter of guarantee to the benefit of Dexia Municipal Agency ensuring the full payment of the installments at the due dates, in an unconditional and irrevocable manner. Class A shares issued by DCC are rated by the rating agencies, reflecting the rating of Dexia Crediop's long-term debt.

The May 2004 sale of a bond portfolio by Dexia Crediop to DCC, for a total of EUR 1,131.9 million, included 151 bonds issued by Italian local governments. Backed by these assets, DCC issued a class A security, in the amount of EUR 1,128.9 million, guaranteed by Dexia Crediop and acquired by Dexia Municipal Agency, and a class B security, in the amount of EUR 3 million, acquired by Dexia Crediop.

The October 2005 sale of a bond portfolio by Dexia Crediop to DCC, was composed of 117 bonds, in the amount of EUR 1,009 million, likewise issued by Italian local governments or public sector entities. Backed by these assets, DCC issued a class A security, in the amount of EUR 1,006 million, guaranteed by Dexia Crediop and acquired by Dexia Municipal Agency, and a class B security, in the amount of EUR 3 million, acquired by Dexia Crediop.

These issues were effected pursuant to a Program that authorizes DCC to issue a total of EUR 10 billion. DCC is expected to issue approximately EUR 1 billion per year on an average.

The securities issued by DCC synthetically reflect the amortization profile of the cumulated maturities of the Italian local government bonds that make up the respective portfolios on DCC's balance sheet, which correspond to each of the two issues DCC1 and DCC2. The final maturity of DCC1 is 2039 and the average maturity was 12.6 years at the time of the sale; the final maturity of DCC2 is 2041, and the average maturity was 10.4 years at the time of the portfolio was sold.

- EUR 0.775 billion of *Cedulas Territoriales* in two issues by Dexia Sabadell Banco Local, one in the amount of EUR 0.5 billion in June and the other in the amount of EUR 0.275 billion in December 2005. These securities are covered on the balance sheet of Dexia Sabadell Banco Local by commitments of Spanish local governments, in accordance with the rules governing *Cedulas Territoriales*.

These securities are rated Aaa by Moody's and are eligible as replacement securities. At the end of December 2005, outstanding *Cedulas Territoriales* issued by Dexia Sabadell Banco Local and held by Dexia Municipal Agency totaled EUR 2.075 billion.

- EUR 1 billion, a Pfandbrief rated AAA by Standard and Poor's, issued by Dexia Hypothekbank Berlin (now named Dexia Kommunalbank Deutschland AG).

Acquisitions of assets

| Billions of euros | Loans | Securities | Total |
|-------------------------|------------|------------|-------------|
| France | 6.1 | 0.1 | 6.2 |
| Other than France | 1.2 | 3.1 | 4.3 |
| Total new assets | 7.3 | 3.2 | 10.5 |
| Amortization | (3.2) | (0.2) | (3.4) |
| Early reimbursement | (0.5) | - | (0.5) |
| Net change | 3.6 | 3.0 | 6.6 |

Breakdown of gross acquisitions

| Total (billions of euros) | 10.5 |
|---|------|
| of which: | |
| loans France | 6.1 |
| Switzerland, Greece, Italy, Spain, Sweden | 1.6 |
| Pfandbrief DHB | 1.0 |
| Cedulas Territoriales DSBL | 0.8 |
| DCC2 (Dexia Crediop) | 1.0 |

Assets can be broken down by country of origin at the end of 2005 as follows (compared with the end of 2004):

Breakdown by country (%)

| | Dec. 2004 | Dec. 2005 |
|-----------------|-------------|-------------|
| France | 80.4 | 75.2 |
| Italy | 7.7 | 8.8 |
| Spain | 3.5 | 4.9 |
| Switzerland | 3.1 | 4.1 |
| Germany | 0.3 | 2.2 |
| Belgium | 2.0 | 1.8 |
| Subtotal | 97.0 | 97.0 |
| Other countries | 3.0 | 3.0 |
| TOTAL % | 100 | 100 |

III • DEBT BENEFITING FROM THE PRIVILEGE CONFERRED BY THE LAW: OBLIGATIONS FONCIÈRES

In 2005, Dexia Municipal Agency issued *obligations foncières* for a total of EUR 9.07 billion (of which EUR 0.16 billion paid in 2006), with an average maturity of 9.4 years.

Issues in 2005 can be analyzed as follows (see table below):

- benchmark issues in euros: EUR 1 billion and EUR 0.75 billion added to existing euro benchmarks;
- public issues, particularly in foreign currency: EUR 2.15 billion;
- private placements: EUR 5.17 billion.

Privately placed issues accounted for more than half of the total, a sharp increase over the previous year (EUR 2.95 billion in 2004, representing a third of the year's total issues). This high proportion was justified by the particular market environment: the relatively flat yield curve and the historical narrowing of spreads pushed institutional investors to tailored issues, thus creating especially dynamic demand in this market segment.

A large number of the issues, private placements or public issues, were in foreign currencies. The majority were, nevertheless, in euros with 66% of the total, and the other currencies used were as follows: AUD, CHF, GBP, CAD, USD, HKD, JPY and ZAR. All issues in foreign currencies are swapped into euros at inception.

The average maturity of 9.43 years can be analyzed by category as follows:

- 30% had a maturity of more than 10 years;
- 51% had a maturity between 5 and 10 years;
- 19 % had a maturity of less than 5 years.

In 2005, Dexia Municipal Agency reimbursed a total of EUR 4.08 billion in *obligations foncières*. At the end of the period under review, Dexia Municipal Agency reported outstanding *obligations foncières* of EUR 42.6 billion in swapped value, with EUR 0.158 billion recorded off balance sheet and to be received at the beginning of January 2006.

Issues in 2005 (billions of euros)

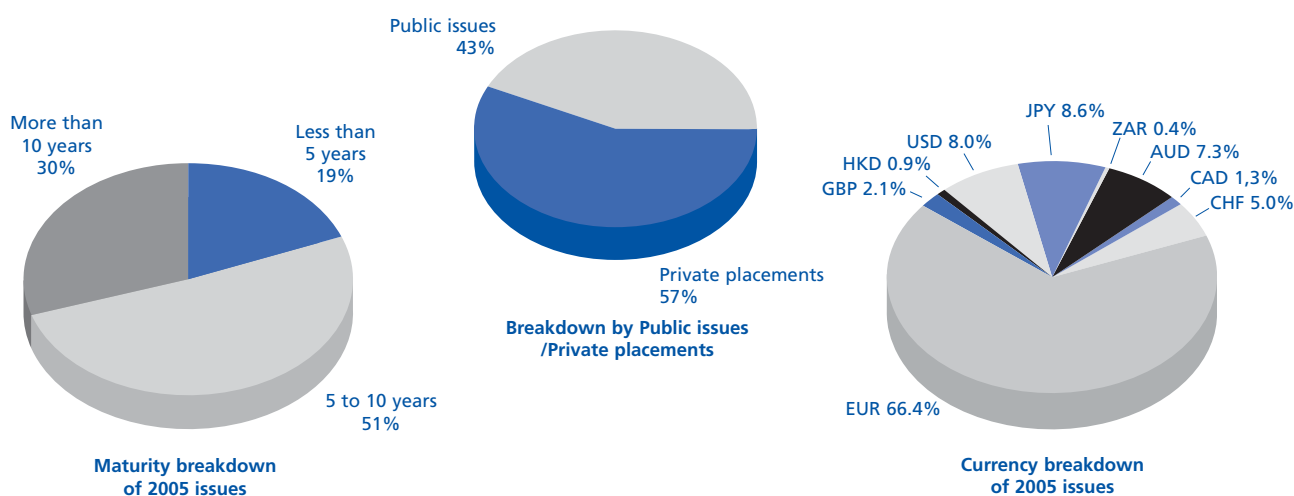
| | | |
|--------------------|-------------|-------------|
| Private placements | 5.17 | 57% |
| Public issues | 3.90 | 43% |
| Total | 9.07 | 100% |
| of which: | | |
| Q1 2005 | 2.85 | |
| Q2 2005 | 2.98 | |
| Q3 2005 | 2.06 | |
| Q4 2005 | 1.18 | |

Breakdown by currency

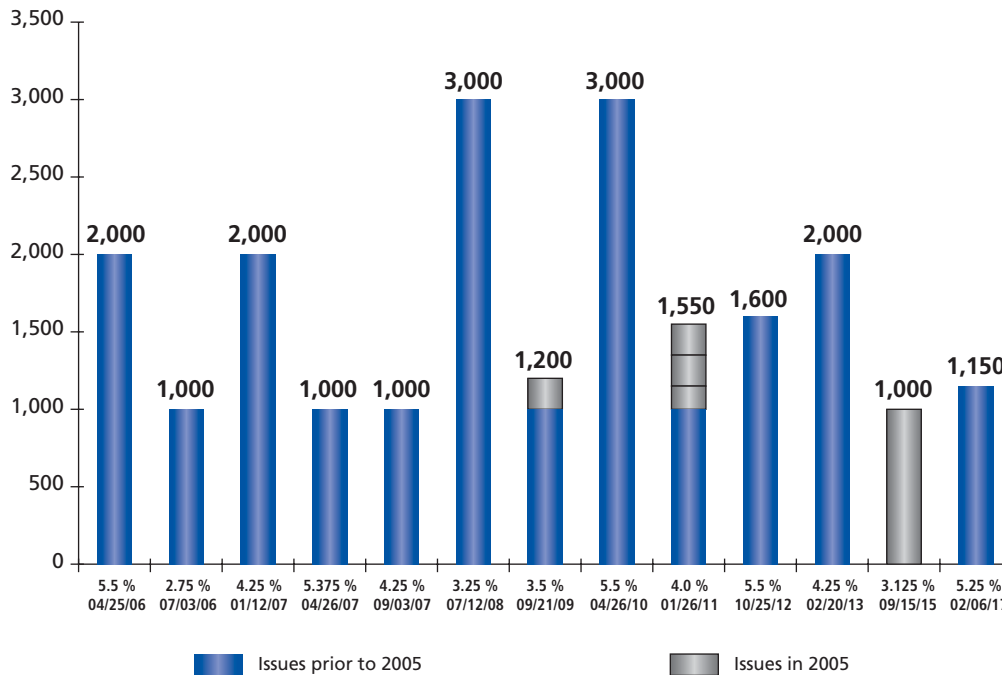
| | | |
|--|-------------|------------|
| Euros (billions) | 6.03 | 66% |
| Other currencies (millions) | | |
| AUD | 1,100 | |
| CHF | 700 | |
| GBP | 130 | |
| CAD | 200 | |
| USD | 880 | |
| HKD | 850 | |
| JPY | 105,200 | |
| ZAR | 250 | |
| Total other currencies (value in billions of euros) | 3.04 | |

Reimbursements in 2005: 4.08
 Total issues, swapped, at the end of 2005 : 42.60

New issues in 2005



Benchmark issues in euros (millions of euros)



IV • COVERAGE RATIO IN 2005

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

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

The debt securities, *Cedulas Territoriales* and *Pfandbrief* recorded on Dexia Municipal Agency’s balance sheet are

accounted for at 95% of their historical cost, a rule that applies to all debt securities and replacement securities.

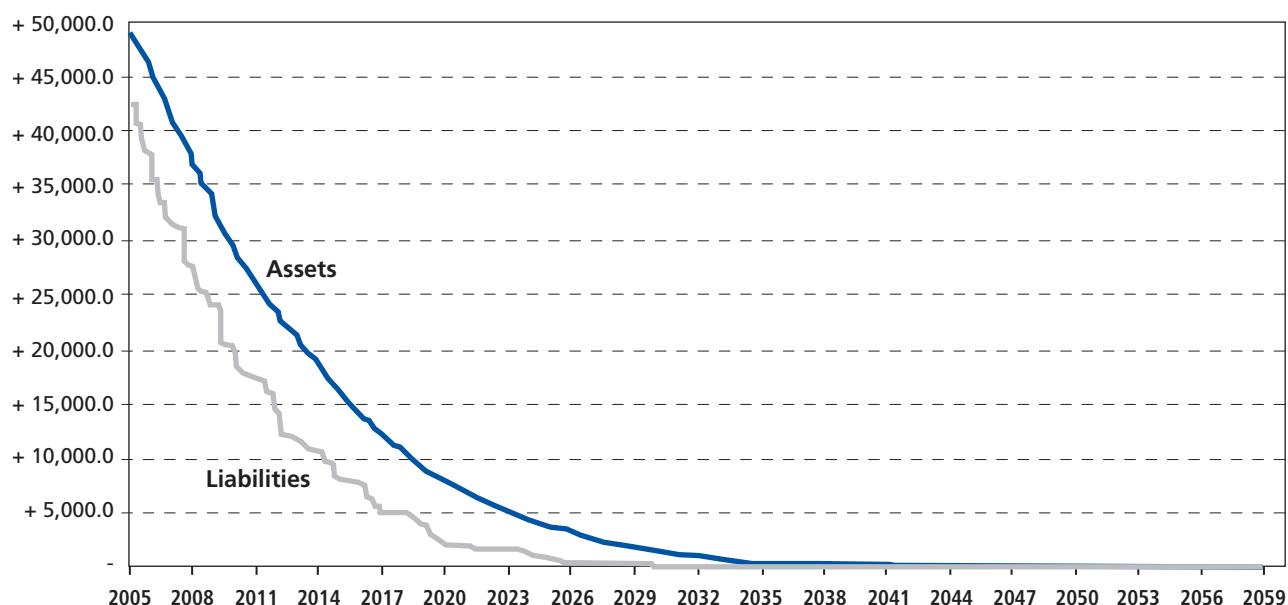
The coverage ratio stood as follows in 2005 at the end of each month.

Coverage ratio

| | |
|----------------|---------|
| December 2004 | 115.51% |
| January 2005 | 116.92% |
| February 2005 | 114.53% |
| March 2005 | 111.50% |
| April 2005 | 118.41% |
| May 2005 | 114.05% |
| June 2005 | 112.96% |
| July 2005 | 112.80% |
| August 2005 | 112.15% |
| September 2005 | 109.71% |
| October 2005 | 111.59% |
| November 2005 | 112.89% |
| December 2005 | 117.15% |

Dexia MA has committed to maintain a minimum ratio of 105% for coverage by the assets of the resources benefiting from the Privilege. The rating agencies keep a close watch on the relevance of this limit with regard to their own stress criteria.

Amortization of assets and obligations foncières as of December 31, 2005



V • OTHER DEBT THAT DOES NOT BENEFIT FROM THE LEGAL PRIVILEGE

The current account agreement signed with Dexia Crédit Local serves to finance the portion of assets greater than the amount of *obligations foncières* and shareholders' equity, as well as various occasional needs.

Sub-accounts in this agreement make it possible to analyze this financing by category. As of December 31, 2005, the financing provided by Dexia Crédit Local, totaling EUR 7.04 billion, excluding accrued interest, could be analyzed as follows:

- to finance structural over-collateralization of obligations foncières at 105%: EUR 2.4 billion;
- to finance undefined over-collateralization of more than 105% and miscellaneous needs: EUR 2.8 billion;
- to pre-finance the issuance program: EUR 1.8 billion.

The total balance at year end was as follows (including accrued interests):

| | |
|-------------------|-------------------------|
| <u>31/12/2003</u> | <u>EUR 6.93 billion</u> |
| <u>31/12/2004</u> | <u>EUR 5.58 billion</u> |
| <u>31/12/2005</u> | <u>EUR 7.05 billion</u> |

The EUR 1.47 billion increase between December 2004 and December 2005 can be analyzed as follows:

- increase in borrowings with maturities of more than one year: EUR 0.69 billion
- increase of the current account: EUR 0.78 billion.

VI • COMMITMENTS GRANTED; COMMITMENTS RECEIVED; DEBT SECURITIES TRANSACTIONS

Commitments granted as of December 31, 2005, were recorded off balance sheet in the amount of EUR 3.1 billion. They were comprised of loans granted and not yet paid to local governments.

Commitments received in the amount of EUR 8.56 billion included:

- EUR 4.83 billion in refinancing agreements contracted with Dexia Credit Local, concerning maturities of *obligations foncières* of less than a year;
- EUR 0.16 billion in *obligations foncières* issued and not yet paid;
- EUR 3.56 billion in guarantees received from local governments.

VII • DURATION OF ASSETS AND LIABILITIES BENEFITING FROM THE LEGAL PRIVILEGE

Dexia Municipal Agency considers that the difference in duration between the assets and the liabilities is an appropriate way to measure maturity congruences. A maximum duration difference of three years has been set as a limit for management purposes. It is here question of setting a limit in the transformation, i.e. managing the liquidity risk since the interest rate risk is otherwise managed via hedging instruments (see below).

It should be noted that since all the assets and the resources benefiting from the Privilege have a variable rate after having

been swapped, Dexia Municipal Agency's balance sheet looks as if there were only a single loan vis-à-vis a single borrowing.

Duration (D) is calculated as follows: "sum of the periods (t) weighted by the cash flows (t) and discounted at the interest rates of the zero coupon curve for date (t) / Sum of the cash flows(t) discounted at the interest rates of the zero coupon curve for date (t)".

The traditional formula used is as follows:

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

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

As of December 31, 2005, the values were as follows:

| Duration | 12/31/2003 | 12/31/2004 | 12/31/2005 |
|---|------------|------------|------------|
| Duration of the assets | 6 years | 6.19 years | 6.83 years |
| Duration of the liabilities benefiting from the Privilège | 4.56 years | 4.46 years | 5.08 years |
| Difference in asset-liability duration | 1.44 years | 1.73 years | 1.75 years |

The limit set for the duration difference, i.e. the maximum difference between the duration of the assets and the duration of the obligations foncières after having been swapped, was set at 3 years.

VIII • HEDGING INTEREST RATE RISK

Hedging guidelines and interest rate risk management rules were defined in a policy paper (called "General Principles and Risk management guidelines of Dexia MA), when Dexia Municipal Agency was created, and this document has been approved by

rating agencies. They have not been changed since that time. The overall system, which may be described as follows, involves two major steps:

- In the first stage, all the assets and liabilities benefiting from the Privilège generate Euribor flows until maturity, either naturally or via swaps. A residual fixed rate gap remains after this hedging process, and its limit is subject to particular management.
- In the second step, all the Euribor lending and borrowing flows are swapped against Eonia to eliminate the interest rate risk generated by differences in due dates for the Euribor fixing. The Eonia swaps are made on a 12-month sliding horizon. A residual Euribor gap also remains in this second level and is monitored within strict limits.

For each of the two gaps mentioned above, the fixed rate gap and the Euribor gap, the sensitivity limit is defined as the change in the gap's net present value under the impact of an unfavorable 1% (100 basis points) shift in the yield curve.

At the beginning of 2005, Dexia MA adopted as an interest rate risk management rule to respect a total sensitivity limit, fixed rate gap and Euribor gap, equal to 3% of shareholders' equity as of December 31, without changing the EUR 2.5 million threshold for the monetary gap limit within this new total limit. Based on shareholders' equity as of December 31, 2005, this new limit will be increased from EUR 21 million in 2005 to EUR 24 million for 2006.

Interest rate risk management results are summarized in the following table for each quarter of 2005 (millions of euros).

The outstanding notional of interest rate swaps as of December 31, 2005, broken down by hedging category and by counterparty (billions of euros), is presented in chapter IX below, with the table "Breakdown of outstanding swaps".

