



# FINANCIAL REPORT

As of September 30, 2008

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## MANAGEMENT REPORT AS OF SEPTEMBER 30, 2008

As of September 30, 2008, assets totaled EUR 78.9 billion, up 7.3% in the first nine months of the year, and 17.6% from September 30, 2007.

Net assets amounted to EUR 73.9 billion, excluding accrued interest not yet due, representing an increase of 6.6% over December 2007 and 17.1% over September 2007.

Outstanding *obligations foncières* and registered covered bonds totaled EUR 64.1 billion in swapped value, rising 9.8% from December 2007 and 17.2% from September 2007.

The debt vis-à-vis Dexia Credit Local, which does not benefit from the privilege, stood at EUR 5.4 billion.

Shareholders' equity as of September 30, 2008, was EUR 1.2 billion.

<b>Key balance sheet items</b>					
EUR billions	9/30/2007	12/31/2007	9/30/2008	Change Sep. 08 / Dec. 07	Change Sep. 08 / Sep. 07
<b>TOTAL ASSETS</b>	<b>67.1</b>	<b>73.5</b>	<b>78.9</b>	<b>7.3%</b>	<b>17.6%</b>
<b>of which:</b>					
<b>Cover pool</b>	<b>63.1</b>	<b>69.3</b>	<b>73.9</b>	<b>6.6%</b>	<b>17.1%</b>
<i>Loans</i>	48.0	52.4	54.5	4.0%	13.4%
<i>Securities</i>	15.1	16.9	19.4	14.8%	28.6%
<b>Privileged debt</b>	<b>54.7</b>	<b>58.4</b>	<b>64.1</b>	<b>9.8%</b>	<b>17.2%</b>
<i>Swapped value</i>					
<i>Balance sheet value</i>	53.1	56.4	62.5	10.8%	17.6%
(Obligations foncières & registered covered bonds)					
<b>Non-privileged debt</b>	<b>7.9</b>	<b>10.4</b>	<b>5.4</b>	<b>-48.1%</b>	<b>-31.6%</b>
<i>Dexia Crédit Local</i>					
<b>Shareholders' equity (incl. net income)</b>	<b>1.1</b>	<b>1.1</b>	<b>1.2</b>	<b>7.3%</b>	<b>10.4%</b>

## I - Third quarter highlights

Whereas the first six months of 2008 had been marked by Dexia Municipal Agency's good resistance to a very turbulent market environment, the third quarter of 2008 witnessed a severe aggravation of the financial crisis as of mid-August.

### Market for covered bonds closed

The first half of 2008 had been characterized by periods of marked slowdown in issuance activity, accompanied by dysfunctions in market making, but windows of opportunity for issues had also continued to exist alternatively. The significant downturn in the financial markets as of the month of August resulted in the progressive disappearance of investors, and the global market for covered bonds closed altogether. Dexia MA was, therefore, unable to continue to issue at the same pace as in the first half, which had been very good. The impact of this development is presented below.

	Q1	Q2	July	August	September	Total
Issues	4,273	4,534	618	62	0	9,487

### Bankruptcy of Lehman Brothers :

Within the framework of its interest rate and foreign exchange risk coverage policy, Dexia Municipal Agency had engaged in a certain number of derivative transactions with Lehman Brothers. In agreement with the recommendations of the rating agencies, Dexia MA's ISDA master agreements (and their accompanying credit support annex) state that only the counterparty should pay collateral, never Dexia MA, in order to take account of the protection provided by French legislation on *sociétés de crédit foncier* to derivative counterparties and to bearers of *obligations foncières*. Thus, when Lehman Brothers failed, the net exposure in market value of all the derivatives with this group was favorable to Dexia MA. The contracts with Lehman Brothers were immediately cancelled and replaced in the days that followed, with other counterparties. The sums owed to Lehman Brothers for the cancellation and the sums paid to the new counterparties for identical swaps show a net profit of EUR 5 million for Dexia MA; for accounting and tax purposes, they will be spread over the residual life of these derivatives.

### Financial situation of the Dexia Group

Because of the downturn in the economic environment and the markets, and of the financial situation of a certain number of banking groups, Dexia conducted a prudent assessment of its situation and decided to take the required measures by raising EUR 6.4 billion in Tier 1 capital. The governments of Belgium, France and Luxembourg, as well as existing shareholders, announced on September 30, 2008, that they would subscribe to Dexia's capital increase; this operation was carried out on October 3, 2008.

In order to support Dexia's activity and its development, the French, Belgian and Luxembourg governments jointly committed, from October 9, 2008, to October 31, 2009, to guarantee new deposits and interbank and institutional financing, as well as new bond issues for institutional investors, with a maximum maturity of three years, issued by Dexia SA,

Dexia Banque Internationale à Luxembourg, Dexia Bank Belgium and Dexia Credit Local as well as by their issuance vehicles governed by Belgian, French and Luxembourg law. This guarantee, which may be renewed for a period of one year, will receive compensation reflecting the advantage thus granted to the Dexia Group entities concerned. This guarantee ensures that Dexia will have the cash reserves it needs to fulfill its obligations, in particular vis-à-vis its clients.

With its issues of *obligations foncières* already guaranteed by assets of the best quality and a regulatory framework that protects investors to a high degree, Dexia Municipal Agency should not need to use this guarantee.

At the beginning of October, the downgrading of the ratings of Dexia Credit Local automatically led Moody's, according to its methodology, to place on review the rating of Dexia MA. This review involves an in-depth analysis of the Company's situation. Fitch and Standard and Poor's confirmed that they have maintained Dexia MA's triple A rating.

#### Access to Banque de France refinancing

The large majority of Dexia Municipal Agency's assets are eligible for refinancing by the European Central Bank, enabling it to obtain financing from the Banque de France if needed. This constitutes an additional source of liquidity, in addition to the financing provided by its parent company, Dexia Credit Local, thus ensuring that Dexia MA will always have the means to reimburse its *obligations foncières* at the due dates.

At the end of September 2008, Dexia MA finalized the installation of operating circuits that allow it to obtain such refinancing secured with loans or bonds booked on its balance sheet. It had the opportunity to put its capacity to participate in such operations to a real test by obtaining refinancing of EUR 4.0 billion. This financing by the European Central Bank makes it possible to finance temporarily under good conditions the surplus of over-collateral while waiting to issue *obligations foncières* as soon as the covered bond market reopens.

## II - Change in assets in the first nine months of 2008

The net change in assets (the cover pool) during the first nine months of 2008 was EUR 4.6 billion, as analyzed below.

<b>Acquisitions of assets as of 09/30/2008</b>			
<i>(EUR millions)</i>			
	<b>Loans</b>	<b>Debt securities</b>	<b>Total</b>
France	3,715	-	3,715
Outside of France	1,381	4,352	5,733
<b>Total new assets</b>	<b>5,096</b>	<b>4,352</b>	<b>9,447</b>
Amortization	- 2,697	- 478	- 3,174
Early reimbursements	- 559	- 1,000	- 1,559
Disposals	-	- 325	- 325
Foreign exchange adjustments	245	- 20	225
<b>Net change in assets</b>	<b>2,084</b>	<b>2,529</b>	<b>4,613</b>

Gross asset production in the period was EUR 9.4 billion.

<b>Breakdown of gross acquisitions</b>		
<i>(EUR millions)</i>		
<b>Loans:</b>	<b>Transfer mode</b>	<b>5,096</b>
France		3,715
Switzerland		589
Sweden, Finland, Portugal, others		11
Poland, Hungary, Greece, Lithuania	<i>loan to DKB</i>	781
<b>Debt securities:</b>	<b>Transfer mode</b>	<b>4,352</b>
Belgium	<i>SPV DSFB 2</i>	1,589
Italy	<i>SPV DCC 3</i>	2,300
Spain	<i>Cedulas</i>	250
Greece		90
United States		123
<b>Total</b>		<b>9,447</b>

These long-term assets are comprised of the following items:

- EUR 4.4 billion generated by Dexia Credit Local and its subsidiaries within the framework of its commercial activity in France, Switzerland and Portugal, as well as by the acquisition of Greek (sovereign) and American (federal) securities;
- EUR 2.3 billion in bonds issued by Dexia Crediop per la Cartolarizzazione (DCC), a dedicated securitization vehicle set up by Dexia Crediop to refinance securities issued by large local governments in Italy;
- EUR 1.6 billion in securities issued by Dexia Secured Funding Belgium (DSFB), a dedicated securitization vehicle set up by Dexia Bank Belgium to refinance loans granted to or guaranteed by large local governments in Belgium;
- EUR 0.3 billion in *Cedulas Territoriales*, rated Aaa by Moody's, issued by Dexia Sabadell, guaranteed by its exposures on Spanish local governments;
- EUR 0.8 billion in loans guaranteed by a portfolio of securities issued by sovereign issuers in Central Europe.

With regard to the breakdown of assets by country, there was a rise in the proportion of Italian, Belgian, Swiss and Polish public sector assets from December 2007. France continued to represent the largest volume of outstanding assets with 62% of the total. Its share declined compared with that of other countries in which the Dexia Group operates, resulting in greater geographical diversification.

<b>Breakdown of assets by country (%)</b>		
	<b>12/31/2007</b>	<b>9/30/2008</b>
France	65.1	62.4
Italy	7.5	9.9
Belgium	4.8	6.2
Switzerland	5.5	6.0
Spain	4.2	3.9
Luxemburg	4.0	3.7
Poland	1.0	1.7
Germany	2.9	1.2
Sweden/Finland	1.3	1.1
Other countries	3.9	3.9
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

As of September 30, 2008, replacement assets totaled EUR 5.3 billion, entirely comprised of Dexia Group covered bonds rated triple A, which are broken down in the notes to the financial statements. They represented 8.3% of outstanding *obligations foncières* and registered covered bonds of EUR 64.1 billion in swapped value; their amount is limited by law to 15%.

### III - Change in debt benefiting from the privilege during the first nine months of 2008

Dexia Municipal Agency issued the equivalent of EUR 9.5 billion since the beginning of 2008, compared with EUR 11.4 billion in the same period of 2007 and EUR 15.3 billion in the full year 2007.

Whereas Dexia MA had reported a good level of performance in the first half, issuing a volume close to that reported in the previous year for the same period, in particular with three benchmark issues in euros launched in January, April and June for a total of EUR 4.25 billion, the financial crisis had a strong impact on issuing activities in the third quarter. The new issues have shorter average maturities, i.e. 5.5 years versus 8.4 years in the first half of 2007 and 6.7 years in the second half of 2007 (and 7.7 years for the full year 2007).

Dexia MA maintained an active presence in the markets until the beginning of August, with regard to both private placements (which represented 25% of the total as for the same period in 2007) and public issues. Public issues and private placements are broken down and analyzed by currency in the following table.

<b>Production 2008</b>		
		EUR millions
<b>Public sector issues</b>		<b>7,152</b> 75%
<b>Private placements</b>		<b>2,335</b> 25%
including:	RCB	248
	less than 2 years	80
<b>Total</b>		<b>9,487</b> <b>100%</b>
<b>Breakdown by currency:</b>		
<b>Total euros</b>		<b>7,434</b> <b>78%</b>
<b><u>other currencies:</u></b>	<b><u>millions</u></b>	
<b>SEK</b>	1,333	
<b>DKK</b>	250	
<b>NOK</b>	230	
<b>CHF</b>	350	
<b>GBP</b>	200	
<b>JPY</b>	5,000	
<b>USD</b>	1,630	
<b>Total other currencies</b>		<b>2,053</b> <b>22%</b>
(EUR millions)		
<b>Reimbursements</b>		<b>3,743</b>
<b>Outstanding as of September 30, 2008</b>		<b>64,129</b>
<i>(swapped value)</i>		

Public issues included three benchmarks:

- EUR 2 billion, maturity 5 years (June 2013),
- EUR 1 billion, maturity 7 years (April 2015),
- EUR 1.25 billion, maturity 3 years (June 2011);

as well as taps of euro benchmarks in the amount of:

- EUR 500 million of the November 2010 issue, bringing the total to EUR 2.0 billion,
- EUR 500 million of the January 2011 issue, bringing the total to EUR 2.5 billion,
- EUR 250 million of the June 2011 issue, bringing the total to EUR 1.5 billion,
- EUR 650 million of the March 2014 issue, bringing the total to EUR 1.9 billion,
- EUR 150 million of the July 2017 issue, bringing the total to EUR 1.4 billion;
- EUR 150 million of the February 2019 issue, bringing the total to EUR 1.3 billion;

and issues in other currencies (USD, CHF, GBP) for a total equivalent amount of EUR 702 million.

After reimbursement of EUR 3.7 billion, outstanding *obligations foncières* and registered covered bonds as of September 30 totaled EUR 64.1 billion in swapped value.

#### IV - Change in the coverage ratio

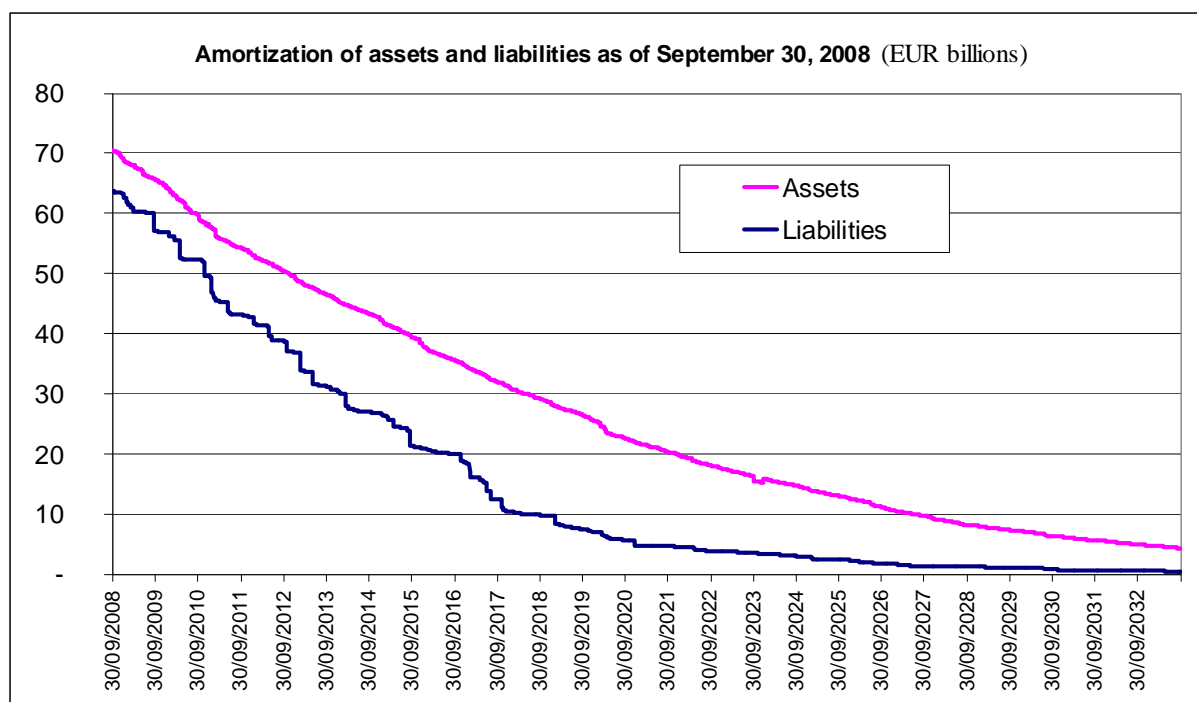
The coverage ratio, calculated according to regulatory standards applied to French *sociétés de crédit foncier*, is the ratio between the assets and the resources benefiting from the privilege. The following table analyzes the coverage ratio at the end of the last twelve months.

<b>4th quarter 2007</b>	Oct-07	114.9%	<b>2nd quarter 2008</b>	Apr-08	115.6%
	Nov-07	112.2%		May-08	114.1%
	Dec-07	117.6%		Jun-08	111.4%
<b>1st quarter 2008</b>	Jan-08	116.8%	<b>3rd quarter 2008</b>	Jul-08	115.2%
	Feb-08	112.6%		Aug-08	114.9%
	Mar-08	117.3%		Sep-08	108.4%

Note is made that Dexia MA decided to maintain a minimum coverage ratio of 105%, which is considered a safe margin. In practice, since the over-collateral is reconstituted by the Group's commercial activity and asset transfers, the coverage ratio is much greater than 105%, as is generally the case at the end of each month, when over-collateralization makes it possible to launch the following month's issues.

As indicated above, in light of the situation in the covered bond market, in which it was not possible to envisage large volume issues, Dexia MA chose to use a part of its surplus over-collateral (above 105%) to obtain financing from the Banque de France. The assets pledged to guarantee this operation (EUR 4 billion) have been excluded from the calculation of the ratio, as has the financing itself.

The following table presents amortization curves of the assets, on the one hand, and of the *obligations foncières* and registered covered bonds, on the other, as of September 30, 2008.



**V - Change in other debt that does not benefit from the privilege (debt contracted with Dexia Credit Local)**

This debt is contracted within the framework of the agreement existing between Dexia Credit Local and Dexia Municipal Agency. It mainly varies in function of over-collateralization

EUR billions

9/30/2007	7.9
12/31/2007	10.4
3/31/2008	10.1
6/30/2008	7.0
9/30/2008	5.4

As of September 30, 2008, the total borrowed from Dexia Credit Local was EUR 5.4 billion, excluding accrued interest not yet due, broken down as follows:

- to finance over-collateralization of 105%: EUR 3.5 billion
- to finance over-collateralization beyond 105%: EUR 1.9 billion.

**VI - Management of balance sheet risk**

- Transformation risk

The difference in maturities between the assets and the liabilities may create a liquidity risk. Dexia MA's management rule is a commitment not to exceed a limit of three years in the duration gap between the assets and the resources benefiting from the privilege. The duration gap is in fact much lower than this limit, as can be seen in the following table.



Transformation risk (duration, in years)					
	Dec-06	Dec-07	Mar-08	Jun-08	Sep-08
Duration of assets	7.19	7.19	7.05	7.20	7.50
Duration of privileged liabilities	5.28	5.18	5.00	4.76	4.87
<b>Gap in assets-liabilities duration</b>	<b>1.91</b>	<b>2.01</b>	<b>2.05</b>	<b>2.44</b>	<b>2.63</b>
<b>Duration gap limit</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>

- Interest rate risk

The method remains unchanged. First, the assets and liabilities that have a fixed rate or are in a foreign currency are swapped against Euribor 3 months until maturity as soon as they are recognized on the balance sheet. Then, the Euribor asset and liability flows are swapped against Eonia until the next due date, with a maximum of 12 months, 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, for which a comprehensive sensitivity limit of 3% of shareholders' equity has been set. As is the case every year, this limit was adjusted as of April 1, 2008; it rose to EUR 29.5 million from the previous limit of EUR 26 million. Real sensitivity is maintained significantly below this limit. Sensitivity is defined as the net present value of the interest rate gap under the impact of a 1% (100 basis points) shift in the yield curve.

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

Sensitivity of the gap					
		Average	Maximum	Minimum	Limit
<b>Fixed rate</b>	Q4 2007	9.5	18.0	5.0	<b>23.5</b>
	Q1 2008	7.5	10.9	- 2.6	<b>23.5</b>
	Q2 2008	10.9	16.7	7.4	<b>25.5</b>
	Q3 2008	12.8	18.5	6.8	<b>25.5</b>
<b>Monetary</b>	Q4 2007 *	0.1	7.9	- 1.9	<b>2.5</b>
	Q1 2008 *	0.1	0.8	- 6.6	<b>2.5</b>
	Q2 2008 *	0.6	6.7	- 10.6	<b>4.0</b>
	Q3 2008	0.6	1.4	0.0	<b>4.0</b>
<b>Total</b>	Q4 2007	9.6	25.9	3.0	<b>26.0</b>
	Q1 2008	7.8	11.5	- 2.5	<b>26.0</b>
	Q2 2008	11.9	18.3	7.8	<b>29.5</b>
	Q3 2008	13.4	18.8	7.7	<b>29.5</b>

\* maximum/minimum: value observed during one day (limit exceeded for technical reasons).

The purpose of this interest rate management is to convert the assets and liabilities on the balance sheet to a floating rate so that they move together in a parallel fashion following the movements of the yield curve, while maintaining the same margin.

In accounting, the impact of this hedging method is reflected in the item "Net interest from macro-hedges", for which the charge increases or decreases in function of the gap between the fixed rates of the loans and the Euribor received from hedging (which may become income if there is a sharp increase in floating rates), usually without the overall net margin being affected.

- Foreign exchange risk

Dexia MA takes no foreign exchange risks. Assets and liabilities originally in currencies other than the euro are swapped against Euribor as soon as they are recognized on Dexia MA's balance sheet.

As of September 30, 2008, the swaps generated by this interest rate and foreign exchange risk hedging strategy can be analyzed as follows between external counterparties and Dexia Group counterparties.

	Notional total (EUR billions)	Dexia Group (%)	External counterparties (%)
<b><u>Fixed rate swaps against Euribor</u></b>			
micro-hedges on <i>obligations foncières</i>	45.6	3.7%	96.3%
micro-hedges on loans and debt securities	29.8	22.1%	77.9%
macro-hedges on loans	24.1	83.9%	16.1%
<i>S/T</i>	<b>99.5</b>	<b>28.6%</b>	<b>71.4%</b>
<b><u>Euribor against Eonia</u></b>			
macro-hedges	<b>109.4</b>	<b>100.0%</b>	<b>0.0%</b>
<b><u>Currency swaps</u></b>			
micro-hedges on <i>obligations foncières</i>	17.9	13.5%	86.5%
micro-hedges on loans and debt securities	5.2	62.0%	38.0%
macro-hedges on loans	1.4	81.1%	18.9%
<i>S/T</i>	<b>24.5</b>	<b>27.8%</b>	<b>72.2%</b>

## VII - Income statement (French GAAP)

The income statement as of September 30, 2008, is presented in the following table.

