Annual report 2011

DEXIA MUNICIPAL AGENCY

Public sector assets – *Obligations foncières*

DEXIA
MUNICIPAL
AGENCY

ANNUAL REPORT 2011
Dexia Municipal Agency

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1. General introduction on the nature of the company and the general framework of activities

1.1 - NATURE OF THE COMPANY

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, it conducts banking transactions in its ordinary course of business. As *a société financière-société de crédit foncier*, these transactions are specialized and have an exclusive purpose, as defined in articles L.513-13 and following of the Monetary and Financial Code. In the case of Dexia MA, this specialization is reinforced by its own by-laws 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 transactions with public sector entities or entities they guarantee.

Sociétés de crédit foncier, created by a French law passed in June 1999, are well known to bond issuers and investors. They issue covered debt instruments called *obligations foncières* or contract other covered debt, which may or may not be traded on regulated markets. All these instruments are characterized by a legal privilege that in priority allocates the sums from the Company's assets to serve bond interest and reimbursement. *Sociétés de crédit foncier* may also issue or contract non-covered debt.

Obligations foncières have become one of the significant components of the international covered bond market.

1.2 - CHANGES IN THE LEGAL FRAMEWORK IN 2011

There were no changes in the legal framework in 2011, except for the publication on February 25, 2011, of the decree of application of the law of October 22, 2010.
The regulatory framework was completed by instructions 2011-I-06 on the over-collateralization ratio and 2011-I-07 on the report on asset quality, as well as by a new version of standard 99-10.
In addition, for purposes of information, the Autorité de contrôle prudentiel (ACP) asked Dexia MA to report on its large exposures and its solvency ratio although Dexia MA has no regulatory obligation to do so.

1.3 - GENERAL FRAMEWORK OF ACTIVITIES

The assets held by Dexia Municipal Agency are exclusively comprised of commitments on public sector entities. These assets are financed through the issue of debt that is covered by a legal privilege that guarantees them a priority right on the flow of assets. The surplus of assets not financed by covered bonds, the "over-collateral", is financed by the Company's equity and by a debt contracted with Dexia Credit Local, its sole shareholder. This debt carries no privilege and is thus subordinated to the covered bonds.

a. Assets

The assets held by Dexia MA are solely comprised of commitments on public sector entities that are eligible by the terms of articles L.515-15 and following of the Monetary and Financial Code, i.e. States, local governments or groups of such, public sector entities in the European Economic Area, Switzerland, the United States of America, Canada and Japan. Exposures on public sector entities in other countries may be included in Dexia MA's assets, under the condition that they benefit from a high credit rating from a rating agency recognized by the Autorité de contrôle prudentiel (ACP), but this option is not part of the current strategy of Dexia MA.
These commitments take the form of loans or bonds representing a commitment on or guaranteed by such public sector entities. Debt issued by mutual funds or similar structures, such as asset-backed securities (ABS), is also eligible for booking on Dexia MA's balance sheet if at least 90% of the assets are directly eligible, and if, upon acquisition, the debt issued has a minimum rating of AA-, Aa3, AA- from a rating agency recognized by the Autorité de contrôle prudentiel (ACP). In practice, the securitization shares acquired by Dexia MA from Dexia Group subsidiaries were issued by funds entirely made up of eligible assets.
Assets considered by current legislation to be replacement assets correspond to exposures vis-à-vis credit institutions benefiting from a Step 1 rating or a Step 2 rating (when maturity does not exceed 100 days) for a total amount limited to 15% of all privileged debt (*obligations foncières* and registered covered bonds for Dexia MA). In this category, Dexia MA classifies covered bonds issued by other Dexia Group entities with a cover pool comprised of commitments on public sector entities. This was the case as of December 31, 2011, for the *lettres de gage* issued by Dexia LdG Bank. Dexia MA also acquired secured and unsecured commitments in 2011, issued by Dexia Credit Local, with a maximum maturity of 3 months. They were all redeemed as of December 31, 2011.
Dexia MA operates a branch in Dublin. The role of this entity is to facilitate financing for the assets generated by the Dexia Group in its international activities. Since the branch's balance sheet is completely integrated into the balance sheet of Dexia MA in Paris, all the assets in Paris and Dublin represent a single volume of collateral to cover *obligations foncières* and other debt benefiting from the legal privilege. *Obligations foncières* and other debt benefiting from the same privilege are issued and funds collected solely from Paris. Short-term financing for the branch is provided by Dexia Credit Local Dublin Branch, and for the medium and long term, Dexia MA Paris grants internal loans to its branch in Dublin. An

extension of the management contract signed by Dexia Credit Local Dublin Branch and Dexia MA entrusts management of the Dexia MA branch in Dublin to the Dublin branch of Dexia Credit Local, since *sociétés de crédit foncier* have no direct employees (Monetary and Financial Code, article L.515-22). The existence of a branch in Dublin does not affect the characteristics of the privilege of *sociétés de crédit foncier* under French law.

Most of the assets on Dexia MA's balance sheet are generated by the Dexia Group's commercial activites. Its subsidiary, Dexia Credit Local, which is Dexia MA's sole shareholder, is a European banking group specialized in public finance.

b. Liabilities

In addition to equity, Dexia MA uses two categories of debt to finance its assets:

- debt that benefits from the legal privilege, defined by law as *obligations foncières* or other resources that benefit from the legal privilege by reason of their contract. Dexia MA thus issues registered covered bonds that benefit from the legal privilege by reason of their contract on the same basis as *obligations foncières*. Designed for German institutional investors, these private placements are governed by German law and benefit from the French legal privilege specific to issues by *sociétés de crédit foncier*;
- debt that does not benefit from the legal privilege, i.e. debt that is not covered by the assets and, therefore, would be considered as subordinated debt with regard to debt benefiting from the legal privilege. With equity, such debt finances over-collateralization. There are two types:
  - funds borrowed from Dexia Credit Local – this debt is contracted through a financing agreement with the parent company;
  - refinancing obtained from the Banque de France – as a credit institution, Dexia MA may benefit, in its own name, from access to Banque de France refinancing operations. Dexia MA has introduced the organizational and IT procedures required to participate in the refinancing operations of the Banque de France. The financing obtained does not benefit from the privilege specified by the law on *sociétés de crédit foncier*, but is guaranteed by assets pledged to the central bank. These pledged assets are temporarily excluded from the cover pool and the calculation of the over-collateralization ratio.

    Dexia Municipal Agency used Banque de France financing:
    - from September 2008 to July 2009 in order to fund commercial production when the covered bond market was closed;
    - since October 2011, to finance *cedulas territoriales* securities, classified as replacement assets, subsequent to a rating downgrade.

In addition, in 1999, Dexia Credit Local signed a declaration of support ensuring that it "will ensure that Dexia Municipal Agency… has the financial resources it needs to meet its obligations." This declaration of support is reproduced in issuance documents and Dexia MA's annual report.

c. Legal privilege

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

- when a *société de crédit foncier* is subject to bankruptcy or liquidation procedures, cash flows generated by the assets, after any financial instrument hedges if such be the case, are allocated in priority to serve the *obligations foncières* and other resources benefiting from the privilege, also after any financial instrument hedges if such be the case;
- 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 with priority over all other commitments. These other commitments can only be settled after all debt benefiting from the privilege has been discharged.

In addition, the current legislation stipulates that:

- in order to maintain the privilege granted to investors who have acquired *obligations foncières* and other covered bonds, a *société de crédit foncier* should not have any direct employees (who, under French law, would benefit from a priority). A *société de crédit foncier* must, therefore, entrust the management of its operations to another credit institution with which it has signed an agreement (Monetary and Financial Code, article L.515-22). The management agreement itself benefits from the privilege of article L.515-19, to the same degree as holders of privileged debt;
- the bankruptcy or liquidation of the shareholder of a *société de crédit foncier* cannot be extended to the *société de crédit foncier* (Monetary and Financial Code, article L.515-27).

d. Various prudential provisions concerning management

A *société de crédit foncier* is not legally allowed to have a subsidiary or hold an equity interest in another company.
The over-collateralization ratio, i.e. the ratio between the assets hedging the privileged debt and the debt benefiting from the privilege, as well as interest rate and liquidity risk management are discussed below in specific chapters.
As mentioned above, Dexia MA has contractually entrusted its parent company, Dexia Credit Local, with operational management. Specific management agreements have also been signed with other entities that transfer assets to Dexia MA and continue to handle the administration of these assets vis-à-vis their national clients.
At the end of 2011, the following agreements were operative: Kommunalkredit Austria (Austria) and Dexia Bank Belgium, former subsidiaries of Dexia, as well as Dexia Crediop (Italy), a subsidiary of Dexia Credit Local. All these management agreements already existed in previous years. A new contract was signed in 2011 with Dexia Credit Local Canada Branch.
Lastly, as a reminder, since Dexia MA has no subsidiary or equity holding, the Company does not produce consolidated accounts, and is not required to publish its financial statements in IFRS format. Nevertheless, wishing to ensure comparability and transparency, Dexia MA publishes quarterly and annual financial statements in IFRS format.

2. Highlights of 2011

2.1 - SITUATION OF THE COVERED BOND MARKET

After the record volume of issues reported in the first six months of the year, the second half experienced a significant slowdown. Except for the month of August, in which a substantial volume of issues was reported, the rest of the second half was characterized by the year's smallest volume of benchmark issues, in a very hesitant primary market with high volatility. However, the overall volume of euro-denominated benchmark issues exceeded EUR 160 billion for the year 2011.

Secondary spreads widened significantly during the summer, with the worsening economic situation in Europe. The movement gained speed throughout the second half of the year in all the countries that issue covered bonds.

To facilitate access to refinancing via covered bonds, by relaunching the primary market and prompting tighter spreads in the secondary market, the ECB decided to initiate a new program to purchase covered bonds (CBPP2) in the amount of EUR 40 billion, beginning in November and for a period of 12 months; such purchases are negotiated in the primary and secondary markets. At the end of December 2011, ECB purchases totaled more than EUR 3.0 billion.
Since the program was launched, spreads have tightened significantly.

There was increased diversification in the French covered bond offering in 2011 with the arrival of new players on the scene in the guise of *sociétés de financement de l'habitat* (SFH). As a result, issuers of covered bonds backed by home loans now operate in a dedicated legal framework. At the end of December 2011, the number of SFH was still limited and although there were only five of them, their number should grow rapidly.

In 2011, Dexia MA issued two benchmarks (10 years and 5 years) in the first half of the year, each for EUR 1 billion. Dexia MA was not affected by the situation in the primary market because no issue was scheduled for the second half of 2011. On the other hand, however, its secondary spread widened more than that of comparable entities owing to the financial situation of the Dexia Group (see below).

2.2 - DEXIA MUNICIPAL AGENCY'S RATING

The issuance program of Dexia MA is rated by the three main rating agencies – Standard & Poor's, Fitch and Moody's. Such rating implies the following

- a quarterly review of assets,
- an agreement on the principles and policies of interest rate risk management,
- the satisfaction of scenarios of stress and extinguishment of the balance sheet,
- an assessment of the relations between Dexia MA and its parent company, Dexia Credit Local.

As of December 31, 2011, Fitch gave Dexia MA a AAA rating. In December 2011, S&P announced that is was putting its AAA rating under CreditWatch negative, reflecting the uncertainty about the rating of France. At the end of January 2012, S&P confirmed that Dexia MA's rating was being kept under CreditWatch for a further review, following the downgrade of the short-term rating of Dexia Credit Local to A2. In December 2011, Moody's announced the downgrade of Dexia MA's rating to Aa1 / on review for downgrade because of the downgrade of the rating of its parent company to Baa1 / on review for downgrade.

2.3 - FINANCIAL SITUATION OF THE DEXIA GROUP

Dexia is a European banking group whose parent company is Dexia SA, a limited company under Belgian law with its shares listed on Euronext Brussels and Paris as well as the Luxembourg Stock Exchange.
Since December 2008, the group has started to implement a restructuring plan validated by the European Commission and has considerably reduced its risk profile and refocused its commercial franchises on its historical business lines and markets. Dexia has thus principally organised its activity portfolio around retail banking, seizing opportunities for growth in Belgium and Turkey, and in the field of public finance in France.
As a consequence of the aggravation of the sovereign crisis in the euro zone and more generally the difficult macroeconomic environment, Dexia was confronted by renewed pressure on its liquidity during the summer of 2011.

Against that background, in October 2011, the Group initiated in-depth changes to its structure, including:

- the implementation of a funding guarantee scheme involving the Belgian, French and Luxembourg States;
- the sale of Dexia Bank Belgium to the Belgian State, finalised on October 20, 2011;
- an agreement with Caisse des Dépôts, La Banque Postale and the French State with regard to local public sector finance;
- the disposal of certain of the Group's operational subsidiaries, particularly Dexia Banque Internationale à Luxembourg, DenizBank, Dexia Asset Management and RBC Dexia Investor Services.

These measures, comprising a definitive liquidity guarantee scheme, will be part of a new restructuring plan that the States have committed to submit to the European Commission by the end of March 2012.
After completion of those divestments, the Dexia Group's new activities will focus on public sector services through its international subsidiaries and on the management of a portfolio of assets in a run-off mode.

Results in 2011 were seriously impacted by the current context. There was a net loss of EUR 11.6 billion. As of December 31, 2011, the Tier I ratio stood at 7.6%

In 2011, the liquidity situation of Dexia Credit Local, Dexia MA's parent company, was marked by constant pressure, which eroded its refinancing structure. As of mid-2011, the aggravation of the sovereign crisis in the euro zone and the growing defiance vis-à-vis financial institutions were accompanied, for Dexia Credit Local, by the downgrade of its agency ratings. Confidence in its creditworthiness was undermined and its access to the unsecured financing market was blocked. To meet this situation, Dexia Credit Local made use of the emergency measures offered by central banks.

Dexia Credit Local benefits from a guarantee, which was decided in an agreement on October 10, 2011, by the French, Belgian and Luxembourg States in order to facilitate the Dexia Group's access to the financial markets. An autonomous guarantee agreement was formally signed on December 16, 2011, and was temporarily approved by the European Commission on December 21, 2011.
The uncertain liquidity situation of its parent company had no impact on Dexia MA's capacity to reimburse its *obligations foncières* at maturity or to maintain its level of over-collateralization. In fact, Dexia MA had completed its full issue program for 2011 in the first half, and had a cash surplus as of December 31, 2011. Cumulated forecast cash flows for the next two years are positive and it is therefore not necessary for Dexia MA to call on Dexia Credit Local for new financing.

2.4 - PRELIMINARY AGREEMENT ON THE FUTURE FINANCING OF THE FRENCH LOCAL PUBLIC SECTOR

In October 2011, Dexia, Caisse des Dépôts and La Banque Postale finalized the terms of a negotiation protocol on the financing of French local governments. The Boards of Dexia SA and Dexia Credit Local approved the protocol respectively on October 19, 2011, and October 20, 2011. The Supervisory Board of Dexia MA likewise took note of the protocol on October 20, 2011.

There are two main provisions in the October 2011 agreement:
- the sale of 70% of the capital of Dexia Municipal Agency (65% to Caisse des Dépôts and 5% to La Banque Postale);
- the creation of a joint venture, of which 65% and 35% are held respectively by La Banque Postale and Caisse des Dépôts, whose role will be to develop and distribute loans to French local governments refinanced through Dexia Municipal Agency.

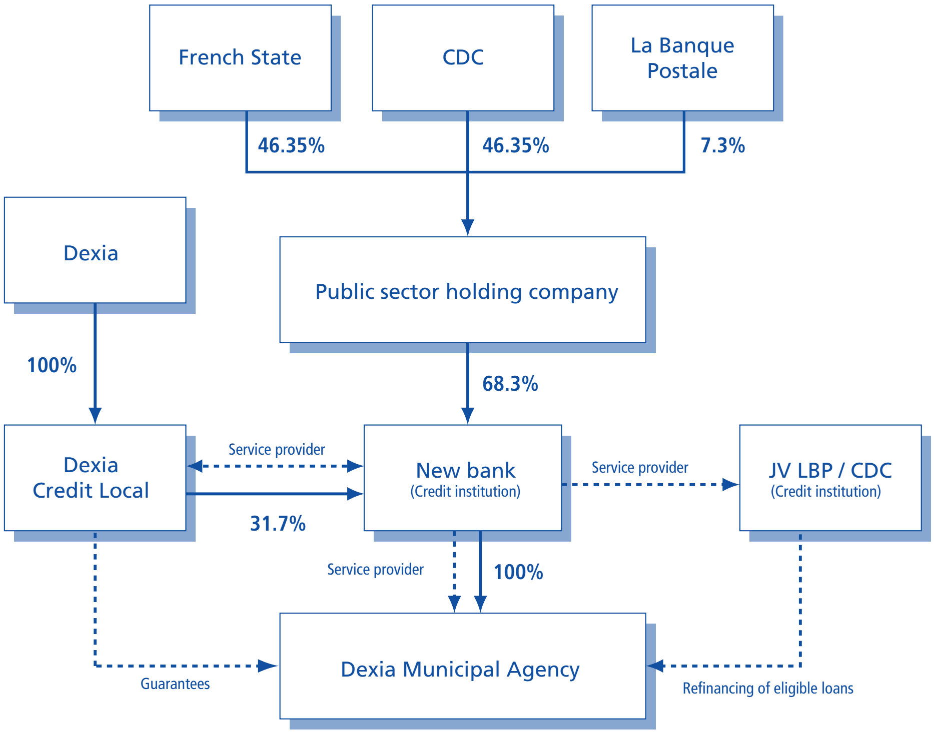
Subsequent to the negotiation protocol, Dexia, Caisse des Dépôts, La Banque Postale and the French State signed a preliminary agreement on February 10, 2012, complemented by a protocol of intentions validated on March 15, 2012, and signed by all the parties, in order to ensure continued financing of the local public sector in France.
The scheme, which was defined in common, is built around two axes:
- the setting up of the joint venture, as planned in the original agreement, held respectively by La Banque Postale (65%) and Caisse des Dépôts (35%), which will commercialize new loans to French local governments;
- the creation of a new credit institution of which 68.3% will be held by a public sector holding company and 31.7% by Dexia Credit Local. This new entity will be the parent company of Dexia Municipal Agency, which it will fully own and manage.
  It will also manage the industrial platform that will provide services to Dexia Municipal Agency and certain activities of the joint venture and the Dexia Group. Eligible loans granted by the joint venture will be refinanced by Dexia Municipal Agency.
  The public sector holding company will belong to the French State (46.35%), Caisse des Dépôts (46.35%) and La Banque Postale (7.3%).

The preliminary agreement was approved on February 10, 2012, by the Board of Dexia SA and on February 13, 2012, by the Board of Dexia Credit Local. The Supervisory Board of Dexia Municipal Agency took note of the terms of this negotiation at its meeting on February 15, 2012, and approved the principle of the planned sale of its shares to the new structure.

No prior sale of Dexia Municipal Agency's balance sheet assets is required before the sale of the entity. Dexia is to provide Dexia Municipal Agency with, on the one hand a guarantee in the event that the annual losses exceed 10 basis points on the total outsanding loans, i.e. more than ten times the level of the greatest loss in Dexia Municipal Agency's history and, on the other hand, guarantees on a portfolio of EUR 10 billion in structured loans to French local governments. Moreover, Dexia will benefit from a counter-guarantee by the French State on this portfolio of structured loans for 70% of any losses exceeding EUR 500 million.

The preliminary agreement signed on February 10, 2012, stipulates that La Banque Postale will benefit from purchase options on the total percentage ownership of Dexia Credit Local in the new credit institution that can be exercised, in function of the development of the joint venture's activities, until 2020.

This project will be submitted for approval to the European Commission (in March 2012) and to the competent regulatory authorities. The opinion of the representatives of the employees concerned will also be solicited.



2.5 - STRUCTURED LOANS

Certain French loans in the cover pool of Dexia Municipal Agency may be qualified of structured loans.
To define this notion, Dexia Municipal Agency refers to the charter of good practices signed by banks and local government (the Gissler charter), which can be consulted on the Internet site of Dexia Credit Local. This document was drawn up at the request of the French government by Eric Gissler, inspecteur général des Finances, and signed on December 7, 2009, by several organizations that are representative of local governments in France (Association des maires de France, Fédération des maires des villes moyennes, Association des petites villes de France, Association des maires de grandes villes de France and Assemblée des communautés de France) as well as four banks, including the Dexia Group. From this point of view, the charter represents a commitment for Dexia Credit Local.
Therefore, in its 2011 report, Dexia Credit Local defined structured loans as:

- all the loans with structures belonging to Gissler charter categories B to E;
- all the loans the commercialization of which is excluded by the charter, either because of their structure (i.e. leverage > 5, etc.), the underlying index(es) (i.e. foreign exchange, commodities, etc.), or the currency of the exposure (loans denominated in CHF, JPY, etc.);
- to the exclusion of all the loans of which the structured phase is terminated and the interest rate is a fixed rate or a simple variable rate definitively.

According to this definition, outstanding structured loans commercialized by Dexia Credit Local and transferred to Dexia MA represented EUR 17.4 billion at the end of 2011, with an average rate paid by customers of 4.02%. The 10% of customers having paid the highest rates in 2011 paid an average of 6.28% and the 10% of customers having paid the lowest rates in 2011 paid an average of 2.56%.
The number of customers who assigned Dexia Credit Local for structured loans was 15 at the beginning of 2012, 14 of which corresponded to loans on Dexia MA's balance sheet.

The preliminary agreement between Caisse des Dépôts, La Banque Postale, the French State and Dexia stipulates that Dexia provide Dexia Municipal Agency with guarantees of performance and legal risk with regard to the most structured loans signed with French local governments, representing a portfolio of approximately EUR 10 billion, and that this commitment be counter-guaranteed by the French State for 70% of the losses exceeding EUR 500 million. This counter-guarantee is subordinated to the approval of the European Commmission.

3. Changes in main balance sheet items

EUR billions		12/31/2009	12/31/2010	12/31/2011	Change Dec. 2011 / Dec. 2010
Cover pool		**77.9**	**79.6**	**77.0**	**(3.3)%**
Loans		55.8	56.1	58.1	3.5%
Securities		22.1	23.5	18.9	(19.6)%
Assets assigned in guarantee to Banque de France		**-**	**-**	**3.2**	**N.A.**
Privileged debt	*Swapped value**	**66.2**	**64.9**	**65.6**	**1.1%**
Obligations foncières *and RCB ** *	*Balance sheet value*	63.9	64.3	64.4	0.2%
Cash collateral received		1.4	1.3	2.5	92.3%
Non-privileged debt		**10.4**	**12.5**	**12.2**	**(2.4)%**
Dexia Credit Local		10.4	12.5	9.5	(24.0)%
Banque de France		-	-	2.7	N.A.
Equity IFRS (excluding unrealized gains and losses)		**1.2**	**1.3**	**1.3**	**0.1%**

** Including cash collateral received*
*** Registered covered bonds*

As of December 31, 2011, Dexia Municipal Agency's cover pool, composed of loans and debt securities, totaled EUR 77.0 billion, excluding accrued interest not yet due. As of December 31, 2010, the total was EUR 79.6 billion; the decrease was therefore EUR 2.6 billion (-3.3%).

The cover pool corresponded to all the assets on the balance sheet, excluding the assets assigned in guarantee to the Banque de France.

Outstanding debt benefiting from the legal privilege, translated if required at the currency swap rate (swapped value), was EUR 65.6 billion, including cash collateral received, up 1.1% from December 2010.

An increase in privileged debt (EUR +0.7 billion) combined with a decline in the cover pool resulted in a decrease in over-collateralization, which was 115.7% as of December 31, 2011 (see 6. Changes in the over-collateralization ratio).

Debt vis-à-vis Dexia Credit Local, which does not benefit from the legal privilege, totaled EUR 9.5 billion. This amount corresponds to the financing of over-collateralization both structurally (commitment of Dexia MA and requirements of the rating agencies) and on a temporary basis (assets waiting to be refinanced by *obligations foncières*).

Equity, according to IFRS, but excluding reserves for unrealized gains and losses, totaled EUR 1.3 billion at the end of December 2011.

4. Change in assets in 2011

4.1 - ASSET PRODUCTION

The net change in assets since the beginning of the year, was a decrease of EUR 2.6 billion. The change can be analyzed as follows.

EUR billions	2010			2011		
	Loans	Debt securites	Total	Loans	Debt securites	Total
France	5.8	0.6	6.4	6.4	2.4	8.8
Other countries	0.0	7.1	7.1	2.4	2.6	5.0
Total new assets	**5.8**	**7.7**	**13.5**	**8.8**	**5.0**	**13.8**
Amortization	(6.1)	(6.5)	(12.6)	(6.0)	(6.1)	(12.1)
Early reimbursements	(0.3)	-	(0.3)	(0.6)	(0.4)	(1.0)
Sales	(0.0)	-	(0.0)	(0.0)	(0.0)	(0.0)
Assets assigned in guarantee to Banque de France	-	-	-	(0.2)	(3.0)	(3.2)
Changes in provisions	(0.0)	0.1	0.1	(0.0)	(0.1)	(0.1)
Net change (excl. FX adjustments)	**(0.6)**	**1.3**	**0.7**	**2.0**	**(4.6)**	**(2.6)**
Foreign exchange adjustments*	0.9	0.1	1.0	0.0	0.0	0.0
Net change*	**0.3**	**1.4**	**1.7**	**2.0**	**(4.6)**	**(2.6)**

** All the assets included in the cover pool are perfectly hedged against foreign exchange adjustments; the changes mentioned above are fully compensated by equivalent changes in the value of the hedging derivative.*

Gross asset production and acquisitions in the period totaled EUR 13.8 billion.

EUR billions	2010		2011	
Loans		**5.8**		**8.8**
Canada	-		0.2	
Spain	-		0.3	
France				
- commercial loans	3.9		2.6	
- loans granted to Dexia Credit Local guaranteed by public sector bonds *	0.3		1.6	
- Banque de France deposit	1.6		2.2	
United Kingdom (loan granted to Dexia Credit Local guaranteed by commitments on UK public entities)	-		1.9	
Bonds		**7.7**		**5.0**
Germany	-		0.3	
Belgium - DSFB 4 securitization	4.2		-	
Belgium - other bonds	0.9		0.0	
Spain - *cedulas territoriales* *	1.7		2.0	
France - certificates of deposit Dexia Credit Local *	0.6		2.4	
Italy	0.1		0.2	
Luxembourg - *lettres de gage publiques* *	0.2		-	
United Kingdom	-		0.1	
TOTAL		**13.5**		**13.8**

** Replacement assets*

These assets included the following items:

- new long-term assets:
  - EUR 2.6 billion in public sector loans originated by Dexia Credit Local within the framework of its commercial activity in France;
  - EUR 1.9 billion representing a loan to Dexia Credit Local guaranteed by the transfer to Dexia MA of commitments on local governments in the United Kingdom;
  - EUR 0.7 billion in bonds issued by German, British, Belgian and Italian public sector issuers;
  - EUR 0.3 billion in Spanish public sector loans originated by Dexia Sabadell within the framework of its commercial activity in Spain;
  - EUR 0.2 billion in Canadian public sector loans, originated by Dexia Credit Local within the framework of its commercial activity in Canada;

- renewal of shorter-term assets that reached maturity (replacement assets):
  - EUR 2.4 billion in certificates of deposit (CD) issued by Dexia Credit Local, renewed quarterly, considered as replacement assets in the cover pool (until December 2011);
  - EUR 2.0 billion in *cedulas territoriales* issued by Dexia Sabadell and considered as replacement assets in the cover pool (until November 2011);
  - EUR 1.6 billion in loans to Dexia Credit Local secured by public sector securities (repurchase agreements), renewed quarterly, considered as replacement assets in the cover pool (until December 2011);

- the Banque de France deposit had a balance of EUR 2.2 billion as of December 31, 2011.

In addition to the arrival at maturity of the above-mentioned replacement assets, the decrease in assets mainly corresponded to the natural amortization of the portfolio of loans and bonds.

4.2 - OUTSTANDING ASSETS AT THE END OF 2011

a. Geographic breakdown of the cover pool (including replacement assets)

The breakdown of assets by country was relatively stable in comparison with December 31, 2010; the increase in British public sector commitments in a generally stable pool led to a slight decrease in the percentages of other countries. French assets remained predominant, with significant geographic diversification.

Spanish *cedulas territoriales*, pledged to the central bank, are excluded from the following breakdown.

The trend in the relative proportion of assets by country can be analyzed as follows.

%	12/31/2010	12/31/2011
France	64.3	66.0
Belgium	9.9	9.4
Italy	9.6	9.8
Switzerland	5.8	5.4
Spain	4.1	0.7
United Kingdom	0.8	3.3
Luxembourg	2.5	1.7
Subtotal	**97.0**	**96.3**
Other countries	3.0	3.7
TOTAL	**100.0**	**100.0**

As of December 31, 2011, exposures on other countries could be broken down as follows.

Other countries (%)	12/31/2011
Germany	1.3
Greece	0.5
Austria	0.4
Sweden/Finland	0.4
United States	0.3
Canada	0.3
Portugal	0.2
Iceland	0.2
Japan	0.1
TOTAL	**3.7**

b. Replacement assets

As of December 31, 2011, replacement assets represented a total of EUR 1.4 billion, down 76.3% from December 31, 2010. This major decrease was due to the removal from Dexia MA's cover pool of the *cedulas territoriales* assigned in guarantee to the Banque de France (cf. 4.2.c, Assets removed from the cover pool) and to the total reimbursement of commitments on Dexia Credit Local subsequent to its downgrade by S&P and Moody's.

Replacement assets are solely composed of *lettres de gage* (Dexia Group covered bonds rated AAA / watch negative by S&P as of December 31, 2011). Replacement assets, excluding the balance of current bank accounts, accounted for 2.1% of oustanding *obligations foncières* and registered covered bonds, totaling EUR 63.2 billion in swapped value. Current legislation limits their amount to 15%.

Replacement assets	**Country**	**Issuer**	EUR millions	
			12/31/2010	**12/31/2011**
Step 1 credit rating				
Cedulas territoriales	Spain	Dexia Sabadell	3,000	-
Lettres de gage publiques	Luxembourg	Dexia LdG Banque	1,850	1,350
Total			**4,850**	**1,350**
Step 2 credit rating (initial term < 100 days)				
Certificates of deposit	France	Dexia Credit Local	600	-
Secured loans	France	Dexia Credit Local	350	-
Total			**950**	**-**
Bank account balances			**-**	**22**
TOTAL			**5,800**	**1,372**
Removed from the cover pool *Cedulas territoriales*	Spain	Dexia Sabadell		3,000

c. Assets removed from the cover pool

As of December 31, 2011, Dexia MA decided to assign in guarantee to the Banque de France, until maturity, all its *cedulas territoriales*, rated Baa2 / on review for downgrade by Moody's.

In addition, several French loans were assigned to the Banque de France to cover the fluctuations in the market value of the *cedulas territoriales*. These assets were removed from the cover pool and from the calculation of the over-collateralization ratio following their pledge to the central bank.

Assets pledged to the Banque de France	**Country**	**Issuer**	**ISIN code**	**Maturity**	EUR millions **12/31/2011**
Cedulas territoriales	Spain	Dexia Sabadell	ES0426396158	1/16/12	1,000
Cedulas territoriales	Spain	Dexia Sabadell	ES0426396182	1/27/12	700
Cedulas territoriales	Spain	Dexia Sabadell	ES0426396166	8/28/12	800
Cedulas territoriales	Spain	Dexia Sabadell	ES0426396174	1/03/13	500
Loans to the public sector	France				189
TOTAL					**3,189**

As of December 31, 2011, the pledge of these assets allowed Dexia MA to borrow EUR 2.7 billion from the Banque de France within the framework of its weekly tenders.

d. Concentration by borrower

As of December 31, 2011, the 20 largest exposures (excluding replacement assets) represented 18.5% of the cover pool. The increase in concentration observed was mainly due to the arrival in the top 20 exposures of the balance of the account with the Banque de France. This exposure ranked first by accounting for 2.9% of the cover pool, while the twentieth exposure only represented 0.5%.

4.3 - ASSET QUALITY

Dexia Municipal Agency's pool of assets is exclusively composed of exposures on public sector entities or issues guaranteed by the same. The current financial crisis had no significant impact on the bank's portfolio in 2011, except for some sovereign exposures.

a. Exposures on sovereign countries

Dexia MA has limited exposure on sovereign countries. Most of these exposures are concentrated on countries benefiting from high ratings as of December 31, 2011, except for Greece and Iceland. Exposures on these two countries will have been completely transferred to Dexia Credit Local at the beginning of 2012 in accordance with the transfer agreement signed in December 2011 between Dexia MA and its parent company (cf. 11.1 Treatment of Greek and Icelandic securities).

EUR millions	Ratings as of 12/31/2011 ***	12/31/2010	12/31/2011
France*	AAA/Aaa/AAA	291	211
United Kingdom	AAA/Aaa/AAA	665	672
Germany	AAA/Aaa/AAA	-	12
Italy	A+/A2/A	610	552
Greece**	CCC/Ca/CCC	421	414
Iceland**	BB+/Baa3/BBB-	180	145
TOTAL		**2,167**	**2,006**

** Excluding the Banque de France sight account*
*** Exposures sold in January 2012*
**** Fitch, Moody's, S&P*

b. Quality of the assets in the portfolio

Dexia MA's portfolio of assets is composed of loans and debt securities.

Loans and advances. Loans and most of the bonds held by Dexia MA are classified in the "Loans and advances" portfolio according to IFRS, corresponding to an intention to hold them until maturity. They are valued at their historical cost and, if necessary, are covered by provisions for impairment when there is a risk of non-payment.

In addition, collective impairment is calculated on the different portfolios of loans and advances. It covers the risk of loss in value in the absence of specific depreciation, but when there is an objective indication of the probability of loss in certain segments of the portfolio or in other commitments involving outstanding loans at the end of the period. These losses are estimated on the basis of each segment's past performance and trends, each borrower's rating, and the borrower's economic environment. To this end, Dexia Credit Local has designed a credit risk model using an approach that combines probabilities of default (PD) and loss given default (LGD). This model, which is also used for Dexia MA's transactions, is regularly tested *a posteriori*. It is based on Basel II data and risk models in line with the model of incurred losses.

This collective impairment is, however, much greater than the real risk, for the method applied does not take into account all the guarantees received.

EUR millions	12/31/2010	12/31/2011
Specific impairment	1.5	3.2
Collective impairment	18.2	17.7
TOTAL	**19.7**	**20.9**

Non-performing loans amounted to EUR 28.3 million at the end of December 2011, representing less than 0.04% of the total cover pool (EUR 77.0 billion). The minor amounts of impairment and non-performing loans that the Company reported testify to the very low level of risk and the overall high quality of the portfolio.
Non-performing loans can be mainly broken down between municipalities and public-sector entities, for very small unit amounts.

France (EUR millions)	12/31/2010	12/31/2011
Municipalities	5.9	15.4
Group of municipalities	1.7	1.2
Public sector entities	2.9	11.7
TOTAL	**10.6**	**28.3**

These non-performing loans are carried by a limited number of counterparties and turnover is frequent. In 2011, nine files were resolved and 17 new cases were identified.

Non-performing loans (number of files)	2010	2011
Beginning of the year	16	17
New	12	17
Outgoing	11	9
End of the year	**17**	**25**

AFS securities. Because of their liquidity, in particular, certain securities remain classified for accounting purposes as available for sale according to IFRS and are valued for accounting purposes on the basis of their fair value.
To determine the fair value of these securities, the reference is the market price when such data is available. When no price is listed in a market, the fair value is obtained by estimating the value using price valuation models or the discounted cash flow method, including observable and non-observable market data. When there is no price listed for these instruments, the valuation model attempts to apprehend as best as possible the market conditions at the date of the valuation, as well as any changes in the quality of the credit risk of these financial instruments and market liquidity. The methods that have served to determine the fair value of AFS securities are indicated in the notes to the financial statements according to IFRS (7.1.c). The difference with the accounting value gives rise to a positive or negative AFS reserve. These reserves would only represent gains or losses if Dexia MA were to sell these securities, but Dexia MA acquired these assets with the intention of holding them to maturity.

As of June 30, 2011, Dexia MA recorded a depreciation of EUR 7 million on its direct exposures to Greece in order to respect Dexia's commitments in the assistance program of the IIF (Institute of International Finance).

Since this day, to avoid larger losses at its subsidiary, Dexia Credit Local committed to purchase all of Dexia MA's Greek and Icelandic exposures, with no additional loss compared with the first-half accounts. This commitment was materialized in 2011, with a transfer agreement whereby Dexia MA sold this portfolio to Dexia Credit Local, executed in January 2012.

In Dexia MA's annual IFRS financial statements, impairment was recognized on the Greek portfolio, offset by a gain on the transfer agreement, which was considered as a derivative under IFRS. The impairment, on the Greek portfolio, of EUR 577 million was offset for a corresponding amount in net banking income through the value of the derivative (forward sale). Given the impairment recorded in income, the negative AFS reserve relating to these securities was reduced to zero.

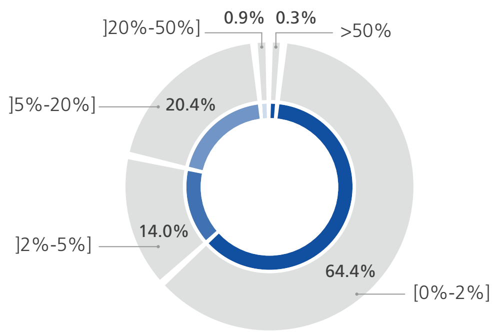
The market value of Italian sovereign bonds also declined as a result of the European sovereign crisis. The amount of the AFS reserve for Italian sovereign issues was EUR -260 million at the end of 2011.

As of December 31, 2011, the overall AFS reserve, before taxes, was EUR -398 million, versus EUR -322 million as of December 31, 2010. For the most part, this change corresponded for EUR +82 million to the forward sale of Greek securities and for EUR -175 million to the decline in value of Italian sovereign issues.

c. Breakdown of exposures according to Basel II risk weighting

The quality of Dexia Municipal Agency's portfolio can also be seen in the weighting of its assets within the framework of the calculation of the Group's solvency ratio. The Dexia Group chose the advanced method within the framework of the reform of the solvency ratio and capital adequacy according to Basel II criteria. Banking supervisors (the ACP in France and the CBFA in Belgium) authorized the Group to use advanced internal models for the calculation and reporting of equity requirements for credit risk as of January 1, 2008.
This enables Dexia Municipal Agency to present in the following table an analysis of its exposures, broken down by risk weighting, such as used for the calculation of equity requirements for credit risk.

Risk weighting (Basel II) of Dexia MA's portfolio as of December 31, 2011



These weightings are primarily calculated on the basis of the probability of default (PD) and loss given default (LGD) of the counterparty. This analysis confirms the excellent quality of the assets in Dexia MA's portfolio, since more than 78% of the portfolio assets have a weighting that is less than or equal to 5%, and more than 98% of the portfolio assets have a weighting that is less than or equal to 20%.
Dexia MA has a solvency ratio of more than 25% as of December 31, 2011, by reason of the size of its equity and the credit quality of its assets.

d. Exposure to subprimes, monolines, ABS and banks

Exposure to subprimes and other mortgage loans

Dexia MA has no exposure to mortgage loans, whether subprime or prime. The authorization granted to Dexia MA by the Banque de France (CECEI) only allows the Company to finance exposures on public sector entities (central governments, local governments, public organizations, etc.) or entities that are entirely and unconditionally guaranteed by public sector entities (excluding replacement assets).

Exposure to monoline insurers

In its public sector bond portfolio, Dexia MA holds four issues of large French and Spanish local governments with credit enhancement by a monoline insurer.
The breakdown of these exposures is presented in the following table.

Issuer	Country	ISIN code	12/31/2011 EUR millions	Monoline Insurer
Communauté urbaine de Lille	France	US203403AB67	9.5	AMBAC
Ville de Tours	France	FR0000495517	1.0	MBIA
Ville de Tours	France	FR0000495632	8.5	MBIA
Feria internacional de Valencia	Spain	ES0236395036	50.0	FSA
TOTAL			69.0	

They represent less than 0.1% of the assets of Dexia MA. Credit enhancement was not a factor in the decision to invest in these bonds given the quality of the issuers.

Exposure in the form of asset-backed securities (ABS)

At the end of December 2011, Dexia MA had a limited number of exposures in the form of amortizable ABS (securitization units), totaling EUR 10.3 billion, down 6.2%, from December 31, 2010. These exposures are listed below.

EUR millions	ISIN code	12/31/2010	12/31/2011
Dexia Secured Funding Belgium SIC (DSFB 1)	BE0933050073	1,457.8	1,412.1
Dexia Secured Funding Belgium SIC (DSFB 2)	BE0934330268	1,447.0	1,376.0
Dexia Secured Funding Belgium SIC (DSFB 4)	BE6000495752	4,330.8	3,924.6
Dexia Crediop per la Cartolarizzazione SRL (DCC 1)	IT0003674691	787.1	743.8
Dexia Crediop per la Cartolarizzazione SRL (DCC 2)	IT0003941124	728.8	677.7
Dexia Crediop per la Cartolarizzazione SRL (DCC 3)	IT0004349665	2,165.2	2,110.0
Subtotal		**10,916.7**	**10,244.2**
Blue Danube Loan Funding GmbH	XS0140097873	81.0	77.7
Colombo SRL	IT0003156939	7.9	5.6
Societa veicolo Astrea SRL	IT0003331292	1.3	0.5
Subtotal		**90.1**	**83.8**
TOTAL		11,006.8	10,328.0

Most of these exposures are asset-backed securities especially designed by Dexia to transfer to Dexia MA exposures on Italian and Belgian local governments originated by Dexia's commercial network.
Dexia MA thus holds almost all of the debt issued by DCC and DSFB, with the remainder held by the entity that originated the assets (Dexia Crediop and Dexia Bank Belgium).

DCC securities benefit from the guarantee of Dexia Crediop, and were rated A / watch negative by Fitch, BBB+ / watch negative by S&P, and Baa3 / on review for downgrade by Moody's as of December 31, 2011.

The securities issued by DSFB 1 and 2 benefit from the guarantee of Dexia Bank Belgium (DBB), and are therefore rated A / outlook stable by Fitch, A- / watch negative by S&P and A3 / on review for downgrade by Moody's at the end of 2011. The securities issued by DSFB 4 are not guaranteed by Dexia Bank Belgium, but are rated AA by Fitch.
The composition of the DCC and DSFB portfolios is presented at the end of this report.

The other ABS have the following characteristics:

- Blue Danube Loan Funding GmbH is governed by Austrian law and is rated AA+ by S&P; its debt is unconditionally and irrevocably guaranteed by the Land of Lower Austria;
- Colombo SRL (rated A / watch negative by S&P) and Societa veicolo Astrea SRL (rated A+ / outlook negative by Fitch and A2 by Moody's) are both Italian companies with assets that are exclusively loans to the Italian public sector (regions, municipalities, etc.).

Exposure to banks

Dexia MA holds four types of exposure to banks:

- *lettres de gage* issued by Dexia LdG Bank (covered bonds), classified as replacement assets – see above 4.2.b;
- *cedulas territoriales,* issued by Dexia Sabadell, pledged to the Banque de France, removed from the cover pool;
- bank account balances in euros and other currencies;
- the value of its derivative contracts, entered into within the framework of its management of interest rate and foreign exchange risks.

All of Dexia MA's derivative operations are conducted within the framework of standard ISDA or AFB contracts with major international banks. These contracts have particular characteristics, since they must meet the standards set by rating agencies for *sociétés de crédit foncier* (and other issuers of covered bonds). These interest rate and currency swaps all benefit from the same legal privilege as *obligations foncières*. For this reason, Dexia MA does not pay its derivative counterparties any collateral, whereas they have to pay Dexia MA unless they benefit from the agencies' highest short-term rating.

As of December 31, 2011, Dexia MA was exposed (positive fair value of the swaps) to fourteen banking counterparties. Ten of these paid collateral for EUR 2.5 billion, which offset the exposure, and four paid none because of their very high ratings. These four counterparties represented an exposure of EUR 236 million. All the exposures to long-term derivatives as of December 31, 2011, are listed below.

EUR millions	Notional amounts	%	Mark to Market -	Mark to Market +	Collateral received	Number of counterparties
Dexia Credit Local	19,360	16.7%	(3,436)	-	-	1
Dexia Crediop	1,410	1.3%	(592)	-	-	1
External counterparties	94,820	82.0%	(4,326)	2,708	2,498	28
including Dexia Bank Belgium	*5,930*	*5.1%*	*(757)*	-	-	*1*
TOTAL	**115,590**	**100.0%**	**(8,354)**	**2,708**	**2,498**	**30**

Derivatives signed with external counterparties represented a total of 82.0% of outstanding long-term swaps.
Derivatives signed with the five largest external counterparties represented a total of 35.2% of outstanding long-term swaps and those signed with the Dexia Group 18.0%.
Short-term swaps (Eonia) are exclusively concluded with Dexia Credit Local.

5. Change in debt benefiting from the legal privilege in 2011

Dexia Municipal Agency issued the equivalent of EUR 6.1 billion in 2011, versus EUR 7.6 billion for the year 2010.
The pace of issues in recent quarters was as follows.

EUR millions	2010	2011
1Q	3,134	2,618
2Q	2,227	3,483
3Q	2,244	-
4Q	43	-
TOTAL	7,648	6,101

In 2011, two new benchmark issues were launched, with the following characteristics:
- EUR 1.0 billion, maturity May 2016 (5 years);
- EUR 1.0 billion, maturity January 2021 (10 years).

The year's other public issues mainly represented
- taps of existing Swiss-franc issues with maturity in:
  - February 2016 (CHF 250 million), bringing the total to CHF 450 million;
  - August 2019 (CHF 125 million), bringing the total to CHF 475 million;
- and taps of euro benchmarks with maturity in:
  - February 2018 (EUR 300 million), bringing the total to EUR 1.3 billion;
  - February 2019 (EUR 200 million), bringing the total to EUR 1.82 billion;
  - September 2020 (EUR 500 million), bringing the total to EUR 1.25 billion;
  - January 2021 (EUR 1,000 million), bringing the total to EUR 2.0 billion;
  - January 2022 (EUR 400 million), bringing the total to EUR 1.9 billion.

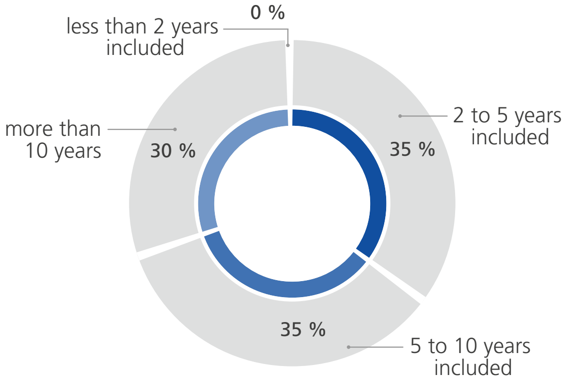
The year's private placements partially took the form of registered covered bonds, a private placement format designed for German investors. These issues make it possible to meet the specific needs of certain investors rapidly and flexibly.

The breakdown of new production between public issues and private placements can be analyzed as follows.

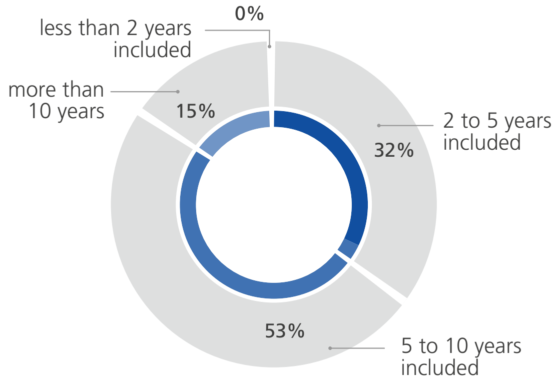
EUR millions	2010	2011
Public issues	6,209	4,687
Private placements	1,439	1,414
including RCB	*487*	*221*
TOTAL	7,648	6,101

As in 2010, the average maturity of new issues was managed in order to maintain at a low level the average gap in maturity between commercial assets, which are traditionally long in the public sector, and issues of *obligations foncières*. The average maturity of new issues was thus 8.4 years in 2011 and 9.1 years in 2010.

Breakdown of amount issued in 2010 by maturity



Breakdown of amount issued in 2011 by maturity

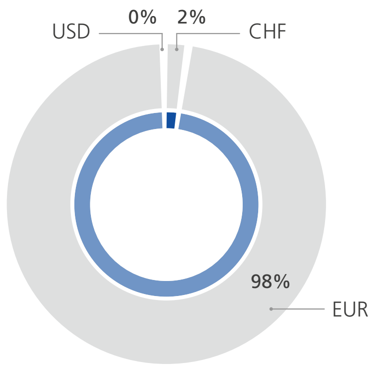


Dexia MA's issues in 2011 were primarily in euros (88%).

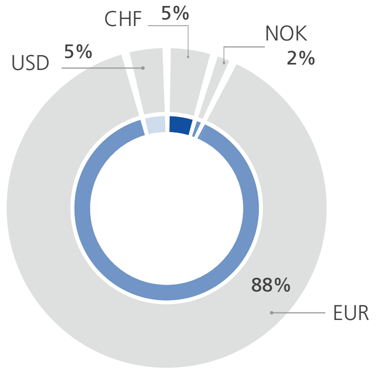
EUR millions	2010	2011
EUR	7,447	5,409
CHF	179	288
NOK	-	128
USD	22	276
TOTAL	7,648	6,101

Dexia MA's issuance policy involves a strong presence in the main euro markets and, to a lesser degree, the eurodollar market, building a consistent curve and monitoring the good performance of its benchmarks in the secondary market, as well as active diversification in certain selected markets.

Breakdown of amount issued in 2010 by currency



Breakdown of amount issued in 2011 by currency



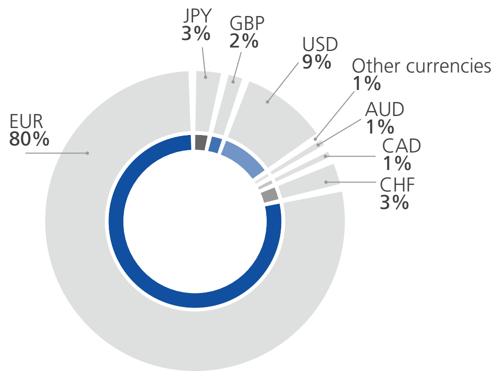
After reimbursement of EUR 6.5 billion, outstanding *obligations foncières* and registered covered bonds at the end of December 2011 totaled EUR 63.2 billion in swapped value.