Interest rate risks (millions of euros)

| Sensitivity | Fixed rate gap | Monetary gap | Total gap | Fixed rate gap | Monetary gap | Total gap | Fixed rate gap | Monetary gap | Total gap | Fixed rate gap | Monetary gap | Total gap |
|-------------|----------------|--------------|-----------|----------------|--------------|-----------|----------------|--------------|-----------|----------------|--------------|-----------|
| | Q1 2005 | | | Q2 2005 | | | Q3 2005 | | | Q4 2005 | | |
| Average | 7.4 | 0.1 | 7.4 | 9.6 | 0.3 | 10.0 | 16.1 | 0.3 | 16.4 | 10.6 | 0.13 | 10.69 |
| Maximum | 10.6 | 1.6 | 12.2 | 14.8 | 1.4 | 16.2 | 18.8 | 1.6 | 20.3 | 16.4 | 1.11 | 17.51 |
| Minimum | 4.0 | (1.0) | 3.0 | 6.7 | (1.2) | 5.4 | 13.4 | (1.7) | 11.7 | 6.4 | (1.48) | 4.93 |
| Limit | 18.5 | 2.5 | 21.0 | 18.5 | 2.5 | 21.0 | 18.5 | 2.5 | 21.0 | 18.5 | 2.50 | 21.00 |

IX • FOREIGN EXCHANGE RISK

Dexia Municipal Agency's foreign exchange risk management policy remains unchanged and consists in taking no foreign exchange risks. Therefore, assets and liabilities in currencies other

than the euro are swapped against Euribor when they enter Dexia MA's balance sheet.

This interest rate and foreign exchange risk hedging strategy generated the following notional amount of swaps as of December 31, 2005.

Breakdown of outstanding swaps (notional amounts) as of December 31, 2005

| | Total notional EUR billions | Total notional % | Dexia Group % | External counterparties % |
|--|--------------------------------|---------------------|------------------|------------------------------|
| Fixed rate against Euribor | | | | |
| micro-hedges on <i>obligations foncières</i> | 31.59 | 100% | 4.1% | 95.9% |
| micro-hedges on loans and securities | 21.22 | 100% | 18.2% | 81.8% |
| macro-hedges on loans | 20.93 | 100% | 90.3% | 9.7% |
| Euribor against Eonia | | | | |
| macro-hedges against Eonia | 64.86 | 100% | 100% | 0% |
| Currency swaps | | | | |
| on <i>obligations foncières</i> | 11.53 | 100% | 15.1% | 84.9% |
| on loans | 2.65 | 100% | 83.4% | 16.6% |
| on securities | 0.54 | 100% | 81.5% | 18.5% |

X • STATEMENT OF INCOME

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

| Thousands of euros | 12/31/2003 | 12/31/2004 | 12/31/2005 |
|---|----------------|----------------|----------------|
| Interest received on assets | 1,341,481 | 1,373,930 | 1,563,775 |
| Net interest of macro-hedges | (311,026) | (323,921) | (330,826) |
| Interest on <i>obligations foncières</i> | (718,761) | (745,418) | (883,434) |
| Interest on the account with Dexia Credit Local | (169,192) | (150,628) | (136,503) |
| Commissions received and paid | (1,564) | (1,964) | (2,548) |
| Other | 19 | (16) | (17) |
| Net banking income | 140,957 | 151,983 | 210,447 |
| General operating expense | (53,131) | (58,107) | (62,196) |
| Taxes | (2,864) | (3,093) | (4,217) |
| Operating income before cost of risk | 84,962 | 90,783 | 144,034 |
| Cost of risk | (763) | 976 | 1 |
| Income before taxes | 84,199 | 91,759 | 144,035 |
| Corporate income tax | (28,625) | (31,007) | (47,887) |
| Regulated reserves on long- and medium-term loans | (3,485) | (4,521) | (7,201) |
| Provisions | (4,625) | 4,625 | - |
| Net income | 47,464 | 60,856 | 88,947 |

Note on net income

Until December 31, 2004, Dexia MA amortized early loan repayment penalties and swap cancellation equalization payments, for both accounting and tax purposes, over the residual life of the terminated instruments. Early loan repayment penalties and swap cancellation equalization payments occur at early reimbursements, but also when loans are renegotiated involving reimbursement and refinancing.

Following an audit by French tax authorities in 2003, Dexia MA was informed in November 2004 that this procedure was not in question in the accounting years ended prior to January 1, 2005. Consequently, early loan repayment penalties and swap cancellation equalization payments recorded as of December 31, 2004, continue to be amortized according to the original schedule.

Conversely the tax authorities specified that the tax treatment of early loan repayment penalties and swap cancellation equalization payments be modified for new operations cancelled as of January 1, 2005. The accounting treatment was also adapted as of this date to conform to the tax treatment. The new treatment is presented in the notes to the financial statements.

Compared with the systematic amortization of early loan repayment penalties and swap cancellation equalization payments as previously practiced, this new treatment resulted in a change in net income. The statement of income as of December 31, 2005, presents net banking income of EUR 210.4 million, compared with about EUR 176 million under the previous equalization method; net income after taxes was EUR 88.9 million, compared with about EUR 68 million under the previous equalization accounting.

XI • PROPOSED APPROPRIATION OF NET INCOME

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

| Year of distribution | Distributed from income of the year | Amount distributed (euros) | Amount per share |
|----------------------|-------------------------------------|----------------------------|------------------|
| 2000 | 1999 | 3,600,000 | 1.2 euros |
| 2001 | 2000 | - | |
| 2002 | 2001 | - | |
| 2003 | 2002 | - | |
| 2004 | Distributed from retained earnings | 120,000,000 | 24 euros |
| 2005 | 2004 | 62,000,000 | 10 euros |

The Shareholders' Meeting, both ordinary and extraordinary, will be asked, in its ordinary capacity, to vote a resolution to appropriate 2005 net income and to distribute a dividend as follows (euros):

| | |
|--|---------------|
| Net income for the year 2005 | 88,946,959.73 |
| Allocated to the legal reserve (5 %) | 4,447,347.99 |
| Income available for distribution | 84,499,611.74 |
| Prior retained earnings | 356,376.59 |
| Amount available for distribution | 84,855,988.33 |
| Proposed distribution, i.e. EUR 12,4 per share | 84,320,000.00 |
| Retained earnings after distribution | 535,988.33 |

XII • CHANGES IN CAPITAL IN 2005

The Shareholders' Meeting, both ordinary and extraordinary, of March 24, 2005, decided, in its extraordinary capacity, to increase the capital by EUR 60 million, raising the capital from EUR 620 million to EUR 680 million.

XIII • CAPITAL INCREASE

The Shareholders' Meeting, both ordinary and extraordinary, of May 17, 2006, will be asked, in its extraordinary capacity, to increase the capital by EUR 80 million, raising the capital from EUR 680 million to EUR 760 million.

XIV • OUTLOOK FOR THE YEAR 2006

Dexia Municipal Agency continues to refinance public sector assets generated by the Group; after amortization and early repayments, outstanding assets should total approximately EUR 55 billion at the end of 2006. New assets of French origin should continue to represent the largest share at approximately 55%, then Italy and Belgium in the same proportion, Spain (with a new issue of *Cedulas Territoriales* by Dexia Sabadell Banco Local) and Switzerland, with the rest made up of transfers from the Swedish branch of Dexia Credit Local and assets from other sources.

The issue program should be approximately EUR 9 billion to EUR 11 billion, bringing outstanding *obligations foncières* to approximately EUR 47 billion to EUR 49 billion at the end of 2006, with reimbursements in the amount of EUR 5 billion.

**Loans to local governments & bonds as of December 31, 2005
(millions of euros)**

| | 12/31/2005 | | | 12/31/2004 | | |
|--|----------------------------|----------------|-----------------|----------------------------|----------------|-----------------|
| | Loans to local governments | Bonds | Total | Loans to local governments | Bonds | Total |
| FRANCE | | | | | | |
| Regions | 1,328.1 | 50.0 | 1,378.1 | 1,261.0 | 50.0 | 1,311.0 |
| Departments | 4,629.4 | 3.0 | 4,632.4 | 4,267.2 | 3.0 | 4,270.2 |
| Municipalities | 17,273.3 | 302.8 | 17,576.1 | 16,586.8 | 239.5 | 16,826.3 |
| Groups of municipalities | 7,763.0 | - | 7,763.0 | 6,955.6 | - | 6,955.6 |
| Public sector entities | 6,378.8 | - | 6,378.8 | 5,813.0 | - | 5,813.0 |
| Loans guaranteed by local governments | 291.9 | - | 291.9 | 271.3 | - | 271.3 |
| Total | 37,664.5 | 355.8 | 38,020.3 | 35,154.9 | 292.5 | 35,447.4 |
| AUSTRIA | | | | | | |
| Länder | 215.9 | - | 215.9 | 217.3 | - | 217.3 |
| ABS | - | 92.0 | 92.0 | - | 93.3 | 93.3 |
| Total | 215.9 | 92.0 | 307.9 | 217.3 | 93.3 | 310.6 |
| PORTUGAL | | | | | | |
| Regions | 56.6 | 8.5 | 65.1 | 56.6 | 8.5 | 65.1 |
| Municipalities | 131.6 | - | 131.6 | 163.6 | - | 163.6 |
| Public sector entities | 16.0 | - | 16.0 | - | - | - |
| Securities guaranteed by the State or by local governments | - | 47.5 | 47.5 | - | 47.5 | 47.5 |
| Loans guaranteed by local governments | 2.5 | - | 2.5 | 2.5 | - | 2.5 |
| Total | 206.7 | 56.0 | 262.7 | 222.7 | 56.0 | 278.7 |
| ICELAND | | | | | | |
| Securities guaranteed by the State or by local governments | - | 50.4 | 50.4 | - | 50.4 | 50.4 |
| Total | - | 50.4 | 50.4 | - | 50.4 | 50.4 |
| FINLAND | | | | | | |
| State | - | - | - | - | - | - |
| Municipalities | 62.2 | - | 62.2 | 51.3 | - | 51.3 |
| Public sector entities | 38.9 | - | 38.9 | 30.8 | - | 30.8 |
| Total | 101.1 | - | 101.1 | 82.1 | - | 82.1 |
| GREECE | | | | | | |
| State | 300.0 | 31.2 | 331.2 | - | 31.2 | 31.2 |
| Total | 300.0 | 31.2 | 331.2 | - | 31.2 | 31.2 |
| ITALY | | | | | | |
| State | - | 506.3 | 506.3 | - | 599.2 | 599.2 |
| Regions | - | 468.5 | 468.5 | - | 395.2 | 395.2 |
| Provinces | - | 197.3 | 197.3 | - | 208.4 | 208.4 |
| Municipalities | 17.9 | 1,069.4 | 1,087.3 | 18.5 | 966.4 | 984.9 |
| ABS | - | 38.6 | 38.6 | - | 52.4 | 52.4 |
| Securities issued by DCC (2) | - | 2,134.8 | 2,134.8 | - | 1,128.9 | 1,128.9 |
| Total | 17.9 | 4,414.9 | 4,432.8 | 18.5 | 3,350.5 | 3,369.0 |

| | 12/31/2005 | | | 12/31/2004 | | |
|--|----------------------------|----------------|-----------------|----------------------------|----------------|-----------------|
| | Loans to local governments | Bonds | Total | Loans to local governments | Bonds | Total |
| SPAIN | | | | | | |
| <i>Cedulas territoriales</i> | - | 2,075.0 | 2,075.0 | - | 1,300.0 | 1,300.0 |
| Securities guaranteed by the State or by local governments | - | 250.0 | 250.0 | - | 250.0 | 250.0 |
| Municipalities | - | 128.0 | 128.0 | - | - | - |
| Total | - | 2,453.0 | 2,453.0 | - | 1,550.0 | 1,550.0 |
| SWITZERLAND | | | | | | |
| Cantons | 485.0 | - | 485.0 | 177.4 | 16.5 | 193.9 |
| Municipalities | 369.2 | - | 369.2 | 169.2 | - | 169.2 |
| Loans guaranteed by local governments | 1,219.4 | - | 1,219.4 | 1,004.5 | - | 1,004.5 |
| Total | 2,073.6 | - | 2,073.6 | 1,351.1 | 16.5 | 1,367.6 |
| BELGIUM | | | | | | |
| Regions | 286.6 | 93.3 | 379.9 | 361.0 | 93.3 | 454.3 |
| Communities | 74.4 | 189.6 | 264.0 | - | 189.6 | 189.6 |
| Securities guaranteed by the State or by local governments | - | 126.5 | 126.5 | - | 126.5 | 126.5 |
| Loans guaranteed by the State or by local governments | 142.6 | - | 142.6 | 144.2 | - | 144.2 |
| Total | 503.6 | 409.4 | 913.0 | 505.2 | 409.4 | 914.6 |
| GERMANY | | | | | | |
| Länder | - | 70.0 | 70.0 | - | 70.0 | 70.0 |
| OF / Pfandbriefe | - | 1,000.0 | 1,000.0 | - | - | - |
| Securities guaranteed by the State or by local governments | - | 38.6 | 38.6 | - | 38.6 | 38.6 |
| Total | - | 1,108.6 | 1,108.6 | - | 108.6 | 108.6 |
| UNITED STATES | | | | | | |
| States | - | 145.0 | 145.0 | - | 145.0 | 145.0 |
| Municipalities | - | 132.3 | 132.3 | - | 132.3 | 132.3 |
| Total | - | 277.3 | 277.3 | - | 277.3 | 277.3 |
| MONACO | | | | | | |
| Public sector entities | 0.3 | - | 0.3 | 0.4 | - | 0.4 |
| Total | 0.3 | - | 0.3 | 0.4 | - | 0.4 |
| SWEDEN | | | | | | |
| Municipalities | 111,0 | - | 111,0 | 144,4 | - | 144,4 |
| Loans guaranteed by local governments | 155,5 | - | 155,5 | 110,7 | - | 110,7 |
| Total | 266,5 | - | 266,5 | 255,1 | - | 255,1 |
| CANADA | | | | | | |
| Provinces | - | 22.4 | 22.4 | - | 22.4 | 22.4 |
| Municipalities | - | - | - | - | - | - |
| Total | - | 22.4 | 22.4 | - | 22.4 | 22.4 |
| Total (1) | 41,350.1 | 9,271.0 | 50,621.1 | 37,807.3 | 6,258.1 | 44,065.4 |

(1) Excluding premiums and discounts

| | | |
|--|---------|---------|
| Premiums and discounts on securities | 26.8 | 33.0 |
| Translation adjustments on securities | - 22.6 | - 52.7 |
| Value of securities on the balance sheet | 9,275.2 | 6,238.4 |

Premiums and discount are recorded in accruals.

(2) The two DCC securities of total amount EUR 2,134.8 million are issued by DCC - Dexia Crediop per la Cartolarizzazione S.r.l., a securitization vehicle entirely owned by Dexia Crediop. Its purpose is to allow refinancing by Dexia MA of Italian public sector assets transferred by Dexia Crediop to DCC. The DCC securities held by Dexia MA benefit from the guarantee of Dexia Crediop and are consequently rated AA by Fitch, AA- by Standard & Poor's, and Aa2 by Moody's.

As of December 31, 2005, the assets held by DCC could be broken down as follows:

Assets held as of December 31, 2005, by DCC - Dexia Crediop per la Cartolarizzazione S.r.l.

| Italian assets | Millions of euros |
|--|-------------------|
| State | - |
| Regions | 507.2 |
| Provinces | 732.8 |
| Municipalities | 815.7 |
| DCC bank account with Dexia Bank Belgium | 85.1 |
| Total | 2,140.8 |

Supervisory Board and Executive Board of Dexia Municipal Agency

MEMBERS OF THE SUPERVISORY BOARD AND THEIR MEMBERSHIP IN OTHER BOARDS IN 2005

Chairman of the Supervisory Board

Jacques Guerber

DEXIA CRÉDIT LOCAL – 7-11, QUAI ANDRÉ CITROËN – 75015 PARIS
Chairman of the Executive Board, Dexia Crédit Local
Member of the Board of Directors, Crédit du Nord
Member of the Board of Directors, Dexia Insurance
Member of the Board of Directors,
Financial Security Assurance Holdings Ltd
Permanent representative of Dexia Crédit Local,
Member of the Board of Directors, Dexia Finance
Member of the Supervisory Board, Financière Centuria

Vice-Chairman of the Supervisory Board

Rembert von Lowis

DEXIA S.A. – 1, SQUARE DE MEEÛS – B-1000 BRUSSELS – BELGIUM
Vice Chairman of the Supervisory Board, Dexia Crédit Local
(until May 2005)
Member of the Board of Directors, Dexia Bank
Member of the Board of Directors, Dexia BIL
Member of the Board of Directors, Dexia Holdings Incorporated
Member of the Board of Directors,
Financial Security Assurance Holdings Ltd
Chairman of the Board of Directors, Dexia Habitat

Members of the Supervisory Board

Daniel Caille

DEXIA CRÉDIT LOCAL – 7-11, QUAI ANDRÉ CITROËN – 75015 PARIS
Member of the Executive Board and CEO, Dexia Crédit Local
Member of the Board of Directors, Progress
Chairman of the Supervisory Board, Domus Vi Holding
Chairman of the Board of Directors, Dexia CLF Banque
Chairman of the Supervisory Board, Dexia Sofaxis
Member of the Board of Directors, Dexia Habitat
Manager, Publications Professionnelles
CEO, Daniel Caille SAS
Member of the Board of Directors, SA Vedici
Member of the Board of Directors, Quincadres
(since January 2005)
Co-manager, SCI Villa Lerins (since September 2005)

Dirk Bruneel

DEXIA S.A. – 1, SQUARE DE MEEÛS – B-1000 BRUSSELS – BELGIUM
Chairman of the Board of Directors,
Dexia Securities France Holding
Chairman of the Board of Directors, Dexia Securities France
Member of the Board of Directors, Dexia Financière S.A.
Member of the Board of Directors, Dexia Insurance
Member of the Board of Directors, Ehsal
Member of the Board of Directors, DVV Verzekeringen NV
Les AP Assurances SA (until June 2005)
Member of the Board of Directors, VEV
Member of the Board of Directors, Zinner N.V.
Member of the Board of Directors, Artesialux Finance S.A.
Member of the Board of Directors,
Dexia Global Investments Luxembourg SA
Member of the Board of Directors,
Dexia Participation Luxembourg
Member of the Board of Directors, Parfipar SA
Chairman of the Executive Board, Dexia Bank Nederland N.V.
Member of the Executive Board, Dexia Nederland Holding N.V.
Member of the Board of Directors, Dexia Capital Ireland
Member of the Board of Directors,
Dexia Financial Services Ireland
Member of the Board of Directors, Dexia Investments Ireland
Chairman of the Board of Directors, AMCC
Member of the Board of Directors, FSA Holdings Ltd
Member of the Board of Directors, Banque Artésia Nederland N.V.

Dexia Bank, represented by Edith Berneman

DEXIA BANQUE BELGIQUE – BOULEVARD PACHECO 44 - B 1000 BRUXELLES
Member of the Board of Directors, Centrum Voor Informatica N.V.
Member of the Board of Directors, Dexia Auto Lease N.V.
Member of the Board of Directors, Dexia Factors N.V.
Member of the Board of Directors, Dexia Lease Belgium S.A.
Member of the Board of Directors, Adinfo S.A.
Member of the Board of Directors, Dexia Lease Services N.V.

Dexia Crediop, represented by Gérard Bayol

DEXIA CREDIOP – VIA VENTI SETTEMBRE, 30 - I-00187 ROME
Chief Executive Officer, Dexia Crediop
Member of the Board of Directors, Dexia Finance
Vice Chairman of the Board of Directors,
Dexia Fund Services Italia SpA
Managing partner, SCI Bayoli (since December 2005)

Dexia Crédit Local, represented by Bruno Deletré

7-11, QUAI ANDRÉ CITROËN – 75015 PARIS

Member of the Executive Board and CEO, Dexia Crédit Local

Member of the Board of Directors, Dexia Crediop

Member of the Board of Directors, Dexia Finance

Member of the Board of Directors,

Financial Security Assurance Holdings Ltd.

Chairman of the Board of Directors,

Dexia Holdings Incorporated

Member of the Board of Directors,

Financial Security Assurance UK Ltd.