<i>EUR millions</i>	9/30/2007	12/31/2007	9/30/2008	Change 08/07
Interest received on assets	2,063.5	2,882.0	2,756.2	
Net interest from macro-hedges	-47.2	-41.9	27.4	
Interest on <i>obligations foncières</i> and non-fixed income securities	-1,573.9	-2,247.7	-2,282.9	
Interest on the account with Dexia Credit Local	-174.9	-256.9	-270.8	
Provisions and income on available-for-sale securities	-1.2	-1.1	-51.0	
Commissions received and paid	-3.1	-4.5	-2.9	
Other	0.0	0.1	0.0	
<b>Net banking income</b>	<b>263.3</b>	<b>330.0</b>	<b>176.0</b>	<b>-33.2%</b>
General operating expenses	-55.7	-74.6	-62.4	
Taxes	-6.4	-8.4	-6.4	
<b>Operating income before cost of risk</b>	<b>201.2</b>	<b>247.0</b>	<b>107.2</b>	<b>-46.7%</b>
Cost of risk	-0.1	-0.1	-0.1	
<b>Pre-tax Income</b>	<b>201.1</b>	<b>246.9</b>	<b>107.0</b>	<b>-46.8%</b>
Corporate income tax	-65.6	-81.4	-45.3	
Regulated provision on long- and medium-term loans	-9.8	-12.0	-6.0	
<b>NET INCOME</b>	<b>125.7</b>	<b>153.5</b>	<b>55.8</b>	<b>-55.6%</b>

### Note on the income statement

Net banking income was down 33.2% compared with the same period in the previous year. This decrease reflected:

- a provision of EUR 51 million on the placement portfolio; this provision corresponded to a decline in the market value of securities issued or guaranteed by public sector entities in the following countries:

EUR millions	12/31/2007	9/30/2008
Greece		24.4
Iceland		10.2
Italy	0.3	7.1
Germany		2.4
Spain	0.4	1.5
United States		5.2
Total:	0.7	50.8

The principal depreciation relates to exposures on Greek and Iceland sovereign bonds (for EUR 24.4 million and 10.2 million).

- reduced activity in debt rescheduling, which had boosted income in 2007, because of the accounting treatment (see below).

The “commercial margin” component was up 11.0%, buoyed by a significant rise in average outstanding assets.

*Readers are reminded that Dexia MA applies an accounting treatment to early loan reimbursement penalties and swap cancellation equalization 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. Some of the increase in income reported in 2006 and 2007 was due to this phenomenon, since management of local government debt was very active in these two years.*

*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 "Client loans", "Micro-hedge transactions" and "Macro-hedge transactions".*

Operating expenses increased by 10.8%; this increase was linked to the rise in the volume of operations generated (cover pool and *obligations foncières*). Operating expenses are 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 was at a very low level, reflecting the excellent quality of the assets.

Net income decreased by 55.6% to EUR 55.8 million.

## VIII - Income statement (IFRS)

In the second quarter of 2007, Dexia MA initiated a project designed to enable it to publish its financial statements according to IFRS as of the third quarter of 2008. The objective was to ensure a better understanding and greater comparability of its financial statements internationally.

The financial statements presented in this report are the first to be published by Dexia MA according to IFRS. The date of the first application of the new standards was set for January 1, 2007, in order to provide data for 2007 that would be comparable with the data reported in 2008. The rules applied by Dexia MA are the same as those applied by the Dexia Group and are consistent with IFRS, as adopted by the European Commission.

The impact of the changeover to IFRS on equity (retained earnings) totaled EUR -19.1 million, in addition to the reserves, net of taxes, corresponding to revaluations at market value of securities available for sale (EUR -11.7 million) and of derivatives designated as cash flow hedges (EUR +0.1 million).

The financial statements presented below give a better picture of the Company's real performance and results, in particular by avoiding certain asymmetrical treatments of debt rescheduling in French GAAP. The reconciliation of the 2007 and 2008 results according to French GAAP and IFRS is presented in the notes to the IFRS financial statements.

The income statement as of September 30, 2008, is presented synthetically in the following table.

<i>EUR millions</i>	9/30/2007	12/31/2007	9/30/2008	Var 08/07
Interest margin	158.4	200.7	180.7	
Net commissions	-3.0	-4.3	-2.9	
Net result of hedge accounting	0.5	0.7	0.1	
Net result on financial assets available for sale	5.4	6.2	5.9	
Other income and expense	0.0	0.1	0.0	
<b>Net banking income</b>	<b>161.3</b>	<b>203.4</b>	<b>183.8</b>	<b>13.9%</b>
General administrative expenses	-55.7	-74.6	-62.4	
Taxes	-6.4	-8.4	-6.4	
<b>Operating income before cost of risk</b>	<b>99.2</b>	<b>120.4</b>	<b>115.0</b>	<b>15.9%</b>
Cost of risk	-0.3	-0.6	-0.8	
<b>Pre-tax Income</b>	<b>98.9</b>	<b>119.8</b>	<b>114.2</b>	<b>15.5%</b>
Corporate income tax	-33.9	-40.0	-33.9	
<b>NET INCOME</b>	<b>65.0</b>	<b>79.8</b>	<b>80.3</b>	<b>23.5%</b>

Net banking income increased by 13.9% (EUR 22.5 million), rising from EUR 161.3 million to EUR 183.8 million.

The increase primarily came from the interest margin, up EUR 22.3 million. This margin corresponds to the difference between income from the assets and the cost of liabilities (hedged against interest rate and foreign exchange risks), and it basically increases in function

of changes in the volume and margins of new operations. Average outstanding assets rose 18.8%, from EUR 59.3 billion to EUR 70.5 billion.

The item “Net result on financial assets available for sale” primarily included indemnities for early repayment of client loans.

Operating expenses were identical to this item in the financial statements according to French GAAP.

Corporate income tax (including deferred taxes) was stable in spite of the rise in income, since the portion of the income reported by the Dublin branch increased significantly (the branch’s average outstanding assets rose from EUR 3 billion to EUR 5 billion).

Net income for the period was up 23.5% (EUR 15.3 million), rising from EUR 65.0 million to EUR 80.3 million.

## IX - Financial crisis and quality of assets

Dexia Municipal Agency’s pool of assets is exclusively composed of exposure on or guaranteed by public sector entities. It is therefore of excellent quality and not very sensitive to the current financial crisis.

### 1. Exposure to subprime mortgages, monoline insurers, ABS and banks

#### Exposure to subprime 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 to public entities (central administrative bodies, local governments, public organizations, etc.) or entities that are entirely and unconditionally guaranteed by public sector entities.

#### Exposure to monoline insurers

In its public sector bond portfolio, Dexia holds seven 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	EUR millions	Monoline insurer
Département de la MARNE	France	FR0000209355	3.0	FSA - Financial Security Assurance
Communeauté urbaine de LILLE	France	US203403AB67	12.1	AMBAC
Ville de MARSEILLE	France	FR0000481608	5.0	FSA - Financial Security Assurance
Ville de MARSEILLE	France	FR0000497406	4.0	MBIA
Ville de TOURS	France	FR0000495517	1.0	MBIA
Ville de TOURS	France	FR0000495632	8.5	MBIA
Feria internacional de VALENCIA	Espagne	ES0236395036	50.0	FSA - Financial Security Assurance
Total			83.6	

They represent 0.1% of the assets of Dexia MA. The 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 ABS

Dexia MA has limited exposure in the form of asset-backed securities (ABS).

Issuer	ISIN code	EUR millions
Blue Danube Loan Funding GmbH	XS0140097873	87.5
Colombo SRL	IT0003156939	13.5
Societa veicolo Astrea SRL	IT0003331292	4.0
<i>S/T</i>		<i>105.0</i>
DSFB - Dexia Secured Funding Belgium SIC	BE0933050073	1,601.6
DSFB - Dexia Secured Funding Belgium SIC	BE0934330268	1,587.4
DCC - Dexia Crediop per la Cartolarizzazione SRL	IT0003674691	878.8
DCC - Dexia Crediop per la Cartolarizzazione SRL	IT0003941124	831.2
DCC - Dexia Crediop per la Cartolarizzazione SRL	IT0004349665	2,300.0
<i>S/T</i>		<i>7,199.0</i>
Total		7,304.0

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 its commercial network. Dexia MA thus holds 98% of the debt of the companies DCC and DSFB, with the remainder held by the originating companies (Dexia Crediop and Dexia Bank Belgium). 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, rated AA+ by S&P, and its debt is unconditionally and irrevocably guaranteed by the Land of Lower Austria.
- Colombo SRL (rated AAA by S&P and Aaa by Moody's) and Societa veicolo Astrea SRL (rated AA- by Fitch and Aa2 by Moody's) are both Italian companies with assets that are exclusively made up of loans to the Italian public sector (regions, municipalities, etc).

## Exposure to banks

Dexia MA holds two types of exposure to banks:

- its replacement assets, solely made up of covered bonds rated triple A issued by Dexia Group entities (*cedulas territoriales* of Dexia Sabadell and public sector *lettres de gage* issued by Dexia LdG Banque);
- the value of its derivative contracts entered into to protect it from interest rate and foreign exchange risks.

All of Dexia MA's derivative transactions are governed by ISDA or AFB master agreements with major international banks (30 counterparties, excluding the Dexia Group). These contracts have particular characteristics, since they must meet the standards set by rating agencies for *sociétés de crédit foncier*. These interest rate and currency swaps benefit from the same legal privilege as *obligations foncières*. For this reason, Dexia MA does not pay its derivative counterparties any collateral.

Long-term derivatives signed with the five largest counterparties represented a total of 32% of the nominal amounts and those signed in the Dexia Group 28%.

## 2. Quality of assets in the portfolio

Dexia MA's portfolio of assets is made up of bonds and loans.

The securities are valued for accounting purposes on the basis of their fair value, with the difference between this valuation and their accounting value giving rise to an AFS reserve (IFRS rules) or a provision (French GAAP, if the difference is negative and if it is part of a placement portfolio). These reserves or provisions only represent losses if Dexia MA were to sell these securities. However, Dexia MA acquired these assets with the intention of holding them to maturity. As of September 30, 2008, no provision representing a risk of non-recovery at maturity would have been necessary.

(EUR millions)

Portfolio French GAAP / IFRS	Capital Balance	AFS reserve		French GAAP Provisions			
		9/30/2008	12/31/2007	9/30/2008	12/31/2007	9/30/2008	
<b>Investment / AFS</b>	<b>16,855</b>	-	<b>4.1</b>	-	<b>201.7</b>	<b>N.A.</b>	<b>N.A.</b>
<i>Securities issued by DEXIA subsidiaries</i>							
Italy - Dexia Crediop per la Cartolarizzazione	4,010	-	0.1	-	2.7		
Belgium - Dexia Secured Funding Belgium	3,189	-	-	-	1.5		
Spain - Dexia Sabadell	2,675	-	5.4	-	28.5		
Luxemburg - Dexia Lettres de Gage	2,600	-	0.9	-	0.7		
Germany - Dexia Kommunalbank Deutschland	-	-	6.5	-	-		
<i>Other securities</i>							
Germany	57	-	0.2	-	-		
Austria	87	-	2.8	-	7.6		
Belgium	248	-	1.8	-	1.1		
Canada	22	-	0.8	-	0.3		
Spain	49	-	0.7	-	2.2		
France	438	-	6.8	-	8.5		
Greece	16	-	-	-	0.2		
Iceland	40	-	0.9	-	1.5		
Italy	3,114	-	20.4	-	155.2		
Luxemburg	123	-	2.2	-	1.2		
Portugal	47	-	3.6	-	7.1		
USA	140	-	4.2	-	5.6		
<b>Placement/AFS</b>	<b>2,642</b>		<b>4.7</b>	-	<b>50.9</b>	-	<b>0.7</b>
Germany	810		1.0	-	2.4		2.4
Spain	182	-	0.3	-	1.5	-	0.4
France	60		2.2		-		-
Great Britain	758		0.5	-	0.1		-
Greece	390		0.7	-	24.4		24.4
Iceland	130		-	-	10.2		10.2
Italy	204		0.6	-	7.1	-	0.3
USA	108		-	-	5.2		5.2
<b>Accounting adjustments (not broken down) (foreign exchange fluctuations, premiums/discounts, basis swaps, etc)</b>	<b>- 108</b>		<b>2.2</b>	-	<b>4.8</b>		
<b>General total :</b>	<b>19,389</b>		<b>1.6</b>	-	<b>257.4</b>	-	<b>0.7</b>

Most of the decrease in fair value (AFS reserve) relates to exposures to Iceland, Greece and Italy, the rating of which has been downgraded by the agencies and whose credit spreads have widened; as an example, more than a half of the decrease in fair value of Italian local authorities exposures is linked to one single bond of a very large municipality with an amount of about EUR 600 millions, a maturity of 40 years and a spread that has widened by 80 basis points.

Loans to the public sector are considered as “Non-performing loans” if they are overdue; the risk of non-recovery is covered by a provision. These provisions represent a very low amount (EUR 0.8 million versus EUR 0.5 million at the end of 2007).

In addition to these provisions for identified risks, collective impairment is recorded in the IFRS financial statements. These collective provisions cover the risk of a loss in value in the different portfolios; they are estimated on the basis of each portfolio’s past performance and trends, and on the economic environment of the borrower. Their calculation combines default probabilities and loss in the event of default based on credit risk models designed by Dexia within the framework of Basel 2. The low amounts in question illustrate the portfolio’s overall high quality.

(EUR millions)

Portfolio French GAAP / IFRS	Capital Balance	Non performing loans		Specific impairment		Collective impairment (IFRS)	
	9/30/2008	12/31/2007	9/30/2008	12/31/2007	9/30/2008	12/31/2007	9/30/2008
<b>General total :</b>	<b>54,460</b>	<b>4.9</b>	<b>7.4</b>	<b>0.5</b>	<b>0.8</b>	<b>7.5</b>	<b>8.2</b>
<b>Loans granted to Dexia subsidiaries, secured by exposures to public sector entities</b>	<b>1,941</b>	-	-	-	-		
<i>Poland - Dexia Kommunalkredit Bank</i>	1,278						
<i>Hungary - Dexia Kommunalkredit Bank</i>	281						
<i>Lithuania - Dexia Kommunalkredit Bank</i>	80						
<i>Greece - Dexia Kommunalkredit Bank</i>	110						
<i>France - Flobail</i>	192						
<b>Other loans</b>	<b>52,519</b>	<b>4.9</b>	<b>7.4</b>	<b>0.5</b>	<b>0.8</b>		
<i>Austria</i>	211						
<i>Belgium</i>	1,152						
<i>Finland</i>	138						
<i>France</i>	45,492	4.9	7.4	0.5	0.8		
<i>Greece</i>	300						
<i>Italy</i>	17						
<i>Portugal</i>	129						
<i>Sweden</i>	634						
<i>Switzerland</i>	4,446						



## **X - Outlook for the last quarter of 2008**

The volume of issues for the whole year 2008 is expected to reach EUR 10 billion, versus EUR 15.3 billion in the previous year, calculated in euro equivalents. This decrease was due to the absence of an active covered bond market since the beginning of August.

The volume of new assets was consequently reduced, and certain asset acquisition projects were postponed.

Dexia MA's reputation as a quality issuer enabled it to show good resistance to the first part of the financial crisis and to be an active player in the market for covered bonds in the first half of 2008. The very protective framework of French law, the quality of the Company's assets and its strict risk management rules will remain the strong points of Dexia MA when the market reopens in 2009.

\* \* \* \*

**Loans and bonds to local governments as of 9/30/2008  
(millions of euros)**

France	9/30/2008			12/31/2007		
	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
Regions	1,877.4	171.4	2,048.8	1,778.2	180.9	1,959.1
Departments	5,125.3	3.0	5,128.3	5,214.4	3.0	5,217.4
Municipalities	19,169.1	263.6	19,432.7	19,061.2	264.8	19,326.0
Groups of municipalities	9,752.6	0.0	9,752.6	9,526.4	0.0	9,526.4
Public sector entities	8,981.4	60.4	9,041.8	8,345.0	60.4	8,405.4
Credit institution (certificate of deposit)	0.0	0.0	0.0	0.0	0.0	0.0
Loans guaranteed by local governments	778.3	0.0	778.3	689.7	0.0	689.7
<b>Total</b>	<b>45,684.1</b>	<b>498.4</b>	<b>46,182.5</b>	<b>44,614.9</b>	<b>509.1</b>	<b>45,124.0</b>
<b>Austria</b>						
	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
<i>Länder</i>	210.7	0.0	210.7	212.4	0.0	212.4
ABS	0.0	87.5	87.5	0.0	88.5	88.5
<b>Total</b>	<b>210.7</b>	<b>87.5</b>	<b>298.2</b>	<b>212.4</b>	<b>88.5</b>	<b>300.9</b>
<b>Portugal</b>						
	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
Regions	0.0	0.0	0.0	0.0	8.5	8.5
Municipalities	115.8	0.0	115.8	121.4	0.0	121.4
Public sector entities	13.3	0.0	13.3	153.8	0.0	153.8
Securities guaranteed by the State or by local governments	0.0	47.5	47.5	0.0	47.5	47.5
Loans guaranteed by local governments	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>129.1</b>	<b>47.5</b>	<b>176.6</b>	<b>275.2</b>	<b>56.0</b>	<b>331.2</b>
<b>Iceland</b>						
	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
Securities guaranteed by the State or by local governments	0.0	170.2	170.2	0.0	180.4	180.4
<b>Total</b>	<b>0.0</b>	<b>170.2</b>	<b>170.2</b>	<b>0.0</b>	<b>180.4</b>	<b>180.4</b>
<b>Finland</b>						
	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
State	0.0	0.0	0.0	0.0	0.0	0.0
Municipalities	62.9	0.0	62.9	82.3	0.0	82.3
Public sector entities	75.3	0.0	75.3	82.6	0.0	82.6
<b>Total</b>	<b>138.2</b>	<b>0.0</b>	<b>138.2</b>	<b>164.9</b>	<b>0.0</b>	<b>164.9</b>
<b>Greece</b>						
	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
State	300.0	307.4	607.4	300.0	231.2	531.2
Loans guaranteed by the State or by local governments	110.0	0.0	110.0	110.0	0.0	110.0
Securities guaranteed by the State or by local governments	0.0	98.5	98.5	0.0	100.0	100.0
<b>Total</b>	<b>410.0</b>	<b>405.9</b>	<b>815.9</b>	<b>410.0</b>	<b>331.2</b>	<b>741.2</b>
<b>Italy</b>						
	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
State	0.0	506.2	506.2	0.0	506.3	506.3
Regions	0.0	1,052.1	1,052.1	0.0	1,065.7	1,065.7
Provinces	0.0	169.2	169.2	0.0	174.8	174.8
Municipalities	16.8	1,465.4	1,482.2	17.2	1,475.3	1,492.5
ABS	0.0	17.5	17.5	0.0	22.4	22.4
Securities issued by DCC (see note 1 below)	0.0	4,010.1	4,010.1	0.0	1,809.7	1,809.7
Securities guaranteed by the State or by local governments	0.0	106.3	106.3	0.0	110.0	110.0
<b>Total</b>	<b>16.8</b>	<b>7,326.8</b>	<b>7,343.6</b>	<b>17.2</b>	<b>5,164.2</b>	<b>5,181.4</b>
<b>Spain</b>						
	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
<i>Cedulas territoriales</i>	0.0	2,675.0	2,675.0	0.0	2,425.0	2,425.0
State	0.0	39.5	39.5	0.0	39.5	39.5
Securities guaranteed by the State or by local governments	0.0	64.9	64.9	0.0	64.9	64.9
Groups of municipalities	0.0	126.7	126.7	0.0	128.0	128.0
ABS	0.0	0.0	0.0	0.0	249.7	249.7
<b>Total</b>	<b>0.0</b>	<b>2,906.1</b>	<b>2,906.1</b>	<b>0.0</b>	<b>2,907.1</b>	<b>2,907.1</b>

Switzerland	9/30/2008			12/31/2007		
	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
Cantons	1,256.3	0.0	1,256.3	1,008.2	0.0	1,008.2
Municipalities	1,043.2	0.0	1,043.2	852.3	0.0	852.3
Public sector entities	120.6	0.0	120.6	0.0	0.0	0.0
Loans guaranteed by local governments	2,026.5	0.0	2,026.5	1,976.5	0.0	1,976.5
<b>Total</b>	<b>4,446.6</b>	<b>0.0</b>	<b>4,446.6</b>	<b>3,837.0</b>	<b>0.0</b>	<b>3,837.0</b>

Belgium	Loans to local governments	Bonds	Total	12/31/2007		
				Loans to local governments	Bonds	Total
Regions	520.1	93.3	613.4	571.6	93.3	664.9
Communities	235.0	140.0	375.0	260.9	189.6	450.5
Public sector entities	34.7	0.0	34.7	35.8	0.0	35.8
Securities guaranteed by the State or by local governments	0.0	15.0	15.0	0.0	126.6	126.6
Securities issued by DSFB (see note2 below)	0.0	3,189.0	3,189.0	0.0	1,666.5	1,666.5
Loans guaranteed by the State or by local governments	361.9	0.0	361.9	377.2	0.0	377.2
<b>Total</b>	<b>1,151.7</b>	<b>3,437.3</b>	<b>4,589.0</b>	<b>1,245.5</b>	<b>2,076.0</b>	<b>3,321.5</b>

Germany	Loans to local governments	Bonds	Total	12/31/2007		
				Loans to local governments	Bonds	Total
<i>Länder</i>	0.0	534.0	534.0	0.0	640.0	640.0
<i>Pfandbriefe</i>	0.0	0.0	0.0	0.0	1,000.0	1,000.0
Securities guaranteed by the State or by local governments	0.0	332.8	332.8	0.0	353.6	353.6
<b>Total</b>	<b>0.0</b>	<b>866.8</b>	<b>866.8</b>	<b>0.0</b>	<b>1,993.6</b>	<b>1,993.6</b>

