

Annual Report

2008

DEXIA MUNICIPAL AGENCY

PUBLIC SECTOR ASSETS
OBLIGATIONS FONCIÈRES
RATED AAA / Aaa / AAA

ANNUAL REPORT 2008
Dexia Municipal Agency

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Dexia Municipal Agency

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DEXIA GROUP PROFILE

Dexia is a European bank with 36,760 members of staff and core shareholders' equity of EUR 17.5 billion as of December 31, 2008. The Dexia Group focuses on Public and Wholesale Banking, providing local public finance players with comprehensive banking and financial solutions, and on Retail and Commercial Banking in Europe, mainly Belgium, Luxembourg and Turkey.

BUSINESS LINES

PUBLIC AND WHOLESALE BANKING

As a consequence of the transformation plan initiated by Dexia in November 2008, the Public and Wholesale Banking business line has been revisited in order to take into account the current market environment. It will focus on markets combining strong commercial franchises, a long-term funding capacity and potential for profitable growth.

The commercial franchises in France, Belgium, Luxembourg, Italy and the Iberian Peninsula have been confirmed and these markets will remain core markets for Public and Wholesale Banking. Dexia will maintain a presence in Germany, Japan and Switzerland to keep platforms for access to funding sources. The activities in the United Kingdom and in the United States will be significantly reduced.

The ongoing financial crisis compromises neither our customers' solvency nor their financing needs. Dexia remains – in its core markets – a major player in public and infrastructure finance, financing for the health and social housing sectors, and social economy.

Its strategy in this field aims at strengthening the range of products and services to customers. This approach, which is already largely effective in Belgium, will enable the Group to go beyond its role as a specialist lender in order to offer better service to a broader customer base.

RETAIL AND COMMERCIAL BANKING

Dexia is a leading European bank that ranks among the three major banks in Belgium⁽¹⁾ and Luxembourg⁽²⁾ and holds a strong position in Turkey. It is also present in the Slovak Republic. The bank offers a wide range of retail, commercial and private banking services as well as insurance products to more than six million customers.

This business line also includes asset management and investor services activities. Dexia Asset Management had EUR 79 billion of assets under management as of December 31, 2008. The investor services business is conducted by RBC Dexia Investor Services, a joint venture with Royal Bank of Canada, which offers its expertise in global custody, fund and pension administration and shareholder services to institutions around the world. Total assets under custody amounted to USD 1.9 trillion as of December 31, 2008.

RATINGS

The Group's main operating entities – Dexia Bank Belgium, Dexia Credit Local and Dexia Banque Internationale à Luxembourg – are rated⁽³⁾ AA- by Fitch, A1 by Moody's and A by Standard & Poor's. Three of Dexia's European subsidiaries issue triple-A rated covered bonds.

(1) Source: Febelfin (Belgian financial sector federation), *Les banques en 2007*. Individual data.

(2) Source: KPMG/Luxemburger Wort, *Luxembourg Banks. Insights 2008*.

(3) The ratings in this document are those of March 31, 2009.

MANAGEMENT REPORT

Dexia Municipal Agency 2008

1. GENERAL INTRODUCTION ON THE NATURE OF THE COMPANY AND THE GENERAL FRAMEWORK OF ACTIVITIES

1.1 - THE NATURE OF THE COMPANY

Dexia Municipal Agency is a French credit institution that is authorized to operate as a *société financière-société de crédit foncier*. As a credit institution, it conducts banking transactions in its ordinary course of business. As a *société financière-société de crédit foncier*, these transactions are specialized and have an exclusive purpose, as defined in articles L.513-13 and following of the Monetary and Financial Code. In the case of Dexia MA, this specialization is reinforced by its own by-laws and by the July 23, 1999, authorization of the CECEI (*Comité des établissements de crédit et des entreprises d'investissement*), which limits its activity to transactions with public sector entities or entities they guarantee.

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

These *obligations foncières* have become one of the significant components of the international covered bond market.