Chairman of the Supervisory Board,

Dexia Hypothekbank Berlin

Vice Chairman of the Supervisory Board,

Kommunalkredit Austria

Chairman of the Board of Directors, Dexia Sabadell Banco Local

Chairman of the Supervisory Board, Dexia Kommunalkredit

bank A.G. (since March 2005)

Dexia Sabadell Banco Local, represented by José Luis Castillo

DEXIA SABADELL BANCO LOCAL – PASEO DE LAS DOCE ESTRELLAS, N°4 -

CAMPO DE LAS NACIONES - 28042 MADRID

CEO, Dexia Sabadell Banco Local

*President of the French-Spanish Chamber of Commerce
and Industry*

François Durolet (since March 24, 2005)

DEXIA CRÉDIT LOCAL – 7-11, QUAI ANDRÉ CITROËN – 75015 PARIS

Member of the Board of Directors, Dexia Finance

Member of the Supervisory Board, Créatis

Member of the Board of Directors, Astris Finance

Member of the Supervisory Board, Kommunalkredit Austria

Chairman of the Board of Directors, Dexia Credito Local Mexico,

S.A. de C.V. (since December 2005)

Member of the Supervisory Board, Dexia Hypothekbank Berlin

(since April 2005)

Member of the Supervisory Board, Dexia Kommunalkredit Bank A.G.

(since March 2005)

Chairman of the Board of Directors,

Otzar Hashilton Hamekomi LTD (OSM) (since December 2005)

Vice Chairman of the Supervisory Board,

Dexia Kommunalkredit Bank Polska

(since June 2005)

Vice Chairman of the Supervisory Board, Dexia banka Slovensko

(since April 2005)

Chairman of the Board of Directors, dexia Crédit Local

Asia Pacific Pty Ltd

Jean-Paul Gauzès

DEXIA CRÉDIT LOCAL – 7-11, QUAI ANDRÉ CITROËN – 75015 PARIS

Member of the Board of Directors, Dexia Finance

Permanent representative of Dexia Crédit Local, member of the

Board of Directors, Dexia CLF Immo

Permanent representative of Dexia Crédit Local, member of the

Board of Directors, Floral

Member of the Board of Directors and CEO, Dexia Habitat

Permanent representative of Dexia Crédit Local, member of the

Board of Directors, Europrojet Développement (since April 2005)

Jean Le Naour

DEXIA CRÉDIT LOCAL – 7-11, QUAI ANDRÉ CITROËN – 75015 PARIS

Manager, CBX.IA 1 (since December 2005)

Manager, CBX.IA 2 (since December 2005)

Chairman and CEO, Compagnie pour le Foncier et l'Habitat

(since May 2005)

Chairman and CEO, Dexia CLF Immo (since May 2005)

Chairman and CEO, Europrojet Développement

(since April 2005)

Permanent representative of Dexia Crédit Local, member of the

Board of Directors, Dexia Flobail (since November 2005)

Permanent representative of Dexia Crédit Local, member

of the Board of Directors, Dexia Bail (since November 2005)

Jean-Luc Petitpont

DEXIA CRÉDIT LOCAL – 7-11, QUAI ANDRÉ CITROËN – 75015 PARIS

Member of the Board of Directors and Chief Executive Officer

(delegate), Dexia Finance

Pierre Homi Rahmani

DEXIA CRÉDIT LOCAL – 7-11, QUAI ANDRÉ CITROËN – 75015 PARIS

Chairman of the Board of Directors and CEO, Dexia Finance

Member of the Board of Directors, Floral

Vice Chairman of the Supervisory Board of Dexia

Hypothekbank Berlin

MEMBERS OF THE EXECUTIVE BOARD AND THEIR MEMBERSHIP IN OTHER BOARDS IN 2005

Chairman

Philippe Ducos

DEXIA CRÉDIT LOCAL – 7-11, QUAI ANDRÉ CITROËN – 75015 PARIS

Member of the Board of Directors, Dexia Finance

Member of the Board of Directors, Dexia Crediop

Member of the Board of Directors, SISL

Member of the Supervisory Board, Dexia Hypothekbank Berlin

Member of the Supervisory Board, Dexia Kommunalkredit Bank

A.G. (since March 2005)

Member of the Supervisory Board, Kommunalkredit Austria

(since May 2005)

Member of the Supervisory Board, Autoroutes du Sud de la France (ASF)

Members

Jean Claude Synave

Chief Executive Officer

DEXIA CRÉDIT LOCAL – 7-11, QUAI ANDRÉ CITROËN – 75015 PARIS

Sylvie Vade

Chief Executive Officer

DEXIA CRÉDIT LOCAL – 7-11, QUAI ANDRÉ CITROËN – 75015 PARIS

Gilles Laurent

DEXIA CRÉDIT LOCAL – 7-11, QUAI ANDRÉ CITROËN – 75015 PARIS

Member of the Board of Directors, Dexia Sabadell Banco Local

COMPENSATION OF COMPANY OFFICERS

Dexia Municipal Agency pays no compensation to Company officers, all of whom are salaried employees of the Dexia Group and who exercise their mandate with no specific compensation.

AUDITORS

The auditors of Dexia Municipal Agency and their alternates (re-appointed by the Ordinary and Extraordinary Shareholders' Meeting of March 24, 2005, for a term of six years) are:

MAZARS ET GUÉRARD

Le Vinci - 4, allée de l'Arche
92075 Paris La Défense Cedex

represented by

Guillaume Potel, Partner, and Anne Veaute, Partner

Alternate: Pierre Masieri

CADERAS MARTIN

76, rue de Monceau, 75008 Paris

represented by

Daniel Butelot, Partner, and Olivier Avril, Partner

Alternate: François Martin

SPECIFIC CONTROLLERS

FIDUS

12, rue de Ponthieu, 75008 Paris
represented by Christian Comerman

Alternate:

Groupement d'Expertise de France
10, rue de la Grange Batellière, 75009 Paris
represented by François Dumenil

FINANCIAL STATEMENTS

Statutory auditors' report

(Free translation of the French language original)

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

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

To the shareholders,

In compliance with the assignment entrusted to us by your shareholders' annual general meeting, we hereby report to you, for the year ended December 31, 2005, on:

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

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

I • OPINION ON THE FINANCIAL STATEMENTS

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

In our opinion, the financial statements present fairly, in all material respects, the financial position of Dexia Municipal Agency as of December 31, 2005, and the results of its operations for the year then ended in accordance with the accounting rules and principles applicable in France.

Without qualifying our opinion, we draw your attention to the matters discussed in the notes to the financial statements, relating to the changes in accounting treatments introduced in 2005:

- the change in accounting policy resulting from the application as of January 1, 2005, of the requirements of regulation CRC n° 2002-03 relating to the recognition at discounted value of provisions covering expected losses on non-performing loans and compromised non-performing loans, presented in the note on "Significant Accounting Policies";
- the change in accounting policy resulting from the application as of January 1, 2005, of the requirements of regulation CRC n° 2005-04 relating to synthetic financial statements, presented in the note on "Significant Accounting Policies";
- the change in the tax treatment of early loan repayment penalties and swap cancellation equalization payments leading to a prospective change in accounting treatment as of January 1, 2005, presented in the note on "Main events since January 1, 2005" – "Client loans" – "Derivative transactions".

II • JUSTIFICATION OF ASSESSMENTS

In accordance with the requirements of article L. 823-9 of the Commercial code, relating to the justification of our assessments, we bring to your attention the following matters:

Accounting changes

Within the framework of our assessment of the accounting rules and principles applied by your company, we verified the reasonable character of the above-mentioned accounting changes as well as of their presentation.

Accounting estimates

As mentioned in the note on "Client loans", in the notes to the financial statements, your company allocated provisions to cover the credit risks inherent in its activities.

Within the framework of our assessment of these estimates, we examined control procedures related to credit risk management, the appreciation of the risk of non-recovery and the coverage of such risk by specific provisions.

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

III • SPECIFIC VERIFICATIONS AND INFORMATION

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

We have no matters to report regarding the fair presentation and the conformity with the financial statements of the information given in the Management Report of the Executive Board, and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

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

Paris, March 20, 2006

The statutory auditors

CADERAS MARTIN

Daniel Butelot
Partner

Olivier Avril
Partner

MAZARS & GUERARD

Guillaume Potel
Partner

Anne Veaute
Partner

Assets as of December 31, 2005

| EUR thousands | Notes | 12/31/2003 | 12/31/2004 | 12/31/2005 |
|---|------------|-------------------|-------------------|-------------------|
| Cash, central banks and postal checking accounts | 2.1 | 20,116 | 18,460 | 540 |
| Government and public entity securities eligible for central bank refinancing | 2.2 | 2,046,562 | 1,156,323 | 1,490,677 |
| Interbank loans and advances | | 966,430 | 1,097,935 | 1,328,547 |
| A . Interbank loans - Sight | 2.3 | 45 | 45 | 8,151 |
| B . Accrued interest - Sight | | - | - | - |
| C . Interbank loans - Time | 2.4 | 956,942 | 1,086,717 | 1,305,683 |
| D . Accrued interest - Time | 2.4 | 9,443 | 11,173 | 14,713 |
| Client loans | 2.5 | 34,377,548 | 37,307,566 | 40,690,898 |
| A . Client loans | | 33,789,700 | 36,720,815 | 40,044,429 |
| B . Accrued interest | | 587,848 | 586,751 | 646,469 |
| Bonds and other fixed income securities | 2.6 | 2,048,628 | 5,141,611 | 7,865,498 |
| Equities and other variable income securities | | - | - | - |
| Investments in non-consolidated companies and other long-term investments | | - | - | - |
| Investments in consolidated companies | | - | - | - |
| Intangible assets | | - | - | - |
| Property and equipment | | - | - | - |
| Unpaid capital | | - | - | - |
| Treasury stock | | - | - | - |
| Other assets | | 5 | 16 | 19 |
| Accruals and other assets | 2.7 | 1,740,045 | 1,840,971 | 2,017,518 |
| Total assets | 2.8 | 41,199,334 | 46,562,882 | 53,393,697 |

Liabilities as of December 31, 2005

| EUR thousands | Notes | 12/31/2003 | 12/31/2004 | 12/31/2005 |
|---|------------|-------------------|-------------------|-------------------|
| Interbank loans | 3.1 | 6,932,143 | 5,585,214 | 7,050,157 |
| Client deposits | | - | - | - |
| Debt securities | | 30,724,302 | 36,921,393 | 42,618,678 |
| A . Debt securities | 3.2 | 29,904,452 | 36,048,331 | 41,741,102 |
| B . Accrued interest | 3.2 | 819,850 | 873,062 | 877,576 |
| Other liabilities | 3.3 | 58,822 | 270,928 | 191,039 |
| Accruals and other liabilities | 3.4 | 2,887,764 | 3,078,293 | 2,732,620 |
| Reserves for provisions and deferred taxes | | 4,625 | - | - |
| Subordinated debt | | - | - | - |
| General banking risks reserve | | - | - | - |
| Shareholders' equity excluding general banking risks reserve | | 591,678 | 707,054 | 801,203 |
| Capital stock | 3.6 | 450,000 | 620,000 | 680,000 |
| Reserves and retained earnings | 3.6 | 83,824 | 11,287 | 10,144 |
| Regulated provisions | 3.5 | 10,390 | 14,911 | 22,112 |
| Net income | 3.6 | 47,464 | 60,856 | 88,947 |
| TOTAL LIABILITIES | 3.7 | 41,199,334 | 46,562,882 | 53,393,697 |

Off-balance sheet items as of December 31, 2005

| EUR thousands | Notes | 12/31/2003 | 12/31/2004 | 12/31/2005 |
|--|------------|------------------|------------------|------------------|
| Commitments granted | 4.1 | 2,366,340 | 2,806,789 | 3,108,130 |
| Financing commitments | | 2,366,340 | 2,806,789 | 3,108,130 |
| Commitment received | 4.2 | 5,031,351 | 7,141,438 | 8,563,516 |
| Financing commitments | | 2,236,346 | 4,156,650 | 4,990,250 |
| Guarantees received | | 2,795,005 | 2,984,788 | 3,573,266 |
| Foreign currency transactions | 4.3 | 18,775,241 | 22,655,870 | 29,986,595 |
| Interest rate derivatives | 4.4 | 103,196,170 | 117,914,297 | 138,615,665 |
| Other commitments received | | - | - | - |
| Commitments related to securities transactions | 4.5 | 23,000 | 1,000,000 | - |

Statement of income as of December 31, 2005

| EUR thousands | Notes | 12/31/2003 | 12/31/2004 | 12/31/2005 |
|--|-------|--------------------|--------------------|--------------------|
| Interest income | | 2,525,062 | 2,567,985 | 2,957,951 |
| A. From interbank transactions | | 22,447 | 24,691 | 30,619 |
| B. From transactions with clients | | 1,241,475 | 1,234,351 | 1,356,429 |
| C. From bonds and other fixed income securities | | 77,559 | 114,888 | 176,727 |
| D. From macro-hedge transactions | | 1,183,581 | 1,194,055 | 1,394,176 |
| Interest expense | | (2 382,560) | (2,414,022) | (2,744,939) |
| A. On interbank transactions | | (169,192) | (150,628) | (136,503) |
| B. On bonds and other fixed income securities | | (718,761) | (745,418) | (883,434) |
| C. On macro-hedge transactions | | (1,494,607) | (1,517,976) | (1,725,002) |
| Income from variable income securities | | - | - | - |
| A. Equities and other variable income securities | | - | - | - |
| B. Long-term investments | | - | - | - |
| Commission income | | 4 | 6 | 13 |
| Commission expense | | (1,568) | (1,970) | (2,561) |
| Income from financial transactions | | (15) | (6) | (15) |
| Other banking income | | 53 | 10 | 12 |
| Other banking expense | | (19) | (20) | (14) |
| NET BANKING INCOME | | 140,957 | 151,983 | 210,447 |
| General operating expense | 5.1 | (55,995) | (61,200) | (66,413) |
| A. Staff costs | | - | - | - |
| 1. Payroll expense | | - | - | - |
| 2. Social contributions | | - | - | - |
| B. Other general operating expense | | (55,995) | (61,200) | (66,413) |
| 1. Taxes | | (2,864) | (3,093) | (4,217) |
| 2. Other general operating expense | | (53,131) | (58,107) | (62,196) |
| C. Network commissions | | - | - | - |
| Depreciation and amortization | | - | - | - |
| OPERATING INCOME BEFORE COST OF RISK | | 84,962 | 90,783 | 144,034 |
| Cost of risk | | (763) | 976 | 1 |
| INCOME FROM OPERATIONS | | 84,199 | 91,759 | 144,035 |
| Income (loss) on fixed assets | | - | - | - |
| INCOME BEFORE NON-RECURRING ITEMS AND TAXES | | 84,199 | 91,759 | 144,035 |
| Non-recurring income | | - | - | - |
| Non recurring expense | | - | - | - |
| Corporate income tax | | (33,250) | (26,382) | (47,887) |
| A. Current taxes | | (28,625) | (31,007) | (47,887) |
| B. Deferred taxes | | - | - | - |
| C. Provisions | | (4,625) | 4,625 | - |
| Net allocation to general banking risks reserve and regulated provisions | | (3,485) | (4,521) | (7,201) |
| NET INCOME | | 47,464 | 60,856 | 88,947 |

Notes to the financial statements

MAIN EVENTS SINCE JANUARY 1, 2005

Following a tax audit conducted by French tax authorities in 2003, Dexia Municipal Agency was informed in November 2004 that the treatment used to amortize early loan repayment penalties and swap cancellation equalization payments was not in question in the accounting years ended prior to January 1, 2005. Consequently, early loan repayment penalties and swap cancellation equalization payments recorded as of December 31, 2004, continue to be amortized according to the original schedule. Conversely, the tax authority specified that the tax treatment of early loan repayment penalties and swap cancellation equalization payments be modified for operations cancelled as of January 1, 2005. The accounting treatment was adapted as of this date to conform to the tax treatment. This new treatment is explained in the notes to the financial statements.

As a result of this change in tax policy, inducing a prospective change in accounting, as of January 1, 2005, net banking income totaled EUR 210.4 million on December 31, 2005, compared with about EUR 176 million on a constant tax and accounting basis.

I • SIGNIFICANT ACCOUNTING POLICIES

Accounting principles

Dexia Municipal Agency prepares its financial statements in conformity with CRC regulations n° 99-04 and n° 00-03.

The balance sheet and statement of income as of December 31, 2005, were drawn up using the same accounting principles and valuation methods as those used in the balance sheet and statement of income as of December 31, 2004, except for the following accounting treatments:

- the change in the tax treatment relating to amortization of early loan repayment penalties and of swap cancellation equalization payments resulting in a prospective change in accounting treatment as of January 1, 2005, as already mentioned, (see also below: clients loans - derivative transactions);
- regulation CRC n° 2005-04, modifying regulation CRC n° 2000-03 relating to synthetic financial statements was applied to Dexia Municipal Agency. This regulation notably introduces a change in terminology (replacing the word “provisions” on asset items by “depreciation” and “provisions for risk and charges” by “provision”);
- regulation CRC n° 2002-03 (article 13) relating to credit risk accounting treatment, stipulates a provisioning at net present value for expected losses on non performing loans

and compromised non performing loans. Considering the amount of non performing loans and the related provisions, a net value calculation of these provisions would not have been material in Dexia Municipal Agency accounts as of December 31, 2005.

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

- ongoing concern principle,
- cut-off principles,
- consistency of methods,
- prudence.

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

Client loans

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

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

Dexia Municipal Agency applies CRC regulation 2002-03, in effect as of January 1, 2003, for companies overseen by the CRBF. This regulation stipulates that a loan is considered as non-performing when it presents one of the following characteristics:

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

In addition, this regulation introduces a new category of bad debt: compromised non-performing loans. Loans unpaid for more than one year are recorded in this category. This regulation also requires the identification of outstanding loans that have been restructured under non-market conditions; Dexia Municipal Agency had no outstanding loans in this category as of December 31, 2005.

The rate of depreciation applied to bad debt is proportional to the risk involved. The amount of interest is depreciated for 100% in compliance with current banking practice. Because of

the low risk of loss in the local government sector, the depreciation allotted covers generally 3% of the capital.

Commission received is recorded as income in the statement of income.

Early loan repayment penalties recorded up to December 31, 2004, continue to be amortized, on a tax and accounting basis, over the residual life of the repaid loans, in function of the amount of interest that would have been paid on these loans. The remaining penalties to be spread over time are recorded in accruals and other liabilities.

As of January 1, 2005, early loan repayment penalties received or refinanced with the loan principal are recorded as income in the statement of income at the date they occur.

Securities transactions

The securities held by Dexia Municipal Agency are recorded in the assets as:

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

They are recognized for accounting purposes as:

- investment securities;
- securities available for sale for certain securities considered as replacement assets.

The item "Government and public entity securities eligible for central bank refinancing" includes securities issued by public sector entities that may be refinanced through the European system of central banks (*).

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

- securities issued by public sector entities that are not eligible for refinancing by central banks;
- securities guaranteed by public sector entities;
- ABS issued by securitization structures for Italian public sector, Colombo S.r.l. and Astrea S.r.l., and securities issued by an Austrian securitization structure, Blue Danube Loan Funding GmbH, guaranteed by the Land of Lower Austria;
- securities issued by subsidiaries of the Dexia Credit Local group for Dexia Municipal Agency, in order to facilitate asset transfers and refinancing. As of December 31, 2005, there were three categories of such securities:
 - securities issued by Dexia Sabadell Banco Local, the Spanish subsidiary of Dexia Credit Local; these securities were issued in the form of *Cedulas Territoriales*;
 - securities issued by DCC - Dexia Crediop per la Cartolarizzazione S.r.l., the securitization vehicle of Dexia

Crediop, the Italian subsidiary of Dexia Credit Local. This securitization vehicle is solely dedicated to the refinancing of Italian public sector assets by Dexia Municipal Agency. In addition, the securities it issues for Dexia Municipal Agency benefit from a total guarantee by Dexia Crediop (see below 2.6). The DCC securitization vehicle was introduced in the second quarter of 2004 with the issue for Dexia Municipal Agency of EUR 1.1 billion in securities representing the Italian public sector assets held by the vehicle. In 2005, DCC issued for Dexia Municipal Agency a second security in the amount of EUR 1 billion.