United States	Loans to local governments	Bonds	Total	12/31/2007		
				Loans to local governments	Bonds	Total
States	0.0	247.7	247.7	0.0	145.0	145.0
Municipalities	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>0.0</b>	<b>247.7</b>	<b>247.7</b>	<b>0.0</b>	<b>145.0</b>	<b>145.0</b>

Monaco	Loans to local governments	Bonds	Total	12/31/2007		
				Loans to local governments	Bonds	Total
Public sector entities	0.0	0.0	0.0	0.1	0.0	0.1
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>	<b>0.0</b>	<b>0.1</b>

Sweden	Loans to local governments	Bonds	Total	12/31/2007		
				Loans to local governments	Bonds	Total
Municipalities	240.0	0.0	240.0	283.6	0.0	283.6
Loans guaranteed by local governments	393.8	0.0	393.8	456.7	0.0	456.7
<b>Total</b>	<b>633.8</b>	<b>0.0</b>	<b>633.8</b>	<b>740.3</b>	<b>0.0</b>	<b>740.3</b>

Canada	Loans to local governments	Bonds	Total	12/31/2007		
				Loans to local governments	Bonds	Total
Provinces	0.0	22.4	22.4	0.0	22.4	22.4
Municipalities	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>0.0</b>	<b>22.4</b>	<b>22.4</b>	<b>0.0</b>	<b>22.4</b>	<b>22.4</b>

United Kingdom	Loans to local governments	Bonds	Total	12/31/2007		
				Loans to local governments	Bonds	Total
Securities guaranteed by the State or by local governments	0.0	758.3	758.3	0.0	762.8	762.8
<b>Total</b>	<b>0.0</b>	<b>758.3</b>	<b>758.3</b>	<b>0.0</b>	<b>762.8</b>	<b>762.8</b>

Luxembourg	Loans to local governments	Bonds	Total	12/31/2007		
				Loans to local governments	Bonds	Total
Lettres de gage	0.0	2,600.0	2,600.0	0.0	0.0	0.0
Securities guaranteed by the State or by local governments	0.0	122.7	122.7	0.0	2,751.6	2,751.6
<b>Total</b>	<b>0.0</b>	<b>2,722.7</b>	<b>2,722.7</b>	<b>0.0</b>	<b>2,751.6</b>	<b>2,751.6</b>

Hungary	Loans to local governments	Bonds	Total	12/31/2007		
				Loans to local governments	Bonds	Total
Loans guaranteed by the State or by local governments	281.0	0.0	281.0	121.0	0.0	121.0
<b>Total</b>	<b>281.0</b>	<b>0.0</b>	<b>281.0</b>	<b>121.0</b>	<b>0.0</b>	<b>121.0</b>

Lithuania	9/30/2008			12/31/2007		
	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
Loans guaranteed by the State or by local governments	80.0	0.0	80.0	80.0	0.0	80.0
<b>Total</b>	<b>80.0</b>	<b>0.0</b>	<b>80.0</b>	<b>80.0</b>	<b>0.0</b>	<b>80.0</b>

Poland	9/30/2008			12/31/2007		
	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
Loans guaranteed by the State or by local governments	1,278.0	0.0	1,278.0	657.0	0.0	657.0
<b>Total</b>	<b>1,278.0</b>	<b>0.0</b>	<b>1,278.0</b>	<b>657.0</b>	<b>0.0</b>	<b>657.0</b>

<b>General total *</b>	<b>54,460.0</b>	<b>19,497.6</b>	<b>73,957.6</b>	<b>52,375.5</b>	<b>16,988.0</b>	<b>69,363.5</b>
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\* Excluding premiums and discounts

Premiums and discounts on securities	24.4	24.1
Translation adjustments on securities	-133.3	-112.2
<b>Value of securities on the balance sheet (french standards)</b>	<b>19,388.7</b>	<b>16,899.9</b>

Premiums and discounts are recorded in accruals.

**NOTE 1:**

The DCC securities, in the amount of EUR 4,062.3 million as of September 30, 2008, were subscribed by Dexia MA for EUR 4,010.1 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. The securities held by Dexia MA benefit from the guarantee of Dexia Crediop and are consequently rated AA by Fitch, AA- by Standard & Poor's, and Aa2 by Moody's. As of September 30, 2008, the assets held by DCC (series 1-2-3) could be broken down as follows:

**NOTE 2:**

The DSFB securities, in the amount of EUR 3,250.5 million as of September 30, 2008, were subscribed by Dexia MA for 98%, i.e. EUR 3,189.0 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 held by Dexia MA benefit from the guarantee of Dexia Bank Belgium, and are consequently rated AA+ by Fitch, Aa1 by Moody's and AA by Standard and Poor's. As of September 30, 2008, the assets held by DSFB (Compartment I and Compartment II) were Belgian public-sector assets that could be broken down as follows :

**Assets held as of September 30, 2008, by DCC - Dexia Crediop per la Cartolarizzazione**

Italian assets	millions of euros
State	0.0
Regions	2,079.0
Provinces	748.9
Municipalities	1,203.4
DCC bank account with Dexia Bank Belgium	31.0
<b>Total</b>	<b>4,062.3</b>

**Assets held as of September 30, 2008, by DSFB - Dexia Secured Funding Belgium**

Belgian assets	millions of euros
State	0.0
Regions	380.0
Provinces	0.0
Public sector entities	2,092.6
Groups of public sector entities	96.7
Loans guaranteed by local governments	681.2
<b>Total</b>	<b>3,250.5</b>

**ASSETS AS OF SEPTEMBER 30, 2008**

<b>EUR thousands</b>	<b>Notes</b>	<b>EUR</b> 9/30/2007	<b>EUR</b> 12/31/2007	<b>EUR</b> 9/30/2008
Cash, central banks and postal checking accounts	2.1	2,014	14,986	8,107
Government and public entity securities, eligible for central bank refinancing	2.2	3,658,015	3,438,653	3,408,805
Interbank loans and advances		2,290,786	3,192,690	4,162,334
A. Interbank loans - Sight	2.3	43	45	61
B. Accrued interest - Sight		0	0	0
C. Interbank loans - Time	2.4	2,261,917	3,155,985	4,110,249
D. Accrued interest - Time	2.4	28,826	36,660	52,024
Client loans	2.5	46,547,567	50,011,879	51,245,704
A. Client loans		45,776,782	49,219,514	50,349,714
B. Accrued interest		770,785	792,365	895,990
Bonds and other fixed income securities	2.6	11,599,642	13,637,407	16,178,401
Equities and other variable income securities		0	0	0
Investments in non-consolidated companies and other long-term investments		0	0	0
Investments in consolidated companies		0	0	0
Intangible assets		0	0	0
Property and equipment		0	0	0
Unpaid capital		0	0	0
Treasury stock		0	0	0
Other assets		2,695	1,641	18,643
Accruals and other assets	2.7	2,980,596	3,226,521	3,886,926
<b>TOTAL ASSETS</b>	<b>2.8</b>	<b>67,081,315</b>	<b>73,523,777</b>	<b>78,908,920</b>

**LIABILITIES AS OF SEPTEMBER 30, 2008**

EUR thousands	Notes	EUR 9/30/2007	EUR 12/31/2007	EUR 9/30/2008
Central banks and postal checking accounts	3.0	0	0	3,996,914
Interbank loans	3.1	7,966,880	10,431,455	5,389,921
Client loans		0	0	0
Debt securities		54,112,445	57,536,973	63,744,206
A. Debt securities ( <i>obligations foncières</i> )	3.2	51,849,091	55,006,260	60,872,193
B. Accrued interest	3.2	933,319	1,102,384	1,188,308
C. Other bonds ( <i>registered covered bonds</i> )	3.2	1,300,304	1,396,340	1,644,532
D. Accrued interest	3.2	29,731	31,989	39,173
Other liabilities	3.3	44,084	39,885	38,322
Accruals and other liabilities	3.4	3,893,397	4,420,914	4,573,592
Provisions for risks and charges		90	109	9,875
Regulated provisions		41,746	43,964	49,914
Subordinated debt		0	0	0
General banking risks reserve		0	0	0
Shareholders' equity excluding general banking risks reserve		1,022,673	1,050,477	1,106,176
Capital stock	3.6	876,000	876,000	946,000
Reserves and retained earnings	3.6	21,002	21,002	104,397
Net income	3.5	125,671	153,475	55,779
Unallocated net income	3.6	0	0	0
<b>TOTAL LIABILITIES</b>	<b>3.7</b>	<b>67,081,315</b>	<b>73,523,777</b>	<b>78,908,920</b>

**OFF-BALANCE SHEET ITEMS AS OF SEPTEMBRE 30, 2008**

<b>EUR thousands</b>	<b>Notes</b>	<b>EUR</b> 9/30/2007	<b>EUR</b> 12/31/2007	<b>EUR</b> 9/30/2008
COMMITMENTS GRANTED	4.1	5,811,115	4,838,883	5,509,991
Financing commitments		5,811,115	4,838,883	5,509,991
COMMITMENTS RECEIVED	4.2	10,833,758	10,575,820	12,756,252
Financing commitments		5,046,240	4,684,360	6,814,283
Guarantees received		5,787,518	5,891,460	5,941,969
Foreign currency transactions	4.3	45,588,928	46,293,963	48,123,518
Interest rate derivatives	4.4	185,717,055	203,663,019	208,919,720
OTHER COMMITMENTS				
Other commitments given		0	0	4,450,888
Other commitments received		0	0	1,597,317
Commitments related to securities transactions	4.5	0	0	0

**INCOME STATEMENT AS OF SEPTEMBER 30, 2008**

EUR thousands	Notes	EUR 9/30/2007	EUR 12/31/2007	EUR 9/30/2008
<b>Interest income</b>	5.0.a	<b>5,000,449</b>	<b>6,944,568</b>	<b>6,486,062</b>
A. from interbank transactions		47,167	71,961	107,449
B. from transactions with clients		1,626,984	2,232,614	1,958,987
C. from bonds and other fixed income securities		389,396	577,416	689,779
D. from macro-hedge transactions		2,936,902	4,062,577	3,729,847
<b>Interest expense</b>	5.0.b	<b>(4,732,958)</b>	<b>(6,609,049)</b>	<b>(6,256,107)</b>
A. on interbank transactions		(174,929)	(256,865)	(270,786)
B. on bonds and other fixed income securities		(1,573,923)	(2,247,675)	(2,282,914)
C. on macro-hedge transactions		(2,984,106)	(4,104,509)	(3,702,407)
<b>Income from variable income securities</b>		<b>0</b>	<b>0</b>	<b>0</b>
A. Equities and other variable income securities		0	0	0
B. Long-term investments		0	0	0
<b>Commission income</b>		<b>2</b>	<b>3</b>	<b>2</b>
<b>Commission expense</b>	5.2	<b>(3,075)</b>	<b>(4,491)</b>	<b>(2,949)</b>
<b>Income from financial transactions</b>	5.3	<b>(1188)</b>	<b>(1,100)</b>	<b>(51,024)</b>
<b>Other banking income</b>		<b>33</b>	<b>61</b>	<b>0</b>
<b>Other banking expense</b>		<b>(1)</b>	<b>(4)</b>	<b>(21)</b>
<b>NET BANKING INCOME</b>		<b>263,262</b>	<b>329,988</b>	<b>175,963</b>
<b>General operating expense</b>	5.1	<b>(62,087)</b>	<b>(83,001)</b>	<b>(68,798)</b>
A. Staff costs		0	0	0
1. Payroll expense		0	0	0
2. Social contributions		0	0	0
B. Other general operating expense		(62,087)	(83,001)	(68,798)
1. Taxes		(6,384)	(8,380)	(6,419)
2. Other general operating expense		(55,703)	(74,621)	(62,379)
<b>Depreciation and amortization</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>OPERATING INCOME BEFORE COST OF RISK</b>		<b>201,175</b>	<b>246,987</b>	<b>107,165</b>
Cost of risk		(78)	(51)	(125)
<b>INCOME FROM OPERATIONS</b>		<b>201,097</b>	<b>246,936</b>	<b>107,040</b>
Income (loss) on fixed assets		0	0	0
<b>INCOME BEFORE NON-RECURRING ITEMS AND TAXES</b>		<b>201,097</b>	<b>246,936</b>	<b>107,040</b>
<b>Non-recurring income</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>Non-recurring expense</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>Corporate income tax</b>	5.4	<b>(65,600)</b>	<b>(81,417)</b>	<b>(45,311)</b>
A. Current taxes		(68,293)	(83,057)	(44,961)
B. Deferred taxes		2,693	1,640	(350)
C. Provisions		0	0	0
Net allocation to general banking risks reserve and regulated provisions		(9,826)	(12,044)	(5,950)
<b>NET INCOME</b>		<b>125,671</b>	<b>153,475</b>	<b>55,779</b>



**SHAREHOLDERS' EQUITY as of September 30, 2008**

<b>Thousands of euros</b>	
	Amount
<b><u>As of December 31, 2007</u></b>	
Capital stock	876,000
Additional paid-in capital (APIC)	0
Commitments to increase capital stock and APIC	0
Reserves and retained earnings	21,002
Net income for the year	153,475
Interim dividends	0
<b>Shareholders' equity as of December 31, 2007</b>	<b>1,050,477</b>
<b><u>Movements for the period</u></b>	
Issuance of shares (capital stock)	70,000
Issuance of shares (APIC)	0
Commitments to increase capital stock and APIC	0
Reserves and retained earnings	83,395
Dividends paid (-)	-70,080
Net income for the period	55,779
Other movements	0
<b><u>As of September 30, 2008</u></b>	
Capital stock	946,000
Additional paid-in capital (APIC)	0
Commitments to increase capital stock and APIC	0
Reserves and retained earnings	104,397
Net income for the period	55,779
<b>Shareholders' equity as of September 30, 2008</b>	<b>1,106,176</b>

**Cash Flow Statement**  
**As of September 30, 2008**

EUR Thousands	09/30/2007	12/31/2007	09/30/08
<b>Net income before taxes</b>	<b>201,096</b>	<b>246,936</b>	<b>107,040</b>
+/- Amortisation and depreciation and other impairment on fixed and intangible assets	0	0	0
+/- Depreciation and write-downs	64	(123)	248
+/- Expense/income from operating activities	(112,412)	(245,997)	(170,062)
+/- Expense/income from financing activities	73,421	199,129	171,036
+/- Other non cash items	(35,400)	(39,165)	(29,741)
<b>= Non monetary elements included in net income before tax and other adjustments</b>	<b>(74,327)</b>	<b>(86,156)</b>	<b>(28,517)</b>
- Cash from interbank operations (Dexia Crédit Local)	(2,000,000)	(2,000,000)	3,600,000
+ Cash from interbank operations (client loans)	(277,405)	(1,154,022)	(925,537)
+/- Cash from client operations (loans)	(921,805)	(4,374,528)	(955,965)
+/- Cash from financing assets	(4,042,577)	(5,864,542)	(2,525,063)
+/- Cash from hedging financial instruments	43,391	26,106	(218,500)
- Income tax paid	(65,601)	(81,715)	(75,054)
<b>= Decrease/(increase) in cash from operating activities</b>	<b>(7,263,997)</b>	<b>(13,448,701)</b>	<b>(1,100,118)</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES (A)</b>	<b>(7,137,228)</b>	<b>(13,287,921)</b>	<b>(1,021,595)</b>
<b>+/- Cash from financing assets and long-term investments</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>+/- Cash from investment property</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>+/- Cash from property and intangible assets</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES (B)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>+/- Cash from or for shareholders</b>	<b>(280)</b>	<b>(280)</b>	<b>(80)</b>
<b>+/- Other cash from financing activities</b>	<b>4,975,374</b>	<b>8,622,650</b>	<b>5,732,649</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES (C)</b>	<b>4,975,094</b>	<b>8,622,370</b>	<b>5,732,569</b>
<b>EFFECT OF EXCHANGE RATES CHANGES ON CASH (D)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Increase/(decrease) in cash equivalents (A + B+ C + D)</b>	<b>(2,162,134)</b>	<b>(4,665,551)</b>	<b>4,710,972</b>
Cash flow from operating activities (A)	(7,137,228)	(13,287,921)	(1,021,595)
Cash flow from investing activities (B)	0	0	0
Cash flow from financing activities (C)	4,975,094	8,622,370	5,732,569
Effect of exchange rates on cash (D)	0	0	0
<b>Cash and cash equivalents at the beginning of the period</b>	<b>(2,818,797)</b>	<b>(2,818,797)</b>	<b>(7,484,349)</b>
Cash, central banks and postal checking accounts (assets & liabilities)	2,328	2,328	14,986
Interbank accounts (assets & liabilities) and loans/deposits at sight	(2,821,125)	(2,821,125)	(7,499,335)
<b>Cash and cash equivalents at the end of the period</b>	<b>(4,980,931)</b>	<b>(7,484,348)</b>	<b>(2,773,377)</b>
Cash, central banks and postal checking accounts (assets & liabilities)	2,014	14,986	(988,370)
Interbank accounts (assets & liabilities) and loans/deposits at sight	(4,982,946)	(7,499,334)	(1,785,006)
<b>Net cash</b>	<b>(2,162,134)</b>	<b>(4,665,551)</b>	<b>4,710,972</b>

## NOTES TO THE FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2008

### SIGNIFICANT EVENTS

#### Failure of Lehman Brothers

Within the framework of its interest rate and foreign exchange risk coverage policy, Dexia Municipal Agency had engaged in a certain number of derivative transactions with Lehman Brothers. In agreement with the recommendations proffered by the rating agencies, Dexia MA's ISDA master agreements (and their accompanying credit support annex) state that only the counterparty should pay collateral, never Dexia MA, in order to take account of the protection provided by French legislation on *sociétés de crédit foncier* to derivative counterparties and to bearers of *obligations foncières*. Thus, when Lehman Brothers failed, the net exposure in market value of all the derivatives with the group was favorable to Dexia MA. The contracts with Lehman Brothers were immediately cancelled and replaced in the days that followed, with other counterparties. The sums owed to Lehman Brothers for the cancellation and the sums paid to the new counterparties for identical swaps show a net profit of EUR 5 million for Dexia MA; for accounting and tax purposes, they will be spread over the residual life of these derivatives.

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### Accounting principles

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

The financial statements as of September 30, 2008, were drawn up using the same accounting principles as those used in the financial statements as of December 31, 2007, and in the 2007 quarterly financial statements.

Dexia MA has published a statement of changes in shareholders' equity since June 30, 2007.

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:

- ongoing concern principle,
- segregation of accounting periods,
- consistency of methods.

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

#### Client loans

Client loans are stated in the balance sheet net of depreciation for 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 *pro rata temporis* for accrued amounts due and not yet due, as is interest on unpaid installments.

Dexia Municipal Agency applies regulation CRC regulation n° 2002-03, in effect as of January 1, 2003, modified by CRC regulation n° 2005-03 for companies overseen by the CRBF. This regulation stipulates that a loan is considered as non-performing when it presents one of the following characteristics:

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

In addition, this regulation introduces a new category of bad debt: compromised non-performing loans. Loans unpaid for more than one year are recorded in this category. This regulation also requires the identification of outstanding loans that have been restructured under non-market conditions; Dexia Municipal Agency had no outstanding loans in this category as of September 30, 2008.

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.

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

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

Since January 1, 2005, early loan repayment penalties are recorded in the statement of income at the date they occur.

## Securities transactions

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

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

They are recognized for accounting purposes as:

- investment securities (held to maturity);
- securities available for sale for certain securities considered as replacement assets.

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 for Italian public sector assets, Colombo and Astrea ;
- debt securities issued by an Austrian securitization structure, Blue Danube Loan Funding, guaranteed by the Land of Lower Austria;
- debt securities issued by subsidiaries of the Dexia Credit Local group and by other Dexia Group entities for Dexia MA, in order to facilitate asset transfers and refinancing. As of September 30, 2008, there were five types of such securities, which fell into two categories:

1) **guaranteed bonds, which are debt securities issued within a national legal framework of covered bonds:**

- o *cedulas territoriales* issued by Dexia Sabadell, the Spanish subsidiary of Dexia Credit Local;
- o *lettres de gage* in Luxembourg, issued by Dexia LdG Luxembourg, a fully owned subsidiary of Dexia BIL in Luxembourg.

All these covered bonds benefit from a triple A rating.

- 2) **debt securities issued by a securitization vehicle within the Dexia Group, and which correspond to specialized operations whereby assets are transferred between Group entities, which generate these assets, and Dexia MA, which refinances them:**
- debt securities issued by DCC (Dexia Crediop per la Cartolarizzazione srl), the securitization vehicle of Dexia Crediop, the Italian subsidiary of Dexia Credit Local. This securitization vehicle is solely dedicated to the refinancing of Italian public sector assets by Dexia Municipal Agency. In addition, the securities it issues for Dexia Municipal Agency benefit from a total guarantee by Dexia Crediop (see below 2.6). The DCC securitization vehicle was introduced in the second quarter of 2004 with the issue for Dexia Municipal Agency of EUR 1.1 billion in securities representing the Italian public sector assets held by the vehicle. Since then, DCC has issued two other securities for Dexia MA, the second in 2005 for EUR 1 billion and the third in March 2008 for EUR 2.3 billion;
  - debt securities issued by Dexia Secured Funding Belgium NV (DSFB), a *société en investissement de créances* governed by Belgian law and a securitization vehicle created in June 2007 by Dexia Bank Belgium, a subsidiary of Dexia SA, to facilitate the refinancing of certain assets. In June 2007, through its compartment DSFB-I, which is entirely comprised of loans to the Belgian public sector, DSFB issued EUR 1,741,500,000, of which EUR 1,680,250,000 were acquired by Dexia Municipal Agency and the rest by Dexia Bank Belgium; DSFB issued other securities in April 2008, through its compartment DSFB-II, for an amount of EUR 1,621,250,000 of which EUR 1,589,000,000 were acquired by Dexia MA and the rest by Dexia Bank Belgium.