EUR millions	2010	2011
Beginning of the year	64,785	63,565
Issues	7,648	6,101
Reimbursements	(8,868)	(6,514)
End of the year	**63,565**	**63,152**

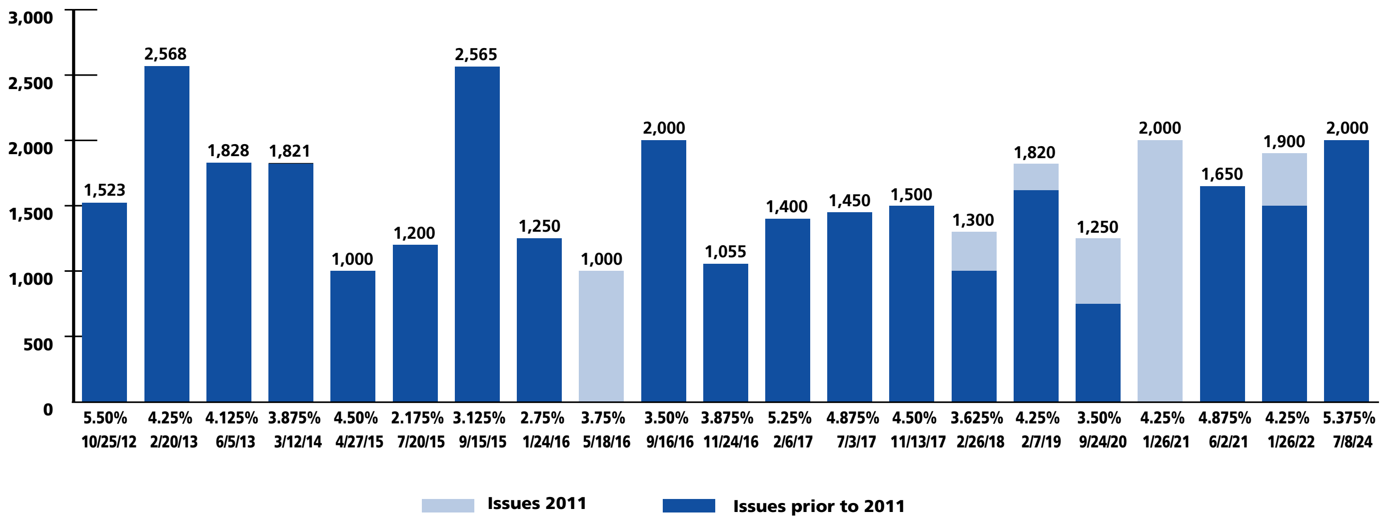
(swapped value)

The breakdown of outstanding debt by currency as of December 31, 2011, can be analyzed as follows.

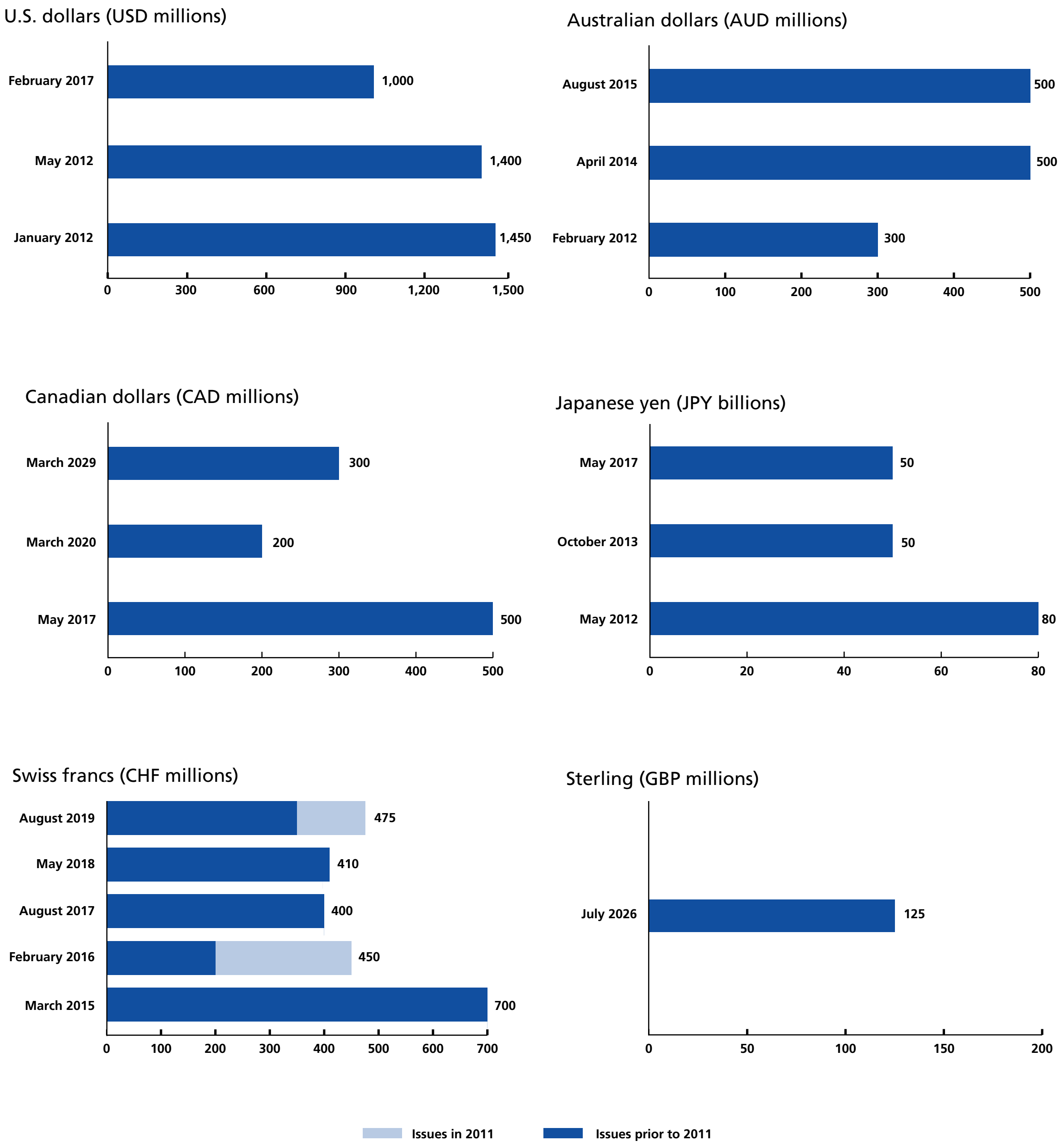
Outstanding debt by currency



Analysis of benchmarks in EUR



Main curves in non-euro currencies



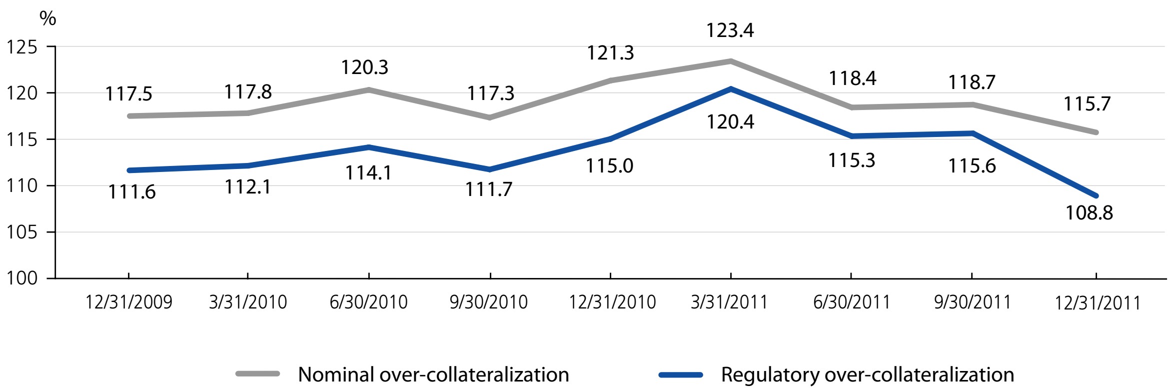
6. Changes in the over-collateralization ratio in 2011

The over-collateralization ratio, which is calculated on the basis of regulatory standards governing *sociétés de crédit foncier*, is the ratio between the assets and the resources benefiting from the legal privilege.

Dexia Municipal Agency decided to maintain a minimum regulatory over-collateralization ratio of 105%, which is considered a safe margin. In practice, given the rate of asset turnover from the Group's commercial activity and asset transfers, the over-collateralization ratio is regularly higher than 105%, as can be seen at the end of each month, when over-collateralization makes it possible to launch issues in the following month. The rating agencies may require a level of over-collateralization of more than 5%. This requirement depends on the method applied and on the new assets and liabilities on Dexia MA's balance sheet, and it may vary over time. Dexia MA takes these particular requirements into account in the management of its activity in order to make sure they are constantly met.
Any assets that Dexia may have assigned in guarantee to borrow funds from the Banque de France were excluded from the calculation of over-collateralization.

The following graph analyzes the trend in over-collateralization at the end of each quarter.

Quarterly over-collateralization



Regulatory over-collateralization is less than nominal over-collateralization because it is calculated on the basis of the rules determined by the Autorité de contrôle prudentiel (ACP). In particular, these rules require different weighting levels according to the assets. The assets in Dexia MA's cover pool are generally weighted at 100%, except for certain units of securitization vehicles, made up of assets originated by the Dexia Group and issued by Dexia subsidiaries, benefiting from a rating at the same level as that of the company which guarantees them, either Dexia Crediop for DDC securities or Dexia Bank Belgium for DSFB 1 and DSFB 2 securities.

The weightings specified for these intra-group securitization units by current legislation governing *sociétés de crédit foncier* were modified in the first quarter of 2011. As long as the securitizations benefit from a Step 2 rating granted by the rating agencies, they are weighted at 80% in the calculation of the ratio of regulatory over-collateralization (instead of 50%). The impact of this change in weighting on Dexia MA's over-collateralization ratio from March to December 2011 was an improvement of 3%.

Since December 2011, the DCC securitization units no longer benefit from a Step 2 rating (cf. 4.3.d Exposure to subprimes, monolines, ABS and banks). They are therefore now weighted at 0% in the calculation of the ratio of regulatory over-collateralization. The impact of this change in weighting on Dexia MA's over-collateralization ratio as of December 2011 was a decline of 3.5%.

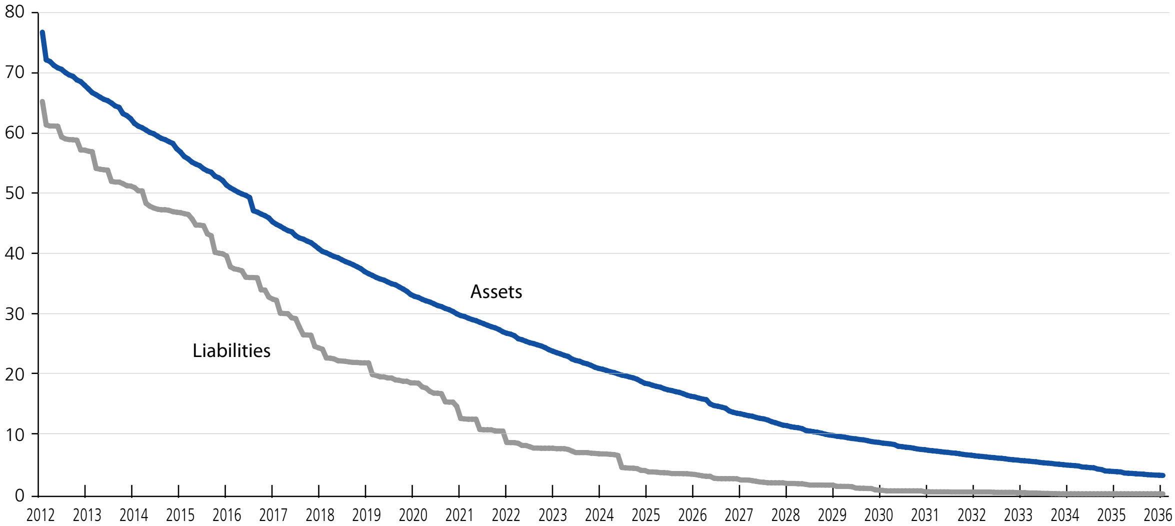
These particular weightings are the primary reason for the gap that exists between regulatory over-collateralization and nominal over-collateralization.

Finally, the reduction of the cover pool discussed above (parts 3 and 4.1) explains the change in nominal over-collateralization.

The following graph on over-collateralization presents amortization curves of the assets and the issues benefiting from the legal privilege as of December 31, 2011.

Amortization of assets and liabilities as of December 31, 2011

EUR billions - End of December



7. Changes in debt that does not benefit from the legal privilege

The asset surplus (assets exceeding *obligations foncières*, registered covered bonds) and miscellaneous needs are financed by equity and debt that does not benefit from the privilege of the law on *sociétés de crédit foncier.*

This financing is borrowed from Dexia Credit Local within the framework of a current account agreement. There are two types of financing:
- the funding of structural over-collateralization of 5% via a long-term loan;
- the funding of temporary over-collateralization in the short term, using the current account itself.

In addition, Dexia MA holds at any time irrevocable and on first demand financing commitments from Dexia Credit Local covering the reimbursements of *obligations foncières* in the next 12 months. If put to use, such financing would be operative for a period of two years. As of December 31, 2011, the commitments received from Dexia Credit Local totaled EUR 5.8 billion.

Temporary financing may also be obtained from the Banque de France. These funds do not benefit from the privilege stipulated in the law on *sociétés de crédit foncier*, but they are guaranteed by loans and securities pledged for this purpose in Dexia MA's account at the central bank.

Dexia Municipal Agency used Banque de France financing:
- from September 2008 to July 2009 in order to fund commercial production when the covered bond primary market was closed;
- since October 2011, to finance *cedulas territoriales*, classified as replacement assets, subsequent to a rating downgrade.

As of December 31, 2011, Dexia MA had borrowed EUR 2.7 billion from the Banque de France, and its debt vis-à-vis Dexia Credit Local stood at EUR 9.5 billion, excluding accrued interest not yet due.

The latter debt could be analyzed according to the above-mentioned categories as follows:
- to finance structural over-collateralization of 5%: EUR 3.5 billion*;
- to finance surplus over-collateralization, using the current account: EUR 6.0 billion.

** The amortization profile of this long-term loan was designed to finance, at any time, an amount equal to 5% of outstanding* obligations foncières *as well as the haircut that the Banque de France would administer to assets temporarily deposited in guarantee to meet future funding needs (in a stress scenario in which these needs could not be met by the covered bond market or by advances granted by Dexia Credit Local).*

The change in financing that does not benefit from the legal privilege, excluding accrued interest not yet due, can be presented as follows.

EUR billions	12/31/2009	12/31/2010	12/31/2011
Dexia Credit Local	10.4	12.5	9.5
Banque de France	-	-	2.7
TOTAL	**10.4**	**12.5**	**12.2**

8. Management of balance sheet risks

The strategies implemented to hedge interest rate and foreign exchange risks are reflected in the outstanding swaps notional analyzed in the table below between external and Dexia Group counterparties as of December 31, 2011.

Breakdown of outstanding swaps	Notional * EUR billions	Dexia Group (%)	Other counterparties (%)
Euribor against Eonia			
Macro-hedges	105.1	100.0 %	0.0 %
TOTAL SHORT-TERM SWAPS	**105.1**	**100.0 %**	**0.0 %**
Fixed rate swaps against Euribor			
Micro-hedges of *obligations foncières*	51.4	2.3 %	97.7 %
Micro-hedges of loans and debt securities	26.9	11.9 %	88.1 %
Macro-hedges of loans	20.9	46.6 %	53.4 %
Subtotal	**99.2**	**14.3 %**	**85.7 %**
Currency swaps			
Micro-hedges on *obligations foncières*	11.4	32.6 %	67.4 %
Micro-hedges on loans	3.7	58.2 %	41.8 %
Micro-hedges on debt securities	1.4	57.4 %	42.6 %
Subtotal	**16.4**	**40.3 %**	**59.7 %**
TOTAL LONG-TERM SWAPS	**115.6**	**18.0 %**	**82.0 %**

** Absolute value*

As of December 31, 2011, Dexia Bank Belgium was classified among external counterparties and accounted for EUR 5,930 million in notional amount, i.e. 5.1% of outstanding long-term swaps.

8.1 - MANAGEMENT OF THE INTEREST RATE RISK

The management of the interest rate risk involves two steps.

- In the first stage, all the assets and the liabilities benefiting from the privilege which do not naturally have a floating rate are swapped against Euribor until maturity as soon as they are recorded on the balance sheet. A residual fixed rate gap remains on certain fixed rate assets that are hedged by macro-swaps (in particular, small loans to clients). This gap is monitored within very strict limits.
- In the second step, Euribor lending and borrowing flows are swapped against Eonia over a sliding period of two years in order to eliminate the interest rate risk generated by differences in fixing dates. A residual gap remains after the first and second levels of hedging and is also monitored within strict limits.

In addition, any debt contracted with Dexia Credit Local to finance over-collateralization is directly borrowed with a monetary index and does not have to be swapped. If such is the case, debt vis-à-vis the Banque de France, which is short-term and at a fixed rate, is not hedged, but finances assets that also have a fixed rate.

The objective targeted by this interest rate risk management is to convert the assets and liabilities on the balance sheet into floating rates, so that they move together in a parallel manner following the trend in interest rates, while maintaining the margin unchanged.

The sensitivity limits for the fixed rate gap and the monetary gap mentioned above are defined as the change in the gaps' net present value (NPV) under the impact of a parallel 1% (100 basis points) shift in the yield curve. The aggregate of these two limits for the fixed rate gap and the monetary gap is set at 3% of equity, and this figure is reviewed every year at the end of the first quarter. This general sensitivity limit was adjusted to EUR 40.0 million as of the second quarter of 2011, including EUR 9.0 million for the monetary gap and EUR 31.0 million for the fixed rate gap. In practice, the real sensitivity is maintained significantly below this limit, as can be seen in the following table.

Sensitivity of the interest rate gap (EUR millions)

		Average	Maximum	Minimum	Limit
Fixed Rate	1Q 2011	13.1	20.8	5.2	26.0
	2Q 2011	12.9	13.4	12.2	31.0
	3Q 2011	17.3	20.7	14.0	31.0
	4Q 2011	19.2	24.5	14.9	31.0
Monetary	1Q 2011	1.6	2.6	0.4	9.0
	2Q 2011	0.3	2.8	(3.0)	9.0
	3Q 2011	(0.4)	1.5	(6.0)	9.0
	4Q 2011	0.9	4.1	0.4	9.0
Total	1Q 2011	14.6	22.7	5.7	35.0
	2Q 2011	13.1	15.6	12.2	40.0
	3Q 2011	16.8	21.1	12.2	40.0
	4Q 2011	20.8	25.5	16.3	40.0

8.2 - MANAGEMENT OF THE FOREIGN EXCHANGE RISK

Dexia Municipal Agency takes no foreign exchange risks. Assets and liabilities originally in currencies other than the euro are swapped against euros when they are recognized on Dexia MA's balance sheet and until their complete extinguishment.

8.3 - MANAGEMENT OF THE TRANSFORMATION RISK

With the interest rate risk under control, as presented above, Dexia Municipal Agency manages the congruence of maturities between the assets and the liabilities by maintaining the duration gap between the assets and the liabilities within a maximum limit of three years.

From the point of view of the method, since both the assets and the resources benefiting from the privilege have a floating rate after swaps, Dexia MA's balance sheet appears to indicate that there is a single loan vis-à-vis a single borrowing. Duration (D) is calculated as follows: "sum of the periods weighted by the cash flows and discounted at the interest rate of the zero coupon curve for period (t) / sum of the cash flows discounted at the interest rate of the zero coupon curve for period (t)".

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

The difference in maturity between the assets and the liabilities may create a liquidity risk. Dexia MA's management rule involves a commitment not to allow a duration gap of more than three years between the cover pool and the resources benefiting from the legal privilege. The actual duration gap remains under this limit, as can be seen in the table below.

Duration (in years)	**12/31 2010**	**3/31 2011**	**6/30 2011**	**9/30 2011**	**12/31 2011**
Cover pool	6.98	6.85	6.93	7.25	7.47
Privileged liabilities	5.23	5.6	5.63	5.48	5.29
Gap in asset-liability duration	**1.75**	**1.25**	**1.30**	**1.77**	**2.18**
Duration gap limit	*3*	*3*	*3*	*3*	*3*

The duration gap between the assets and the liabilities is closely monitored since it is sensitive to fluctuations in interest rates (net present value) and to significant changes in assets and liabilities.

In 2011, the rise in the duration gap was partly the result of movements on the interest rate curve. The gap in weighted average life changed little over the same period.
In the second half of 2011, the increase in cash collateral received reduced the duration of the privileged liabilities, and the reimbursement of short maturity intra-group replacement assets resulted in a rise in the duration of the assets.

The gap in the weighted average life of the cover pool and the liabilities benefiting from the legal privilege is presented below.

Weighted average life (in years)	**12/31/2010**	**3/31/2011**	**6/30/2011**	**9/30/2011**	**12/31/2011**
Cover pool	8.85	8.84	8.85	8.66	8.82
Privileged liabilities	5.94	6.33	6.30	5.98	5.76
Gap in asset-liability weighted average life	**2.92**	**2.51**	**2.55**	**2.68**	**3.06**

8.4 - MANAGEMENT OF THE LIQUIDITY RISK

The liquidity risk can be defined as the risk that Dexia MA may not be able to settle its privileged debt commitments at the due date owing to the fact that there is too great a gap between the reimbursement of the assets and the redemption of its privileged resources.

By limiting the duration gap between assets and resources to three years, Dexia MA maintains control over its future needs for liquidity.

To meet its liquidity needs, Dexia MA will issue new *obligations foncières* to replace those that arrive at maturity and the reimbursement of which creates the need for liquidity.

If the situation in the covered bond market does not make it possible to launch new issues, Dexia MA may first make use of the backing of its parent company Dexia Credit Local, which has committed in its "declaration of support" (the full text is incorporated into the EMTN program and Dexia MA's annual report) so that Dexia MA "has the financial resources it needs to meet its obligations."
This support takes the following forms:

- an unlimited current account facility, with Dexia Credit Local;
- a firm and irrevocable commitment by Dexia Credit Local to make available to Dexia MA the funds it requires to reimburse *obligations foncières* that reach maturity in the coming 12 months on a sliding scale.

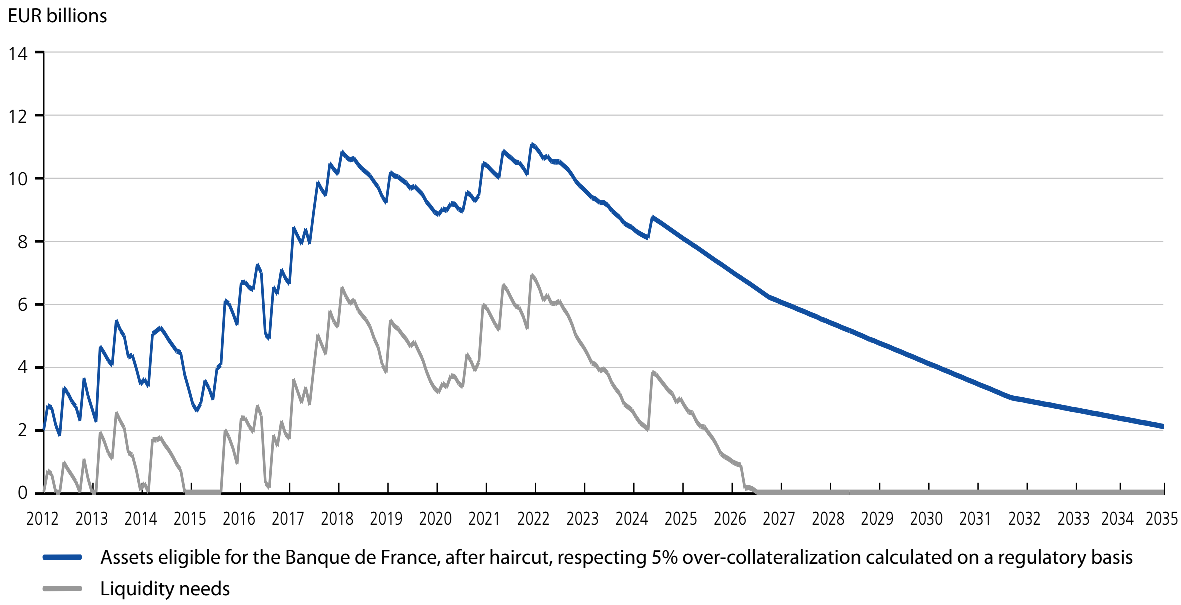
In addition, Dexia MA has its own solid resources that enable it to cover its temporary liquidity needs, even in the event of the default of its parent company, since any legal proceedings engaged for the bankruptcy or liquidation of its parent company cannot be extended to Dexia MA (article L.515-21 of the Monetary and Financial Code).

Because of the nature of the assets that make up its cover pool, Dexia MA has a large number of assets that are directly eligible for refinancing by the central bank, so that its need for cash can be easily covered.
Since it is a credit institution, Dexia MA can post these eligible assets:

- either by using, in its own name, the refinancing possibilities offered by the European Central Bank via the Banque de France;
- or by using interbank financing in the form of repurchase agreements.

In practice, Dexia MA first uses new issues of *obligations foncières* or financing made available by Dexia Credit Local, but it has also demonstrated its real capacity to obtain financing from the Banque de France when the primary covered bond market remained closed from September 2008 to June 2009. During this period, the funds borrowed by Dexia MA from the central bank totaled a maximum of EUR 7.5 billion at the end of 2008.

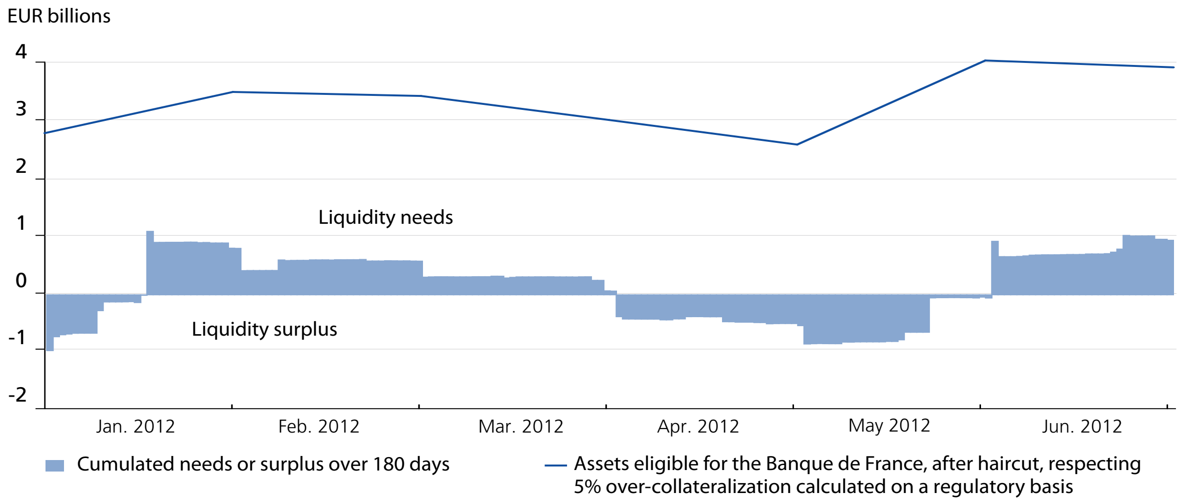
The maximum cumulated liquidity that Dexia MA might need in the future, in a run-off situation, is less than this amount. Future liquidity needs are presented below.



In addition, Dexia MA manages its liquidity risk by means of the following three indicators:

- the liquidity ratio for one month (regulatory reporting to the Autorité de contrôle prudentiel - ACP);
- the duration gap between the assets and the resources benefiting from the legal privilege (limited to three years), which is published quarterly;
- cash needs over the next 180 days: Dexia MA's management makes it possible to provide structural coverage for its liquidity needs up to the extinguishment of the privileged liabilities by assets eligible for refinancing by the Banque de France. Moreover, Dexia MA ensures that at any time, its cash needs over a period of 180 days are covered by replacement assets, assets eligible for credit operations with the Banque de France, or by refinancing agreements signed with credit institutions with the best short-term credit rating.

At the end of December 2011, Dexia MA's cumulated need for cash mainly corresponded to reimbursements on benchmarks of *obligations foncières*, as shown in the following graph.



This graph is set with the assumption that the cash collateral received must be reimbursed at the end of the first week (next calculation date), for approximately EUR 2.5 billion.

9. Commitments granted - commitments received

Commitments granted as of December 31, 2011, were mainly composed of:
- EUR 0.7 billion in loans granted to local governments and not yet paid out;
- EUR 3.0 billion in assets assigned in guarantee to the Banque de France.

Commitments received were principally:
- EUR 5.8 billion in refinancing agreements signed with Dexia Credit Local, covering the reimbursement of *obligations foncières* that mature in the coming year;
- EUR 7.4 billion in guarantees received on loans granted to customers;
- EUR 6.4 billion in guarantees received from Dexia Crediop and Dexia Bank Belgium for the guarantee granted respectively to the securitization units of Dexia Crediop per la Cartolarizzazione and Dexia Secured Funding Belgium;
- EUR 0.7 billion in commitments to transfer Greek and Icelandic asset swap exposures from Dexia MA to Dexia Credit Local.

10. Payment deadlines

In application of articles L.441-6-1 and D.441-4 of the Code of Commerce, Dexia MA must publish every year a breakdown of the balance of the monies it owes to suppliers by due date.
Dexia MA has a very limited number of direct suppliers, since its management is contractually entrusted to Dexia Credit Local, in conformity with article L.515-22 of the Monetary and Financial Code. Dexia MA usually settles its bills as soon as they are recorded, and the balance of monies owed to suppliers is theoretically always zero.
As of December 31, 2011, all supplier accounts were settled. The only supplier debt recorded corresponded to invoices not yet received.

11. Income for the period

11.1 - TREATMENT OF GREEK AND ICELANDIC SECURITIES

As of June 30, 2011, Dexia MA recorded a depreciation of EUR 7 million on its direct exposures to Greece in order to respect Dexia's commitments in the assistance program of the IIF (Institute of International Finance).

Since this day, to avoid larger losses for its subsidiary, Dexia Credit Local committed to purchase all of Dexia MA's Greek and Icelandic exposures, with no additional loss compared with first-half accounts. This commitment was materialized in 2011, through a transfer agreement executed in January 2012, whereby Dexia MA sold the portfolio to Dexia Credit Local.

In Dexia MA's annual IFRS financial statements, impairment was recognized on this portfolio, offset by a gain on the transfer agreement, which was considered as a derivative under IFRS. The impairment of EUR 725 million was offset for a corresponding amount in net banking income through the increase in value of the derivative (forward sale). Given this impairment recorded in income, the negative AFS reserve relating to these securities was reduced to zero.

In the French GAAP annual financial statements of Dexia MA, the securities were maintained at their cost price, minus a provision of EUR 7 million recorded in June 2011, in line with the conditions stipulated in the transfer agreement.

11.2 - INCOME FOR THE PERIOD IN IFRS

Dexia MA publishes its financial statements according to IFRS in order to ensure a better understanding and greater comparability of its accounts internationally.

The rules applied by Dexia MA are the same as those applied by the Dexia Group and are in compliance with IFRS, as adopted by the European Commission.

The income statement for 2011 is presented synthetically in the following table.

EUR millions - **IFRS**	**2009**	**2010**	**2011**	**Change 2011/2010**
Interest margin	299	256	208	(19)%
Net commissions	(5)	(5)	(5)	
Net result of hedge accounting	-	-	-	
Net result of financial assets available for sale	28	12	2	
Other income and expense	-	-	-	-
Net banking income	**322**	**263**	**205**	**(22)%**
General operating expenses	(87)	(88)	(89)	
Taxes	(5)	(8)	(3)	
Operating income before cost of risk	**230**	**167**	**113**	**(32)%**
Cost of risk	(5)	(4)	(8)	
Pre-tax income	**225**	**163**	**105**	**(36)%**
Income tax	(79)	(54)	(37)	
NET INCOME	**146**	**109**	**68**	**(38)%**

Net banking income decreased by 22%, i.e. EUR 58 million, in comparison with the same period in 2010, down from EUR 263 million to EUR 205 million.

This trend was principally due to a decline in the interest margin, which decreased by 19% (EUR 48 million). The interest margin corresponds to the difference between income from the assets and the expense of the liabilities (hedged against interest rate and foreign exchange risks). It basically increases in function of changes in the volume and margin of new operations. The decrease was in part due to less favorable long-term funding and also to the impact of changes in the cash/swap spread.

The item "Net result of financial assets available for sale" mainly involved the result of early reimbursements and divestments of assets (EUR -0.9 million) and net gains reported on early reimbursement of debt (EUR +2.4 million).

Operating expenses were mainly comprised of commissions paid to Dexia Credit Local for the operational management of the Company within the framework of the contract described in article L.515-22 of the Monetary and Financial Code.

The cost of risk stood at EUR 8 million and reflected the impact of depreciation on Greek sovereign issues (see above).

Net income for the period was down EUR 41 million from the same period in 2010.

11.3 - INCOME FOR THE PERIOD IN FRENCH GAAP

The income statement for 2011 is presented synthetically in the following table.

EUR millions - **French GAAP**	**2009**	**2010**	**2011**	**Change 2011/2010**
Interest margin [(1)]	296	291	188	(35)%
Net commissions	(6)	(5)	(5)	
Provisions and income on *placement* securities	(38)	4	(57)	
Other income and expense	-	-	-	
Net banking income	**252**	**290**	**126**	**(57)%**
General operating expenses	(87)	(88)	(93)	
Taxes	(5)	(8)	-	
Operating income before cost of risk	**160**	**194**	**33**	**(83)%**
Cost of risk	-	-	(8)	
Operating income	**160**	**194**	**25**	**(87)%**
Income tax	(54)	(66)	(19)	
Regulated provision on long- and medium-term loans	(8)	(8)	(1)	
NET INCOME	**98**	**120**	**5**	**(96)%**

(1) The amount in 2010 reflects the impact of the correction of the excess of charges on customer loans in 2009 in the amount of EUR 23 million.

Net banking income decreased by 57% compared with the same period of previous year. This change can be attributed to a decline in the interest margin of EUR 103 million (-35%) and to provisions on the *placement* portfolio for EUR 57 million, mainly on Italian bonds, versus a reversal of EUR 4 million in 2010, representing a net negative change of EUR 61 million.

The change in the interest margin is analyzed above in the presentation of the IFRS financial statements. This interest margin varies differently when it is presented in IFRS (economic presentation) or in French GAAP (tax presentation). The way debt management is accounted for is, in certain cases, asymmetrical in French GAAP (see below), a fact that can make it difficult to interpret the changes, especially the years in which local government debt management is very active.

Readers are reminded that Dexia MA applies an accounting treatment to early loan reimbursement penalties and swap unwinding payments that is in compliance with the tax treatment specified by government authorities.
This accounting method introduces accelerated recognition of income compared with systematic amortization. These penalties and payments are generated by early reimbursements, but also by renegotiations, which generally accompany active debt management by borrowers.
The methods employed, which have not changed in the last three years, are described in the rules of presentation and evaluation of the financial statements in the notes to the financial statements in the sections entitled "Customer loans", "Micro-hedge transactions" and "Macro-hedge transactions".

Provisions and income on the portfolio of *placement* securities included a capital gain on disposals for EUR 0.5 million in addition to provisions and reversals on the *placement* portfolio after swaps for EUR -57.6 million, which can be analyzed as follows:

Country of issuer EUR millions	**2010**	**2011**
Germany	2.0	(4.6)
Spain	-	(1.8)
France	-	0.2
Italy	(2.0)	(56.7)
United Kingdom	5.0	5.3
TOTAL	**5.0**	**(57.6)**

Operating expenses were identical to this item in the financial statements in accordance with IFRS.

The cost of risk stood at EUR 8 million, mainly impacted by the depreciation of the Greek bonds (cf. 11.1).

Net income decreased by 96%, i.e. EUR 115 million, in comparison with 2010, down from EUR 120 million to EUR 5 million.

12. Proposed allocation of net income

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

Year of distribution	Distributed from the year's income	Amount distributed in euros	Amount per share in euros	Number of shares
2000	1999	3,600,000	1.2	3,000,000
2001	2000	-		4,000,000
2002	2001	-		4,500,000
2003	2002	-		4,500,000
2004	From retained earnings and 2003	120,000,000	24.0	5,000,000
2005	2004	62,000,000	10.0	6,200,000
2006	2005	84,320,000	12.4	6,800,000
2007	2006	116,280,000	15.3	7,600,000
2008	2007	70,080,000	8.0	8,760,000
2009	2008	113,520,000	12.0	9,460,000
2010	2009	133,560,000	12.6	10,600,000
2011	2010	110,075,000	9.25	11,900,000

The Ordinary and Extraordinary Shareholders' Meeting will be asked, in its ordinary capacity, to vote a resolution to allocate net income and to distribute a dividend as follows (sums in euros).

Net income for the year 2011	**5,416,665.30**
Allocated to the legal reserve (5%)	(270,833.27)
Income available	**5,145,832.03**
Prior retained earnings	13,112,386.16
Amount available for distribution	**18,258,218.19**
Proposed distribution, EUR 1.16 per share	(15,080,000.00)
Retained earnings after distribution	**3,178,218.19**

13. Capital increase

The Ordinary and Extraordinary Shareholders' Meeting of May 24, 2012, will be asked, in its extraordinary capacity, to increase the capital by EUR 15 million, raising the capital from EUR 1,300 million to EUR 1,315 million.

14. Outlook for 2012

In the present context, Dexia MA has no intention to issue new covered bonds before the planned changes in its shareholding structure and organization have been accomplished. In addition, Dexia MA's asset/liability situation does not require the issue of any *obligations foncières*.

Bonds and public sector loans as of 12/31/2011

EUR millions	12/31/2011					12/31/2010
	Direct exposure		Indirect exposure		Total	Total
Country	**Loans**	**Bonds**	**Loans**	**Bonds**		
France						
State	83		128		211	291
Banque de France	2,198				2,198	
Regions	2,007	143	304		2,454	2,308
Departments	6,225		357		6,582	6,762
Municipalities*	17,746	107	886		18,739	19,656
- from 0 to 2,000 inhabitants	*1,747*		*19*		*1,766*	
- from 2,000 to 5,000 inhabitants	*2,190*		*45*		*2,235*	
- from 5,000 to 10,000 inhabitants	*2,558*		*76*		*2,634*	
- from 10,000 to 20,000 inhabitants	*2,464*		*86*		*2,550*	
- from 20,000 to 50,000 inhabitants	*3,849*	*9*	*152*		*4,011*	
- from 50,000 to 100,000 inhabitants	*2,689*		*147*		*2,836*	
- more than 100,000 inhabitants	*2,249*	*98*	*361*		*2,707*	
Groups of municipalities	10,250	118	276		10,644	10,974
Public sector entities*	9,922		16		9,938	10,177
- health	*6,718*				*6,718*	
- social housing	*2,054*				*2,054*	
- other	*1,150*		*16*		*1,166*	*3*
Credit institutions	22				22	949
Subtotal	**48,453**	**368**	**1,968**		**50,788**	**51,120**
Germany						
State				12	12	
Länder		504		496	999	716
Subtotal		**504**		**507**	**1,011**	**716**
Austria						
Länder	204				204	206
ABS		78			78	81
Subtotal	**204**	**78**			**282**	**287**
Belgium						
Regions	280		79		360	477
Communities		50			50	74
Public sector entities	83				83	87
Securities issued by DSFB (cf. infra note 2)		6,713			6,713	7,236
Subtotal	**363**	**6,763**	**79**		**7,205**	**7,874**
Canada						
Provinces		22			22	22
Communities	106				106	
Public sector entities	132				132	
Subtotal	**238**	**22**			**261**	**22**
Spain						
*Cedulas territoriales***						3,000
Regions		227			227	102
Municipalities	293				293	127
Subtotal	**293**	**227**			**520**	**3,229**
United States						
Federated States		253			253	253
Subtotal		**253**			**253**	**253**
Finland						
Municipalities	19				19	32
Public sector entities	48				48	53
Subtotal	**67**				**67**	**85**

** No breakdown as of 12/31/2010*

*** As of December 31, 2011, the cedulas territoriales were removed from the cover pool and assigned in guarantee to the Banque de France.*

EUR millions	12/31/2011					12/31/2010
	Direct exposure		Indirect exposure		Total	Total
Country	**Loans**	**Bonds**	**Loans**	**Bonds**		
Iceland						
State				145	145	180
Subtotal				**145**	**145**	**180**
Italy						
State		506		46	552	610
Regions		1,580			1,580	1,512
Provinces		297			297	246
Municipalities	14	1,593			1,607	1,582
ABS		6			6	9
Securities issued by DCC (cf. infra note 1)		3,531			3,531	3,681
Subtotal	**14**	**7,514**		**46**	**7,574**	**7,641**
Luxembourg						
Lettres de gage publiques		1,350			1,350	1,850
Public sector entities						65
Subtotal		**1,350**			**1,350**	**1,915**
Japan						
Municipalities		25			25	25
Subtotal		**25**			**25**	**25**
Portugal						
Regions				48	48	48
Municipalities	88				88	90
Public sector entities	10				10	11
Subtotal	**98**			**48**	**145**	**148**
United Kingdom						
State				672	672	665
Counties			398		398	
Districts			28		28	
Municipalities			1,368		1,368	
Public sector entities			56		56	
Subtotal			**1,850**	**672**	**2,522**	**665**
Sweden						
Municipalities	87		97		184	348
Public sector entities	26				26	
Subtotal	**113**		**97**		**210**	**348**
Switzerland						
Cantons	1,684		1,007		2,691	3,164
Municipalities	1,330				1,330	1,322
Public sector entities	123				123	120
Subtotal	**3,137**		**1,007**		**4,145**	**4,606**
Greece						
State		315		100	415	421
Subtotal		**315**		**100**	**415**	**421**
Supranational						
International organizations	50				50	53
Subtotal	**50**				**50**	**53**
TOTAL COVER POOL	**53,030**	**17,418**	**5,002**	**1,517**	**76,967**	**79,587**

Loans and securities are off premiums / discounts.
Securities denominated in foreign currencies are recorded at their swapped value in euros.

NOTE 1:

The DCC securities, in the amount of EUR 3,580 million as of December 31, 2011, were subscribed by Dexia MA for EUR 3,531 million. The purpose of this securitization vehicle created by Dexia Crediop is to allow refinancing by Dexia MA of Italian public sector assets transferred by Dexia Crediop to DCC.

DCC securities held by Dexia MA benefit from the guarantee of Dexia Crediop, and were therefore rated, A / watch negative by Fitch, BBB+ / watch negative by Standard and Poor's and Baa3 / on review for downgrade by Moody's as of December 31, 2011.

As of December 31, 2011, the assets held by DCC (series 1-2-3) could be broken down as follows.

Italian assets	EUR millions
Regions	1,914
Provinces	614
Municipalities	997
DCC bank account with Dexia Bank Belgium	55
TOTAL	**3,580**

NOTE 2:

The DSFB securities (compartments 1, 2 and 4), in the amount of EUR 7,006 million as of December 31, 2011, were subscribed by Dexia MA for EUR 6,713 million. The purpose of this securitization vehicle created by Dexia Bank Belgium is to allow refinancing by other Dexia Group entities of assets generated by Dexia Bank Belgium.

The securities issued by DSFB 1 and 2 held by Dexia MA benefit from the guarantee of Dexia Bank Belgium, and were therefore rated A / outlook stable by Fitch, A- / watch negative by Standard & Poor's and A3 / on review for downgrade by Moody's as of December 31, 2011. The securities issued by DSFB 4 are not guaranteed by Dexia Bank Belgium and are rated AA by Fitch.

As of December 31, 2011, the assets held by DSFB (compartments 1, 2 and 4) could be broken down as follows.

Belgian assets	EUR millions
Regions	559
Communities	3,295
Public sector entities	2,349
Groups of public sector entities	76
Loans guaranteed by local governments	727
TOTAL	**7,006**

Supervisory Board and Executive Board

Supervisory Board (March 2012)

Chairman
Philippe Rucheton

Vice Chairman
Benoît Debroise

Dexia Crediop represented by
Jean Le Naour

Édouard Daryabegui-Guilani

Dexia Credit Local represented by
Alain Clot

Jean-Luc Guitard

Dexia Sabadell represented by
José Luis Castillo

Stéphane Vermeire

Executive Board (March 2012)

Chairman
François Laugier

Chief Executive Officer
Gilles Gallerne

Chief Executive Officer
Cécile Van De Moosdyk

Christophe Piatte

Caroline Gruson

Directorships of members of supervisory and management bodies

In application of article L.225-102-1 of the Code of Commerce, the following list presents the directorships and functions exercised in 2011 by each corporate officer of Dexia Municipal Agency who served during the year.

Supervisory Board

CHAIRMAN

Philippe Rucheton
63 years old
Member of the Management Board, Dexia SA
Dexia SA – Place Rogier 11 - B-1210 Brussels
- Member of the Board of Directors, Dexia Credit Local
- Member of the Board of Directors, Dexia Asset Management Luxembourg
- Member of the Board of Directors, DenizBank as
- Member of the Board of Directors, Dexia Holdings, Inc.
- Member of the Board of Directors, Dexia FP Holdings Inc.
- Member of the Board of Directors, Dexia Financial Products Services LLC
- Member of the Board of Directors, FSA Asset Management LLC
- Member of the Board of Directors, FSA Capital Markets Services LLC
- Member of the Board of Directors, FSA Capital Management Services LLC
- Member of the Board of Directors, Dexia Insurance Belgium
- Member of the Board of Directors, Dexia BIL
- Member of the Board of Directors, Dexia Participation Belgique SA (since March 2011)
- Member of the Board of Directors, Bernard Controls SA (since October 2011)

VICE CHAIRMAN

Benoît Debroise
51 years old
Member of the Executive Committee, Dexia SA
Dexia SA – Place Rogier 11 – B-1210 Brussels
- Member of the Board of Directors and member of the Management Board, Dexia Bank Belgium (until October 2011)
- Member of the Board of Directors, Dexia Crediop
- Member of the Board of Directors, Dexia Capital Ireland (until November 2011)
- Member of the Board of Directors, Dexia Investments Ireland (until November 2011)
- Member of the Board of Directors, Dexia Microcredit Fund
- Chairman of the Board of Directors, Dexia Securities France SA (until December 2011)
- Chairman of the Board of Directors, Dexia Securities France Holding (until December 2011)
- Member of the Board of Directors, Dexia Holdings, Inc.
- Member of the Board of Directors, Dexia FP Holdings Inc.
- Member of the Board of Directors, Dexia Financial Products Services LLC
- Member of the Board of Directors, FSA Asset Management LLC
- Member of the Board of Directors, FSA Capital Markets Services LLC
- Member of the Board of Directors, FSA Capital Management Services LLC
- Member of the Board of Directors, FSA PAL

MEMBERS

Dexia Bank Belgium (until October 20, 2011) represented by Michel Luttgens
43 years old
Dexia Bank Belgium – Boulevard Pacheco 44, B-1000 Brussels
- Member of the Board of Directors, Cevi VZW

Dexia Crediop represented by Jean Le Naour
46 years old
Dexia Crediop – Via Venti Settembre, 30 - I-00187 Rome
- Chief Executive Officer, Dexia Crediop

Dexia Credit Local represented by Alain Clot (since January 3, 2011)
55 years old
Dexia Crédit Local – Tour Dexia La Défense 2 - 1, Passerelle des Reflets - 92913 La Défense
- Member of the Management Board, Dexia SA
- Chief Executive Officer and member of the Board of Directors, Dexia Credit Local
- Vice Chairman (since April 2011) and member (since February 2011) of the Board of Directors, Dexia Crediop
- Chairman of the Board of Directors, Dexia Sabadell (since January 2011)
- Permanent representative of Dexia Credit Local, member of SOFCA-GIE (since January 2011)
- Chairman of the Board of Directors, Sofaxis (formerly Dexia Sofaxis) (since January 2011)
- Permanent representative of Dexia Credit Local, member of the Board of Directors, Dexia CLF Banque (since January 2011)
- Member of the Board of Directors, Dexia Holdings, Inc.
- Member of the Board of Directors, Dexia FP Holdings Inc.
- Member of the Board of Directors, Dexia Financial Products Services LLC
- Member of the Board of Directors, FSA Asset Management LLC
- Member of the Board of Directors, FSA Capital Markets Services LLC
- Member of the Board of Directors, FSA Capital Management Services LLC

Dexia Sabadell represented by José Luis Castillo
57 years old
Dexia Sabadell - Paseo de las Doce Estrellas, n°4 - Campo de las Naciones 28042 Madrid
- Chief Executive Officer, Dexia Sabadell
- Member of the Board of Directors, Popular Banca Privada

Édouard Daryabegui-Guilani

44 years old
Dexia Credit Local - Tour Dexia La Défense 2 - 1, Passerelle des Reflets - 92913 La Défense

- Member of the Management Board, Dexia Kommunalkredit Bank AG (until July 2011)
- Member of the Supervisory Board, Dexia Kommunalkredit Bank Polska (until July 2011)
- Member of the Board of Directors, Dexia LdG Banque SA

Jean-Luc Guitard

46 years old
Dexia Credit Local - Tour Dexia La Défense 2 - 1, Passerelle des Reflets - 92913 La Défense

- Chairman of the Board of Directors, Dexia CLF Banque
- Chairman of the Board of Directors and Chief Executive Officer, Floral
- Member of the Board of Directors, Sofaxis (formerly Dexia Sofaxis)
- Member of the Board of Directors, Domiserve
- Permanent representative of Dexia Credit Local, member of the Board of Directors, Domiserve +
- Permanent representative of Dexia Credit Local, member of the Board of Directors, Publiservices (until November 2011)
- Member of the collegial committee, Exterimmo
- Member of the Board of Directors, Fédération des entreprises publiques locales
- Permanent representative of Dexia Habitat, member of the Supervisory Board, Logirep (until June 2011)
- Permanent representative of Dexia Credit Local, member of the Board of Directors, SETE

Johan Vankelecom (until October 20, 2011)

40 years old
Dexia SA – Place Rogier 11 - B-1210 Brussels

- Member of the Board of Directors and member of the Management Committee, Dexia Bank Belgium (since May 2011)
- Member of the Board of Directors and member of the Audit Committee, Dexia Insurance Belgium (since September 2011)
- Member of the Board of Directors, Dexia Nederland BV (since March 2011)

Stéphane Vermeire

40 years old
Dexia Credit Local – Tour Dexia La Défense 2 - 1, Passerelle des Reflets - 92913 La Défense

- Chairman of the Supervisory Board, Dexia Kommunalbank Deutschland AG
- Chairman of the Supervisory Board, Dexia Kommunalkredit Bank AG
- Chairman of the Board of Directors, Dexia Israel Banque Ltd
- Chairman of the Board of Directors, Dexia Credit Local Asia Pacific Pty Ltd (until May 2011)
- Member of the Board of Directors, Dexia Management Services Ltd
- Member of the Board of Directors, Dexia Sabadell SA
- Member of the Board of Directors, Fonds de pension complémentaire Dexia
- Chairman of the Board of Directors, Vermeire Transmissions SA
- Chairman of the Board of Directors, Vermeire Aandrijvingen, NV
- Chairman of the Board of Directors, Produits pour le Commerce pour l'Industrie
- Chairman of the Board of Directors, Dexia Real Estate Capital Markets (DRECM)

Executive Board

CHAIRMAN

François Laugier
47 years old
Dexia Credit Local - Tour Dexia La Défense 2 - 1, Passerelle des Reflets - 92913 La Défense
- Member of the Supervisory Board and Vice Chairman of the Supervisory Board, Dexia Kommunalkredit Bank AG
- Member of the Board of Directors, SISL
- Member of the Board of Directors, Dexia LdG Banque SA
- Member of the Supervisory Board, Dexia Kommunalbank Deutschland AG
- Member of the Board of Directors, Dexia Crediop

MEMBERS

Gilles Gallerne – Chief Executive Officer
48 years old
Dexia Credit Local - Tour Dexia La Défense 2 - 1, Passerelle des Reflets - 92913 La Défense
- Member of the Board of Directors, CBX.GEST

Cécile Van De Moosdyk – Chief Executive Officer
41 years old
Dexia Bank Belgium – Avenue Galilée 5 - B-1210 Brussels
- Member of the Board of Directors, Dexia LdG Banque SA

Christophe Piatte
38 years old
Dexia Credit Local - Tour Dexia La Défense 2 - 1, Passerelle des Reflets - 92913 La Défense
- Managing Director, Dexia Municipal Agency Dublin Branch
- Member of the Board of Directors, SISL
- Member of the Board of Directors, SISL UK Co (until August 2011)

Caroline Gruson (since January 5, 2011)
38 years old
Dexia Credit Local – Tour Dexia La Défense 2 - 1, Passerelle des Reflets - 92913 La Défense

Dexia Credit Local, a member of the Supervisory Board, was represented by Pascal Poupelle until January 3, 2011, and Catherine Mazars was a member of the Executive Board until January 4, 2011 (see 2010 Annual Report).