1.2 - CHANGES IN THE LEGAL FRAMEWORK IN 2008

Within the framework of the transposition of the European directive 2006/48/EC of June 14, 2006, the different texts governing *sociétés de crédit foncier* had been adapted in 2007. Adjustments were made in 2008, which concern the following points:

- the possibility for *sociétés de crédit foncier* to pledge assets to the Banque de France, in order to benefit from central bank financing;
- the adjustment of the geographic scope for the eligibility of assets serving as collateral for *obligations foncières*: exposures on public sector entities in Switzerland, Canada, the United States, Japan, Australia

and New Zealand are eligible with no credit rating required from a rating agency recognized by the Banking Commission, as is the case for public sector entities in the European Economic Area. Securitization funds composed of exposures on public sector entities and subject to the law of the countries listed above are eligible if they benefit from the highest level of credit quality determined by an external rating agency recognized by the Banking Commission.

1.3 - GENERAL FRAMEWORK OF ACTIVITIES

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

a. Assets

The assets held by Dexia Municipal Agency are solely comprised of commitments on public sector entities that are eligible by the terms of articles L.515-15 and following of the Monetary and Financial Code, i.e. States, local governments or groups of such, public sector entities in the European Economic Area, Switzerland, the United States of America, Canada and Japan. Exposures on public sector entities in other countries may be included in Dexia MA's assets, under the condition that they benefit from a high credit rating from a rating agency recognized by the French Banking Commission, but this option is not part of the current strategy of Dexia MA.

These commitments take the form of loans or bonds representing a commitment on or guaranteed by public sector entities. Debt issued by mutual funds or similar structures (asset-backed securities - ABS) are also eligible for booking on Dexia Municipal Agency's balance sheet if at least 90% of their assets are directly eligible, and the debt issued has a minimum rating of AA-/Aa3/AA- from a rating agency recognized by the French Banking Commission.

Assets considered by current legislation to be replacement assets correspond to exposures vis-à-vis credit institutions benefiting from a step I rating for a total amount limited to

15% of all privileged debt (*obligations foncières* and registered covered bonds for Dexia MA). In this category, Dexia includes covered bonds issued by other Dexia Group entities with a cover pool comprised of commitments on public sector entities. These covered bonds ensure a synthetic transfer of eligible assets from certain Group entities to Dexia MA, as is the case for Dexia Sabadell and Dexia LdG Banque as of December 31, 2008.

Dexia MA operates a branch in Dublin. The role of this entity is to facilitate financing for the assets generated by the Dexia Group in its international activities. Since the branch's balance sheet is completely integrated into the balance sheet of Dexia MA in Paris, all the assets in Paris and Dublin represent a single volume of collateral to cover *obligations foncières* and other debt benefiting from the legal privilege. *Obligations foncières* and other debt benefiting from the same privilege are issued and funds collected solely from Paris. Financing for the branch is organized for the short term by Dexia Credit Local and for the medium and long term by internal financing from Dexia MA's headquarters in Paris to the Dexia MA branch in Dublin. An extension of the management contract signed by Dexia Credit Local and Dexia MA entrusts management of the Dexia MA branch in Dublin to the Dublin branch of Dexia Credit Local, since *sociétés de crédit foncier* have no direct employees (Monetary and Financial Code, article L.515-22). The existence of a Dexia MA branch in Dublin does not affect the characteristics of the privilege of *sociétés de crédit foncier* under French law.

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

b. Liabilities

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

- debt that benefits from the legal privilege, defined by law as *obligations foncières* or other resources that benefit from the legal privilege by reason of their contract. Dexia MA thus issues registered covered bonds that benefit from the legal privilege by reason of their contract on the same basis as *obligations foncières*. Designed for German institutional investors, these private placements are governed by German law and benefit from the French legal privilege specific to issues by *sociétés de crédit foncier*;
- debt that does not benefit from the legal privilege, i.e. debt that is not covered by the assets and, therefore, would be considered as subordinated debt with regard to debt benefiting from the legal privilege (see below, chapter 5). In addition to shareholders' equity, such debt finances over-collateralization. There are two types:
 - in compliance with the rule Dexia MA adopted when it was created, debt that does not benefit from the legal

privilege is exclusively borrowed from Dexia Credit Local. It is contracted through a financing agreement with the parent company;

- since September 2008, Dexia MA has tested and used its capacity to obtain refinancing from the Banque de France; the financing obtained does not benefit from the privilege specified by the law on *sociétés de crédit foncier*, but is guaranteed by assets pledged to the central bank; these pledged assets are excluded from the cover pool and the calculation of the over-collateralization ratio.