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 on a quasi actuarial basis over the residual life of the security.

At the end of the accounting period, latent 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.

Securities recorded as available for sale are eligible assets so classified for management purposes.

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 the Banking Commission (corresponding to a minimum rating of AA-/Aaa3 /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

Securities available for sale 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 on an actuarial basis over the residual life of the security.

At closing, in application of the principle of prudence, securities available for sale are recognized at their acquisition cost or their market value at closing, if the latter is less, after accounting, when relevant, for the value of the micro-hedge swap. When the decrease in the value of the security exceeds the latent gain on the micro-hedge, the decrease in net value is recorded as asset depreciation.

## 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; as of September 30, 2008, it is subdivided into two categories:

### 1) Debt securities, for obligations foncières

These debt securities are recorded at face value.

From the first year, redemption and issuance premiums are amortized on a straight-line basis over the life of the securities *pro rata temporis*. They are recorded on the balance sheet under the same headings as the corresponding outstanding debt.

Amortization of these premiums is recorded in the statement of income as "Interest expense on bonds and other fixed income securities". In the event bonds are issued above par, amortization of issuance premiums is deducted from interest expense on bonds and other fixed income securities.

Interest on bonds is recorded as a banking expense for accrued amounts paid and not yet due calculated *pro rata 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).

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

## Derivative transactions

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

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

Pursuant to article L.515-18 of the Monetary and Financial Code, these transactions benefit from the 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 MA, the only resources that do not benefit from the privilege comprise the debt with Dexia Credit Local, which is not hedged (see below 3.1).

The notional amount of these hedging transactions is recorded as an off-balance sheet item over the life of the contract, i.e. from the date the contract is signed (including forward contracts) up to maturity. The amount recorded is adjusted to reflect any changes in 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 on 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 primary issues, securities in the investment bond portfolio and certain client assets.

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

In the event of early repayment, 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:

- (i) prior to January 1, 2005, the equalization payment is extended over the length of the cancelled transaction;
- (ii) since January 1, 2005, the equalization payment is recorded in the statement of income over the period of cancellation; however, the equalization payment paid by Dexia MA 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 MA on December 1, 1999, pursuant to article 14 of CRB regulation n° 99-10.

Expense and income on these transactions are recorded in the statement of income *prorata temporis* respectively as "Interest expense on macro-hedge transactions" and "Interest income from macro-hedge transactions". The contra entry is recorded in accruals until the date of payment of the funds.

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

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

### **Foreign currency transactions**

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

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

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

### **Foreign exchange transactions**

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

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

## **Non-recurring income and expense**

Non-recurring income and expense result from events or transactions that do not relate to ordinary business operations or routine management of the company's assets and liabilities.

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

## **Deferred taxes**

Deferred taxes are recognized when there is a chronological, temporary difference between the tax base and the consolidated base of assets and liabilities.

Tax filings in Ireland use mark-to-market values, which are not included in results according to French GAAP, and which may occasionally generate taxable income that is destined to disappear with the amortization of the assets or the maturity of the transaction under consideration. The tax thus calculated, which will be naturally recovered at a later date as a result of the use of mark-to-market values, is considered as a deferred tax asset. Recognition of a deferred tax asset implies that it be considered that the Dublin branch will generate sufficient future taxable profits to which the temporary differences could be charged.

The tax rate used is that in effect (or about to apply) in the year under review, according to the liability method.

In its financial statements as of September 30, 2008, Dexia MA thus recognized deferred taxes concerning its Dublin branch:

- the impact on the period's income was a negative EUR 0.4 million (deferred tax asset), which offsets an equivalent amount recorded as an expense in current taxes;
- no other source of deferred taxes was identified at the end of the quarter.

## **Tax consolidation**

Dexia Municipal Agency applies the tax consolidation system.

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

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

## **Identity of the parent company consolidating the accounts of Dexia Municipal Agency:**

Dexia Credit Local  
Tour Dexia - La Défense 2  
1, passerelle des Reflets  
92 913 La Défense Cedex  
France



## 2. NOTES TO THE ASSETS (millions of euros)

### 2.1 – Cash, central banks and postal checking accounts

	Amount as of 9/30/07	Amount as of 12/31/07	Amount as of 9/30/08
Mandatory reserves	2.0	15.0	8.1
<b>TOTAL</b>	<b>2.0</b>	<b>15.0</b>	<b>8.1</b>

### 2.2 – Government and public entity securities eligible for central bank refinancing

a. *Accrued interest included in this item: 72,4*

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
	3.0	20.0	9.0	3,304.4
				3,336.4

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

	Amount as of 9/30/08	Latent capital loss as of 9/30/08
Listed securities	3,040.0	19.5
Other securities	296.4	0.0
<b>TOTAL</b>	<b>3,336.4</b>	<b>19.5</b>

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

PORTFOLIO	Amount as of 9/30/07	Gross amount as of 12/31/07	Increases	Decreases	Other changes	Impairment as of 9/30/08	Amount as of 9/30/08
Trading	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Available for sale	1,116.6	993.4	90.0	(56.7)	0.00	(19.5)	1,007.2
Investment	2,465.5	2,402.2	0.0	(73.0)	0.00	0.0	2,329.2
	<b>3,582.1</b>	<b>3,395.6</b>	<b>90.0</b>	<b>(129.7)</b>	<b>0.00</b>	<b>(19.5)</b>	<b>3,336.4</b>

### 2.3 - Sight inter-bank loans

	Amount as of 9/30/07	Amount as of 12/31/07	Amount as of 9/30/08
Balance of current account	0.0	0.0	0.0
Accrued interest not yet due on the current account	0.0	0.0	0.0
Unallocated sums	0.0	0.0	0.0
<b>TOTAL Dexia Credit Local</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

### 2.4 - Time inter-bank loans

This item is composed of loans to Swiss cantonal banks, which benefit from a legal guarantee of their cantons for an amount of EUR 2,025 million (excluding accrued interest).

The remainder is comprised of loans guaranteed (i) by local governments (loans to *Crédits municipaux*) or (ii) by the transfer as guarantee of the public assets refinanced through the loans.

a. *Accrued interest included in this item: 52*

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
	7.0	206.0	1,071.6	2,825.7
				4,110.3

c. *Analysis by initial maturity excluding accrued interest*

	Net amount as of 9/30/07	Net amount as of 12/31/07	Gross amount as of 9/30/08	Decrease in value as of 9/30/08	Net amount as of 9/30/08
Commitments of less than 1 year	0.0	0.0	0.0	0.0	0.0
Commitments of more than 1 year	2,261.9	3,156.0	4,110.3	0.0	4,110.3
<b>TOTAL</b>	<b>2,261.9</b>	<b>3,156.0</b>	<b>4,110.3</b>	<b>0.0</b>	<b>4,110.3</b>

d. Breakdown by counterparty

	Amount as of 9/30/2008
Swiss cantonal banks benefiting from their canton's legal guarantee	2,025.0
Banks guaranteed by a local government, Crédits municipaux	143.8
Credit institutions belonging to the Dexia Group: loans benefiting from the assignment in guarantee of refinanced public debt	1,941.5
<b>TOTAL</b>	<b>4,110.3</b>

2.5 - Client loans

a. Accrued interest included in this item: 896

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
490.7	4,118.5	13,231.2	32,510.1	50,350.5

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

<b>ECONOMIC SECTOR</b>	Amount as of 9/30/07	Amount as of 12/31/07	Amount as of 9/30/08
Public sector	42,550.5	45,764.3	47,018.9
Other sectors*	3,227.0	3,455.7	3,331.6
<b>TOTAL</b>	<b>45,777.5</b>	<b>49,220.0</b>	<b>50,350.5</b>

\* Social housing sector: public entities and private companies and other loans guaranteed by local governments.

d. Analysis by initial maturity excluding accrued interest

	Net amount as of 9/30/07	Net amount as of 12/31/07	Gross amount as of 9/30/08	Impairment as of 9/30/08	Net amount as of 9/30/08
			(1)		
Commitments of less than 1 year	0.0	0.0	0.0	0.0	0.0
Commitments of more than 1 year	45,776.8	49,219.5	50,350.5	(0.8)	50,349.7
<b>TOTAL</b>	<b>45,776.8</b>	<b>49,219.5</b>	<b>50,350.5</b>	<b>(0.8)</b>	<b>50,349.7</b>

(1) Including:

- non-performing client loans: EUR 5.6 million
- compromised non-performing loans: EUR 1.8 million.

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

	Gross amount as of 9/30/07	Gross amount as of 12/31/07	Gross amount as of 9/30/08	Impairment as of 9/30/08	Net amount as of 9/30/08
Performing commitments	45,770.4	49,215.1	50,343.1	0.0	50,343.1
Restructured commitments	0.0	0.0	0.0	0.0	0.0
Non-performing loans	4.4	3.1	5.6	(0.4)	5.2
Compromised non-performing loans	2.0	1.8	1.8	(0.4)	1.4
<b>TOTAL</b>	<b>45,776.8</b>	<b>49,220.0</b>	<b>50,350.5</b>	<b>(0.8)</b>	<b>50,349.7</b>

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

<b>DEPRECIATION ON NON-PERFORMING LOANS</b>	Amount as of 9/30/07	Amount as of 12/31/07	Allocation	Reversals	Transfers	Amount as of 9/30/08
<i>For non-performing loans</i>						
On loans	0.1	0.1	0.1	(0.1)	0.0	0.1
On interest	0.2	0.2	0.2	-0.1	0.0	0.3
<i>For compromised non-performing loans</i>						
On loans	0.3	0.1	0.1	0.0	0.0	0.2
On interest	0.1	0.1	0.1	0.0	0.0	0.2
<b>TOTAL</b>	<b>0.7</b>	<b>0.5</b>	<b>0.5</b>	<b>(0.2)</b>	<b>0.0</b>	<b>0.8</b>

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

## 2.6 - Bonds and other fixed income securities

a. Accrued interest included in this item: 126.1

b. Analysis by residual maturity excluding accrued interest

Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total
384.1	500.4	3,913.1	11,254.7	16,052.3

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

ISSUER'S ECONOMIC SECTOR	Amount as of 9/30/07	Amount as of 12/31/07	Amount as of 9/30/08
Public sector	1,947.7	1,764.4	1,852.0
Other sectors (guaranteed by a State or local government)	949.5	1,882.5	1,621.9
Other sectors (ABS) (1)	358.3	357.2	104.9
Cedulas Territoriales issued by Dexia Sabadell Banco Local	2,425.0	2,425.0	2,675.0
DCC – Dexia Crediop per la Cartolarizzazione	1,809.8	1,809.7	4,010.1
Pfandbrief issued by Dexia Kommunalbank Deutschland	1,000.0	1,000.0	0.0
DSFB – Dexia Secured Funding Belgium	1,668.4	1,666.5	3,189.0
Lettres de gage issued by Dexia LdG Banque	0.0	2,599.3	2,599.4
<b>TOTAL</b>	<b>10,158.7</b>	<b>13,504.6</b>	<b>16,052.3</b>
- of which eligible for central bank refinancing	5,869.0	7,078.0	6,052.0
- of which replacement assets:	4,775.0	6,024.3	5,274.3

(1) Asset-backed securities (ABS):

- Colombo: 13.53 (rated Aaa Moody's, AAA S&P)

- Astrea: 3.95 (rated Aa2 Moody's, AA- Fitch)

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

- Blue Danube Loan Funding: 87.46 (rated AA+ S&P – guaranteed by the Land of Lower Austria)

d. Replacement assets

Covered bonds	Rating	Amount 9/30/2008
Dexia Sabadell Banco Local	Moody's Aaa	2,675.0
Dexia LdG Banque	S&P AAA	2,599.3
<b>TOTAL</b>		<b>5,274.3</b>

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

	Amount as of 9/30/07	Amount as of 12/31/07	Amount as of 9/30/08	Latent capital loss as of 9/30/08
Listed securities	6,224.4	8,253.3	7,263.6	19.9
Other securities	5,284.3	5,251.3	8,788.7	1.5
<b>TOTAL</b>	<b>11,508.7</b>	<b>13,504.6</b>	<b>16,052.3</b>	<b>21.4</b>

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

PORTFOLIO	Amount as of 9/30/07	Gross amount as of 12/31/07	Increases	Decreases	Translation adjustments	Other changes as of 9/30/08	Impairment as of 9/30/08	Amount as of 9/30/08
Trading	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Available for sale	845.4	1,792.5	122.7	(267.0)	(46.3)	0.0	(21.4)	1,580.5
Investment	10,663.3	11,712.5	4,139.0	(1,405.8)	26.10	0.0	0.0	14,471.8
	<b>11,508.7</b>	<b>13,505.0</b>	<b>4,261.7</b>	<b>(1,672.8)</b>	<b>(20.2)</b>	<b>0.0</b>	<b>(21.4)</b>	<b>16,052.3</b>

## 2.7 - Other assets

	Amount as of 9/30/07	Amount as of 12/31/07	Amount as of 9/30/08
Other receivables	2.7	1.6	18.6
<b>TOTAL</b>	<b>2.7</b>	<b>1.6</b>	<b>18.6</b>

This item includes EUR 17.4 million of tax credit; difference between prepaid amounts based on 2007 fiscal result and the real tax charge booked in Dexia MA's account as of September 30, 2008.

## 2.8 - Accruals and other assets

	Amount as of 9/30/07	Amount as of 12/31/07	Amount as of 9/30/08
Deferred losses on hedging transactions	300.0	296.1	393.6
Deferred charges on bond issues	124.1	123.9	384.6
Deferred charges on hedging transactions	266.9	285.1	309.5
Premiums on acquisition of loans from Dexia Credit Local France	132.7	126.9	129.3
Premiums on acquisition of loans other than from Dexia Credit Local France	31.5	28.3	19.9
Other prepaid charges	0.0	0.4	0.0
Accrued interest not yet due on hedging transactions	2,121.3	2,365.8	2,649.5
Translation adjustments	0.0	0.0	0.0
Other accrued income	0.0	0.0	0.0
Other accruals	4.1	0.0	0.5
<b>TOTAL</b>	<b>2,980.6</b>	<b>3,226.5</b>	<b>3,886.9</b>

## 2.9 - Total assets

<i>Analysis by original currency</i>	<b>Amount in original currency as of 9/30/08</b>	<b>Amount in euros as of 9/30/08</b>
Assets in EUR	61,866.2	61,866.2
Assets in AUD	2,075.0	1,165.9
Assets in CAD	1,013.2	678.2
Assets in CHF	3,204.6	2,034.6
Assets in DKK	251.9	33.8
Assets in GBP	1,969.4	2,497.1
Assets in HKD	709.3	65.0
Assets in JPY	246,482.1	1,653.8
Assets in NOK	231.8	27.9
Assets in NZD	259.8	123.5
Assets in PLN	59.3	17.5
Assets in SEK	1,437.7	146.9
Assets in SKK	605.6	20.0
Assets in TRY	53.5	29.8
Assets in USD	11,978.5	8,525.9
Assets in ZAR	266.3	22.8
<b>TOTAL</b>		<b>78,908.9</b>

## 3. NOTES TO THE LIABILITIES (millions of euros)

### 3.0 - Central banks and postal checking accounts

Since the end of September, Dexia Municipal Agency has benefited from refinancing through tenders of the Banque de France, presenting eligible assets as collateral within the framework of a general guarantee management agreement Banque de France financing totaled EUR 3,996.5 million as of September 30.

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

	<b>Amount as of 9/30/07</b>	<b>Amount as of 12/31/07</b>	<b>Amount as of 9/30/08</b>
Overnight borrowing	0.0	0.0	996.5
Time borrowing, November 2008 maturity	0.0	0.0	3,000.0
Accrued interests	0.0	0.0	0.4
<b>TOTAL funding from Banque de France</b>	<b>0.0</b>	<b>0.0</b>	<b>3,996.9</b>

### 3.1 - Inter-bank loans and deposits

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

Sub-accounts make it possible to distinguish within the master-account among types of financing (over-collateralization, stock of assets prior to issuance and other). The master-account totaled EUR 5,279.1 million, broken down as follows (excluding accrued interest):

- the current account, indexed on Eonia, with no defined maturity, financing assets not yet included in the issue program and miscellaneous needs with a balance of EUR 1,779.1 million;

- sub-account comprised of various borrowings earmarked to finance the structural over-collateralization of 5%. Dexia MA's policy is to maintain minimum structural over-collateralization of 5%, i.e. 105% of outstanding obligations foncières and registered covered bonds. These borrowings totaled EUR 3,500 million as of September 30, 2008; they are indexed on the annual money market rate.

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* and acquires or grants loans to public sector entities.

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

	Amount as of 9/30/07	Amount as of 12/31/07	Amount as of 9/30/08
Balance of current account	4,983.0	7,499.4	1,779.1
Accrued interest not yet due on the current account	13.3	15.6	20.7
Balance of the ancillary account – maturity 2007	0.0	0.0	0.0
Balance of the ancillary account – maturity 2008	0.0	0.0	0.0
Balance of the ancillary account – maturity 2009	0.0	0.0	0.0
Balance of the ancillary account – maturity 2010	200.0	200.0	200.0
Balance of the ancillary account – maturity 2011	700.0	700.0	700.0
Balance of the ancillary account – maturity 2012	2,000.0	2,000.0	2,000.0
Balance of the ancillary account – maturity 2015	0.0	0.0	600.0
Accrued interest not yet due on the ancillary account	62.7	8.5	84.1
Unallocated sums	8.0	7.9	6.0
<b>TOTAL Dexia Credit Local</b>	<b>7,967.0</b>	<b>10,431.4</b>	<b>5,389.9</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
Sight	0.0	0.0	0.0	1,779.1	1,779.1
Time	0.0	0.0	2,900.0	600.0	3,500.0
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>2,900.0</b>	<b>2,379.1</b>	<b>5,279.1</b>

### 3.2 - Debt securities

#### 3.2.1- Debt securities (obligations foncières)

a. Accrued interest included in this item: 1,188.3

b. Analysis by residual maturity excluding accrued interest

	Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total
Obligations foncières	970.0	5,154.0	25,250.4	29,497.8	60,872.2
Of which issuance premiums	(0.1)	(5.2)	(7.3)	(181.6)	(194.2)

c. Changes during the year excluding accrued interest

Amount as of 9/30/07	Amount as of 12/31/07	Increases	Decreases	Translation adjustments	Amount as of 9/30/08
51,849.1	55,006.3	9,279.5	( 3,694.9)	281.30	60,872.2

#### 3.2.2- Other bonds (registered covered bonds)

Accrued interest included in this item: 39.2

b. Analysis by residual maturity excluding accrued interest

	Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total
Registered covered bonds	0.0	0.0	0.0	1,644.5	1,644.5
Of which issuance premiums	0.0	0.0	0.0	(2.5)	(2.5)

c. Changes during the year excluding accrued interest

Amount as of 9/30/07	Amount as of 12/31/07	Increases	Decreases	Translation adjustments	Amount as of 9/30/08
1,300.3	1,396.3	248.2	0.00	0.0	1,644.5

### 3.3 – Other liabilities

	Amount as of 9/30/07	Amount as of 12/31/07	Amount as of 9/30/08
Cash received as collateral	17.8	19.1	0.2
Accrued interest not yet due on cash received as collateral	0.0	0.0	0.0
Taxes	26.3	20.8	9.2
Balances to pay on unwound hedging contracts	0.0	0.0	28.9
<b>TOTAL</b>	<b>44.1</b>	<b>39.9</b>	<b>38.3</b>

### 3.4 – Accruals and other liabilities

	Amount as of 9/30/07	Amount as of 12/31/07	Amount as of 9/30/08
Deferred gains on hedging transactions	61.4	59.5	54.0
Deferred income on hedging transactions	686.1	685.0	796.5
Deferred income on loans	56.9	53.0	43.2
Discounts on acquisition of loans other than from Dexia Credit Local in France	90.8	87.6	76.8
Discounts on acquisition of loans from Dexia Credit Local in France	88.5	87.2	83.1
Accrued interest not yet due on hedging transactions	1,874.0	2,017.6	2,246.8
Other accrued charges	21.7	23.2	44.2
Translation adjustments	1,010.2	1,405.9	1,228.9
Other accruals	3.7	1.9	0.1
<b>TOTAL</b>	<b>3,893.3</b>	<b>4,420.9</b>	<b>4,573.6</b>

### 3.5 – Regulated provisions

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

Amount as of 9/30/07	Amount as of 12/31/07	Increases	Decreases	Amount as of 9/30/08
41.8	44.0	5.9	0.0	49.9

b) Provision for risks on financial instruments

Amount as of 9/30/07	Amount as of 12/31/07	Increases	Decreases	Amount as of 9/30/08
0.0	0.1	9.8	0.0	9.9

### 3.6 – Equity

	Amount as of 9/30/07	Amount as of 12/31/07	Amount as of 9/30/08
Capital stock	876.0	876.0	946.0
Legal reserve	20.4	20.4	28.0
Retained earnings (+/-)	0.6	0.6	76.4
Net income (+/-)	125.7	153.5	55.8
<b>TOTAL</b>	<b>1022.7</b>	<b>1,050.5</b>	<b>1,106.2</b>

On May 26, 2008, the Shareholders' Meeting, both ordinary and extraordinary, decided:

- to allocate the 2007 net income of EUR 153.5 million to retained earnings, constituting income for distribution of EUR 146.4 million, after allocation to the legal reserve;
- to distribute a dividend of EUR 70.1 million;
- to increase the capital in cash by EUR 70 million. This capital increase was subscribed by Dexia Credit Local on May 28, 2008.