- a *Pfandbrief*, issued by Dexia Hypothekbank Berlin AG, a subsidiary of Dexia Credit Local; Dexia Hypothekbank Berlin AG, (now named Dexia Kommunalbank Deutschland AG) is specialized in refinancing the public sector, primarily in Germany.

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

At the end of the accounting period, unrealized gains are not recorded and no depreciation is recorded except in the following cases:

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

Securities accounted for as securities available for sale are secure and liquid assets (in the sense of the replacement asset referred to in article L. 515-17 of the Monetary and Financial Code and decree n° 99-710 of August 3, 1999), i.e. eligible for refinancing through the European central bank system, as well as commitments of less than one year on credit institutions. The percentage of these secure and liquid assets may not exceed 20% of the company's total assets.

Securities available for sale are recorded on the date of purchase at acquisition clean price excluding fees. Interest accrued at the date of acquisition is recorded in a separate account. The positive or negative difference between the redemption value and the acquisition cost (discount or premium) is amortized on an actuarial basis over the residual life of the security.

At closing, in application of the principle of prudence, securities available for sale are recognized at their acquisition cost or their market value at closing, if the latter is less, after accounting, if required, for the value of the micro-hedge swap. When the decrease in the value of the security exceeds the unrealized gain

(*) Note should be made of the fact that as of December 31, 2003, this item also included securities eligible for refinancing by the central bank that were guaranteed by a public sector entity or covered by public sector commitments. In previous years, all these securities were recorded under the heading "Bonds and other fixed income securities".

on the micro-hedge, the decrease in net value is recorded as asset depreciation.

In the event of the disposal of securities available for sale, the capital gain or loss on the sale is determined by applying the FIFO rule.

Debt securities

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

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

These debt securities are recorded at face value.

Redemption and issuance premiums are amortized on a straight line basis over the life of the securities *prorata temporis*. They are recorded on the balance sheet under the same headings as the corresponding outstanding debt. Amortization of these premiums is recorded in the statement of income as "Interest expense on bonds and other fixed income securities". In the event bonds are issued above par, amortization of issuance premiums is deducted from interest expense on bonds and other fixed income securities.

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

Bond issuance costs and commissions are amortized on a straight line basis over the life of the related debt.

Bonds denominated in foreign currencies are treated as foreign currency transactions (see below).

Derivative transactions

Dexia Municipal Agency concludes derivative transactions in order to hedge against the interest rate and foreign exchange risks to which it is exposed in its activity.

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

Pursuant to article L. 515-18 of the Monetary and Financial Code, these transactions benefit from the Privilege defined in article L. 515-19 of the Monetary and Financial Code provided that their purpose is to hedge the assets or debt benefiting from the Privilege and the total risk on the assets, liabilities and off-balance sheet items.

The law stipulates that hedging transactions do not benefit from

the Privilege when related to sources of financing which do not themselves benefit from the Privilege. For Dexia Municipal Agency, this is the debt borrowed from Dexia Credit Local. This source of financing does not benefit from the Privilege and is not hedged (see note 3.1).

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

Micro-hedge transactions

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

Expense and income on these transactions are recorded in the statement of income in the same way income and expense on the hedged item or set of homogeneous items are recorded.

In the event of early repayment (or eventually the sale) of the hedged item, the cancellation equalization payment received or made because of the early interruption of the hedging instrument is recorded in the following manner, if the hedging instrument has been cancelled:

- before January 1, 2005, the equalization payment is extended over the length of the cancelled transaction;
- as of January 1, 2005, the equalization payment is recorded in the statement of income in the period of cancellation; however, the equalization payment paid by Dexia Municipal Agency is charged against income only for the portion that exceeds gains not yet recorded in income on the symmetric position.

In both cases, equalization payments remaining to be extended are accrued in assets and/or liabilities.

Macro-hedge transactions

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

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

Expense and income on these transactions are recorded in the statement of income *prorata temporis* respectively as Interest expense on macro-hedging transactions and Interest income

from macro-hedging transactions. The contra entry is recorded in accruals until the date of payment of the funds.

If an early repayment transaction leads to the cancellation of macro-hedge swaps, the swap cancellation equalization payment is treated in the following way if the cancellation has taken place:

- before January 1, 2005, the equalization payment is extended over the length of the cancelled transaction (equalization payments remaining to be extended are recorded in accruals in the assets and/or liabilities);
- as of January 1, 2005, the equalization payment is recorded in the statement of income at cancellation.

Foreign currency transactions

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

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

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

Foreign exchange transactions

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

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

Non-recurring income and expense

Non-recurring income and expense result from events or transactions that do not relate to ordinary business operations or routine management of the company's assets and liabilities. Furthermore, the income or expense involved does not depend on decisions taken within the framework of usual management of the company's activities or assets, but results from external events of a completely exceptional nature. Only items of this nature that have a significant impact on the period's net income are recorded as non-recurring income and expense.

Tax consolidation

Dexia Municipal Agency applies the tax consolidation system. Dexia Municipal Agency and its parent company Dexia Credit Local are lodged in a tax consolidation structure. As of January 1, 2002, the consolidating company is Dexia SA permanent establishment in France.

This entity pays the total tax owed by the companies in the tax group and the minimum corporate income tax payment for the group. Dexia Municipal Agency records in its accounts the amount of tax for which it would be liable if it were not a member of the tax group.

Tax savings realized by the tax group are recorded in the accounts of Dexia SA permanent establishment in France.

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

Dexia Credit Local
7-11 quai André Citroën
75015 Paris

II • NOTES TO THE ASSETS (millions of euros)

2.1 - Cash, central banks and postal checking accounts

| | Amount as of 12/31/2003 | Amount as of 12/31/2004 | Amount as of 12/31/2005 |
|--------------------|----------------------------|----------------------------|----------------------------|
| Mandatory reserves | 20.1 | 18.5 | 0.5 |
| TOTAL | 20.1 | 18.5 | 0.5 |

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

a. *Accrued interest included in this item: 13.0*

b. *Analysis by residual maturity excluding accrued interest*

| Less than 3 months | 3 month to 1 year | 1 year to 5 years | More than 5 years | Total |
|--------------------|-------------------|-------------------|-------------------|---------|
| - | - | 90.6 | 1,387.1 | 1,477.7 |

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

| | Amount as of 12/31/2005 |
|-------------------|----------------------------|
| Listed securities | 1,204.2 |
| Other securities | 273.5 |
| TOTAL | 1,477.7 |

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

| Portfolio (1) | Amount as of 12/31/2003 | Gross amount au 12/31/2004 | Increases | Decreases | Other changes (2) | Amount as of 12/31/2005 |
|---------------|----------------------------|-------------------------------|-----------|-----------|----------------------|----------------------------|
| TS | - | - | - | - | - | - |
| SAS | - | - | 226.5 | - | - | 226.5 |
| IS | 2,031.0 | 1,143.1 | 75.0 | (126.4) | 159.5 | 1,251.2 |
| | 2,031.0 | 1,143.1 | 301.5 | (126.4) | 159.5 | 1,477.7 |

(1) Portfolio : TS : Trading securities
SAS : Securities available for sale
IS : Investment securities

(2) 159.5 : City of Turin securities classed in "Bonds and other fixed revenue securities" as of December 31,2004.

2.3 - Sight inter-bank loans

| | Amount as of 12/31/2003 | Amount as of 12/31/2004 | Amount as of 12/31/2005 |
|---|----------------------------|----------------------------|----------------------------|
| Balance of current account | - | - | - |
| Accrued interest not yet due on the current account | - | - | - |
| Unallocated sums | - | - | 8.2 |
| TOTAL | - | - | 8.2 |

2.4 - Time inter-bank loans

This item is composed of loans to Swiss cantonal banks for an amount of EUR 1,219.4 million (excluding accrued interest), which benefit from a legal guarantee of their cantons. The remainder is comprised of loans to French banks guaranteed by a local government or the French State.

a. Accrued interest included in this item: 14.7

b. Analysis by residual maturity excluding accrued interest

| Less than 3 months | 3 months to 1 year | 1 year to 5 years | More than 5 years | Total |
|--------------------|--------------------|-------------------|-------------------|---------|
| 11.1 | 52.3 | 992.5 | 249.8 | 1,305.7 |

c. Analysis by initial maturity excluding accrued interest

| | Net amount as of 12/31/2003 | Net amount as of 12/31/2004 | Gross amount as of 12/31/2005 | Decrease in value as of 12/31/2005 | Net amount as of 12/31/2005 |
|---------------------------------|--------------------------------|--------------------------------|----------------------------------|--|--------------------------------|
| Commitments of less than 1 year | - | - | - | - | - |
| Commitments of more than 1 year | 956.9 | 1,086.7 | 1,305.7 | - | 1,305.7 |
| TOTAL | 956.9 | 1,086.7 | 1,305.7 | - | 1,305.7 |

2.5 - Client loans

a. Accrued interest included in this item: 646.5

b. Analysis by residual maturity excluding accrued interest

| Less than 3 months | 3 months to 1 year | 1 year to 5 years | More than 5 years | Total |
|--------------------|--------------------|-------------------|-------------------|----------|
| 1,029.3 | 2,707.1 | 12,240.7 | 24,067.8 | 40,044.9 |

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

| Economic sector | Amount as of 12/31/2003 | Amount as of 12/31/2004 | Amount as of 12/31/2005 |
|------------------|----------------------------|----------------------------|----------------------------|
| Public sector | 32,424.0 | 35,146.8 | 38,269.2 |
| Other sector (1) | 1,365.7 | 1,574.5 | 1,775.7 |
| TOTAL | 33,789.7 | 36,721.3 | 40,044.9 |

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

d. Analysis by initial maturity excluding accrued interest

| | Net amount as of 12/31/2003 | Net amount as of 12/31/2004 | Gross amount as of 12/31/2005 (1) | Decrease in value as of 12/31/2005 | Net amount as of 12/31/2005 |
|---------------------------------|--------------------------------|--------------------------------|---|--|--------------------------------|
| Commitments of less than 1 year | 1.1 | - | - | - | - |
| Commitments of more than 1 year | 33,788.6 | 36,720.8 | 40,044.9 | (0.5) | 40,044.4 |
| TOTAL | 33,789.7 | 36,720.8 | 40,044.9 | (0.5) | 40,044.4 |

(1) Including:

- non-performing client loans: EUR 1.6 million
- compromised non-performing loans: EUR 2.9 million

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

| | Amount as of 12/31/2003 | Amount as of 12/31/2004 | Amount as of 12/31/2005 |
|-------------------|----------------------------|----------------------------|----------------------------|
| Listed securities | 69.0 | 1,729.4 | 3,646.3 |
| Other securities | 1,951.1 | 3,365.9 | 4,151.3 |
| TOTAL | 2,020.1 | 5,095.3 | 7,797.6 |

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

| Portfolio (1) | Amount as of 12/31/2003 | Gross amount as of 12/31/2004 | Increases | Decreases | Change in value | Other changes as of 12/31/2005 (2) | Amount as of 12/31/2005 |
|---------------|----------------------------|----------------------------------|----------------|----------------|--------------------|--|-------------------------------|
| TS | - | - | - | - | - | - | - |
| SAS | - | - | - | - | - | - | - |
| IS | 2,020.1 | 5,095.3 | 2,933.3 | (128.3) | 56.8 | (159.5) | 7,797.6 |
| | 2,020.1 | 5,095.3 | 2,933.3 | (128.3) | 56.8 | (159.5) | 7,797.6 |

(1) Portfolio : TS : Trading securities
SAS : Securities available for sale
IS : Investments securities

(2) See above 2.2 d

2.7 - Accruals and other assets

| | Amount as of 12/31/2003 | Amount as of 12/31/2004 | Amount as of 12/31/2005 |
|---|----------------------------|----------------------------|----------------------------|
| Deferred losses on hedging transactions | 210.7 | 148.6 | 256.0 |
| Deferred charges on bond issues | 65.1 | 72.0 | 65.5 |
| Deferred charges on hedging transactions | 5.0 | 127.7 | 157.1 |
| Premium on acquisition of loans from Dexia Credit Local in France | 312.8 | 229.4 | 166.3 |
| Premium on acquisition of loans other than from Dexia Credit Local in France | 33.8 | 26.5 | 24.3 |
| Other prepaid charges | 0.3 | 0.3 | 0.3 |
| Accrued interest not yet due on hedging transactions | 1,112.3 | 1,236.5 | 1,347.5 |
| Translation adjustments | - | - | - |
| Other accrued income | - | - | - |
| Other accruals | - | - | 0.5 |
| TOTAL | 1,740.0 | 1,841.0 | 2,017.5 |

2.8 - Total assets

| Analysis by original currency | Amount in original currency as of 12/31/2005 | Amount in euros as of 12/31/2005 |
|-------------------------------|---|-------------------------------------|
| Assets in EUR | 42,606.8 | 42,606.8 |
| Assets in AUD | 1,957.9 | 1,215.1 |
| Assets in CAD | 354.9 | 258.5 |
| Assets in CHF | 2,664.4 | 1,714.5 |
| Assets in DKK | 1,259.8 | 168.9 |
| Assets in GBP | 1,186.0 | 1,730.9 |
| Assets in HUF | 13,089.6 | 51.8 |
| Assets in HKD | 1,056.6 | 115.6 |
| Assets in JPY | 110,114.6 | 793.0 |
| Assets in NZD | 566.0 | 327.8 |
| Assets in SEK | 54.8 | 5.9 |
| Assets in SKK | 613.5 | 16.2 |
| Assets in USD | 5,132.9 | 4,353.8 |
| Assets in ZAR | 260.5 | 34.9 |
| TOTAL | | 53,393.7 |

III • NOTES TO THE LIABILITIES (millions of euros)

3.1 - Inter-bank loans

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

Sub-accounts make it possible to distinguish within the master-account among types of financing (over-collateralization, stock of assets prior to issuance and other). The master-account totaled EUR 7,039.2 million, broken down as follows (excluding accrued interest):

- the current account, in EONIA, with no defined maturity, financing assets not yet included in the issue program and miscellaneous needs with a balance of EUR 2,839.2 million;
- a sub-account financing assets prior to issuance of *obligations foncières*, on EONIA with maturity in 2007, reimbursable upon payment, with a balance of EUR 1,800 million;
- a sub-account including several loans intended to finance the structural over-collateralization of 5% (Dexia MA's policy is to maintain minimum structural over-collateralization of 105% of outstanding *obligations foncières*). These loans totaled EUR 2,000 million at the end of 2004; they were rearranged and increased to a total amount of EUR 2,400 million at the end of 2005. They are indexed on the annual money market rate.

The current account agreement between Dexia Credit Local and Dexia Municipal Agency will exist as long as Dexia Municipal Agency is authorized to operate as a *société de crédit foncier* and acquires or grants loans to public sector entities.

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

| | Amount as of 12/31/2003 | Amount as of 12/31/2004 | Amount as of 12/31/2005 |
|---|----------------------------|----------------------------|----------------------------|
| Balance of current account | 1,382.2 | 2,061.1 | 2,839.2 |
| Accrued interest not yet due on the current account | 1.7 | 3.3 | 6.6 |
| Balance of the ancillary account - maturity 2005 | 3,700.0 | - | - |
| Balance of the ancillary account - maturity 2007 | - | 1,500.0 | 1,800.0 |
| Balance of the ancillary account - maturity 2009 | 1,800.0 | 1,100.0 | - |
| Balance of the ancillary account - maturity 2010 | - | - | 200.0 |
| Balance of the ancillary account - maturity 2011 | - | 200.0 | 200.0 |
| Balance of the ancillary account - maturity 2012 | - | 700.0 | 2,000.0 |
| Accrued interest not yet due on the ancillary account | 48.2 | 20.3 | 4.4 |
| Unallocated sums | - | 0.5 | - |
| TOTAL Dexia Credit Local | 6,932.1 | 5,585.2 | 7,050.2 |

a. Analysis by residual maturity excluding accrued interest

| | Less than 3 months | 3 months to 1 year | 1 year to 5 years | More than 5 years | Amount as of 12/31/2005 |
|-------|--------------------|-----------------------|----------------------|----------------------|----------------------------|
| Sight | - | - | - | 2,839.2 | 2,839.2 |
| Time | - | - | 2,000.0 | 2,200.0 | 4,200.0 |

3.2 - Debt securities

a. Accrued interest included in this item: 877.6

b. Analysis by residual maturity excluding accrued interest

| Type de titres | Less than 3 months | 3 months to 1 year | 1 year to 5 years | More than 5 years | Amount as of 12/31/2005 |
|-----------------------------------|--------------------|-----------------------|----------------------|----------------------|----------------------------|
| <i>Obligations foncières</i> | - | 4,542.2 | 17,575.3 | 19,623.6 | 41,741.1 |
| <i>Of which issuance premiums</i> | - | 0.30 | (15.4) | (52.4) | (67.5) |

c. Changes during the year excluding accrued interest

| Amount as of 12/31/2003 | Gross amount as of 12/31/2004 | Increases | Decreases | Translation adjustments | Decreases in value as of 12/31/2005 | Amount as of 12/31/2005 |
|----------------------------|----------------------------------|-----------|-----------|----------------------------|---|----------------------------|
| 29,904.5 | 36,048.3 | 9,630.6 | (4,510.3) | 572.5 | - | 41,741.1 |

3.3 - Other liabilities

| | Amount as of 12/31/2003 | Amount as of 12/31/2004 | Amount as of 12/31/2005 |
|---|----------------------------|----------------------------|----------------------------|
| Cash received as collateral | 50.3 | 266.5 | 176.0 |
| Accrued interest not yet due on cash received as collateral | - | 0.1 | - |
| Taxes | 8.5 | 4.3 | 15.1 |
| TOTAL | 58.8 | 270.9 | 191.1 |

3.4 - Accruals and other liabilities

| | Amount as of 12/31/2003 | Amount as of 12/31/2004 | Amount as of 12/31/2005 |
|---|----------------------------|----------------------------|----------------------------|
| Deferred gains on hedging transactions | 385.8 | 98.2 | 112.8 |
| Deferred income on hedging transactions | 6.8 | 366.8 | 514.5 |
| Deferred income on loans | 101.1 | 124.4 | 93.5 |
| Discounts on acquisition of loans other than Dexia Crédit Local in France | 145.1 | 123.2 | 104.1 |
| Discounts on acquisition of loans from Dexia Crédit Local in France | 100.9 | 96.2 | 91.6 |
| Accrued interest not yet due on hedging transactions | 833.2 | 931.0 | 1,107.3 |
| Other accrued charges | 15.4 | 16.4 | 17.4 |
| Translation adjustments | 1,293.8 | 1,321.3 | 690.6 |
| Other accruals | 5.7 | 0.8 | 0.8 |
| TOTAL | 2,887.8 | 3,078.3 | 2,732.6 |

3.5 - Regulated provisions

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

| Gross amount as of 12/31/2003 | Gross amount as of 12/31/2004 | Increases | Decreases | Gross amount as of 12/31/2005 |
|----------------------------------|----------------------------------|-----------|-----------|----------------------------------|
| 10.4 | 14.9 | 7.2 | - | 22.1 |

3.6 - Equity

| | Amount as of 12/31/2003 | Amount as of 12/31/2004 | Amount as of 12/31/2005 |
|-------------------------|----------------------------|----------------------------|----------------------------|
| Capital stock | 450.0 | 620.0 | 680,0 |
| Legal reserve | 4.4 | 6.7 | 9,7 |
| Retained earnings (+/-) | 79.5 | 4.5 | 0,4 |
| Net income (+/-) | 47.5 | 60.9 | 88,9 |
| TOTAL | 581.4 | 692.1 | 779,0 |

On March 31, 2005, the Shareholders' Meeting, both ordinary and extraordinary, decided:

- after having registered distributable income of EUR 62.3 million to distribute a dividend of EUR 62 million;
- to increase the capital in cash by EUR 60 million. This capital increase was subscribed by Dexia Credit Local on March 31, 2005.