Compensation of members of management bodies

Dexia Municipal Agency pays no compensation to the members of its management bodies, all of whom are employees within the Dexia Group and who exercise their mandates with no specific compensation.

Readers are reminded that Dexia Municipal Agency has no compensation committee and that reference is made to the compensation committee that exists at the level of Dexia SA.

Statutory Auditors

The Statutory Auditors of Dexia Municipal Agency and their alternates are:

Mazars
Exaltis - 61, rue Henri Regnault - 92075 La Défense Cedex
represented by Hervé Hélias, Partner, and Virginie Chauvin, Partner.
Alternate: Pierre Masieri.
Re-appointed by the Ordinary and Extraordinary Shareholders' Meeting of May 26, 2011, until after the Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2016.

Deloitte & Associés
185, avenue Charles de Gaulle - 92524 Neuilly-sur-Seine Cedex
represented by José-Luis Garcia, Partner, and Charlotte Vandeputte, Partner.
Alternate: BEAS, represented by Mireille Berthelot, Partner.
Re-appointed by the Ordinary and Extraordinary Shareholders' Meeting of May 26, 2011, until after the Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2016.

Specific Controller

Fidus
12, rue de Ponthieu - 75008 Paris
represented by Jean-Michel Thierry (as of March 23, 2011, to replace Christian Comerman).
This appointment was renewed by the Supervisory Board on March 23, 2011, for a term of four years.

Alternate:
Groupement d'expertise de France
10, rue de la Grange Batelière - 75009 Paris
represented by François Dumenil

IFRS Financial Statements

Assets as of December 31, 2011

EUR millions	Note	12/31/2009	12/31/2010	12/31/2011
Central banks	2.1	4	2	2,198
Financial assets at fair value through profit or loss		-	-	-
Hedging derivatives	4.1	2,814	5,906	8,874
Financial assets available for sale	2.2	3,304	1,865	1,254
Loans and advances due from banks	2.3	7,810	7,171	7,781
Loans and advances to customers	2.4	71,078	78,025	77,836
Fair value revaluation of portfolio hedge		692	1,114	2,203
Financial assets held to maturity		-	-	-
Current tax assets	2.5	4	7	47
Deferred tax assets	2.5	132	131	199
Accruals and other assets	2.6	10	9	17
TOTAL ASSETS		**85,848**	**94,230**	**100,409**

Liabilities as of December 31, 2011

EUR millions	Note	12/31/2009	12/31/2010	12/31/2011
Central banks	3.1	-	-	2,700
Financial liabilities at fair value through profit or loss		-	-	-
Hedging derivatives	4.1	5,806	10,887	13,703
Due to banks	3.2	10,352	12,541	9,517
Customer borrowings and deposits		-	-	-
Debt securities	3.3	65,933	66,819	68,536
Fair value revaluation of portfolio hedge		1,256	1,557	2,340
Current tax liabilities	3.4	3	9	2
Deferred tax liabilities	3.4	15	4	34
Accruals and other liabilities	3.5	1,481	1,344	2,533
Provisions		-	-	-
Subordinated debt		-	-	-
Equity	3.6	**1,002**	**1,069**	**1,044**
Share capital and additional paid-in capital		1,060	1,190	1,300
Reserves and retained earnings		12	24	24
Unrealized or deferred gains and losses	4.4	(216)	(254)	(348)
Net income		146	109	68
TOTAL LIABILITIES		**85,848**	**94,230**	**100,409**

Income statement

EUR millions	Note	2009	2010	2011
Interest income	5.1	7,325	6,486	6,963
Interest expense	5.1	(7,026)	(6,230)	(6,755)
Fee and commission income	5.2	-	-	-
Fee and commission expense	5.2	(5)	(5)	(5)
Net gains (losses) on financial instruments at fair value though profit or loss	5.3	-	-	0
Net gains (losses) on financial assets available for sale	5.4	28	12	2
Net result of hedge accounting and fair value option		-	-	-
Other income		-	-	-
Other expense		-	-	-
Net banking income		**322**	**263**	**205**
Operating expense	5.5	(92)	(96)	(92)
Cost of risk	5.6	(5)	(4)	(8)
Operating income		**225**	**163**	**105**
Net gains (losses) on other assets		-	-	-
Income before tax		**225**	**163**	**105**
Income tax	5.7	(79)	(54)	(37)
NET INCOME		**146**	**109**	**68**
Earnings per share (EUR)				
- Basic		14	9	5
- Diluted		14	9	5

Net income and unrealized or deferred gains and losses through equity

EUR millions	2010	2011
Net income	109	68
Translation adjustments	-	-
Unrealized or deferred gains and losses of financial assets available for sale	(56)	(75)
Unrealized or deferred gains and losses of cash flow hedges	6	(95)
Taxes	12	77
Total of unrealized or deferred gains and losses through equity	**(38)**	**(93)**
NET INCOME AND UNREALIZED OR DEFERRED GAINS AND LOSSES THROUGH EQUITY	**71**	**(25)**

Equity

EUR millions	Core equity			Unrealized or deferred gains and losses			
	Share capital, additional paid-in capital	**Retained earnings and net income for the period**	**Total**	**Net change in fair value of available for sale financial assets, after tax**	**Net change in fair value of hedging derivatives, after tax**	**Total**	**Equity**
AS OF DECEMBER 31, 2010, IFRS	**1,190**	**133**	**1,323**	**(232)**	**(22)**	**(254)**	**1,069**
Movements during the period							
Share capital	110	-	110	-	-	-	110
Dividends	-	(110)	(110)	-	-	-	(110)
Changes in fair value of available for sale financial assets through equity	-	-	-	(34)	-	(34)	(34)
Changes in fair value of hedging derivatives through equity	-	-	-	-	(59)	(59)	(59)
Changes in fair value of available for sale financial assets through profit and loss	-	-	-	-	-	-	-
Changes in fair value of hedging derivatives through profit and loss	-	-	-	-	-	-	-
Net income for the period	-	68	68	-	-	-	68
Other movements	-	-	-	-	-	-	-
AS OF DECEMBER 31, 2011, IFRS	**1,300**	**91**	**1,391**	**(266)**	**(81)**	**(348)**	**1,044**

Dexia Municipal Agency has share capital of EUR 1,300 million that is made up of 13,000,000 shares with a par value of EUR 100.

Cash flow statement

EUR millions	2009	2010	2011
NET INCOME BEFORE TAXES*	225	163	105
+/- Depreciation and write-downs	4	5	1
+/- Expense/income from operating activities	116	125	(38)
+/- Expense/income from financing activities	32	(84)	50
+/- Other non-cash items*	(58)	(426)	(976)
= Non-monetary items included in net income before tax and other adjustments*	**94**	**(380)**	**(963)**
+/- Cash from interbank operations (Dexia Credit Local and Banque de France)	(7,126)	-	2,700
+/- Cash from interbank operations (customer loans)	1,995	28	(1,096)
+/- Cash from customer operations (loans)	(1,003)	414	1,202
+/- Cash from financing assets	(2,217)	(1,344)	1,541
+/- Cash from hedging financial instruments	1,143	159	2,306
- Income tax paid	(45)	(44)	(50)
= Decrease/(increase) in cash from operating activities	**(7,252)**	**(787)**	**6,603**
CASH FLOW FROM OPERATING ACTIVITIES (A)	(6,933)	(1,004)	5,745
CASH FLOW FROM INVESTING ACTIVITIES (B)	-	-	-
+/- Cash from or for shareholders	-	(4)	0
+/- Other cash from financing activities	1,278	(1,205)	(502)
CASH FLOW FROM FINANCING ACTIVITIES (C)	1,278	(1,209)	(502)
EFFECT OF CHANGES IN EXCHANGE RATES ON CASH (D)	-	-	-
Increase/(decrease) in cash equivalents (A + B+ C + D)	**(5,655)**	**(2,213)**	**5,243**
Cash flow from operating activities (A)	(6,933)	(1,004)	5,745
Cash flow from investing activities (B)	-	-	-
Cash flow from financing activities (C)	1,278	(1,209)	(502)
Effect of changes in exchange rates on cash (D)	-	-	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	(1,162)	(6,817)	(9,030)
Central banks (assets & liabilities)	(334)	4	2
Interbank accounts (assets & liabilities) and loans/deposits at sight	(828)	(6,821)	(9,032)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	(6,817)	(9,030)	(3,787)
Central banks (assets & liabilities)	4	2	2,198
Interbank accounts (assets & liabilities) and loans/deposits at sight	(6,821)	(9,032)	(5,985)
NET CASH	(5,655)	(2,213)	5,243

**Net income taxes and other non-cash items for 2009 and 2010 have been adjusted with regard to the figures published in 2010.*

Notes to the IFRS Financial Statements as of December 31, 2011

1. APPLICABLE ACCOUNTING PRINCIPLES

1.1 - CONTEXT OF PUBLICATION

Dexia Municipal Agency decided to publish a set of individual financial statements according to IFRS.
This publication is voluntary and the reference for the preparation of the financial statements is consistently, in compliance with legislation applicable in France, French generally accepted accounting principles (French GAAP).
Dexia Municipal Agency presented its first annual financial statements prepared according to IFRS to report the fiscal year 2008. The financial statements as of December 31, 2011, were examined by the Executive Board on March 27, 2012.

1.2 - HIGHLIGHTS

a. Financial situation of the Dexia Group

Dexia is a European banking group whose parent company, Dexia SA, is a limited company under Belgian law with its shares listed on Euronext Brussels and Paris as well as the Luxembourg Stock Exchange. Since December 2008, the Group has started to implement a restructuring plan validated by the European Commission and has reduced its risk profile and refocused its commercial franchises on its historical business lines and markets, i.e. commercial and retail banking in Belgium and Turkey, and public finance in France.
As a consequence of the aggravation of the sovereign crisis in the euro zone and more generally the worsening of the macroeconomic environment, Dexia was confronted by renewed pressure on its liquidity during the summer of 2011.

Against that background, the Group initiated in-depth changes to its structure, including:
- the implementation of a funding guarantee program involving the Belgian, French and Luxembourg States;
- the sale of Dexia Bank Belgium to the Belgian State, finalised on October 20, 2011;
- an agreement with Caisse des Dépôts, La Banque Postale and the French State with regard to local public finance in France;
- the sale of certain of the Group's operational subsidiaries, particularly Dexia Banque Internationale à Luxembourg, DenizBank, Dexia Asset Management and RBC Dexia Investor Services.

These measures, comprising a definitive liquidity guarantee, will be part of a new restructuring plan that the States have committed to submit to the European Commission by the end of March 2012.
After completion of those divestments, the activities of the new Dexia Group will focus on public sector services through its international subsidiaries and on the management of a portfolio of assets in a run-off mode.
Results in 2011 were significantly impacted by the current situation. There was a net loss, Group share, of EUR 11.6 billion. As of December 31, 2011, the Tier 1 ratio stood at 7.6%.
In 2011, the liquidity situation of Dexia Credit Local, Dexia MA's parent company, was marked by constant pressure, which eroded its refinancing structure.

As of mid-2011, the aggravation of the sovereign crisis in the euro zone and the growing defiance vis-à-vis financial institutions were accompanied, for Dexia Credit Local, by the downgrade of its agency ratings. Confidence in its creditworthiness was undermined and its access to the unsecured financing market was blocked. To meet this situation, Dexia Credit Local made use of the emergency measures offered by central banks.
Dexia Credit Local benefits from a guarantee, which was decided in an agreement on October 10, 2011, by the French, Belgian and Luxembourg States in order to facilitate the Dexia Group's access to the financial markets. An autonomous guarantee agreement was formally signed on December 16, 2011, and was temporarily approved by the European Commission on December 21, 2011.
The uncertain liquidity situation of its parent company had no impact on Dexia MA's capacity to reimburse its *obligations foncières* at maturity or to maintain its level of over-collateralization.
In fact, Dexia MA had completed its full issue program for 2011 in the first half, and had a cash surplus as of December 31, 2011. Cumulated forecast cash flows for the next two years are positive and it is therefore not necessary for Dexia MA to call on Dexia Credit Local for new financing.

b. Preliminary agreement on the future financing of the French local public sector

On October 20, 2011, the Board of Dexia Credit Local approved the terms of a negotiation protocol with Caisse des Dépôts and La Banque Postale on the financing of French local governments. This protocol led to a preliminary agreement validated by the Board of Dexia Credit Local on February 13, 2012.
The preliminary agreement contains the following features:
- the creation of a new credit institution of which 68.3% will be held by a public sector holding company and 31.7% by Dexia Credit Local. This new entity will be the parent company of Dexia Municipal Agency, which it will fully own and manage;
- the public sector holding company will belong to the French State (46.35%), Caisse des Dépôts (46.35%) and La Banque Postale (7.3%);
- the creation of a joint venture, of which 65% and 35% would be held respectively by La Banque Postale and Caisse des Dépôts, whose role would be to develop and distribute loans to French local governments refinanced through Dexia Municipal Agency. This joint venture would rely on a service level agreement to benefit from the combined expertise of Dexia Credit Local, Caisse des Dépôts and La Banque Postale.

The implementation of this agreement remains subject to the approval of the European Commission and of the competent regulatory authorities. The opinion of the representatives of the employees concerned will also be solicited. The Supervisory Board of Dexia Municipal Agency took note of the terms of this negotiation at its meetings on October 20, 2011, and February 15, 2012, and approved the principle of the planned sale of its shares to the new structure.

c. Rating of Dexia Municipal Agency

The issuance program of Dexia MA is rated by the three main rating agencies – Standard & Poor's, Fitch and Moody's. Such rating implies the following:
- a quarterly review of assets;
- an agreement on the principles and policies of interest rate risk management;
- the satisfaction of scenarios of stress and extinguishment of the balance sheet;
- an assessment of the relation between Dexia MA and its parent company, Dexia Credit Local.

As of December 31, 2011, Fitch gave Dexia MA a AAA rating. In December 2011, S&P announced that is was putting its AAA rating under CreditWatch negative, reflecting the uncertainty about the rating of France. At the end of January 2012, S&P confirmed that Dexia MA's rating was being kept under CreditWatch for a further review, following the downgrade of the short-term rating of Dexia Credit Local to A2. In December 2011, Moody's announced the downgrade of Dexia MA's rating to Aa1 / on review for downgrade because of the downgrade of the rating of its parent company to Baa1 / on review for downgrade.

d. Greek and Icelandic exposures

As of June 30, 2011, Dexia MA recorded a depreciation of EUR 7 million on its direct exposures to Greece in order to respect Dexia's commitments in the assistance program of the IIF (Institute of International Finance).
Since this day, to avoid larger losses for its subsidiary, Dexia Credit Local committed to purchase all of Dexia MA's Greek and Icelandic exposures, with no additional loss compared with the first-half accounts. This commitment was materialized in 2011, through a transfer agreement executed in January 2012, whereby Dexia MA sold the portfolio to Dexia Credit Local.

In Dexia MA's annual IFRS financial statements, impairment was recognized on this portfolio, offset by a gain on the transfer agreement, which was considered as a derivative under IFRS. The impairment of EUR 725 million was offset for a corresponding amount in net banking income through the increase in value of the derivative (forward sale). Given this impairment recorded in income, the negative AFS reserve relating to these securities was reduced to zero.

1.3 - APPLICABLE ACCOUNTING STANDARDS

a. Application of IFRS adopted by the European Commission (IFRS EU)

On July 19, 2002, the European Commission published regulation EC 1606/2002, which obliged listed groups to apply IFRS as of January 1, 2005. Dexia has thus applied these standards since that date.
Dexia Municipal Agency decided to apply as of January 1, 2007, all the IAS, IFRS, SIC and IFRIC adopted by the European Commission.

Since its publication in 2002, regulation EC 1606/2002 has been updated several times. Dexia Municipal Agency's financial statements have therefore been prepared in accordance with IFRS regulations and interpretations published and endorsed by the European Commission up to the accounting closing on December 31, 2010, including the conditions for the application of interest rate portfolio hedging and the possibility of hedging deposits.

The financial statements are prepared on a going concern basis. They are stated in millions of euros (EUR) unless otherwise noted. They are compliant with CNC recommendation 2009 R04 published on July 2, 2009.

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the amounts reported. In order to make assumptions and estimates, management uses information available at the date of preparation of the financial statements and exercices its judgment. While management believes it has considered all available information in developing these estimates, actual results could differ from such estimates and the differences could be material to the financial statements.

Judgments were principally made in the following areas:
- classification of financial instruments;
- determination of whether or not the market is active for financial instruments measured at fair value;
- hedge accounting procedures;
- existence of a present obligation with probable outflows in the event of litigation;
- identification of impairment triggers.

These judgments are developed in the corresponding sections of these applicable accounting principles.

Estimates were principally made in the following areas:
- determination of fair value for financial instruments measured at fair value;
- determination of the recoverable amount of impaired financial assets;
- estimate of future taxable profit for the recognition and measurement of deferred tax assets.

b. Changes in accounting standards since the previous annual report that may impact Dexia Municipal Agency

The following review of changes in accounting standards is based on the situation at closing on December 31, 2011.

1. IASB and IFRIC texts endorsed by the European Commission and applied as of January 1, 2011

The following standards, interpretations or amendments have been endorsed by the European Commission and are applied as of January 1, 2011:

- Annual improvements made in 2010 to IFRS and IAS, a series of amendments to IFRS applied as of January 1, 2011. The impact of these improvements to IFRS and IAS on the financial statements of Dexia Municipal Agency mainly relates to disclosures.

- IAS 24 Related Party Disclosures. This standard supersedes IAS 24 Related Party Disclosures (as revised in 2003) and has no impact on the financial statements of Dexia Municipal Agency.

- Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirements. This amendment has no impact on the financial statements of Dexia Municipal Agency.

- Amendment to IFRS 1 Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters. This amendment has no impact on the financial statements of Dexia Municipal Agency, which is no longer a first-time adopter.

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments. This interpretation has no impact on the financial statements of Dexia Municipal Agency.

- Amendment to IAS 32 Financial Instruments: Presentation: Classification of Rights Issues. This amendment has no impact on the financial statements of Dexia Municipal Agency.

2. IASB and IFRIC texts endorsed by the European Commission during the current year but not yet applicable as of January 1, 2011

- Amendment to IFRS 7 Financial Instruments: Disclosures (issued by IASB in October 2010) on transferred financial assets. This amendment is effective as of January 1, 2012, and will impact Dexia Municipal Agency's notes to the financial statements.

3. New standards (IFRS), interpretations (IFRIC) and amendments issued during the current year but not yet endorsed by the European Commission

- Amendment to IAS 1 Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income (issued by IASB in June 2011). This amendment is effective as of January 1, 2013, and will impact Dexia Municipal Agency's presentation of Equities.

- Amendment to IAS 19 Employee Benefits (issued by IASB in June 2011). This amendment is effective as of January 1, 2013, and will not impact the financial statements of Dexia Municipal Agency.

- Amendment to IFRS 9 and IFRS 7 Mandatory Effective Date and Transition Disclosures (issued by IASB in December 2011) defers the mandatory effective date of IFRS 9 to January 1, 2015. This amendment is effective as of January 1, 2015.

- IFRS 13 Fair Value Measurement (issued by IASB in May 2011). This standard is effective as of January 1, 2013, and the impact on the financial statements of Dexia Municipal Agency is currently being assessed.

- A package of five new and revised standards (issued by IASB in May 2011) addressing consolidation accounting, involvement in joint arrangements and the disclosure of involvement with other entities:
  - IFRS 10 Consolidated Financial Statements;
  - IFRS 11 Joint Arrangements;
  - IFRS 12 Disclosures of Involvement with Other Entities;
  - IAS 27 Separate Financial Statements, which supersedes IAS 27 Consolidated and Separate Financial Statements (as amended in 2008);
  - IAS 28 Investments in Associates and Joint Ventures, which supersedes IAS 28 Investments in Associates (as revised in 2003).

These new and revised standards are effective as of January 1, 2013, and the impact on the financial statements of Dexia Municipal Agency is currently being assessed.

- Amendment to IAS 32 Financial Instruments: Presentation (issued by IASB in December 2011) provides clarifications on the application of the offsetting financial assets and financial liabilities rules. This amendment is effective as of January 1, 2014, and the impact on the financial statements of Dexia Municipal Agency is currently being assessed.

- Amendment to IFRS 7 Financial Instruments: Disclosures (issued by IASB in December 2011) on offsetting financial assets and financial liabilities. This amendment is effective as of January 2013 and will impact Dexia Municipal Agency's notes to the financial statements.

1.4 - ACCOUNTING PRINCIPLES APPLIED TO THE FINANCIAL STATEMENTS

a. Offsetting financial assets and financial liabilities

In certain circumstances, financial assets and financial liabilities are offset and the net amount reported in the balance sheet. This may happen when there is a legally enforceable right to set off the recognized amounts and it is the intention of both parties that expected future cash flows will be settled on a net basis or that the asset will be realized and the liability settled simultaneously.

b. Foreign currency transactions

Foreign currency transactions are accounted for using the exchange rate on the transaction date. Monetary assets and liabilities denominated in foreign currencies are recognized at closing rates. Non-monetary assets and liabilities recognized at fair value and denominated in foreign currencies existing at the closing date are recorded at closing rates, whereas non-monetary assets and liabilities recognized at amortized cost are recorded at their historical rates. The resulting exchange differences from monetary assets and liabilities are recognized in income, except for the foreign exchange impact of fair value adjustments to bonds available for sale which are recognized in equity. Foreign exchange differences from non-monetary assets and liabilities recognized at fair value are recorded as fair value adjustments.

c. Trade date and settlement date accounting

All purchases and sales of financial assets are recognized on the settlement date, which is the date that a financial asset is received or delivered by Dexia Municipal Agency.

Dexia Municipal Agency's hedging instruments are recognized at fair value on the transaction date.

d. Financial assets

Management determines the appropriate classification of its investments at initial recognition. However, under certain conditions, financial assets may be subsequently reclassified.

1. Loans and advances to banks and customers

IFRS define loans as non-derivative financial assets with fixed or determinable payments that are not quoted on an active market, other than:

- those that the entity intends to sell immediately or in the near future, which should be classified as held for trading, and those that the entity, upon initial recognition, designates as being at fair value through profit or loss;
- those that the entity, upon initial recognition, designates as available for sale; or
- those for which the bearer may not recover substantially all of his initial investment for reasons other than the deterioration of credit, which should be classified as available for sale.

Dexia Municipal Agency recognizes loans and advances initially at fair value, to which transaction costs are added. Later estimates are made at amortized cost, less any allowance for impairment. Interest is calculated by the effective interest rate method and recognized in net interest income.
The effective interest rate is the rate that updates with precision future expected cash flows over the expected life of the financial instrument or, when appropriate, over a shorter period to determmine the net carrying amount of the financial asset.

2. Financial assets held to maturity and available for sale

Financial assets held to maturity

Quoted securities with fixed maturity are classified as "Financial assets held to maturity" (HTM) when management has both the intent and the ability to hold the assets to maturity.
Assets held to maturity are initially recognized at fair value (including transaction costs) and subsequently at amortized cost, less any allowance for impairment. Interest is calculated by the effective interest rate method, using the rate determined at initial recognition, and is recognized in net interest income.

Financial assets available for sale

Assets intended to be held for an indefinite period of time and which may be sold in response to a need for liquidity or changes in interest rates, exchange rates or equity prices are classified as "Financial assets available for sale" (AFS). Assets recognized by Dexia Municipal Agency as "Financial assets available for sale" are, except for certain cases, intended to be held to maturity.
Assets available for sale are initially recognized at fair value (including transaction costs). Interest is recognized based on the effective interest rate method in net interest income. Unrealized gains and losses arising from changes in the fair value of financial assets available for sale are recognized in equity. When these assets are sold, the fair value accumulated in equity is recycled in the income statement as "Net gains (losses) on financial assets available for sale".
When financial assets available for sale are restated as loans and advances at a later date on the basis of the October 2008 amendment to IAS 39, the reserve representative of changes in the fair value of financial assets available for sale as presented in the financial statements as of December 31, 2011, corresponds to the part of this reserve still to be amortized with regard to the securities restated as of October 1, 2008.

3. Financial assets held for trading

Dexia Municipal Agency holds no assets for trading.

4. Financial assets designated at fair value through profit or loss (FV Option)

Dexia Municipal Agency does not make use of the option to designate its financial assets at fair value through profit or loss.

5. Realized gains and losses on sales of financial assets

For financial assets not revalued through profit or loss, realized gains or losses on disposals are the differences between the proceeds received (net of transaction costs) and the costs or amortized costs of the assets. The cost is systematically determined based on the "first in, first out" approach (FIFO method) on a portfolio basis.
When a financial asset available for sale is sold, the total of gains or losses previously recognized in equity is reclassified in income.

6. Accounting for early reimbursement penalties

Dexia Municipal Agency has determined the accounting principles applicable to the restructuring of loans in accordance with AG 62 of IAS 39 concerning the restructuring of debt on financial assets.
Regarding the method of accounting for early reimbursement penalties, there are several possibilities depending on whether the early reimbursement is recognized as being an early reimbursement with refinancing or an extinguishment without refinancing.

Early reimbursement with refinancing

The method of accounting for early reimbursement penalties differs depending on whether the restructuring conditions are substantially different from those set initially.
In line with the principles of AG 62, Dexia Municipal Agency considers that the conditions are substantially different when the net present value of the cash flows under the new conditions, including any fees paid net of any fees received, is more than 10% different from the discounted net present value of the cash flows remaining from the original loan.

Early reimbursement penalties are recognized immediately in income or else amortized over the life of the new loan depending on the results of the eligibility test. If the eligibility test is passed (i.e. the difference in net present value is less than 10%), any early reimbursement penalties are amortized over the term of the new loan. If not (i.e. the difference exceeds 10%), early reimbursement penalties are recognized immediately in income.

Early reimbursement without refinancing

When a loan has been extinguished, Dexia Municipal Agency recognizes the early reimbursement penalty and any gains or losses of unamortized premium or discount, as income for the period, as required by IFRS.

7. Impairment of financial assets

Dexia Municipal Agency records allowances for impairment losses when there is objective evidence that a financial asset or group of financial assets is impaired, as a result of one or more events occurring after initial recognition of the financial asset and when the loss-generating event has an impact on the estimated future cash flows that can be reliably estimated, in accordance with IAS 39 (§58-70). The impairment represents the management's best estimate of losses in at each balance sheet date.

Financial assets at amortized cost

Dexia Municipal Agency first determines whether there is objective evidence of impairment for a financial asset taken individually. If no such evidence exists, the financial asset is included in a group of financial assets presenting similar credit risk characteristics and collectively assessed for impairment.

- *Determination of impairment*

• Specific loss allowance: if there is objective evidence that loans, advances or financial assets held to maturity are impaired, the amount of the provision is calculated as the difference between the carrying amount and the recoverable value. The recoverable value of a financial asset is the present value of expected cash flows, net of any guarantees and collateral, discounted at the financial instrument's original effective interest rate (except for reclassified assets, see below).
When an asset is assessed as being impaired, it is excluded from the portfolio on which a collective impairment is calculated.

• Collective allowance: collective impairment covers the risk of loss in value not covered by specific impairment where there is objective evidence that probable losses are present in segments of the portfolio or other lending commitments at the balance-sheet date. These losses are estimated on the basis of past performance and historical patterns of losses in each segment, the credit ratings allocated to the borrowers, and the current economic environment in which the borrowers operate. For this purpose, Dexia Municipal Agency uses the credit risk model developed by Dexia Credit Local, which is based on an approach that combines appropriate default probabilities and losses in the event of default. These models are subject to regular back-testing and are based on Basel II data and risk models, consistent with the incurred loss model.

- *Accounting for impairment*

Changes in the amount of impairment losses are recognized in the income statement in "Cost of risk". Once an asset has been impaired, if the amount of the impairment decreases subsequent to an event occurring after recognition of the impairment, the reversal of the impairment is credited to "Impairment of loans and provisions for loan commitments". When a financial asset is determined by management as being irrecoverable, the residual specific impairment is reversed in income as "Cost of risk" and the net loss is recognized under the same heading. Subsequent recoveries are also accounted for under this heading.

Reclassified financial assets

Impairment of reclassified financial assets follows the same rules as for financial assets initially valued at amortized cost for calculation of the impairment. If there is objective evidence that reclassified financial assets are impaired, the amount of the impairment on reclassified assets is calculated as the difference between the net carrying amount of the asset (excluding fair value revaluations linked to fthe previous classification in AFS) and the net present value of the expected cash flows discounted at the effective interest rate at the time of reclassification. Any frozen unamortized AFS reserve is recycled in income and presented as "Provisions on loans and provisions for loan commitments".

In the event of a positive update to expected cash flows, the impairment amount is reversed through net interest income according to the new schedule of expected cash flows, and not by a reversal of impairment.

Available for sale financial assets

Impairment of available for sale assets is recognized on an individual basis if there is objective evidence of impairment as a result of one or more events occurring since initial recognition of the asset. Financial assets available for sale (AFS) are subject only to specific impairment.

- *Determination of impairment*

Impairment of interest-bearing debt instruments is triggered by the same criteria as those applied to financial assets valued at amortized cost (see above).

- *Accounting for impairment*

When financial assets available for sale are impaired, the total AFS reserve is recycled into profit or loss and Dexia Municipal Agency reports any impairment losses in the income statement as "Cost of risk" (for financial asset available for sale with fixed income) or "Net gains (losses) on financial assets available for sale" (for financial assets available for sale with variable income).
In the event of an increase in the fair value of an interest-bearing financial instrument that is objectively linked to an event occurring after the most recent impairment was recognized, Dexia Municipal Agency recognizes a reversal of the impairment loss in income as "Net income from investments."

Off-balance sheet commitments

Off-balance sheet commitments such as credit substitutes (e.g. guarantees and standby letters of credit) and loan commitments are converted into balance sheet items when called. However, under certain circumstances such as uncertainty about the counterparty's solvency, the off-balance sheet commitment should be considered as impaired if the solvency has deteriorated to a point that it induces a doubt about whether the capital and interest will be repaid.

8. Sale and repurchase agreements and lending of securities

Securities sold subject to a linked repurchase agreement (repos) are not derecognized and remain on the balance-sheet in their original categories. The corresponding liability is included in "Customer borrowings and deposits" or "Due to banks" as appropriate. The asset is reported as pledged in the notes to the financial statements.
Securities purchased under an agreement to resell (reverse repos) are recorded as off-balance sheet items and the corresponding loans are recorded in "loans and advances to customers" or "loans and advances due from banks" as appropriate.
The difference between the sale and repurchase price is treated as interest income or expense and is amortized over the life of the agreement using the effective interest rate method.
Securities lent to third parties are retained in the financial statements.
Securities borrowed are not recognized in the financial statements. If the borrowed securities are sold to third parties, the obligation to return them is recorded at fair value in "Financial liabilities at fair value through profit or loss", and the gain or loss is included in "Net gains (losses) on financial instruments at fair value through profit or loss".

e. Financial liabilities

1. Liabilities designated at fair value through profit or loss

Dexia Municipal Agency does not use this option.

2. Borrowings

Borrowings are recognized initially at fair value, i.e. issue proceeds net of transaction costs incurred. They are subsequently stated at amortized cost and any difference between their initial carrying amount and the redemption value is recognized in income over the period of the borrowings using the effective interest rate method.

This chapter includes *obligations foncières* and other resources benefiting from the privilege defined in article L.515-19 of the Monetary and Financial Code, as of December 31, 2011. It is sub-divided into two parts.

Obligations foncières

Obligations foncières are recorded at nominal value.
Reimbursement premiums and issue premiums are amortized according to the straight line method over the life of the securities concerned, as of the first year, *prorata temporis*. They are recorded on the balance sheet in items corresponding to the type of debt concerned. The amortization of these premiums is recorded in the income statement as interest income and charge on bonds and fixed income securities. In the case of bonds issued above par, the spread of issue premiums is deducted from related interest income and charge on bonds and fixed income securities.
Interest related to bonds is accounted for as banking operating charges for accrued amounts, due and not yet due, calculated *prorata temporis* on the basis of contractual rates.
Fees and commissions on bond issues are spread in equal fractions over the life of the loans to which they are attached.
Bonds denominated in other currencies are treated in the same way as foreign exchange transactions (see below).

Registered covered bonds

These private placements are recorded at nominal value. Issue premiums are dealt with in the same way as *obligations foncières* (see above).
Pursuant to article L.515-20 of the Monetary and Financial Code and article 6 of CRBF standard 99-10 of July 27, 1999, total assets must at all times be greater than total liabilities benefiting from the privilege stipulated in article L.515-19 of the above-mentioned Monetary and Financial Code.

f. Derivatives

1. Derivatives not used for hedging

Dexia Municipal Agency is not authorized to conduct derivative transactions that would not be classified as hedging relations.

2. Hedging derivatives

Hedging derivatives can be classified as either:
- a hedge of the fair value of a recognized asset or liability or a firm commitment (fair value hedge); or
- a hedge of a future cash flow attributable to a recognized asset or liability or a forecast transaction (cash flow hedge).

Hedge accounting may be used for derivatives designated in this way, provided certain criteria are met:
- formal documentation of the hedging instrument, hedged item, hedging objective, strategy and relationship between the hedging instrument and the hedged item must be prepared before hedge accounting is applied;
- the hedge is documented showing that it is expected to be effective both prospectively and retrospectively in offsetting changes in fair value or cash flows attributable to the hedged risk on the hedged item throughout the reporting period;
- the hedge shall be effective at inception and on a going concern basis.

Changes in the fair value of derivatives that are measured and qualify as fair value hedges, and that respect the criteria set out above, are recorded in income, along with the corresponding change in fair value of the hedged assets or liabilities that are attributable to that specific hedged risk.

If at any time the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged interest-bearing financial instrument is amortized to profit or loss over the residual maturity of the hedged item by adjusting the yield of the hedged item.

Changes in the fair value of derivatives that are measured and qualify as cash-flow hedges, which respect the criteria set out above, and prove to be effective in relation to the hedged risk, is recognized in equity as "Unrealized or deferred gains and losses of cash flow hedges".

The non-effective portion of the changes in the fair value of the derivatives is recognized in income. Amounts deferred in equity are transferred to income and classified as income or expense in the periods during which the hedged firm commitment or forecast transaction has an impact on income.

3. Hedging the interest rate risk of a portfolio

Dexia Municipal Agency decided to apply IAS 39 as adopted by the European Union (IAS 39 carve-out) since this standard better reflects the way Dexia Municipal Agency manages its financial instruments.
The objective of hedging relationships is to reduce the interest rate risk exposure stemming from certain categories of assets or liabilities designated as the qualifying hedged items.

The entity performs a comprehensive analysis of its interest rate risk exposure. This consists in assessing fixed-rate exposure generated by all fixed-rate balance sheet items.

Dexia Municipal Agency selects financial assets and liabilities to be included in the hedge of the portfolio's interest rate risk exposure. The entity consistently applies the same method to select the financial assets and liabilities in the portfolio. The financial assets and liabilities are classified by time bands. Hence, when they are removed from the portfolio, they must be removed from all the maturities on which they had an impact.

The Company chose to put together homogeneous portfolios of loans and portfolios of bond issues.
Based on this differential analysis, which is conducted on a net basis, Dexia Municipal Agency defines at inception the risk exposure to be hedged, the length of the contracts and the method and frequency of testing.

Hedging is conducted using a portfolio of derivatives, which may have offsetting positions. The hedging items are recognized at their fair value (including accrued interest expense or income) with adjustments recorded in income.

Revaluations related to the hedged risks are recognized on the balance sheet (as assets or liabilities depending on whether the revaluations are positive or negative) as "Fair value revaluation of portfolio hedge".

g. Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Market prices are used to determine fair value where an active market (such as a recognized stock exchange) exists, since they are the best estimate of the fair value of a financial instrument. Active market prices are not, however, available for a significant number of the financial assets and liabilities held or issued by Dexia Municipal Agency.

If the financial instrument is not traded on an active market, valuation techniques are used. Valuation techniques include the use of data from recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, and valuation models. A valuation model reflects what the transaction price would be at the date of the valuation under conditions of normal competition and motivated by usual business considerations, i.e. the price that the holder of the financial asset would receive in an orderly transaction that is not a liquidation or a forced transaction.

The valuation model should take into account all the factors that market participants would consider when pricing the asset. Within this framework, Dexia Municipal Agency uses its own valuation models and market assumptions, i.e present value of cash flows or any other techniques based on market conditions existing at the closing date.

1. Fair value of financial instruments (available for sale, derivatives)

Financial investments classified as available for sale and derivatives are measured at fair value by reference to quoted market prices when available. When quoted market prices are not available, fair values are estimated on the basis of pricing models or discounted cash flows, using observable or non-observable market data.
For financial assets classified as available for sale, when quoted prices are not available, the pricing models attempt to reflect as accurately as possible the market conditions on the valuation date as well as any changes in the credit quality of these financial instruments and market liquidity.

2. Amortized cost of financial instruments (valuations in IFRS notes on fair value)

The following remarks are applicable to the fair value of loans and advances presented in the notes to the financial statements:

- the fair value of fixed rate loans and mortgages is estimated by comparing market interest rates when the loans were granted with current market interest rates offered on similar loans;
- caps, floors and early repayment options are included in determining the fair value of loans and advances.

h. Interest income and expense

For all interest-bearing instruments not valued at fair value, interest income and expense are recognized in the income statement using the effective interest rate method (including transaction costs).
Transaction costs are incremental costs that are directly attributable to the acquisition of a financial asset or liability and are used for the calculation of the effective interest rate.

Accrued interest is recognized on the balance sheet in the same item as the related financial asset or liability.
Once an interest-bearing financial asset has been written down to its estimated recoverable amount, interest income is thereafter recognized based on the interest rate used to discount the future cash flows in order to measure the recoverable amount.

i. Commission income and expense

Commissions are recognized in accordance with IAS 18. Pursuant to this standard, most of the commissions arising from Dexia Municipal Agency's activities are recognized on an accrual basis over the life of the underlying transaction.

Loan commitment commissions are recognized as part of the effective interest rate if the line of credit is used. They are recorded as commission income on expiry date of the commitment if the line of credit is not used.

j. Deferred taxes

Deferred taxes are recognized using the liability method to account for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.
The tax rates enacted or substantively enacted at the balance sheet date are used to determine deferred taxes. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.
Deferred tax liabilities are recognized to account for temporary differences arising from investments in subsidiaries, jointly controlled companies and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.
Deferred taxes related to fair value re-measurement of assets available for sale and cash flow hedges, and other operations which are charged or credited directly to equity, are also credited or charged directly to equity.

k. Provisions for risks and charges

Provisions for risks and charges mainly include provisions for litigations, restructuring, and off-balance sheet loan commitments. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The discount rate used is the pre-tax rate that reflects current market assessments of the time value of money.

Provisions are recognized when:
- Dexia Municipal Agency has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- a reliable estimate of the amount of the obligation can be made.

Provisions on loan commitments are recognized using the same method as that applied for the impairment of financial assets measured at amortized cost.

l. Dividends on ordinary shares

Dividends on ordinary shares are recognized in equity in the period in which they are declared (they must be authorized). Dividends for the year that are declared after the balance sheet date are disclosed in the note on subsequent events.

m. Earnings per share

Basic earnings per share before dilution are calculated by dividing net income available to shareholders by the weighted average number of ordinary shares in issue during the year.

n. Related-party transactions

Two parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party when making financial or operational decisions. The parent company of Dexia Municipal Agency is Dexia Credit Local, a *société anonyme* incorporated in France, itself a subsidiary of Dexia SA, incorporated in Belgium. Within this framework, related-party transactions are those with companies accounted for by the equity method and with members of the Company's management bodies.

o. Segment reporting

Dexia Municipal Agency's sole activity is the financing or refinancing of commitments on public sector entities originated by Dexia's commercial network. These assets are primarily financed by the issue of *obligations foncières*. This single-focus business is part of the Dexia Group's Public and Wholesale Banking (PWB) operational business line.
Dexia Municipal Agency conducts its business solely from Paris (or its branch in Dublin). The Company has no direct activity in other countries and is unable to present a relevant breakdown of its results by geographic region. Geographic breakdown of assets by country of residence of the counterparty is presented quarterly at the end of the Management Report.

p. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with central banks and deposits at sight.

2. NOTES TO THE ASSETS

2.1 - CENTRAL BANKS

EUR millions	12/31/2009	12/31/2010	12/31/2011
Mandatory reserve deposits with central banks	4	2	-
Other deposits	-	-	2,198
TOTAL	**4**	**2**	**2,198**

2.2 - FINANCIAL ASSETS AVAILABLE FOR SALE

a. Analysis by nature

EUR millions	12/31/2009	12/31/2010	12/31/2011
Loans	-	-	-
Bonds	3,304	1,865	1,254
TOTAL	**3,304**	**1,865**	**1,254**

b. Analysis by counterparty

EUR millions	12/31/2009	12/31/2010	12/31/2011
Public sector	1,437	1,064	760
Credit institutions guaranteed by the public sector	1,867	201	494
Total public sector	**3,304**	**1,265**	**1,254**
Replacement assets	-	600	-
TOTAL	**3,304**	**1,865**	**1,254**
of which eligible for central bank refinancing	*3,026*	*1,355*	*840*

c. Impairment

EUR millions	12/31/2009	12/31/2010	12/31/2011
Public sector	3,304	1,265	1,222
Replacement assets	-	600	-
Total performing assets	**3,304**	**1,865**	**1,222**
Public sector	-	-	39
Replacement assets	-	-	-
Total impaired assets	**-**	**-**	**39**
Specific impairment	-	-	(7)
TOTAL ASSETS AFTER IMPAIRMENT	**3,304**	**1,865**	**1,254**

d. Analysis by residual maturity

See note 7.3

e. Unrealized or deferred gains and losses, breakdown by country

See note 4.4

2.3 - LOANS AND ADVANCES DUE FROM BANKS

a. Analysis by nature

EUR millions	12/31/2009	12/31/2010	12/31/2011
Sight accounts	-	0	22
Other loans and advances due from banks	7,810	7,171	7,759
Performing assets	**7,810**	**7,171**	**7,781**
Impaired loans and advances	-	-	-
Impaired assets	**-**	**-**	**-**
Total assets before impairment	**7,810**	**7,171**	**7,781**
Specific impairment	-	-	-
Collective impairment	-	-	0
TOTAL	**7,810**	**7,171**	**7,781**

b. Breakdown by counterparty

EUR millions	12/31/2009	12/31/2010	12/31/2011
Credit institutions	-	-	22
Swiss cantonal banks benefiting from their cantons' legal guarantee	1,899	1,593	1,129
Banks guaranteed by a local government, *crédits municipaux*	170	180	132
Credit institutions belonging to the Dexia Group: loans benefiting from the assignment in guarantee of refinanced public debt	186	181	2,121
Credit institutions guaranteed by the State	10	13	14
Assets assigned in guarantee to the central bank*	-	-	3,012
Replacement assets	5,545	5,204	1,351
TOTAL	**7,810**	**7,171**	**7,781**
of which eligible for central bank refinancing	*5,545*	*4,850*	*4,363*

* Cedulas territoriales *issued by Dexia Sabadell, assigned in guarantee to the Banque of France and removed from the cover pool.*

c. Replacement assets

EUR millions	Rating	12/31/2009	12/31/2010	12/31/2011
Dexia Sabadell - *cedulas territoriales*	Baa2 Moody's	3,195	3,004	-
Dexia LdG Banque - *lettres de gage publiques*	AAA S&P	2,350	1,850	1,351
Dexia Credit Local - loans secured by public sector assets	A+ Fitch Baa1 Moody's BBB+ S&P	-	350	-
Credit institutions - sight accounts				22
TOTAL		**5,545**	**5,204**	**1,373**

d. Analysis by residual maturity

See note 7.3

e. Unrealized or deferred gains and losses, breakdown by country

See note 4.4

2.4 - LOANS AND ADVANCES TO CUSTOMERS

a. Analysis by counterparty

EUR millions	12/31/2009	12/31/2010	12/31/2011
Public sector	59,755	62,578	63,325
Other - guaranteed by a State or local government	4,125	4,423	4,139
Other - ABS made up solely of public commitments	7,208	11,033	10,364
Performing assets	**71,088**	**78,034**	**77,828**
Impaired loans and advances	5	10	29
Impaired assets	**5**	**10**	**29**
Total assets before impairment	**71,093**	**78,044**	**77,857**
Specific impairment	(1)	(1)	(3)
Collective impairment	(14)	(18)	(18)
TOTAL	**71,078**	**78,025**	**77,836**
of which eligible for central bank refinancing	*45,057*	*41,518*	*40,067*
Assets assigned in guarantee to the central bank	-	-	*189*

b. Public sector ABS

EUR millions	Rating	12/31/2009	12/31/2010	12/31/2011
Colombo	A S&P	10	8	6
Astrea	A+ Fitch, Aa2 Moody's	2	1	1
Blue Danube	AA+ S&P	77	81	78
DCC - Dexia Crediop per la Cartolarizzazione	A Fitch, Baa3 Moody's, BBB+ S&P	3,843	3,691	3,546
DSFB - Dexia Secured Funding Belgium 1 and 2	A Fitch, A3 Moody's, A- S&P	3,026	2,908	2,792
DSFB - Dexia Secured Funding Belgium 4	AA Fitch	250	4,344	3,941
TOTAL		**7,208**	**11,033**	**10,364**

c. Analysis by residual maturity

See note 7.3

d. Unrealized or deferred gains and losses, breakdown by country

See note 4.4

2.5 - TAX ASSETS

EUR millions	12/31/2009	12/31/2010	12/31/2011
Current income tax	4	7	45
Other taxes	0	-	2
Current tax assets	**4**	**7**	**47**
Deferred tax assets (see note 4.2)	**132**	**131**	**199**
TOTAL TAX ASSETS	**136**	**138**	**246**

2.6 - ACCRUALS AND OTHER ASSETS

EUR millions	12/31/2009	12/31/2010	12/31/2011
Cash collateral paid	-	-	-
Other accounts receivable	0	-	-
Prepaid charges	-	-	-
Other assets	10	9	17
TOTAL ACCRUALS AND OTHER ASSETS	**10**	**9**	**17**

2.7 - RESTATEMENT OF FINANCIAL ASSETS (IAS 39 AMENDED)

EUR millions	From "Financial assets held for trading" to "Loans and advances" (1)	From "Financial assets held for trading" to "Financial assets available for sale" (2)	From "Financial assets available for sale" to "Loans and advances" (3)
Carrying amount of assets reclassified as of October 1, 2008	-	-	17,855
Carrying amount of reclassified assets as of December 31, 2011	-	-	13,262
Fair value of reclassified assets as of December 31, 2011	-	-	12,875
AMOUNT NOT RECOGNIZED THROUGH PROFIT AND LOSS (1) AND (2) DUE TO RECLASSIFICATION	-	-	-
AMOUNT NOT RECOGNIZED THROUGH ASSETS AVAILABLE FOR SALE (3) DUE TO RECLASSIFICATION	-	-	**(387)**
Premium/discount amortization through profit and loss	-	-	-
Premium/discount amortization through AFS reserve	-	-	(17)

3. NOTES TO THE LIABILITIES

3.1 - CENTRAL BANKS

This item includes refinancing obtained though Banque de France tenders. The use of such financing organized by tenders involued the pledging of eligible assets with in the framework of a general guarantee management agreement (3G). This source of financing does not benefit from the privilege defined in article L.515-19 of the Monetary and Financial Code.

Dexia Municipal Agency has used Banque de France financing:

- from September 2008 to July 2009 in order to finance commercial production when the covered bonds market was closed;
- since October 2011, to finance *cedulas territoriales* subsequent to the rating downgrade.

EUR millions	12/31/2009	12/31/2010	12/31/2011
Overnight borrowing	-	-	-
Term borrowing	-	-	2,700
Accrued interest	-	-	0
TOTAL FUNDING FROM BANQUE DE FRANCE	**-**	**-**	**2,700**

3.2 - DUE TO BANKS

a. Analysis by nature

EUR millions	12/31/2009	12/31/2010	12/31/2011
Demand deposits	6,823	9,034	6,004
Term deposits	3,529	3,507	3,513
TOTAL	**10,352**	**12,541**	**9,517**

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 the issue of *obligations foncières*.

The account totaled EUR 9,499 million (excluding accrued interest), composed of:

- the current account, indexed on Eonia, with a balance of EUR 5,999 million;
- a long-term borrowing earmarked to finance the structural over-collateralization of 5%. This borrowing totaled EUR 3,500 million as of December 31, 2011; it is indexed on the annual money market rate (TAM).

The current account agreement between Dexia Credit Local and Dexia MA will exist as long as Dexia MA is authorized to operate as a *société de crédit foncier*.