### 3.7 - Total liabilities

Analysis by original currency	Amount in original currency as of 9/30/08	Amount in euros as of 9/30/08
Liabilities in EUR	61,866.2	61,866.2
Liabilities in AUD	2,075.0	1,165.9
Liabilities in CAD	1,013.2	678.2
Liabilities in CHF	3,204.6	2,034.6
Liabilities in DKK	251.9	33.8
Liabilities in GBP	1,969.4	2,497.1
Liabilities in HKD	709.3	65.0
Liabilities in JPY	246,482.1	1,653.8
Liabilities in NOK	231.8	27.9
Liabilities in NZD	259.8	123.5
Liabilities in PLN	59.3	17.5
Liabilities in SEK	1,437.7	146.9
Liabilities in SKK	605.6	20.0
Liabilities in TRY	53.5	29.8
Liabilities in USD	11,978.5	8,525.9
Liabilities in ZAR	266.3	22.8
<b>TOTAL</b>		<b>78,908.9</b>

#### 4. NOTES TO THE OFF-BALANCE SHEET ITEMS (millions of euros)

##### 4.1 - Commitments granted

	Amount as of 9/30/07	Amount as of 12/31/07	Amount as of 9/30/08
Financing commitments granted to credit institutions	80.4	111.0	16.7
Financing commitments granted to clients (1)	5,730.7	4,727.8	5,493.3
Other commitments given, securities as collateral	0.0	0.0	4,450.9
<b>TOTAL</b>	<b>5,811.1</b>	<b>4,838.8</b>	<b>9,960.9</b>

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

##### 4.2 - Commitments received

	Amount as of 9/30/07	Amount as of 12/31/07	Amount as of 9/30/08
Financing commitments received from credit institutions (1)	4,933.2	4,684.4	6,814.3
Currencies borrowed	113.0	0.0	0.0
Guarantees received from credit institutions	0.0	0.0	0.0
Guarantees received from local governments and asset transfers as guarantees of commitments on local governments (2)	5,787.5	5,891.4	7,539.3
<b>TOTAL</b>	<b>10,833.7</b>	<b>10,575.8</b>	<b>14,353.6</b>

(1) Including EUR 6.546,8 million in refinancing agreements from Dexia Crédit Local for obligations foncières of less than one year as of September 30, 2008.

(2) The amount as of September 30, 2008, includes EUR 976 million in commitments received at the end of 2007 and mistakenly not reported in the 2007 financial statements.

##### 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 9/30/07	Amount as of 12/31/07	Amount as of 9/30/08	Fair value as of 9/30/08
Currencies to receive	22,289.4	22,444.0	23,447.3	(112.9)
Currencies to deliver	23,299.6	23,850.0	24,676.2	122.2
<b>TOTAL</b>	<b>45,589.0</b>	<b>46,294.0</b>	<b>48,123.5</b>	<b>9.30</b>

##### 4.4 - Commitments on interest rate derivatives

Commitments on interest rate derivatives are recorded in accordance with CRB regulations n° 88-02 and n° 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 life

Type of transaction	Amount as of 9/30/07	Amount as of 12/31/07	Less than 1 year (1)	1 year to 5 years (2)	More than 5 years (3)	Total as of 9/30/08
Unconditional transactions	185,717.1	203,663.0	116,998.0	24,835.4	67,086.3	208,919.7
(1) of which deferred start:	14,183.7					
(2) of which deferred start:	785.7					
(3) of which deferred start:	6,090.5					
Total	21,059.9					

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

###### b. Analysis of interest rate transactions by product type

	Amount as of 9/30/07	Amount as of 12/31/07	Amount as of 9/30/08
Interest rate swaps	185,717.1	203,663.0	208,919.7
Interest rate options	0.0	0.0	0.0
<b>TOTAL</b>	<b>185,717.1</b>	<b>203,663.0</b>	<b>208,919.7</b>

###### c. Analysis of interest rate swap transactions

	Amount as of 9/30/07	Amount as of 12/31/07	Amount as of 9/30/08	Fair value as of 9/30/08
Micro-hedge	67,159.3	71,139.2	75,393.0	(1,405.7)
Macro-hedge	118,557.8	132,523.8	133,526.7	61.0
<b>TOTAL</b>	<b>185,717.1</b>	<b>203,663.0</b>	<b>208,919.7</b>	<b>(1 344.7)</b>

d - Analysis of interest rate transactions by counterparty

	Amount as of 9/30/07	Amount as of 12/31/07	Amount as of 9/30/08
Parent and other Dexia Group companies	122,779.4	136,264.3	137,871.0
Counterparties with equity interests	0.0	0.0	0.0
Other counterparties	62,937.7	67,398.7	71,048.7
<b>TOTAL</b>	<b>185,717.1</b>	<b>203,663.0</b>	<b>208,919.7</b>

4.5 - Commitments related to securities transactions

	Amount as of 9/30/07	Amount as of 12/31/07	Amount as of 9/30/08
Securities purchased:			
Spot	0.0	0.0	0.0
Forward	0.0	0.0	0.0
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

5. NOTES TO THE STATEMENT OF INCOME (millions of euros)

**5.0.a - Interest and related income**

In particular, this item comprises:

- EUR 107 million in interest due and interest accrued and not yet due on interbank transactions;
- EUR 1,959 million in interest due and interest accrued and not yet due on client loans, early loan repayment penalties in the amount of EUR 13 million, and income from micro-hedging operations;
- EUR 690 million in interest due and interest accrued and not yet due on bonds and other fixed income securities, income and expense on the spread of discounts and premiums on investment and available-for-sale securities as well as from hedging on these securities;
- EUR 3,730 million in income on macro-hedging operations.

**5.0.b - Interest and related expense**

In particular, this item comprises:

- EUR 271 million in interest due and interest accrued and not yet due on refinancing operations with Dexia Credit Local;
- EUR 2283 million in interest due, interest accrued and not yet due, and income and expense on the spread of debit and credit issuance premiums for *obligations foncières* and registered covered bonds, as well as income from micro-hedging operations;
- EUR 3,702 million in expense on macro-hedging operations.

**5.1 – General operating expenses**

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

In addition, specific management contracts grant different entities of the Dexia Group the management of loans and securities in their respective countries (Kommunalkredit Austria, Dexia Crediop, Dexia Public Finance Norden and Dexia Bank Belgium).

General operating expense can be broken down as follows.

	Amount as of 9/30/08
Taxes	6.4
Other general operating expense (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 59.4 million)	62.4
<b>TOTAL</b>	<b>68.8</b>

**5.2 – Analysis of commissions paid**

	Amount as of 9/30/07	Amount as of 12/31/07	Amount as of 9/30/08
Commission for business brokerage and securities portfolio management billed by Dexia Crediop	(2.3)	(3.5)	(2.3)
Commission paid on securities transactions	(0.8)	(1.0)	(0.6)
<b>TOTAL</b>	<b>(3.1)</b>	<b>(4.5)</b>	<b>(2.9)</b>



### **5.3 – Analysis of income from financial transactions**

	<b>Amount as of 9/30/07</b>	<b>Amount as of 12/31/07</b>	<b>Amount as of 9/30/08</b>
Transactions on available-for-sale securities (1)	0.0	(1.1)	(51.0)
Transactions on investment securities	0.0	0.0	0.0
Transactions on interest rate derivatives	0.0	0.0	0.0
Foreign exchange transactions	0.0	0.0	0.0
<b>TOTAL</b>	<b>0.0</b>	<b>(1.1)</b>	<b>(51.0)</b>

(1) This item regroups capital gains and losses on sales and provisions and reversals on these portfolios. The amount as of September 30, 2008, includes EUR (1.1) million of capital losses

### **5.4 – Corporate income tax**

	<b>Amount as of 9/30/07</b>	<b>Amount as of 12/31/07</b>	<b>Amount as of 9/30/08</b>
Corporate income tax	(38.2)	(83.0)	(44.9)
Deferred taxes	0.00	1.60	(0.4)
<b>TOTAL</b>	<b>(38.2)</b>	<b>(81.4)</b>	<b>(45.3)</b>

The tax rate used for 2008 is 34.43% for France.  
The tax rate used for the Dublin branch is 12.50%

**Statutory Auditors' Report**  
**on the limited review of the quarterly financial statements**  
**from January 1, 2008 to September 30, 2008**

*(Free translation of the French language original)*

*This is a free translation into English of the statutory auditor's report issued in French and is provided solely for the convenience of English speaking users.*

*This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

In our capacity of statutory auditors of **Dexia Municipal Agency** and following the request made to us, we have conducted a limited review of the quarterly financial statements for the nine-month period ended September 30, 2008, as attached to the present report.

These financial statements are the responsibility of the Executive Board. Our responsibility is to express a conclusion on these financial statements based on our limited review.

We conducted our review in accordance with professional standards applicable in France. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical procedures and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying quarterly financial statements prepared in accordance with accounting principles generally accepted in France do not present fairly, in all material respects, the results of operations for the nine-months ended September 30, 2008 and the financial position of **Dexia Municipal Agency** and its assets at that date, in accordance with accounting principles generally accepted in France.

Neuilly-sur-Seine and Courbevoie, December 22, 2008

The statutory auditors

**Deloitte & Associés**  
**Mazars & Guérard**

**François ARBEY**  
**Guillaume POTEL**  
**Anne VEAUTE**

Dexia Municipal Agency - balance sheet					
	Assets	Note	9/30/2007	12/31/2007	9/30/2008
	(EUR millions)				
I.	Cash, central banks and postal checking accounts	2.1	2	15	8
II.	Financial assets at fair value through profit or loss		0	0	0
III.	Hedging derivatives	4.1	2,410	3,261	3,152
IV.	Financial assets available for sale	2.2	15,185	17,159	19,583
V.	Interbank loans and advances	2.3	2,268	3,182	4,167
VI.	Customer loans and advances	2.4	46,800	49,419	51,865
VII.	Fair value revaluation of portfolio hedge		165	147	(103)
VIII.	Financial assets held to maturity		0	0	0
IX.	Current tax assets	2.5	0	0	17
X.	Deferred tax assets	2.5	50	55	220
XI.	Accruals and other assets	2.6	4	20	42
XIII.	Investments in associates		0	0	0
XIV.	Investment property		0	0	0
XV.	Tangible fixed assets		0	0	0
XVI.	Intangible assets		0	0	0
XVII.	Goodwill		0	0	0
	<b>Total Assets</b>		<b>66,884</b>	<b>73,258</b>	<b>78,951</b>

Dexia Municipal Agency - balance sheet					
Liabilities		Note	9/30/2007	12/31/2007	9/30/2008
(EUR millions)					
I.	Central banks and postal checking accounts	3.1	0	0	3,997
II.	Financial liabilities at fair value through profit or loss (1)		0	0	0
III.	Hedging derivatives	4.1	4,309	4,507	5,799
IV.	Interbank loans and deposits	3.2	7,959	10,424	5,384
V.	Customer borrowings and deposits		0	0	0
VI.	Debt securities	3.3	53,596	57,296	63,368
VII.	Fair value revaluation of portfolio hedge		12	(14)	(407)
VIII.	Current tax liabilities	3.4	26	21	9
IX.	Deferred tax liabilities	3.4	0	0	0
X.	Accruals and other liabilities	3.5	48	70	89
XIII.	Provisions		0	0	0
XIV.	Subordinated debts		0	0	0
XV.	Shareholders' equity	3.6	934	954	712
XVI.	Shareholders' equity, Group share		934	954	712
XVII.	Capital stock and additional paid-in capital		876	876	946
XVIII.	Reserves and retained earnings		2	2	12
XIX.	Unrealised or deferred gains and losses		(9)	(4)	(326)
XX.	Net income		65	80	80
XXI.	Minority interests		0	0	0
	<b>Total Liabilities</b>		<b>66,884</b>	<b>73,258</b>	<b>78,951</b>

<b>Dexia Municipal Agency - Income statement</b>					
	(EUR millions)	Note	9/30/2007	12/31/2007	9/30/2008
I.	Interest income	5.1	7,332	10,187	9,357
II.	Interest expense	5.1	(7,173)	(9,986)	(9,173)
III.	Fee and commission income	5.2	0	0	0
IV.	Fee and commission expense	5.2	(3)	(5)	(3)
V.	Net gains (losses) on financial instruments at fair value through profit or loss	5.3	0	1	0
VI.	Net gains (losses) on financial assets available for sale	5.4	5	6	3
VII.	Other income	5.5	0	0	0
VIII.	Other expense	5.6	0	0	0
<b>IX.</b>	<b>NET BANKING INCOME</b>		<b>161</b>	<b>203</b>	<b>184</b>
X.	Operating expense	5.7	(62)	(83)	(69)
XI.	Depreciation, amortisation and impairment of tangible fixed assets and intangible assets		0	0	0
<b>XII.</b>	<b>GROSS OPERATING INCOME</b>		<b>99</b>	<b>120</b>	<b>115</b>
XIII.	Cost of risk	5.8	0	(0)	(1)
<b>XIV.</b>	<b>OPERATING INCOME</b>		<b>99</b>	<b>120</b>	<b>114</b>
XV.	Income (losses) from associates		0	0	0
XVI.	Net gains (losses) on other assets		0	0	0
XVII.	Impairment of goodwill		0	0	0
<b>XVIII.</b>	<b>INCOME BEFORE TAX</b>		<b>99</b>	<b>120</b>	<b>114</b>
XIX.	Corporate income tax	5.9	(34)	(40)	(34)
<b>XXI.</b>	<b>NET INCOME</b>		<b>65</b>	<b>80</b>	<b>80</b>
XXII.	Minority interests		0	0	0
<b>XXIII.</b>	<b>NET INCOME, GROUP SHARE</b>		<b>65</b>	<b>80</b>	<b>80</b>
	Earnings per share, Group share				
	- Basic (in EUR)		7	9	8
	- Diluted (in EUR)		7	9	8

## Dexia Municipal Agency - Shareholders' equity

	Core shareholders' equity			Unrealised or deferred gains and losses			Shareholders' equity
	Capital stock, 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	
(EUR millions)							
<b>As of January 1, 2007, french GAAP</b>	<b>760</b>	<b>137</b>	<b>897</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>897</b>
Impacts of the first-time adoption of IFRS (see note 8.1.C)	0	(19)	(19)	(12)	0	(12)	(31)
<b>As of January 1, 2007, normes IFRS</b>	<b>760</b>	<b>118</b>	<b>878</b>	<b>(12)</b>	<b>0</b>	<b>(12)</b>	<b>866</b>
<i>Movements during the period</i>							
- Capital stock	116	0	116	0	0	0	116
- Dividends	0	(116)	(116)	0	0	0	(116)
- Changes in fair value of available for sale financial assets through shareholders' equity	0	0	0	3	0	3	3
- Changes in fair value of hedging derivatives through shareholders' equity	0	0	0	0	0	0	0
- Changes in fair value of available for sale financial assets through profit and loss	0	0	0	0	0	0	0
- Changes in fair value of hedging derivatives through profit and loss	0	0	0	0	0	0	0
- Net income for the period	0	65	65	0	0	0	65
- Other movements	0	0	0	0	0	0	0
<b>As of September 30, 2007, IFRS</b>	<b>876</b>	<b>67</b>	<b>943</b>	<b>(9)</b>	<b>0</b>	<b>(9)</b>	<b>934</b>
- Net income for the period	0	14	14	0	0	0	14
- Changes in fair value of available for sale financial assets through shareholders' equity	0	0	0	6	0	6	6
- Changes in fair value of hedging derivatives through shareholders' equity	0	0	0	0	0	0	0
- Other movements	0	0	0	0	0	0	0
<b>As of December 31, 2007, IFRS</b>	<b>876</b>	<b>81</b>	<b>957</b>	<b>(3)</b>	<b>0</b>	<b>(3)</b>	<b>954</b>
<i>Movements during the period</i>							
- Capital stock	70	0	70	0	0	0	70
- Dividends	0	(70)	(70)	0	0	0	(70)
- Changes in fair value of available for sale financial assets through shareholders' equity	0	0	0	(178)	0	(178)	(178)
- Changes in fair value of hedging derivatives through shareholders' equity	0	0	0	0	(145)	(145)	(145)
- Changes in fair value of available for sale financial assets through profit and loss	0	0	0	0	0	0	0
- Changes in fair value of hedging derivatives through profit and loss	0	0	0	0	0	0	0
- Net income for the period	0	80	80	0	0	0	80
- Other movements	0	0	0	0	0	0	0
<b>As of September 30, 2008, IFRS</b>	<b>946</b>	<b>91</b>	<b>1,037</b>	<b>(181)</b>	<b>(145)</b>	<b>(326)</b>	<b>711</b>

## Cash Flow Statement As of September 30, 2008

(EUR Millions)	9/30/2007	12/31/2007	9/30/08
<b>Net income before taxes</b>	<b>99</b>	<b>120</b>	<b>114</b>
+/- Amortisation and depreciation and other impairment on fixed and intangible assets	0	0	0
+/- Depreciation and write-downs	0	0	1
+/- Expense/income from operating activities	(41)	(160)	(190)
+/- Expense/income from financing activities	73	199	171
+/- Other non cash items	(4)	2	(18)
<b>= Non monetary elements included in net income before tax and other adjustments</b>	<b>28</b>	<b>41</b>	<b>(36)</b>
+/- Cash from interbank operations (Dexia Crédit Local and Banque de France)	(2,000)	(2,000)	3,600
+/- Cash from interbank operations (client loans)	(277)	(1,154)	(926)
+/- Cash from client operations (loans)	(922)	(4,375)	(956)
+/- Cash from financing assets	(4,043)	(5,865)	(2,525)
+/- Cash from hedging financial instruments	44	27	(218)
- Income tax paid	(66)	(82)	(75)
<b>= Decrease/(increase) in cash from operating activities</b>	<b>(7,264)</b>	<b>(13,449)</b>	<b>(1,100)</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES (A)</b>	<b>(7,137)</b>	<b>(13,288)</b>	<b>(1,022)</b>
<b>+/- Cash from financing assets and long-term investments</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>+/- Cash from investment property</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>+/- Cash from property and intangible assets</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES (B)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>+/- Cash from or for shareholders</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>+/- Other cash from financing activities</b>	<b>4,975</b>	<b>8,623</b>	<b>5,733</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES (C)</b>	<b>4,975</b>	<b>8,623</b>	<b>5,733</b>
<b>EFFECT OF EXCHANGE RATES CHANGES ON CASH (D)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Increase/(decrease) in cash equivalents (A + B+ C + D)</b>	<b>(2,162)</b>	<b>(4,666)</b>	<b>4,711</b>
Cash flow from operating activities (A)	(7,137)	(13,288)	(1,022)
Cash flow from investing activities (B)	0	0	0
Cash flow from financing activities (C)	4,975	8,623	5,733
Effect of exchange rates on cash (D)	0	0	0
<b>Cash and cash equivalents at the beginning of the period</b>	<b>(2,819)</b>	<b>(2,819)</b>	<b>(7,484)</b>
Cash, central banks and postal checking accounts (assets & liabilities)	2	2	15
Interbank accounts (assets & liabilities) and loans/deposits at sight	(2,821)	(2,821)	(7,499)
<b>Cash and cash equivalents at the end of the period</b>	<b>(4,981)</b>	<b>(7,484)</b>	<b>(2,773)</b>
Cash, central banks and postal checking accounts (assets & liabilities)	2	15	(988)
Interbank accounts (assets & liabilities) and loans/deposits at sight	(4,983)	(7,499)	(1,785)
<b>Net cash</b>	<b>(2,162)</b>	<b>(4,665)</b>	<b>4,711</b>

# NOTES TO THE FINANCIAL STATEMENTS

## ACCOUNTING POLICIES AND VALUATION METHODS

### I) Context of the publication

Dexia Municipal Agency has decided to publish its own financial statements according to IFRS.

This publication is voluntary, since the accounting principles are consistently French GAAP, in conformity with the legislation applicable in France.

Dexia Municipal Agency presents its first financial statements according to IFRS as of September 30, 2008. These financial statements were examined by the Executive Board on December 4, 2008. They are interim statements, prepared in compliance with IAS 34 in the form of complete financial statements.

### II) Applicable accounting principles

#### 1. 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 Municipal Agency decided to apply as of January 1, 2007, all the IAS, IFRS, SIC and IFRIC adopted by the European Commission. Consequently, Dexia Municipal Agency restated according to the same rules its 2007 financial statements, which had previously been reported according to French GAAP.

Since its publication in 2002, this regulation has been updated several times, validating the different texts published by the International Accounting Standards Board (IASB), except for certain rules in IAS 39.

The European Commission carved out some paragraphs of IAS 39 with the objective of enabling European companies to reflect appropriately in their consolidated financial statements the economic hedges they make in the management of their interest rate risk exposure (application of interest rate portfolio hedging and possibility of hedging deposits).

Dexia Municipal Agency's financial statements have therefore been prepared in accordance with all IFRS regulations and interpretations published and endorsed by the European Commission up to the accounting closing.

The financial statements are stated in millions of euros (EUR) unless otherwise noted. They are compliant with CNC recommendation 2004 R.03 published on October 27, 2004.

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the amounts reported. 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. The recoverable value of client loans, provisions, and fair value assets are the main items in the financial statements that reflect estimates and assumptions.



## 2. Changes in accounting policies since January 1, 2007

Since January 1, 2007, the European Commission has adopted the following IASB and IFRIC texts:

IASB published two amendments to existing standards, both of which will apply as of January 1, 2009:

- IAS 23 Borrowing Costs, which requires borrowing costs to be capitalized. The change in this standard has no impact on Dexia MA;
- IAS 1 Presentation of Financial Statements, mainly requiring the publication of additional information on Dexia MA's economic capital.

IFRIC published two interpretations:

- IFRIC 13 Consumer Loyalty Programme, which has been applicable since July 1, 2008, but has no impact on Dexia MA;
- IFRIC 14 IAS 19 – Limit on a Defined Benefit Asset, Minimum Funding Requirement and their interaction, which has been applicable since July 1, 2008, but has no impact on Dexia MA's financial statements.

The European Commission approved an IFRS standard and two IFRIC interpretations in 2007:

- IFRS 8 Operating segments, applicable as of January 1, 2009, which will align sector reporting with management control data. This change will have no major impact on the presentation;
- IFRIC 10 Interim Financial Information and Impairment, with no impact on Dexia MA;
- IFRIC 11 IFRS 2 Group and Treasury Share Transactions, with no impact on Dexia MA.