3.7 - Total liabilities

| Analysis by original currency | Amount in original currency as of 12/31/2005 | Amount in euros as of 12/31/2005 |
|-------------------------------|---|-------------------------------------|
| Liabilities in EUR | 42,606.8 | 42,606.8 |
| Liabilities in AUD | 1,957.9 | 1,215.1 |
| Liabilities in CAD | 354.9 | 258.5 |
| Liabilities in CHF | 2,664.4 | 1,714.5 |
| Liabilities in DKK | 1,259.8 | 168.9 |
| Liabilities in GBP | 1,186.0 | 1,730.9 |
| Liabilities in HUF | 13,089.6 | 51.8 |
| Liabilities in HKD | 1,056.6 | 115.6 |
| Liabilities in JPY | 110,114.6 | 793.0 |
| Liabilities in NZD | 566.0 | 327.8 |
| Liabilities in SEK | 54.8 | 5.9 |
| Liabilities in SKK | 613.5 | 16.2 |
| Liabilities in USD | 5,132.9 | 4,353.8 |
| Liabilities in ZAR | 260.5 | 34.9 |
| TOTAL | | 53,393.7 |

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

4.1 - Commitments granted

| | Amount as of 12/31/2003 | Amount as of 12/31/2004 | Amount as of 12/31/2005 |
|--|----------------------------|----------------------------|----------------------------|
| Financing commitments granted to credit institutions | - | 7.4 | 8.9 |
| Financing commitments granted to clients (1) | 2,366.3 | 2,799.4 | 3,099.2 |
| TOTAL | 2,366.3 | 2,806.8 | 3,108.1 |

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

4.2 - Commitments received

| | Amount as of 12/31/2003 | Amount as of 12/31/2004 | Amount as of 12/31/2005 |
|---|----------------------------|----------------------------|----------------------------|
| Financing commitments received from credit institutions (1) | 2,236.4 | 4,156.7 | 4,982.3 |
| Currency borrowed | - | - | 7.9 |
| Guarantees received from credit institutions | 25.0 | 18.4 | 14.1 |
| Guarantees received from local governments | 2,770.0 | 2,966.4 | 3,559.2 |
| TOTAL | 5,031.4 | 7,141.5 | 8,563.5 |

(1) Including EUR 4,832.3 million in refinancing agreements from Dexia Credit Local for *obligations foncières* of less than one year maturity as of December 31, 2005.

4.3 - Foreign currency transactions

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

The items "Currencies to receive" and "Currencies to deliver" are composed of long currency swaps with intermediate payment flows corresponding to hedging transactions.

| | Amount as of 12/31/2003 | Amount as of 12/31/2004 | Amount as of 12/31/2005 | Fair value as of 12/31/2005 |
|-----------------------|----------------------------|----------------------------|----------------------------|--------------------------------|
| Currencies to receive | 8,740.9 | 10,006.7 | 14,302.8 | (273.6) |
| Currencies to deliver | 10,034.3 | 11,327.9 | 14,993.3 | 55.1 |
| TOTAL | 18,775.2 | 21,334.6 | 29,296.1 | (218.5) |

4.4 - Interest rate derivatives

Commitments on interest rate derivatives are recorded at the face value mentioned in the contracts in accordance with CRB regulations n° 88-02 and n° 90-15: the amounts related to unconditional operations are recorded at the contractual nominal value.

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

| Type of transaction | Amount as of 12/31/2003 | Amount as of 12/31/2004 | Less than 1 year (1) | 1 year to 5 years (2) | More than 5 years (3) | Total as of 12/31/2005 |
|----------------------------|----------------------------|----------------------------|-------------------------|--------------------------|--------------------------|---------------------------|
| Unconditional transactions | 103,196.2 | 117,914.3 | 68,906.2 | 22,602.0 | 47,117.6 | 138,625.8 |

(1) of which deferred start: 13,410.3

(2) of which deferred start: 933.2

(3) of which deferred start: 6,608.7

Total: 20,952.2

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

b. Analysis of interest rate swap transactions

| | Amount as of 12/31/2003 | Amount as of 12/31/2004 | Amount as of 12/31/2005 | Fair value as of 12/31/2005 |
|--------------|----------------------------|----------------------------|----------------------------|--------------------------------|
| Micro-hedge | 39,024.0 | 47,411.4 | 52,810.4 | 227.9 |
| Macro-hedge | 64,172.2 | 70,495.1 | 85,798.0 | (951.0) |
| TOTAL | 103,196.2 | 117,906.5 | 138,608.4 | (723.1) |

c. Analysis of interest rate transactions by product type

| | Amount as of 12/31/2003 | Amount as of 12/31/2004 | Amount as of 12/31/2005 |
|-------------------------|----------------------------|----------------------------|----------------------------|
| Interest rate swaps | 103,196.2 | 117,906.5 | 138,608.4 |
| Forward rate agreements | - | - | - |
| Interest rate options | - | 7.8 | 7.3 |
| TOTAL | 103,196.2 | 117,914.3 | 138,615.7 |

d - Analysis of interest rate transactions by counterparty

| | Amount as of 12/31/2003 | Amount as of 12/31/2004 | Amount as of 12/31/2005 |
|--|----------------------------|----------------------------|----------------------------|
| Parent and other Dexia Group companies | 67,332.1 | 74,324.3 | 88,931.9 |
| Counterparties with equity interests | - | - | - |
| Other counterparties | 35,864.1 | 43,590.0 | 49,683.8 |
| TOTAL | 103,196.2 | 117,914.3 | 138,615.7 |

e. Analysis of interest rate transactions by position management

| | Amount as of 12/31/2003 | Amount as of 12/31/2004 | Amount as of 12/31/2005 |
|---|----------------------------|----------------------------|----------------------------|
| Isolated open positions | - | - | - |
| Specialized portfolio management transactions | 103,196.2 | 117,914.3 | 138,615.7 |
| TOTAL | 103,196.2 | 117,914.3 | 138,615.7 |

4.5 - Commitments related to securities transactions

| | Amount as of 12/31/2003 | Amount as of 12/31/2004 | Amount as of 12/31/2005 |
|-----------------------|----------------------------|----------------------------|----------------------------|
| Securities purchased: | | | |
| Spot | 23.0 | 1,000.0 | - |
| Forward | - | - | - |
| TOTAL | 23.0 | 1,000.0 | - |

V • NOTES TO THE STATEMENT OF INCOME (millions of euros)**5.1 - General and Operating expenses**

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

In addition, specific management contracts grant different entities of the Dexia Group the management of loans and securities in their respective countries (Kommunalkredit Austria, Dexia Crediop, Dexia Public Finance Norden and Dexia Bank Belgium). These management costs are recorded as general expenses except for third-party commissions and fees related to the management of the securities portfolio billed by Dexia Crediop, which were included in "Commission expense" in the amount of EUR 1.9 million as of December 31, 2005.

General and Operating expenses can be broken down as follows:

| | Amount as of 12/31/2005 |
|--|-------------------------|
| Taxes | 4.2 |
| Other general and Operating expenses (1) | 62.2 |
| TOTAL | 66.4 |

(1) This item mainly includes the management commissions billed by Dexia Credit Local and other group companies to Dexia Municipal Agency under the management contracts they have signed, i.e. EUR 60.7 million.

Cash flow statement as of December 31, 2005
(euros)

| | 12/31/2005 |
|---|------------------------|
| Net income before taxes | 144,035,219 |
| +/- Amortisation and depreciation and other impairment on fixed and intangible assets | - |
| +/- Depreciation | (97,867) |
| +/- Expense/income from operating activities | 27,783,503 |
| +/- Expense/income from financing activities | (32,828,072) |
| +/- Other non cash items | 13,855,479 |
| = Non monetary element included in net income before tax and other adjustments | 8,713,043 |
| +/- Cash from interbank operations (Dexia Crédit Local) | 700,000,000 |
| +/- Cash from interbank operations (customer loans) | (227,613,098) |
| +/- Cash from customer operations (loans) | (3,345,906,276) |
| +/- Cash from financial assets or liabilities | (3,084,746,388) |
| - Income tax paid | (38,050,097) |
| = Increase/(decrease) in cash from operating activities | (5,996,315,859) |
| CASH FLOW FROM OPERATING ACTIVITIES (A) | (5,843,567,597) |
| +/- Cash from financing assets and long-term investments | - |
| +/- Cash from investment property | - |
| +/- Cash from property and intangible assets | - |
| CASH FLOW FROM INVESTING ACTIVITIES (B) | - |
| +/- Cash flow or for shareholders | (2,000,000) |
| +/- Other cash from financing activities | 5,049,476,633 |
| CASH FLOW FROM FINANCING ACTIVITIES (C) | 5,047,476,633 |
| EFFECT OF EXCHANGE RATES CHANGES ON CASH (D) | - |
| Net cash provided (A + B + C + D) | (796,090,964) |
| Cash flow from operating activities (A) | (5,843,567,597) |
| Cash flow from investing activities (B) | - |
| Cash flow from financing activities (C) | 5,047,476,633 |
| Effect of exchange rates on cash (D) | - |
| Cash and cash equivalents at the beginning of the period | (2,042,576,993) |
| Cash, central banks and postal checking accounts (assets & liabilities) | 18,459,838 |
| Interbank accounts (assets & liabilities) and loans borrowings at sight | (2,061,036,831) |
| Cash and cash equivalents at the end of the period | (2,838,667,957) |
| Cash, central banks and postal checking accounts (assets & liabilities) | 540,484 |
| Interbank accounts (assets & liabilities) and loans borrowings at sight | (2,839,208,441) |
| Net cash | (796,090,964) |

SUPPLEMENTAL DISCLOSURES

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

It is therefore subject to the regulations governing credit establishments.

In addition, *sociétés de crédit foncier* are governed by Book V, Title I, Chapter 5, Section 4 of the Monetary and Financial Code and by the decree 99-655 of July 29, 1999, issued in application of articles L. 515-13 and L. 515-21 of the Monetary and Financial Code and the decree n° 99-710 of August 3, 1999, issued in application of Title IV of the second part of the law of June 25, 1999. The above-mentioned articles were amended by:

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

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

- capital adequacy ratio,
- control of major risks.

On the other hand, the liquidity ratio, the equity and long-term funds ratio are calculated on the basis of data presented in the financial statements of Dexia Municipal Agency. In 2005, Dexia Municipal Agency had a monthly liquidity ratio of more than 100 %; as of December 31, 2005, it was 173%. The shareholders' equity and long-term funds ratio (*) stood at 67.75%.

Pursuant to article L. 515-20 of the Monetary and Financial Code and article 6 of CRB regulation 99-10 of July 27, 1999, Dexia Municipal Agency's total assets must always exceed liabilities benefiting from the Privilege referred to in article L. 515-19 of the Monetary and Financial Code. As of December 31, 2005, the coverage ratio was 117.15%.

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

Results for the last five years
(thousands of euros)

| | 2001 | 2002 | 2003 | 2004 | 2005 |
|--|-----------|-----------|-----------|-----------|-----------|
| Financial position | | | | | |
| - Capital stock | 400,000 | 450,000 | 450,000 | 620,000 | 680,000 |
| - Number of shares | 4,000,000 | 4,500,000 | 4,500,000 | 6,200,000 | 6,800,000 |
| Results of operations: | | | | | |
| - Revenues (2) | 927,830 | 1,095,918 | 1,051,535 | 1,066,479 | 1,234,255 |
| - Income before income tax, amortization and depreciation net of reversals | 42,458 | 65,838 | 84,962 | 90,041 | 143,937 |
| - Corporate income tax | 14,938 | 22,339 | 28,625 | 31,007 | 47,887 |
| - Income after income tax, amortization and depreciation net of reversals | 25,449 | 40,207 | 47,464 | 60,856 | 88,947 |
| - Exceptional distribution | - | - | - | 120,000 | - |
| - Dividend (1) | - | - | - | 62,000 | 84,320 |
| Results per share: | | | | | |
| - Revenues (2) | 231.96 | 243.54 | 233.67 | 172.01 | 181.51 |
| - Income before income tax, amortization and depreciation net of reversals | 6.88 | 9.67 | 12.52 | 9.52 | 14.13 |
| - Corporate income tax | 3.73 | 4.96 | 6.36 | 5.00 | 7.04 |
| - Income after income tax, amortization and depreciation net of reversals | 6.36 | 8.93 | 10.55 | 9.82 | 13.08 |
| - Exceptional distribution | - | - | - | 24.00 | - |
| - Dividend per share (1) | - | - | - | 10.00 | 12.40 |

(1) Proposed distribution

(2) Since December 31, 2002, the net result of macro-hedge is included in revenues. data for the previous year has been modified to reflect this policy. The previous year data before modification is the following:

| | 2001 |
|-------------------------------|-----------|
| Results of operations: | |
| Revenues | 1,019,526 |
| Results per share | |
| Revenue | 255 |

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

Coverage ratio

(millions of euros)

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

| Assets covering sources of funds benefiting from the Privilege (weighted amounts applying CRB regulation 99-10) | 12/31/2005 |
|--|-------------------|
| Securities | 6,633.8 |
| Receivables related to these securities | 64.0 |
| Other Class 1 assets | 1,321.0 |
| Loans to public sector entities | 40,044.4 |
| Receivables related to these loans | 646.5 |
| Share of mutual funds that meet the conditions of paragraphe 2, a of the appendix to regulation 99-10 | 2,279.0 |
| Class 3 accruals | 1,350.9 |
| Total assets | 52,339.6 |

| Sources of funds benefiting from the Privilege defined in article L. 512-19 of the Monetary and Financial Code (weighted amounts applying CRB regulation 99-10) | 12/31/2005 |
|--|-------------------|
| <i>Obligations foncières</i> | 41,808.7 |
| Liabilities related to these securities | 877.6 |
| Amount owed under the contract provided for in article L. 512-22 of the Monetary and Financial Code | 17.3 |
| Amount owed for financial futures benefiting from the Privilege defined in article L. 512-22 of the Monetary and Financial Code | 1,974.6 |
| Total liabilities | 44,678.2 |
| COVERAGE RATIO | 117.15% |

Auditor's fees in 2005

| Thousands of euros | 2004 | | | 2005 | | |
|---|-------------------|----------------|--------------|-------------------|----------------|--------------|
| | Mazars et Guérard | Caderas Martin | Total | Mazars et Guérard | Caderas Martin | Total |
| Audit services rendered | - | - | - | - | - | - |
| Audit, certification, examination of company financial statements | 98.0 | 62.0 | 160.0 | 87.5 | 87.5 | 175.0 |
| Other services rendered | - | - | - | - | - | - |
| Other services | - | - | - | - | - | - |
| Legal, tax, social issues | - | - | - | - | - | - |
| Internal audit | - | - | - | - | - | - |
| Other (to specify if >10% of audit fees) | - | - | - | - | - | - |
| Total | 98.0 | 62.0 | 160.0 | 87.5 | 87.5 | 175.0 |

List of bonds issued by Dexia Municipal Agency

| ISIN number | Currency | Nominal amount in the currency (units) | Nominal amount (Millions of euros) | Redemption value (*) | Final due | First call option date | Stock exchange date |
|-----------------|------------|--|------------------------------------|----------------------|-----------|------------------------|---------------------|
| AU0000DXAHA2 | AUD | 350,000,000 | 217 | 206 | 15-Oct-07 | | Sydney |
| AU0000DXAHB0 | AUD | 20,000,000 | 12 | 11 | 16-Jan-26 | | Sydney |
| AU0000DXAHC8 | AUD | 250,000,000 | 155 | 153 | 4-Feb-09 | | Sydney |
| AU0000DXAHD6 | AUD | 200,000,000 | 123 | 121 | 2-Apr-14 | | Sydney |
| AU0000DXAHE4 | AUD | 200,000,000 | 124 | 117 | 7-Feb-12 | | Sydney |
| AU0000DXAHD6 | AUD | 150,000,000 | 92 | 90 | 2-Apr-14 | | Sydney |
| XS0213323990 | AUD | 100,000,000 | 62 | 60 | 10-Sep-09 | | Luxembourg |
| AU0000DXAHC8 | AUD | 100,000,000 | 62 | 59 | 4-Feb-09 | | Sydney |
| AU0000DXAHG9 | AUD | 200,000,000 | 124 | 119 | 11-Apr-08 | | Sydney |
| AU0000DXAHD6 | AUD | 150,000,000 | 92 | 90 | 2-Apr-14 | | Sydney |
| AU0000DXAHH7 | AUD | 200,000,000 | 123 | 124 | 24-Aug-15 | | Sydney |
| SUBTOTAL | AUD | 1,920,000,000 | 1,187 | 1,151 | | | |
| XS0140768911 | CAD | 100,000,000 | 73 | 71 | 11-Dec-07 | | Luxembourg |
| XS0147584535 | CAD | 50,000,000 | 36 | 35 | 11-Dec-07 | | Luxembourg |
| FR0010172098 | CAD | 200,000,000 | 145 | 123 | 9-Mar-20 | | Luxembourg |
| SUBTOTAL | CAD | 350,000,000 | 255 | 229 | | | |
| CH0010431168 | CHF | 500,000,000 | 323 | 311 | 8-Mar-10 | | Zurich |
| CH0010431168 | CHF | 200,000,000 | 128 | 128 | 8-Mar-10 | | Zurich |
| CH0010855507 | CHF | 200,000,000 | 129 | 129 | 22-Dec-06 | | Zurich |
| CH0011029953 | CHF | 200,000,000 | 129 | 130 | 15-Aug-07 | | Zurich |
| CH0013160772 | CHF | 300,000,000 | 193 | 204 | 30-Nov-07 | | Zurich |
| CH0013160772 | CHF | 300,000,000 | 192 | 203 | 30-Nov-07 | | Zurich |
| CH0019454054 | CHF | 150,000,000 | 97 | 98 | 12-Oct-11 | | Zurich |
| CH0020643760 | CHF | 200,000,000 | 130 | 128 | 11-Mar-15 | | Zurich |
| CH0021644452 | CHF | 250,000,000 | 162 | 162 | 24-Jun-11 | | Zurich |
| CH0020643760 | CHF | 100,000,000 | 66 | 65 | 11-Mar-15 | | Zurich |
| CH0020643760 | CHF | 150,000,000 | 99 | 97 | 11-Mar-15 | | Zurich |
| SUBTOTAL | CHF | 2,550,000,000 | 1,647 | 1,654 | | | |
| FR0000473605 | DKK | 1,253,142,000 | 168 | 169 | 19-Mar-08 | | Luxembourg |
| SUBTOTAL | DKK | 1,253,142,000 | 168 | 169 | | | |
| FR0000483729 | EUR | 2,000,000,000 | 2,000 | 2,000 | 25-Apr-06 | | Several exchanges |
| FR0000499790 | EUR | 1,000,000,000 | 999 | 1,000 | 26-Apr-07 | | Luxembourg - Paris |
| FR0000497430 | EUR | 1,250,000,000 | 1,241 | 1,250 | 26-Apr-10 | | Several exchanges |
| FR0000497430 | EUR | 500,000,000 | 494 | 500 | 26-Apr-10 | | Several exchanges |
| FR0000497430 | EUR | 300,000,000 | 296 | 300 | 26-Apr-10 | | Several exchanges |
| FR0000480683 | EUR | 135,000,000 | 135 | 135 | 24-May-10 | | Paris |
| FR0000480675 | EUR | 200,000,000 | 200 | 200 | 17-May-12 | | Paris |
| FR0000481178 | EUR | 15,000,000 | 15 | 15 | 7-Jul-10 | | Paris |
| FR0000499030 | EUR | 30,000,000 | 30 | 30 | 23-Feb-15 | | Luxembourg |
| XS0122951899 | EUR | 250,000,000 | 253 | 250 | 21-Feb-11 | | Luxembourg |
| XS0122951899 | EUR | 240,000,000 | 242 | 240 | 21-Feb-11 | | Luxembourg |
| XS0124124016 | EUR | 250,000,000 | 251 | 250 | 27-Feb-09 | | Luxembourg |
| FR0000497430 | EUR | 250,000,000 | 251 | 250 | 26-Apr-10 | | Several exchanges |
| FR0000497430 | EUR | 700,000,000 | 708 | 700 | 26-Apr-10 | | Several exchanges |
| FR0000487290 | EUR | 2,000,000,000 | 1,998 | 2,000 | 12-Jan-07 | | Luxembourg - Paris |
| FR0000488132 | EUR | 750,000,000 | 737 | 750 | 6-Feb-17 | | Luxembourg - Paris |
| XS0124124016 | EUR | 240,000,000 | 243 | 240 | 27-Feb-09 | | Luxembourg |
| FR0000488835 | EUR | 30,000,000 | 30 | 30 | 12-Apr-12 | | Luxembourg |
| FR0000488884 | EUR | 15,000,000 | 15 | 15 | 7-May-12 | | Luxembourg |