EUR millions	12/31/2009	12/31/2010	12/31/2011
Current account	6,820	9,029	5,999
Interest accrued not yet due	3	5	5
Long-term borrowing	3,500	3,500	3,500
Interest accrued not yet due	29	7	13
TOTAL DEXIA CREDIT LOCAL	**10,352**	**12,541**	**9,517**

b. Analysis by residual maturity

See note 7.3

3.3 - DEBT SECURITIES

a. Analysis by nature

EUR millions	12/31/2009	12/31/2010	12/31/2011
Obligations foncières	62,218	62,431	63,518
Registered covered bonds	3,715	4,388	5,018
TOTAL	**65,933**	**66,819**	**68,536**

b. Analysis by residual maturity

See note 7.3

3.4 - TAX LIABILITIES

EUR millions	12/31/2009	12/31/2010	12/31/2011
Current income tax	-	5	-
Other taxes	3	4	2
Current tax liabilities	**3**	**9**	**2**
Deferred tax liabilities (see note 4.2)	**15**	**4**	**34**
TOTAL TAX LIABILITIES	**18**	**13**	**36**

3.5 - ACCRUALS AND OTHER LIABILITIES

EUR millions	12/31/2009	12/31/2010	12/31/2011
Cash collateral received	1,427	1,314	2,498
Other accrued charges	50	27	27
Deferred income	-	-	-
Other accounts payable and other liabilities	4	3	8
TOTAL	**1,481**	**1,344**	**2,533**

3.6 - EQUITY

	Core equity			Unrealized or deferred gains and losses			
EUR millions	Share capital, additional paid-in capital	Retained earnings and net income for the period	Total	Net change in fair value of available for sale financial assets, after tax	Net change in fair value of hedging derivatives, after tax	Total	Equity
AS OF DECEMBER 31, 2010, IFRS	**1,190**	**133**	**1,323**	**(232)**	**(22)**	**(254)**	**1,069**
Movements during the period							
Share capital	110	-	110	-	-	-	110
Dividends	-	(110)	(110)	-	-	-	(110)
Changes in fair value of available for sale financial assets through equity	-	-	-	(34)	-	(34)	(34)
Changes in fair value of hedging derivatives through equity	-	-	-	-	(59)	(59)	(59)
Changes in fair value of available for sale financial assets through profit and loss	-	-	-	-	-	-	-
Changes in fair value of hedging derivatives through profit and loss	-	-	-	-	-	-	-
Net income for the period	-	68	68	-	-	-	68
Other movements	-	-	-	-	-	-	-
AS OF DECEMBER 31, 2011, IFRS	**1,300**	**91**	**1,391**	**(266)**	**(81)**	**(348)**	**1,044**

Dexia Municipal Agency has share capital of EUR 1,300 million that is made up of 13,000,000 shares with a par value of EUR 100.

4. OTHER NOTES ON THE BALANCE SHEET

4.1 - HEDGING DERIVATIVES

a. Analysis by nature

EUR millions	12/31/2009		12/31/2010		12/31/2011	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Derivatives at fair value through profit or loss	-	-	-	-	-	-
Derivatives designated as fair value hedges	1,015	4,703	3,033	8,604	5,492	10,252
Derivatives designated as cash flow hedges	1	125	159	141	35	255
Derivatives designated as portfolio hedges	1,798	978	2,714	2,142	3,347	3,196
Hedging derivatives	**2,814**	**5,806**	**5,906**	**10,887**	**8,874**	**13,703**
TOTAL DERIVATIVES	**2,814**	**5,806**	**5,906**	**10,887**	**8,874**	**13,703**

b. Detail of derivatives designated as fair value hedges

EUR millions	12/31/2009			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Foreign exchange derivatives	17,675	18,351	589	839
Interest rate derivatives	43,820	43,820	427	3,864
TOTAL	**61,495**	**62,171**	**1,015**	**4,703**

EUR millions	12/31/2010			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Foreign exchange derivatives	17,285	17,222	1,698	1,394
Interest rate derivatives	48,060	48,060	1,335	7,210
TOTAL	**65,345**	**65,282**	**3,033**	**8,604**

EUR millions	12/31/2011			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Foreign exchange derivatives	15,601	15,139	2,068	1,430
Interest rate derivatives	53,122	53,122	3,424	8,822
TOTAL	**68,723**	**68,261**	**5,492**	**10,252**

c. Detail of derivatives designated as cash flow hedges

EUR millions	12/31/2009			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Foreign exchange derivatives	2,223	2,307	1	125
Interest rate derivatives	-	-	-	-
TOTAL	**2,223**	**2,307**	**1**	**125**

EUR millions	12/31/2010			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Foreign exchange derivatives	1,878	1,925	159	141
Interest rate derivatives	-	-	-	-
TOTAL	**1,878**	**1,925**	**159**	**141**

EUR millions	12/31/2011			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Foreign exchange derivatives	2,199	2,219	35	255
Interest rate derivatives	-	-	-	-
TOTAL	**2,199**	**2,219**	**35**	**255**

EUR millions	12/31/2009	12/31/2010	12/31/2011
Amount removed from equity and included in the carrying amount of a non-financial instrument (hedging of cash flows of a highly probable transaction)	-	-	-

d. Detail of derivatives designated as portfolio hedges

EUR millions	12/31/2009			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Foreign exchange derivatives	-	-	-	-
Interest rate derivatives	167,734	167,729	1,798	978
TOTAL	**167,734**	**167,729**	**1,798**	**978**

EUR millions	12/31/2010			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Foreign exchange derivatives	-	-	-	-
Interest rate derivatives	186,898	186,893	2,714	2,142
TOTAL	**186,898**	**186,893**	**2,714**	**2,142**

EUR millions	12/31/2011			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Foreign exchange derivatives	-	-	-	-
Interest rate derivatives	150,730	150,725	3,347	3,196
TOTAL	**150,730**	**150,725**	**3,347**	**3,196**

4.2 - DEFERRED TAXES

a. Analysis by nature

EUR millions	12/31/2009	12/31/2010	12/31/2011
Deferred tax assets before impairment	132	131	199
Impairment on deferred tax assets	-	-	-
Deferred tax assets (1)	132	131	199
Deferred tax liabilities (1)	(15)	(4)	(34)
TOTAL	**117**	**127**	**165**

(1) Deferred tax assets and liabilities are netted out when they concern the same tax entity.

b. Movements

EUR millions	12/31/2009	12/31/2010	12/31/2011
As of January 1	**223**	**117**	**127**
Charge/credit recognized in the income statement	(31)	(3)	(39)
Effect of change in tax rates - impact on the income statement	-	-	-
Movements directly recognized in equity	(75)	13	77
Effect of change in tax rates - impact on equity	-	-	-
Translation adjustment	-	-	-
Other movements	-	-	-
As of December 31	**117**	**127**	**165**

c. Deferred taxes from assets on the balance sheet

EUR millions	12/31/2009	12/31/2010	12/31/2011
Loans and loan loss provisions	45	35	14
Securities	67	82	123
Derivatives	12	9	22
Accruals and other assets	14	14	14
TOTAL	**138**	**140**	**173**

d. Deferred taxes from liabilities on the balance sheet

EUR millions	12/31/2009	12/31/2010	12/31/2011
Borrowings, deposits and issues of debt securities	0	10	16
Derivatives	-	-	-
Provisions	-	-	-
Regulatory provisions	(21)	(23)	(24)
Accruals and other liabilities	-	-	-
TOTAL	**(21)**	**(13)**	**(8)**

4.3 - TRANSACTIONS WITH RELATED PARTIES

Analysis by nature

EUR millions	Parent company and entities consolidated by Dexia Credit Local			Other related parties [1]		
	12/31/2009	12/31/2010	12/31/2011	12/31/2009	12/31/2010	12/31/2011
ASSETS						
Loans and advances	7,224	5,096	8,677	5,376	9,087	1,351
Bonds	1,401	600	-	-	-	-
LIABILITIES						
Due to banks - sight accounts	6,823	9,034	6,004	-	-	-
Due to banks - term loans	3,529	3,507	3,513	-	-	-
INCOME STATEMENT						
Interest income on loans and advances	163	74	147	95	90	23
Interest income on bonds	6	2	7	-	-	-
Interest expense on borrowings	(39)	(124)	(142)	-	-	-
Fees and commissions	0	(3)	(4)	-	-	-
OFF-BALANCE SHEET						
Foreign exchange derivatives	5,514	5,221	7,130	573	559	-
Interest rate derivatives	128,588	151,740	119,937	6,472	6,077	-
Guarantees issued by the Group	11,434	10,318	12,016	3,274	2,908	-

(1) This item includes transactions with entities of Belgian and Luxembourg sub-groups consolidated by Dexia, the parent company of Dexia Credit Local in 2009 and 2010 while in 2011 it concerned only entities of the Luxembourg sub-group.

In 2011, Dexia Bank Belgium was no longer consolidated by Dexia.

4.4 - UNREALIZED OR DEFERRED GAINS AND LOSSES, BREAKDOWN BY COUNTRY

EUR millions	12/31/2009	12/31/2010	12/31/2011
Unrealized gains and losses on available for sale securities	**(96)**	**(168)**	**(253)**
Belgium	0	0	-
Canada	1	2	2
Germany	(4)	(2)	(7)
France	0	0	0
Greece	(52)	(82)	-
Ireland	0	0	-
Italy	(43)	(85)	(260)
United States	2	(1)	12
Unrealized gains and losses on loans and receivable securities	**(170)**	**(154)**	**(145)**
Austria	(7)	(6)	(5)
Belgium	1	1	1
Germany	(1)	(1)	(1)
Spain	(12)	(4)	(3)
France	7	7	6
United Kingdom	-	-	-
Greece	(1)	(1)	(1)
Iceland	(10)	(9)	(8)
Italy	(135)	(130)	(125)
Luxembourg	(1)	(1)	-
Portugal	(6)	(5)	(4)
United States	(5)	(5)	(5)
Unrealized gains and losses on derivatives designated as cash flow hedges	**(37)**	**(32)**	**(127)**
TOTAL	**(303)**	**(354)**	**(525)**
Deferred taxes on gains and losses, available for sale securities	22	42	86
Deferred taxes on gains and losses, loans and receivable securities	54	49	46
Deferred taxes on gains and losses, derivatives designated as cash flow hedges	11	9	45
TOTAL	**(216)**	**(254)**	**(348)**

4.5 - BREAKDOWN OF GOVERNMENT BONDS ON A SELECTION OF EUROPEAN COUNTRIES AND DEPRECIATION OF SOVEREIGN BONDS OF COUNTRIES BENEFITING FROM THE EUROPEAN ASSISTANCE PROGRAM

a. Breakdown of government bonds on a selection of European countries

The credit risk exposure reported represents the accounting net carrying amount of exposures, being the notional amounts after deduction of specific impairment and AFS reserves, and taking into account accrued interest.

EUR millions	12/31/2010					
	Spain	Ireland	Italy	Portugal	Greece	Total
Government bonds	-	-	494	-	330	824
Securities guaranteed by the State	-	-	112	-	100	212
TOTAL	**-**	**-**	**606**	**-**	**430**	**1,036**

EUR millions	12/31/2011					
	Spain	Ireland	Italy	Portugal	Greece	Total
Government bonds	-	-	499	-	326	825
Securities guaranteed by the State	-	-	113	-	100	213
TOTAL	**-**	**-**	**612**	**-**	**426**	**1,038**

EUR millions	12/31/2010					
Government bonds	Spain	Ireland	Italy	Portugal	Greece	Total
Financial assets available for sale	-	-	494	-	330	824
Financial assets held for trading	-	-	-	-	-	-
Held to maturity investments	-	-	-	-	-	-
Loans and advances	-	-	112	-	100	212
TOTAL	**-**	**-**	**606**	**-**	**430**	**1,036**
UNREALIZED GAINS AND LOSSES ON AVAILABLE FOR SALE SECURITIES	**-**	**-**	**(85)**	**-**	**(82)**	**(167)**
UNREALIZED GAINS AND LOSSES ON LOANS AND RECEIVABLE SECURITIES	**-**	**-**	**(3)**	**-**	**(1)**	**(4)**

EUR millions	12/31/2011					
	Spain	Ireland	Italy	Portugal	Greece	Total
Financial assets available for sale	-	-	499	-	326	825
Financial assets held for trading	-	-	-	-	-	-
Held to maturity investments	-	-	-	-	-	-
Loans and advances	-	-	113	-	100	213
TOTAL	**-**	**-**	**612**	**-**	**426**	**1,038**
UNREALIZED GAINS AND LOSSES ON AVAILABLE FOR SALE SECURITIES	**-**	**-**	**(260)**	**-**	**-**	**(260)**
UNREALIZED GAINS AND LOSSES ON LOANS AND RECEIVABLE SECURITIES	**-**	**-**	**(3)**	**-**	**(1)**	**(4)**

b. Depreciation of Greek sovereign bonds

The exposure on sovereign debt may be analyzed as of December 31, 2011, as follows.

EUR millions	Direct exposure	Indirect exposure	Impairment	Net exposure
Total maturity in less than 10 years	40	100	(7)	133
Total maturity in more than 10 years	293	-	-	293
TOTAL	**333**	**100**	**(7)**	**426**

c. Fair value of Greek and Icelandic sovereign bonds

As of June 30, 2011, Dexia MA recorded a depreciation of EUR 7 million on its direct exposures to Greece in order to respect Dexia's commitments in the IIF assistance program (Institute of International Finance).
Since this day, to avoid larger losses for its subsidiary, Dexia Credit Local committed to purchase all of Dexia MA's Greek and Icelandic exposures, with no additional loss compared with the first-half accounts. This commitment was materialized in 2011, with a transfer agreement whereby Dexia MA sold this portfolio to Dexia Credit Local, a transaction that took place in January 2012.
In Dexia MA's annual IFRS financial statements, impairment was recognized on the Greek portfolio, offset by a gain on the transfer agreement, which was considered as a derivative under IFRS. The impairment of EUR 577 million was offset for a corresponding amount in net banking income through the increase in value of the derivative (forward sale). Given this impairment recorded in income, the negative gains and losses relating to these securities were reduced to zero.
The same treatment was applied on the Icelandic portfolio for a total amount of EUR 148 million.

5. NOTES TO THE STATEMENT OF INCOME

5.1 - INTEREST INCOME - INTEREST EXPENSE

EUR millions	2010	2011
INTEREST INCOME	**6,486**	**6,963**
Central banks	-	0
Loans and advances due from banks	111	160
Loans and advances to customers	2,168	2,213
Financial assets available for sale	60	62
Financial assets held to maturity	-	-
Derivatives used for hedging	4,147	4,528
Impaired assets	-	-
Other	-	-
INTEREST EXPENSE	**(6,230)**	**(6,755)**
Accounts with central banks	-	(3)
Due to banks	(82)	(160)
Customer borrowings and deposits	-	-
Debt securities	(2,622)	(2,519)
Subordinated debt	-	-
Derivatives used for hedging	(3,526)	(4,073)
Other	-	-
INTEREST MARGIN	**256**	**208**

5.2 - FEES AND COMMISSIONS

EUR millions	2010			2011		
	Income	Expense	Net	Income	Expense	Net
Lending activity	0	-	0	-	-	-
Purchase and sale of securities	-	-	-	-	(1)	(1)
Financial engineering	-	-	-	-	-	-
Services on securities other than custodian services	-	(5)	(5)	-	(4)	(4)
Custodian services	-	-	-	-	-	-
Issuance and underwriters of securities	-	-	-	-	(0)	(0)
Other	-	-	-	-	-	-
TOTAL	**0**	**(5)**	**(5)**	**-**	**(5)**	**(5)**

5.3 - NET GAINS (LOSSES) ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

EUR millions	2010	2011
Net result of hedge accounting	0	0
Net result of foreign exchange transactions	(0)	0
TOTAL	**(0)**	**0**

All interest received and paid on assets, liabilities and derivatives is recorded in net interest income, as required by IFRS.
Thus, net gains (losses) on trading transactions and net gains (losses) on hedging transactions include only the change in the clean value of derivatives, the revaluation of assets and liabilities qualified as hedges and the revaluation of the portfolio held for trading.

Analysis of net result of hedge accounting

EUR millions	2010	2011
Fair value hedges	**0**	**0**
Fair value changes in the hedged item attributable to the hedged risk	(3,099)	1,653
Fair value changes in hedging derivatives	3,099	(1,653)
Cash flow hedges	**-**	**-**
Fair value changes in hedging derivatives – ineffective portion	-	-
Discontinuation of cash flow hedge accounting (Cash flows no longer expected to occur)	-	-
Portfolio hedge	**-**	**0**
Fair value changes in the hedged item	(121)	306
Fair value changes in hedging derivatives	121	(306)
TOTAL	**0**	**0**

5.4 - NET GAINS (LOSSES) ON FINANCIAL ASSETS AVAILABLE FOR SALE

EUR millions	2010	2011
Net gain (loss) on disposals of loans and securities available for sale	-	(1)
Net gain (loss) on disposals of debt securities	6	0
Net gain (loss) on the sale or cancellation of loans and advances	6	3
TOTAL	**12**	**2**

5.5 - OPERATING EXPENSE

EUR millions	2010	2011
Payroll costs	-	-
Other general and administrative expense	(88)	(89)
Taxes	(8)	(3)
TOTAL	**(96)**	**(92)**

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 MA.
In addition, specific management contracts grant different entities the management of loans and securities in their respective countries (Kommunalkredit Austria and Dexia Bank Belgium, former subsidiaries of Dexia, as well as Dexia Crediop and Dexia Credit Local Canada Branch).

5.6 - COST OF RISK

EUR millions	2010			2011		
	Collective impairment	Specific impairment and losses	Total	Collective impairment	Specific impairment and losses	Total
Credit (loans, commitments and securities held to maturity)	(4)	-	(4)	0	(1)	(1)
Fixed income securities available for sale	-	-	-	-	(7)	(7)
TOTAL	**(4)**	**-**	**(4)**	**0**	**(8)**	**(8)**

Detail of collective and specific impairment

Collective impairment EUR millions	2010			2011		
	Charges	Recoveries	Total	Charges	Recoveries	Total
Loans and borrowings	(4)	-	(4)	(2)	2	0
Off-balance sheet commitments	-	-	-	-	-	-
TOTAL	**(4)**	**-**	**(4)**	**(2)**	**2**	**0**

The methodology used to calculate collective impairment, for the different portfolios that make up Dexia MA's cover pool, does not take into account the guarantees received. This very conservative method may result in significant changes in provisions, depending on whether the assets recorded on the balance sheet during the year are totally guaranteed by public sector entities or direct exposures on these entities.

Specific impairment EUR millions	2010				
	Allocations	Reversals	Losses	Recoveries	Total
Loans and advances due from banks	-	-	-	-	-
Loans and advances to customers	-	-	-	-	-
Financial assets held to maturity	-	-	-	-	-
Off-balance sheet commitments	-	-	-	-	-
Total credit	-	-	-	-	-
Fixed income securities	-	-	-	-	-
TOTAL	**-**	**-**	**-**	**-**	**-**

Specific impairment EUR millions	2011				
	Allocations	Reversals	Losses	Recoveries	Total
Loans and advances due from banks	-	-	-	-	-
Loans and advances to customers	(1)	0	-	-	(1)
Financial assets held to maturity	-	-	-	-	-
Off-balance sheet commitments	-	-	-	-	-
Total credit	(1)	0	-	-	(1)
Fixed income securities	(7)	-	-	-	(7)
TOTAL	**(8)**	**0**	**-**	**-**	**(8)**

5.7 - CORPORATE INCOME TAX

a. Detail of tax expense

EUR millions	2010	2011
Current taxes	(51)	2
Deferred taxes	(3)	(39)
Tax on prior years' income	-	-
Deferred taxes on prior years	-	-
Provisions for tax litigation	-	-
TOTAL	**(54)**	**(37)**

b. Effective tax expense as of December 31, 2011

The standard corporate tax rate applicable in France is 36.10%. The tax rate applied on the contributions of foreign subsidiaries is the rate applied locally in accordance with each individual national tax system.
The effective tax rate observed as of December 31, 2011, amounted to 35.3%.

The difference between these two rates can be analysed as follows.

EUR millions	2010	2011
INCOME BEFORE INCOME TAXES	**163**	**105**
Net income from associates	-	-
TAX BASE	**163**	**105**
Applicable tax rate at end of the period	34.43%	36.10%
THEORETICAL CORPORATE INCOME TAX AT THE STANDARD RATE	**56**	**38**
Impact of differences between foreign tax rates and the French standard tax rate	(2)	(6)
Tax effect of non-deductible expenses	-	-
Tax effect of non-taxable income	-	-
Impact of items taxed at a reduced rate	-	-
Other additional taxes or tax savings	-	5
Liability method	-	-
Provisions for tax litigation	-	-
CORPORATE INCOME TAX RECORDED IN THE INCOME STATEMENT	**54**	**37**
EFFECTIVE TAX RATE	**32.8%**	**35.3%**

c. 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. Since January 1, 2002, the consolidating company has been Dexia SA's 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 MA records in its accounts the amount of tax for which it would be liable if it were not a member of the tax group.
An amendment to the tax agreement between Dexia SA's permanent establishment and Dexia Credit Local, signed in 2011, now allows for tax savings that come from Dexia Credit Local and its subsidiaries to be re-allocated to Dexia Credit Local.

6. NOTE ON OFF-BALANCE SHEET ITEMS

6.1 - REGULAR WAY TRADE

EUR millions	12/31/2009	12/31/2010	12/31/2011
Assets to be delivered	216	205	-
Liabilities to be received	151	146	-

Currency swaps with a deferred start that perfectly hedge loans or bond issues.

6.2 - GUARANTEES

EUR millions	12/31/2009	12/31/2010	12/31/2011
Guarantees received from credit institutions (1)	7,110	6,599	6,360
Guarantees received from customers (2)	5,812	5,508	7,358

(1) The guarantees received from credit institutions corresponded to the guarantees provided by Dexia Crediop on securities issued by Dexia Crediop per la Cartolarizzazione for EUR 3,546 million and the guarantee provided by Dexia Bank Belgium on DSFB 1 and DSFB 2 securities in the amount of EUR 2,792 million.
(2) Guarantees received from customers are generally granted by local governments.

6.3 - FINANCING COMMITMENTS

EUR millions	12/31/2009	12/31/2010	12/31/2011
Loan commitments granted to credit institutions	6	1	0
Loan commitments granted to customers (1)	1,630	899	660
Loan commitments received from credit institutions (2)	7,412	6,626	5,755
Loan commitments received from customers	-	-	-

(1) The financing commitments on loans and lines of credit corresponded to contracts issued but not paid out as of December 31.
(2) This item concerned a firm and irrevocable commitment by Dexia Credit Local to make avalaible to Dexia MA the funds required to reimburse the obligations foncières *that will mature in the next 12 months.*

6.4 - OTHER COMMITMENTS

EUR millions	12/31/2009	12/31/2010	12/31/2011
Commitments granted (1)	-	-	3,037
Commitments received (2)	421	786	1,017

(1) Financing commitments on loans and advances correspond to contracts signed for loans not yet paid out to customers as of December 31.
(2) Of which EUR 725 million forward commitments received in 2011 from Dexia Credit Local regarding the purchase of Greek and Icelandic securities.

7. NOTES ON RISK EXPOSURE

7.1 - FAIR VALUE

a. Composition of the fair value of the assets

EUR millions	12/31/2010			12/31/2011		
	Book value	Fair value	Unrecognized fair value adjustment	Book value	Fair value	Unrecognized fair value adjustment
Central banks	2	2	-	2,198	2,198	-
Loans and advances due from banks	7,171	7,110	(61)	7,781	7,781	-
Loans and advances to customers*	78,025	77,425	(600)	77,836	77,193	(643)
TOTAL	**85,198**	**84,537**	**(661)**	**87,815**	**87,172**	**(643)**

** The amount of fair value in the item "Loans and advances to customers" was modified with regard to the figures published in 2010. The adjustment represents an increase in fair value of EUR 4.1 billion. This modification results from the correction of the way in which the effective interest rate and macro-hedging operations had been accounted for in the calculation of the fair value, and from a change in certain parameters applied in 2010 in the internal models used to calculate the fair value of non-revalued assets. These internal models estimate in function of parameters of liquidity and creditworthiness the value of the assets concerned. These parameters take into account the characteristics of the underlying commitments (counterparty, maturity, interest rate hedging and central bank eligibility).*

b. Composition of the fair value of the liabilities, excluding equity

EUR millions	12/31/2010			12/31/2011		
	Book value	Fair value	Unrecognized fair value adjustment	Book value	Fair value	Unrecognized fair value adjustment
Central banks	-	-	-	2,700	2,700	-
Customer borrowings and deposits	-	-	-	-	-	-
Due to banks	12,541	12,554	13	9,517	9,517	-
Debt securities*	66,819	64,619	(2,200)	68,536	66,656	(1,880)
TOTAL	**79,360**	**77,173**	**(2,187)**	**80,753**	**78,873**	**(1,880)**

** The amount of fair value in the item "Debt securities" was modified with regard to the figures published in 2010. The fair value decreased by EUR 1.9 billion. This modification results from the correction of the way in which macro-hedging operations had been accounted for in the calculation of the fair value, and from a change in certain parameters applied in 2010 in the internal models used to calculate the fair value of non-revalued liabilities. Because of its status as a* société de crédit foncier, *the liabilities of Dexia MA are guaranteed by the assets recognized on the balance sheet; their valuation is thus to be appreciated according to the same criteria. Since 2011, the calculation of the fair value of non-revalued liabilities has been based on an approach that is consistent with that of the assets, to which they are closely linked. The spread chosen for the liabilities is that used to revalue assets eligible for the central bank because of their preponderant and sufficient role in covering any potential liquidity needs the Company may have.*

c. Methods used to determine the fair value of financial instruments

Fair value of financial assets EUR millions	12/31/2010				12/31/2011			
	Level 1 (1)	Level 2 (2)	Level 3 (3)	Total	Level 1 (1)	Level 2 (2)	Level 3 (3)	Total
Hedging derivatives (see note 4.1.a)	-	4,544	1,362	5,906	-	7,875	999	8,874
Financial assets available for sale	587	95	1,183	1,865	424	131	699	1,254
TOTAL	**587**	**4,639**	**2,545**	**7,771**	**424**	**8,006**	**1,698**	**10,128**

(1) Price quoted on an active market for the same type of instrument.
(2) Price quoted on an active market for a similar (but not exactly the same) instrument or use of a valuation technique of which all the significant parameters are observable.
(3) Use of a valuation technique in which all the significant parameters are not observable.

Fair value of financial liabilities EUR millions	12/31/2010				12/31/2011			
	Level 1 (1)	Level 2 (2)	Level 3 (3)	Total	Level 1 (1)	Level 2 (2)	Level 3 (3)	Total
Hedging derivatives (see note 4.1.a)	-	5,567	5,320	10,887	-	7,692	6,011	13,703
TOTAL	**-**	**5,567**	**5,320**	**10,887**	**-**	**7,692**	**6,011**	**13,703**

(1) Price quoted on an active market for the same type of financial instrument.
(2) Price quoted on an active market for a similar (but not exactly the same) financial instrument or use of a valuation technique of which all the significant parameters are observable.
(3) Use of a valuation technique of which all the significant parameters are not observable.

d. Level 3: Analysis of flows in 2011

EUR millions	12/31/2010	Total gains and losses through profit and loss	Total unrealized or deferred gains and losses	Purchase	Sale	Direct origination	Settlement	Transfer into level 3	Transfer out of level 3	Other changes	12/31/2011
Financial assets available for sale	1,183	18	(144)	300	-	-	(621)	-	(44)	7	699
Hedging derivatives	1,362	13	345	-	-	-	37	30	(788)	0	999
TOTAL FINANCIAL ASSETS	**2,545**	**31**	**201**	**300**	**-**	**-**	**(584)**	**30**	**(832)**	**7**	**1,698**
Hedging derivatives	5,320	(279)	(148)	-	-	-	27	1,760	(671)	2	6,011
TOTAL FINANCIAL LIABILITIES	**5,320**	**(279)**	**(148)**	**-**	**-**	**-**	**27**	**1,760**	**(671)**	**2**	**6,011**

7.2 - EXPOSURE TO CREDIT RISK

Exposure to credit risks, as presented to management, includes the following:
- for assets other than derivatives: the amount on the balance sheet (i.e. after deduction of specific provisions);
- for derivatives: the market value on the balance sheet plus an add-on representing a margin for future potential credit risks;
- for off-balance sheet commitments: the amount intact of financing commitment drawdowns, is stated in the notes to the financial statements.

Exposure to credit risk is broken down by region and by counterparty, taking into account the guarantees received. This signifies that when the credit risk is guaranteed by a third party whose risk weighting (in the sense of Basel regulations) is less than that of the direct borrower, exposure is included in the guarantor's region and business sector.

a. Breakdown of exposure to credit risks

Analysis of exposure by geographic region

EUR millions	12/31/2011
France	54,905
Belgium	7,400
Italy	7,556
Spain	3,552
United Kingdom	2,510
Luxembourg	1,365
Germany	1,163
Other European Union countries	892
Switzerland	4,203
United States and Canada	597
Japan	25
Other	16
TOTAL EXPOSURE	**84,184**

Analysis of exposure by category of counterparty

EUR millions	12/31/2011
States	4,054
Local public sector	72,996
ABS	79
Financial institutions	7,055
TOTAL EXPOSURE	**84,184**

Exposure on financial institutions is primarily comprised of counterparties in hedging derivatives and covered bonds classified as replacement assets.
Exposure on ABS corresponds to the three ABS that are 100% guaranteed by a public sector entity or have a pool of 100% public sector assets: Blue Danube Loan Funding GmbH, Colombo SrL, Societa veicolo Astrea SrL.

Analysis of exposure by category of instrument

EUR millions	12/31/2011
Debt securities	1,170
Loans and advances	81,851
Financing commitments on loans	660
Hedging derivatives	503
TOTAL EXPOSURE	**84,184**

b. Evaluation of asset credit quality

The Dexia Group decided to use the advanced method recommended by the regulators in relation to the Basel II reforms on the capital adequacy ratio and capital requirements. This system is of paramount importance for Dexia and is under the exclusive responsibility of the Risk Management division, which has rating models covering the main client segments. Banking supervisors (the ACP in France and CBFA in Belgium) have had internal models to calculate and report equity requirements for credit risk since January 1, 2008.

This enables Dexia Municipal Agency to present below an analysis of its exposure, broken down by risk weighting, as used to calculate equity requirements. Credit weighting is mainly calculated on the basis of the probability of default of the counterparty and of the loss incurred in the event of default.
This analysis confirms the excellent quality of the assets in Dexia MA's portfolio. More than 78% of the portfolio has a weighting of less than 5% and more than 98% of the portfolio has a weighting that is less than or equal to 20%.

EUR millions	Risk weighting (Basel II)				
	from 0 to 5%	from 5% to 20%	from 20% to 50%	more than 50%	Total
Debt securities	694	476	0	-	1,170
Loans and advances	64,785	16,526	400	141	81,852
Financing commitments on loans	492	44	-	124	660
Hedging derivatives	43	100	333	26	502
TOTAL EXPOSURE	**66,014**	**17,146**	**733**	**291**	**84,184**
SHARE	**78.4%**	**20.4%**	**0.9%**	**0.3%**	**100%**

Certain types of exposure do not yet benefit from an internal evaluation system validated by banking supervisors; in this case, the weighting is that of the standard method, which is, for example, 20% for local governments.

7.3 - LIQUIDITY RISK: ANALYSIS BY TERM TO MATURITY

a. Analysis of assets

EUR millions	12/31/2011						
	Sight	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No fixed maturity	Total broken down
Central banks	2,198	-	-	-	-	-	2,198
Hedging derivatives	-	-	-	-	-	-	-
Financial assets available for sale	-	-	160	406	896	-	1,462
Loans and advances due from banks	22	1,963	921	4,430	278	-	7,614
Loans and advances to customers	8	1,618	3,579	18,462	46,803	-	70,470
Fair value revaluation of portfolio hedge	-	-	-	-	-	-	-
Financial assets held to maturity	-	-	-	-	-	-	-
Tax assets	-	-	-	-	-	246	246
Accruals and other assets	-	17	-	-	-	-	17
TOTAL	**2,228**	**3,598**	**4,660**	**23,298**	**47,977**	**246**	**82,007**

EUR millions	12/31/2011				
	Total broken down	Accrued interest	Fair value adjustment	Impairment	Total
Central banks	2,198	-	-	-	2,198
Hedging derivatives	-	1,114	7,760	-	8,874
Financial assets available for sale	1,462	13	(214)	(7)	1,254
Loans and advances due from banks	7,614	40	127	-	7,781
Loans and advances to customers	70,470	936	6,451	(21)	77,836
Fair value revaluation of portfolio hedge	-	-	2,203	-	2,203
Financial assets held to maturity	-	-	-	-	-
Tax assets	246	-	-	-	246
Accruals and other assets	17	-	-	-	17
TOTAL	**82,007**	**2,103**	**16,327**	**(28)**	**100,409**

b. Analysis of liabilities, excluding equity

EUR millions	12/31/2011						
	Sight	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No fixed maturity	Total broken down
Central banks	-	2,700	-	-	-	-	2,700
Hedging derivatives	-	-	-	-	-	-	-
Due to banks	5,999	-	620	1,000	1,880	-	9,499
Customer borrowings and deposits	-	-	-	-	-	-	-
Debt securities	-	1,477	4,321	24,734	33,515	-	64,047
Fair value revaluation of portfolio hedge	-	-	-	-	-	-	-
Tax liabilities	-	-	-	-	-	36	36
Accruals and other liabilities	-	2,533	-	-	-	-	2,533
Provisions	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-
TOTAL	**5,999**	**6,710**	**4,941**	**25,734**	**35,395**	**36**	**78,815**

EUR millions	12/31/2011			
	Total broken down	Accrued interest	Fair value adjustment	Total
Central banks	2,700	0	-	2,700
Hedging derivatives	-	856	12,847	13,703
Due to banks	9,499	18	-	9,517
Customer borrowings and deposits	-	-	-	-
Debt securities	64,047	1,338	3,151	68,536
Fair value revaluation of portfolio hedge	-	-	2,340	2,340
Tax liabilities	36	-	-	36
Accruals and other liabilities	2,533	-	-	2,533
Provisions	-	-	-	-
Subordinated debt	-	-	-	-
TOTAL	**78,815**	**2,212**	**18,338**	**99,365**

c. Net liquidity gap

EUR millions	12/31/2011							
	Sight	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No fixed maturity	Total not broken down	Total
AMOUNT	**(3,779)**	**(3,104)**	**(281)**	**(2,436)**	**12,582**	**210**	**(2,148)**	**1,044**

This table presents the balance sheet at the closing date; it does not take into account the management decisions that will make it possible to manage differences in maturity or the future production of assets and liabilities. Dexia MA's liquidity is provided by its refinancing agreement with Dexia Credit Local. In addition, the Company may obtain funding from the Banque de France, by giving certain of these assets in guarantee (this process was tested in 2008, and the great majority of Dexia MA's assets are eligible for refinancing by the central bank). Dexia MA can thus obtain funding from the Banque de France enabling it to reimburse *obligations foncières* when they arrive at maturity; the assets given in guarantee are therefore excluded (as well as the matured bonds) from the calculation of the solvency ratio, which remains practically unchanged. The sight debt of EUR 5,999 million corresponds to the current account with Dexia Credit Local; this debt does not benefit from the privilege of the law on *sociétés de crédit foncier*.

7.4 - RISK ON RESETTING OF INTEREST RATES: ANALYSIS BY TIME UNTIL NEXT INTEREST RATE RESET DATE

a. Analysis of assets

EUR millions	12/31/2011						
	Sight	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No fixed maturity	Total
Central banks	2,198	-	-	-	-	-	2,198
Hedging derivatives	-	-	-	-	-	-	-
Financial assets available for sale	-	500	200	66	697	-	1,463
Loans and advances due from banks	22	6,351	230	878	132	-	7,613
Loans and advances to customers	8	16,355	10,328	11,641	32,138	-	70,470
Fair value revaluation of portfolio hedge	-	-	-	-	-	-	-
Financial assets held to maturity	-	-	-	-	-	-	-
Tax assets	-	-	-	-	-	246	246
Accruals and other assets	-	17	-	-	-	-	17
TOTAL	2,228	23,223	10,758	12,585	32,967	246	82,007

EUR millions	12/31/2011				
	Total broken down	Accrued interest	Fair value adjustment	Depreciation	Total
Central banks	2,198	-	-	-	2,198
Hedging derivatives	-	1,115	7,759	-	8,874
Financial assets available for sale	1,463	13	(215)	(7)	1,254
Loans and advances due from banks	7,613	40	128	-	7,781
Loans and advances to customers	70,470	937	6,450	(21)	77,836
Fair value revaluation of portfolio hedge	-	-	2,203	0	2,203
Financial assets held to maturity	-	-	-	-	-
Tax assets	246	-	-	-	246
Accruals and other assets	17	-	-	-	17
TOTAL	82,007	2,105	16,325	(28)	100,409

b. Analysis of liabilities, excluding equity

EUR millions	12/31/2011						
	Sight	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No fixed maturity	Total
Central banks	-	2,700	-	-	-	-	2,700
Hedging derivatives	-	-	-	-	-	-	-
Due to banks	5,999	3,500	-	-	-	-	9,499
Customer borrowings and deposits	-	-	-	-	-	-	-
Debt securities	-	5,000	6,642	21,679	30,726	-	64,047
Fair value revaluation of portfolio hedge	-	-	-	-	-	-	-
Tax liabilities	-	-	-	-	-	36	36
Accruals and other liabilities	-	2,533	-	-	-	-	2,533
Provisions	-	-	-	-	-	-	
Subordinated debt		-	-	-	-	-	-
TOTAL	5,999	13,733	6,642	21,679	30,726	36	78,815

EUR millions	12/31/2011			
	Total broken down	Accrued interest	Fair value adjustment	Total
Central banks	2,700	-	-	2,700
Hedging derivatives	-	857	12,846	13,703
Due to banks	9,499	18	-	9,517
Customer borrowings and deposits	-	-	-	-
Debt securities	64,047	1,338	3,151	68,536
Fair value revaluation of portfolio hedge	-	-	2,340	2,340
Tax liabilities	36	-	-	36
Accruals and other liabilities	2,533	-	-	2,533
Provisions	-	-	-	-
Subordinated debt		-	-	-
TOTAL	**78,815**	**2,213**	**18,337**	**99,365**

c. Balance-sheet sensitivity gap

EUR millions	12/31/2011							
	Sight	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No fixed maturity	Total not broken down	Total
AMOUNT	**(3,771)**	**9,490**	**4,117**	**(9,094)**	**2,241**	**210**	**(2,148)**	**1,044**

7.5 - CURRENCY RISK

Classification by original currency EUR millions	12/31/2009				
	EUR	Other EU currencies	U.S. dollars	Other currencies	Total
Total assets	71,713	4,284	6,292	3,559	85,848
Total liabilities	71,713	4,284	6,292	3,559	85,848
NET BALANCE SHEET POSITION	**0**	**0**	**0**	**0**	**0**

Classification by original currency EUR millions	12/31/2010				
	EUR	Other EU currencies	U.S. dollars	Other currencies	Total
Total assets	79,310	4,847	5,692	4,381	94,230
Total liabilities	79,310	4,847	5,692	4,381	94,230
NET BALANCE SHEET POSITION	**0**	**0**	**0**	**0**	**0**

The amounts in euros have been adjusted with regard to figures published in 2010.

Classification by original currency EUR millions	12/31/2011				
	EUR	Other EU currencies	U.S. dollars	Other currencies	Total
Total assets	85,809	4,208	5,854	4,538	100,409
Total liabilities	85,809	4,208	5,854	4,538	100,409
NET BALANCE SHEET POSITION	**0**	**0**	**0**	**0**	**0**

Dexia MA takes no foreign exchange risk. Assets and liabilities originally in non-euro currencies are swapped against Euribor as soon as they are recognized on the balance sheet.

7.6 - SENSITIVITY TO INTEREST RATE RISK

Dexia Municipal Agency is subject to particular management with the goal of neutralizing exposure to interest rate risk to the extent possible. The method used follows simple principles and consists in converting the assets and liabilities on the balance sheet to floating rates so that they will move in a parallel manner under the impact of changes in the yield curve, while maintaining the margin unchanged.

All the derivative financial instruments used by Dexia Municipal Agency are part of a hedging system, whether micro or macro. the Company may not conduct trading operations, nor old derivatives in an isobled open position.

Dexia Municipal Agency uses interest rate micro-hedges on a part of the assets and on the liabilities benefiting from the legal privilege, and interest rate macro-hedges on other assets and on off-balance sheet items to manage the overall interest rate risk. The micro-hedges cover the interest rate risk on the securities portfolio, on certain loans, on *obligations foncières* (and registered covered bonds). The macro-hedges are mainly used to manage the interest rate risk on fixed rate loans not hedged by micro-hedges (principally because the unit amount is too low) and to manage differences in Euribor fixing dates by Eonia hedges.

The residual interest rate risk from macro-hedges has been contained within a limit set since 2005, with the approval of the rating agencies, at 3% of equity. This limit is reviewed yearly and is currently set at EUR 40 million, of which EUR 9 million for the monetary gap and EUR 31 million for the fixed rate gap. Real sensitivity is maintained well under this limit.

The sensitivity thus measured corresponds to the change in the gap's net present value under the impact of a change in the yield curve of 100 basis points.

The results of this management in the last four quarters are presented in the following table.

Sensitivity of the gap EUR millions		**Average**	**Maximum**	**Minimum**	**Limit**
Fixed rate	1Q 2011	13.1	20.8	5.2	26.0
	2Q 2011	12.9	13.4	12.2	31.0
	3Q 2011	17.3	20.7	14.0	31.0
	4Q 2011	19.2	24.5	14.9	31.0
Monetary	1Q 2011	1.6	2.6	0.4	9.0
	2Q 2011	0.3	2.8	(3.0)	9.0
	3Q 2011	(0.4)	1.5	(6.0)	9.0
	4Q 2011	0.9	4.1	0.4	9.0
Total	1Q 2011	14.6	22.7	5.7	35.0
	2Q 2011	13.1	15.6	12.2	40.0
	3Q 2011	16.8	21.1	12.2	40.0
	4Q 2011	20.8	25.5	16.3	40.0

Statutory Auditors' report on the IFRS financial statements

Year ended December 31, 2011

This is a free translation into English of the Statutory Auditors' report on the financial statements issued in the French language and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and is construed in accordance with French law and professional auditing standards applicable in France

To the President,

In our capacity as Statutory Auditors of Dexia Municipal Agency (the "Company") and pursuant to your request, in the context of the wish of your Company to provide more extensive financial information to investors, we have audited the accompanying financial statements of Dexia Municipal Agency for the year ended December 31, 2011, prepared in accordance with IFRS standards, as adopted by the European Union.

The financial statements have been approved by the Executive Board in a context of uncertainty, arising as a result of the sovereign debt crisis of some eurozone countries (most notably in Greece). This crisis is accompanied by an economic and also a liquidity crisis resulting in a lack of visibility concerning economic prospects. Our responsibility is to express an opinion on these financial statements, based on our audit.

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the financial statements give a true and fair view in all material respects of the assets and liabilities and of the financial position of Dexia Municipal Agency as of December 31, 2011, and of the results of its operations for the year then ended in accordance with IFRS as adopted by the European Union.

Without qualifying our opinion, we draw your attention to the matter set out in note 1.2 "Highlights" to the annual financial statements regarding the particular financial situation of the Dexia Group.

This report does not constitute a report on the statutory audit of the financial statements prepared in accordance with French general accounting rules and principles pursuant to article L.823-9 of the Code of Commerce (Code de commerce). In addition to the information relating to the specific verification required by law, covering, in particular, the management report, this auditors' report includes, in accordance with article L.823-9 of the Code of Commerce (Code de commerce), a justification of our assessments.

This report is made for your exclusive attention in the context described above and should not be used or transmitted for other uses.

We disclaim any liability in the use of this report by any third party receiving it.

This report is governed by French law. French courts shall have exclusive jurisdiction for hearing any litigation, claim or dispute arising from our engagement letter, this report or any question relating thereto. Each party hereby irrevocably waives its right to contest any legal action that may be brought before French courts or allege that any legal action has been brought before a French court not having proper jurisdiction or that French courts do not have jurisdiction.

Neuilly-sur-Seine and Courbevoie, March 30, 2012

The Statutory Auditors
French original signed by

MAZARS
Virginie Chauvin Hervé Hélias

DELOITTE & ASSOCIÉS
José-Luis Garcia Charlotte Vandeputte

French GAAP Financial Statements

Assets as of December 31, 2011

EUR millions	Notes	12/31/2009	12/31/2010	12/31/2011
Central banks	2.1	4	2	2,198
Government and public securities, eligible for central bank financing	2.2	4,593	4,222	3,525
Loans and advances due from banks	2.3	2,229	2,236	3,326
Loans and advances to customers	2.4	54,386	54,731	53,559
Bonds and other fixed income securities	2.5	17,425	19,264	18,511
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	2.6	4	7	47
Accruals and other assets	2.7	2,831	4,179	5,498
TOTAL ASSETS	**2.8**	**81,472**	**84,641**	**86,664**

Liabilities as of December 31, 2011

EUR millions	Notes	12/31/2009	12/31/2010	12/31/2011
Central banks	3.1	-	-	2,700
Due to banks	3.2	10,352	12,544	9,525
Customer borrowings and deposits		-	-	-
Debt securities	3.3	65,298	65,669	65,718
Other liabilities	3.4	1,433	1,323	2,500
Accruals and other liabilities	3.5	3,073	3,643	4,706
Provisions for risks and charges	3.6	16	19	44
Deferred tax liabilities	3.6	-	18	40
Regulated provisions	3.6	60	68	69
General banking risks reserve		-	-	-
Subordinated debt		-	-	-
Equity		**1,240**	**1,357**	**1,362**
Share capital	3.7	1,060	1,190	1,300
Additional paid-in capital	3.7	-	-	-
Reserves and retained earnings	3.7	82	47	57
Net income	3.7	98	120	5
TOTAL LIABILITIES	**3.8**	**81,472**	**84,641**	**86,664**

Off-balance sheet items as of December 31, 2011

EUR millions	Notes	12/31/2009	12/31/2010	12/31/2011
COMMITMENTS GRANTED	**4.1**	**1,636**	**900**	**3,697**
Financing commitments		1,636	900	660
Guarantees granted		-	-	3,037
Other commitments granted		-	-	-
COMMITMENTS RECEIVED	**4.2**	**20,771**	**19,170**	**20,728**
Financing commitments		7,412	6,626	5,755
Guarantees received		13,359	12,544	14,248
Other commitments received		-	-	725
Foreign currency transactions	4.3	40,556	38,295	34,716
Interest rate derivatives	4.4	212,111	235,461	204,257
Commitments related to securities transactions	4.5	-	-	-

Income statement

EUR millions	Notes	2009	2010	2011
Interest income	5.0	3,728	3,705	5,265
Interest expense	5.0	(3,432)	(3,414)	(5,077)
Income from variable income securities		-	-	-
Commission income	5.1	-	-	-
Commission expense	5.1	(6)	(5)	(5)
Net gains (losses) on held for trading portfolio	5.2	-	-	-
Net gains (losses) on *placement* portfolio transactions	5.2	(38)	4	(57)
Other banking income	5.6	-	-	-
Other banking expense		-	-	-
NET BANKING INCOME		**252**	**290**	**126**
General operating expense	5.3	(92)	(96)	(93)
Depreciation and amortization		-	-	-
OPERATING INCOME BEFORE COST OF RISK		**160**	**194**	**33**
Cost of risk		-	-	(8)
INCOME FROM OPERATIONS		**160**	**194**	**25**
Income (loss) on fixed assets		-	-	0
INCOME BEFORE NON-RECURRING ITEMS AND TAXES		**160**	**194**	**25**
Non-recurring items		-	-	-
Income tax	5.4	(54)	(66)	(19)
Net allocation to general banking risks reserve and regulated provisions		(8)	(8)	(1)
NET INCOME		**98**	**120**	**5**
Basic earnings per share		9.25	10.09	0.42
Diluted earnings per share		9.25	10.09	0.42

Equity

EUR millions	Amount
AS OF 12/31/2010	
Share capital	1,190
Additional paid-in capital (APIC)	-
Commitments to increase share capital and APIC	-
Reserves and retained earnings	47
Net income for the year	120
Interim dividends	-
EQUITY AS OF 12/31/2010	**1,357**
MOVEMENTS FOR THE PERIOD	
Changes in share capital	110
Changes in APIC	-
Changes in commitments to increase share capital and APIC	-
Changes in reserves and retained earnings	-
Dividends paid (-)	(110)
Net income for the period	5
Other movements	-
AS OF 12/31/2011	
Share capital	1,300
Additional paid-in capital (APIC)	-
Commitments to increase share capital and APIC	-
Reserves and retained earnings	57
Net income for the period	5
EQUITY AS OF 12/31/2011	**1,362**

Cash flow statement

EUR millions	2009	2010	2011
NET INCOME BEFORE TAXES	**160**	**194**	**26**
+/- Depreciation and write-downs	-	1	2
+/- Expense/income from operating activities	149	92	18
+/- Expense/income from financing activities	32	(84)	50
+/- Other non-cash items	(21)	(420)	(954)
= Non-monetary items included in net income before tax and other adjustments	**160**	**(411)**	**(884)**
+/- Cash from interbank operations (Dexia Credit Local and Banque de France)	(7,126)	-	2,700
+/- Cash from interbank operations (customer loans)	1,995	28	(1,096)
+/- Cash from customer operations (loans)	(1,003)	414	1,202
+/- Cash from customer financing assets	(2,217)	(1,344)	1,541
+/- Cash from hedging financial instruments	1,143	159	2,306
- Income tax paid	(45)	(44)	(50)
= Decrease/(increase) in cash from operating activities	**(7,252)**	**(787)**	**6,603**
CASH FLOW FROM OPERATING ACTIVITIES (A)	**(6,933)**	**(1,004)**	**5,745**
CASH FLOW FROM INVESTING ACTIVITIES (B)	**-**	**-**	**-**
+/- Cash from or for shareholders	-	(4)	-
+/- Other cash from financing activities	1,278	(1,205)	(502)
CASH FLOW FROM FINANCING ACTIVITIES (C)	**1,278**	**(1,209)**	**(502)**
EFFECT OF EXCHANGE RATE CHANGES ON CASH (D)	**-**	**-**	**-**
Increase/(decrease) in cash equivalents (A + B+ C + D)	**(5,655)**	**(2,213)**	**5,243**
Cash flow from operating activities (A)	(6,933)	(1,004)	5,745
Cash flow from investing activities (B)	-	-	-
Cash flow from financing activities (C)	1,278	(1,209)	(502)
Effect of exchange rates on cash (D)	-	-	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**(1,162)**	**(6,817)**	**(9,030)**
Central banks (assets & liabilities)	(334)	4	2
Interbank accounts (assets & liabilities) and loans/deposits at sight	(828)	(6,821)	(9,032)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**(6,817)**	**(9,030)**	**(3,787)**
Central banks (assets & liabilities)	4	2	2,198
Interbank accounts (assets & liabilities) and loans/deposits at sight	(6,821)	(9,032)	(5,985)
NET CASH	**(5,655)**	**(2,213)**	**5,243**

Notes to the French GAAP financial statements

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 – YEAR'S HIGHLIGHTS

a. Financial situation of the Dexia Group

Dexia is a European banking group whose parent company, Dexia SA, is a limited company under Belgian law with its shares listed on Euronext Brussels and Paris as well as the Luxembourg Stock Exchange. Since December 2008, the Group has started to implement a restructuring plan validated by the European Commission and has reduced its risk profile and refocused its commercial franchises on its historical business lines and markets, i.e. commercial and retail banking in Belgium and Turkey, and public finance in France.
As a consequence of the aggravation of the sovereign crisis in the euro zone and more generally the worsening of the macroeconomic environment, Dexia was confronted by renewed pressure on its liquidity during the summer of 2011.

Against that background, the Group initiated in-depth changes to its structure as of October 2011, including:
- the implementation of a funding guarantee program involving the Belgian, French and Luxembourg States;
- the sale of Dexia Bank Belgium to the Belgian State, finalised on October 20, 2011;
- an agreement with Caisse des Dépôts, La Banque Postale and the French State with regard to local public finance in France;
- the sale of certain of the Group's operational subsidiaries, particularly Dexia Banque Internationale à Luxembourg, DenizBank, Dexia Asset Management and RBC Dexia Investor Services.