In addition, in 1999, Dexia Credit Local signed a declaration of support ensuring that it "will ensure that Dexia Municipal Agency ... has the financial resources it needs to meet its obligations." This declaration of support is reproduced in the documents accompanying issues of *obligations foncières*.

c. Legal privilege

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

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

In addition, the law stipulates that:

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

d. Various prudential provisions concerning management

A *société de crédit foncier* is not legally allowed to have a subsidiary or hold an equity interest in another company. Information on the coverage ratio, i.e. the ratio between the

debt benefiting from the privilege and the assets that cover them, as well as interest rate and liquidity risk management are discussed below in specific chapters.

As mentioned above, Dexia MA has contractually entrusted its parent company Dexia Credit Local with operational management. Specific management contracts have also been signed with other entities in the Group that transfer assets to Dexia MA and continue to handle the administration of these assets vis-à-vis their national clients. At the end of 2008, the following contracts were operative: Kommunalkredit Austria (Austria), Dexia Crediop (Italy), a subsidiary of Dexia Credit Local, Dexia Bank Belgium, a Dexia SA subsidiary, Dexia Public Finance Norden, Dexia Credit Local's Stockholm branch. All these management contracts already existed in previous years.

Lastly, as a reminder, since Dexia MA has no subsidiary or equity holding, the Company does not produce consolidated accounts, and is not required to publish its financial statements in IFRS format. Nevertheless, wishing to ensure comparability and transparency, Dexia MA launched a program that enabled it to publish its first IFRS financial statements for the third quarter of 2008.

2. YEAR'S HIGHLIGHTS

Dexia Municipal Agency showed strong resistance to the first year of the financial crisis (summer 2007 – summer 2008) as it profited from certain more propitious periods to issue benchmarks and maintained a high volume of taps and private placements. Only the best credit counterparties were able to post such resistance in a very turbulent market environment. Beginning in the third quarter of 2008, Dexia MA found itself faced with a severe aggravation of the financial crisis and had to adapt its activities.

The most notable events of the year are presented below.

2.1 - COVERED BOND MARKET CLOSED

The first half of 2008 was characterized by periods of a marked slowdown in issuance activity, accompanied by dysfunctions in market making, but windows of opportunity for issues also continued to open up 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 significant. The impact of this slowdown is presented below.

EUR millions	1 st quarter	2 nd quarter	3 rd quarter	4 th quarter
Issues	4,273	4,534	680	702

2.2 - 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 compliance with the recommendations proffered by the rating agencies, Dexia MA's ISDA master agreements (and their accompanying credit support annexes) stipulate that only the counterparty should pay collateral to Dexia MA, and that Dexia MA never has to pay, because of the protection provided by French legislation on *sociétés de crédit foncier* to derivative counterparties in the same way as to holders 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 replacement of the swaps with Lehman Brothers by swaps with other counterparties occurred with no loss for Dexia MA.

2.3 - FINANCIAL POSITION OF THE DEXIA GROUP

The year 2008 was marked by a financial crisis of exceptional proportions that caused major upheavals in the financial markets, impacting their liquidity as well as certain credit risks. In this context, Dexia was affected in different ways through fair value changes, impairment and losses, which required significant backing from national governments and the Company's shareholders. There was a capital increase of EUR 6 billion (announced on September 30, 2008, and subscribed by the Belgian and French States as well as by Dexia's main shareholders), as well as a guarantee of the States for the liabilities of the Group and the assets in FSA's Financial Products portfolio.