(*) Value determined by the interest rate and currency swap contracted to hedge the bond issue.

| ISIN number | Currency | Nominal amount in the currency (units) | Nominal amount (Millions of euros) | Redemption value (*) | Final due | First call option date | Stock exchange date |
|--------------|----------|--|------------------------------------|----------------------|-----------|------------------------|---------------------|
| FR0000489395 | EUR | 30,000,000 | 30 | 30 | 29-May-14 | | Luxembourg |
| FR0000489411 | EUR | 30,000,000 | 30 | 30 | 30-May-14 | | Luxembourg |
| FR0000489296 | EUR | 1,000,000,000 | 996 | 1,000 | 25-Oct-12 | | Luxembourg - Paris |
| FR0000480071 | EUR | 15,000,000 | 15 | 15 | 5-Jul-12 | | Luxembourg |
| FR0000480055 | EUR | 30,000,000 | 30 | 30 | 16-Jul-12 | | Luxembourg |
| FR0000489890 | EUR | 13,000,000 | 13 | 13 | 30-Jun-14 | | Luxembourg |
| FR0000480329 | EUR | 300,000,000 | 300 | 300 | 9-Aug-17 | | Luxembourg |
| FR0000489296 | EUR | 250,000,000 | 258 | 250 | 25-Oct-12 | | Luxembourg - Paris |
| FR0000470049 | EUR | 1,000,000,000 | 998 | 1,000 | 3-Sep-07 | | Luxembourg - Paris |
| FR0000489296 | EUR | 250,000,000 | 257 | 250 | 25-Oct-12 | | Luxembourg - Paris |
| FR0000470148 | EUR | 10,000,000 | 10 | 10 | 6-Sep-12 | | Luxembourg |
| FR0000480329 | EUR | 100,000,000 | 100 | 100 | 9-Aug-17 | | Luxembourg |
| FR0000470221 | EUR | 20,000,000 | 20 | 20 | 3-Oct-14 | | Luxembourg |
| FR0000470361 | EUR | 33,000,000 | 33 | 33 | 30-Sep-14 | | Luxembourg |
| FR0000470494 | EUR | 20,000,000 | 20 | 20 | 22-Oct-14 | | Luxembourg |
| FR0000488132 | EUR | 100,000,000 | 102 | 100 | 6-Feb-17 | | Luxembourg - Paris |
| XS0158657087 | EUR | 100,000,000 | 101 | 100 | 8-Mar-10 | | Luxembourg |
| FR0000472417 | EUR | 1,000,000,000 | 996 | 1,000 | 20-Feb-13 | | Luxembourg - Paris |
| FR0000472888 | EUR | 1,000,000,000 | 997 | 1,000 | 12-Jul-08 | | Luxembourg - Paris |
| FR0000488132 | EUR | 150,000,000 | 159 | 150 | 6-Feb-17 | | Luxembourg - Paris |
| FR0000472474 | EUR | 53,000,000 | 53 | 53 | 7-Dec-15 | | Luxembourg |
| FR0000489296 | EUR | 100,000,000 | 108 | 100 | 25-Oct-12 | | Luxembourg - Paris |
| FR0000472888 | EUR | 250,000,000 | 249 | 250 | 12-Jul-08 | | Luxembourg - Paris |
| FR0000473522 | EUR | 140,000,000 | 140 | 140 | 30-Dec-13 | | Luxembourg |
| FR0000473357 | EUR | 136,000,000 | 136 | 136 | 2-Apr-18 | | Luxembourg |
| FR0000473589 | EUR | 25,000,000 | 25 | 25 | 8-Apr-13 | | Luxembourg |
| FR0000474256 | EUR | 25,350,000 | 25 | 25 | 30-Dec-13 | | Luxembourg |
| FR0000472417 | EUR | 500,000,000 | 498 | 500 | 20-Feb-13 | | Luxembourg - Paris |
| FR0000472888 | EUR | 1,000,000,000 | 994 | 1,000 | 12-Jul-08 | | Luxembourg - Paris |
| FR0010007565 | EUR | 25,000,000 | 25 | 25 | 2-Sep-13 | | Luxembourg |
| XS0175854107 | EUR | 75,000,000 | 75 | 75 | 15-Dec-08 | | Luxembourg |
| FR0010018044 | EUR | 30,000,000 | 30 | 30 | 26-Sep-13 | | Luxembourg |
| FR0010018028 | EUR | 62,000,000 | 62 | 62 | 9-Oct-15 | | Luxembourg |
| FR0010014902 | EUR | 50,000,000 | 50 | 50 | 24-Sep-13 | | Luxembourg |
| FR0010019406 | EUR | 95,000,000 | 95 | 95 | 1-Oct-13 | | Luxembourg |
| FR0010019471 | EUR | 50,000,000 | 50 | 50 | 9-Aug-17 | | Luxembourg |
| XS0179341473 | EUR | 75,000,000 | 76 | 75 | 31-Mar-11 | | Luxembourg |
| FR0010033357 | EUR | 50,000,000 | 50 | 50 | 20-Nov-18 | | Luxembourg |
| FR0010032813 | EUR | 15,000,000 | 15 | 15 | 28-Mar-11 | | Luxembourg |
| FR0010034371 | EUR | 75,000,000 | 75 | 75 | 15-Dec-19 | | Luxembourg |
| FR0010039032 | EUR | 1,000,000,000 | 999 | 1,000 | 26-Jan-11 | | Luxembourg - Paris |
| FR0010039164 | EUR | 40,000,000 | 40 | 40 | 19-Feb-18 | | Luxembourg |
| FR0000488132 | EUR | 150,000,000 | 159 | 150 | 6-Feb-17 | | Luxembourg - Paris |
| FR0010039172 | EUR | 13,000,000 | 13 | 13 | 2-Feb-14 | | Luxembourg |
| FR0010019406 | EUR | 25,000,000 | 25 | 25 | 1-Oct-13 | | Luxembourg |
| FR0010051698 | EUR | 111,500,000 | 112 | 112 | 20-Feb-19 | | Luxembourg |
| FR0010053769 | EUR | 20,000,000 | 20 | 20 | 26-Feb-16 | | Luxembourg |
| FR0000472888 | EUR | 750,000,000 | 747 | 750 | 12-Jul-08 | | Luxembourg - Paris |
| FR0010060350 | EUR | 50,000,000 | 50 | 50 | 17-Mar-14 | | Luxembourg |
| FR0010054049 | EUR | 20,000,000 | 20 | 20 | 3-Mar-14 | | Luxembourg |
| FR0010063768 | EUR | 10,600,000 | 11 | 11 | 10-Mar-14 | | Luxembourg |
| FR0010060384 | EUR | 30,000,000 | 30 | 30 | 5-Mar-20 | | Luxembourg |
| FR0010061986 | EUR | 65,000,000 | 65 | 65 | 15-Mar-19 | | Luxembourg |
| FR0010061978 | EUR | 50,000,000 | 50 | 50 | 15-Mar-16 | | Luxembourg |

(*) Value determined by the interest rate and currency swap contracted to hedge the bond issue.

Other INFORMATION

| ISIN number | Currency | Nominal amount in the currency (units) | Nominal amount (Millions of euros) | Redemption value (*) | Final due | First call option date | Stock exchange date |
|--------------|----------|--|------------------------------------|----------------------|-----------|------------------------|---------------------|
| FR0010063727 | EUR | 40,000,000 | 40 | 40 | 15-Mar-21 | | Luxembourg |
| FR0010061994 | EUR | 40,000,000 | 40 | 40 | 29-Mar-19 | | Luxembourg |
| FR0010070888 | EUR | 27,000,000 | 27 | 27 | 15-Apr-19 | | Luxembourg |
| FR0010071852 | EUR | 35,000,000 | 35 | 35 | 26-Apr-19 | | Luxembourg |
| FR0010068437 | EUR | 51,500,000 | 52 | 52 | 15-Apr-19 | | Luxembourg |
| FR0010068361 | EUR | 100,000,000 | 100 | 100 | 15-Apr-19 | | Luxembourg |
| FR0010073304 | EUR | 25,000,000 | 25 | 25 | 21-Apr-24 | | Luxembourg |
| FR0000472417 | EUR | 500,000,000 | 501 | 500 | 20-Feb-13 | | Luxembourg - Paris |
| FR0010081885 | EUR | 10,000,000 | 10 | 10 | 21-May-16 | | Luxembourg |
| FR0010092908 | EUR | 10,000,000 | 10 | 10 | 7-Jun-19 | | Luxembourg |
| FR0010096131 | EUR | 63,000,000 | 63 | 63 | 2-Jul-14 | | Luxembourg |
| FR0010093336 | EUR | 50,000,000 | 50 | 50 | 22-Jun-24 | | Luxembourg |
| FR0010089839 | EUR | 100,000,000 | 100 | 100 | 24-Jun-24 | | Luxembourg |
| FR0010096156 | EUR | 1,000,000,000 | 999 | 1,000 | 3-Jul-06 | | Luxembourg - Paris |
| FR0010096982 | EUR | 75,000,000 | 76 | 75 | 28-Dec-12 | | Luxembourg |
| FR0010096818 | EUR | 37,000,000 | 37 | 37 | 15-Jul-19 | 15-Jul-14 | Luxembourg |
| FR0010099275 | EUR | 30,000,000 | 30 | 30 | 30-Jul-19 | | Luxembourg |
| FR0010108811 | EUR | 80,000,000 | 80 | 80 | 1-Sep-19 | | Luxembourg |
| FR0010104802 | EUR | 8,500,000 | 9 | 9 | 27-Aug-19 | 27-Aug-09 | Luxembourg |
| FR0010111260 | EUR | 32,000,000 | 32 | 32 | 10-Sep-14 | | Luxembourg |
| FR0010114322 | EUR | 1,000,000,000 | 997 | 1,000 | 21-Sep-09 | | Luxembourg - Paris |
| FR0010115741 | EUR | 28,500,000 | 29 | 29 | 30-Sep-14 | | Luxembourg |
| FR0010125732 | EUR | 100,000,000 | 100 | 100 | 11-Oct-19 | | Luxembourg |
| FR0010120519 | EUR | 65,000,000 | 65 | 65 | 21-Oct-19 | 21-Oct-14 | Luxembourg |
| FR0010125823 | EUR | 200,000,000 | 200 | 200 | 5-Nov-10 | | Luxembourg |
| FR0010130419 | EUR | 15,000,000 | 15 | 15 | 18-Nov-19 | | Luxembourg |
| FR0010130435 | EUR | 200,000,000 | 200 | 200 | 2-Dec-19 | | Luxembourg |
| FR0010104760 | EUR | 25,000,000 | 25 | 25 | 9-Aug-06 | | Paris |
| FR0010097006 | EUR | 50,000,000 | 50 | 50 | 20-Jul-06 | | Paris |
| FR0010096990 | EUR | 50,000,000 | 50 | 50 | 20-Jul-06 | | Paris |
| FR0010134577 | EUR | 120,000,000 | 120 | 120 | 3-Dec-24 | | Luxembourg |
| FR0010133645 | EUR | 100,000,000 | 100 | 100 | 14-Jan-15 | | Luxembourg |
| FR0010134601 | EUR | 75,000,000 | 75 | 75 | 26-Nov-11 | | Luxembourg |
| FR0010137489 | EUR | 50,000,000 | 50 | 50 | 6-Dec-14 | | Luxembourg |
| FR0010134601 | EUR | 75,000,000 | 75 | 75 | 26-Nov-11 | | Luxembourg |
| FR0010160911 | EUR | 20,000,000 | 20 | 20 | 28-Jan-25 | | Luxembourg |
| FR0010133645 | EUR | 75,000,000 | 75 | 75 | 14-Jan-15 | | Luxembourg |
| FR0000480329 | EUR | 131,000,000 | 134 | 131 | 9-Aug-17 | | Luxembourg |
| FR0010163394 | EUR | 230,000,000 | 218 | 230 | 10-Feb-25 | | Luxembourg |
| FR0010039032 | EUR | 150,000,000 | 156 | 150 | 26-Jan-11 | | Luxembourg - Paris |
| FR0010165696 | EUR | 60,000,000 | 60 | 60 | 17-Feb-20 | | Luxembourg |
| FR0010081869 | EUR | 23,000,000 | 23 | 23 | 21-May-14 | | Luxembourg |
| FR0010167312 | EUR | 50,000,000 | 50 | 50 | 2-Mar-20 | | None |
| FR0010167304 | EUR | 50,000,000 | 50 | 50 | 7-Mar-20 | | Luxembourg |
| FR0010170563 | EUR | 60,000,000 | 60 | 60 | 3-Mar-08 | | Paris |
| FR0000480329 | EUR | 40,000,000 | 41 | 40 | 9-Aug-17 | | Luxembourg |
| FR0010170589 | EUR | 31,000,000 | 31 | 31 | 10-Mar-20 | | None |
| FR0010170597 | EUR | 30,000,000 | 30 | 30 | 15-Mar-20 | | Luxembourg |
| FR0010170696 | EUR | 20,000,000 | 20 | 20 | 4-Mar-20 | | Luxembourg |
| FR0010170712 | EUR | 6,000,000 | 6 | 6 | 15-Mar-20 | | Luxembourg |

(*) Value determined by the interest rate and currency swap contracted to hedge the bond issue.

| ISIN number | Currency | Nominal amount in the currency (units) | Nominal amount (Millions of euros) | Redemption value (*) | Final due | First call option date | Stock exchange date |
|--------------|----------|--|------------------------------------|----------------------|-----------|------------------------|---------------------|
| FR0010172031 | EUR | 50,000,000 | 50 | 50 | 11-Mar-20 | | Luxembourg |
| FR0010172106 | EUR | 30,000,000 | 30 | 30 | 14-Mar-17 | 14-Mar-08 | Luxembourg |
| FR0010173716 | EUR | 100,000,000 | 100 | 100 | 23-Mar-15 | | Luxembourg |
| FR0010175844 | EUR | 140,000,000 | 140 | 140 | 24-Mar-20 | | None |
| FR0010175869 | EUR | 76,000,000 | 76 | 76 | 30-Mar-20 | | None |
| FR0010173724 | EUR | 5,000,000 | 5 | 5 | 6-Apr-20 | 6-Apr-06 | Luxembourg |
| FR0010190199 | EUR | 150,000,000 | 150 | 150 | 27-Apr-20 | | Luxembourg |
| FR0010178467 | EUR | 165,000,000 | 165 | 165 | 22-Apr-15 | | Luxembourg |
| FR0010173765 | EUR | 75,000,000 | 75 | 75 | 15-Jul-15 | | Luxembourg |
| FR0010185892 | EUR | 100,000,000 | 100 | 100 | 29-Apr-22 | | Luxembourg |
| FR0010190066 | EUR | 100,000,000 | 100 | 100 | 6-May-22 | | Luxembourg |
| FR0010190207 | EUR | 280,000,000 | 280 | 280 | 20-Jun-12 | | Luxembourg |
| FR0010190181 | EUR | 50,000,000 | 50 | 50 | 20-May-20 | | Luxembourg |
| FR0010190231 | EUR | 100,000,000 | 100 | 100 | 13-May-22 | | Luxembourg |
| FR0010186163 | EUR | 155,000,000 | 155 | 155 | 6-May-20 | | Luxembourg |
| FR0010194522 | EUR | 60,000,000 | 60 | 60 | 19-May-20 | 19-May-08 | Luxembourg |
| FR0010190264 | EUR | 50,000,000 | 50 | 50 | 20-May-20 | | Luxembourg |
| FR0010194506 | EUR | 100,000,000 | 100 | 100 | 20-May-22 | | Luxembourg |
| FR0010192989 | EUR | 40,000,000 | 40 | 40 | 26-May-15 | 26-May-08 | Luxembourg |
| FR0010039032 | EUR | 200,000,000 | 210 | 200 | 26-Jan-11 | | Luxembourg - Paris |
| FR0010199877 | EUR | 12,500,000 | 13 | 13 | 27-May-20 | 27-May-11 | Luxembourg |
| FR0010199935 | EUR | 10,000,000 | 10 | 10 | 6-Jun-30 | 6-Jun-12 | Luxembourg |
| FR0010199984 | EUR | 10,000,000 | 10 | 10 | 8-Jun-20 | | Luxembourg |
| FR0010190207 | EUR | 12,500,000 | 13 | 13 | 20-Jun-12 | | Luxembourg |
| FR0010114322 | EUR | 200,000,000 | 207 | 200 | 21-Sep-09 | | Luxembourg - Paris |
| FR0010208587 | EUR | 10,000,000 | 10 | 10 | 24-Jun-20 | | Luxembourg |
| FR0010209924 | EUR | 6,500,000 | 7 | 7 | 29-Jun-17 | 29-Dec-05 | Luxembourg |
| FR0010209940 | EUR | 15,000,000 | 15 | 15 | 29-Jun-20 | | Luxembourg |
| FR0010210005 | EUR | 10,000,000 | 10 | 10 | 6-Jul-20 | | Luxembourg |
| FR0010039032 | EUR | 200,000,000 | 212 | 200 | 26-Jan-11 | | Luxembourg - Paris |
| FR0010212845 | EUR | 25,000,000 | 25 | 25 | 1-Aug-15 | 1-Aug-08 | Luxembourg |
| FR0010212977 | EUR | 72,000,000 | 72 | 72 | 8-Aug-25 | | Luxembourg |
| FR0010209924 | EUR | 5,170,000 | 5 | 5 | 29-Jun-17 | 29-Dec-05 | Luxembourg |
| FR0010225359 | EUR | 16,150,000 | 16 | 16 | 7-Oct-10 | | None |
| FR0010224477 | EUR | 30,000,000 | 30 | 30 | 24-Aug-12 | | None |
| FR0010224402 | EUR | 50,000,000 | 50 | 50 | 8-Sep-20 | | Luxembourg |
| FR0010224410 | EUR | 50,000,000 | 50 | 50 | 8-Sep-20 | | Luxembourg |
| FR0010231324 | EUR | 16,000,000 | 16 | 16 | 15-Sep-17 | 15-Sep-12 | Luxembourg |
| FR0010231365 | EUR | 30,000,000 | 30 | 30 | 14-Sep-12 | | None |
| FR0010235374 | EUR | 5,000,000 | 5 | 5 | 22-Sep-15 | 22-Dec-05 | Luxembourg |
| FR0010224477 | EUR | 30,000,000 | 30 | 30 | 28-Sep-12 | | None |
| FR0010235366 | EUR | 30,000,000 | 30 | 30 | 17-Oct-15 | 17-Oct-06 | Luxembourg |
| FR0010235473 | EUR | 15,000,000 | 15 | 15 | 14-Oct-15 | 17-Oct-06 | None |
| FR0010237115 | EUR | 10,000,000 | 10 | 10 | 5-Oct-09 | 5-Oct-06 | Luxembourg |
| FR0010237172 | EUR | 80,000,000 | 80 | 80 | 15-Jul-30 | 17-Jan-11 | Luxembourg |
| FR0010242628 | EUR | 40,000,000 | 40 | 40 | 21-Oct-30 | 21-Oct-08 | Luxembourg |
| FR0010237149 | EUR | 50,000,000 | 50 | 50 | 15-Jul-30 | 17-Jan-11 | Luxembourg |
| FR0010245738 | EUR | 30,000,000 | 30 | 30 | 26-Oct-22 | | None |
| FR0010249565 | EUR | 10,000,000 | 10 | 10 | 14-Nov-25 | 16-Nov-15 | Luxembourg |
| FR0010248609 | EUR | 100,000,000 | 100 | 100 | 16-Nov-15 | | Luxembourg |