These measures, comprising a definitive liquidity guarantee, will be part of a new restructuring plan that the States have committed to submit to the European Commission by the end of March 2012.
After completion of those divestments, the activities of the new Dexia Group will focus on public sector services through its international subsidiaries and on the management of a portfolio of assets in a run-off mode.
Results in 2011 were significantly impacted by the current situation. There was a net loss, Group share, of EUR 11.6 billion. As of December 31, 2011, the Tier 1 ratio stood at 7.6%.

In 2011, the liquidity situation of Dexia Credit Local, Dexia MA's parent company, was marked by constant pressure, which eroded its refinancing structure.
As of mid-2011, the aggravation of the sovereign crisis in the euro zone and the growing defiance vis-à-vis financial institutions were accompanied, for Dexia Credit Local, by the downgrade of its agency ratings. Confidence in its creditworthiness was undermined and its access to the unsecured financing market was blocked. To meet this situation, Dexia Credit Local made use of the emergency measures offered by central banks.
Dexia Credit Local benefits from a guarantee, which was decided in an agreement on October 10, 2011, by the French, Belgian and Luxembourg States in order to facilitate the Dexia Group's access to the financial markets. An autonomous guarantee agreement was formally signed on December 16, 2011, and was temporarily approved by the European Commission on December 21, 2011.

The uncertain liquidity situation of its parent company had no impact on Dexia MA's capacity to reimburse its *obligations foncières* at maturity or to maintain its level of over-collateralization.
In fact, Dexia MA had completed its full issue program for 2011 in the first half, and had a cash surplus as of December 31, 2011. Cumulated forecast cash flows for the next two years are positive and it is therefore not necessary for Dexia MA to call on Dexia Credit Local for new financing.

b. Preliminary agreement on the future financing of the French local public sector

On October 20, 2011, the Board of Dexia Credit Local approved the terms of a negotiation protocol with Caisse des Dépôts and La Banque Postale on the financing of French local governments. This protocol led to a preliminary agreement validated by the Board of Dexia Credit Local on February 13, 2012.
The preliminary agreement contains the following features:
- the creation of a new credit institution of which 68.3% will be held by a public sector holding company and 31.7% by Dexia Credit Local. This new entity will be the parent company of Dexia Municipal Agency, which it will fully own and manage;
- the public sector holding company will belong to the French State (46.35%), Caisse des Dépôts (46.35%) and La Banque Postale (7.3%);
- the creation of a joint venture, of which 65% and 35% would be held respectively by La Banque Postale and Caisse des Dépôts, whose role would be to develop and distribute loans to French local governments refinanced through Dexia Municipal Agency. This joint venture would rely on a service level agreement to benefit from the combined expertise of Dexia Credit Local, Caisse des Dépôts and La Banque Postale.

The implementation of this agreement remains subject to the approval of the European Commission and of the competent regulatory authorities. The opinion of the representatives of the employees concerned will also be solicited. The Supervisory Board of Dexia Municipal Agency took note of the terms of this negotiation at its meetings on October 20, 2011, and February 15, 2012, and approved the principle of the planned sale of its shares to the new structure.

c. Rating of Dexia Municipal Agency

The issuance program of Dexia MA is rated by the three main rating agencies – Standard & Poor's, Fitch and Moody's. Such rating implies the following:
- a quarterly review of assets;
- an agreement on the principles and policies of interest rate risk management;
- the satisfaction of scenarios of stress and extinguishment of the balance sheet;
- an assessment of the relation between Dexia MA and its parent company, Dexia Credit Local.

As of December 31, 2011, Fitch gave Dexia MA a AAA rating. In December 2011, S&P announced that is was putting its AAA rating under CreditWatch negative, reflecting the uncertainty about the rating of France. At the end of January 2012, S&P confirmed that Dexia MA's rating was being kept under CreditWatch for further review, following the downgrade of the short-term rating of Dexia Credit Local to A2. In December 2011, Moody's announced the downgrade of Dexia MA's rating to Aa1 / on review for downgrade because of the downgrade of the rating of its parent company to Baa1 / on review for downgrade.

d. Greek and Icelandic exposures

As of June 30, 2011, Dexia MA recorded a depreciation of EUR 7 million on its direct exposures to Greece in order to respect Dexia's commitments in the assistance program of the IIF (Institute of International Finance).

Since this day, to avoid larger losses for its subsidiary, Dexia Credit Local committed to purchase all of Dexia MA's Greek and Icelandic exposures, with no additional loss compared with the first-half accounts. This commitment was materialized in 2011, through a transfer agreement executed in January 2012, whereby Dexia MA sold the portfolio to Dexia Credit Local.

In Dexia MA's annual IFRS financial statements, impairment was recognized on this portfolio, offset by a gain on the transfer agreement, which was considered as a derivative under IFRS. The impairment of EUR 725 million was offset for a corresponding amount in net banking income through the increase in value of the derivative (forward sale). Given this impairment recorded in income, the negative AFS reserve relating to these securities was reduced to zero.

In the French GAAP financial statements of Dexia MA, the securities were maintained at their cost price, minus a provision of EUR 7 million as recorded in June 2011, in line with the conditions stipulated in the transfer agreement.

1.2 - APPLICABLE ACCOUNTING POLICIES: RULES ADOPTED BY THE FRENCH ACCOUNTING STANDARDS BOARD (AUTORITÉ DES NORMES COMPTABLES - ANC)

Dexia Municipal Agency prepares its annual and semiannual financial statements in compliance with CRB standard 91-01 and 00-03 modified.
The financial statements as of December 31, 2011, were drawn up using the same accounting principles as those used in the financial statements as of December 31, 2010.
The financial statements have been prepared in accordance with French generally accepted accounting principles, respecting the principle of prudence, on the basis of the following assumptions:
- going concern principle,
- segregation of accounting periods,
- consistency of methods.

The accounts are in accordance with the indications of directive 86/635/EEC of the Council of European Communities and standard 91-02 of the Financial and Banking Regulation Committee (CRBF).

1.3 - ACCOUNTING PRINCIPLES

a. Customer loans

Customer loans are stated in the balance sheet net of depreciation for possible 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 accrued amounts due, as is interest on unpaid installments. Interest on doubtful loans recorded in net banking result is neutralized with a depreciation of an equivalent amount.
Dexia Municipal Agency applies CRC standard 2002-03, modified by CRC standard 2005-03. This standard 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 standard introduces a new category of bad debt – compromised non-performing loans. Loans unpaid for more than one year are recorded in this category. Interest on these loans no longer contributes to the interest margin once they have been transferred to the category of compromised non-performing loans. This standard also requires the identification of outstanding loans that have been restructured under non-market conditions.
Article 13 of this standard recommends recognizing in discounted value the provisions covering the losses expected on the non-performing and compromised non-performing loans.

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 3% of the capital.
Commissions received and transaction costs related to the granting or the acquisition of a loan, if they are significant, are spread over the life of the loan. Other commission income is recorded in the income statement on a cash basis.
Early loan reimbursement 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.
Since January 1, 2005, early loan reimbursement penalties have been recorded in the income statement at the date they occur.

b. 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.

The item "Government and public entity securities, eligible for central bank refinancing" includes debt 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:
- debt securities issued by public sector entities that are not eligible for refinancing by central banks;
- debt securities guaranteed by public sector entities;
- debt securities issued by securitization structures;
- debt securities issued by subsidiaries of the Dexia Credit Local Group and by other Dexia Group entities for Dexia Municipal Agency, in order to facilitate asset transfers and refinancing.

They are recognized for accounting purposes as:
- investment securities (held to maturity);
- securities available for sale.

Investment securities (held to maturity)

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 market clean price (discount or premium) is amortized according to a quasi-actuarial method 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 owing to new circumstances.

It should be noted that the accounting classification as securities as available for sale previously implied the necessity to recognize any security so classified as a "replacement asset". The new formulation of articles L.515-15 and following of the Monetary and Financial Code (May 2007) enables the company to choose the accounting classification (investment or available for sale) it prefers for eligible debt securities.
The sole debt securities to be considered as "replacement assets" are now debt securities the debtors of which are credit institutions or investment firms benefiting from the highest level of credit quality determined by a rating agency recognized by prudential authorities (corresponding to a minimum rating of AA-/Aa3 /AA- by Fitch, Moody's and Standard and Poor's). The percentage of these replacement assets may not exceed 15% of the nominal amount of the obligations foncières and other resources benefiting from the privilege mentioned in §2 of part I of article L.515-13 of the Monetary and Financial Code.

Placement securities

Placement securities are recorded on the date of purchase at acquisition clean cost 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 clean cost (discount or premium) is amortized according to a quasi-actuarial method over the residual life of the security.
At closing, in application of the principle of prudence, *placement* securities are recorded on the balance sheet at their acquisition cost or selling price at closing, whichever is lower, after accounting, when relevant, for the value of the micro-hedge swap.

If the market for a financial instrument is not active, valuation techniques are used to calculate the selling price (or market value as defined in the notes to the financial statements). The valuation model should take into account all the factors that market players would consider to valuate the asset. Within this framework, Dexia Municipal Agency relies on its own valuation models, making every effort to take into account the market conditions at the date of the valuation as well as any changes in the credit risk quality of these financial instruments and market liquidity.

When the decrease in the value of the security exceeds the unrealized gain on the micro-hedge, the decrease in net value is recorded as asset impairment.

Placement securities transferred to investment securities are recorded at their acquisition cost and previously recognized impairment is reversed over the residual life of the securities concerned (in conformity with article 8 of CRC standard 2005-01).

c. Debt securities

This chapter includes *obligations foncières* and other resources benefiting from the privilege defined in article L.515-19 of the Monetary and Financial Code. It is subdivided into two categories.

Debt securities, for *obligations foncières*

These debt securities are recorded at face value.
From the first year, redemption and issue 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 income statement as "Interest expense on bonds and other fixed income securities". In the event bonds are issued above par, amortization of issue premiums is deducted from interest expense on bonds and other fixed income securities.
Interest on bonds is recorded as a banking expense for accrued amounts paid and not yet due calculated *prorata temporis* on the basis of contractual rates.
Bond issuance costs and commissions are amortized in equal parts on a straight-line basis over the life of the related loans.
Bonds denominated in foreign currencies are accounted for by the same method as foreign currency transactions (see below).

Other debt securities, for registered covered bonds

These private placements are recorded at their face value. Issue premiums are treated the same way as *obligations foncières* (see above).

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

d. Provisions for risks and charges

Provisions are recognized based on their discounted value when the following three conditions are met:

- Dexia Municipal Agency has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- a reliable estimate of the amount of the obligation can be made.

e. Derivative transactions

Dexia Municipal Agency engages in derivative transactions to hedge 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 CRBF standards 90-15 and 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 overall risk on the assets, liabilities and off-balance sheet items.

The law stipulates that derivative transactions do not benefit from the privilege when related to sources of financing that do not themselves benefit from the privilege. For Dexia Municipal Agency, the only resources that do not benefit from the privilege are comprised of the debt with Dexia Credit Local, which is not hedged.
The notional amount of these hedging transactions is recorded as an off-balance sheet item over the life of the contract, i.e. from the date the contract is signed (including forward contracts) up to maturity. The amount recorded is adjusted to reflect any changes in notional amounts so as to represent the maximum current or future commitment.

Equalization payments at the inception of hedging derivatives are spread over their maturity for the time remaining according to a quasi-actuarial method.

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 issues of debt securities and certain customer assets.
Expense and income on these transactions are recorded in the income statement in the same way income and expense on the hedged item or set of homogeneous items are recorded.
In the event of early repayment, the sale of the hedged item, or early repayment within the framework of the renegotiation of the hedged item, the cancellation equalization payment received or paid because of the early interruption of the hedging instrument is recorded in the following manner, if the hedging instrument has been cancelled:

- prior to January 1, 2005, the equalization payment is extended over the length of time remaining of the cancelled transaction;
- since January 1, 2005, the equalization payment is recorded in the income statement over 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 in the symmetric position.

In both cases, equalization payments remaining to be extended are recorded as accruals in the 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-hedge transactions. They were authorized by a specific decision of the Executive Board of Dexia Municipal Agency on December 1, 1999, pursuant to article 14 of CRBF standard 99-10.
Expense and income on these transactions are recorded in the income statement *prorata temporis* respectively as "Interest expense on macro-hedge transactions" and "Interest income from macro-hedge transactions". A 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:

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

Micro-hedges and macro-hedges correspond to the use of derivative instruments that benefit from the privilege defined in article L.515-19 of the Monetary and Financial Code, pursuant to article L.515-18 of the Monetary and Financial Code.

Monitoring market risks

Market risks refer to the risk of loss linked to fluctuations in market prices and interest rates, their interactions and levels of volatility.
Market risks linked to trading portfolios are not compatible with the activity of Dexia Municipal Agency. The Company cannot have a derivative instrument in an isolated open position. All derivatives used by Dexia Municipal Agency are part of a hedging strategy, either micro- or macro-hedges.
The policy of Dexia Municipal Agency is to avoid any foreign exchange risk. Market risks related to foreign exchange transactions are eliminated from the start by currency swaps when an asset or liability that is not denominated in euros is recorded on the balance sheet.
General accounting verifies that at each closing there is no foreign exchange risk.
The market back office and market accounting units regularly monitor the symmetry of micro-hedge swaps.

f. Foreign currency transactions

Pursuant to CRBF standard 89-01, amended by standard 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 income statement.

g. 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 customer 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 income statement.

h. 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.

i. 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. Since January 1, 2002, the consolidating company has been Dexia SA's 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's permanent establishment in France.

j. Offices and activities in uncooperative states and territories

In application of article L.511-45 of the Monetary and Financial Code, it should be noted that Dexia Municipal Agency has no offices in States that have not signed with France an administrative assistance agreement (subsidiaries, branches, including *ad hoc* entities, and equity interest in other entities over which the Company has exclusive or joint – or *de facto* – control).

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

Dexia Credit Local
Tour Dexia La Défense 2
1, passerelle des Reflets
92913 La Défense Cedex
France

2. NOTES TO THE ASSETS (EUR millions)

2.1 - CENTRAL BANKS

	12/31/2009	12/31/2010	12/31/2011
Mandatory reserves	4	2	-
Other deposits	-	-	2,198
TOTAL	4	2	2,198

2.2 - GOVERNMENT AND PUBLIC ENTITY SECURITIES ELIGIBLE FOR CENTRAL BANK REFINANCING

a. Accured interest included in this item: 69

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
0	0	355	3,101	3,456

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

	Amount as of 12/31/2009	Amount as of 12/31/2010	Amount as of 12/31/2011	Unrealized capital loss as of 12/31/2011
Listed securities [1]	2,946	3,568	3,456	(4)
Other securities	1,566	580	-	-
TOTAL	4,512	4,148	3,456	(4)

(1) Listed securities are registered for trading on a stock exchange.

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

Portfolio	Gross amount as of 12/31/2009	Gross amount as of 12/31/2010	Increases	Decreases	Other changes	Impairment as of 12/31/2011	Net amount as of 12/31/2011
Trading	-	-	-	-	-	-	-
Placement	1,108	733	0	(2)	0	(4)	727
Investment	3,409	3,420	0	(693)	2	-	2,729
TOTAL	4,517	4,153	0	(695)	2	(4)	3,456

e. Impairment breakdown by country

See note 2.9

2.3 - LOANS AND ADVANCES DUE FROM BANKS

a. Sight loans and advances due from banks

	12/31/2009	12/31/2010	12/31/2011
Sight accounts	-	-	22
Unallocated sums	-	3	12
TOTAL	-	**3**	**34**

b. Term loans and advances due from banks

This item is essentially composed of loans benefiting from the assignment in guarantee of refinanced public debt to Dexia Credit Local. This item also includes loans to Swiss cantonal banks, which benefit from a legal guarantee of their cantons for an amount of EUR 974 million (excluding accrued interest).
The rest concerns loans guaranteed by local governments (loans to *crédits municipaux*) or by the assignment in guarantee of refinanced public debt.

a. Accrued interest included in this item: 28

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
87	121	2,741	315	3,264

c. Analysis by initial maturity excluding accrued interest

	Net amount as of 12/31/2009	Net amount as of 12/31/2010	Gross amount as of 12/31/2011	Decrease in value as of 12/31/2011	Net amount as of 12/31/2011
Loans of less than 1 year [(1)]	-	350	-	-	-
Loans of more than 1 year	2,201	1,857	3,264	-	3,264
TOTAL	**2,201**	**2,207**	**3,264**	**-**	**3,264**

(1) It is mainly a question of a repurchase transaction for a period of three months.

d. Breakdown by counterparty

	12/31/2009	12/31/2010	12/31/2011
Swiss cantonal banks benefiting from their cantons' legal guarantee	1,809	1,474	974
Banks guaranteed by a local government, *crédits municipaux*	206	203	148
Credit institutions in the Dexia Group: loans benefiting from the assignment in guarantee of refinanced public debt	186	180	2,142
Credit institutions in the Dexia Group: loans secured by public sector assets	-	350	-
TOTAL	**2,201**	**2,207**	**3,264**
- of which replacement assets	-	*350*	-

2.4 - CUSTOMER LOANS AND ADVANCES

a. Accrued interest included in this item: 812

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
1,246	3,014	14,720	33,767	52,747

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

ECONOMIC SECTOR	12/31/2009	12/31/2010	12/31/2011
Public sector	49,637	49,626	48,868
Other sectors (1)	3,957	4,287	3,879
TOTAL	53,594	53,913	52,747

(1) Social housing: OPHLM et S.A. d'HLM and other loans guaranteed by local governments.

d. Analysis by initial maturity excluding accrued interest

	Net amount as of 12/31/2009	Net amount as of 12/31/2010	Gross amount as of 12/31/2011	Impairment as of 12/31/2011	Net amount as of 12/31/2011
Loans of less than 1 year	-	-	8	-	8
Loans of more than 1 year	53,594	53,913	52,742	(3)	52,739
TOTAL	53,594	53,913	52,750	(3)	52,747

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

	Net amount as of 12/31/2009	Net amount as of 12/31/2010	Gross amount as of 12/31/2011	Impairment as of 12/31/2011	Net amount as of 12/31/2011
Performing commitments	53,589	53,904	52,722	-	52,722
Restructured commitments	-	-	-	-	-
Non-performing loans	4	8	18	(2)	16
Compromised non-performing loans	0	1	10	(1)	9
TOTAL	53,593	53,913	52,750	(3)	52,747

f. Depreciation for non-performing loans - changes during the year

	12/31/2009	12/31/2010	Allocations	Reversals	Transfers	12/31/2011
For non-performing loans						
On loans	-	0	(1)	0	-	(1)
On interest	-	(1)	(1)	1	-	(1)
For compromised non-performing loans						
On loans	-	0	(0)	0	-	(0)
On interest	(1)	(1)	(0)	(0)	-	(1)
TOTAL	(1)	(2)	(2)	1	-	(3)

- Provisions on interest are recorded in Net banking income.
- Provisions on outstanding are recorded in Cost of risk.

g. Impairment breakdown by country

See note 2.9

2.5 - BONDS AND OTHER FIXED INCOME SECURITIES

a. Accrued interest included in this item: 81

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
1,881	973	2,276	13,300	18,430

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

	12/31/2009	12/31/2010	12/31/2011
Public sector	1,591	1,416	2,230
Other sectors (guaranteed by a State or by a local government)	3,025	1,321	1,522
Other sectors (ABS) [1]	97	90	84
DCC – Dexia Crediop per la Cartolarizzazione	3,836	3,681	3,532
DSFB – Dexia Secured Funding Belgium	3,272	7,235	6,712
Cedulas territoriales issued by Dexia Sabadell	3,200	3,000	3,000
Lettres de gage publiques issued by Dexia LdG Banque	2,350	1,850	1,350
Dexia Credit Local - certificates of deposit	-	600	-
TOTAL	**17,370**	**19,193**	**18,430**
- of which eligible for central bank refinancing	*7,979*	*5,861*	*5,192*
- assets assigned in guarantee to the central bank and removed from the cover pool	-	-	*3,000*
- of which replacement assets	*5,550*	*5,450*	*1,350*

(1) Asset-backed securities (ABS):
- Colombo: EUR 5.63 million (rated A S&P)
- ASTREA: EUR 0.53 million (rated A+ Fitch, A2 Moody's)
The ABS Colombo and Astrea are entirely composed of Italian public sector commitments.
- Blue Danube Loan Funding: EUR 77.69 million (rated AA+ S&P – guaranteed by the Land of Lower Austria)

d. Replacement assets

	Rating	12/31/2009	12/31/2010	12/31/2011
Dexia Sabadell	Baa2 Moody's	3,200	3,000	-
Dexia LdG Banque	AAA S&P	2,350	1,850	1,350
Dexia Credit Local - certificates of deposit	A+ Fitch, Baa1 Moody's, BBB+ S&P	-	600	-
TOTAL		**5,550**	**5,450**	**1,350**

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

	12/31/2009	12/31/2010	12/31/2011	Unrealized capital loss as of 12/31/2011
Listed securities	7,710	6,490	6,415	(61)
Other securities	9,660	12,703	12,015	(7)
TOTAL	**17,370**	**19,193**	**18,430**	**(68)**

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

Portfolio	Net amount as of 12/31/2009	Net amount as of 12/31/2010	Gross amount as of 12/31/2010	Increases	Decreases or sales	Other changes	Impairment as of 12/31/2011	Net amount as of 12/31/2011
Trading	-	-	-	-	-	-	-	-
Placement	2,751	1,726	1,757	2,871	(2,891)	20	(61)	1,696
Investment	14,619	17,467	17,464	2,005	(2,748)	20	(7)	16,734
	17,370	19,193	19,221	4,876	(5,639)	40	(68)	18,430

g. Impairment breakdown by country

See note 2.9

2.6 - OTHER ASSETS

	12/31/2009	12/31/2010	12/31/2011
Other receivables	4	7	47
TOTAL	4	7	47

This item includes a EUR 29 million tax credit that the French tax administration owes Dexia MA Paris. It includes an EUR 18 million tax credit that the Irish tax administration owes the Dublin branch.

2.7 - ACCRUALS AND OTHER ASSETS

	12/31/2009	12/31/2010	12/31/2011
Deferred losses on hedging transactions	382	1,024	1,958
Deferred charges on bond issues	358	369	361
Deferred charges on hedging transactions	240	238	212
Premiums on acquisition of loans from Dexia Credit Local	140	155	123
Premiums on acquisition of loans other than from Dexia Credit Local	11	8	12
Other prepaid charges	-	-	-
Accrued interest not yet due on hedging transactions	1,690	1,719	1,684
Translation adjustments	-	653	1,115
Other deferred income	-	-	-
Other accruals	10	13	33
TOTAL	2,831	4,179	5,498

2.8 - TOTAL ASSETS

Analysis by original currency	Amount in original currency as of 12/31/2009	Amount in euros as of 12/31/2009	Amount in original currency as of 12/31/2010	Amount in euros as of 12/31/2010	Amount in original currency as of 12/31/2011	Amount in euros as of 12/31/2011
EUR	67,399	67,399	70,536	70,536	73,205	73,205
AUD	1,626	1,015	1,626	1,240	1,387	1,091
CAD	1,012	670	1,012	758	1,022	773
CHF	3,617	2,439	3,150	2,523	2,859	2,350
DKK	262	35	262	35	-	-
GBP	1,344	1,514	1,344	1,568	672	804
HKD	201	18	201	19	201	20
JPY	240,738	1,804	239,598	2,203	238,467	2,381
NOK	244	29	244	31	1,039	134
PLN	59	14	59	15	59	13
SEK	1,378	134	1,368	152	1,352	152
USD	9,179	6,375	7,411	5,531	7,450	5,741
ZAR	270	26	269	30	-	-
TOTAL		81,472		84,641		86,664

2.9 - IMPAIRMENT BREAKDOWN BY COUNTRY

	12/31/2009	12/31/2010	12/31/2011
Government and public entity securities eligible for central bank refinancing - *placement* securities	**(5)**	**(5)**	**(4)**
Spain	-	-	0
Italy	(5)	(5)	(4)
Bonds and other fixed income securities - *placement* securities	**(36)**	**(28)**	**(61)**
Spain	(2)	(2)	(3)
France	0	0	0
Germany	(4)	(2)	(7)
Italy	(2)	-	(33)
United Kingdom	(28)	(24)	(18)
United States	-	-	-
Bonds and other fixed income securities - investment securities	**-**	**-**	**(7)**
Greece	-	-	(7)
Loans and advances to customers	**(1)**	**(1)**	**(3)**
France	(1)	(1)	(3)

2.10 - BREAKDOWN OF GOVERNMENT BONDS ON A SELECTION OF EUROPEAN COUNTRIES AND DEPRECIATION OF SOVEREIGN BONDS COUNTRIES BENEFITING FROM THE EUROPEAN ASSISTANCE PROGRAM

a. Breakdown of government bonds on a selection of European countries

The reported credit risk exposure represents the accounting net carrying amount, being the notional amounts after deduction of specific impairment and taking into account accrued interest.

	12/31/2010					
	Spain	**Ireland**	**Italy**	**Portugal**	**Greece**	**Total**
Government bonds	-	-	494	-	330	824
Securities guaranteed by the State	-	-	112	-	100	212
TOTAL	**-**	**-**	**606**	**-**	**430**	**1,036**

	12/31/2011					
	Spain	**Ireland**	**Italy**	**Portugal**	**Greece**	**Total**
Government bonds	-	-	500	-	326	826
Securities guaranteed by the State	-	-	79	-	100	179
TOTAL	**-**	**-**	**579**	**-**	**426**	**1,005**

	12/31/10					
	Spain	**Ireland**	**Italy**	**Portugal**	**Greece**	**Total**
Investment securities	-	-	494	-	430	924
Placement securities	-	-	112	-	-	112
TOTAL	**-**	**-**	**606**	**-**	**430**	**1,036**
IMPAIRMENT	**-**	**-**	**-**	**-**	**-**	**-**

	12/31/2011					
	Spain	**Ireland**	**Italy**	**Portugal**	**Greece**	**Total**
Investment securities	-	-	500	-	426	926
Placement securities	-	-	79	-	-	79
TOTAL	**-**	**-**	**579**	**-**	**426**	**1,005**
IMPAIRMENT	**-**	**-**	**(33)**	**-**	**(7)**	**(40)**

b. Depreciation of Greek sovereign bonds

The reported credit risk exposure represents the accounting net carrying amount, being the notional amounts after deduction of specific impairment and taking into account accrued interest.

	Direct exposure	Indirect exposure	Impairment	Net amount of exposure
Total maturity in less than 10 years	40	100	(7)	133
Total maturity in more than 10 years	293	-	-	293
TOTAL	**333**	**100**	**(7)**	**426**

c. Fair value of Greek sovereign bonds

As of June 30, 2011, Dexia MA recorded a depreciation of EUR 7 million on its direct exposures to Greece in order to respect Dexia's commitments in the assistance program of the IIF (Institute of International Finance).

Since this day, to avoid larger losses for its subsidiary, Dexia Credit Local committed to purchase all of Dexia MA's exposures on Greece and Iceland, with no additional loss compared with the first-half accounts. This commitment was materialized in 2011, with a transfer agreement executed in January 2012, whereby Dexia MA sold the portfolio to Dexia Credit Local.

2.11 - RESTATEMENT OF FINANCIAL ASSETS

	From "Government securities - *placement* securities" to "investment securities"	From "Other bonds and fixed income securities - *placement* securities" to "investment securities"	Total
Book value of assets reclassified as of October 1, 2008	267	218	485
Book value of reclassified assets as of December 31, 2011	270	221	491
Fair value of reclassified assets as of December 31, 2011	45	98	143
Amortization of premium/discount affecting income	(2)	0	(2)

3. NOTES TO THE LIABILITIES (EUR millions)

3.1 - CENTRAL BANKS

This item includes refinancing obtained through Banque de France tenders. The use of such financing organized by tenders involved the pledging of eligible assets within the framework of a general guarantee management agreement (3G). This source of financing does not benefit from the privilege defined in article L.515-19 of the Monetary and Financial Code.

Dexia Municipal Agency has used Banque de France financing:
- from September 2008 to July 2009 in order to fund commercial production when the covered bond market was closed;
- since October 2011, to finance *cedulas territoriales* subsequent to the rating downgrade.

	12/31/2009	12/31/2010	12/31/2011
Overnight borrowing	-	-	-
Term borrowing	-	-	2,700
Accrued interest	-	-	0
TOTAL BANQUE DE FRANCE	**-**	**-**	**2,700**

3.2 - DUE TO BANKS

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 the issue of *obligations foncières*.
The account totaled EUR 9,499 million (excluding accrued interest). It is made up of:
- the current account, indexed on Eonia, with no defined maturity, financing assets not yet included in the issuance programme and miscellaneous needs with a balance of EUR 5,999 million;
- a long-term borrowing earmarked to finance the structural over-collateralization of 5%. This borrowing totaled EUR 3,500 million as of December 31, 2011; it is indexed on the annual money market rate (TAM).

The current account agreement between Dexia Credit Local and Dexia MA will exist as long as Dexia MA is authorized to operate as a *société de crédit foncier*.

	12/31/2009	12/31/2010	12/31/2011
Current account	6,820	9,029	5,999
Interest accrued not yet due	3	5	5
Long-term borrowing	3,500	3,500	3,500
Interest accrued not yet due	29	7	13
Unallocated sums	-	3	8
TOTAL	**10,352**	**12,544**	**9,525**

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	12/31/2011
Sight	5,999	-	-	-	5,999
Term	-	620	1,000	1,880	3,500
TOTAL	**5,999**	**620**	**1,000**	**1,880**	**9,499**

3.3 - DEBT SECURITIES

a. Debt securities *(obligations foncières)*

a. Accrued interest included in this item: 1,225

b. Analysis by residual maturity excluding accrued interest

Type of securities	Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total
Obligations foncières	1,476	4,322	24,739	29,591	60,128
of which issue premiums [1]	0	2	(62)	(67)	(127)

(1) The gross amount, before amortization, of issue premiums totaled EUR 198.1 million.

c. Changes during the year excluding accrued interest

12/31/2010	Increases	Decreases	Translation adjustments	12/31/2011
60,302	5,864	(6,545)	507	60,128

b. Other bonds (registered covered bonds)

a. Accrued interest included in this item: 113

b. Analysis by residual maturity excluding accrued interest

Type of securities	Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total
Registered covered bonds	-	-	10	4,242	4,252
of which issue premiums [1]	-	-	0	(6)	(6)

(1) The gross amount, before amortization, of issue premiums totaled EUR 6.8 million.

c. Analysis by residual maturity excluding accrued interest

12/31/2010	Increases	Decreases	Translation adjustments	12/31/2011
4,031	221	-	-	4,252

3.4 - OTHER LIABILITIES

	12/31/2009	12/31/2010	12/31/2011
Cash collateral received	1,427	1,314	2,498
Accrued interest not yet due on cash collateral received	0	0	0
Taxes	6	9	2
Balances to pay on unwound hedging contracts	-	-	-
TOTAL	**1,433**	**1,323**	**2,500**

3.5 - ACCRUALS AND OTHER LIABILITIES

	12/31/2009	12/31/2010	12/31/2011
Deferred gains on hedging transactions	-	-	-
Deferred income on hedging transactions	808	1,383	2,361
Deferred income on loans	31	24	19
Discounts on acquisition of loans from Dexia Credit Local	96	102	158
Discounts on acquisition of loans from other Dexia Group entities	76	71	66
Accrued interest not yet due on hedging transactions	1,252	1,396	1,394
Other accrued charges	50	27	27
Translation adjustments	760	637	673
Other accruals	-	3	8
TOTAL	3,073	3,643	4,706

The amounts for 2010 have been adjusted with regard to figures published in 2010.

3.6 - PROVISIONS FOR RISKS AND CHARGES, DEFERRED TAX LIABILITIES AND REGULATED PROVISIONS

a. Provision for risks on financial instruments

12/31/2009	12/31/2010	Increases	Decreases	Translation adjustments	12/31/2011
16	19	25	-	0	44

b. Deferred tax liabilities

This item principally concerns the deferred tax on the Dublin branch. As of December 31, 2011, the amount of deferred tax was EUR 40 million.

c. Regulated provision for risks on medium- and long-term loans

12/31/2009	12/31/2010	Increases	Decreases	Translation adjustments	12/31/2011
60	68	1	-	-	69

3.7 - EQUITY

	12/31/2009	12/31/2010	12/31/2011
Share capital	1,060	1,190	1,300
Legal reserve	33	38	44
Retained earnings (+/-)	50	9	13
Net income (+/-)	98	120	5
TOTAL	1,240	1,357	1,362

On May 26, 2011, the Ordinary and Extraordinary Shareholders' Meeting decided:
(i) to allocate the 2010 net income of EUR 120 million to retained earnings, constituing income for distribution of EUR 123.2 million, after allocation to the legal reserve;
(ii) to distribute a dividend of EUR 110 million;
(iii) to increase the capital in cash by EUR 110 million. This capital increase was subscribed by Dexia Credit Local and enacted on June 7, 2011.
Dexia MA's share capital totaled EUR 1,300 million, comprising 13,000,000 shares with a face value of EUR 100.

3.8 - TOTAL LIABILITIES

Analysis by original currency	Amount in original currency as of 12/31/2009	Amount in euros as of 12/31/2009	Amount in original currency as of 12/31/2010	Amount in euros as of 12/31/2010	Amount in original currency as of 12/31/2011	Amount in euros as of 12/31/2011
EUR	67,399	67,399	70,536	70,536	73,205	73,205
AUD	1,626	1,015	1,626	1,240	1,387	1,091
CAD	1,012	670	1,012	758	1,022	773
CHF	3,617	2,439	3,150	2,523	2,859	2,350
DKK	262	35	262	35	-	-
GBP	1,344	1,514	1,344	1,568	672	804
HKD	201	18	201	19	201	20
JPY	240,738	1,804	239,598	2,203	238,467	2,381
NOK	244	29	244	31	1,039	134
PLN	59	14	59	15	59	13
SEK	1,378	134	1,368	152	1,352	152
USD	9,179	6,375	7,411	5,531	7,450	5,741
ZAR	270	26	269	30	-	-
TOTAL		**81,472**		**84,641**		**86,664**

3.9 - TRANSACTIONS WITH RELATED PARTIES

Analysis by nature	Parent company and entities consolidated by Dexia Credit Local			Other related parties (1)		
	12/31/2009	12/31/2010	12/31/2011	12/31/2009	12/31/2010	12/31/2011
ASSETS						
Loans and advances due from banks - sight	-	-	-	-	-	-
Loans and advances due from banks - term	186	530	2,154	-	-	-
Bonds and other fixed income securities	7,048	7,297	6,557	5,375	9,102	1,351
LIABILITIES						
Due to banks - sight	6,823	9,034	6,004	-	-	-
Due to banks - term	3,529	3,506	3,513	-	-	-
INCOME STATEMENT						
Interest income on loans and advances	13	6	35	-	-	-
Interest income on debt securities	132	70	119	94	90	23
Interest expense on borrowings	(39)	(76)	(143)	-	-	-
Net commissions	0	(3)	(4)	-	-	-
OFF-BALANCE SHEET						
Interest rate derivatives	128,588	151,740	119,212	6,472	6,078	-

(1) This item includes in 2009 and 2010, transactions with companies of the Belgian and Luxembourg sub-groups consolidated by Dexia, the parent company of Dexia Credit Local, while in 2011 it concerned only entities of the Luxembourg sub-group.

In 2011, Dexia Bank Belgium was no longer consolidated by Dexia.

4. NOTES TO THE OFF-BALANCE SHEET ITEMS (EUR millions)

4.1 - COMMITMENTS GRANTED

	12/31/2009	12/31/2010	12/31/2011
Financing commitments granted to credit institutions	6	1	0
Financing commitments granted to customers (1)	1,630	899	660
Other commitments given, assets assigned in guarantee (2)	-	-	3,037
TOTAL	**1,636**	**900**	**3,697**

(1) Financing commitments on loans and advances correspond to contracts signed for loans not yet paid out to customers as of December 31.
(2) These commitments referred to assets assigned in guarantee to the Banque de France. The assets are presented at their fair value; their nominal value is EUR 3,189 billion.

4.2 - COMMITMENTS RECEIVED

	12/31/2009	12/31/2010	12/31/2011
Financing commitments received from credit institutions (1)	7,412	6,626	5,755
Currencies borrowed	-	-	-
Guarantees received from credit institutions	7,110	6,599	6,478
Guarantees received from local governments and asset transfers as guarantees of commitments on local governments	6,249	5,944	7,770
Other commitments received (2)	-	-	725
TOTAL	**20,771**	**19,169**	**20,728**

(1) This concerns the refinancing agreement within the framework of the current account agreement between Dexia Credit Local and Dexia Municipal Agency.
(2) This item concerns the forward commitment of Dexia Credit Local in the amount of EUR 725 million regarding the purchase of Greek and Icelandic securities.

4.3 - FOREIGN CURRENCY TRANSACTIONS

Cash and forward foreign exchange transactions are recorded at their value in foreign currencies translated at the exchange rate at the end of the period.
The items "Currencies to receive" and "Currencies to deliver" are composed of long currency swaps with intermediate payment flows corresponding to hedging transactions.

	Amount as of 12/31/2009	Amount as of 12/31/2010	Amount as of 12/31/2011	Fair value as of 12/31/2011
Currencies to receive	19,898	19,463	17,800	612
Currencies to deliver	20,658	19,147	17,358	(764)
TOTAL	**40,556**	**38,610**	**35,158**	**(152)**

4.4 - COMMITMENTS ON INTEREST RATE DERIVATIVES

Commitments on interest rate derivatives are recorded in accordance with CRB standards 88-02 and 90-15: amounts related to unconditional operations are recorded at the contractual notional value.

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

Type of transaction	Amount as of 12/31/2010	Less than 1 year	1 year to 5 years	More than 5 years	Total
Unconditional transactions	235,457	62,156	73,502	68,599	204,257
of which deferred start	*4,902*	*10,667*	*7,622*	*1,553*	*19,842*

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

b. Analysis of interest rate transactions by product type

	12/31/2009	12/31/2010	12/31/2011
Interest rate swaps	212,111	235,457	204,257
Term contracts	-	-	-
Interest rate options	-	-	-
TOTAL	212,111	235,457	204,257

c. Analysis of interest rate swap transactions

	12/31/2009	12/31/2010	12/31/2011	Fair value as of 12/31/2011
Micro-hedge	79,359	77,485	78,245	(784)
Macro-hedge	132,752	157,972	126,012	(2,499)
TOTAL	212,111	235,457	204,257	(3,283)

d. Analysis of interest rate transactions by counterparty

	12/31/2009	12/31/2010	12/31/2011
Parent and other Dexia Group companies	127,366	157,818	119,212
Counterparties with equity interests	-	-	-
Other counterparties	84,745	77,639	85,045
TOTAL	212,111	235,457	204,257

4.5. COMMITMENTS RELATED TO SECURITIES TRANSACTIONS

	12/31/2009	12/31/2010	12/31/2011
Securities purchased			
Spot	-	-	-
Forward	-	-	-
TOTAL	-	-	-

5. NOTES TO THE STATEMENT OF INCOME (EUR millions)

5.0. INTEREST AND RELATED INCOME / EXPENSE

	2010	2011
INTEREST AND RELATED INCOME	3,705	5,265
Due from banks	63	77
Due from customers	2,306	3,314
Bonds and other fixed income securities	255	386
Macro-hedge transactions	1,081	1,488
Other commitments	-	-
INTEREST AND RELATED EXPENSE	(3,414)	(5,077)
Due to banks	(89)	(165)
Due to customers	(998)	(1,863)
Bonds and other fixed income securities	(619)	(1,053)
Macro-hedge transactions	(1,708)	(1,996)
Other commitments	-	-
INTEREST MARGIN	291	188

These items include interest accrued and not yet due as well as interest on micro-hedge transactions if any.

5.1 - ANALYSIS OF COMMISSIONS PAID

	2010	2011
Commission for business brokerage and securities portfolio management billed by Dexia Crediop	(3)	(4)
Commission paid on securities transactions	(2)	(1)
TOTAL	**(5)**	**(5)**

5.2 - ANALYSIS OF GAINS AND LOSSES ON PORTFOLIO TRANSACTIONS

	2010	2011
Transactions on *placement* securities (1)	4	(57)
Transactions on investment securities	-	-
Transactions on interest rate derivatives	-	-
Foreign exchange transactions	-	-
TOTAL	**4**	**(57)**

(1) This item regroups capital gains and losses on sales and provisions/reversals on this portfolio. Amounts are presented after swaps.

5.3 - GENERAL 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 MA.

In addition, specific management contracts grant different entities the management of loans and securities in their respective countries (Kommunalkredit Austria and Dexia Bank Belgium, former subsidiaries of Dexia, as well as Dexia Crediop and Dexia Credit Local Canada Branch).

General operating expense can be broken down as follows.

	2010	2011
Taxes	(8)	(3)
Other general operating expense*	(88)	(90)
TOTAL	**(96)**	**(93)**

** 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 86 million.*

5.4 - CORPORATE INCOME TAX

	2010	2011
Income tax for the year	(51)	2
Deferred tax	(15)	(21)
TOTAL	**(66)**	**(19)**

The corporate tax rate in France for 2011 is 36.10%.

The corporate tax rate of the Dublin branch is 12.50%.

Statutory Auditors' report Financial Statements

Year ended December 31, 2011

This is a free translation into English of the Statutory Auditors' report in French, 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 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 of information in the management report. This report 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 Annual General Shareholders' Meeting, we hereby report to you, for the year ended December 31, 2011, on:
- the audit of the accompanying financial statements of Dexia Municipal Agency;
- the justification of our assessments;
- the specific verifications and disclosures 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 professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.
An audit includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.
In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of Dexia Municipal Agency as of December 31, 2011, and of the results of its operations for the year then ended, in accordance with accounting rules and principles applicable in France.
Without qualifying our opinion, we draw your attention to note 1.1 "Year's highlights" to the annual financial statements regarding the particular financial situation of the Dexia Group (points a and b).

II. Justification of assessments

The accounting assessments used for the financial statements prepared as of December 31, 2011, have been made in a context of uncertainty, arising as a result of the sovereign debt crisis of some eurozone countries (most notably in Greece). This crisis is accompanied by an economic and also a liquidity crisis resulting in a lack of visibility concerning economic prospects. In this context and in accordance with the requirements of article L.823-9 of the Code of Commerce (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

Credit risks provision

As described in Note "1.3.a – Customer loans" of the notes to the financial statements, your company records provisions to cover credit risks inherent in any banking activity. As part of our assessment of these accounting estimates, we examined the credit risk review process, the assessment of the irrecoverability risk and the adequacy of specific allowances for loan losses.

Valuation of financial instruments

As described in Note "1.3.b – Securities transactions" of the notes to the financial statements, your company uses internal models and methods to value financial instruments that are not listed on liquid markets, as well as for the recording of certain provisions. Our procedures consisted in reviewing the control procedures related to the illiquidity assessment of the market, the verification of the models and the determination of the data and assumptions used.
These assessments were made in the context of our audit of the financial statements, taken as a whole, and therefore contributed to the opinion we formed and which is expressed in the first part of this report.

III. Specific verifications and disclosures

We 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 consistency 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 application of the law, we indicate that the information required by article L.225-102-1 of the Code of Commerce (Code de commerce) does not include the compensation paid and personal benefits granted by the controlling company to the members of your Company's management bodies for their duties in the controlling company, for the reasons presented in the paragraph on the compensation of members of management bodies in the above-mentioned report.
As a consequence, we can not attest their fair presentation and accuracy.

Neuilly-sur-Seine and Courbevoie, March 30, 2012

The Statutory Auditors

MAZARS
Virginie Chauvin Hervé Hélias

DELOITTE & ASSOCIÉS
José-Luis Garcia Charlotte Vandeputte

Supplemental Disclosures

Dexia Municipal Agency was authorized to operate as a *société de crédit foncier* on July 23, 1999, by the Comité des établissements de crédit et des entreprises d'investissement (CECEI). It is therefore subject to the regulations governing credit institutions and investment firms.

In addition, *sociétés de crédit foncier* are governed by articles L.515-13 to L.515-33 and R.515-2 to R.515-14 of Book V, Title I, Chapter V, Section 4 of the Monetary and Financial Code.

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

- capital adequacy ratio;
- control of large credit exposures.

On the other hand, the liquidity ratio is calculated on the basis of data presented in the financial statements of Dexia MA. In 2011, Dexia MA had a monthly liquidity ratio of more than 100%; as of December 31, 2011, it was 409.65%.

Pursuant to the article L.515-20 and the article R.515-7-2 of the Monetary and Financial Code, Dexia MA's total assets must always exceed 102% of the total liabilities benefiting from the privilege referred to in article L.515-19 of the Monetary and Financial Code. As of December 31, 2011, the over-collateralization ratio was 108.75%.