In 2008, IASB published three revised standards that will replace existing standards and will be respectively effective for annual financial statements in fiscal years beginning as of July 1, 2009, for the first two and as of January 1, 2009, for the third.

- IFRS 3 Business Combinations replaces the standard published in 2004.

The revision of this standard has no impact on the financial statements of Dexia MA.

- IAS 27 Consolidated and Separate Financial Statements.

The revision of this standard has no impact on the financial statements of Dexia MA.

- IAS 14 (revised) Segment Reporting

In January 2008, IASB published a revised version of IAS 14 Segment Reporting, which has no major impact on Dexia MA. IFRS 8 will replace IAS 14 in the fiscal years beginning as of January 1, 2009.

IASB also published four amendments to existing standards. Three apply as of January 1, 2009. The last, which concerns Eligible Hedged Items, will take effect as of July 1, 2009, but may be applied prior to that date.

- Amendment to IFRS 2 Share-Based Payment;

- Amendment to IAS 32 and IAS 1 Financial Instruments Available For Sale and Requirements;

- Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements, on Investments in subsidiaries, jointly controlled entities and associates;

- Amendment to IAS 39 Eligible Hedged Items.

The first three amendments have no impact on the financial statements of Dexia MA.

The impact of the fourth is under investigation.

Annual improvements 2008 to IFRS:

On May 22, 2008, the International Accounting Standards Board (IASB) published a series of amendments to IFRS. These improvements are the result of Board discussions following proposals made in its annual improvement project.

The amendments are published in two parts:

- those that concern accounting changes in presentation, accounting and valuation;

- those that concern changes in terminology with a minimum impact on the financial statements.

Unless otherwise stated, the amendments take effect in fiscal years beginning as of January 1, 2009, but entities are authorized to adopt them earlier.

IASB published an amendment that transferred Properties under Construction or in Development for future use to Investment Properties under IAS 40 and no longer under IAS 16.

IFRIC published two interpretations, both of which apply as of January 1, 2009:

- IFRIC 15 Agreements for the Construction of Real Estate;
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation.

The new IFRS standards, IFRIC interpretations and amendments published since 2007 have no impact on the financial statements of Dexia MA. Only the foreseeable change in IFRS 7 Financial Instruments: Disclosures, linked to the amendment expected in 2009 is likely to have an impact on the presentation of the financial statements. The impact of this change is being studied.

IFRS 8 – Operating Segments, which will take effect as of January 1, 2009, aligning sector reporting with management control data, was not given early application.

IFRS 1 First-time Adoption of IFRS offers options in the application of the following standards: IFRS 3 Business Combinations, IAS 19 Employee Benefits and IAS 21 Effects of Changes in Foreign Exchange Rates.

Since Dexia MA has no employees or subsidiaries, and in addition has adopted IFRS to publish its own (unconsolidated) accounts, the options proposed by IFRS 1 First-Time Application of IFRS do not apply.

On October 13, 2008, IASB published an amendment to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures, authorizing the restatement of some financial instruments. The modified standards allow companies reporting according to IFRS to use these restatement amendments, if they so wish, retroactively as of July 1, 2008. Thus, certain non-derivative financial assets could be transferred (i) from the held for trading portfolio to the available for sale and loans and advances portfolios and (ii) from the available for sale portfolio to the loans and advances portfolio.

Dexia MA is studying the possible restatement of these items as of October 1, 2008.

### **III) ACCOUNTING PRINCIPLES APPLIED TO THE FINANCIAL STATEMENTS**

#### **1. 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 could 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. Assets are presented before any allowance or loss on impairment

#### **2. Foreign currency translation and transactions**

The consolidated financial statements are stated in euros (functional and presentation currency), which is the currency of the country in which Dexia Municipal Agency is registered.

##### *Foreign currency transactions*

Foreign currency transactions are accounted for using the approximate exchange rate at the date of the transaction. Outstanding balances denominated in foreign currencies at year-end are translated at closing rates for monetary items, and non-monetary items carried at fair value. Historical rates are used for non-monetary items carried at cost.

The resulting exchange differences from monetary items are recorded in income; for non-monetary items carried at fair value, the exchange differences follow the same accounting treatment as for fair value adjustments

### 3. Trade date and settlement date accounting

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

Dexia MA hedges are recognized at fair value at the date of trade. Unrealized gains and losses are recognized in income unless the transactions have been assigned to cash flow hedges.

### 4. Financial assets

#### *Interbank and client loans and advances*

Loans categorized as “Loans and advances”, being those not included within trading, available for sale or designated at fair value through profit or loss, are carried at amortized cost, i.e. the historical cost principal amount, net of any deferred fees and material direct costs on loans and net of any unamortized premiums or discounts.

#### *Financial assets held for trading*

Dexia Municipal Agency holds no assets for trading.

#### *Financial assets designated at fair value through profit and loss*

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

#### *Financial assets available for sale and held to maturity*

Management determines the appropriate classification of its investments at the time of the purchase.

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.

Securities and loans and receivables intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, are classified as “Financial assets available for sale“ (AFS). Most of Dexia MA’s securities are accounted for as “Financial assets available for sale” and, except for certain cases, intended to be held to maturity.

Securities and loans and receivables are initially recognized at fair value (including transaction costs). Interest is recognized based on the effective interest rate method and is recognized within the interest margin. Financial assets available for sale are subsequently revalued at fair value based on quoted bid prices or amounts derived from cash flow models. Unrealized gains and losses arising from changes in the fair value of financial assets available for sale are recognized in equity.

Financial assets held to maturity (HTM) are carried at amortized cost using the effective interest method, less any allowance for impairment.

*Realized gains and losses on sales of financial assets*

For financial assets not revalued through the income statement, 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 investments. The cost is systematically determined (FIFO) 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.

*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.

a) 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 MA 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 at least 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 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

b) 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.

*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, in accordance with IAS 39 (§58-70). The impairment represents the management's best estimates of losses at each balance-sheet date.

An interest bearing financial asset is impaired if its carrying amount is greater than its estimated recoverable amount.

Off-balance sheet commitments are also subject to impairment if there is uncertainty about a counterparty's solvency. Lines of credit should be written down if a client's solvency deteriorates to the point that it induces a doubt about whether the loan's capital and related interest will be repaid.

Two types of allowances for impairment losses are recorded on assets:

- Specific loss allowance. The amount of the provision on specifically identified assets is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, net of guarantees and collateral discounted using the effective interest rate at the time of the test of impairment. Impairment and reversal of impairment are recognized on a case-by-case basis in accordance with the standard.

Financial assets with small balances that share similar risk characteristics are generally aggregated in this measurement.

- Collective allowance. Loss impairments cover incurred losses 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 have been 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 that purpose, Dexia MA 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 that are subject to regular back testing and are based on Basel II data and risk models.

The country risk is included within collective and specific impairment.

When a financial asset is determined by management to be uncollectible, it is written off completely by providing the complement required for any possible existing impairment. Subsequent recoveries are recognized in income as “Cost of risk”. If the amount of the impairment subsequently decreases due to an event occurring after the writedown of the initial impairment, the reversal of the provision is credited to the Cost of risk.

Financial assets available for sale (AFS) are only subject to specific loss allowances.

Impairment on financial assets held to maturity (HTM) and financial assets available for sale (AFS) is reported in “Cost of risk”.

#### *Sale and repurchase agreements and lending of securities*

Securities sold subject to a linked repurchase agreement (repo) remain recognized in the financial statements as financial assets held for trading, financial assets available for sale or financial assets held to maturity. The corresponding liability is included in “Interbank loans and deposits” or “Client deposits” as appropriate.

Securities purchased under agreements to resell (reverse repo) are recorded as:

- an off-balance sheet obligation to return securities; and
- “Interbank loans and advances” or “Client loans and advances” as appropriate.

The difference between the sale and repurchase price is treated as interest income or expense and is accrued over the life of the agreements using the effective interest rate method.

Securities lent to counterparties are retained in the financial statements. Securities borrowed are not recognized in the financial statements.

If they are sold to third parties, the gain or loss is included in “Net gains (losses) on financial instruments at fair value through profit or loss” and the obligation to return them is recorded at fair value in “Financial liabilities designated at fair value through profit or loss”.

Currently, Dexia Municipal Agency is not engaged in this type of transaction.

## 5. Financial liabilities

#### *Liabilities designated at fair value through profit or loss*

Dexia Municipal Agency does not use this option.

### *Borrowings*

Borrowings are recognized initially at fair value, i.e. their issue proceeds net of transaction costs incurred. Subsequently, borrowings are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in income over the period of the borrowings using the effective interest rate method. The decision to include debt in the financial statements is based more on their underlying economic characteristics than on legal criteria.

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 September 30, 2008. It is sub-divided into two parts.

#### *a) 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 bonds to which they are attached.

Bonds denominated in other currencies are treated in the same way as foreign exchange transactions (see below).

#### *b) 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 CRB regulation n° 99-10 of July 27, 1999, total assets must at all times be greater than total liabilities benefiting from the privilege (*obligations foncières* and registered covered bonds) mentioned in article L.515-19 of the above-mentioned Monetary and Financial Code.

## 6. Derivatives

### *Fair value derivatives*

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

### *Hedging derivatives*

When a derivative transaction is entered into, Dexia Municipal Agency classifies the derivatives 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 future transaction (cash flow hedge).

Hedge accounting may be used for derivatives designated in this way, provided certain criteria are met.

The criteria for a derivative instrument to be accounted for as a hedge include *inter alia*:

- 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 in offsetting changes in fair value or cash flows attributable to the hedged risk in the hedged item throughout the reporting period;
- the hedge is effective at inception and on an ongoing basis.

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

If 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 income over the period to maturity through an adjustment of the yield of the hedged item.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges, that respect the above-mentioned criteria, and that prove to be effective in relation to the hedged risk, are recognized in the hedging reserve in equity as “Unrealized or deferred gains and losses”.

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 revenue or expense in the periods during which the hedged firm commitment or forecast transaction has an impact on income.

#### *Hedging of the interest rate risk of a portfolio*

Dexia Municipal Agency has decided to apply IAS 39 as adopted by the European Commission, since the adopted version better reflects the way Dexia Municipal Agency manages its activities.

The objective of the hedge 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. It consists of assessing fixed rate exposure taking into account all the exposures on the balance sheet.

Dexia MA selects financial assets and liabilities to be part of the hedge of the portfolio's interest rate risk exposure. The entity defines at inception the risk exposure to be hedged, the length of the contract, the method and the frequency with which it will perform tests. The entity constantly applies the same methodology for selecting assets and liabilities to be part of the portfolio. Assets and liabilities are included in a portfolio on a cumulative basis in all the maturity buckets. Hence, when they are removed from the portfolio, they must be removed from all the maturity buckets on which they had an impact.

Dexia MA may choose which assets and liabilities it wishes to classify into the portfolio provided they are included in the comprehensive analysis. The Company decided to put together homogeneous portfolios of loans and portfolios of bond issues.

The hedging instruments are portfolios of derivatives. Such portfolios of derivatives may contain offsetting positions. The hedging items are recognized at their fair value (including accrued interest expense or income) with adjustments recorded in income.

On the balance sheet, revaluation could be recognized as:

- fair value revaluation of portfolio hedge in assets;
- fair value revaluation of portfolio hedge in liabilities.

Effectiveness tests consist of verifying that the hedging objective, is reached, i.e. reducing interest rate risk exposure. Ineffectiveness can come only from over-hedging as a result of non-contractual events occurring in the categories of assets or liabilities.

## 7. 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, as it is the best evidence of the fair value of a financial instrument. Market prices are not, however, available for a significant number of the financial assets and liabilities held or issued by Dexia Municipal Agency.

Therefore, for financial instruments where no market price is available, the fair values have been estimated using the present value of cash flows or other estimation and valuation techniques based on market conditions existing at balance-sheet dates. The values derived from applying these techniques are significantly affected by the underlying assumptions made concerning both the amounts and timing of future cash flows and the discount rates.

Financial investments classified as trading, available for sale, or designated at fair value through profit or loss, derivatives and other transactions undertaken for trading purposes are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows.

For assets and liabilities available for sale (AFS), or designated at fair value through profit or loss, when quoted prices are not available, the pricing models try to reflect as accurately as possible market conditions at the calculation date as well as changes in the credit quality of the financial instruments.

The following remarks could be made regarding the fair value of loans and receivables:

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

## 8. Interest income and expense

Interest income and expense are recognized in the income statement for all interest bearing instruments on an accrual basis using the effective interest rate method based on the purchase price (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 reported on the balance sheet in the same item as the related financial asset or liability.

Once a 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.



## 9. 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 fees are recognized as part of the effective interest rate if the line of credit is used, and recorded as commission income if the line of credit is not used.

## 10. 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 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 taxes related to fair value re-measurement of assets available for sale and cash flow hedges, which are charged or credited directly to equity, are also credited or charged directly to equity and are subsequently recognized in income together with the deferred gain or loss.

## 11. Provision for risk and charges

A provision represents a liability of uncertain timing or amount.

Provisions are recognized based on their discounted value 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.

## 12. 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.

## 13. Earning 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.

## 14. 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 in making financial or operating 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 Company directors.

#### 15. 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 issuance of *obligations foncières*.

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 report.

#### 16. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with central banks, interbank loans and advances, client loans and advances, and financial assets available for sale.

### IV) PRESENTATION OF FIRST-TIME IFRS FINANCIAL STATEMENTS

The presentation of Dexia Municipal Agency's first-time IFRS financial statements was prepared pursuant to IFRS recommendations. The date of the changeover was January 1, 2007.

Dexia Municipal Agency thus prepared an opening balance sheet as of January 1, 2007, according to IFRS. To build its opening balance sheet, Dexia MA conformed with the general rule of retrospective application as defined by IFRS1.

Dexia Municipal Agency presented the detailed impact of the changeover to IFRS on equity and the balance sheet as of the date of the first-time application and the results of 2007 and 2008. Comparative financial statements according to French GAAP and IFRS, as well as tables to analyze the changes, were drawn up for the first-time adoption as of January 1, 2007. They are presented in point 8 of the notes to the financial statements. The reconciliations are presented in the form of tables of changeovers from French GAAP to the new IFRS.

The Company used the option allowed by paragraph 24 a) of IFRS 1, which involves retaining as IFRS accounting data on Dexia Municipal Agency's opening balance sheet as of January 1, 2007, the IFRS accounting data (excluding the impact of consolidation restatements in the financial statements of Dexia Credit Local) of Dexia Municipal Agency in the financial statements of Dexia Credit Local at this date, recalling that Dexia Credit Local changed over to IFRS within the framework of the publication of its financial statements as of December 31, 2005.

## 2 Notes on the assets

### 2.1 Cash, central banks and postal checking accounts

(Item I - Assets)

(EUR millions)	9/30/2007	9/30/2008
Cash	0	0
Mandatory reserve deposits with central banks	2	8
Other central bank deposits and balances with postal checking accounts	0	0
<b>Total</b>	<b>2</b>	<b>8</b>

## 2.2 Financial assets available for sale

(Item IV - Assets)

## a. Analysis by nature

(EUR millions)	9/30/2007	9/30/2008
Loans	0	0
Bonds	15,185	19,583
<b>Total</b>	<b>15,185</b>	<b>19,583</b>

## b. (EUR millions)

	9/30/2007	9/30/2008
Public sector	5,456	5,352
Credit institutions guaranteed by the public sector	352	331
Other - guaranteed by a State or local government	736	1,293
Other - ABS made up solely of public commitments	3,843	7,340
<b>Total public sector</b>	<b>10,387</b>	<b>14,316</b>
Replacement assets	4,798	5,267
<b>Total</b>	<b>15,185</b>	<b>19,583</b>
<i>of which eligible for central bank refinancing</i>	9,496	9,455

## c. Impairment

(EUR millions)	9/30/2007	9/30/2008
Public sector bonds or bonds guaranteed by the public sector	10,387	14,316
Replacement assets	4,798	5,267
<b>Total performing assets</b>	<b>15,185</b>	<b>19,583</b>
Public sector bonds or bonds guaranteed by the public sector	0	0
Replacement assets	0	0
<b>Total impaired assets</b>	<b>0</b>	<b>0</b>
Specific impairment	0	0
<b>Total assets after impairment</b>	<b>15,185</b>	<b>19,583</b>

## d. Replacement assets

(EUR millions)	Rating	9/30/2007	9/30/2008
Dexia Sabadell - <i>Cedulas</i>	Moody's Aaa	2,438	2,660
Dexia Kommunalbank Deutschland - <i>Pfandbrief</i>	S&P AAA	1,010	0
Dexia LdG Banque - <i>Lettres de Gage</i>	S&P AAA	1,350	2,607
<b>Total</b>		<b>4,798</b>	<b>5,267</b>

## e. ABS from public sector

(EUR millions)	Rating	9/30/2007	9/30/2008
Colombo	Aaa Moody's, AAA S&P	17	13
Astrea	AA- Fitch, Aa2 Mody's	6	4
Blue Danube	AA+ S&P	90	82
AyT Cedulas territoriales Cajas II	AAA S&P	244	0
DCC - Dexia Crediop per la cartolarisazion	AA Fitch, Aa2 Moody's, AA- S&P	1,817	4,037
DSFB - Dexia Secured Funding Belgium	AA+ Fitch, Aa1 Moody's, AA S&P	1,669	3,205
<b>Total</b>		<b>3,843</b>	<b>7,341</b>

## f. Transfers between portfolios

(EUR millions)	9/30/2007	9/30/2008
Securities held to maturity transferred to the available for sale portfolio during the year	0	0
Unrealized gains and losses recognized in shareholders' equity on the transfer of securities held to maturity	0	0
Securities transferred to the held to maturity portfolio during the year	0	0
Impact on shareholders' equity of the transfer to the held to maturity portfolio	0	0

## g. Analysis by residual maturity : see note 7.2

## 2-.3 Interbank loans and advances

(Item V - Assets)

a. Analysis by nature (EUR millions)	9/30/2007	9/30/2008
Nostro accounts	0	0
Other interbank loans and advances	2,268	4,167
<b>Performing assets</b>	<b>2,268</b>	<b>4,167</b>
Impaired loans and advances	0	0
<b>Impaired assets</b>	<b>0</b>	<b>0</b>
<b>TOTAL ASSETS BEFORE IMPAIRMENT</b>	<b>2,268</b>	<b>4,167</b>
Specific impairment	0	0
Collective impairment	0	0
<b>TOTAL</b>	<b>2,268</b>	<b>4,167</b>

## b. Breakdown by counterpart

(EUR millions)	9/30/2007	9/30/2008
Swiss cantonal banks benefiting from their canton's legal guarantee	2,040	2,057
Banks guaranteed by a local government, Crédits municipaux	119	145
Credit institutions belonging to the Dexia Group: loans benefiting from the assignment in guarantee of refinanced public debt	109	1,965
<b>Total</b>	<b>2,268</b>	<b>4,167</b>

## c. Analysis by residual maturity : see note 7.2

## 2-4 Customer loans and advances

(Item VI - Assets)

a. Analysis by counterpart (EUR millions)	9/30/2007	9/30/2008
Public sector	43,555	48,278
Other sectors *	3,245	3,588
<b>Performing assets</b>	<b>46,800</b>	<b>51,866</b>
Impaired loans and advances	7	7
<b>Impaired assets</b>	<b>7</b>	<b>7</b>
<b>TOTAL ASSETS BEFORE IMPAIRMENT</b>	<b>46,807</b>	<b>51,873</b>
Specific impairment	0	0
Collective impairment	(7)	(8)
<b>Total</b>	<b>46,800</b>	<b>51,865</b>

\* Social housing sector: public entities and private companies and other loans guaranteed by local governments.

b. Analysis by residual maturity : see note 7.2

## 2-5 Tax assets

(Items IX and X - Assets)

(EUR million)	9/30/2007	9/30/2008
Current income tax	0	17
Other-taxes	0	0
<b>Current tax assets</b>	<b>0</b>	<b>17</b>
<b>Deferred tax assets (see note 4.2)</b>	<b>50</b>	<b>220</b>

## 2-6 Accruals and other assets

(Item XI - Assets)

(EUR million)	9/30/2007	9/30/2008
Cash collateral	0	0
Other accounts receivable	4	0
Prepaid charges	0	32
Other assets	0	10
<b>Total accruals and other assets</b>	<b>4</b>	<b>42</b>



## 3 NOTES TO THE LIABILITIES (millions of euros)

## 3.1 Central banks and postal checking accounts (Item I - Liabilities)

Since the end of September, Dexia Municipal Agency has benefited from refinancing through tenders of the Banque de France, presenting eligible assets as collateral within the framework of a general guarantee management agreement Banque de France financing totaled EUR 3,997 million as of September 30.

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

(EUR millions)	9/30/2007	9/30/2008
Overnight borrowing	0	997
Time borrowing, November 2008 maturity	0	3,000
Accrued interests	0	0
Total funding from Banque de France	<b>0</b>	<b>3,997</b>

## 3.2 Inter-bank loans and deposits

(Item IV - Liabilities)

a Analysis by nature  
(EUR millions)

	9/30/2007	9/30/2008
Demand deposits	4,996	1,800
Repurchase agreements	2,963	3,584
Other debts	0	0
<b>Total</b>	<b>7,959</b>	<b>5,384</b>

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

Sub-accounts make it possible to distinguish within the master-account among types of financing (over-collateralization, stock of assets prior to issuance and other). The master-account totaled EUR 5,279 million, broken down as follows (excluding accrued interest):

- the current account, indexed on Eonia, with no defined maturity, financing assets not yet included in the issue program and miscellaneous needs with a balance of EUR 1,779 million;

- sub-account comprised of various borrowings earmarked to finance the structural over-collateralization of 5%. Dexia MA's policy is to maintain minimum structural over-collateralization of 5%, i.e. 105% of outstanding *obligations foncières* and registered covered bonds. These borrowings totaled EUR 3,500 million as of September 30, 2008; they are indexed on the annual money market rate.