With its issues of *obligations foncières* already guaranteed by assets of the highest quality and a regulatory framework that protects investors to a high degree, Dexia MA is not among the entities covered by this State guarantee.

At the beginning of October 2008, the downgrade of the ratings of Dexia Credit Local led Moody's to apply its methodology and put the rating of Dexia MA under review. This exercise lasted more than three months and involved an in-depth analysis of the Company's position. At the end of the review process, on January 23, 2009, Moody's reaffirmed its Aaa rating of Dexia MA. Fitch and Standard and Poor's also confirmed that they maintained Dexia MA's triple-A rating.

2.4 - ACCESS TO BANQUE DE FRANCE REFINANCING

The large majority of Dexia Municipal Agency's assets is 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 expanding Dexia MA's ability to have

at its constant disposal the funds it requires to reimburse its *obligations foncières* at the specified due dates.

At the end of September 2008, Dexia MA finalized the implementation of operating circuits that allow it to obtain such refinancing guaranteed by either loans or debt securities from its balance sheet. It had the opportunity to test its capacity to participate in such operations by obtaining refinancing of EUR 7.5 billion as of year end 2008. This central bank financing makes it possible to finance temporarily and under good conditions the surplus of over-collateral in the periods prior to the issuance of *obligations foncières*.

As of December 31, 2008, assets eligible for refinancing by the central bank held by Dexia MA totaled EUR 54.9 billion, of which EUR 10.3 billion in debt securities and EUR 44.6 billion in loans, representing 72% of total assets.

3. CHANGES IN MAIN BALANCE SHEET ITEMS

As of December 31, 2008, assets at Dexia Municipal Agency totaled EUR 81.4 billion, up 10.7% from December 2007, and 32.1% from December 2006. Assets grew at a slower pace than in 2007, reflecting the fact that issuance capacity was limited by the financial crisis.

The cover pool, loans and securities, totaled EUR 68.8 billion, excluding accrued interest not yet due, slightly under its level in December 2007 (down 0.7%), but up 18.6% compared with the end of 2006. This stability in the pool guaranteeing the debt that benefits from the legal privilege corresponds in fact to a net increase in these assets of EUR 7.2 billion, combined with a temporary withdrawal from the pool of EUR 7.8 billion in loans and securities pledged to guarantee the financing obtained from the Banque de France.

Outstanding debt benefiting from the legal privilege (*obligations foncières*, registered covered bonds and collateral received in cash) amounted to EUR 62.5 billion on the balance sheet, corresponding to a swapped value of EUR 64.1 billion (including EUR 1.7 billion in registered covered bonds), up 9.8% from December 2007, and 29.0% from December 2006.

At the end of 2008, debt not benefiting from the privilege, which comes from Dexia Credit Local, decreased from EUR 10.4 billion to EUR 4.4 billion. New financing not benefiting from the privilege stipulated in the law on *obligations foncières* (but guaranteed by assets withdrawn from the cover pool) was obtained from the Banque de France in the amount of EUR 7.5 billion.

Overall, we may consider that the surplus collateral existing at the beginning of the year was "consumed" by the increase in debt benefiting from the privilege (thus reducing the debt owed to Dexia Credit Local, which financed the surplus), and that the net increase in assets was entirely financed through the Banque de France. This new way to finance surplus collateral in anticipation of issues was chosen to adapt to the particular situation in the markets at the end of 2008. Combined with the capacity to use the current account with Dexia Credit Local, this financing offers the flexibility required for long-term management of over-collateralization and uncertainty about the calendar of future issues of *obligations foncières*.

Shareholders' equity, including net income for the year, according to French GAAP, stood at EUR 1.141 billion at the end of December 2008.

In this table, other assets and other liabilities basically include accrued interest on assets, liabilities and hedging derivatives.