Income for the last five years

	2007	2008	2009	2010	2011
FINANCIAL POSITION					
Share capital (EUR thousands)	876,000	946,000	1,060,000	1,190,000	1,300,000
Number of shares	8,760,000	9,460,000	10,600,000	11,900,000	13,000,000
RESULTS OF OPERATIONS (EUR thousands)					
Revenues (1)	2,840,096	3,741,424	1,562,281	1,996,511	3,269,418
Income before income tax, amortization, depreciation and contingencies net of reversals	247,582	205,439	195,766	189,425	91,295
Income tax	81,417	53,123	53,797	65,754	19,482
Income after income tax, amortization, depreciation and contingencies net of reversals	153,475	91,265	98,051	120,057	5,417
Exceptional distribution	-	-	-	-	-
Dividend (2)	70,080	113,520	133,560	110,075	15,080
PER SHARE DATA (EUR)					
Revenues	324.21	395.50	147.39	167.77	251.49
Income after income tax, before amortization, depreciation and contingencies net of reversals	18.97	16.10	13.39	10.39	5.52
Income tax	9.29	5.62	5.08	5.53	1.50
Income after income tax, amortization, depreciation and contingencies net of reversals	17.52	9.65	9.25	10.09	0.42
Exceptional distribution	-	-	-	-	-
Dividend per share (2)	8.00	12.00	12.60	9.25	1.16

(1) Revenues are comprised of the macro-hedging items:
- interest and related income, netted of macro-hedging expense;
- commission income;
- net income on foreign exchange transactions;
- other operating income.
(2) Proposed distribution for 2011

Over-collateralization ratio

Pursuant to article L.515-20 of the Monetary and Financial Code and article 6 of CRBF standard 99-10 of July 27, 1999, the total of the 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 in EUR millions)	**12/31/2011**
Exposures on public sector entities	63,384.2
Shares in funds or similar entities that meet the conditions of article L.515-16	6,256.2
Securities and secure and liquid deposits	1,380.7
Other assets	5,783.8
Operations deducted from the assets	189.6
TOTAL ASSETS	**76,615.3**

Sources of funds benefiting from the privilege defined in article L.515-19 of the Monetary and Financial Code (weighted amounts in EUR millions)	**12/31/2011**
Obligations foncières	60,255.4
Other bonds benefiting from the privilege	4,257.8
Liabilities related to these securities	1,338.3
Amounts owed under the contact provided for in article L.515-22 of the Monetary and Financial Code	25.4
Amounts owed for derivatives benefiting from the privilege defined in article L.515-19 of the Monetary and Financial Code	4,572.9
Debt attributable to miscellaneous expense mentioned in the last section of article L. 515-19 of the Monetary and Financial Code	0.3
TOTAL LIABILITIES	**70,450.1**

OVER-COLLATERALIZATION RATIO	**108.75%**

Statutory Auditors' fees

	Mazars				**Deloitte & Associés**			
EUR thousands	**Amount (excl. VAT)**		**%**		**Amount (excl. VAT)**		**%**	
	2010	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**
Audit services rendered								
Audit, certification, examination of company financial statements	128	146	60%	64%	128	146	60%	64%
Other audit tasks	84	83	40%	36%	84	83	40%	36%
Subtotal	**212**	**229**	100%	100%	**212**	**229**	100%	**100%**
Other services								
Legal, tax and labor issues	-	-	-	-	-	-	-	-
Internal audit	-	-	-	-	-	-	-	-
Other (to specify if > 10% of audit fees)	-	-	-	-	-	-	-	-
Subtotal	**-**	**-**	-	-	-	**-**	-	-
TOTAL	**212**	**229**	**100%**	**100%**	**212**	**229**	**100%**	**100%**

List of bonds issued by Dexia Municipal Agency

(*obligations foncières*, registered covered bonds)

Obligations foncières **ISIN code**	**Currency**	**Nominal amount in foreign currency**	**Balance**	**Redemption value***	**Final due date**	**Next call date**	**Stock exchange**
			(EUR millions)				
AU0000DXAHB0	AUD	20,000,000	15	11	16-Jan-26		Sydney
AU0000DXAHD6	AUD	200,000,000	157	121	2-Apr-14		Sydney
AU0000DXAHD6	AUD	150,000,000	118	90	2-Apr-14		Sydney
AU0000DXAHD6	AUD	150,000,000	118	90	2-Apr-14		Sydney
AU0000DXAHE4	AUD	200,000,000	157	117	7-Feb-12		Sydney
AU0000DXAHE4	AUD	100,000,000	79	59	7-Feb-12		Sydney
AU0000DXAHH7	AUD	200,000,000	157	124	24-Aug-15		Sydney
AU0000DXAHH7	AUD	200,000,000	158	123	24-Aug-15		Sydney
AU0000DXAHH7	AUD	100,000,000	78	58	24-Aug-15		Sydney
FR0010397828	AUD	11,600,000	9	7	20-Mar-14		Unlisted
FR0010503011	AUD	29,400,000	23	19	19-Jun-14		Luxembourg
TOTAL	**AUD**	**1,361,000,000**	**1,068**	**820**			
FR0010172098	CAD	200,000,000	151	122	9-Mar-20		Luxembourg
FR0010443630	CAD	200,000,000	151	131	9-Mar-29		Luxembourg
FR0010443630	CAD	100,000,000	70	69	9-Mar-29		Luxembourg
FR0010477083	CAD	500,000,000	378	335	30-May-17		Luxembourg
TOTAL	**CAD**	**1,000,000,000**	**751**	**658**			
CH0020643760	CHF	200,000,000	165	128	11-Mar-15		Zurich
CH0020643760	CHF	100,000,000	83	65	11-Mar-15		Zurich
CH0020643760	CHF	150,000,000	124	97	11-Mar-15		Zurich
CH0020643760	CHF	100,000,000	83	64	11-Mar-15		Zurich
CH0020643760	CHF	100,000,000	81	64	11-Mar-15		Zurich
CH0020643760	CHF	50,000,000	41	31	11-Mar-15		Zurich
CH0023984815	CHF	200,000,000	165	129	9-Feb-16		Zurich
CH0023984815	CHF	250,000,000	210	192	9-Feb-16		Zurich
CH0032508563	CHF	165,000,000	136	100	9-Aug-17		Zurich
CH0032508563	CHF	135,000,000	112	81	9-Aug-17		Zurich
CH0032508563	CHF	100,000,000	82	62	9-Aug-17		Zurich
CH0033023216	CHF	200,000,000	165	121	28-Aug-19		Zurich
CH0105994203	CHF	250,000,000	206	165	2-May-18		Zurich
CH0105994203	CHF	160,000,000	135	109	2-May-18		Zurich
CH0106680777	CHF	150,000,000	124	99	12-Aug-19		Zurich
CH0106680777	CHF	125,000,000	102	95	12-Aug-19		Zurich
CH0111862063	CHF	100,000,000	84	70	23-Apr-30		Zurich
FR0010526376	CHF	20,000,000	16	12	15-Oct-27		Unlisted
FR0010535658	CHF	80,000,000	66	48	30-May-13		Unlisted
FR0010555748	CHF	50,000,000	41	30	20-Dec-17		Unlisted
TOTAL	**CHF**	**2,685,000,000**	**2,221**	**1,763**			
FR0000470148	EUR	10,000,000	10	10	6-Sep-12		Luxembourg
FR0000470221	EUR	20,000,000	20	20	3-Oct-14		Luxembourg
FR0000470361	EUR	30,000,000	30	30	30-Sep-14		Luxembourg
FR0000470494	EUR	18,000,000	18	18	22-Oct-14		Luxembourg
FR0000472417	EUR	817,974,000	817	818	20-Feb-13		Luxembourg - Paris
FR0000472417	EUR	500,000,000	500	500	20-Feb-13		Luxembourg - Paris
FR0000472417	EUR	500,000,000	500	500	20-Feb-13		Luxembourg - Paris
FR0000472417	EUR	250,000,000	251	250	20-Feb-13		Luxembourg - Paris
FR0000472417	EUR	250,000,000	250	250	20-Feb-13		Luxembourg - Paris
FR0000472417	EUR	150,000,000	150	150	20-Feb-13		Luxembourg - Paris
FR0000472417	EUR	45,000,000	45	45	20-Feb-13		Luxembourg - Paris

* *Value determined by the interest rate and currency swaps contracted to hedge the issue of* obligations foncières *and registered covered bonds.*

Obligations foncières ISIN code	Currency	Nominal amount in foreign currency	Balance	Redemption value*	Final due date	Next call date	Stock exchange
			(EUR millions)				
FR0000472417	EUR	55,000,000	55	55	20-Feb-13		Luxembourg - Paris
FR0000472474	EUR	53,000,000	53	53	7-Dec-15		Luxembourg
FR0000473357	EUR	74,820,000	75	75	2-Apr-18		Luxembourg
FR0000473522	EUR	140,000,000	140	140	30-Dec-13		Luxembourg
FR0000473589	EUR	25,000,000	25	25	8-Apr-13		Luxembourg
FR0000474256	EUR	25,350,000	25	25	30-Dec-13		Luxembourg
FR0000480055	EUR	30,000,000	30	30	16-Jul-12		Luxembourg
FR0000480071	EUR	15,000,000	15	15	5-Jul-12		Luxembourg
FR0000480329	EUR	300,000,000	300	300	9-Aug-17		Luxembourg
FR0000480329	EUR	100,000,000	100	100	9-Aug-17		Luxembourg
FR0000480329	EUR	50,000,000	50	50	9-Aug-17		Luxembourg
FR0000480329	EUR	131,000,000	133	131	9-Aug-17		Luxembourg
FR0000480329	EUR	40,000,000	40	40	9-Aug-17		Luxembourg
FR0000480329	EUR	50,000,000	50	50	9-Aug-17		Luxembourg
FR0000480329	EUR	168,000,000	168	168	9-Aug-17		Luxembourg
FR0000480329	EUR	30,000,000	30	30	9-Aug-17		Luxembourg
FR0000480329	EUR	50,000,000	50	50	9-Aug-17		Luxembourg
FR0000480329	EUR	77,800,000	77	78	9-Aug-17		Luxembourg
FR0000480329	EUR	20,000,000	20	20	9-Aug-17		Luxembourg
FR0000480675	EUR	133,000,000	133	133	17-May-12		Paris
FR0000488132	EUR	750,000,000	744	750	6-Feb-17		Luxembourg - Paris
FR0000488132	EUR	100,000,000	101	100	6-Feb-17		Luxembourg - Paris
FR0000488132	EUR	150,000,000	154	150	6-Feb-17		Luxembourg - Paris
FR0000488132	EUR	150,000,000	154	150	6-Feb-17		Luxembourg - Paris
FR0000488132	EUR	250,000,000	269	250	6-Feb-17		Luxembourg - Paris
FR0000488835	EUR	30,000,000	30	30	12-Apr-12		Luxembourg
FR0000488884	EUR	15,000,000	15	15	7-May-12		Luxembourg
FR0000489296	EUR	902,780,000	902	903	25-Oct-12		Luxembourg - Paris
FR0000489296	EUR	250,000,000	251	250	25-Oct-12		Luxembourg - Paris
FR0000489296	EUR	250,000,000	251	250	25-Oct-12		Luxembourg - Paris
FR0000489296	EUR	100,000,000	101	100	25-Oct-12		Luxembourg - Paris
FR0000489296	EUR	20,000,000	20	20	25-Oct-12		Luxembourg - Paris
FR0000489395	EUR	30,000,000	30	30	29-May-14		Luxembourg
FR0000489411	EUR	30,000,000	30	30	30-May-14		Luxembourg
FR0000489890	EUR	13,000,000	13	13	30-Jun-14		Luxembourg
FR0000499030	EUR	30,000,000	30	30	23-Feb-15		Luxembourg
FR0010007765	EUR	25,000,000	25	25	2-Sep-13		Luxembourg
FR0010014902	EUR	50,000,000	50	50	24-Sep-13		Luxembourg
FR0010018028	EUR	62,000,000	62	62	9-Oct-15		Luxembourg
FR0010018044	EUR	30,000,000	30	30	26-Sep-13		Luxembourg
FR0010019406	EUR	95,000,000	95	95	1-Oct-13		Luxembourg
FR0010019406	EUR	25,000,000	25	25	1-Oct-13		Luxembourg
FR0010033357	EUR	50,000,000	50	50	20-Nov-18		Luxembourg
FR0010034371	EUR	75,000,000	75	75	15-Dec-19		Luxembourg
FR0010039164	EUR	40,000,000	40	40	19-Feb-18		Luxembourg
FR0010039172	EUR	13,000,000	13	13	2-Feb-14		Luxembourg
FR0010051698	EUR	111,500,000	112	112	20-Feb-19		Luxembourg
FR0010053769	EUR	20,000,000	20	20	26-Feb-16		Luxembourg
FR0010054049	EUR	20,000,000	20	20	3-Mar-14		Luxembourg

* *Value determined by the interest rate and currency swaps contracted to hedge the issue of* obligations foncières *and registered covered bonds.*

Obligations foncières ISIN code	Currency	Nominal amount in foreign currency	Balance	Redemption value*	Final due date	Next call date	Stock exchange
			(EUR millions)				
FR0010060350	EUR	50,000,000	50	50	17-Mar-14		Luxembourg
FR0010060384	EUR	30,000,000	30	30	5-Mar-20		Luxembourg
FR0010061978	EUR	50,000,000	50	50	15-Mar-16		Luxembourg
FR0010061986	EUR	65,000,000	65	65	15-Mar-19		Luxembourg
FR0010063727	EUR	40,000,000	40	40	15-Mar-21		Luxembourg
FR0010063768	EUR	10,600,000	11	11	10-Mar-14		Luxembourg
FR0010068361	EUR	100,000,000	100	100	15-Apr-19		Luxembourg
FR0010068437	EUR	51,500,000	52	52	15-Apr-19		Luxembourg
FR0010070888	EUR	27,000,000	27	27	15-Apr-19		Luxembourg
FR0010071852	EUR	35,000,000	35	35	26-Apr-19		Luxembourg
FR0010081869	EUR	23,000,000	23	23	21-May-14		Luxembourg
FR0010081885	EUR	10,000,000	10	10	21-May-16		Luxembourg
FR0010089839	EUR	90,200,000	90	90	24-Jun-24		Luxembourg
FR0010092908	EUR	10,000,000	10	10	7-Jun-19		Luxembourg
FR0010093336	EUR	50,000,000	50	50	22-Jun-24		Luxembourg
FR0010096131	EUR	63,000,000	63	63	2-Jul-14		Luxembourg
FR0010096818	EUR	37,000,000	37	37	15-Jul-19	15-jul-14	Luxembourg
FR0010108811	EUR	80,000,000	80	80	1-Sep-19		Luxembourg
FR0010114371	EUR	20,082,322	20	15	24-Sep-24		Luxembourg
FR0010115741	EUR	28,500,000	29	29	30-Sep-14		Luxembourg
FR0010120519	EUR	65,000,000	65	65	21-Oct-19	21-Oct-14	Luxembourg
FR0010125732	EUR	100,000,000	100	100	11-Oct-19		Luxembourg
FR0010130435	EUR	200,000,000	200	200	2-Dec-19		Luxembourg
FR0010133645	EUR	100,000,000	100	100	14-Jan-15		Luxembourg
FR0010133645	EUR	75,000,000	75	75	14-Jan-15		Luxembourg
FR0010134577	EUR	120,000,000	120	120	3-Dec-24		Luxembourg
FR0010137489	EUR	50,000,000	50	50	6-Dec-14		Luxembourg
FR0010160911	EUR	20,000,000	20	20	28-Jan-25		Luxembourg
FR0010163394	EUR	230,000,000	221	230	10-Feb-25		Luxembourg
FR0010165696	EUR	60,000,000	60	60	17-Feb-20		Luxembourg
FR0010167304	EUR	50,000,000	50	50	7-Mar-20		Luxembourg
FR0010167312	EUR	50,000,000	50	50	2-Mar-20		Unlisted
FR0010170589	EUR	31,000,000	31	31	10-Mar-20		Unlisted
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
FR0010172031	EUR	50,000,000	50	50	11-Mar-20		Luxembourg
FR0010172106	EUR	30,000,000	30	30	14-Mar-17		Luxembourg
FR0010173716	EUR	100,000,000	100	100	23-Mar-15		Luxembourg
FR0010173765	EUR	75,000,000	75	75	15-Jul-15		Luxembourg
FR0010175844	EUR	140,000,000	140	140	24-Mar-20		Unlisted
FR0010175869	EUR	76,000,000	76	76	30-Mar-20		Unlisted
FR0010178467	EUR	35,000,000	35	35	22-Apr-15		Luxembourg
FR0010185892	EUR	100,000,000	100	100	29-Apr-22		Luxembourg
FR0010186163	EUR	155,000,000	155	155	6-May-20		Luxembourg
FR0010190066	EUR	100,000,000	100	100	6-May-22		Luxembourg
FR0010190181	EUR	25,000,000	25	25	20-May-20		Luxembourg
FR0010190199	EUR	150,000,000	150	150	27-Apr-20		Luxembourg
FR0010190207	EUR	41,520,000	42	42	20-Jun-12		Luxembourg

* *Value determined by the interest rate and currency swaps contracted to hedge the issue of* obligations foncières *and registered covered bonds.*

Obligations foncières ISIN code	Currency	Nominal amount in foreign currency	Balance	Redemption value*	Final due date	Next call date	Stock exchange
			(EUR millions)				
FR0010190207	EUR	12,500,000	13	13	20-Jun-12		Luxembourg
FR0010190231	EUR	100,000,000	100	100	13-May-22		Luxembourg
FR0010190264	EUR	25,000,000	25	25	20-May-20		Luxembourg
FR0010194506	EUR	100,000,000	100	100	20-May-22		Luxembourg
FR0010194522	EUR	60,000,000	60	60	19-May-20	19-May-12	Luxembourg
FR0010199877	EUR	12,500,000	13	13	27-May-20	27-May-12	Luxembourg
FR0010199935	EUR	10,000,000	10	10	6-Jun-30	06-Jun-12	Luxembourg
FR0010199984	EUR	10,000,000	10	10	8-Jun-20		Luxembourg
FR0010208587	EUR	10,000,000	10	10	24-Jun-20		Luxembourg
FR0010209940	EUR	15,000,000	15	15	29-Jun-20		Luxembourg
FR0010210005	EUR	10,000,000	10	10	6-Jul-20		Luxembourg
FR0010212977	EUR	22,000,000	22	22	8-Aug-25		Luxembourg
FR0010224402	EUR	50,000,000	50	50	8-Sep-20		Luxembourg
FR0010224410	EUR	50,000,000	50	50	8-Sep-20		Luxembourg
FR0010224477	EUR	30,000,000	30	30	24-Aug-12		Unlisted
FR0010231324	EUR	16,000,000	16	16	15-Sep-17	15-Sep-12	Luxembourg
FR0010231357	EUR	1,000,000,000	997	1,000	15-Sep-15		Luxembourg
FR0010231357	EUR	500,000,000	492	500	15-Sep-15		Luxembourg
FR0010231357	EUR	500,000,000	483	500	15-Sep-15		Luxembourg
FR0010231357	EUR	500,000,000	485	500	15-Sep-15		Luxembourg
FR0010231357	EUR	65,000,000	61	65	15-Sep-15		Luxembourg
FR0010231365	EUR	30,000,000	30	30	14-Sep-12		Unlisted
FR0010235366	EUR	30,000,000	30	30	17-Oct-15	17-Jan-12	Luxembourg
FR0010235416	EUR	30,000,000	30	30	28-Sep-12		Unlisted
FR0010237032	EUR	50,000,000	50	50	27-Sep-13		Unlisted
FR0010237081	EUR	55,000,000	55	55	3-Oct-20		Luxembourg
FR0010237149	EUR	50,000,000	50	63	15-Jul-30	16-Jan-12	Luxembourg
FR0010237172	EUR	80,000,000	80	105	15-Jul-30	16-Jan-12	Luxembourg
FR0010245738	EUR	30,000,000	30	30	26-Oct-22		Unlisted
FR0010248609	EUR	100,000,000	100	100	16-Nov-15		Luxembourg
FR0010248658	EUR	100,000,000	100	100	21-Dec-15		Luxembourg
FR0010249565	EUR	10,000,000	10	10	14-Nov-25	16-Nov-15	Luxembourg
FR0010261412	EUR	277,500,000	278	278	15-Dec-20		Luxembourg
FR0010261412	EUR	155,500,000	156	156	15-Dec-20		Luxembourg
FR0010261412	EUR	100,000,000	100	100	15-Dec-20		Luxembourg
FR0010261412	EUR	98,500,000	99	99	15-Dec-20		Luxembourg
FR0010261412	EUR	35,000,000	35	35	15-Dec-20		Luxembourg
FR0010261412	EUR	20,000,000	19	20	15-Dec-20		Luxembourg
FR0010261412	EUR	30,000,000	29	30	15-Dec-20		Luxembourg
FR0010261529	EUR	50,000,000	50	50	4-Jan-26		Luxembourg
FR0010264093	EUR	50,000,000	50	50	12-Mar-13		Unlisted
FR0010265306	EUR	11,000,000	11	11	28-Jan-13		Unlisted
FR0010265488	EUR	100,000,000	100	100	5-Jan-26	05-Jan-16	Luxembourg
FR0010279109	EUR	30,000,000	85	85	24-Jan-34		Luxembourg
FR0010289322	EUR	21,500,000	22	22	16-Feb-26		Unlisted
FR0010289397	EUR	15,000,000	15	15	16-Feb-26		Luxembourg
FR0010297242	EUR	100,000,000	100	100	20-Mar-26		Luxembourg
FR0010301796	EUR	15,000,000	15	15	23-Mar-16		Luxembourg
FR0010306068	EUR	50,000,000	50	50	16-Jan-13		Unlisted

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Obligations foncières ISIN code	Currency	Nominal amount in foreign currency	Balance	Redemption value*	Final due date	Next call date	Stock exchange
			(EUR millions)				
FR0010306373	EUR	22,150,000	22	22	31-Mar-16		Luxembourg
FR0010306373	EUR	34,000,000	34	34	31-Mar-16		Luxembourg
FR0010306456	EUR	10,000,000	10	10	7-Apr-25		Unlisted
FR0010306472	EUR	10,000,000	10	10	6-Apr-20		Unlisted
FR0010306480	EUR	20,000,000	20	20	6-Apr-20		Unlisted
FR0010306498	EUR	10,000,000	10	10	7-Apr-25		Unlisted
FR0010306506	EUR	5,000,000	5	5	7-Apr-26		Unlisted
FR0010306514	EUR	5,000,000	5	5	6-Apr-27		Unlisted
FR0010306522	EUR	5,000,000	5	5	5-Apr-30		Unlisted
FR0010306605	EUR	50,000,000	50	50	19-Apr-18		Luxembourg
FR0010318410	EUR	50,000,000	50	50	24-Apr-26		Unlisted
FR0010322792	EUR	65,000,000	65	65	5-May-36		Luxembourg
FR0010333534	EUR	60,000,000	60	60	9-Jun-16		Luxembourg
FR0010342378	EUR	10,000,000	10	10	21-Jun-21		Luxembourg
FR0010342519	EUR	10,000,000	10	10	12-Jul-18		Luxembourg
FR0010345066	EUR	27,000,000	27	27	19-Jun-12		Unlisted
FR0010347625	EUR	50,000,000	50	50	26-Apr-13		Unlisted
FR0010347815	EUR	50,000,000	50	50	7-Oct-15		Unlisted
FR0010348029	EUR	153,410,000	153	153	10-Jan-12		Unlisted
FR0010359729	EUR	50,000,000	50	50	27-Feb-13		Unlisted
FR0010359943	EUR	100,000,000	100	100	16-Aug-18		Luxembourg
FR0010363325	EUR	200,000,000	200	200	22-Aug-22		Luxembourg
FR0010363325	EUR	31,000,000	31	31	22-Aug-22		Luxembourg
FR0010363457	EUR	20,000,000	20	20	25-Aug-16		Luxembourg
FR0010363473	EUR	50,000,000	50	50	23-Sep-15		Unlisted
FR0010369231	EUR	50,000,000	50	50	11-May-16		Unlisted
FR0010369306	EUR	891,473,000	891	891	12-Mar-14		Luxembourg
FR0010369306	EUR	250,000,000	246	250	12-Mar-14		Luxembourg
FR0010369306	EUR	200,000,000	199	200	12-Mar-14		Luxembourg
FR0010369306	EUR	150,000,000	149	150	12-Mar-14		Luxembourg
FR0010369306	EUR	150,000,000	149	150	12-Mar-14		Luxembourg
FR0010369306	EUR	150,000,000	149	150	12-Mar-14		Luxembourg
FR0010369306	EUR	30,000,000	30	30	12-Mar-14		Luxembourg
FR0010369330	EUR	50,000,000	50	50	27-Sep-18		Luxembourg
FR0010369546	EUR	50,000,000	50	50	3-Oct-21		Luxembourg
FR0010369645	EUR	30,000,000	30	30	20-Sep-18		Unlisted
FR0010379073	EUR	50,000,000	50	50	10-Oct-21		Luxembourg
FR0010379081	EUR	50,000,000	50	50	27-Feb-15		Unlisted
FR0010385930	EUR	50,000,000	50	50	27-Oct-21		Unlisted
FR0010386078	EUR	55,000,000	55	55	7-Nov-16		Luxembourg
FR0010386086	EUR	55,000,000	55	55	7-Nov-16		Luxembourg
FR0010391078	EUR	50,000,000	50	50	27-Jul-12		Unlisted
FR0010391110	EUR	12,000,000	12	12	21-Nov-18		Luxembourg
FR0010391334	EUR	51,300,000	51	51	6-Nov-13		Luxembourg
FR0010398115	EUR	1,000,000,000	998	1,000	24-Nov-16		Luxembourg
FR0010398115	EUR	30,000,000	28	30	24-Nov-16		Luxembourg
FR0010398115	EUR	25,000,000	24	25	24-Nov-16		Luxembourg
FR0010412577	EUR	10,000,000	10	10	29-Dec-21		Luxembourg
FR0010412684	EUR	100,000,000	100	100	9-Jan-17		Luxembourg

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Obligations foncières ISIN code	Currency	Nominal amount in foreign currency	Balance	Redemption value*	Final due date	Next call date	Stock exchange
			(EUR millions)				
FR0010422972	EUR	50,000,000	50	50	30-Jan-13		Unlisted
FR0010428003	EUR	20,500,000	21	21	15-Feb-22		Luxembourg
FR0010428185	EUR	1,000,000,000	997	1,000	7-Feb-19		Luxembourg
FR0010428185	EUR	150,000,000	146	150	7-Feb-19		Luxembourg
FR0010428185	EUR	150,000,000	146	150	7-Feb-19		Luxembourg
FR0010428185	EUR	20,000,000	19	20	7-Feb-19		Luxembourg
FR0010428185	EUR	125,000,000	119	125	7-Feb-19		Luxembourg
FR0010428185	EUR	150,000,000	148	150	7-Feb-19		Luxembourg
FR0010428185	EUR	25,000,000	24	25	7-Feb-19		Luxembourg
FR0010428185	EUR	200,000,000	202	200	7-Feb-19		Luxembourg
FR0010451948	EUR	100,000,000	100	100	26-Jul-13		Unlisted
FR0010455147	EUR	20,000,000	20	20	20-Mar-14		Unlisted
FR0010459230	EUR	44,400,000	44	44	20-Jun-14		Luxembourg
FR0010469809	EUR	19,300,000	19	19	20-Jun-14		Luxembourg
FR0010470914	EUR	20,000,000	20	20	20-Mar-14		Unlisted
FR0010492025	EUR	1,250,000,000	1,247	1,250	3-Jul-17		Luxembourg
FR0010492025	EUR	150,000,000	149	150	3-Jul-17		Luxembourg
FR0010492025	EUR	20,000,000	20	20	3-Jul-17		Luxembourg
FR0010492025	EUR	30,000,000	30	30	3-Jul-17		Luxembourg
FR0010500413	EUR	50,000,000	50	50	17-Jan-17		Unlisted
FR0010501825	EUR	200,000,000	200	200	20-Jul-22		Luxembourg
FR0010504761	EUR	45,000,000	45	45	2-Aug-32		Luxembourg
FR0010505008	EUR	50,000,000	50	50	27-Apr-16		Unlisted
FR0010524488	EUR	50,000,000	50	50	27-Feb-17		Unlisted
FR0010526962	EUR	50,000,000	50	50	13-Feb-15		Unlisted
FR0010537696	EUR	50,000,000	50	50	30-Oct-12		Unlisted
FR0010539734	EUR	1,500,000,000	1,494	1,500	13-Nov-17		Luxembourg
FR0010557686	EUR	50,000,000	50	50	18-Oct-12		Unlisted
FR0010581520	EUR	1,827,734,000	1,828	1,828	5-Jun-13		Luxembourg
FR0010584581	EUR	10,000,000	10	10	21-Feb-18		Luxembourg
FR0010594374	EUR	47,500,000	48	48	8-Aug-25		Luxembourg
FR0010611491	EUR	1,000,000,000	999	1,000	27-Apr-15		Luxembourg
FR0010617217	EUR	50,000,000	50	50	16-May-23		Luxembourg
FR0010631762	EUR	153,000,000	153	153	26-Jun-23		Luxembourg
FR0010634527	EUR	300,000,000	300	300	13-Jan-14		Luxembourg
FR0010646216	EUR	10,000,000	10	10	22-Jul-13		Luxembourg
FR0010753814	EUR	32,000,000	32	32	10-Sep-14		Luxembourg
FR0010760769	EUR	10,500,000	11	11	22-May-29	22-May-19	Luxembourg
FR0010762039	EUR	1,500,000,000	1,499	1,500	2-Jun-21		Luxembourg
FR0010762039	EUR	150,000,000	159	150	2-Jun-21		Luxembourg
FR0010766923	EUR	10,000,000	10	10	7-Mar-26		Luxembourg
FR0010775486	EUR	2,000,000,000	1,998	2,000	8-Jul-24		Luxembourg
FR0010781591	EUR	15,000,000	15	15	16-Feb-26		Unlisted
FR0010801068	EUR	1,000,000,000	1,000	1,000	16-Sep-16		Luxembourg
FR0010801068	EUR	750,000,000	750	750	16-Sep-16		Luxembourg
FR0010801068	EUR	250,000,000	253	250	16-Sep-16		Luxembourg
FR0010806752	EUR	25,000,000	25	25	29-Mar-19		Luxembourg
FR0010810408	EUR	100,000,000	100	100	7-Oct-14		Luxembourg
FR0010810424	EUR	50,000,000	50	50	7-Oct-19		Luxembourg

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Obligations foncières ISIN code	Currency	Nominal amount in foreign currency	Balance (EUR millions)	Redemption value* (EUR millions)	Final due date	Next call date	Stock exchange
FR0010821074	EUR	10,000,000	10	10	12-Nov-18		Luxembourg
FR0010840108	EUR	150,000,000	150	150	23-Dec-24		Luxembourg
FR0010850982	EUR	1,000,000,000	999	1,000	26-Jan-22		Luxembourg
FR0010850982	EUR	500,000,000	520	500	26-Jan-22		Luxembourg
FR0010850982	EUR	200,000,000	197	200	26-Jan-22		Luxembourg
FR0010850982	EUR	200,000,000	192	200	26-Jan-22		Luxembourg
FR0010857797	EUR	100,000,000	100	100	16-Feb-18		Luxembourg
FR0010859777	EUR	1,000,000,000	996	1,000	26-Feb-18		Luxembourg
FR0010859777	EUR	300,000,000	295	300	26-Feb-18		Luxembourg
FR0010878264	EUR	15,000,000	15	15	26-Mar-19		Luxembourg
FR0010888420	EUR	1,000,000,000	996	1,000	20-Jul-15		Luxembourg
FR0010888420	EUR	200,000,000	201	200	20-Jul-15		Luxembourg
FR0010898338	EUR	300,000,000	300	300	21-May-20		Luxembourg
FR0010912824	EUR	200,000,000	200	200	21-Jun-20		Luxembourg
FR0010921601	EUR	50,000,000	50	50	20-Jul-15		Luxembourg
FR0010923920	EUR	10,000,000	10	10	23-Jul-25		Luxembourg
FR0010925073	EUR	24,000,000	24	24	27-Jul-29		Luxembourg
FR0010945956	EUR	1,250,000,000	1,250	1,250	25-Jan-16		Luxembourg
FR0010945964	EUR	750,000,000	744	750	24-Sep-20		Luxembourg - Paris
FR0010945964	EUR	300,000,000	278	300	24-Sep-20		Luxembourg - Paris
FR0010945964	EUR	200,000,000	187	200	24-Sep-20		Luxembourg - Paris
FR0010946525	EUR	150,000,000	150	150	28-Sep-15		Luxembourg
FR0010963859	EUR	11,000,000	11	11	2-Dec-25		Luxembourg
FR0010998039	EUR	1,000,000,000	991	1,000	26-Jan-21		Luxembourg - Paris
FR0010998039	EUR	300,000,000	296	300	26-Jan-21		Luxembourg - Paris
FR0010998039	EUR	150,000,000	147	150	26-Jan-21		Luxembourg - Paris
FR0010998039	EUR	300,000,000	300	300	26-Jan-21		Luxembourg - Paris
FR0010998039	EUR	250,000,000	251	250	26-Jan-21		Luxembourg - Paris
FR0011006907	EUR	67,000,000	67	67	15-Feb-23		Luxembourg
FR0011019462	EUR	12,000,000	12	12	29-Mar-21		Luxembourg
FR0011037977	EUR	10,000,000	10	10	19-Apr-16		Luxembourg
FR0011049782	EUR	1,000,000,000	997	1,000	18-May-16		Luxembourg - Paris
FR0011053222	EUR	450,000,000	450	450	1-Feb-16		Luxembourg
FR0011072826	EUR	250,000,000	249	250	3-Jul-23		Luxembourg
XS0195411698	EUR	75,000,000	75	75	28-Dec-12		Luxembourg
TOTAL	**EUR**	**47,124,893,322**	**47,049**	**47,213**			
FR0000470775	GBP	189,000,000	226	300	22-Nov-17		Unlisted
FR0000486581	GBP	125,000,000	148	205	16-Jul-26		Luxembourg
FR0000487738	GBP	215,000,000	257	345	14-Dec-16		Unlisted
FR0010306803	GBP	100,000,000	120	143	19-Apr-16		Luxembourg
FR0010556506	GBP	31,000,000	37	44	7-Dec-12		Unlisted
TOTAL	**GBP**	**660,000,000**	**789**	**1,037**			
FR0000471195	HKD	200,000,000	20	26	5-Dec-17		Luxembourg
TOTAL	**HKD**	**200,000,000**	**20**	**26**			
FR0000486821	JPY	3,000,000,000	30	28	8-Aug-16		Luxembourg
FR0010197822	JPY	60,000,000,000	599	442	21-May-12		Luxembourg
FR0010197822	JPY	20,000,000,000	200	152	21-May-12		Luxembourg
FR0010199802	JPY	10,000,000,000	100	74	14-Jun-17		Unlisted
FR0010225433	JPY	10,000,000,000	100	74	1-Sep-20		Unlisted

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FR0010239335	JPY	1,000,000,000	10	7	27-Oct-20	27-Oct-12	Unlisted
FR0010279240	JPY	1,000,000,000	10	7	30-Jan-26		Unlisted
FR0010333526	JPY	600,000,000	6	4	1-Jun-21	01-Jun-12	Unlisted
FR0010347930	JPY	5,000,000,000	50	34	20-Jul-21		Unlisted
FR0010386128	JPY	50,000,000,000	499	336	31-Oct-13		Luxembourg
FR0010412742	JPY	5,000,000,000	50	32	18-Jan-17		Unlisted
FR0010437343	JPY	2,000,000,000	20	13	26-Mar-14		Unlisted
FR0010466086	JPY	1,100,000,000	11	7	26-Mar-14		Unlisted
FR0010468652	JPY	50,000,000,000	499	308	9-May-17		Luxembourg
FR0010469817	JPY	7,600,000,000	76	47	20-Jun-14		Luxembourg
FR0010526475	JPY	5,000,000,000	50	31	18-Oct-17		Unlisted
FR0010629592	JPY	5,000,000,000	50	31	25-Jun-18		Unlisted
TOTAL	**JPY**	**236,300,000,000**	**2,359**	**1,627**			
FR0011006642	NOK	500,000,000	64	64	18-Feb-21		Luxembourg
FR0011056654	NOK	500,000,000	64	64	7-Jun-21		Luxembourg
TOTAL	**NOK**	**1,000,000,000**	**129**	**128**			
FR0010306548	PLN	25,000,000	13	14	12-Apr-25		Unlisted
TOTAL	**PLN**	**25,000,000**	**13**	**14**			
FR0010636423	SEK	1,000,000,000	112	106	29-Jun-15		Luxembourg
FR0010640557	SEK	333,000,000	37	35	8-Jul-15		Luxembourg
TOTAL	**SEK**	**1,333,000,000**	**150**	**142**			
FR0000470239	USD	20,000,000	15	20	12-Sep-17		Luxembourg
FR0010096982	USD	139,200,000	107	115	1-Jul-19		Luxembourg
FR0010130476	USD	127,920,000	99	100	17-Nov-14		Unlisted
FR0010261511	USD	100,000,000	77	85	9-Dec-13		Unlisted
FR0010289488	USD	300,000,000	231	249	30-Jan-14		Unlisted
FR0010306563	USD	200,000,000	154	167	25-Apr-14		Unlisted
FR0010322826	USD	61,800,000	48	50	10-Jun-13		Luxembourg
FR0010345215	USD	300,000,000	231	238	21-Jun-12		Unlisted
FR0010363507	USD	100,000,000	77	79	25-Mar-15		Unlisted
FR0010386045	USD	1,210,000,000	932	965	17-Jan-12		Luxembourg
FR0010386045	USD	200,000,000	154	129	17-Jan-12		Luxembourg
FR0010422980	USD	24,020,000	19	19	24-Mar-14		Unlisted
FR0010422980	USD	10,000,000	8	7	24-Mar-14		Unlisted
FR0010437368	USD	895,000,000	689	687	16-Feb-17		Luxembourg
FR0010452805	USD	100,000,000	77	75	27-Mar-13		Unlisted
FR0010479964	USD	1,210,000,000	932	899	31-May-12		Luxembourg
FR0010479964	USD	150,000,000	116	97	31-May-12		Luxembourg
FR0010487108	USD	30,000,000	23	22	24-Jun-14		Unlisted
FR0010491597	USD	40,000,000	31	30	20-Jun-14		Luxembourg
FR0010568758	USD	300,000,000	231	204	31-Dec-15		Unlisted
FR0010571109	USD	200,000,000	153	135	18-Dec-17		Unlisted
FR0010572552	USD	250,000,000	192	168	22-Jan-18		Luxembourg
FR0010584805	USD	200,000,000	154	138	15-Feb-13		Unlisted
FR0010611400	USD	40,000,000	200	194	30-Apr-38	30-Apr-13	Luxembourg
FR0010617464	USD	40,000,000	145	140	16-May-33	16-May-12	Luxembourg
FR0010953836	USD	31,506,000	24	95	26-Oct-40	26-Oct-15	Luxembourg
FR0011023183	USD	100,000,000	77	72	21-Mar-14		Luxembourg
FR0011043405	USD	150,000,000	116	101	9-May-14		Luxembourg

* *Value determined by the interest rate and currency swaps contracted to hedge the issue of* obligations foncières *and registered covered bonds.*

Obligations foncières ISIN code	Currency	Nominal amount in foreign currency	Balance	Redemption value*	Final due date	Next call date	Stock exchange
			(EUR millions)				
FR0011047463	USD	150,000,000	116	103	13-May-14		Luxembourg
XS0193749636	USD	70,000,000	54	58	12-Dec-12		Luxembourg
XS0211544746	USD	75,000,000	58	58	4-Mar-15		Luxembourg
XS0211544746	USD	50,000,000	38	42	4-Mar-15		Luxembourg
TOTAL	**USD**	**6,874,446,000**	**5,579**	**5,540**			
TOTAL *OBLIGATIONS FONCIÈRES*			**60,128**	**58,966**			

Registered covered bonds	Currency	Nominal amount in foreign currency	Balance	Redemption value *	Final due date	Next call date	Stock exchange
			(EUR millions)				
RCB 1	EUR	37,735,849	38	38	15-Aug-24		Unlisted
RCB 2	EUR	26,829,268	27	27	15-Aug-33		Unlisted
RCB 3	EUR	26,190,476	26	26	15-Nov-33		Unlisted
RCB 4	EUR	21,951,220	22	22	15-Aug-33		Unlisted
RCB 5	EUR	21,428,571	21	21	15-Nov-33		Unlisted
RCB 6	EUR	37,735,849	38	38	15-Feb-24		Unlisted
RCB 7	EUR	15,000,000	15	15	15-May-25		Unlisted
RCB 8	EUR	28,947,368	29	29	15-Feb-33		Unlisted
RCB 9	EUR	27,500,000	27	28	16-May-33		Unlisted
RCB 10	EUR	23,684,211	24	24	15-Feb-33		Unlisted
RCB 11	EUR	22,500,000	23	23	16-May-33		Unlisted
RCB 12	EUR	37,735,849	38	38	15-May-24		Unlisted
RCB 13	EUR	37,735,849	38	38	15-Nov-24		Unlisted
RCB 14	EUR	15,000,000	15	15	17-Feb-25		Unlisted
RCB 15	EUR	15,000,000	15	15	15-Aug-25		Unlisted
RCB 16	EUR	15,000,000	15	15	17-Nov-25		Unlisted
RCB 17	EUR	21,000,000	21	21	21-Oct-41	21-Oct-16	Unlisted
RCB 18	EUR	10,000,000	10	10	24-Oct-16		Unlisted
RCB 19	EUR	100,000,000	100	100	6-Nov-23		Unlisted
RCB 20	EUR	30,000,000	30	30	6-Nov-24		Unlisted
RCB 21	EUR	15,000,000	15	15	26-Nov-29		Unlisted
RCB 22	EUR	15,000,000	15	15	26-Nov-29		Unlisted
RCB 23	EUR	15,000,000	15	15	22-Nov-21		Unlisted
RCB 24	EUR	10,000,000	10	10	17-Jan-24		Unlisted
RCB 25	EUR	50,000,000	50	50	17-Jan-24		Unlisted
RCB 26	EUR	15,000,000	15	15	22-Jan-27		Unlisted
RCB 27	EUR	50,000,000	50	50	15-Feb-27		Unlisted
RCB 28	EUR	50,000,000	50	50	15-Feb-27		Unlisted
RCB 29	EUR	50,000,000	50	50	26-Feb-27		Unlisted
RCB 30	EUR	50,000,000	50	50	26-Feb-27		Unlisted
RCB 31	EUR	20,000,000	20	20	28-Feb-17		Unlisted
RCB 32	EUR	10,000,000	10	10	17-Mar-42	17-Mar-17	Unlisted
RCB 33	EUR	10,000,000	10	10	17-Mar-42	17-Mar-17	Unlisted
RCB 34	EUR	20,000,000	20	20	16-Apr-17		Unlisted
RCB 35	EUR	10,000,000	10	10	23-Apr-27		Unlisted
RCB 36	EUR	20,000,000	20	20	24-Apr-17		Unlisted

** Value determined by the interest rate and currency swaps contracted to hedge the issue of* obligations foncières *and registered covered bonds.*

Registered covered bonds	Currency	Nominal amount in foreign currency	Balance	Redemption value *	Final due date	Next call date	Stock exchange
			(EUR millions)				
RCB 37	EUR	15,000,000	15	15	9-May-42	9-May-17	Unlisted
RCB 38	EUR	15,000,000	15	15	9-May-42	9-May-17	Unlisted
RCB 39	EUR	20,000,000	20	20	25-May-27		Unlisted
RCB 40	EUR	15,000,000	15	15	4-Jun-27		Unlisted
RCB 41	EUR	10,000,000	10	10	12-Jun-17		Unlisted
RCB 42	EUR	10,000,000	10	10	12-Jun-17		Unlisted
RCB 43	EUR	2,000,000	2	2	12-Jun-17		Unlisted
RCB 44	EUR	50,000,000	50	50	11-Jun-27		Unlisted
RCB 45	EUR	50,000,000	50	50	11-Jun-27		Unlisted
RCB 46	EUR	20,000,000	20	20	28-Nov-17		Unlisted
RCB 47	EUR	10,000,000	10	10	28-Nov-17		Unlisted
RCB 48	EUR	10,000,000	10	10	26-Jun-17		Unlisted
RCB 49	EUR	10,000,000	10	10	26-Jun-17		Unlisted
RCB 50	EUR	10,000,000	10	10	9-Jul-27		Unlisted
RCB 51	EUR	75,000,000	75	75	14-Aug-26		Unlisted
RCB 52	EUR	10,000,000	10	10	23-Oct-47	23-Oct-17	Unlisted
RCB 53	EUR	1,000,000	1	1	23-Oct-47	23-Oct-17	Unlisted
RCB 54	EUR	1,500,000	2	2	23-Oct-47	23-Oct-17	Unlisted
RCB 55	EUR	1,500,000	2	2	23-Oct-47	23-Oct-17	Unlisted
RCB 56	EUR	1,000,000	1	1	23-Oct-47	23-Oct-17	Unlisted
RCB 57	EUR	20,000,000	20	20	19-Nov-47	16-Nov-17	Unlisted
RCB 58	EUR	10,000,000	10	10	19-Nov-47	16-Nov-17	Unlisted
RCB 59	EUR	1,000,000	1	1	19-Nov-47	16-Nov-17	Unlisted
RCB 60	EUR	25,000,000	25	25	7-Dec-47	7-Dec-17	Unlisted
RCB 61	EUR	25,000,000	25	25	7-Dec-47	7-Dec-17	Unlisted
RCB 62	EUR	11,000,000	11	11	14-Jan-48	14-Jan-18	Unlisted
RCB 63	EUR	5,000,000	5	5	14-Jan-48	14-Jan-18	Unlisted
RCB 64	EUR	2,000,000	2	2	14-Jan-48	14-Jan-18	Unlisted
RCB 65	EUR	2,000,000	2	2	14-Jan-48	14-Jan-18	Unlisted
RCB 66-1	EUR	15,000,000	15	15	24-Jan-48	24-Jan-18	Unlisted
RCB 66-2	EUR	5,000,000	5	5	24-Jan-48	24-Jan-18	Unlisted
RCB 67	EUR	10,000,000	10	10	24-Jan-48		Unlisted
RCB 68	EUR	10,000,000	10	10	7-Feb-48	7-Feb-18	Unlisted
RCB 69	EUR	5,000,000	13	13	15-May-28		Unlisted
RCB 70	EUR	10,000,000	10	10	20-May-48	20-May-18	Unlisted
RCB 71	EUR	10,000,000	10	10	20-May-48	20-May-18	Unlisted
RCB 72	EUR	10,000,000	10	10	16-Jun-23		Unlisted
RCB 73	EUR	50,000,000	50	50	23-Jun-20		Unlisted
RCB 74	EUR	20,000,000	20	20	19-Jun-48	19-Jun-18	Unlisted
RCB 75	EUR	50,000,000	50	50	30-Jul-18		Unlisted
RCB 76	EUR	25,000,000	25	25	06-Aug-25		Unlisted
RCB 77	EUR	20,000,000	20	20	16-Dec-23	16-Dec-14	Unlisted
RCB 78	EUR	10,000,000	10	10	11-Dec-23		Unlisted
RCB 79	EUR	20,000,000	20	20	11-Dec-23		Unlisted
RCB 80	EUR	15,000,000	15	15	20-Dec-24		Unlisted
RCB 81	EUR	5,000,000	5	5	25-Feb-29	25-Feb-19	Unlisted
RCB 82	EUR	1,000,000	1	1	25-Feb-29	25-Feb-19	Unlisted
RCB 83	EUR	14,000,000	14	14	25-Feb-29	25-Feb-19	Unlisted
RCB 84	EUR	2,000,000	2	2	5-Mar-27	5-Mar-18	Unlisted

* *Value determined by the interest rate and currency swaps contracted to hedge the issue of* obligations foncières *and registered covered bonds.*

Registered covered bonds	Currency	Nominal amount in foreign currency	Balance	Redemption value *	Final due date	Next call date	Stock exchange
			(EUR millions)				
RCB 85	EUR	10,000,000	10	10	5-Mar-27	5-Mar-18	Unlisted
RCB 86	EUR	8,000,000	8	8	5-Mar-27	5-Mar-18	Unlisted
RCB 87	EUR	20,000,000	20	20	5-Mar-19		Unlisted
RCB 88	EUR	10,000,000	10	10	5-Mar-19		Unlisted
RCB 89	EUR	20,000,000	20	20	17-Mar-26	17-Mar-19	Unlisted
RCB 90	EUR	65,200,000	65	65	1-Apr-24		Unlisted
RCB 91	EUR	5,000,000	5	5	8-Apr-22		Unlisted
RCB 92	EUR	5,000,000	5	5	8-Apr-22		Unlisted
RCB 93	EUR	5,000,000	5	5	8-Apr-22		Unlisted
RCB 94	EUR	5,000,000	5	5	8-Apr-22		Unlisted
RCB 95	EUR	5,000,000	5	5	8-Apr-22		Unlisted
RCB 96	EUR	5,000,000	5	5	8-Apr-22		Unlisted
RCB 97	EUR	50,000,000	50	50	6-May-22		Unlisted
RCB 98	EUR	50,000,000	50	50	5-May-23		Unlisted
RCB 99	EUR	25,000,000	25	25	5-May-23		Unlisted
RCB 100	EUR	10,000,000	10	10	5-May-23		Unlisted
RCB 101	EUR	50,000,000	50	50	22-Apr-26		Unlisted
RCB 102	EUR	10,000,000	10	10	22-Apr-26		Unlisted
RCB 103	EUR	50,000,000	50	50	19-May-26		Unlisted
RCB 104	EUR	50,000,000	50	50	19-May-25		Unlisted
RCB 105	EUR	20,000,000	20	20	19-May-26		Unlisted
RCB 106	EUR	20,000,000	20	20	19-May-25		Unlisted
RCB 107	EUR	10,000,000	10	10	19-May-26		Unlisted
RCB 108	EUR	50,000,000	50	50	28-May-27		Unlisted
RCB 109	EUR	25,000,000	25	25	28-May-27		Unlisted
RCB 110	EUR	50,000,000	50	50	26-May-28		Unlisted
RCB 111	EUR	50,000,000	50	50	9-Jun-23		Unlisted
RCB 112	EUR	25,000,000	25	25	9-Jun-23		Unlisted
RCB 113	EUR	15,000,000	15	15	9-Jun-23		Unlisted
RCB 114	EUR	50,000,000	50	50	24-Jun-19		Unlisted
RCB 115	EUR	10,000,000	10	10	24-Jun-19		Unlisted
RCB 116	EUR	50,000,000	50	50	8-Jul-26		Unlisted
RCB 117	EUR	25,000,000	25	25	8-Jul-26		Unlisted
RCB 118	EUR	10,000,000	10	10	8-Jul-26		Unlisted
RCB 119	EUR	50,000,000	50	50	10-Jul-28		Unlisted
RCB 120	EUR	25,000,000	25	25	10-Jul-28		Unlisted
RCB 121	EUR	10,000,000	10	10	10-Jul-28		Unlisted
RCB 122	EUR	20,000,000	20	20	10-Jul-28		Unlisted
RCB 123	EUR	10,000,000	10	10	21-Jul-25		Unlisted
RCB 124	EUR	15,000,000	15	15	21-Jul-25		Unlisted
RCB 125	EUR	50,000,000	50	50	22-Jul-27		Unlisted
RCB 126	EUR	10,000,000	10	10	22-Jul-27		Unlisted
RCB 127	EUR	20,000,000	20	20	20-Jul-29		Unlisted
RCB 128	EUR	15,000,000	15	15	29-Jul-27		Unlisted
RCB 129	EUR	10,000,000	10	10	29-Jul-27		Unlisted
RCB 130	EUR	10,000,000	10	10	31-Jul-23		Unlisted
RCB 131	EUR	15,000,000	15	15	30-Jul-26		Unlisted
RCB 132	EUR	10,000,000	10	10	30-Jul-27		Unlisted
RCB 133	EUR	10,000,000	10	10	12-Aug-24		Unlisted

* *Value determined by the interest rate and currency swaps contracted to hedge the issue of* obligations foncières *and registered covered bonds.*

Registered covered bonds	Currency	Nominal amount in foreign currency	Balance (EUR millions)	Redemption value * (EUR millions)	Final due date	Next call date	Stock exchange
RCB 134	EUR	50,000,000	50	50	12-Aug-27		Unlisted
RCB 135	EUR	50,000,000	50	50	14-Aug-28		Unlisted
RCB 136	EUR	25,000,000	25	25	14-Aug-28		Unlisted
RCB 137	EUR	15,000,000	15	15	14-Aug-28		Unlisted
RCB 138	EUR	10,000,000	10	10	14-Aug-28		Unlisted
RCB 139	EUR	15,000,000	15	15	14-Aug-24		Unlisted
RCB 140	EUR	10,000,000	10	10	23-Sep-26		Unlisted
RCB 141	EUR	50,000,000	50	50	27-Aug-29		Unlisted
RCB 142	EUR	25,000,000	25	25	27-Aug-29		Unlisted
RCB 143	EUR	50,000,000	50	50	31-Aug-29		Unlisted
RCB 144	EUR	50,000,000	50	50	31-Aug-29		Unlisted
RCB 145	EUR	50,000,000	50	50	31-Aug-29		Unlisted
RCB 146	EUR	5,500,000	6	6	30-Aug-24		Unlisted
RCB 147	EUR	14,500,000	15	15	7-Sep-29		Unlisted
RCB 148	EUR	15,000,000	15	15	14-Sep-21		Unlisted
RCB 149	EUR	50,000,000	50	50	14-Sep-27		Unlisted
RCB 150	EUR	15,000,000	15	15	14-Sep-27		Unlisted
RCB 151	EUR	10,000,000	10	10	14-Sep-27		Unlisted
RCB 152	EUR	5,000,000	5	5	14-Sep-27		Unlisted
RCB 153	EUR	20,000,000	20	20	16-Sep-24		Unlisted
RCB 154	EUR	10,000,000	10	10	17-Sep-29		Unlisted
RCB 155	EUR	5,000,000	5	5	17-Sep-29		Unlisted
RCB 156	EUR	20,000,000	20	20	24-Sep-31		Unlisted
RCB 157	EUR	20,000,000	20	20	26-Sep-33		Unlisted
RCB 158	EUR	10,000,000	10	10	9-Oct-24		Unlisted
RCB 159	EUR	5,000,000	5	5	9-Oct-24		Unlisted
RCB 160	EUR	10,000,000	10	10	22-Oct-24		Unlisted
RCB 161	EUR	20,000,000	20	20	25-Oct-21		Unlisted
RCB 162	EUR	8,000,000	8	8	26-Oct-29		Unlisted
RCB 163	EUR	15,000,000	15	15	21-Dec-28		Unlisted
RCB 164	EUR	10,000,000	10	10	24-May-17		Unlisted
RCB 165	EUR	30,000,000	30	30	21-Jan-30		Unlisted
RCB 166	EUR	100,000,000	100	100	28-Jan-30		Unlisted
RCB 167	EUR	15,000,000	15	15	28-Jan-30		Unlisted
RCB 168	EUR	50,000,000	50	50	28-Jan-30		Unlisted
RCB 169	EUR	25,000,000	25	25	28-Jan-30		Unlisted
RCB 170	EUR	110,000,000	107	110	18-Feb-28		Unlisted
RCB 171	EUR	10,000,000	10	10	26-Feb-30		Unlisted
RCB 172	EUR	5,000,000	5	5	26-Feb-30		Unlisted
RCB 173	EUR	10,000,000	10	10	27-Dec-33	27-Dec-23	Unlisted
RCB 174	EUR	30,000,000	30	30	26-Feb-30		Unlisted
RCB 175	EUR	15,000,000	15	15	26-Feb-30		Unlisted
RCB 176	EUR	20,000,000	20	20	01-Apr-30		Unlisted
RCB 177	EUR	20,000,000	20	20	01-Apr-30		Unlisted
RCB 178	EUR	7,000,000	7	7	3-May-29		Unlisted
RCB 179	EUR	3,000,000	3	3	3-May-29		Unlisted
RCB 180	EUR	5,000,000	5	5	4-Jun-40	4-Jun-20	Unlisted
RCB 181	EUR	10,000,000	10	10	11-Jun-25		Unlisted
RCB 182	EUR	1,000,000	1	1	11-Jun-25		Unlisted

* *Value determined by the interest rate and currency swaps contracted to hedge the issue of* obligations foncières *and registered covered bonds.*

Registered covered bonds	Currency	Nominal amount in foreign currency	Balance	Redemption value *	Final due date	Next call date	Stock exchange
			(EUR millions)				
RCB 183	EUR	1,000,000	1	1	11-Jun-25		Unlisted
RCB 184	EUR	10,000,000	10	10	16-Sep-32		Unlisted
RCB 185	EUR	10,000,000	10	10	20-Mar-29		Unlisted
RCB 186	EUR	10,000,000	10	10	28-Feb-21		Unlisted
RCB 187	EUR	40,000,000	40	40	28-Feb-31		Unlisted
RCB 188	EUR	4,000,000	4	4	28-Feb-31		Unlisted
RCB 189	EUR	3,000,000	3	3	28-Feb-31		Unlisted
RCB 190	EUR	27,500,000	28	28	28-Feb-31		Unlisted
RCB 191	EUR	1,000,000	1	1	28-Feb-31		Unlisted
RCB 192	EUR	23,000,000	23	23	28-Feb-31		Unlisted
RCB 193	EUR	28,000,000	28	28	28-Feb-31		Unlisted
RCB 194	EUR	20,000,000	20	20	28-Feb-31		Unlisted
RCB 195	EUR	2,000,000	2	2	28-Feb-31		Unlisted
RCB 196	EUR	500,000	1	1	28-Feb-31		Unlisted
RCB 197	EUR	1,000,000	1	1	28-Feb-31		Unlisted
RCB 198	EUR	10,000,000	10	10	29-Mar-21		Unlisted
RCB 199	EUR	5,000,000	5	5	17-Mar-31		Unlisted
RCB 200	EUR	5,000,000	5	5	17-Mar-31		Unlisted
RCB 201	EUR	10,000,000	10	10	31-Mar-21		Unlisted
RCB 202	EUR	5,000,000	5	5	7-Apr-26		Unlisted
RCB 203	EUR	5,000,000	5	5	7-Apr-26		Unlisted
RCB 204	EUR	5,000,000	5	5	7-Apr-31		Unlisted
RCB 205	EUR	5,000,000	5	5	7-Apr-31		Unlisted
RCB 206	EUR	500,000	0	1	7-Apr-31		Unlisted
RCB 207	EUR	5,000,000	5	5	7-Apr-31		Unlisted
RCB 208	EUR	5,000,000	5	5	20-May-30		Unlisted
	EUR	**4,249,674,510**	**4,252**	**4,258**			
TOTAL REGISTERED COVERED BONDS			**4,252**	**4,258**			
BALANCE SHEET TOTAL			**64,380**	**63,224**			

* *Value determined by the interest rate and currency swaps contracted to hedge the issue of* obligations foncières *and registered covered bonds.*

Report of the Chairman of the Supervisory Board
prepared in accordance with article L.225-68 of the Code of Commerce

This report presents the composition of the Supervisory Board, the application of the principle of balanced representation of men and women as members, the conditions of preparation and organization of the Board's deliberations, as well as the principles of internal control and risk management applied by the Company, specifying in particular the procedures related to the production and processing of accounting and financial data for the annual financial statements. It describes the principles and procedures applied during the year 2011.