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* and acquires or grants loans to public sector entities.

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

	9/30/2007	9/30/2008
Balance of current account	4,983	1,779
Accrued interest not yet due on the current account	13	21
Balance of the ancillary account – maturity 2010	200	200
Balance of the ancillary account – maturity 2011	700	700
Balance of the ancillary account – maturity 2012	2,000	2,000
Balance of the ancillary account – maturity 2015	0	600
Accrued interest not yet due on the ancillary account	63	84
<b>TOTAL Dexia Crédit Local</b>	<b>7,959</b>	<b>5,384</b>

## b Analysis by residual maturity : see note 7.2

## 3.3 Debt securities

(Item VI - Liabilities)

a Analysis by nature  
(EUR Millions)

	9/30/2007	9/30/2008
<i>Obligations foncières</i>	52,332	61,741
Registered covered bonds	1,264	1,627
<b>Total</b>	<b>53,596</b>	<b>63,368</b>

b Analysis by residual maturity : see note 7.2

**3.4 Tax liabilities**

(Items VIII and IX - Liabilities)

(EUR Millions)	9/30/2007	9/30/2008
Current income tax	20	3
Other taxes	6	6
<b>Current tax liabilities</b>	<b>26</b>	<b>9</b>
<b>Deferred tax liabilities (see note 4.2)</b>	<b>0</b>	<b>0</b>

## 3.5 Accruals and other liabilities

(Item X - Liabilities)

(EUR millions)	9/30/2007	9/30/2008
Cash received as collateral	18	0
Other accrued charges	22	44
Deferred income	0	0
Other accounts payable and other liabilities	8	45
<b>Total</b>	<b>48</b>	<b>89</b>

## 3.6 Dexia Municipal Agency - Shareholders' equity

	Core shareholders' equity			Unrealised or deferred gains and losses			Shareholders' equity
	Capital stock, 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	
<b>(EUR millions)</b>							
<b>As of January 1, 2007, french GAAP</b>	<b>760</b>	<b>137</b>	<b>897</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>897</b>
Impacts of the first-time adoption of IFRS (see note 8.1.C)	0	(19)	(19)	(12)	0	(12)	(31)
<b>As of January 1, 2007, normes IFRS</b>	<b>760</b>	<b>118</b>	<b>878</b>	<b>(12)</b>	<b>0</b>	<b>(12)</b>	<b>866</b>
<i>Movements during the period</i>							
- Capital stock	116	0	116	0	0	0	116
- Dividends	0	(116)	(116)	0	0	0	(116)
- Changes in fair value of available for sale financial assets through shareholders' equity	0	0	0	3	0	3	3
- Changes in fair value of hedging derivatives through shareholders' equity	0	0	0	0	0	0	0
- Changes in fair value of available for sale financial assets through profit and loss	0	0	0	0	0	0	0
- Changes in fair value of hedging derivatives through profit and loss	0	0	0	0	0	0	0
- Net income for the period	0	65	65	0	0	0	65
- Other movements	0	0	0	0	0	0	0
<b>As of September 30, 2007, IFRS</b>	<b>876</b>	<b>67</b>	<b>943</b>	<b>(9)</b>	<b>0</b>	<b>(9)</b>	<b>934</b>
- Net income for the period	0	14	14	0	0	0	14
- Changes in fair value of available for sale financial assets through shareholders' equity	0	0	0	6	0	6	6
- Changes in fair value of hedging derivatives through shareholders' equity	0	0	0	0	0	0	0
- Other movements	0	0	0	0	0	0	0
<b>As of December 31, 2007, IFRS</b>	<b>876</b>	<b>81</b>	<b>957</b>	<b>(3)</b>	<b>0</b>	<b>(3)</b>	<b>954</b>
<i>Movements during the period</i>							
- Capital stock	70	0	70	0	0	0	70
- Dividends	0	(70)	(70)	0	0	0	(70)
- Changes in fair value of available for sale financial assets through shareholders' equity	0	0	0	(178)	0	(178)	(178)
- Changes in fair value of hedging derivatives through shareholders' equity	0	0	0	0	(145)	(145)	(145)
- Changes in fair value of available for sale financial assets through profit and loss	0	0	0	0	0	0	0
- Changes in fair value of hedging derivatives through profit and loss	0	0	0	0	0	0	0
- Net income for the period	0	80	80	0	0	0	80
- Other movements	0	0	0	0	0	0	0
<b>As of September 30, 2008, IFRS</b>	<b>946</b>	<b>91</b>	<b>1,037</b>	<b>(181)</b>	<b>(145)</b>	<b>(326)</b>	<b>711</b>

On May 26, 2008, the Shareholders' Meeting, both ordinary and extraordinary, decided:

- to allocate the 2007 net income of EUR 153.5 million to retained earnings, constituting income for distribution of EUR 146.4 million, after allocation to the legal reserve;
- to distribute a dividend of EUR 70.1 million;
- to increase the capital in cash by EUR 70 million. This capital increase was subscribed by Dexia Credit Local on May 28, 2008.

## 4 Other notes on the balance sheet

## 4.1 Derivatives

## a. Analysis by nature

(EUR millions)

	9/30/2007		9/30/2008	
	Assets	Liabilities	Assets	Liabilities
<b>Derivatives at fair value through profit or loss</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Derivatives designated as fair value hedges	896	2,766	1,346	3,550
Derivatives designated as cash flow hedges	39	30	13	369
Derivatives designated as portfolio hedges	1,475	1,512	1,793	1,880
<b>Hedging derivatives</b>	<b>2,410</b>	<b>4,308</b>	<b>3,152</b>	<b>5,799</b>
<b>Total derivatives</b>	<b>2,410</b>	<b>4,308</b>	<b>3,152</b>	<b>5,799</b>

## b. Detail of derivatives designated as fair value hedges

(EUR millions)

	9/30/2007				9/30/2008			
	Notional amount		Assets	Liabilities	Notional amount		Assets	Liabilities
	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	20,040	20,942	413	1,369	20,900	22,000	696	1,399
Interest rate derivatives	39,954	39,954	483	1,397	41,413	41,413	650	2,151
<b>Total</b>	<b>59,994</b>	<b>60,896</b>	<b>896</b>	<b>2,766</b>	<b>62,313</b>	<b>63,413</b>	<b>1,346</b>	<b>3,550</b>

## c. Detail of derivatives designated as cash flow hedges

(EUR millions)

	9/30/2007				9/30/2008			
	Notional amount		Assets	Liabilities	Notional amount		Assets	Liabilities
	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	2,249	2,358	39	30	2,547	2,677	13	369
Interest rate derivatives	0	0	0	0	0	0	0	0
<b>Total</b>	<b>2,249</b>	<b>2,358</b>	<b>39</b>	<b>30</b>	<b>2,547</b>	<b>2,677</b>	<b>13</b>	<b>369</b>

(EUR millions)

	9/30/2007	9/30/2008
Amount removed from equity and included in the carrying amount of a non financial instrument, in case of a CFH on forecast transaction	0	0

## d. Detail of derivatives designated as portfolio hedges

(EUR millions)

	9/30/2007				9/30/2008			
	Notional amount		Assets	Liabilities	Notional amount		Assets	Liabilities
	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	0	0	0	0	0	0	0	0
Interest rate derivatives	145,290	145,290	1,475	1,512	166,933	166,933	1,793	1,880
<b>Total</b>	<b>145,290</b>	<b>145,290</b>	<b>1,475</b>	<b>1,512</b>	<b>166,933</b>	<b>166,933</b>	<b>1,793</b>	<b>1,880</b>

## 4.2 Deferred taxes

### a. Analysis by nature

(EUR millions)	9/30/2007	9/30/2008
Deferred tax assets before impairment	50	220
Impairment on deferred tax assets	0	0
<b>Deferred tax assets (1)</b>	<b>50</b>	<b>220</b>
<b>Deferred tax liabilities (1)</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>50</b>	<b>220</b>

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

The significant change in net deferred taxes was mainly due to the recognition of deferred tax assets on the fair value reserve on securities available for sale as of September 30, 2008.

### b. Movements

(EUR millions)	9/30/2007	9/30/2008
<b>As of January 1</b>	<b>15</b>	<b>55</b>
- Charge/credit recognized in the income statement	34	11
- Effect of change in tax rates - impact on the income statement	0	0
- Movements directly recognized in shareholders' equity	1	154
- Effect of change in tax rates - impact on shareholders' equity	0	0
- Change in scope of consolidation	0	0
- Translation adjustment	0	0
- Other movements	0	0
<b>As of September 30</b>	<b>50</b>	<b>220</b>

### c. Deferred taxes coming from assets of the balance sheet

(EUR millions)	9/30/2007	9/30/2008
Loans (and loan loss provisions)	38	64
Securities	6	77
Derivatives	0	78
Investments in associates	0	0
Accruals and other assets	20	18
<b>Total</b>	<b>64</b>	<b>237</b>

### d. Deferred taxes coming from liabilities of the balance sheet

(EUR millions)	9/30/2007	9/30/2008
Derivatives	0	0
Borrowings, deposits and issues of debt securities	0	0
Provisions	0	0
Regulatory provisions	(14)	(17)
Accruals and other liabilities	0	0
<b>Total</b>	<b>(14)</b>	<b>(17)</b>



## 4.3 Related-party transactions

## Analysis by nature

(EUR millions)

	Parent company (Dexia Crédit Local)		Other related parties (1)	
	9/30/2007	9/30/2008	9/30/2007	9/30/2008
<b>Assets</b>				
Loans	110	1,965	0	0
Bonds	5,250	6,697	3,020	5,812
<b>Liabilities</b>				
Interbank loans	2,963	3,585	0	0
<b>Income statement</b>				
Interest income on loans	3	59	0	0
Interest income on bonds	161	215	19	188
Interest expense on loans	(95)	(112)	0	0
Fee and commission expense	(3)	(3)	0	0
<b>Off-balance sheet</b>				
Interest rate derivatives	114,470	109,988	3,734	3,646
Guarantees issued by the Group	1,810	4,010	1,680	3,204

(1) this item includes transactions with entities of Belgian and Luxemburg sub-groups consolidated by Dexia, the parent company of Dexia Credit Local.

## 5 Notes on the income statement

## 5.1 Interest income - Interest expense

(Items I and II - Income statement)

(EUR millions)

	9/30/2007	9/30/2008
<b>Interest income</b>	<b>7,332</b>	<b>9,357</b>
Cash, central banks and postal checking accounts	0	0
Interbank loans and advances	54	107
Customer loans and advances	1,362	1,603
Financial assets available for sale	402	687
Financial assets held to maturity	0	0
Derivatives used for hedging	5,514	6,960
Impaired assets	0	0
Other	0	0
<b>Interest expense</b>	<b>(7,173)</b>	<b>(9,173)</b>
Interbank loans and deposits	(187)	(278)
Customer borrowings and deposits	0.0	0.0
Debt securities	(1,631)	(1,962)
Subordinated debts	0.0	0.0
Derivatives used for hedging	(5,355)	(6,933)
Other	0.0	0.0
<b>Interest margin</b>	<b>159</b>	<b>184</b>

## 5.2 Fee and Commission

(Items III and IV - Income statement)

(EUR millions)

	9/30/2007			9/30/2008		
	Income	Expense	Net	Income	Expense	Net
Lending activity	0	0	0	0	0	0
Purchase and sale of securities	0	0	0	0	0	0
Financial engineering	0	0	0	0	0	0
Services on securities other than custodial services	0	(3)	(3)	0	(3)	(3)
Custodial services	0	0	0	0	0	0
Issuance and underwriters of securities	0	0	0	0	0	0
Other	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>(3)</b>	<b>(3)</b>	<b>0</b>	<b>(3)</b>	<b>(3)</b>

**5.3 Net gains (losses) on financial instruments at fair value through profit or loss**

(Item V - Income statement)

(EUR millions)	9/30/2007	9/30/2008
<b>Net result of hedge accounting</b>	0	0
<b>Net result of foreign exchange transactions</b>	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

All interest received and paid on assets, liabilities and derivatives is recorded in the 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)	9/30/2007	9/30/2008
<b>Fair value hedges</b>	<b>0</b>	<b>0</b>
Fair value changes of the hedged item attributable to the hedged risk	(185)	1,254
Fair value changes of the hedging derivatives	185	(1,254)
<b>Cash flow hedges</b>	<b>0</b>	<b>0</b>
Fair value changes of the hedging derivatives – ineffective portion	0	0
Discontinuation of cash flow hedge accounting (Cash flows no longer expected to occur)	0	0
<b>Hedges of net investments in a foreign operation</b>	<b>0</b>	<b>0</b>
Fair value changes of the hedging derivatives – ineffective portion	0	0
<b>Portfolio hedge</b>	<b>0</b>	<b>0</b>
Fair value changes of the hedged item	(49)	143
Fair value changes of the hedging derivatives	49	(143)
<b>Total</b>	<b>0</b>	<b>0</b>

5.4 Net gains (losses) on financial assets available for sale

(Item VI - Income statement)

(EUR millions)

	9/30/2007	9/30/2008
Net gain (loss) on disposals of loans and securities available for sale	0	(1)
Impairment of variable-income securities available for sale	0	0
Net gain (loss) on disposals of debt securities	0	0
Net gain (loss) on the sale or cancellation of loans and commitments	5	4
<b>Total</b>	<b>5</b>	<b>3</b>

**5.7 Operating expense**

(Item X - Income statement)

(EUR millions)	9/30/2007	9/30/2008
Payroll costs	0	0
General and administrative expense	( 56)	( 63)
Taxes	( 6)	( 6)
<b>Total</b>	<b>( 62)</b>	<b>( 69)</b>

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 M A.

In addition, specific management contracts grant different entities of the Dexia Group the management of loans and securities in their respective countries (Kommunalkredit Austria, Dexia Crediop, Dexia Public Finance Norden and Dexia Bank Belgium).

## 5.8 Cost of risk

(Item XIII - Income Statement)

(EUR millions)	9/30/2007			9/30/2008		
	Collective impairment	Specific impairment and losses	Total	Collective impairment	Specific impairment and losses	Total
Credit (loans, commitments and securities held to maturity)	0	0	0	(1)	0	(1)
Fixed-income securities available for sale		0	0		0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1)</b>	<b>0</b>	<b>(1)</b>

## Detail of collective and specific impairments

Collective impairment (EUR millions)	09/30/2007			09/30/2008		
	Charges	Recoveries and uses	Total	Charges	Recoveries and uses	Total
Loans and securities held to maturity	0	0	0	(1)	0	(1)
Off-balance sheet commitments	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1)</b>	<b>0</b>	<b>(1)</b>

Specific impairment (EUR millions)	09/30/2007				Total
	Charges	Recoveries	Losses	Collections	
Interbank loans and advances	0	0	0	0	0
Customer loans and advances	0	0	0	0	0
Financial assets held to maturity	0	0	0	0	0
Off-balance sheet commitments	0	0	0	0	0
<b>Total credit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fixed-income securities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Specific impairment (EUR millions)	09/30/2008				Total
	Charges	Recoveries	Losses	Collections	
Interbank loans and advances	0	0	0	0	0
Customer loans and advances	0	0	0	0	0
Financial assets held to maturity	0	0	0	0	0
Off-balance sheet commitments	0	0	0	0	0
<b>Total credit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fixed-income securities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 5.9 Corporate income tax

(Item XIX - Income statement)

## Detail of tax expense

(EUR millions)	9/30/2007	9/30/2008
Current taxes	(68)	( 45)
Deferred taxes	34	11
Tax on prior years' income	0	0
Deffered taxes on prior years	0	0
Provisions for tax litigations	0	0
<b>Total</b>	<b>(34)</b>	<b>(34)</b>

## Effective tax expense as of September 30, 2008

The standard corporate tax rate applicable in France is 34.43%. The tax rate applied on the contributions of foreign subsidiaries is the rate applied locally in accordance with each individual national tax treatment, it's 12.5% in Ireland. The effective tax rate observed as of September 30, 2008 amounted to 29.69%

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

(EUR millions)	9/30/2007	9/30/2008
<b>Income before income taxes</b>	<b>99</b>	<b>114</b>
Net income from associates	0	0
<b>Tax base</b>	<b>99</b>	<b>114</b>
Applicable tax rate at end of the period	34.43%	34.43%
<b>Theoretical corporate income tax at the standard rate</b>	<b>34</b>	<b>39</b>
Impact of differences between foreign tax rates and the standard French tax rate	0	( 5)
Tax effect of non-deductible expenses	0	0
Tax effect of non-taxable income	0	0
Impact of items taxed at a reduced rate	0	0
Other additional taxes or tax savings	0	0
Liability method	0	0
Provision for tax litigations	0	0
<b>Corporate income tax recorded in the income statement</b>	<b>34</b>	<b>34</b>
<b>Effective tax rate</b>	<b>34.29%</b>	<b>29.69%</b>

## Tax consolidation group



## 6 Note on off-balance sheet items

### 6-1 Regular way trade

(EUR millions)	9/30/2007	9/30/2008
Assets to be delivered	0	0
Liabilities to be received	663	0

### 6-2 Guarantees

(EUR millions)	9/30/2007	9/30/2008
Guarantees given to Banque de France	0	4,451
Guarantees received from customers	5,788	7,539

### 6-3 Loan commitments

(EUR millions)	9/30/2007	9/30/2008
Loan commitments given to credit institutions	80	17
Loan commitments given to customers	5,731	5,493
Loan commitments received from credit institutions	5,046	6,814
Loan commitments received from customers	0	0

### 6-4 Other commitments

(EUR millions)	9/30/2007	9/30/2008
Banking activity - Commitments given	0	0
Banking activity - Commitments received	3,490	7,214

**Annexe ifrs 7 de DMA****7.1 EXPOSURE TO CREDIT RISKS**

Exposure to credit risks, as presented to management, includes:

- 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 is stated in the notes to the financial statements; the amount is intact of financing commitment drawdowns.

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 weighted risk (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.

**Breakdown of exposure to credit risks****- Analysis of exposure by geographic region**

EUR millions	Amount as of 9/30/08
Belgium	4,651
France	54,434
Germany	1,006
Italy	7,594
Luxembourg	2,607
Other European Union countries	7,515
Rest of Europe	4,705
United States and Canada	491
Other European Union countries	99
<b>Total exposure</b>	<b>83,101</b>

**- Analysis of exposure by category of counterparty**

EUR millions	Amount as of 9/30/08
States	3,133
Local public sector	68,927
Monoline insurers	56
ABS	99
Financial institutions	10,886
<b>Total exposure</b>	<b>83,101</b>

Exposures on financial institutions include: banks guaranteed by local governments (Swiss cantonal banks, *crédits municipaux* in France, etc.) for EUR 2.2 billion, hedging derivative counterparties for EUR 1.7 billion, covered bonds classified as replacement assets for EUR 5.3 billion, and loans granted to Dexia Kommunalkredit Bank, guaranteed by securities of sovereign issuers or Central European governments for EUR 1.7 billion.

Exposures on monoline insurers correspond to securities issued by local governments that benefit from the guarantee of FSA.

Exposures on ABS correspond 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	Amount as of 9/30/08
Debt securities	19,526
Loans and advances	55,943
Financing commitments on loans	5,604
Hedging derivatives	2,029
<b>Total exposure</b>	<b>83,101</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 adequacy requirements. This system is of paramount importance for Dexia and is under the exclusive responsibility of the Risk Management department, which has developed internal credit rating models covering the main client segments. Banking supervisors (the Banking Commission in France and CBFA in Belgium) authorized the Group to use these advanced internal models to calculate and report equity requirements for credit risk as of January 1, 2008.

This enables Dexia Municipal Agency to present below an analysis of its exposures, broken down by risk weighting, as used for calculating equity requirements for credit risk; such 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. Eighty percent of the portfolio has a weighting of less than 5% and 99% of the portfolio has a weighting that is less than or equal to 20%.

EUR millions	Risk weighting (Basel II)				Total	Default	Not broken	Total
	from 0 to 5%	from 5% to 20%	from 20% to 50%	more than 50%				
Debt securities	5,755	1,317	0	0	7,072	0	12,548	19,620
Loans and advances	43,768	9,787	269	90	53,913	65	1,965	55,943
Financing commitments on loans	4,500	841	151	17	5,508	2	0	5,510
Hedging derivatives	1	583	262	18	864	0	1,165	2,029
<b>Total exposure</b>	<b>54,023</b>	<b>12,529</b>	<b>681</b>	<b>124</b>	<b>67,357</b>	<b>66</b>	<b>15,678</b>	<b>83,101</b>
<b>Share</b>	<b>80.2%</b>	<b>18.6%</b>	<b>1.0%</b>	<b>0.2%</b>	<b>100.0%</b>			

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

Default exposures include both bad debt and watchlist exposures; such exposures are subject to particular surveillance.

Exposures that are not broken down by risk weighting correspond to operations within the Dexia Group, for which models are being developed and which will be available for Dexia MA's annual financial data; these exposures are as follows.