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|-----------------|------------|--|------------------------------------|----------------------|-----------|------------------------|---------------------|
| FR0010249722 | EUR | 100,000,000 | 100 | 100 | 10-Nov-30 | 10-Nov-08 | Luxembourg |
| FR0010248658 | EUR | 100,000,000 | 100 | 100 | 21-Dec-15 | | Luxembourg |
| FR0010248666 | EUR | 100,000,000 | 100 | 100 | 9-Nov-30 | 10-Nov-08 | Luxembourg |
| FR0010249581 | EUR | 25,000,000 | 25 | 25 | 9-Nov-10 | 9-May-06 | Luxembourg |
| FR0010261412 | EUR | 277,500,000 | 278 | 278 | 15-Dec-20 | | Luxembourg |
| FR0010264903 | EUR | 50,000,000 | 50 | 50 | 12-Mar-13 | | None |
| FR0010231357 | EUR | 1,000,000,000 | 992 | 1,000 | 15-Sep-15 | | Luxembourg |
| FR0010265306 | EUR | 11,000,000 | 11 | 11 | 28-Jan-13 | | None |
| FR0010237032 | EUR | 50,000,000 | 50 | 50 | 27-Sep-13 | | None |
| FR0010237081 | EUR | 55,000,000 | 55 | 55 | 3-Oct-20 | | Luxembourg |
| SUBTOTAL | EUR | 31,191,270,000 | 31,211 | 31,191 | | | |
| FR0000486581 | GBP | 125,000,000 | 181 | 205 | 16-Jul-26 | | Luxembourg |
| FR0000487738 | GBP | 215,000,000 | 314 | 345 | 14-Dec-16 | | None |
| FR0000470775 | GBP | 189,000,000 | 276 | 300 | 22-Nov-17 | | None |
| XS0187377790 | GBP | 200,000,000 | 291 | 299 | 30-Dec-08 | | Luxembourg |
| XS0187377790 | GBP | 100,000,000 | 146 | 148 | 30-Dec-08 | | Luxembourg |
| XS0187377790 | GBP | 70,000,000 | 101 | 104 | 30-Dec-08 | | Luxembourg |
| FR0010099325 | GBP | 150,000,000 | 219 | 224 | 7-Dec-06 | | Luxembourg |
| XS0187377790 | GBP | 130,000,000 | 190 | 189 | 30-Dec-08 | | Luxembourg |
| SUBTOTAL | GBP | 1,179,000,000 | 1,717 | 1,815 | | | |
| FR0000471195 | HKD | 200,000,000 | 22 | 26 | 5-Dec-17 | | Luxembourg |
| FR0010173617 | HKD | 500,000,000 | 55 | 49 | 18-Mar-09 | | None |
| FR0010225367 | HKD | 350,000,000 | 38 | 36 | 26-Aug-08 | | None |
| SUBTOTAL | HKD | 1,050,000,000 | 115 | 111 | | | |
| XS0196725492 | HUF | 13,000,000,000 | 51 | 52 | 15-Dec-06 | | Luxembourg |
| SUBTOTAL | HUF | 13,000,000,000 | 51 | 52 | | | |
| FR0000486821 | JPY | 3,000,000,000 | 22 | 28 | 8-Aug-16 | | Luxembourg |
| FR0010161075 | JPY | 1,000,000,000 | 7 | 7 | 17-Feb-20 | 17-Aug-05 | None |
| FR0010192914 | JPY | 1,000,000,000 | 7 | 7 | 20-May-20 | 20-May-06 | None |
| FR0010197822 | JPY | 60,000,000,000 | 431 | 442 | 21-May-12 | | Luxembourg |
| FR0010199802 | JPY | 10,000,000,000 | 72 | 74 | 14-Jun-17 | | None |
| FR0010197822 | JPY | 20,000,000,000 | 144 | 152 | 21-May-12 | | Luxembourg |
| FR0010225433 | JPY | 10,000,000,000 | 72 | 74 | 1-Sep-20 | | None |
| FR0010239285 | JPY | 1,000,000,000 | 7 | 7 | 29-Sep-15 | 29-Sep-06 | None |
| FR0010239335 | JPY | 1,000,000,000 | 7 | 7 | 27-Oct-20 | 27-Oct-06 | None |
| FR0010264077 | JPY | 500,000,000 | 4 | 4 | 21-Dec-15 | 21-Jun-06 | None |
| FR0010264184 | JPY | 700,000,000 | 5 | 5 | 21-Dec-20 | 21-Jun-06 | None |
| SUBTOTAL | JPY | 108,200,000,000 | 779 | 808 | | | |
| XS014906469 | NZD | 100,000,000 | 58 | 51 | 26-Nov-07 | | Luxembourg |
| XS0154524713 | NZD | 100,000,000 | 58 | 47 | 2-Oct-07 | | Luxembourg |
| XS0165373738 | NZD | 100,000,000 | 58 | 50 | 7-Apr-09 | | Luxembourg |
| XS0173979070 | NZD | 100,000,000 | 58 | 51 | 20-Aug-07 | | Luxembourg |
| XS0180819384 | NZD | 100,000,000 | 58 | 54 | 11-Dec-08 | | Luxembourg |
| XS0165373738 | NZD | 50,000,000 | 29 | 27 | 7-Apr-09 | | Luxembourg |
| SUBTOTAL | NZD | 550,000,000 | 319 | 280 | | | |
| FR0010114371 | SKK | 605,000,000 | 16 | 15 | 24-Sep-24 | | Luxembourg |
| SUBTOTAL | SKK | 605,000,000 | 16 | 15 | | | |
| FR0000485518 | USD | 200,000,000 | 170 | 222 | 30-Jun-06 | | Luxembourg |
| FR0000487043 | USD | 750,000,000 | 637 | 829 | 11-Sep-06 | | Luxembourg |
| FR0000487043 | USD | 250,000,000 | 212 | 276 | 11-Sep-06 | | Luxembourg |

(*) Value determined by the interest rate and currency swap contracted to hedge the bond issue.

| ISIN number | Currency | Nominal amount in the currency (units) | Nominal amount (Millions of euros) | Redemption value (*) | Final due | First call option date | Stock exchange date |
|----------------------------|------------|--|------------------------------------|----------------------|-----------|------------------------|---------------------|
| XS0140768598 | USD | 300,000,000 | 255 | 334 | 11-Jan-07 | | Luxembourg |
| FR0000488637 | USD | 500,000,000 | 423 | 564 | 27-Mar-09 | | Luxembourg |
| FR0000489213 | USD | 1 000,000,000 | 851 | 1,099 | 24-May-07 | | Luxembourg |
| FR0000488637 | USD | 75,000,000 | 65 | 85 | 27-Mar-09 | | Luxembourg |
| FR0000470239 | USD | 20,000,000 | 17 | 20 | 12-Sep-17 | | Luxembourg |
| FR0010031070 | USD | 344,190,000 | 292 | 300 | 25-Nov-10 | | None |
| XS0193749636 | USD | 70,000,000 | 60 | 58 | 12-Dec-12 | | Luxembourg |
| FR0010096982 | USD | 269,500,000 | 229 | 223 | 1-Jul-19 | | Luxembourg |
| FR0010112268 | USD | 30,000,000 | 25 | 25 | 17-Sep-14 | 17-Mar-05 | Luxembourg |
| FR0010114447 | USD | 25,000,000 | 21 | 20 | 24-Sep-14 | 24-Sep-05 | Luxembourg |
| FR0010115816 | USD | 80,000,000 | 23 | 67 | 27-Sep-24 | 27-Sep-06 | Luxembourg |
| FR0010125856 | USD | 25,000,000 | 21 | 20 | 22-Oct-14 | 22-Apr-05 | Luxembourg |
| FR0010126771 | USD | 25,000,000 | 21 | 20 | 22-Oct-14 | 22-Apr-05 | Luxembourg |
| FR0010126854 | USD | 50,000,000 | 42 | 41 | 22-Oct-14 | 22-Apr-05 | Luxembourg |
| FR0010117382 | USD | 80,000,000 | 23 | 67 | 25-Oct-24 | 25-Oct-05 | Luxembourg |
| FR0010130476 | USD | 127,920,000 | 109 | 100 | 17-Nov-14 | | None |
| FR0010157388 | USD | 15,000,000 | 13 | 11 | 29-Dec-09 | | None |
| FR0010160978 | USD | 15,000,000 | 13 | 11 | 29-Dec-09 | | None |
| XS0211544746 | USD | 75,000,000 | 64 | 58 | 4-Mar-15 | | Luxembourg |
| FR0010190116 | USD | 20,000,000 | 17 | 15 | 21-Dec-09 | | Non coté |
| FR0010199828 | USD | 86,000,000 | 73 | 68 | 31-Jul-08 | | Luxembourg |
| FR0010208702 | USD | 300,000,000 | 254 | 249 | 15-Oct-08 | | Luxembourg |
| FR0010239327 | USD | 20,000,000 | 17 | 16 | 5-Oct-15 | 5-Oct-06 | None |
| FR0010245720 | USD | 30,000,000 | 25 | 25 | 27-Oct-25 | 27-Oct-06 | None |
| FR0010247684 | USD | 9,540,000 | 8 | 8 | 3-Nov-10 | 3-May-06 | None |
| FR0010251306 | USD | 120,000,000 | 102 | 99 | 15-Nov-35 | 15-Nov-10 | Luxembourg |
| FR0010257865 | USD | 40,000,000 | 34 | 34 | 20-Dec-12 | | None |
| XS0211544746 | USD | 50,000,000 | 42 | 42 | 4-Mar-15 | | Luxembourg |
| FR0010261511 | USD | 100,000,000 | 85 | 85 | 9-Dec-13 | | None |
| SUBTOTAL | USD | 5,102,150,000 | 4,243 | 5,094 | | | |
| FR0010237198 | ZAR | 250,000,000 | 34 | 32 | 18-Jan-11 | | Luxembourg |
| SUBTOTAL | ZAR | 250,000,000 | 34 | 32 | | | |
| BALANCE SHEET TOTAL | | | 41,741 | 42,600 | | | |

List of bonds negotiated by Dexia Municipal Agency in 2005 and issued in 2006

| ISIN number | Currency | Nominal amount in the currency (units) | Nominal amount (Millions of euros) | Redemption value (*) | Final due | First call option date | Stock exchange date |
|--------------------------------|------------|--|------------------------------------|----------------------|-----------|------------------------|---------------------|
| FR0010261529 | EUR | 50,000,000 | 50 | 50 | 4-Jan-26 | | Luxembourg |
| FR0010265488 | EUR | 100,000,000 | 100 | 100 | 5-Jan-26 | 5-Jan-16 | Luxembourg |
| SUBTOTAL | EUR | 150,000,000 | 150 | 150 | | | |
| FR0010265355 | JPY | 500,000,000 | 4 | 4 | 11-Jan-11 | 11-Jul-06 | None |
| FR0010265397 | JPY | 600,000,000 | 4 | 4 | 12-Jan-16 | 12-Jul-06 | None |
| SUBTOTAL | JPY | 1 100,000,000 | 8 | 8 | | | |
| OFF-BALANCE SHEET TOTAL | | | 158 | 158 | | | |

(*) Value determined by the interest rate and currency swap contracted to hedge the bond issue.

Report of the Chairman of the Supervisory Board on the conditions of preparation and organization of the Board's governance and on internal control procedures (1)

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

The purpose of Dexia MA is to finance public sector commitments generated by the Dexia group by issuing obligations foncières rated AAA. This role is strategic. The number of members of the Supervisory Board was increased from twelve to thirteen by the Ordinary and Extraordinary Shareholders' Meeting of March 24, 2005, with the appointment of François Durollet, Deputy Chief Executive Officer of Dexia Crédit Local. The other members of the Supervisory Board in 2005 were the same as those who sat on the Board in 2004.

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

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

The agenda respects a regular format: minutes, business review of the previous quarter and of current trends including issuance conditions, the presentation of the financial statements, and the development of foreign asset acquisition projects. Specific topics are added on certain occasions: reports in application of articles 42 and 43 of regulation 97-02; information to be published relating to the quality of assets as well as the level and sensitivity of the interest rate position in application of article 13 of regulation 99-10.

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

During Supervisory Board meetings, the Executive Board develops the points on the agenda by comments and synthetic presentations. The Board advises on strategic choices and, if necessary, makes recommendations that are followed up on during the following meetings. The Board pays special attention to transfers of public sector assets to Dexia MA by Group entities, as well as to the issue policy and the performance of obligations foncières in the secondary market. With regard to the Company's general strategy, the Supervisory Board believes that in the case of Dexia MA, the optimization of issuance conditions with the AAA

rating is linked to investors' perception of the Company's excellent asset quality and very low risk profile. The management guidelines set up by the Executive Board of Dexia MA and the reports submitted to the Supervisory Board on these subjects allow it to have the desired confidence in these matters of prime importance. These points are developed below.

II • DEXIA MA'S PARTICULAR OPERATING STRUCTURE

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

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

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

1- Internal control in 2005

Internal control at Dexia MA is ensured by the different divisions in charge of internal control at Dexia Credit Local. In 2005, this organization distinguished:

- compliance control exercised by the officer in charge of Compliance;
- permanent control (excluding compliance) exercised by the member of the Executive Board in charge of risks and financial and accounting procedures;
- periodic control exercised by the General Auditor.

Compliance control

Compliance control at Dexia MA is ensured by the compliance control division of Dexia Credit Local. By definition, compliance covers the field delineated by amended CRB regulation n° 97-02; it is defined at the level of the Dexia Group that determines

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

common bases in the following classification of sectors concerned by compliance:

- organization of compliance control at Dexia Credit Local and in its subsidiaries;
- fight against money laundering and terrorism;
- authorizations;
- integrity in relation with financial instruments;
- conflicts of interest and incitation;
- prevention of fraud;
- confidentiality;
- client relations;
- social welfare obligations;
- corporate governance.

Compliance is organized as follows.

Dexia Credit Local's Compliance Officer is responsible for all the areas defined in articles 11 to 11-6 of the ordinance of March 31, 2005 (amended CRB regulation n° 97-02). This officer is also the Tracfin correspondent. In addition, he assumes hierarchical responsibility for the persons under his authority in charge of RCSI in the sense of the general regulations of French stock market authorities (AMF) and for the compliance division's internal controller. He reports directly the Chairman of the Executive Board.

The workforce in charge of compliance at Dexia Credit Local was bolstered in 2005.

The Compliance division is itself subject to periodic control and is regularly audited.

Permanent control (excluding compliance)

In 2005, permanent control (excluding compliance) was organized in the following manner:

- the CFO of Dexia Credit Local is responsible for permanent control (excluding compliance);
- permanent control (excluding compliance) is conducted at two levels: (i) on a consolidated basis for the Dexia Credit Local Group, and (ii) individually in each of the credit entities of the Dexia Credit Local Group;
- for permanent control (excluding compliance) at the consolidated and individual levels in Dexia Credit Local, the CFO defines the operating organization of each control and the officers in charge of each control missions, and verifies that these missions are carried out in conformity with amended CRBF regulation 97-02;
- the CFO reports on permanent control (excluding compliance) to the Executive Committee and the Supervisory Board of Dexia Credit Local.

Within this framework, the organization distinguishes (i) the operating functions that originate transactions and (ii) the control functions that validate them at the Dexia Credit Local Group level and notably at Dexia MA level.

(i) The front-office operating controls are carried out by line operators and their direct managers with respect to the function's procedures.

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

(ii) The middle-office internal controls to validate operations, include setting limits *a priori* and checking *a posteriori* that these limits have been respected. Controls are independent from the operating sphere and are conducted by the Risk Control department (credit risks, financial activities risks, etc.). They take place as operations occur or on a regular basis.

Through specialized teams, the Risk Control department covers the full range of risks to which the company is exposed. Among its missions, it assures Dexia MA's Executive Board that the company's low risk profile is constantly maintained, so that its AAA rating, which is essential to group refinancing, cannot be questioned.

Periodic control

Responsibility for periodic internal control is entrusted to the Dexia Credit Local's General Auditor, who reports to the Chairman of the Executive Board of Dexia Credit Local, and functionally to the General Auditor of the Dexia Group (agreement required for appointment, transfer, annual performance review and promotion, definition of audit procedures, financial reporting).

The General Auditor of Dexia Credit Local exercises no other function in the Company or any other Group entity.

The Internal Audit division informs the Executive Board of Dexia MA of the audit reports on the Company; in accordance with procedures currently in use within the Dexia Group, it presents to the Executive Board and the Audit Committee of Dexia Credit Local the results of its audits and its conclusions, which are then examined at the Group level by Dexia's Audit Committee.

The General Auditor may call on the Executive Board of Dexia MA whenever necessary.

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

The methodology used in the audits and in risk analysis, developed by the Dexia Group, is standardized and common to all Group entities.

The frequency of the audits is determined on the basis of these analyses and on the current year's program, which schedules audits at Dexia MA. During its audits, the Internal Audit division evaluates whether the risks to which Dexia MA is exposed are correctly perceived, measured and hedged.

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

2- Changes in internal control in 2006

In 2006, internal control at Dexia Crédit Local will be organized as follows, in conformity with amended regulation 97-02:

- compliance control will continue to be exercised by the Compliance Officer, who reports directly to the Chairman of the Executive Board;
- permanent control (excluding compliance) is the responsibility of the head of the Risk Management division;
- periodic control remains under the authority of the General Auditor, Jean-Jacques Fischer.

Permanent control (excluding compliance) will continue to be organized as described above. In terms of general architecture, the major lines in 2006 include the following:

- first level control will remain the responsibility of the operating divisions;
- second level control will be exercised by specially designated officers, who will continue to work with operating division, but from an organizational point of view, will report to the company's permanent control officer. Control plans that will be determined by these units should be approved by the permanent control officer, who will be able to request changes in the planned controls as well as additional controls. The controls conducted will be defined in accordance with the

principles described in the first part of the report setting current applicable standards in the company;

- a dedicated unit for permanent control will work directly for the risk and permanent control officer, which will coordinate controls carried out by the second level units, may independently initiate certain controls, and ensure periodic reporting on the controls it conducts.
- the coordination of permanent control will be insured by the person in charge of the permanent control through the regular meeting of a committee including all the permanent control actors.

Procedures for the exercise of compliance and periodic control remain unchanged.

IV • IDENTIFICATION OF RISKS COMPATIBLE WITH THE ACTIVITY OF DEXIA MA

Risk monitoring and control

When the Company was created in 1999, a distinction was made between risks that are compatible and risks that are not compatible with the legal and regulatory framework of *sociétés de crédit foncier* and with the specific nature of Dexia MA's by-laws and its approval by French banking authorities (Comité des établissements de crédit et des entreprises d'investissement (CECEI) of the Banque de France). In several cases, rating agencies expressed restrictions or validated limits for risks compatible with the Company's activity. Subsequently, a policy paper was drafted to make a synthesis of these compatible risks, Principles and Rules for DMA's Risk Management, a document that received the approval of rating agencies, since these principles have not been modified. The general approach, adopted by Dexia MA's Executive Board and applied in each Dexia Credit Local department in charge of operations, involves monitoring:

- that risks not compatible with the activity of Dexia MA are not taken by the Company or are eliminated from the start;
- that risks compatible with the activity are exactly maintained within authorized limits;
- that control reports are established at the level of the front and middle-offices of Dexia Credit Local, that they are forwarded to Dexia MA's Executive Board, that the results of such controls are presented to the Supervisory Board and, finally, that these results are reported to the specific controller and the data is made available for his investigations.

Credit risk on assets

The assets eligible for Dexia MA's balance sheet are commitments on public sector entities or benefiting from their guarantee as defined by the L. 515-15, 16, 17 of the Monetary and Financial Code. The great majority of these assets come from the commercial public sector financing activities of Dexia Group entities. When new assets are transferred or allocated to

Dexia MA's balance sheet, eligibility is verified at two successive levels for both French and non-French assets. These verifications follow standard procedures.