As a credit institution, Dexia Municipal Agency refers, in order to draw up this report, to the provisions of the Banking and Financial Regulation Committee (CRBF standard 97-02, modified by the *arrêtés of* March 31, 2005, June 17, 2005, February 20, 2007, July 2, 2007, September 11, 2008, January 14, 2009, May 5, 2009, October 29, 2009 (two *arrêtés*), November 3, 2009, January 19, 2010, August 25, 2010, and December 13, 2010, which defines the roles, principles and organization of internal control, as well as to the reference framework published by the French Financial Markets Authority (AMF).
This report, drawn up by the Chairman of the Supervisory Board of Dexia Municipal Agency, was prepared by the Executive Board, which gathered the necessary information from all the operating departments and support functions concerned, in particular the risk management and permanent control division and the finance division.

1. Conditions of preparation and organization of the Supervisory Board's governance

The purpose of Dexia Municipal Agency is to finance public sector commitments generated by the Dexia Group by issuing *obligations foncières* and raising other funds benefiting from the same privilege, which the rating agencies consider to be of the best credit quality. This role is strategic for the Dexia Group's public finance activity.

The Supervisory Board exercises permanent control of the Company's management by the Executive Board. Since the last Annual Shareholders' Meeting, the number of members went from 10 to 8 following the resignation of Johan Vankelecom and of Dexia Bank Belgium represented by Michel Luttgens, who were not replaced. The members of the Board are appointed by the Annual Shareholders' Meeting on the basis of their expertise and the contribution they can make to the Company, and their term of office is six years. The Supervisory Board meets at least every three months; the two auditors and the specific controller of the *société de crédit foncier* also attend the meetings. In advance of the meeting, 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 discussed. The Board met six times in 2011. The rate of assiduity was 82%.

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 projects for asset acquisition from Dexia Credit Local and foreign entities. Specific topics are added at different times of the year: the report on internal control and the report on risk assessment and surveillance in application of articles 42 and 43 of CRBF standard 97-02 modified; 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 CRBF standard 99-10.

The information and documents forwarded to the members enable the Board to have a full, clear and accurate view of the Company's position, profitability 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, makes recommendations and, if necessary, requests specific analyses, which are examined in subsequent meetings. The Board pays special attention to transfers of public sector assets to Dexia MA.

It is informed of the performance of Dexia MA's *obligations foncières* in the primary and secondary markets. The Supervisory Board considers that the optimization of Dexia MA's issuance conditions is linked (independently of market conditions) to investors' perception of the excellent quality of the Company's assets (beyond the ratings by Moody's, Fitch and Standard and Poor's) and its very low risk profile with regard to client and market counterparties, interest rates and liquidity. The Supervisory Board pays particular attention to the reports submitted by the Executive Board on these subjects, and to the transparency of communication to investors.

In 2011, in addition to the questions related to the management of the Company and under its responsibility, the Supervisory Board pays particular attention in its governance to fluctuations in portfolio risks, the situation of liquidity, issue ratings and the planned reorganization of the shareholding structure of Dexia MA and the transfer of the commercial activity of Dexia Credit Local to a new company held by La Banque Postale and Caisse des Dépôts.

Information concerning compensation and other advantages granted to members of the management bodies is presented in the section of the management report entitled "Compensation of members of management bodies".
None of the managers of Dexia Municipal Agency receives compensation for the work they do for Dexia MA.
CRBF standard 97-02 authorizes an entity to refer to the parent company's compensation committee for the definition of its compensation policy. On December 3, 2009, the Supervisory Board of Dexia Municipal Agency decided not to create a specific committee at the level of Dexia Municipal Agency since there is a compensation committee at the level

of Dexia SA, which is responsible for Dexia Credit Local and Dexia Municipal Agency.

The Board has taken note of the legal requirements (Law 2011-103 of January 27, 2011) concerning the balanced representation of men and women on the Board and has committed to implement its provisions.

2. Dexia Municipal Agency's particular operating structure

Dexia Municipal Agency is a legally independent company with its own Supervisory Board and Executive Board. However, in order to preserve the privilege enjoyed by holders of *obligations foncières* and other privileged debt securities, the law stipulates that a *société de crédit foncier* is not allowed to employ staff directly and must entrust the management of all its operations to a credit institution with which it signs an agreement (article L.515-22 of the Monetary and Financial Code). This is because employees would have a priority that would supersede any other claim in the event of bankruptcy or liquidation, whereas the management agreement, which benefits from the privilege granted by the law on *sociétés de crédit foncier*, is *pari passu* with the holders of *obligations foncières* and other privileged debt securities. Thus, there are divisions, departments and units at Dexia Credit Local that handle transactions conducted in the name of Dexia MA. The management of Dexia MA is, therefore, subject to the procedures and controls usually applicable to Dexia Credit Local, in addition to the procedures and controls specific to the legal standards and rules that govern the management of Dexia MA.
In terms of governance, and in areas that concern it, Dexia MA applies the practices of its parent company.

3. Internal control

3.1 - ORGANIZATION OF INTERNAL CONTROL

a. Responsibilities of internal control and the general architecture of internal control

Responsibilities of internal control

As a credit institution, Dexia Municipal Agency and Dexia Credit Local, which manages Dexia MA's operations, are subject to the oversight of the Autorité de contrôle prudentiel (ACP).
The objectives and organization of their internal control are defined within the framework set by the Monetary and Financial Code, and CRBF standard 97-02 modified, the correct application of which is periodically checked by the internal audit division.
The internal control system, according to CRBF standard 97-02 modified, ensures that different control procedures are applied to provide:
- the compliance of internal operations and procedures;
- reliable and quality financial and accounting data;
- security in processing information;
- systems to measure and monitor risks and results;
- the control of essential or important externalized activities.

More specifically, the responsibilities assigned to internal control in effect at Dexia Credit Local and applicable to Dexia MA are designed:
- to verify the efficiency of the risk control system
  The internal control system aims to guarantee the Executive Board that the risks taken by the Company are in line with the policy defined by the Supervisory Board and the Executive Board;
- to ensure that the financial and accounting data produced is reliable and relevant
  The main objective of the financial information is to give a true and fair view of the position of Dexia Municipal Agency in a regular, complete and transparent manner. The internal control system is focused on the achievement of this objective;
- to monitor compliance with ethical rules and practices inside and outside the Company
  The correct operation of Dexia MA and its branch implies strict respect of legislative and regulatory obligations, as well as of internal standards that have been decided in addition to these obligations. The procedures and controls set up by Dexia Credit Local and which apply to the operations of Dexia MA make it possible to ensure compliance with these principles;
- to improve the operation of Dexia Municipal Agency while guaranteeing efficient management of available resources
  The decisions taken by the Executive Board to achieve this goal should be able to be implemented rapidly. The internal control procedures ensure the integrity of information flows, the conformity of measures taken and the control of results.

General architecture of the internal control system

The system's general architecture is based on general principles that apply to all lines of business and all support functions. Dexia Credit Local's internal control system, which applies to Dexia MA, relies on integrated controls of all operating, support, management, accounting, etc. processes, the oversight of which is a permanent responsibility of management with successive levels of control.
Moreover, there is a transparent separation of functions designed to maintain and ensure a clear distinction between the operators who conduct operations and transactions, and those in charge of validation, control and settlement.
Following this logic, the general architecture of the internal control system of Dexia Credit Local and Dexia Municipal Agency is grounded on an organization with three levels.
- The first level of control is exercised by each employee and the corresponding chain of command in function of the responsibilities that have been explicitly delegated, the procedures that apply to the activities conducted, and the instructions given;
- The second level of control involves specialized functions that are independent of the activities controlled and report

directly to the Management Board of Dexia Credit Local. This second level may also be the responsibility of specialized committees, made up of staff from operating, support and control functions, and chaired by a member of the Management Board, like the compliance and risk management committees;
- The third level of control is represented by the Dexia Group's audit division, which exercises permanent oversight of the efficient application of the first two levels of control in the parent company and in all of its subsidiaries and branches.

Functions of internal control

Relying on the internal control architecture described above, Dexia Credit Local has defined separate functions designed to meet the specific needs of each of its entities (including Dexia MA).

- Permanent control excluding compliance
  This control verifies that the risk control system applied is solid and efficient, ensures the quality of financial and accounting data as well as of the information systems. The organization of permanent control excluding compliance is developed below in paragraph 3.1.f.
- Compliance control
  This control verifies that all the standards and procedures are applied on a permanent basis and do not expose the Company, by reason of their absence or non-application, to any risk of administrative or disciplinary sanctions, financial risk, or damage to its reputation. The organization of this function is developed below in paragraph 3.1.g.
- Periodic control or internal audit
  This control, exercised by the internal audit division of Dexia Credit Local, in close coordination with the Dexia Group's internal audit teams, is responsible for monitoring the efficiency and effective application of the controls, in the parent company and all the subsidiaries and branches. The organization of this function is developed below in paragraph 3.1.h.
- Internal references
  In order to ensure that the appropriate information and instructions are available to all the players in internal control, the Dexia Credit Local Group has progressively developed a common set of references. These reference documents may be regrouped in four broad categories.
  - Charters define, for each business line or activity, the reference objectives and policies that the Group has set for itself, and develop a conceptual framework governing organization and operation. This is, for example, the case of the internal audit charter and the compliance charter defined by the Dexia Group.
  - Codes regroup, for a given activity, rules of conduct or best practices that apply to all the employees concerned, independently of their hierarchical or functional reporting lines. The code of compliance and business ethics is distributed to all employees, both at headquarters and in the subsidiaries and branches. It can be easily accessed by all employees via the Company's intranet system, under the heading "Compliance".
  - Rules of conduct, also called guidelines, are the first level of operational application of these charters and codes. They set practical standards of quality, define effective limits and organize the delegation system. The rules of conduct drawn up by the Dexia Group's risk management team thus make it possible to determine all the counterparty limits set for the Dexia Credit Local Group and for Dexia MA.
  - Finally, in application of the charters, codes and guidelines, the procedures define the organization, the measures to be taken and the control to be exercised to perform a given activity. All employees in their units or divisions should have a manual of procedures applicable to the position they occupy. For the same reasons, service contracts are signed to formalize the relations between two divisions or two Dexia Group entities in a customer-supplier relationship by specifying the level of service that is expected.

In addition, the definition of processes, within the framework of Dexia Credit Local's ISO 9001 quality certification (although it mainly targets customer satisfaction) guided the Company in an approach that ensures the overall control of its activities.

b. Executive Board

The Executive Board of Dexia MA is the front-ranking guarantor of the efficient operation of the Company's internal control procedures. Given the structure of Dexia MA and the management agreement that binds it to Dexia Credit Local, the Executive Board relies on the organization of internal control in effect at Dexia Credit Local.

The Chief Executive Officer of Dexia Credit Local, who chairs the Management Board, defines and coordinates the policy of the Dexia Credit Local Group in terms of internal control. He allocates resources and sets deadlines for measures taken within the framework of this policy. He verifies that the objectives are achieved and that the internal control system is adapted to needs. Lastly, he adjusts these needs in function of internal and external developments.
To carry out this assignment, the Chief Executive Officer relies on the Management Board, whose members are permanently involved in the internal control system through their operating responsibilities, their participation in the different monitoring committees, and the reports, especially audits, that are systematically submitted to them.
Those responsible for compliance, periodic control, permanent control and the head of the risk management division report directly to the Chief Executive Officer.

c. Operating divisions

The managers of the operating divisions guarantee the adaptation and efficiency of internal control in their field of activity. In particular, they are in charge of analyzing the risks involved in all the transactions they have initiated and verifying that internal control procedures in their division are adapted to such risks. If there is a change in the internal or external environment that may have an impact on the system, they should propose or make, in function of their level of responsibility, the adaptations required to maintain proper control of any risks incurred.

d. Risk management

On the basis of the strategy defined by the Executive Board of Dexia Municipal Agency, the risk management division determines the level of risk that can be accepted, takes independent and integrated risk management decisions for the different categories of risk, monitors and manages risks, and proactively identifies and alerts on potential risks together with the Group.

The general organization of risk management was introduced in 2010 to reflect that of the Group, with cross-division business lines – credit risk with Public & Wholesale Banking (PWB), financial risk with Treasury & Financial Markets (TFM), and operational risk. Dexia Credit Local's risk management division exercises its responsibilities either directly or by using the services of specialized units at the level of the Group. These services are defined by Service Level Agreements (SLA).

The in-depth restructuring of the Group, which was initiated in autumn 2011, was characterized by the sale of Dexia Bank Belgium (DBB) and the transfer to DBB of many of Dexia SA's teams in Brussels. This resulted in a reorganization of the Group's risk management activities. Risk management activities currently under the responsibility of Dexia SA teams in Brussels and expertise centers at DBB are to be recreated at the level of Dexia Credit Local. In anticipation of this new organization, the teams now continue to provide services as stipulated in the Service Level Agreements now in effect.

The organization and governance presented below correspond to the structure in place as of December 31, 2011. This structure will change in the near future in line with the developments mentioned above, and with the anticipated modifications in Dexia MA's shareholding structure and in its public finance activities in France.

The chief operating responsibilities of Dexia's risk management division are as follows:
- to define a general policy in risk management under the aegis of the Executive Board;
- to set up and manage risk monitoring and decision-making processes;
- to determine credit limits and delegation for the different decision-makers.

The head of risk management at Dexia Municipal Agency is the head of risk management of Dexia Credit Local. He is a member of the Management Board of Dexia Credit Local and reports to Dexia SA's risk manager for management issues and functionally to the Chief Executive Officer of Dexia Credit Local. He has no hierarchical link with the other units. He exercises his role in full independence of the operating divisions and lines.

The risk management division is competent to monitor all the risks generated by banking activities, including credit, market, liquidity and operational risks as defined by CRBF standard 97-02 modified.
Risk management strictly follows the instructions of the Dexia Group with regard to risk assessment methods, limits and reporting procedures, which are defined by the Group's risk management division. It also ensures that the Dexia MA's specific rules in this area are respected.

e. Committees

All operations conducted by Dexia Municipal Agency are subject to control by different committees set up by Dexia Credit Local or the Dexia Group. This control takes into account the particular rules and limits applicable to Dexia MA. A description of the committees follows.

Management of credit risk

Several cross-company committees are organized by Dexia:
- the Risk Policy Committee, which meets quarterly to approve the rules for the attribution of credit risks, detailed in credit risk policies;
- the Risk Executive Committee, which meets weekly to decide on the risk management strategy and the organization of the support line;
- the Management Credit Committee takes decisions concerning credit proposals with a high risk profile or major commitments.

The head of risk management of Dexia Credit Local is a member of the Risk Executive Committee.

Credit decisions

In order to facilitate the decision-making process, the Management Credit Committee delegates its decision-making power to the Credit Committee of Dexia Credit Local and/or the FM TLC (Financial Markets Transaction and Limits Committee). Such delegation is governed by specific rules by type of counterparty, on the basis of their rating and the amount of the Group's exposure. The Management Credit Committee remains the foremost decision-making body with regard to major credit authorizations or sensitive risk levels.

Credit decisions are the responsibility of several committees.
- Dexia Credit Local's Credit Committee meets weekly to take decisions concerning new commitments proposed by Dexia Credit Local and its international network;
- the FM TLC, organized at the level of Dexia for Treasury & Financial Markets (TFM) activities, oversees new commitments, the determination and monitoring of limits.

Dexia Credit Local's risk management team systematically participates in FM TLC meetings, and approves the files that

are the responsibility of Dexia Credit Local and its different subsidiaries and branches. It also has a right to veto such files. Every proposal presented to a committee is accompanied by the main risk indicators, as well as a qualitative analysis of the operation drawn up by the risk management division of Dexia Credit Local or the Dexia Group.
Delegations are granted to the commercial network in France. The Italian and Spanish subsidiaries have delegation that is limited solely to public sector customers.

Supervision of credit risks

Parallel to monitoring the credit decision-making process, several committees are in change of supervising specific risks. These committees are organized by expertise and by entity and meet on a quarterly basis. They include the following.

- The PWB and TFM Special Mention and Watchlist Committees monitor assets under surveillance.
- The PWB and TFM Default Committees qualify and monitor default counterparties in accordance with Basel II, applying the rules in effect at Dexia.
- The Impairments Committees determine the amount of provisions and monitor the cost of risk on a quarterly basis.
- The Rating Committees verify the proper application of internal rating systems and the appropriateness of rating processes.

The PWB Special Mention and Watchlist Committee, the PWB Default Committee and the Impairments Committee are organized at the level of the different subsidiaries and branches (local committees), at the Dexia Credit Local level and at the Dexia Group level for proposals that are not delegated. Rating Committees are organized at the level of the Dexia Group. The risk management division of Dexia Credit Local chairs the committees of Dexia Credit Local. It systematically participates in Group committees to which it presents proposals that concern Dexia Credit Local and its different subsidiaries and branches. It approves the proposals to be booked by Dexia Credit Local and its different subsidiaries and branches. It has a right of veto for these proposals.

Market risk management

The Market Risks and Guidelines Committee (MRGC) meets on a monthly basis to discuss the following subjects – analysis of reports on risks and triggers of results(1) with corresponding decisions, definition and review of limits, proposals to approve new products, discussion of guidelines, governance and standards concerning risks, risk concepts and methods for risk measurement and the quality of processes. Once every quarter, an MRCG focuses on the quality of valuation processes.

Ad hoc MRGC may be called to study specific issues when necessary for operating or management reasons.

(1) Triggers related to results warn of a decline in results and are expressed in percentage of limits of VaR, i.e. generally 50%, 75% and 100% for the triggers 1, 2 and 3, and business ceases at 300% of VaR.

In addition to the monthly MRGC, a specific MRGC is organized every quarter to study the reports on market activities and market risk management.

The Dexia Market Risk Committee (DMRC) meets every two weeks and acts as a supervisory committee for the MRGC.
The Risk Policy Committee and the executive board of the risk management division validate all of the major changes in the risk profile or risk governance.

Balance sheet risk management

Balance sheet risks are managed through Dexia's Assets & Liabilities Committee (ALCO), which meets on a monthly basis. Dexia's ALCO decides the general risk framework, sets the limits, guarantees the consistency of the strategy and delegates its operational implementation to the ALCO of Dexia Credit Local. Dexia's ALCO takes a general decision of the level of exposures in line with the Management Board's appetite for risk and validates the mechanisms of internal selling prices within the Dexia Group. The ALCO of Dexia Credit Local manages the specific risks on the balance sheet of Dexia Credit Local within the framework defined by and under the responsibility of the Group's ALCO.

On delegation by Dexia's ALCO, the Funding and Liquidity Committee (FLC) centralizes and coordinates the decision-making process concerning liquidity. The FLC is responsible for supervising the Group's liquidity, its trend and its coverage with resources in the short, medium and long term. It monitors the achievement of the liquidity objectives set by the Management Board and helps determine strategies for the financing and divestment of assets, enabling the Group to go beyond the depressed scenarios developed in-house or at the request of the regulators. The FLC, which meets twice a month, does all it can to improve the Group's liquidity profile.

Diversification of business

The following committees have been organized.

- The new products committee meets on a monthly basis, chaired by the head of risk management, to verify upstream of the launch of any new activity or product that any related risks have been correctly analyzed, assessed and controlled, and that the appropriate management systems are in place. Equivalent committees are also set up in the subsidiaries.
- The committee to evaluate commercial risks (CERC) meets quarterly to monitor commercial activity and analyze the commercial risks linked to lending activity and structured financing. On this basis, it directs marketing policy.

Major projects (information systems, standards, organization)

The following committees have been organized.

- Project steering committees monitor projects that have been launched, determine the required resources, take final decisions and organize communication to the Management Board of Dexia Credit Local.

- The responsibilities of the Information Systems Security Committee are described below in section 3.4.d Operational risks.

Most of these committees report to the Management Board on a quarterly basis.

f. Permanent control excluding compliance

Permanent control excluding compliance at Dexia Municipal Agency is the responsibility of the head of operational risks at Dexia Credit Local.

To ensure consolidated oversight, permanent control relies on teams that measure and monitor risks, on decentralized resources in corporate divisions, subsidiaries and branches, and on exchanges of information within the framework of permanent control committees.

Permanent control at the second level is also conducted in the operational risks division by the unit in charge of reviewing and reporting audits. This team works closely with the division of operational risks and the security of information systems in order to muster all possible synergies among the different levels of control.

The architecture of such control is organized on the first two levels of the architecture presented in 3.1.a of this report.

Permanent control is based on a control plan, the results of which are reported quarterly to the Management Board of Dexia Credit Local. These controls cover the main business processes in the bank and were selected together with the operating divisions. The relevance of this choice is reviewed every year when the control plan is subjected to a challenging process based both on the mapping of the operating processes developed within the framework of the ISO 9001 Quality project and on the mapping of risks and controls developed within the framework of the management of operational risks. Subsidiaries and branches have organized their permanent control systems taking into account the legislation and regulations of the countries in which they are located while considering their own organization and size.

The head of operational risks and permanent control monitors the execution of the control plan. He verifies that control is consistent and independent by introducing functional links with decentralized resources in the different divisions, subsidiaries and branches. This team produces a comprehensive report and may request justification for any anomalies identified.

g. Compliance control

Compliance control is an integral part of the internal control system of banks and investment firms. The head of compliance at Dexia Credit Local oversees the consistency and efficiency of control procedures at Dexia Municipal Agency to manage the risk of non-compliance.

Compliance is organized in a network that encompasses the whole Dexia Group, from the holding company to the foreign subsidiaries and affiliates of Dexia Credit Local. This unit is independent and functionally operates under the authority of Dexia's General Secretary.

At Dexia Credit Local, the head of compliance reports to the General Secretary, who has been designated as the compliance contact for the Autorité de contrôle prudentiel (ACP). The head of compliance has a functional link with the head of compliance of the Dexia Group. He also acts as the TRACFIN correspondent within the framework of the obligations of banks in the fight against money laundering and the financing of terrorist activities. The head of compliance has professional identification (an RCSI card) from the Autorité des marchés financiers (AMF) for Dexia Credit Local and Dexia CLF Banque, both of which provide investment services.

Compliance contributes to the respect for all legal and regulatory requirements. Likewise, it acts in conformity with the practices of the Dexia Group, comprised in particular of charters, codes, guidelines and procedures. The main changes in the rules of compliance concerned the implementation of new rules for the commercialization of structured financing products in France. The ongoing effort to adapt to the new regulatory requirements in terms of the fight against money laundering was also a focus for the unit, as was the listing of conflicts of interest, with particular attention paid to in-kind advantages.

Training sessions were organized on compliance issues for all employees, according to a biannual plan drawn up by the human resources division.

More specifically, with regard to the fight against money laundering and the financing of terrorist activities, the Dexia Group complies with French and European rules and with local rules at each of its international entities. Beyond these basics, the Group has introduced stricter standardized criteria in terms of client acceptability and respectability. The objective is to work only with counterparties whose identity is perfectly established and who share its criteria of integrity and responsibility. The general anti-money laundering and anti-terrorist procedure is accessible to all employees, and has also been made available in the European branches of Dexia Credit Local. Within the framework of anti-money laundering procedures, management conducts periodic verifications to check the existence of proof of client identification when it examines the requests presented in the credit committee and those that have been delegated. USA Patriot Act certification for all the Group entities concerned is available on Dexia's Internet site.

A priori, Dexia MA is not generally exposed to the risk of money laundering with regard to its assets, for which its counterparties are public sector entities. Concerning investors in the liabilities, precautions are taken with bank counterparties who act as dealers in the placement of Dexia MA issues. As intermediaries between Dexia MA and investors, they commit, in the documentation of the EMTN program or other programs, if such are launched, and issue-by-issue in private placements or in stand-alone issues, to obtain and record reliable information on the identity of subscribers, in compliance with the requirements of the anti-money laundering directive, or in compliance with equally strict requirements for those not governed by the European directive. These counterparties

commit to alert their respective oversight authorities if they learn or suspect that subscribers are engaged in money laundering or the financing of terrorist activities.
Including all the European entities subject to the MIF directive in the report on MIF monitoring procedures also represents a key issue for compliance officers.

Compliance keeps a watch on the development of regulations, updating applicable texts on a permanent basis. The Compliance division is associated in the definition of new rules for the marketing of structured financing products and steers the introduction of a system to monitor these rules. The head of compliance chairs the Commercial Risks Evaluation Committee (CERC) of Dexia Credit Local and the CEPCoR (Committee of Evaluation and Prevention of Commercial Risks) at the level of the Dexia Group. He is consulted on the marketing of new products and on significant changes to existing products.

h. Periodic control

Dexia Credit Local ensures the periodic control of Dexia MA, including internal audit and the Investigation and Branch Audit unit.
As of December 31, 2011, the functions of internal audit and the Investigation and Branch Audit unit counted 32 auditors and inspectors, for 33 approved positions.

Organization and governance of internal audit

Role of internal audit

Internal audit is an independent and objective activity that assures management of the degree of control of its operations, proffers advice on how to improve them and contributes to the creation of value added.

To this end, internal audit apprehends all the organization's objectives, analyzes the risks linked to its objectives and periodically evaluates the soundness of the audits conducted to manage these risks. Internal audit then submits to management an evaluation of residual risks so that management may validate how they dovetail with the overall risk profile that is appropriate for the Dexia Credit Local Group, and if required, internal audit suggests how management can strengthen the efficiency of these audits. The implementation of these action plans is monitored by internal audit and a report is submitted to the audit committee every six months.
In addition, through the audit committees, internal audit assists the Boards of Directors throughout the Group in their supervisory role.
In keeping with international standards, a common audit charter indicates the fundamental principles that govern internal audit in the Dexia Group by describing its objectives, its role, its responsibilities and its operating procedures.

In order that all Dexia Group employees may understand the importance of the audit function in internal control and assistance to the Dexia Group's management, the audit charter has been published on Dexia's Internet site (www.dexia.com).

Fundamental principles

The strategy, degree of thoroughness and operating rules of internal audit services in the Dexia Credit Local Group are determined by the Management Board of Dexia SA and the Management Board of Dexia Credit Local, within a framework approved by the Board of Directors of Dexia SA and the Board of Directors of Dexia Credit Local through their audit committee. This framework includes the requirements of local legislation and regulations, and instructions from prudential authorities.
In accordance with professional and ethical standards, the following general principles provide the underpinning of internal audit activities and are mandatory for all auditors.

- Objectivity
  Audit objectivity is guaranteed by several factors: the assignment of auditors, the objectification of audit conclusions through a documented methodic approach, audit supervision and the incorporation of the point of view of those audited through contradictory reports;
- Independence
  Independence is ensured by the fact that each audit division reports to the highest management level in the entity audited;
- Impartiality
  Internal audit is not concerned by the operational organization of Group entities. The Group's management boards may, however, ask for an opinion, advice or assistance. This type of service should remain exceptional, in particular with regard to the formulation and implementation of internal control procedures;
- Access to information
  Within the framework of its role, internal audit has access to all information, documents, offices, systems and individuals in the entity under audit, including information concerning the management, minutes and files of advisory and decision-making bodies. Within the framework of their role, audit divisions have access to all information in all Group entities;
- Confidentiality
  Each auditor must respect his/her obligation of reserve and discretion. Particular respect is paid to regulatory obligations of professional confidentiality;
- Competence
  Each auditor must demonstrate the utmost professionalism and benefit from ongoing training to ensure the mastery of rapid changes in audit technology, banking, financial and IT technologies, as well as new techniques to fight fraud. Training needs are evaluated within the framework of annual performance reviews;
- Common methodology
  The auditors use the same methodology and document their audits in the same manner to ensure homogeneity and traceability in their internal audit investigations in the Group and contribute to a consolidated view of risks and their management.

Internal audit receives from the management boards in the Dexia Credit Local Group the resources it requires to carry out its assignment so as to be always ready to respond to changes in the Group's structures and environment.

Field of investigation

Internal audit investigates all the activities, processes, systems and entities of the Dexia Credit Local Group with no reserves or exceptions. Its field of investigation includes all processes, whether they be operational, support or managerial as well as related to corporate governance, risk management and control procedures.
In principle, its investigations do not concern the activities of companies in which the Dexia Credit Local Group has only a minority interest, notwithstanding certain exceptions, in particular those related to requests from prudential authorities. More specifically, the general auditor of Dexia Credit Local exercises a particular function concerning Dexia MA, as spelled out in article 9 of the management agreement between Dexia MA and Dexia Credit Local: "Dexia Credit Local's internal audit division audits all of the transactions and procedures of Dexia MA, as it does those of 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 CRBF standard 97-02 modified (control of Dexia MA's transactions and internal procedures, audit tracks, measurement of risks and results, etc.)." The general auditor has direct access to the Chairman of the Supervisory Board of Dexia MA.

Organization of the function

In the Dexia Group, internal audit is organized as an integrated function. This structure is based on the organization of the Group's business lines (public and wholesale banking, market activities, A/L management, risks and finance, operations, information systems and other support functions).

Each segment is under the responsibility of a respective head (Group head of audit), who together with the appropriate operating officers identifies and monitors the risks in that segment, and supervises all the audits related to the segment.

This organization by cross-division segmentation doubles the organization by entity in order to maintain a comprehensive view of risks.

The Dexia Group's internal audit division is under the responsibility of Dexia SA's general auditor. He is assisted in his task by each segment's Group head of audit and by the Audit Management Office (AMO).

The Group heads of audit are responsible for the identification and monitoring of the risks in their segments. Because the Group has been organized by segment, the role of the Group internal audit in the PWB segment has been merged with that of the general auditor of Dexia Credit Local.

The AMO defines, maintains and organizes the application of audit methodologies. Within the framework of cross-division projects, it introduces the support tools used in the main audit processes. It coordinates the audits and/or draws up the different reports produced by the audit services. It organizes and participates in the audit committees of Dexia SA, and in an effort to bolster the control of subsidiaries and branches, monitors the supervisory bodies of the entities and their subsidiaries/branches and all the activities of local regulators. Lastly, it defines the audit plan and decides any *ad hoc* audits.

At the management level, an Audit Management Committee (AMC) has been formed. It is made up of the general auditors of Dexia SA, the general auditors of the main subsidiaries and those in charge of the segments.

The AMC is responsible for the following objectives:
- to manage audit strategy and the activity's human and financial resources;
- to define and update the audit universe, to validate the risk mapping prepared by each of the Group heads of audit and to ensure the best organization of audit activities;
- to define a common methodology for internal audit applicable in the Dexia Group and to ensure its full application;
- to determine the Group's general audit plan so that it can be presented for approval to the different committees of Dexia SA and the operating entities;
- to analyze the results of the monitoring of the performance of internal audit.

In terms of governance, this organization presents the following advantages.
- Each member of the Management Board has a single, clearly identified audit contact who has a comprehensive view of the risks under his/her responsibility.
- The complete integration of the Audit Management Office makes it possible to have a unified definition of audit methodologies and to monitor application throughout the Group.
- A minimal number of auditors has been maintained in the international subsidiaries/branches, since these entities are covered by many joint audits, i.e. audits conducted in the subsidiaries and branches by central teams assisted by local teams.

It should be noted that since the last quarter of 2011, following the announcement of the dismantling of the Dexia Group, the organization of these activities has been adapted in order to align them on the new structure and the Group's new consolidation base.
- The two IT auditors, who according to the integrated organization depend on Dexia SA but actually work at Dexia Credit Local, will be transferred to Dexia Credit Local no later than March 31, 2012.
- An additional audit was entrusted to AMC – the identification of unbundling opportunities in internal audit and

the priority this represents. In order to emphasize this new focus, the AMC has been renamed the Audit Management & Transmission Committee (AMTC).

- The AMO unit also adapted its current projects. The dismantling required the launch of a set of recommendations and competences so as to reallocate to new entity managers when the central functions are divided up. This project should be completed by March 31, 2012.

Guidelines in terms of management

In the Dexia Group, internal audit is organized as an integrated function, which is composed, on the one hand, of Dexia SA's audit division, and on the other, the audit divisions of Dexia Credit Local and its subsidiaries and branches.

Dexia Credit Local's internal audit division is under the responsibility of a general auditor, who reports hierarchically to both the Chief Executive Officer of Dexia Credit Local, and the general auditor of Dexia SA.

The general auditor of Dexia Credit Local verifies that risks are adequately covered in all Dexia Credit Local entities, including at headquarters, in the commercial network in France, and in French and foreign subsidiaries and branches. He is also the local go-between of management and local regulators and is associated in steering the Dexia Group's internal audit activities.

Guidelines in terms of operations

When Dexia Credit Local exercises control over a subsidiary, or in the absence of such control, when prudential control authorities request such expressly, an audit function is created in the subsidiary. If the creation of an audit function is not considered relevant, Dexia Credit Local conducts a local audit, and a service level agreement is signed by Dexia Credit Local and the subsidiary in question. This is the case for Dexia Municipal Agency.

Audit methodology

Internal audits are based on proven methods modeled on international best audit practices. Audits and risk analysis in all Dexia entities rely on common methodologies, which are regularly adapted in order to reflect developments in standards, feedback and structural changes.

The methodology first identifies the objectives of the business lines and support processes and then quantifies the impact of major risks that may adversely affect the achievement of these objectives. In the next step, audits target the most critical subjects from the point of view of impact and probability of occurrence. The methods used structure the audit activity as a support for corporate governance in terms of risk control.

A comprehensive approach to the universe of risks, a common audit methodology, the organization of cross-company audits (if not local) and shared audits according to the needs, and modalities of reporting and monitoring at the highest level in the Group help to appreciate whether Dexia Credit Local's internal control system is integrated and efficient, and if such is appropriate, to request improvements.

Risk analysis procedures and planning of audits and resources

Internal audit at Dexia Credit Local is organized on the basis of a single audit plan common to the Group and defined by the AMC, approved by the Management Board and then by the audit committee and/or the Board of Directors.

The plan is based on an annual risk analysis conducted independently by audit services in keeping with best practices as presented by the Institute of Internal Auditors. The main stages in the development of an audit plan are as follows:

- identification of critical potential risks that would prevent the achievement of corporate objectives by business line and/or support process;
- evaluation of the degree of Dexia Credit Local's vulnerability to these critical risks, via an assessment of the impact and the probability of occurrence, thus making it possible to identify the greatest risks;
- identification of the audit units that are either at the origin of risks or in charge of preventing them, engendering a risk score for each audit unit, from which an audit review frequency is deduced;
- back testing of audit in the previous three years;
- selection of controls on audit units at risk, taking into account past audits and any regulatory requirements in terms of frequency.

To ensure efficiency, the audits target the audit units running the greatest risks, those that in all the business lines and the support processes, imply the greatest number of key risks with regard to the achievement of the Group's objectives. Audit units that do not imply major risks are subject to a simplified approach that responds to regulatory requirements for audit universe coverage.

This multi-year plan makes it possible to determine any possible needs with regard to human resources on both a quantitative and qualitative basis, as well as needs in training.

The audit plan makes a distinction between several types of audits:

- cross-company audits, which are conducted in one field simultaneously in several entities at the same time and mainly concern processes with a relatively high degree of integration;
- shared audits, which are conducted together in an entity by local audit teams (when such exist) with the participation of one or more auditors from a shared services center;
- local audits, which concern only a single entity.

It should be noted that in the fourth quarter of 2011, following the dismantling of the Dexia Group, the classification of audits was reorganized so as to account for the decisions taken at the level of the structure of the Dexia Group. Audits are now divided into the following categories:

- local audits, which concern only a single entity; certain of these audits may be of common interest, meaning that other entities (still belonging to the Dexia Group or not) are concerned by the results of the audit, since in a phase

of transition these audited processes still have an impact on their activities;
- shared audits, which are conducted together in a subsidiary or branch by local audit teams (when such exist) with the participation of one or more auditors from the parent company;
- audits to follow up on dismantling.
  In this last category, a distinction can be made between:
  - a series of dismantling audits that will address risks identified in the Dexia Group's restructuring and dismantling process, which will be undertaken in function of progress in dismantling when an audit is considered relevant;
  - oversight of different dismantling projects by correspondents on a totally allocated dismantling budget or on the entity's usual budget. Detailed instructions in this regard will be defined case by case by each correspondent together with the general auditors of the entity responsible and/or the Group head of audit Ops, IT and support functions and will be communicated to the different audit managers concerned.

Among the dismantling subjects identified, there is (i) the dismantling of the purchasing office, since the function is centralized at the level of Dexia SA, (ii) the continuity of security governance measures at the level of IT security, (iii) the management of insurance contracts for Dexia Group entities, (iv) the management of the brand "Dexia", and (v) the review of the service level agreements and mandates in the Group for services rendered among (former) Group entities.

Audit methodology
The way audits are carried out is common to all Dexia Group entities. The different stages to follow to conduct an internal audit (preparation, conduct, audit report, follow-up on recommendations, etc.), as well as the formats of the documents required at every stage, are described in a procedure that also determines the roles, responsibilities and modalities of review, approval and document storage.

Monitoring
Twice a year, the general auditor of Dexia Credit Local presents to the audit committee a report on internal audit activities. This report contains a summary of the main observations made during the audits, an annotated recap of the audit plan schedule, especially if there is a major divergence from the initial schedule, as well as an appreciation of the adequacy of resources (from a qualitative and quantitative point of view).

To improve recommendation follow-up, a six-month review of audit plans linked to recommendations is presented to the Management Boards of the Group's different entities, and any delays in the accomplishment of action plans devised in response to recommendations are treated.

A recommendation follow-up tool (OSCAR) is designed to enable auditors and those audited to exchange information on a regular basis with regard to action plans devised in response to audit recommendations. In addition, the recommendations of the reports issued by prudential authorities were also incorporated into OSCAR.

In 2011, particular attention was paid to the recommendations of internal audit and regulators.

Training
In addition to training organized by Human Resources, a specific audit training plan was introduced. It involves different training curricula according to the auditor's role and seniority.

Relations with oversight authorities and the Statutory Auditors
The audit divisions of the subsidiaries and branches of the Dexia Credit Local Group inform Dexia Credit Local's audit division of the meetings planned on the organization of the audit, of the audits conducted by prudential authorities in their entities (throughout the assignment) and subjects judged important, which came up in their regular meetings with the Statutory Auditors and control authorities, and by communicating minutes.
The audit division of Dexia Credit Local follows the same line as the general auditor of Dexia SA. The audit division of Dexia SA may participate in meetings with the Company's Statutory Auditors and control authorities whenever it wishes to do so.

Audit activities at Dexia Credit Local employ the same process vis-à-vis the general auditor of Dexia SA. The audit division of Dexia SA may participate in meetings with the auditors and the control authorities as it so wishes.

Overview of activities in 2011

A great part of the Dexia Group's audit plan was conducted in the form of cross-company audits, i.e. audits simultaneously carried out at Dexia SA and in the Group's operating entities, of which Dexia Credit Local (including Dexia MA), Dexia Bank Belgium until October 2011, Dexia Banque Internationale à Luxembourg and DenizBank, as well as certain of their subsidiaries and branches in function of the subject treated. In 2011, these audits, in particular, concerned risk management, finance, balance sheet management, operations and IT systems, and market activities. The other support functions are also subject to regular verification.

The audits carried out in 2011 covered both the specific activities of Dexia MA and the operations conducted by Dexia Credit Local or the Dexia Group for Dexia MA. They generated plans to correct weaknesses detected in the internal control system. Each action plan was approved by the Management/Executive Board of the entity concerned and reported, according to its importance, to the Management Board of Dexia Credit Local and is monitored on a regular basis in order to ensure that the recommendations formulated are in fact implemented.

In terms of the accomplishment of the audit plan (number of audits) for 2011, the rate of accomplishment of local and shared audits is considered to be good and is slightly higher than the rate for cross-company audits.

It should be noted that in the second half of 2011, notwithstanding the decision to dismantle the Dexia Group, the audits under way when the decision was taken were able to be completed, including the cross-company audits, albeit with certain adaptations in the form (a report by entity instead of a general report, for example) and in recommendations in light of the context.

In 2011, contacts with the different regulators of the Dexia Credit Local Group, in meetings or audits, continued to mobilize a significant percentage of the efforts of the internal audit teams. The role of audit is to make sure that the items requested are correctly transmitted to the inspectors, to coordinate the formulation of the action plans that respond to the recommendations of the regulators (to bolster the role of audit in these areas) and then to monitor operations to the same degree as those who respond to its recommendations.

At the level of the Dexia Credit Local Group, the investigations conducted by control authorities principally concerned risk management and the management of portfolios in extinguishment, as well as the entities Dexia Municipal Agency, the New York branch of Dexia Credit Local, which was inspected by the American regulator, and Dexia Crediop, which was audited by the Banca d'Italia.

Investigation and Branch Audit unit

Role

The goal of the Investigation and Branch Audit unit is twofold.

- In terms of investigations, the unit contributes in an independent and objective manner to controlling the risk of fraud. It participates in awareness-heightening activities to prevent fraud. It uses tools to detect fraud and deals with any cases discovered. Lastly, it proposes and monitors corrective measures.
- As for Branch Audit, the unit provides assurance in an independent and objective manner on the degree of risk control linked to activities in physical distribution channels. It evaluates in a systematic and methodological approach the processes used for risk management, control and governance in these distribution channels.

Organization and governance

In terms of governance, the Investigation and Branch Audit unit is directed by its head (or the Group head of Investigation), who reports to the general auditor of Dexia. The unit is composed of:

- an Investigation and Branch Audit unit that reports hierarchically and functionally to the audit division of Dexia SA;
- local Investigation and Branch Audit units which report hierarchically to the entities' audit divisions, but which nonetheless depend functionally on the Investigation and Branch Audit unit of Dexia SA.

An Investigation and Branch Audit charter lays down the fundamental principles that govern the function by describing the objectives, roles, powers, duties and responsibilities, modes of operation and basic rules. This document plays a role in setting the unit's objectives and describing the relations and conditions in which Dexia SA's Investigation and Branch Audit teams operate vis-à-vis other entities in the Dexia Group, taking into account the presence or absence of local investigation teams.

In accordance with these principles, investigations for Dexia Credit Local and its subsidiaries and branches, including Dexia MA, are ensured by the members of the Investigation and Branch Audit unit of Dexia SA. This unit is comprised of a Group head of Investigation and Branch Audit and investigation managers. The Group head of Investigation and Branch Audit reports hierarchically to the general auditor of Dexia SA.

The Investigation and Branch Audit unit of Dexia SA involves an internal audit inspection correspondent of Dexia Credit Local in its activities.

The Investigation and Branch Audit division is accountable for audits at Dexia Credit Local, its subsidiaries and branches to the general auditor of Dexia Credit Local and the Group head of Investigation and Branch Audit of Dexia SA.
The implementation of the charter implies different cooperation agreements in the form of service level agreements between Dexia SA and Dexia Credit Local and between Dexia SA and the subsidiaries of Dexia Credit Local.
The Investigation and Branch Audit charter also requires agreement with the compliance division on the rules to respect with regard to access to personal data in the different entities.

Overview of activities in 2011

In 2011, following the setting up of the Investigation and Branch Audit unit, there was close cooperation between the Group teams (Dexia SA) and those of Dexia Credit Local. Whereas recurrent investigations were managed locally with the resources of Dexia Credit Local, the Dexia SA teams were also involved in internal audits (in particular, the campaign to heighten awareness of the risk of fraud) and investigation support. In a breakdown of activities, beyond the recurrent investigations (monitoring or websurfing), the Investigation team was asked to assist the legal department and compliance within the framework of files involving the bank and certain of its customers. Lastly, in the current context of crisis, the frequency of external incidents of fraud that were detected and processed, especially at the level of certain foreign subsidiaries, remained basically the same.

i. The Dexia Group

Dexia's main management body is the Management Board of Dexia SA.
The role of Dexia SA's Management Board consists in steering the Dexia Group and coordinating its various businesses and specialized activities that support them.

The members of Dexia SA's Management Board have particular skills at the Group level, which they share in the Group. The Group's Management Board may also meet in its extended form, and be called the Group's executive committee, which deals with cross-company subjects and matters of a certain importance.

As of December 31, 2011, the Management Board was composed of:
- the Chief Executive Officer and chairman of the Management Board;
- the head of Public and Wholesale Banking, and CEO of Dexia Credit Local;
- the CEO of DenizBank;
- the head of Human Resources;
- the head of strategy, portfolios and market activities;
- the head of risk management;
- the Chief Financial Officer;
- the Chief Operating Officer and head of information systems;
- the head of legal, compliance and tax affairs.

The teams more specifically concerned by internal control are the following:
- internal audit, which reports directly to the Chief Executive Officer, chairman of the Management Board. It defines the methodology used in the Dexia Group, coordinates and participates in cross-company audits involving several entities, audits Group functions and the audit functions of the various entities;
- the risk management team under the responsibility of the risk management officer, member of the Management Board, which supervises risk management policy. It articulates rules of conduct for limits and delegations, controls and assesses cumulated risks at the level of the Group and applies methods that have been harmonized among the different entities;
- the Group Chief Compliance Officer, who reports to the General Secretary, and has direct access to the Chairman of the Management Board of Dexia SA and to the chairman of the committee responsible for internal control, risks and compliance at Dexia SA in order to be able to report any significant incident directly. The Group Chief Compliance Officer coordinates the network of compliance officers in the different entities and ensures the respect of the integrity policy and the development of an ethics-based corporate culture, which is a strong point in Dexia's reputation since its creation (cf. paragraph 3.1.g);
- the permanent control monitoring team, which reports to the Group Chief Risk Officer and is responsible for (i) defining methodology, guidelines and reporting, (ii) drawing up the Group's permanent control plan, (iii) challenging the control plans of activities and entities, and (iv) consolidating the results at the Group level.

3.2 - CONTROLS BY THE SPECIFIC CONTROLLER

The Specific Controller of Dexia Municipal Agency is a French professionally certified auditor named by the Company's executive management upon approval of the Autorité de contrôle prudentiel (ACP).

The Specific Controller conducts controls pursuant to articles L.515-30 and L.515-31 of the Monetary and Financial Code as well as its decrees of application and CRBF standard 99-10. He is responsible for ensuring that the Company respects its exclusive corporate purpose and prudential standards. He carries out appropriate audits in cooperation with the Statutory Auditors and is completely independent vis-à-vis the Company's other officers. He is also liable for the negative consequences of any error or negligence committed in the exercise of his functions.
The Specific Controller has access to all information, from management, internal control and internal audit. In addition, operating services and internal control units have been instructed to provide specified information in order to allow the Specific Controller to monitor the over-collateralization ratio, the nature of new assets, interest rate risk management, and the asset/liability duration gap on a regular basis. For every Dexia MA issue contract, he affirms compliance with legal and regulatory standards concerning the over-collateralization ratio of the privileged liabilities by the assets, once the issue has been paid. The Specific Controller certifies the documents that the Company sends to the ACP to meet legal and regulatory requirements for *sociétés de crédit foncier*. He submits an annual report on his activity to the Supervisory Board of Dexia MA, and a copy is forwarded to the ACP.

3.3 - PREPARATION OF ACCOUNTING AND FINANCIAL INFORMATION

a. Financial statements

A company's annual financial statements should give a true and fair view of its assets, financial position and results. For credit institutions, CRBF standard 97-02 modified, on internal control, highlights in its accounting title that the organization adopted should guarantee the existence of procedures called audit tracks. They make it possible to establish a link between any accounting data and the original justification, and *vice-versa*. This principle grounds the organization of accounting practices in the Dexia Credit Local Group and also applies to Dexia MA.

Role and organization of accounting services

Accounting data is produced at Dexia Municipal Agency by the accounting unit of Dexia Credit Local, within the framework of the management agreement between the two companies. Accounting plays a central role in the organization of Dexia Credit Local. It reports to the Company's Chief Financial Officer (CFO), who is a member of the Management Board.

Accounting produces basic accounting data and the annual financial statements of Dexia Credit Local and Dexia Municipal Agency. It is also responsible for producing the consolidated financial statements of the Dexia Credit Local Group. A dedicated team ensures that regulatory and prudential standards are respected.

Accounting also plays a role in the analysis and control of the accounting data of French and foreign subsidiaries and branches within the framework of the consolidation process. In particular, it verifies that the information supplied is homogeneous and in compliance with Group practices.

More generally, accounting has varied sources of information to ensure its role in monitoring accounting operations in the broad sense. It contributes to committees that may be of interest in its assignments or receive its reports. Its teams maintain regular contacts with local correspondents in order to diffuse Group principles and the correct interpretation of the instructions transmitted. It participates in the development of information systems, in order to make sure that its specific needs are taken into account.

Within the framework of the Dexia Group's restructuring plan, the Finance line has introduced three centers of competence at Dexia SA, which are linked to the activity of the accounting division. The consolidation, standards, and control teams now report directly to Dexia SA. Dexia Credit Local signed service agreements with its parent company so that these functions might be exercised by central teams under the shared responsibility of the entity's Chief Accounting Officer and CFO. The teams remain close to the local teams and in addition to their work for Dexia Credit Local and Dexia Municipal Agency, they take on a cross-company role at the level of the Dexia Group.