EUR millions	Country	Description	Amount as of 9/30/08
Dexia Sabadell	Spain	Cedulas	2,660
Dexia Lettres de gage	Luxembourg	Lettres de gage	2,607
Dexia Crediop per la Cartolarizzazione	Italy	Assets 100% composed of public commitments	4,077
Dexia Secured Funding Belgium	Belgium	Assets 100% composed of public commitments	3,204
Dexia Kommunalkredit Bank	Austria	Loans guaranteed by public commitments	1,771
Dexia Flobail	France	Loans guaranteed by public commitments	194
Dexia Credit Local	France	Hedging derivatives	1,165
<b>Total exposure</b>			<b>15,678</b>

## 7.2 Liquidity risk : analysis by term to maturity

		As of September 30, 2008									
(EUR millions)		Demand	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No fixed maturity	Accrued interest	Fair value adjustment	Impairment	Total
Cash, central banks and postal checking accounts		8	0	0	0	0	0	0	0	0	8
Derivatives		0	0	0	0	0	0	2,987	165	0	3,152
Financial assets available for sale		0	387	520	3,923	14,599	0	198	(45)	0	19,582
Interbank loans and advances		0	7	206	1,071	2,826	0	52	5	0	4,167
Customer loans and advances		0	544	4,107	13,231	32,510	0	896	585	(8)	51,865
Fair value revaluation of portfolio hedge		0	0	0	0	0	0	0	(103)	0	(103)
Financial assets held to maturity		0	0	0	0	0	0	0	0	0	0
Tax assets		0	0	0	0	0	238	0	0	0	238
Accruals and other assets		0	0	42	0	0	0	0	0	0	42
<b>Total</b>		<b>8</b>	<b>938</b>	<b>4,875</b>	<b>18,225</b>	<b>49,935</b>	<b>238</b>	<b>4,133</b>	<b>607</b>	<b>(8)</b>	<b>78,951</b>

		As of September 30, 2008								
(EUR millions)		Demand	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No fixed maturity	Accrued interest	Fair value adjustment	Total
Central banks, postal checking accounts, interbank loans and deposits		997	3,000	0	2,900	2,379	0	105	0	9,381
Hedging derivatives		0	0	0	0	0	0	4,298	1,501	5,799
Customer borrowings and deposits		0	0	0	0	0	0	0	0	0
Debt securities		0	598	5,154	25,250	31,142	0	1,228	(5)	63,367
Fair value revaluation of portfolio hedge		0	0	0	0	0	0	0	(407)	(407)
Tax liabilities		0	0	0	0	0	0	9	0	9
Accruals and other liabilities		0	0	89	0	0	0	0	0	89
Provisions		0	0	0	0	0	0	0	0	0
Subordinated debts		0	0	0	0	0	0	0	0	0
<b>Total</b>		<b>997</b>	<b>3,598</b>	<b>5,243</b>	<b>28,150</b>	<b>33,521</b>	<b>9</b>	<b>5,631</b>	<b>1,090</b>	<b>78,239</b>

		Demand	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No fixed maturity
(EUR millions)							
As of September 30, 2008		(989)	(2,660)	(368)	(9,925)	16,414	229

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.

## 7.3 Currency risk

Classification by original currency (EUR millions)	As of September 30, 2007				Total
	EUR	Other EU currencies	U.S. dollars	Other currencies	
Total assets	51,159	4,433	6,951	4,341	66,884
Total liabilities and shareholders' equity	51,159	4,433	6,951	4,341	66,884
<b>Net balance sheet position</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Classification by original currency (EUR millions)	As of September 30, 2008				Total
	EUR	Other EU currencies	U.S. dollars	Other currencies	
Total assets	62,412	4,686	8,166	3,687	78,951
Total liabilities and shareholders' equity	62,412	4,686	8,166	3,687	78,951
<b>Net balance sheet position</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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.

## 7.5 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 hold derivatives in an isolated 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 29.5 million, of which EUR 4.0 million for the monetary gap and the remainder 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			Average	Maximum	Minimum	Limit
Fixed rate	4Q 2007		9.5	18.0	5.0	23.5
	1Q 2008		7.5	10.9	-2.6	23.5
	2Q 2008		10.9	16.7	7.4	25.5
	3Q 2008		12.8	18.5	6.8	25.5
Monetary	4Q 2007	*	0.1	7.9	-1.9	2.5
	1Q 2008	*	0.1	0.8	-6.6	2.5
	2Q 2008	*	0.6	6.7	-10.6	4.0
	3Q 2008		0.6	1.4	0.0	4.0
Total	4Q 2007		9.6	25.9	3.0	26.0
	1Q 2008		7.8	11.5	-2.5	26.0
	2Q 2008		11.9	18.3	7.8	29.5
	3Q 2008		13.4	18.8	7.7	29.5

\* maximum/minimum: technical overflow (value for one day)

## CHANGEOVER TO THE NEW EUROPEAN ACCOUNTING STANDARDS (IFRS)

## 8.1- Reconciliations required for the first-time adoption of IFRS EU (French GAAP to IFRS EU)

## 8.1 A) Reconciliation of assets as of January 1, 2007

ASSETS (EUR millions)	As of December 31, 2006	IFRS		As of January 01, 2007	ASSETS (EUR millions)
	French GAAP	Reclassifications	Restatements	IFRS	
I. Cash, central banks and postal checking accounts	2			2	I. Cash, central banks and postal checking accounts
II. Government securities eligible for central banks financing	2,630	(2,630)			
III. Interbank loans and advances	2,081	(15)	1	2,067	V. Interbank loans and advances
IV. Customer loans	45,625	87	206	45,918	VI. Customer loans
V. Bonds and other fixed-income securities	8,587	2,630	255	11,472	Total items II. + IV. + VIII.
				0	II. Financial assets at fair value through profit and loss
				11,472	IV. Financial assets available for sale
				0	VIII. Financial assets held to maturity
VI. Equities and other variable-income securities	0				
		2,031		2,031	III. Hedging derivatives
			390	390	VII. Fair value revaluation of portfolio hedge
VII. Long-term investments	0				
VIII. Intangible assets	0			0	XVI. Intangible assets
				0	XVII. Goodwill
IX. Property and equipment	0			0	XV. Tangible assets
XII. Treasury stock	0			0	XIV. Investment property
XIII. Other assets	0			44	Total items IX. to XI.
			28	28	IX. et X. Tax assets
		16		16	XI. Accruals and other assets
XIV. Accruals and other assets	2,625	(2,543)	(82)		
<b>TOTAL ASSETS</b>	<b>61,550</b>	<b>(424)</b>	<b>798</b>	<b>61,924</b>	<b>TOTAL ASSETS</b>

## 8.1 B) Reconciliation of liabilities as of January 1, 2007

LIABILITIES (EUR millions)	As of December 31, 2006	IFRS		As of January 01, 2007	LIABILITIES (EUR millions)
	French GAAP	Reclassifications	Restatements	IFRS	
I. Interbanks loans and deposits	7,737			0 7,737	I. Interbank loans and deposits IV. Interbanks loans and deposits
II. Customer deposits	0			0	V. Customer deposits
III. Debt securities	49,283	(113)	(202)	48,968	II. Financial liabilities designated at fair value + XXXX VII. Fair value revaluation of portfolio hedge
IV. Other liabilities	21	(1)		20	VI. Debt securities X. Accruals and other liabilities
V. Accruals and other liabilities	3,580	(331)	862	4,111	III. Hedging derivatives
VI. Reserves and provisions					
A. Contingencies and charges	0			0	XIII. Provisions
B. Deferred taxes	0	21	12	33	VIII. et IX. Tax liabilities
C. Regulated provisions	32		(32)	0	
VII. General banking risk reserve	0			0	
VIII. Subordinated debts	0			0	XIV. Subordinated and convertible debts
IX. Capital stock	760			760	XVII. Capital stock and additional paid-in capital
X. Additional paid-in capital	0				
XI. Reserves and retained earnings	137		(19)	118	XVIII. Reserves and retained earnings
XII. Revaluation reserve	0				
XIII. Negative goodwill arising on consolidation	0				XX. Net income for the period
	897	0	(19)	878	Core shareholders' equity
XV. Cumulative translation adjustments	0		(12)	(12)	XIX. Gains or losses not recognized in the income statement
Shareholders' equity, group share	897	0	(31)	866	Shareholders' equity, group share
XVI. Minority interest	0			0	XXI. Minority interest
Shareholders' equity	897	0	(31)	866	Shareholders' equity
<b>TOTAL LIABILITIES</b>	<b>61,550</b>	<b>(424)</b>	<b>798</b>	<b>61,924</b>	<b>TOTAL LIABILITIES</b>

**NOTES ON THE RECONCILIATION OF THE BALANCE SHEET**

The explanations given below are not intended to provide a detailed analysis of restatements and adjustments, but to track the major changes and special points of interest. In order to facilitate reading between French and European Union accounting principles, the items in the financial statements of Dexia Municipal Agency are preceded by a D and the items in the financial statements according to European Union standards are preceded by an E.

**ASSETS****1. E-I: Cash, central banks and postal checking accounts**

This item is unchanged from the previous format.

**2. E- V: Interbank loans and advances**

This item is unchanged from the previous format. Several restatements of miscellaneous assets were incorporated during the changeover to the new standards.

The restatement of EUR 1 million corresponds to the deferred valuation of the fair value hedging derivatives of this item's assets.

**3. E VI: Client loans and advances**

This item is unchanged from the previous format. Several restatements of miscellaneous assets were incorporated during the changeover to the new standards.

The restatements include EUR 203 million for the deferred valuation of the fair value hedging derivatives of this item's assets, EUR 10 million for changes in spreads resulting from the first-time adoption of EU standards, and EUR (7) million for the constitution of the collective allowances prescribed by IAS 39.

**4. E II, IV et VIII: Financial assets**

Financial assets include the reclassification of the following items in French GAAP:

- D- II: Government securities eligible for central bank financing
- D- V: Bonds and other fixed income securities
- D- VI: Equities and other variable income securities
- D- VII B: Long-term investments: Other companies
- D- XII: Treasury shares

Items D-II and D-V, which were the only ones in Dexia MA's financial statements as of December 31, 2006, are regrouped in item E-IV: Financial assets available for sale.

The restatement of EUR 255 million corresponds to the fair value valuation of this item's financial assets.

**5. E-III: Hedging derivatives**

This item primarily includes the accrued interest and premiums on hedging derivatives, which represent the largest share of items in D-XIII and D-XIV: "Accruals and other assets under French GAAP".

**6. E-VII: Fair value revaluation of portfolio hedge**

The item includes the revaluation at fair value of income included in interest rate hedged portfolios, with the exception of assets available for sale that are hedged which remain in E-IV: "Financial assets available for sale", as they are recognized at their fair value, i.e. EUR 390 million as of December 31, 2006.

**7. E-IX and X: Tax assets**

This heading includes all current and deferred tax assets which were included in D-XIII: "Other assets", as well as the adjustments made to deferred taxes under IFRS EU – see the section on the reconciliation of shareholders' equity.

**8. E-XI: Accruals and other assets**

This item is mainly comprised of accrued income (not linked to interest), deferred charges and other prepaid income.



**LIABILITIES****9. E-I: Central banks and postal checking accounts**

This item is unchanged from the previous format.

**10. E-IV: Interbank loans and advances**

This item is unchanged from the previous format.

**11. E-V: Client deposits**

This item is unchanged from the previous format.

**12. E-II: Financial liabilities designated at fair value through profit or loss**

Dexia Municipal Agency has no financial assets or financial liabilities designated at fair value through profit or loss.

**13. E-III: Hedging derivatives**

This item is similar to point 5, but for liabilities.

The restatement of EUR 862 million corresponds for EUR 880 million to the fair value revaluation of hedging derivatives and for EUR (18) million to changes in spreads resulting from the first-time adoption of EU standards.

**14. E-VII: Fair value revaluation of portfolio hedge**

This item corresponds to the fair value adjustments of interest rate hedged income included in portfolio hedges for EUR 189 million as of December 31, 2006.

**15. E-VI: Debt securities**

Issue discounts and premiums recognized in D-XIV: "Accruals and other assets" and D-V: "Accruals and other liabilities" in the financial statements under French GAAP are now allocated to their respective assets and liabilities, primarily in E-VI: "Debt securities".

The restatement of EUR (202) million corresponds to the deferred valuation of the fair value hedging derivatives for this item's liabilities.

**16. E-XIII: Provisions**

The general and statistical provisions calculated in French GAAP were replaced by collective provisions respecting the recommendations of IAS 39. The restatement of EUR (32) million corresponds to the transfer via equity of the outstanding provision for credit risk.

**17. E-VIII and IX: Tax liabilities**

This item corresponds to current debt included in D-IV: Other liabilities and deferred debt and in D-VI B: Deferred taxes.

**18. E-X: Accruals and other liabilities**

This item primarily includes D-IV: "Other liabilities".

**19. Shareholders' equity**

This item includes both shareholders' equity under French GAAP and all adjustments resulting from the first-time adoption of IFRS EU.

## 8.1. C) Reconciliation of shareholders' equity as of January 1, 2007

(EUR millions)	Amount as of December 31, 2006	Notes
<b>Shareholders' equity - French Gaap (of which 2006 net income)</b>	<b>897</b>	
<i>Impact of IAS 32/39 and IAS 37</i>	<i>( 31)</i>	
Restatement of existing hedges as fair value hedges	0	a)
Restatement of existing hedges as cash flow hedges	0	b)
Restatement of existing hedges as portfolio hedges	0	c)
Change in the spreading of equalization payments and early repayment penalties	( 54)	d)
Reevaluation of securities classified in the portfolio of securities available for sale	( 17)	e)
Cancellation of provisions on securities not admitted under IFRS EU	0	f)
Change in calculation methods for the collective allowance on loans	25	g)
Deferred taxes	15	h)
<b>Shareholders' equity under IFRS as of January 1, 2007</b>	<b>866</b>	

**NOTES****Impact of IFRS EU as of January 1, 2007**

a) The majority of existing micro-hedges can be classified as fair value hedges in the opening balance sheet. Derivatives and hedged assets and liabilities are revalued in income and engender no ineffectiveness.

b) Existing micro-hedges involving floating rate balance sheet items in foreign currencies are classified as cash flow hedges.

Derivatives are revalued in equity, as cash flow hedges (see accounting principles applied to the financial statements for details on derivatives designated as cash flow hedges).

c) Interest rate hedged portfolios were used in the opening balance sheet to classify in IFRS EU transactions previously considered as macro-hedges.

Since hedging swaps and the interest rate risk on hedged items were simultaneously revalued, there was no impact, given the absence of ineffectiveness of the hedges, on equity (see accounting principles applied to the financial statements for details on a portfolio's interest rate risk hedges).

d) In compliance with IAS 39, equalization payments on cancelled or assigned financial instruments and early reimbursement penalties spread over time in the existing financial statements were offset against equity (see accounting principles applied to the financial statements for details on the restatement of early reimbursement penalties).

e) This restatement corresponds to the fair value valuation of securities classified in the portfolio of securities available for sale.

f) Provisions on securities existing in the opening balance sheet (corresponding in general to a negative variation in their market value) are cancelled unless there is a real risk of non-recovery. In fact, these assets are already valued at their fair value via the reserve of securities available for sale.

g) General and statistical provisions calculated according to French GAAP were replaced by collective allowances respecting recommendations of IAS 39 (see accounting principles applied to the financial statements for details on the impairment of financial assets).

h) The impact of deferred taxes as of January 1, 2007, is the consequence of the other restatements linked to the change in accounting principles.

## 8.1. D) Income statement reconciliation as of September 30, 2007 and as of September 30, 2008

Income statement (EUR millions)		September 30, 2007	IFRS		September 30, 2007	September 30, 2008	IFRS		September 30, 2008		Income statement
		French GAAP	Reclassifications	Restatements	IFRS	French GAAP	Reclassifications	Restatements	IFRS		
I.	Interest income	5,000	2,435	(103)	7,332	6,486	2,913	(42)	9,357	I.	Interest income
II.	Interest expense	(4,733)	(2,440)	0	(7,173)	(6,256)	(2,917)		(9,173)	II.	Interest expense
III.	Income from variable-income securities	0			0	0			0		
IV.	Commission income	0			0	0			0	III.	Commission income
V.	Commission expense	(3)			(3)	(3)			(3)	IV.	Commission expense
VI.	Gains (losses) on trading securities transactions	0			0	0			0	V.	Net gains (losses) on financial instruments at fair value through profit and loss
VII.	Gains (losses) on securities available for sale transactions	(1)	5	1	5	(51)	4	50	3	VI.	Net gains (losses) on financial assets available for sale
VIII.	Other banking income	0			0	0			0	VII.	Other income
IX.	other banking expense	0			0	0			0	VIII.	Other expense
	<b>Net banking income</b>	<b>263</b>	<b>0</b>	<b>(102)</b>	<b>161</b>	<b>176</b>	<b>0</b>	<b>8</b>	<b>184</b>		<b>NET BANKING INCOME</b>
XI.	Total general operating expenses	(62)		0	(62)	(69)			(69)	X.	Operating expense
XII.	Depreciation, amortization and allowances for impairment in value of assets	0		0	0	0			0	XI.	Depreciation and impairment of tangible and intangible assets
	<b>Operating income before cost of risk</b>	<b>201</b>	<b>0</b>	<b>(102)</b>	<b>99</b>	<b>107</b>	<b>0</b>	<b>8</b>	<b>115</b>	XII.	<b>Operating income before cost of risk</b>
XIII.	Cost of risk	0			0	0		(1)	(1)	XIII.	Cost of risk
	<b>Operating income</b>	<b>201</b>	<b>0</b>	<b>(102)</b>	<b>99</b>	<b>107</b>	<b>0</b>	<b>7</b>	<b>114</b>	XIV.	<b>Operating income</b>
XIV.	Income (losses) from companies accounted for by equity method	0			0	0			0	XV.	Income (losses) from companies accounted for by equity method
XV.	Gains (losses) on fixed assets	0			0	0			0	XVI.	Net gains (losses) on other assets
	<b>Recurring income before income taxes</b>	<b>201</b>	<b>0</b>	<b>(102)</b>	<b>99</b>	<b>107</b>	<b>0</b>	<b>7</b>	<b>114</b>	XVIII.	<b>Income before income taxes</b>
XVI.	Non recurring items	0			0	0			0		
XVII.	Corporate income tax	(65)		31	(34)	(45)		11	(34)	XIX.	Corporate income tax
XVIII.	Amortization of goodwill	0			0	0			0	XVII.	Impairment on goodwill
XIX.	Net allocation to the general banking risks reserve	(10)		10	0	(6)		6	0		
	<b>Net income</b>	<b>126</b>	<b>0</b>	<b>41</b>	<b>65</b>	<b>56</b>	<b>0</b>	<b>17</b>	<b>80</b>	XXI.	<b>Net income</b>
XX.	Minority interests	0		0	0	0			0	XXII.	Minority interests
	<b>Net income, group share</b>	<b>126</b>	<b>0</b>	<b>(61)</b>	<b>65</b>	<b>56</b>	<b>0</b>	<b>24</b>	<b>80</b>	XXIII.	<b>Net income, group share</b>

**NOTES ON THE RECONCILIATION OF THE INCOME STATEMENT**

The explanations given below are not intended to provide a detailed analysis of restatements and adjustments, but to track the major changes and special points of interest. In order to facilitate reading between French and European Union accounting principles, the items in the financial statements of Dexia Municipal Agency are preceded by a D and the items in the financial statements according to European Union standards are preceded by an E.

1. E-I: Interest and related income

Restatements between the two standards are mainly attributable to debt renegotiations. In French GAAP, income produced by renegotiation, early reimbursement penalties and hedge cancellation equalization payments is recorded in income at the date of the transaction and the hedge cancellation equalization payments paid by Dexia Municipal Agency are only deducted from such income for the portion that exceeds the gains that are not yet recognized in income in the symmetric position. According to IFRS EU, income and expense on renegotiations are spread over the life of the new loan as long as the eligibility test has been passed.

2. E-VI: Net gains (losses) on financial assets available for sale

The depreciation of the bond portfolio recorded in French GAAP in item D-VII, “Gains (losses) on placement portfolio operations and related transactions”, is recognized at the level of equity in the EU presentation, in item E-XIX “Latent or deferred gains (losses)”.

3. D-XIX: Net provisions and reversals for the general banking risks reserve and regulated provisions

Net allocations to the general banking risks reserve and regulated provisions are no longer allowed by EU standards.

## 8.1 E) Reconciliation of shareholders' equity as of September 30, 2008

(EUR millions)	Amount as of September 30, 2008
<b>Shareholders' equity - French Gaap (including net income for the 9 months of 2008)</b>	<b>1,106</b>
<b><u>Difference on retained earnings:</u></b>	<b><u>( 93)</u></b>
- consequences of IFRS first-time adoption as of January 1, 2007	( 19)
- difference between french GAAP and IFRS on net income for the year 2007	( 74)
<b><u>Difference on AFS and CFH reserves:</u></b>	<b><u>( 326)</u></b>
- cumulated change in fair value of financial assets available for sale through shareholders' equity	( 181)
- cumulated change in fair value of cash flow hedges derivatives through shareholders' equity	( 145)
<b><u>Difference on net income for the period</u></b>	<b><u>24</u></b>
- difference between french GAAP and IFRS on net income for the 9 months of 2008	24
<b>Shareholders' equity under IFRS as of September 30, 2008</b>	<b>711</b>

**Statutory Auditors' Review Report  
of the intermediate financial statements under IFRS Gaap  
for the period from January 1, 2008 to September 30, 2008**

*(Free translation of the French language original)*

*This is a free translation into English of the statutory auditor's review report issued in French and is provided solely for the convenience of English speaking users.*

*This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.*

In our capacity of statutory auditors of **Dexia Municipal Agency** and following the request made to us, in the context of the objective of the entity to enhance the financial information provided to investors, we have reviewed the accompanying intermediate financial statements for the nine-month period ended September 30, 2008.

These intermediate financial statements are the responsibility of the Executive Board. Our responsibility is to express a conclusion on these financial statements based on our review.

These financial statements have been prepared for the first time in accordance with IFRSs as adopted by the EU. They include comparative information restated in accordance with the same standards in respect of the period ended September 30, 2007 and the year ended December 31, 2007.

We conducted our review in accordance with professional standards applicable in France. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical procedures and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying intermediate financial statements do not present fairly, in all material respects, the results of operations for the nine months ended September 30, 2008 and the financial position of **Dexia Municipal Agency** and its assets at that date, in accordance with IFRSs as adopted by the EU.

Neuilly-sur-Seine and Courbevoie, December 22, 2008

The statutory auditors  
*French original signed by*

**Deloitte & Associés  
Mazars & Guérard**

**François ARBEY  
Guillaume POTEL  
Anne VEAUTE**