For new French loans, these controls are conducted by:

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

For foreign assets, controls are conducted by:

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

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

Credit risk on bank counterparties

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

Market risks

These risks are among those that are not compatible with Dexia MA's balance sheet.

Bonds are acquired with the intention to be held until maturity and

are recognized as investment securities in accordance with article L.515-15 of the Monetary and Financial Code. The only securities that can be recognized as available for sale securities are those considered as replacement securities in the sense of article L. 516-17 of the Monetary and Financial Code and of decree n° 99-710 of August 3, 1999, (article 7), i.e. reliable and liquid securities that can be mobilized in the central bank; their amount may not exceed 20% of the assets. These replacement assets, like all the company's assets, are managed so as not to incur any interest rate risks.

In addition, Dexia MA cannot have a derivative instrument in an isolated open position. All derivatives used by Dexia MA are part of a hedging strategy, either micro- or macro-hedges.

The sole market risk might come from a foreign exchange risk. Dexia MA's management policy is to take no foreign exchange risks. Assets and liabilities originally in foreign currencies are swapped against euros when they are acquired. The market's back office and market subsidiary accounting regularly control the symmetry of micro-hedge swaps, a category that includes currency swaps. General accounting department verifies that for each reporting period there is no foreign exchange position.

General interest rate risk

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

Dexia MA manages general interest rate risk within strict limits by following simple principles involving several sets of controls. The method used consists in converting assets and liabilities on a variable index so that they move in a parallel manner under the impact of yield curve movements. Interest rate risk related to the fixed rate gap is then contained within a set limit. Since 2001, the limit was EUR 10 million, and it seemed necessary to adapt this sum in function of the increase in assets. As a result, since the beginning of 2005, in accordance with the rating agencies, it was set at 3% of shareholders' equity, a sum that represented EUR 21.5 million for 2005 on the basis of shareholders' equity as of December 31, 2004. Within the framework of this general limit of 3% of shareholders' equity, the monetary gap limit remains set at EUR 2.5 million, with the remainder corresponding to the adjustable fixed rate gap limit (in both cases, the sensitivity limit implies a variation in the gap's net present value for a 1%, i.e. 100bp, change in the yield curve).

Respect of limits is monitored by:

- the ALM management team, which checks and reports on its own activities on a weekly basis as a first level control;

- the Financial activities control unit of the Risk Control department, which reports monthly.

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

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

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

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

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

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

The congruence of maturities of assets and liabilities is measured monthly by comparing the average life and duration of assets and liabilities. Considering that the interest rate risk is already hedged, the gap in average life and in duration between the assets and the liabilities continues to be very satisfactory. The limit of this duration gap between assets and *obligations foncières* was set at 3 years as of 2005.

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

Legal risk

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

Money laundering risk

Dexia Credit Local employees in charge of Dexia MA transactions have attended training sessions organized by the compliance division throughout the Dexia Credit Local Group, which also

monitors general compliance in conformity with amended regulation 97-02.

With regard to the placement of Dexia MA issues, the Distribution Agreement of the EMTN programme includes a specific clause obliging dealers to comply with the European Council directive of June 10, 1991, on the prevention of money laundering. For stand alone issues (issues not in the EMTN programme), dealers should commit to comply with the same clause. The same commitment concerning compliance with the European directive on money laundering is required of banking correspondents that serve as intermediaries for investors in private placements. The Australian EMTN programme (Kangaroo) includes an identical clause in keeping with the Australian law on money laundering, which requires the same commitment on the part of dealers working in Australia.

Operating risks involving information systems

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

V • CONTROLS BY THE SPECIFIC CONTROLLER

The specific controller plays an essential role in a *société de crédit foncier*, as stipulated in articles L. 515-30 and L. 515-31 of the Monetary and Financial Code as well as in decree 99-710 of August 3, 1999, and CRB regulation 99-10. Member of the French auditors' professional organization, he is named by the company's executive management upon approval of the Banking Commission. The specific controller carries out appropriate audits in cooperation with the statutory auditors and is completely independent of the company's executive and deliberative boards.

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

VI • PRODUCTION AND PROCESSING OF ACCOUNTING AND FINANCIAL INFORMATION

Preparation of financial statements

The company's financial statements should true and fair view of its assets, financial position and results.

Accounting at Dexia MA is the responsibility of the Accounting Division of Dexia Credit Local.

Accounting plays a centralizing role in the organization of Dexia Credit Local. It reports to the company's CFO, who is a member of the Management Committee.

Accounting produces basic accounting data and the parent company financial statements of Dexia Credit Local, as well as of subsidiaries that do not have their own accounting department. It is also responsible for producing the consolidated financial statements of the Dexia Credit Local Group. A dedicated team oversees compliance with regulatory and prudential standards. Dexia MA's accounting is carried out by dedicated teams in the Accounting division of Dexia Credit Local, according to the management contract.

Accounting also plays a role in the analysis and control of the financial data of subsidiaries and branches in France and other countries within the framework of consolidation. In particular, it verifies that the information supplied is homogeneous and conforms to Group practices.

More generally, Accounting benefits from various means of information to carry out its functions in the broad sense. It participates in committees that may concern its role or it may be on the list to receive reports.

In addition to the teams in charge of IT accounting systems and standards, the central functions of the Accounting division include an independent permanent control team and a quality team. This organization makes it possible, on a constant basis, to improve the quality and efficiency of procedures and the reliability of the consolidated accounting data produced, particularly in a context of common use of new IFRS standards within the Dexia Credit Local Group. (It should be noted that if Dexia Municipal Agency does not produce consolidated accounts and, consequently, is not required to publish its financial statements in IFRS format, it must nevertheless produce accounting information under this format for the Group's consolidation requirements.) The accounting team in charge of Dexia Municipal Agency's financial statements and the team in charge of those of Dexia Credit Local, its parent company, report to the same officer.

Production of parent company financial statements

For the production of financial statements, the accounting information system is automatically supplied with most of the required data by upstream management systems that manage

transactions with clients, market counterparties and general and administrative expenses. When data is entered into one of the management systems, it is automatically recorded in accounting according to a pre-defined accounting scheme. Within a single accounting system, based on a double set of references (French GAAP and IFRS-EU standards), this data informs the financial statements.

The completeness and accuracy of accounting entries are guaranteed by the management services' internal control system. A team in charge of compliance with standards validates the automated accounting schemes on the basis of the double set of references, as well as complex or unusual operations, which are sometimes accounted for manually, although processed using specific internal control procedures. The change in the accounting treatment of early loan repayment penalties and swap cancellation equalization payments following modifications described in the accounting policies led to partially manual processing during the year. Developments intended to move this process into automated development are under study and expected to be introduced in 2006. In light of this atypical situation, specific controls were set up to secure the production of quarterly and annual data.

A first level of control is conducted by accounting teams that are specialized by business line, in particular by analyzing bank reconciliation and technical suspension accounts. Every month, operations recorded in the accounts are compared with management balances, and symmetry controls are conducted on micro-hedge operations. To verify the consistency of interest expense and income from one period to another, interest is compared with average outstanding balances, and average rates are compared between periods. Lastly, these teams also produce a synthesis of their audits and of points requiring special attention or improved procedures when the next financial statements are produced.

Additional controls are conducted by other teams from Accounting Department at monthly, quarterly and annual closing periods. The work already accomplished in subsidiary accounting units is periodically reviewed to make sure that controls (of which a formal list is kept) have been correctly carried out. The syntheses produced by these teams are also reviewed. These reports include checklists of the controls accomplished, and in some cases a comment. All these notes form a synthetic report that is forwarded to a member of Dexia MA's Executive Board. End-of-quarter accounting results are compared with management results, and their consistency from one period to the next is verified using analytical reviews. Major variations are to be explained.

Accounting entries generated by these processes are then regrouped and aggregated according to an automated and standardized process to serve as the basis for the parent company financial statements of Dexia MA (French GAAP) and for the consolidated financial statements (IFRS-EU). Using these

statements, and in certain cases data supplied by the management systems, Accounting then carries out cross-referenced controls between the syntheses and the notes. During the whole process, reviews and controls are conducted on the consistency and application of procedures according to hierarchically established delegations.

Approval of the financial statements

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

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

The annual report is prepared by Dexia MA's Executive Board in coordination with Dexia Credit Local, in particular, General Accounting, Production Loan Administration and Risk Control. The auditors verify the information it contains. The information is also available, with some differences in presentation, in the document on the quality of the assets and the management of interest rate risk submitted to the Banking Commission and published in the BALO, in compliance with instruction n° 2000-04.

Role of the auditors

Two auditors firms work out the statutory audit of Dexia MA. The auditors are associated throughout the process used to control financial and accounting data in order to ensure efficiency and transparency. In due diligence, they analyze accounting procedures and evaluate current internal control systems solely to determine the nature, period and extent of their controls. Their audit makes no judgment on the efficiency and reliability of internal control systems. Nevertheless, on this occasion, they may make recommendations on internal control procedures and systems that could influence the quality of financial and accounting information produced, submitted to the Board and published.

VII • PREPARATION OF THE REPORT

This report was drawn up by the Chairman of the Supervisory Board of Dexia MA.

To this end, the internal audit division of Dexia Credit Local was asked to supply relevant data on Dexia MA, obtained from the operating departments and support functions concerned.

The analyses and descriptions presented are also based on information obtained from:

- interviews with Dexia MA's Executive Board;
- reports of audits carried out by the Dexia Credit Local Group's Internal Audit unit.

Jacques Guerber
Chairman of the Supervisory Board

*Statutory auditors' report,
prepared in accordance with article L. 225-235 of the Commercial Code,
on the report prepared by the Chairman of the Supervisory Board
of Dexia Municipal Agency, on the information given on the internal control procedures relating
to the preparation and processing of financial and accounting information
(Free translation of the French language original)*

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

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

To the shareholders,

*In our capacity as statutory auditors of **Dexia Municipal Agency**, and in accordance with article L. 225-235 of the Commercial Code, we hereby report to you on the report prepared by the Chairman of the Supervisory Board, in accordance with article L. 225-68 of the Commercial Code for the year ended December 31, 2005.*

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

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

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

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

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

Paris, March 20, 2006

The statutory auditors

CADERAS MARTIN

Daniel Butelot
Partner

Olivier Avril
Partner

MAZARS & GUÉRARD

Guillaume Potel
Partner

Anne Veaute
Partner

SHAREHOLDERS' MEETING of May 16, 2006

Observations of the Supervisory Board

Pursuant to the provisions of article 225-68 of the Code de Commerce, we hereby state that we have no comment to make on the management review of the Executive Board or on the financial statements for the year ended December 31, 2005.

The Supervisory Board wishes to thank the Executive Board for the initiatives taken and the results achieved during the year ended December 31, 2005.

The Supervisory Board

Proposed Resolutions of the Shareholders' Meeting of May 16, 2006

AT THE ORDINARY SHAREHOLDERS' MEETING

First resolution:

APPROVAL OF THE COMPANY'S FINANCIAL STATEMENTS

The Ordinary Shareholders' Meeting, after hearing the reports of the Executive Board, the Chairman of the Supervisory Board and the Auditors, as well as the comments of the Supervisory Board, approves the company's financial statements for the year ended December 31, 2005, as presented, with all the transactions which generated these financial statements or are mentioned in the above reports, showing net income of EUR 88,946,959.73 euros.

Second resolution:

APPROVAL OF AGREEMENTS INVOLVING DIRECTORS

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

Third resolution:

DISCHARGE TO MEMBERS OF THE MANAGEMENT BODIES

By virtue of the adoption of the first two resolutions, the Ordinary Shareholders' Meeting gives full discharge to the executive members of the Executive Board for the performance of their duties during the year ended December 31, 2005.

Fourth resolution:

ALLOCATION OF NET INCOME

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

| ALLOCATION OF NET INCOME | EUROS |
|--|----------------|
| net income for the year | 88,946,959.73 |
| legal reserve (5%) | (4,447,347.99) |
| retained earnings | 356,376.59 |
| 2005 income available for distribution | 84,855,988.33 |
| Dividends distributed | 84,320,000.00 |
| retained earnings after allocation | 535,988.33 |

Each share will receive a dividend of EUR 12.40, eligible for a rebate of 40% according to article 158.3 of the General Tax Code (*Code Général des Impôts*).

The dividend will be paid as of May 23, 2006.

For 2004, each share received a dividend of EUR 10.

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

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

Fifth resolution:**AUDIT OF THE FINANCIAL STATEMENTS**

In application of article L. 822-14 of the *Code de Commerce*, the Ordinary Shareholders' Meeting takes note that the financial statements for the year ended December 31, 2005, were certified by:

- Guillaume POTEL and Anne VEAUTE, partners, representing the firm Mazars & Guérard on the one hand,
- Daniel BUTELOT and Olivier AVRIL, partners, representing the firm CADERAS MARTIN on the other hand.

Sixth resolution:**RATIFICATION OF NOMINATIONS**

The Ordinary Shareholders' Meeting ratifies the decision taken by the Supervisory Board on March 9, 2006, to name Alain DELOUIS, Claude SCHON and Bruno DELETRÉ as members of the Supervisory Board, to replace Daniel CAILLE, Dirk BRUNEEL and Rembert VON LOWIS, who resigned, for the remainder of their term, i.e. until the Ordinary Shareholders' Meeting called to approve the financial statements for the year

ending December 31, 2008, for Alain DELOUIS and Claude SCHON, and for the year ending December 31, 2010, for Bruno DELETRÉ.

Seventh resolution:**RE-APPOINTMENT OF A MEMBER OF THE SUPERVISORY BOARD**

Noting that the term of Dexia Crediop as a member of the Supervisory Board comes to an end after this meeting, the Ordinary Shareholders' Meeting decides to re-appoint this company as a member of the Supervisory Board for a term of six years, which will end after the Ordinary Shareholders' Meeting held in 2012 and called to approve the financial statements for the year ending December 31, 2011.

Eighth resolution:**POWERS**

The Ordinary Shareholders' Meeting gives full powers to Jean-Pierre DELPEUCH to carry out all legal formalities, in particular to notify the Tribunal de Commerce de Paris of any changes.

AT THE EXTRAORDINARY SHAREHOLDERS' MEETING**First resolution:****CAPITAL INCREASE IN THE AMOUNT OF EUR 80,000,000
VIA THE CREATION OF NEW SHARES IN CASH**

The Extraordinary Shareholders' Meeting, after hearing the Executive Board's report and noting that the capital stock is entirely paid up, decides to increase capital stock by EUR 80,000,000 from EUR 680,000,000 to EUR 760,000,000 via the creation of 800,000 new shares in cash with a par value of EUR 100 each.

The new shares are issued at par and will be fully paid up at subscription in cash. They will have effect as of January 1, 2006, whatever the date of the capital increase, and will be completely assimilated to existing shares and subject to all the provisions of the by-laws and decisions of the Shareholders' Meetings from their creation

Subscriptions will be received between May 16 and May 30, 2006, included, at the Company's registered office. The funds paid to back the subscriptions will be deposited with Dexia CLF Banque.

Second resolution:**AMENDMENT TO ARTICLE 6 OF THE BY-LAWS**

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

Article 6: Capital stock

"Capital stock is set at the sum of 760,000,000 euros. It is divided into 7,600,000 shares."

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

Third resolution:**CONFORMITY OF THE BY-LAWS**

The Extraordinary Shareholders' Meeting decides to modify as follows articles 35 and 37 of the Company's by-laws to ensure conformity with the provisions of the French law n° 2005-842 of July 26, 2005, known as the "loi Breton":

- Article 35: quorum and majority (of Ordinary Shareholders' Meeting): in the first paragraph, the word "quarter" is replaced by "fifth", with the rest of the article remaining unchanged;
- Article 37: Quorum and majority (of Extraordinary Shareholders' Meeting): in the first paragraph, the words "third" and "quarter" are respectively replaced by "quarter" and "fifth", with the rest of the article remaining unchanged.

Fourth resolution:**POWERS**

The Ordinary Shareholders' Meeting gives full powers to Jean-Pierre DELPEUCH to carry out all legal formalities, in particular to notify the Tribunal de Commerce de Paris of any changes.

LEGAL AND ADMINISTRATIVE INFORMATION

Information about the company

CORPORATE NAME

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

REGISTERED OFFICE

Tour Cristal
7 - 11 quai André Citroën - 75015 Paris

LEGAL STRUCTURE

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

OFFICIAL CECEI APPROVAL

The company was approved by the *Comité des Etablissements de Crédit et des Entreprises d'Investissement* (CECEI) on July 23, 1999, as a *société financière - société de crédit foncier*. This approval became definitive on October 1, 1999.

APPLICABLE LEGISLATION

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

INCORPORATION DATE

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

CORPORATE PURPOSE (ARTICLE 2 OF THE BYLAWS)

The Company's exclusive purpose is:

- to grant or acquire loans to public sector entities as defined in article L. 515-15 of the Monetary and Financial Code as well as assets considered as loans as defined in article L. 515-16 of the same Code;

- to hold assets defined by decree as replacement assets;
- in order to finance the above-mentioned loans, to issue obligations foncières benefiting from the Privilege defined in article L. 515-19 of the Monetary and Financial Code and to raise other funds, under issue or subscription contract referring to the Privilege.

The Company may also fund the above-mentioned activities by issuing bonds or other sources of financing that do not benefit from the Privilege defined in article L. 515-19 of the Monetary and Financial Code.

Pursuant to the law n° 81-1 of January 2, 1981, passed to facilitate corporate borrowing, The Company may assign all the assets it owns, whatever the nature (professional or not) of these assets.

COMPANY REGISTRATION AND APE BUSINESS IDENTIFICATION CODE

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

Its APE code is 652 C.

AVAILABILITY OF INFORMATION

Legal documents on Dexia Municipal Agency may be consulted at the company's registered office:

Tour Cristal, 7 à 11, quai André Citroën,
BP 1002 - 75901 Paris Cedex 15

FISCAL YEAR (ARTICLE 39 OF THE BYLAWS)

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

EXCEPTIONAL EVENTS AND LEGAL PROCEEDINGS

There is no exceptional event, legal proceedings or claim pending or in process which could have a material impact on the assets and liabilities, financial position or results.

APPROPRIATION OF INCOME (ARTICLE 40 OF THE BY-LAWS)

Income available for distribution comprises net income for the year less any prior year losses and any allocations to reserves pursuant to current legislation, plus any retained earnings carried forward from previous years.

From the available surplus, the Ordinary Shareholders' Meeting, voting on a recommendation of the Executive Board, may allocate all or a part of the remaining income to retained earnings. There are no priority shares or dividends.

ANNUAL SHAREHOLDERS' MEETINGS

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

Annual shareholders' meetings are called as required by current legislation. They are held at the Company's registered office or any other location specified in the notice of meeting.

All shareholders have the right to obtain copies of the documents required to make an informed decision concerning the overall management and control of the Company.

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

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

All shareholders are entitled to attend the meetings upon presentation of proof of identity, provided that their shares have been paid up to the extent called and are registered in their name at least five days prior to the date of the meeting. Shareholders may give proxy to another shareholder. Proxies must be deposited at the company's headquarters at least five days prior to the date of the meeting.

VOTING RIGHTS (ARTICLE 32 OF THE BY-LAWS)

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

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

Information about the company's capital and shares

CAPITAL

Capital stock totals EUR 680,000,000 represented by 6,800,000 nominative shares with no stated par value.

There are no other securities that grant rights to shares in the capital of Dexia Municipal Agency.

SHAREHOLDING STRUCTURE IN THE LAST FIVE YEARS

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

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

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

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

Lastly, the Extraordinary Shareholders' Meeting of March 24, 2005, increased the capital to EUR 680,000,000.

| Répartition du capital | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|--------|--------|--------|--------|--------|
| Dexia Crédit Local | 99.99% | 99.99% | 99.99% | 99.99% | 99.99% |
| French and/or Belgian private institutional and corporate investors | 0.01% | 0.01% | 0.01% | 0.01% | 0.01% |

At the Shareholders' Meeting of March 24, 2005, there were 6,200,000 voting rights in existence.

DECLARATION OF FINANCIAL SUPPORT

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

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

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

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