Accounting has a dedicated team that is responsible for the accounting information system, and can therefore actively participate in the launch of transformation projects and also in the improvement of existing systems that parallel other tools in the Finance line.

Accounting relies on the work of Dexia accounting control team in order to introduce independent control. In a similar manner, within the framework of the ISO 9001 certification of Dexia Credit Local, the accounting division has a quality correspondent who assists the head of Accounting in his role as a reference in the quality process related to the production of financial information.

This organization makes it possible to improve the quality and efficiency of processes on a constant basis and the reliability of the consolidated accounting information produced, in particular in a context of uniform use of IFRS within the Dexia Credit Local Group. The independent control team contributes to permanent control activities. It is responsible for verifying the materiality and relevance of the control undertaken upon the publication of quarterly reports for Dexia Credit Local and Dexia MA. It conducts regular investigations in international entities, according to a timetable that is adapted to their size and financial importance, in particular to ensure the proper application of accounting principles.

Within this general framework, the annual financial statements of Dexia MA are prepared by a general accounting unit that is specific to the Company, as well as by employees that work only in this capacity in other accounting units. The same manager supervises the general accounting team that prepares the financial statements in French GAAP and IFRS for Dexia MA and Dexia Credit Local.

Preparation of the annual financial statements

In the preparation of the annual financial statements, the accounting system of Dexia Credit Local and Dexia Municipal Agency is in large measure automatically supplied by upstream management systems that manage transactions with customers and market counterparties as well as operating expenses. When data is entered into one of the management systems, it is automatically recorded in accounting according to a pre-defined scheme. These entries help constitute the financial statements in a single accounting system based on a double set of references (French GAAP and EU IFRS), which produces the three sets of data required (financial statements in French GAAP, in IFRS and the contribution to the consolidation of the Group in IFRS).

The internal control system guarantees the completeness and accuracy of accounting entries. The team in charge of compliance with standards validates the automated accounting procedures on the basis of the double set of references, as well as complex or unusual operations, which are sometimes accounted for manually, although they are processed using specific internal control procedures.

A first level of control is conducted by accounting teams that are specialized by business line, in particular by analyzing bank reconciliation and technical suspense accounts. Every month, operations recorded in the accounts are compared with management balances, and symmetry controls are conducted on micro-hedges. Interest expense and income are compared with average outstanding balances, and average rates are compared between periods. These teams also produce a synthesis of their own audits and of points requiring special attention or improved procedures when the next financial statements are produced.

Other accounting teams conduct additional controls at monthly, quarterly and annual closing dates. The work already accomplished in accounting for operations in the business lines is periodically reviewed to ensure that the controls on a formalized checklist have been properly carried out. The memorandum the teams draw up is also reviewed. End-of-quarter accounting results are compared with management results, and their consistency from one period to the next is verified using analytical controls. Major discrepancies are to be explained. The analysis of these reconciliations was a major focus in the past year. The goal was to automate efforts to align and coordinate the approaches used in the different teams that participate in the validation of the financial results. This project was monitored by the executive committee with particular attention in 2011.

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 annual financial statements of Dexia MA in French GAAP, IFRS and the Company's contribution to the consolidated IFRS financial statements of Dexia Credit Local. The same is true for subsidiaries whose accounts are processed at the head office. 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 to the financial statements. During the process, reviews and controls are conducted on the consistency and application of procedures according to hierarchically established delegations. All of the data and analyses are collected in a report, a copy of which is forwarded to a member of Dexia MA's Executive Board.
The same task is done in each of the entities in the Dexia Credit Local Group with a complexity that is in function of the size and business of these entities.

Finalization of the financial statements

The financial statements, balance sheet, income statement and notes are subject to particular scrutiny during the preparatory phase and in their final form by a delegated member of Dexia MA's Executive Board. Dexia MA's Executive Board meets to approve the quarterly financial statements. The Company's two Statutory Auditors attend the meeting and the Specific Controller is also invited. The period's management report is also examined at this meeting.

The annual report is prepared by Dexia MA's Executive Board in liaison with units of Dexia Credit Local, in particular, general accounting, back offices, risk control and the General Secretariat. The Company's Statutory Auditors verify the information it contains. All these documents are presented to Dexia MA's Supervisory Board, and then to the annual general meeting of shareholders.
The Supervisory Board is also informed of its Chairman's report on internal control, which is presented at the annual shareholders' meeting.

Publication of the financial statements of Dexia Municipal Agency

This accounting and financial information is made public in several ways.
In addition to regulatory publication in the BALO, the quarterly, half-year and annual financial statements, together with the corresponding management reports, are posted on the Internet site www.dexia-ma.com. Half year and annual financial statements are posted on the site of a financial information wire (HUGIN) registered with the Autorité de Marchés Financiers (AMF) as concerns regulatory information.
Some of this information is also available, with differences in presentation, in the report on asset quality that is submitted to the ACP and posted on the Internet site of Dexia MA, in compliance with CRBF instruction 2011-I-07.

Role of the Statutory Auditors

Dexia Municipal Agency is audited by two specialized auditing firms, which crosscheck their findings. The Statutory 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.
Their assessment of the Company's internal control is based on substantive procedures, such as obtaining confirmation of a selection of external counterparties.
They issue instructions for the Statutory Auditors of Dexia MA Dublin Branch and organize meetings to synthesize the results of their review, and when required, appreciate the interpretation given of legal and regulatory texts by the standards unit. They also review the accounting manuals, as well as instructions issued by the Accounting division. They consult internal audit reports, to which they have ready access. Finally, they check the consistency of the management report and the financial statements with all the items they have reviewed and audited. They employ due diligence to obtain reasonable assurance that the financial statements are free of any material misstatement.

b. Management and segment reporting

The financial statements (balance sheet, off-balance sheet, income statement, cash flow statement and notes) are not the only quantified items of analysis that Dexia MA makes public. They are complemented by the activity reports, prospects and risk assessments, which are presented in the annual report.
Some of these items are directly supplied by the operating divisions or the risk management division. Their accuracy is therefore guaranteed by the internal control system of the divisions concerned.
Dexia Municipal Agency's sole business is the financing or refinancing of public sector debt originated by Dexia's commercial network. Assets are primarily financed by the issue of *obligations foncières*. This special business is part of the Dexia Group's Public & Wholesale Banking activity.
Dexia MA works from Paris (and through its Dublin branch). The Company has no direct activity in any other countries and is unable to present a relevant breakdown of its results by geographic region. The geographic breakdown of assets according to the counterparty's country of residence is

presented quarterly at the end of the management report. This information is prepared by accounting on the basis of management data reconciled with accounting.

3.4 – IDENTIFICATION OF MAIN RISKS AND SPECIFIC INTERNAL CONTROL PROCEDURES

Banking activity generates four principal types of risk: credit risk, market risk, structural risk (interest rate, foreign exchange and liquidity), and operational risk.

Monitoring all these types of risk is the joint responsibility of dedicated committees and the risk management division, with the help of tools it has developed, in compliance with regulatory and prudential constraints and within the framework of the limits set by the Dexia Group.

Because the Company is an issuer of *obligations foncières*, the risks authorized for Dexia MA are strictly selected and limited. When the Company was created, 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 license granted by the Comité des établissements de crédit et des entreprises d'investissement (CECEI), now merged into the Autorité de contrôle prudentiel (ACP).

The rating agencies imposed 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, entitled Principles and Rules for Risk Management at Dexia Municipal Agency. This document received the approval of the rating agencies. These principles have not been modified since that time.

The general approach decided by the Executive Board of Dexia MA and applied in every unit of Dexia Credit Local in charge of the operations concerned 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 maintained exactly within authorized limits;
- that controls are realized at the level of the front and middle offices of Dexia Credit Local, that they are reported to the Executive Board of Dexia MA, that the results of such controls are presented to the Supervisory Board and, finally, that these results are reported to the Specific Controller and that the data is made available for his investigations.

Risks compatible with the activity of Dexia MA are subject to the supervision and management of limits. Such oversight and the resources made available by Dexia Credit Local to manage these risks in practice, on a daily basis as well as in exceptional circumstances, are developed below.

a. Credit risk

Credit risk represents the potential loss (loss in the value of the asset or default of payment) that may affect Dexia MA by reason of a decrease in a counterparty's financial position.

Risk management principles are presented in the management report and the figures on exposure by geographic region and by category of counterparty are presented in the notes to the financial statements according to IFRS.

Approval process

Any commitment that may generate a credit risk must be approved following a decision-making process organized in function of the volume and the type of counterparty. The process used by the credit committee is described in paragraph 3.1.e. The approval process also includes a system of delegations for customers in the French public sector and very limited delegations for the Italian and Spanish subsidiaries, again solely for public sector customers.

Determination of limits

Limits on credit risks are defined altogether for Dexia in order to manage the general risk profile and limit the concentration of risks. A limit is set for each counterparty in keeping with credit risk policies. This limit represents the maximum exposure to a credit risk that Dexia is willing to accept for a given counterparty. For a given counterparty, the exposures held by Dexia Credit Local and its subsidiaries combined with the exposures held by the other Group entities must thus be under this limit. Limits by economic sector and by product may also be imposed. To take into account the most recent events, specific limits may be frozen at any moment by the risk management division.

These limits are controlled *a priori* operation by operation before the lending decision and *a posteriori* in regulatory reports on exposure submitted to the bank's decision-making bodies.

Control of eligibility at Dexia MA

Almost all of the assets come directly from the commercial activities of Dexia Group entities in the Public & Wholesale Banking business. When an asset is transferred or assigned to Dexia MA's balance sheet, eligibility is verified at two successive levels for French assets, as well as for non-French assets. These controls are governed by standardized procedures.

For the new production of French loans, these controls are conducted successively:

- by management and middle-office centers of the back office;
- by daily processing at headquarters' back office.

For assets from foreign countries, the control is conducted:

- by the entity that originated and still manages the assets;
- by a specialized unit of the risk management division dedicated to local public sectors and if required, by the legal unit;
- lastly, a final control is also conducted by a member of Dexia MA's Executive Board.

In addition, the Specific Controller thoroughly and regularly verifies, *a posteriori*, the eligibility of the assets.

Surveillance system and information

The architecture of the surveillance system is based on two levels:

- the first level, which is the responsibility of the sales teams at headquarters, branches and subsidiaries within the framework of the permanent monitoring of their counterparties' financial base;
- the second level, which is the responsibility of the risk management division, which quarterly receives and consolidates exposures, unpaid invoices and non-performing loans, and participates in the determination of the impairment level. It also regularly updates customer analyses and internal ratings.

Every quarter, the Management Board of Dexia Credit Local reviews risks, noting development in the different risks. For subsidiaries and branches, the consolidated monitoring of risks relies on the risk management practices described above.

Internal rating system

In order to assess its credit risk, Dexia Credit Local uses internal rating systems set up within the framework of Basel II at the level of the Dexia Group. Credit risk analysts are responsible for rating all counterparties. Every rating corresponds to an assessment of the counterparty's level of risk expressed on an internal scale, which, excluding justified exceptions, takes into account any potential risk linked to the country in which it operates. When determined, the internal rating is a key factor in the decision of the credit committee. The review of ratings on an annual basis makes it possible to identify proactively the counterparties requiring more regular monitoring, who will then be put on a list to be watched. The list is reviewed quarterly, in cooperation with the credit risk and marketing divisions through a Special Mention & Watchlist Committee.

The proper use of the rating system is controlled by the Quality Control team at the Dexia Group level, which regularly conducts quality reviews of data and results.

Impairment policy

The risk of default, which is a component of credit risk, is very low on the assets of Dexia MA, which are comprised of commitments on public sector entities or entities they have guaranteed, as defined in articles L.515-15 and following of the Monetary and Financial Code. The credit quality of the assets and strict controls of commitments is reflected in the low level of non-performing commitments and impairments.

An impairment committee is chaired by the risk management division. Every quarter, this committee determines the amount of impairment allocated and determines the cost of risk. Portfolio-based impairment makes it possible to create reserves that can protect the bank in the event of possible mishaps, in compliance with IFRS. These provisions are controlled, in particular through a reconciliation process using accounting data.

As of December 31, 2011, non-performing loans and compromised non-performing loans amounted to EUR 28,3 million for a loan total on the balance sheet of EUR 58 billion. Provisions on non-performing commitments were stable and totaled EUR 3.2 million at the end of 2011.

Credit risk on bank counterparties

For Dexia MA, bank counterparty risk concerns:

- on the one hand, securities issued by banks recorded as replacement assets (mainly covered bonds, a category of assets that presents a very low risk);
- on the other hand, counterparties in hedging operations with which the company has signed ISDA or AFB (French banking association) master agreements that meet rating agencies' standards for *sociétés de crédit foncier*. Only counterparties with a minimum rating are admitted. The market risk management division monitors these ratings and any changes; the information is forwarded to a member of Dexia MA's Executive Board.

At the end of December 2011, all external counterparties had a good or very good short-term rating: F1+ or F1 / P1 / A-1+ or A-1, from Fitch, Moody's and Standard and Poor's respectively, except for a German *Landesbank*, whose S&P rating went down to A-2, but which still has a good short-term rating from the other two agencies. The Executive Board initiates specific action whenever a counterparty ceases to be eligible because of a downgrade in rating. Collateral management is initiated by a competence center that regularly reports on any irregularity observed in the payment of collateral.

In the last quarter of 2011, the rating of the Dexia Group's counterparties was downgraded, but the Executive Board of Dexia MA decided to maintain the swaps with these counterparties and to implement the required measures within the framework of the projected disposal of Dexia MA. Dexia Credit Local, which benefits from a short-term rating of F1+ / P-2 / A-2, is the largest swap counterparty, accounting for approximately 16.7% of notional outstanding counterparty long-term derivatives, and it was the only counterparty for monetary swaps from Euribor to Eonia as of December 31, 2011.

It should be noted that all currency swaps and interest rate swaps benefit from the legal privilege to the same extent as the *obligations foncières*.

b. Market risks

Scope

Market risks refer to the risk of loss linked to fluctuations in market prices and interest rates, their interactions and levels of volatility.

Dexia Municipal Agency has a bond portfolio composed of bonds of very high quality. It is a portfolio similar to commercial public sector financing activities. This portfolio is managed without exposure to interest rate risk by using appropriate hedges. The only risk run in addition to the risk of the issuer's

default is the risk of credit spread, whose movement impacts gains and losses on bonds and other fixed income securities through equity in the IFRS financial statements and gains and losses through income for the bonds classified as *placement* securities according to French GAAP. The changes in spread for the bonds classified as loans and advances in IFRS or as investment securities in French GAAP have no influence on income or the reserves.
Bonds in the assets are recorded in investment or *placement* portfolios in French GAAP, and in portfolios of loans or securities available for sale in IFRS. Market risks linked to trading portfolios are not compatible with Dexia MA's activities.

A part of Dexia MA's bond portfolio corresponds to replacement assets, defined by article L.515-17 of the Monetary and Financial Code, which may be issued by credit institutions with a Step 1 rating (minimum AA-, Aa3, AA-) from an external credit assessment organization recognized by the ACP. They may also be issued by institutions with a Step 2 rating (A-, A3, A-) when their maturity does not exceed 100 days. The total amount of these securities and advances considered as secure and liquid assets that can be assigned in guarantee to the central bank, must not exceed 15% of the amount of *obligations foncières* and other debt benefiting from the privilege. Replacement assets as of December 31, 2011, totaled EUR 1.4 billion, representing 2.1% of outstanding *obligations foncières*. They are composed of covered bonds, which were issued by the Dexia Group.
The Company 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 market back office and market accounting units regularly control the symmetry of micro-hedge swaps.

Management of these risks is described in the chapter "Management of balance sheet risks" in the management report, and the figures on exposures to interest rate risks are presented in the notes to the IFRS financial statements ("Risk on resetting of interest rates: analysis by time until next interest rate reset date").

Risk monitoring

The monitoring of risks linked to the financial markets is organized around two committees.

- The Market Risk Group Committee (MRGC) meets every month at the level of the Dexia Group. Dexia Credit Local is represented by the head of market risks or by the head of financial markets, who receive a specific mandate that specifies decision-making authority. The committee is responsible for the definition of risk policy guidelines that set market risk limits and monitoring procedures.
  This committee prepares guidelines for the development of all new market activities. Specific committees meet quarterly to monitor risks and results in the business lines. The Management Board of Dexia Credit Local is informed of developments in the consolidated risks of Dexia Credit Local (exposures, limits, non-respect of limits) and of changes in the monitoring system (modification of assessment methods or of guidelines) by a report that is submitted monthly by Dexia Credit Local's risk management division or whenever required.
- The Weekly Operational Committee (WOC) of Dexia Credit Local makes it possible to monitor locally the implementation of the standards and decisions of Dexia's Market Risk Group Committee and sees to the proper communication of information to Dexia Credit Local's management. Dexia MA is represented on this committee by one of the members of its Executive Board.

Risk assessment is carried out regularly by Market Risk Management, which reports to risk management. The monthly report submitted to the Management Board is based on different indicators that make it possible to monitor the limits set for the various risks.
In addition to these regular monthly presentations, the quarterly risk review includes a synthesis of market risks (shares, interest rates and credit). ALCO is informed on a monthly basis of the Company's liquidity and takes hedging decisions to cover structural risks involving interest rates and foreign exchange risks.
The Executive Board of Dexia MA is regularly informed of developments in the Company's risks (exposures, limits, non-respect of limits) and, if such occur, of changes in the monitoring system (modification of assessment methods or of guidelines).

c. Structural risks: interest rate, foreign exchange and liquidity

Scope

These risks are qualified as Balance Sheet Management (BSM) risks. The objective of BSM is to provide partial or full coverage for the risks linked to the structure of the balance sheet. The management principles for these risks are presented in the chapter "Management of balance sheet risks" in the management report, and the figures on exposure to interest rate, foreign exchange and liquidity risks are presented in the notes to the financial statements according to IFRS ("Liquidity risk" and "Foreign exchange risk").

Risk monitoring

The monitoring of risks linked to BSM is organized around four committees.

- Dexia ALM (ALCO) committee
  This committee meets monthly to define risk control procedures on a Group basis. The orientations determined by Dexia's ALM committee lead to individual hedging decisions, but may also be subject to management delegations granted to Dexia's BSM managers. The committee ensures the consistent use of its limits in function of its own view of the trend in interest rates. Dexia Credit Local is represented by either its CEO or the head of Risk Management.

- Funding & Liquidity committee (FLC)
  This committee meets weekly. Under delegation of the Group ALCO, this committee centralizes and coordinates the decision-making process with regard to liquidity. The FLC is responsible for monitoring changes in financing needs in the short and long term, and to define Dexia's general financing strategy. It also studies and updates stress scenarios concerning liquidity, implements emergency plans and proposes corrective measures to improve the liquidity profile, and coordinates Dexia's general liquidity strategy. It is also responsible for updating stress scenarios with regard to liquidity, defining emergency plans, proposing corrective measures to improve the liquidity profile, coordinating general reporting about liquidity for boards, rating agencies, regulators, central banks and governments. Acting as an expertise center for liquidity, Dexia transmits information from each entity and centralizes it in order to target the best refinancing conditions possible and the mobilization of reserves.
- ALM committee (ALCO Dexia Credit Local)
  This committee meets monthly. Group ALCO delegates to ALCO Dexia Credit Local the monitoring and operational management of balance sheet risks (interest rate, foreign exchange, liquidity, etc.) at the level of Dexia Credit Local and its subsidiaries, including Dexia Municipal Agency.
  This committee is made up of the CEO and/or the head of risk management, the CFO, and the head of financial markets.
- the Rate and Liquidity Committee meets twice a month. Its members include the CFO of Dexia Credit Local Paris or his representative, as well as representatives of risk management and financial markets. This committee regularly monitors risks in the consolidated and parent company balance sheets of Dexia Credit Local, as well as specific indicators and risks at Dexia MA.

Dexia MA's specific management rules

General interest rate risk

Dexia MA is subject to specific management, since the goal is to neutralize interest rate exposure as much as possible. Dexia MA uses micro interest rate hedges on a part of the assets and liabilities benefiting from the legal privilege, and macro interest rate hedges on another part of the assets and off-balance sheet in order to manage the general interest rate risk. Micro-hedges cover the interest rate risk on a part of debt securities, on certain loans, on *obligations foncières* and on registered covered bonds.

Macro-hedges are basically used to manage interest rate risk on fixed rate loans not covered by micro-hedges and to manage differences in Euribor fixing dates by Eonia hedges.

The method used is based on simple principles and consists in converting assets and liabilities into two masses on a variable index so that they move in a parallel manner under the impact of yield curve movements. Interest rate risk has, in this way, been contained within a set limit of 3% of equity since 2005, with the approval of the rating agencies. For 2011, the limit was EUR 40 million, with the monetary gap limit set at EUR 9 million, and the remainder for the fixed rate gap. Sensitivity was defined as a variation in the gap's net present value under the impact of a parallel 1% (100 basis points) shift in the yield curve.

Management control and the respect of limits are monitored by Dexia Credit Local's BSM team, and at a second level by Market Risk Management. The latter entity produces a weekly report. In addition, the back office monitors hedging operations. The market back office, market accounting, customer accounting and general accounting verify the symmetry of the micro-hedges.

The Specific Controller receives the report issued by the Market Risk Management team and can judge whether the congruence of interest rates between the assets and the liabilities is sufficient.

Foreign exchange risk

Dexia MA's policy is to have no foreign exchange risk. Market risks related to foreign exchange transactions are eliminated from the start by currency swaps when an asset or liability that is not denominated in euros is recorded on the balance sheet. For each closing date, general accounting verifies that there is no foreign exchange risk.

Liquidity risk, risk of non-compliance with the over-collateralization ratio, risk of insufficient congruence of maturities

The liquidity risk can be defined as the risk that Dexia MA may not settle its privileged debt commitments at the due date owing to the fact that there is too great a gap between the reimbursement of the assets and that of the privileged resources.
To manage this risk, Dexia MA has put a ceiling on its transformation capacity by limiting to three years the maximum duration gap between the assets and the resources benefiting from the privilege. This rule enables it to limit the volume of its liquidity needs. From a structural point of view, Dexia MA therefore has little exposure to liquidity risk.
In order to meet its liquidity needs, Dexia MA may first of all make use of the backing of its parent company Dexia Credit Local, which has committed in its "declaration of support" (the full text is incorporated into the issue programs and Dexia MA's annual report) so that Dexia MA "has the financial resources it needs to meet its obligations."
This support takes the following forms:
- a current account, in an unlimited amount, with Dexia Credit Local;
- a firm and irrevocable commitment by Dexia Credit Local to make available to Dexia MA the funds it requires to reimburse *obligations foncières* that reach maturity in the coming 12 months on a sliding scale.

In addition, Dexia MA has its own solid resources that enable it to cover its temporary liquidity needs. Because of the nature of the assets that make up its cover pool, Dexia MA has a large number of assets that are directly eligible for refinancing by the central bank, so that its cash needs are easily covered, even in the event of the default of its parent company, since any legal proceedings engaged for the bankruptcy or liquidation of its parent company cannot be extended to Dexia MA (article L.515-21 of the Monetary and Financial Code). Thus, since it is a credit institution, Dexia MA can mobilize these eligible assets:

- either by using, in its own name, the refinancing possibilities offered by the European Central Bank via the Banque de France;
- or by using interbank financing in the form of repurchase agreements.

In practice, Dexia MA first uses the financing made available by Dexia Credit Local, but has also managed to demonstrate its real capacity to obtain financing from the Banque de France. Such debt does not benefit from the legal privilege granted to *sociétés de credit foncier*, but is guaranteed by loans and securities assigned in guarantee on Dexia MA's account with the central bank. Dexia MA used such financing:

- from September 2008 to July 2009 to fund its commercial production of assets when the covered bond market was closed;
- since the end of October 2011 to finance *cedulas territoriales*, classified as replacement assets, when their rating was downgraded.

The coverage of long-term liquidity needs is tested by stress scenarios conducted by Dexia MA under the control of rating agencies. They serve to define an adequate level of over-collateralization that reflects its current rating. Stress scenarios are practiced on the basis of the extinguishment of assets, i.e. without adding new assets and on outstanding privileged debt. Dexia MA has committed to maintain a minimum safe level of over-collateralization of 5%, but in practice actual over-collateralization is much higher. Several controls are conducted to ensure that the level of collateral required by the rating agencies is still respected. All planned issue programs give rise to stress scenario tests to check whether the planned program, without increasing the assets, will satisfy collateral requirements and the rating agencies' objectives of stressed cash flows. Two of the rating agencies systematically give their approval of these planned programs on a monthly basis, thereby enabling the Company to lock in its rating *a priori*.

In addition, Dexia MA manages its liquidity risk through the three following indicators:

- the liquidity ratio for one month (regulatory statement to prudential authorities);
- the duration gap between the assets and the resources benefiting from the legal privilege (limited to three years), which is published quarterly;
- liquidity needs over the next 180 days: Dexia MA's management enables it to provide structural coverage for its liquidity needs up to the extinguishment of the privileged liabilities by assets eligible for refinancing by the Banque de France. In addition, Dexia MA ensures that at any time, its liquidity needs over a period of 180 days are covered by replacement assets, assets eligible for Banque de France financing or by refinancing agreements signed with credit institutions with the best short-term credit quality, in accordance with the law on *sociétés de crédit foncier*.

Lastly, the Specific Controller receives the information he needs to assess whether the congruence of maturities of the assets and the liabilities is sufficient and to certify for each issue that the company respects the over-collateralization ratio on a permanent basis.

d. Operational risks

Scope

Operational risks are risks of loss resulting from the lack of adaptation or failure on the part of procedures, individuals, systems and also external events. It includes the risks linked to the security of information systems, as well as legal risks. Dexia chose to include the risk of reputation in its management of operational risks.

Organization and monitoring

Operational risk management system

The Dexia Group introduced procedures and a management tool that incorporates risk mapping corresponding to the criteria of the Basel II standard method, in compliance with "the sound practices for the management and supervision of operational risks" published by the Basel committee.

Dexia Credit Local has an operational risks team in the Risk Management division, relayed by a network of correspondents named in every division and entity. The involvement of the heads of the business lines ensures the effectiveness of the system. All the operating functions exercised by Dexia Credit Local on behalf of Dexia MA respect the same requirement.

Management of the operational risk is coordinated at the level of the Dexia Group in the Operational Risk Management Committee (ORMC), which meets monthly.

Identification, analysis and treatment of incidents

A process to identify incidents and operating losses was defined for the Group in keeping with Basel II recommendations. The incidents are classified and analyzed by the operational risk correspondents with the help of the central team. In function of the results of the analysis, corrective or preventive actions are taken in order to reduce exposure to operational risks.

Dexia has a common operational risk management tool, and in particular a module available in different Group entities to identify incidents.

A quarterly report on significant incidents is submitted, on the one hand, to the Management Board, and on the other hand,

to the heads of the business units (headquarters, subsidiaries and branches).
Each business line representative or correspondent is required to vouch for the fact that these are the sole incidents under his/her responsibility.

Risk mapping

In addition to the incidents observed, it is necessary to evaluate the main areas of risk by taking into account existing controls in order to be able to define the Dexia Group's risk profile. Mapping (self-evaluation) is carried out by the divisions or entities using a method that is common to the whole Dexia Group. In function of the results, action plans may be introduced to control the level of risk.
Reports result in an analysis of the bank's risk profile by entity, activity, process or type of event such as defined in Basel II recommendations. They are presented to the Management Board every year.

IT security

Here it is a question of all the measures taken to protect information systems from any threat that could affect their confidentiality, integrity or availability.
The security of Dexia MA's IT systems is managed like that of Dexia Credit Local.
All these measures are included in Dexia Credit Local's policy on IT security. This defines the principles applicable by security issue, as well as the roles and responsibilities of the different players in security. It is based on a number of directives, specific security policies, guidelines and operating procedures, as well as on the recommendations of ISO standard 27000/17799.
A contingency plan was drawn up with all operating services under the supervision of a specific steering committee. Within this framework, the consequences of an incident affecting the offices or information systems, or a loss of service were analyzed from a business point of view in order to identify critical activities. The results of this analysis were used to determine how long it would take to reboot activities in light of operating deadlines. The implementation of this strategy is based on formalized technical systems, procedures and organization. This plan and these procedures are updated yearly and tested according to a schedule drawn up by the contingency team and validated by the Management Board. Tests are reported to the steering committee. Moreover, a review of contingency plans for subsidiaries and branches is conducted annually to evaluate the appropriateness of the plans for each of the entities and, if required, to take the necessary action.

In addition, 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 (and thus to Dexia MA), doubled by point-to-point liaison between the IT production site and headquarters. For additional security, a mirror site was installed with duplicate connections to take over in the event of a failure at the primary installation. Data is periodically saved and this site may, if needed, take over for the master site very rapidly.

Responsibility for this area is shared among three players.

- The IS security committee proposes security policy guidelines to the Management Board, assigns directives in every activity, and ensures their implementation. It brings together the different business stakeholders concerned: risks, compliance, IT, logistics. It is chaired by the member of the Management Board in charge of risks and permanent control and meets every two months.
- The head of IT security makes proposals to the security committee for the security policy and the corresponding directives. He pilots the practical application of the rules that make up the security policy, heightens employee awareness and advises the various divisions. He reports to the operational risks division, thereby guaranteeing his independence vis-à-vis operating services.
- IT services are in charge of designing and installing security hardware and software. They also introduce related operating rules and procedures. They conduct inspections at the first and second levels to make sure security guidelines are respected. An IT security officer in the IT division coordinates these measures.

Legal risk

Dexia MA's control of legal risks, concerning agreements related to assets or liabilities, is under the responsibility of the General Secretary of Dexia Credit Local. Dexia MA's contractual commitments originate in or are approved by Dexia Credit Local's legal and tax division, in compliance with the Group's general practices.

Insurance of operational risks

Dexia Credit Local insures against traditional risks for its offices and IT systems, vehicles and liability. These policies cover French subsidiaries, including Dexia Municipal Agency.
Dexia Credit Local has also subscribed insurance policies to cover the liability of the members of its management bodies, professional liability, the loss of banking operations and general banking risks, including fraud and the monetary consequences of damage to valuables and/or documents. These guarantees also apply for the French and foreign entities controlled by Dexia Credit Local, including Dexia Municipal Agency.

3.5 - STEERING AND OVERSIGHT OF THE INTERNAL CONTROL SYSTEM

The Executive Board of Dexia Municipal Agency verifies with the management of Dexia Credit Local that the internal control system set up for its own operations and those of Dexia MA is efficient, and that it also covers the legal standards and management guidelines of Dexia MA by appropriate procedures and controls.

a. The Chief Executive Officer and the Management Board of Dexia Credit Local

The CEO, assisted by the Management Board he chairs, plays an essential role in the appreciation of internal control. He has multiple sources of information that allow him to fulfill his responsibilities in this field. There is no potential conflict of interest between the CEO's responsibilities with regard to Dexia Credit Local and his private interests and/or other obligations.

The members of the Management Board are all personally entrusted with operating responsibilities by business or by support function. They are thus well aware of the limits and opportunities that exist in their field and can define and then evaluate the efficiency of internal control procedures.

The most significant cross-company committees are chaired by a member of the Management Board, who may then present the main lines to the other members.

The Management Board has also introduced a system of delegation and reporting that requires the operating divisions to present and approve key indicators that enable it to appreciate the quality and efficiency of the internal control system.

Internal audit is also a privileged source of information for the CEO and the Management Board. They receive all the audit reports, which are discussed and commented on at meetings. They approve the recommendations and action plans. The general auditor presents his recommendations to the Management Board. As well, the CEO may also ask internal audit to carry out investigations that were not in the year's audit plan, on subjects he believes require immediate attention.

b. External controllers

The Statutory Auditors, within the framework of their assignment, and the regulators (for France, primarily the ACP and the AMF), within the framework of their inspections, are also led in their reviews to formulate recommendations for the improvement in specific areas identified by internal control. The Management Board launches measures that will result in the rapid implementation of these recommendations. In 2011, the ACP inspected the full range of Dexia MA's activities. The recommendations that resulted from this inspection were transmitted to Dexia MA at the beginning of 2012.

c. The Dexia Group

The Dexia Group plays a major role in monitoring internal control procedures at Dexia Municipal Agency. Several members of the Supervisory Board of Dexia MA sit on the Management Boards of Dexia or Dexia Credit Local, including the CEO of Dexia Credit Local. They therefore have access to the cross-company audit reports, which generally concern Dexia Credit Local and Dexia Municipal Agency, and which are presented at Board meetings.

Philippe Rucheton
Chairman of the Supervisory Board

Statutory Auditors' report

prepared in accordance with article L.225-235 of the French commercial code and dealing with the report of the Chairman of the Supervisory Board of Dexia Municipal Agency Year ended December 31, 2011

This is a free translation into English of a report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and is construed in accordance 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 French commercial code, we hereby present our report dealing with the report prepared by the Chairman of your company in accordance with article L.225-68 of the Code of Commerce for the year ended December 31, 2011.

The Chairman is responsible for preparing and submitting for the approval of the Supervisory Board, a report describing the internal control and risk management procedures implemented by the company and disclosing other information as required by article L.225-68 of the Code of Commerce, dealing in particular with corporate governance.

Our own responsibility is to:

- communicate to you any observations we may have as to the information contained in the Chairman's report and relating to the company's internal control and risk management procedures in the area of the preparation and processing of financial and accounting information; and
- attest that the report includes the other disclosures required by article L.225-68 of the Code of Commerce. It should be noted that we are not responsible for verifying the fair presentation of those other disclosures.

We have performed our work in accordance with the professional standards applicable in France.

Information relating to the company's internal control and risk management procedures in the area of the preparation and processing of financial and accounting information

Our professional standards require the application of procedures designed to assess the fair presentation of the information contained in the Chairman's report and relating to the company's internal control and risk management procedures in the area of the preparation and processing of financial and accounting information.

Those procedures involve in particular:

- obtaining an understanding of the underlying internal control and risk management procedures in the area of the preparation and processing of financial and accounting information presented in the Chairman's report, and of the related documentation;
- obtaining an understanding of the work performed as a basis for preparing that information and the existing documentation;
- determining if any major internal control weaknesses in the area of the preparation and processing of financial and accounting information identified by us during the course of our engagement have been appropriately disclosed in the Chairman's report.

On the basis of the procedures performed, we have nothing to report on the information relating to the company's internal control and risk management procedures in the area of 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 Code of Commerce.

Other disclosures

We hereby attest that the report of the Chairman of the Supervisory Board includes the other disclosures required by L.225-68 of the Code of Commerce.

Neuilly-sur-seine and Courbevoie, March 30, 2012

The Statutory Auditors
French original signed by

MAZARS
Virginie Chauvin   Hervé Hélias

DELOITTE & ASSOCIÉS
José-Luis Garcia   Charlotte Vandeputte

Ordinary and Extraordinary Shareholders' Meeting of May 24, 2012

Statutory Auditors' special report on regulated agreements and commitments

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 should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of your Company, we hereby present to you our report on regulated agreements and commitments.
The terms of our engagement require us to communicate to you such agreements based on information provided to us, the principal terms and conditions of those agreements and commitments brought to our attention or that we may have discovered through our engagement, without expressing an opinion on their usefulness and appropriateness, nor seeking the existence of other agreements and commitments. It is your responsibility, pursuant to article R.225-58 of the Code of Commerce (*Code de commerce*), to assess the interest involved in respect of the conclusion of these agreements for the purpose of approving them.
In addition, it is our responsibility to communicate to you the information pursuant to article R.225-58 of the Code of Commerce concerning the execution, during the year just ended, of any authorized agreements or commitments already approved by the Shareholders' Meeting.
We conducted our procedures in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) relating to this engagement. Those procedures consisted in verifying the information provided to us with the relevant source documents.

Agreements and commitments submitted to the approval of the Shareholders' Meeting

Agreements and commitments authorized during the year just ended:

In accordance with article L.225-88 of the Code of Commerce, we have been notified of the following agreements and commitments that were previously authorized by your Supervisory Board.

Transfer Agreement with Dexia Credit Local

Interested persons: Alain Clot, representing Dexia Credit Local and Philippe Rucheton, common director of Dexia Credit Local and Dexia Municipal Agency.

Nature and purpose: Sale of bonds issued by Greek and Icelandic counterparties held by Dexia Municipal Agency, in order to reduce the impact of these bonds on Dexia Municipal Agency's core equity. This sale was approved by your Supervisory Board on October 20, 2011.

Conditions: The transfer will be effective before January 31, 2012, by the agreement signed on December 22, 2011. The sale price will be equal to the sum of the bonds' notional amounts, increased by accrued interest on the date of the sale, and by the cost of terminating the hedges on these securities, reduced by the existing provision on Greek bonds (on the basis of the bonds' value as of June 30, 2011). This agreement has therefore avoided a EUR 725 million loss in the statutory accounts (established according to French standards).

Guarantee agreement on "sensitive loans", provided by Dexia SA and Dexia Credit Local to Dexia Municipal Agency

Interested persons: Alain Clot, representing Dexia Credit Local and Philippe Rucheton, common director of Dexia Credit Local and Dexia Municipal Agency.

Nature and purpose: In connection with the discussions ongoing on the principles and conditions for the restructuring of the Group, and in accordance with the terms of the negotiation protocol between Caisse des Dépôts et Consignations, La Banque Postale, Dexia SA and Dexia Credit Local, Dexia SA and Dexia Credit Local will reimburse Dexia Municipal Agency on a yearly basis the losses incurred on disputes related to "sensitive loans", as well as the loss in present value incurred by the renegotiations led by Dexia Credit Local, netted by the gain in present value incurred by these renegotiations. This agreement was approved by your Supervisory Board on October 20, 2011.

Conditions: This agreement has not been signed as of today, the final conditions not being defined yet, and did not have any impact on year 2011.

Stop loss guaranty provided by Dexia SA and Dexia Credit Local to Dexia Municipal Agency

Interested persons: Alain Clot, representing Dexia Credit Local and Philippe Rucheton, common director of Dexia Credit Local and Dexia Municipal Agency.

Nature and purpose: In connection with the discussions ongoing on the principles and conditions for the restructuring of the Group, and in accordance with the terms of the negotiation protocol between Caisse des Dépôts et Consignations, La Banque Postale, Dexia SA and Dexia Credit Local, this agreement guarantees Caisse des Dépôts et Consignations a value it considers as acceptable for the holdings acquired through the takeover of Dexia Municipal Agency. This agreement was approved by your Supervisory Board on October 20, 2011.

Conditions: This agreement has not been signed as of today, the final conditions not being defined yet, and did not have any impact on year 2011. The targeted portfolio would encompass Dexia Municipal Agency's portfolio of assets at the closing date of negotiations, as well as loans incurred by the renegotiation of this initial portfolio. Dexia SA and Dexia Credit Local would reimburse Dexia Municipal Agency the cost of risk (losses incurred in accounting value, net of provisions), above 10 bps on the average notional.

Agreements and commitments already approved by the Shareholders' Meeting

Agreements and commitments approved in prior years with an impact on the year just ended

Pursuant to article R.225-57 of the Code of Commerce, we have been advised that the following agreements and commitments, authorised by the Shareholders' Meeting in prior years, remained in effect during the year just ended.

Declaration of financial support of Dexia Municipal Agency

The "declaration of financial support" agreement of September 16, 1999 between Dexia Credit Local and Dexia Municipal Agency benefits the holders of bonds issued by Dexia Municipal Agency. The agreement stipulates that Dexia Credit Local will hold over 95% of Dexia Municipal Agency's equity capital on a long-term basis. In addition, Dexia Credit Local will ensure that Dexia Municipal Agency pursues its activities in compliance with the provisions of articles L.515-13 to L.515-33 of the French Monetary and Financial Code (*Code monétaire et financier*) concerning *Sociétés de crédit foncier* and has the financial resources it needs to meet its obligations.

Courbevoie and Neuilly-sur-Seine – 30 March 2012

The Statutory Auditors
French original signed by

MAZARS
Virginie Chauvin   Hervé Hélias

DELOITTE & ASSOCIÉS
José-Luis Garcia   Charlotte Vandeputte

Observations of the Supervisory Board

Pursuant to the provisions of article L.225-68 of the Code of Commerce, we hereby state that we have no comment to make on the management report of the Executive Board or on the financial statements for the year ended December 31, 2011.

The Supervisory Board wishes to thank the Executive Board for the initiatives taken and the results achieved during the year ended December 31, 2011.

The Supervisory Board

Resolutions proposed to the Ordinary and Extraordinary Shareholders' Meeting of May 24, 2012

To the Ordinary Shareholders' Meeting

First resolution: Approval of the financial statements

The Ordinary Shareholders' Meeting, after hearing the reports of the Executive Board, the Chairman of the Supervisory Board and the Statutory Auditors, as well as the observations of the Supervisory Board, approves the financial statements for the year ended December 31, 2011, as presented, with all the transactions that generated these financial statements or are mentioned in the above reports, showing net income of EUR 5,416,665.30.

Second resolution: Approval of regulated agreements and commitments

After hearing the Statutory Auditors' special report on regulated agreements and commitments, governed by article L.225-86 of the Code of Commerce, the Ordinary Shareholders' Meeting approves the agreements and commitments mentioned therein, under the conditions of article L.225-88 of the same Code.

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 members of the management bodies for the performance of their duties during the year ended December 31, 2011.

Fourth resolution: Allocation of net income

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

ALLOCATION OF NET INCOME	EUR
Net income for the year	5,416,665.30
Legal reserve (5%)	(270,833.27)
Retained earnings	13,112,386.16
2011 income available for distribution	**18,258,218.19**
Dividends distributed	(15,080,000.00)
Retained earnings after allocation	**3,178,218.19**

Each share will receive a dividend of EUR 1.16 eligible for a rebate of 40% according to article 158.3-2 of the French General Tax Code (Code Général des Impôts).

The dividend will be paid as of May 30, 2012.

The Ordinary Shareholders' Meeting recalls, pursuant to article 243bis of the French General Tax Code, that the following dividends were paid in the previous three years.

EUR	2008	2009	2010
Net dividend per share	12	12.60	9.25
Amount per share eligible for rebate (article 58.3-2 of the French General Tax Code)	12[(1)]	12.60[(1)]	9.25[(1)]
Total amount per share eligible for rebate (article 58.3-2 of the French General Tax Code)	113,520,000[(1)]	133,560,000[(1)]	110,075,000[(1)]

(1) Rate 40%.

Fifth resolution: Certification of the financial statements

In application of article L.822-14 of the Code of Commerce, the Ordinary Shareholders' Meeting takes note that the financial statements for the year ended December 31, 2011, were certified by the Statutory Auditors:
- Hervé Hélias, Partner, and Virginie Chauvin, Partner, representing the firm Mazars on the one hand,
- José-Luis Garcia, Partner, and Charlotte Vandeputte, Partner representing the firm Deloitte & Associés on the other hand.

Sixth resolution: No renewal of appointment

The Ordinary Shareholder's Meeting, noting that the term of Dexia Crediop as a member of the Supervisory Board comes to an end on this day, decides not to renew the company's mandate.

To the Extraordinary Shareholders' Meeting

Seventh resolution: Capital increase in the amount of EUR 15 million 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 share capital by EUR 15 million from EUR 1.3 billion to EUR 1.315 billion via the creation of 150,000 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 be created with effect as of January 1, 2012, 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 at the Company's registered office between May 24 and June 8, 2012, included. The funds paid to back the subscriptions will be deposited with Dexia CLF Banque.

Eighth resolution: Subsequent amendment of 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: Share capital
"Share capital is set at the sum of EUR 1,315,000,000. It is divided into 13,150,000 shares."

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

Ninth resolution: Powers

The Extraordinary Shareholders' Meeting gives full powers to the bearer of an original, a copy or an excerpt of the minutes of this meeting to carry out all legal formalities, in particular to notify the Tribunal de Commerce de Nanterre of any changes in registration.

General Information

Legal and administrative information

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

Registered office
The Company's registered office is located at:
1, passerelle des Reflets - Tour Dexia
La Défense 2 - 92913 La Défense Cedex

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 établissements 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 of 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 by-laws)
The Company's exclusive purpose is:
- to grant or acquire loans to public sector entities as defined in article L.515-15 of the Monetary and Financial Code as well as assets considered as loans as defined in article L.515-16 of the same code;
- to hold assets defined by decree as replacement assets;
- in order to finance the above-mentioned loans, to issue ***obligations foncières*** benefiting from the 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 of January 2, 1981, facilitating corporate borrowing, the Company may assign all the assets it owns, whatever their nature (whether professional or not).

Company registration and APE business identification code
Dexia Municipal Agency is registered as a corporate entity under the designation NANTERRE 421 318 064 (Registre du Commerce et des Sociétés). Its APE code is 6492Z.

Availability of information
Legal documents concerning Dexia Municipal Agency may be consulted at the company's registered office:
1, passerelle des Reflets - Tour Dexia
La Défense 2 - 92913 La Défense Cedex

Fiscal year (article 39 of the by-laws)
The company's fiscal year begins on January 1 and ends on December 31.

Exceptional events and legal proceedings
There is no exceptional event or legal proceeding pending or in process that could have a material impact on the assets and liabilities, financial position or results of the Company and its subsidiaries.
Concerning the highlights, and more especially the change in the shareholding structure of Dexia MA as mentioned in the protocol of intentions signed on March 15, 2012, by Dexia, Caisse des Dépôts, La Banque Postale and the French State, information is provided in the Management Report (cf. 2.4).

Allocation of income (article 40 of the by-laws)
Income available for distribution comprises net income for the year minus 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.

Capital

Share capital currently stands at EUR 1,300,000,000 represented by 13,000,000 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

Date of the shareholders' meeting	Date of the capital increase	Amount of the capital increase (EUR)	Cumulated capital (EUR)
5/15/07	5/18/07	116,000,000	876,000,000
5/26/08	5/28/08	70,000,000	946,000,000
5/26/09	6/9/09	114,000,000	1,060,000,000
5/26/10	5/28/10	130,000,000	1,190,000,000
5/26/11	6/7/11	110,000,000	1,300,000,000

Breakdown of capital	2007	2008	2009	2010	2011
Dexia Credit 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 Ordinary and Extraordinary Shareholders' Meeting of May 26, 2011, there were 11,900,000 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 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."

Statement by the person responsible

This is a free translation of the French language original.

I, Gilles Gallerne, Chief Executive Officer of Dexia Municipal Agency,

hereby affirm that to the best of my knowledge, the financial statements have been prepared in conformity with applicable accounting standards and present fairly, in all material aspects, the assets and liabilities, financial position and results of Dexia Municipal Agency, and that the management report presents a fair image of trends in the Company's business, results and financial position, as well as a description of the main risks and uncertainties it must face.

La Défense, March 30, 2012

Gilles Gallerne
Chief Executive Officer

List of information published or disclosed

in the last 12 months (in application of article L.451-1-1 of the Monetary and Financial Code and of article 222-7 of the general regulations of the French Financial Markets Authority - AMF)

Nature of the information	Publication or announcement
I - ACTIVITY AND RESULTS	
Quarterly financial report as of December 31, 2011	BALO 2/27/2012
Quarterly financial report as of September 30, 2011	BALO 12/14/2011
Semi annual financial report as of June 30, 2011	BALO 10/19/2011
Quarterly financial report as of June 30, 2011	BALO 8/13/2011
Report on asset quality as of December 31, 2010	BALO 6/1/2011
Approval of 2010 annual financial statements	BALO 6/24/2011
Quarterly financial report as of March 31, 2011	BALO 5/25/2011
II - CORPORATE ORGANIZATION	
Modified registration - Change in composition of the Supervisory Board	Les Petites Affiches 11/21/2011
Modified registration - Capital increase	Les Petites Affiches 6/20/2011
III – OTHER INFORMATION	
Dexia Municipal Agency - Report on asset quality as of December 31, 2011	HUGIN(1) 2/14/2012
Preliminary agreement on the future financing of the French local public sector	Press release 2/10/2012
Dexia Municipal Agency - Report on asset quality as of September 30, 2011	HUGIN 11/14/2011
Dexia Municipal Agency - Financial Report as of June 30, 2011	HUGIN 8/31/2011
Dexia Municipal Agency - Report on asset quality as of June 30, 2011	HUGIN 8/12/2011
Dexia Municipal Agency - Annual Report 2010	HUGIN 3/28/2011
Bond issues	
Dexia Municipal Agency - EMTN 428 TR1 EUR 250,000,000 maturity July 1, 2023	HUGIN 6/29/2011
Dexia Municipal Agency - EMTN 319 TR8 EUR 200,000,000 maturity February 7, 2019	HUGIN 6/3/2011
Dexia Municipal Agency - EMTN 427 TR1 NOK 500,000,000 maturity June 7, 2021	HUGIN 6/1/2011
Dexia Municipal Agency - EMTN 404 TR2 EUR 300,000,000 maturity February 26, 2018	HUGIN 6/1/2011
Dexia Municipal Agency - EMTN 417 TR5 EUR 250,000,000 maturity January 26, 2021	HUGIN 5/31/2011
Dexia Municipal Agency - EMTN 417 TR4 EUR 300,000,000 maturity January 26, 2021	HUGIN 5/30/2011
Dexia Municipal Agency - EMTN 426 TR1 EUR 450,000,000 maturity February 1, 2016	HUGIN 5/30/2011
Dexia Municipal Agency - EMTN 425 TR1 EUR 1,000,000,000 maturity May 18, 2016	HUGIN 5/16/2011
Dexia Municipal Agency - EMTN 424 TR1 USD 150,000,000 maturity May 13, 2014	HUGIN 5/11/2011
Dexia Municipal Agency - EMTN 423 TR1 USD 150,000,000 maturity May 9, 2014	HUGIN 5/5/2011
Dexia Municipal Agency - EMTN 417 TR3 EUR 150,000,000 maturity January 26, 2021	HUGIN 4/26/2011
Dexia Municipal Agency - EMTN 422 TR1 EUR 10,000,000 maturity April 19, 2016	HUGIN 4/15/2011
Dexia Municipal Agency - EMTN 402 TR4 EUR 200,000,000 maturity January 26, 2022	HUGIN 4/15/2011
Certificates of approval	
CSSF certificate of approval dated September 7, 2011, concerning the second supplement to the 2011 EMTN base prospectus	AMF 9/7/2011
CSSF certificate of approval dated September 7, 2011, concerning the third supplement to the 2011 USMTN base prospectus	AMF 9/7/2011
CSSF certificate of approval dated June 15, 2011, concerning the first supplement to the 2011, EMTN base prospectus	AMF 6/15/2011
CSSF certificate of approval dated June 15, 2011, concerning the second supplement to the 2011 USMTN base prospectus	AMF 6/15/2011
CSSF certificate of approval dated April 13, 2011, concerning the first supplement to the 2011 USMTN base prospectus	AMF 4/13/2011
CSSF certificate of approval dated April 11, 2011, concerning the 2011 EMTN base prospectus	AMF 4/11/2011
CSSF certificate of approval dated March 29, 2011, concerning the third supplement to the 2010 EMTN base prospectus	AMF 3/29/2011

(1) Professional wire for regulatory information, AMF registered

DEXIA MUNICIPAL AGENCY
Société anonyme à directoire et conseil de surveillance
A French credit institution with an Executive Board and a Supervisory Board
Capital of EUR 1,300,000,000
R.C.S. NANTERRE 421 318 064

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