Key balance sheet items

EUR billions	12/31/2006	12/31/2007	12/31/2008	Change Dec. 2008 / Dec. 2007	Change Dec. 2008 / Dec. 2006
Cover pool	58.0	69.3	68.8	- 0.7%	18.6%
Loans	46.9	52.4	56.7	8.2%	20.9%
Securities	11.1	16.9	19.9	17.8%	79.3%
- Assets pledged in favor of the Banque de France	0.0	0.0	(7.8)	N.A.	N.A.
Other assets	3.5	4.2	12.6	N.A.	N.A.
Assets pledged in favor of the Banque de France	0.0	0.0	7.8	N.A.	N.A.
Other	3.5	4.2	4.8	14.3%	37.1%
Privileged debt					
Swapped value	49.7	58.4	64.1	9.8%	29.0%
Obligations foncières & RCB	48.3	56.4	62.0	9.9%	28.4%
Cash collateral received	0.0	0.0	0.5	N.A.	N.A.
Other liabilities	12.4	16.0	17.8	11.3%	43.5%
Dexia Credit Local	7.7	10.4	4.4	- 57.7%	- 42.9%
Banque de France	0.0	0.0	7.5	N.A.	N.A.
Other	4.7	5.6	5.9	5.4%	25.5%
Shareholders' equity (incl. net income)	0.9	1.1	1.1	N.A.	N.A.
Total assets	61.6	73.5	81.4	10.7%	32.1%

(French GAAP)

4. CHANGE IN ASSETS IN 2008

4.1 - ASSET PRODUCTION

Gross asset production totaled EUR 13.8 billion, down 20.2% from 2007. This slowdown was decided in order to take into account the decrease in issuing activity in the second half of 2008.

Early reimbursements were EUR (1.8) billion, and amortization represented EUR (4.8) billion, for a net increase in assets of EUR 7.2 billion.

Acquisitions of assets

EUR billions	2007			2008		
	Loans	Debt securities	Total	Loans	Debt securities	Total
France	8.0	0.1	8.1	7.2	-	7.2
Outside of France	2.2	7.0	9.2	1.4	5.2	6.6
Total new assets	10.2	7.1	17.3	8.6	5.2	13.8
Amortization	(3.8)	(1.2)	(5.0)	(3.8)	(1.0)	(4.8)
Early reimbursements	(0.9)	-	(0.9)	(0.8)	(1.0)	(1.8)
Sales	-	-	-	-	(0.3)	(0.3)
Foreign exchange adjustments	(0.1)	(0.1)	(0.2)	0.4	(0.1)	0.3
Net change	5.4	5.8	11.2	4.4	2.8	7.2

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

- EUR 8.0 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), American (federal) and Japanese (local government) 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 through Dexia MA 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 through Dexia MA loans granted to or guaranteed by large local governments in Belgium;
- EUR 1.1 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.

The geographic breakdown of gross production can be analyzed as follows.

Breakdown of gross acquisitions

EUR billions	2007		2008	
	Transfer mode	10.3		8.6
Loans				
France		8.1		7.2
Switzerland		1.0		0.6
Sweden, Finland, Portugal, other		0.2		0.0
Poland, Hungary, Greece, Lithuania	loans to DKB	1.0		0.8
Debt securities	Transfer mode	7.0		5.2
Belgium	SPV DSFB 2	1.7		1.6
Luxembourg	Lettres de gage	2.6		
Italy	SVP DCC 3	0.2		2.3
Spain	Cedulas territoriales	0.8		1.1
Germany		0.6		
Greece		0.3		0.1
Sweden, Finland, Portugal, other		0.0		
United Kingdom		0.7		
France		0.1		
United States				0.1
Japan				0.0
Total		17.3		13.8

4.2 - OUTSTANDING ASSETS AS OF DECEMBER 31, 2008

a. Breakdown by country

With regard to the breakdown of assets by country, there was an increase in the proportion of Italian, Belgium, Swiss and Polish public sector assets over December 2007. France continued to represent the largest volume of outstanding assets with 63% of the total. Its share declined slightly compared with that of other countries in which the Dexia Group operates, resulting in greater geographical diversification.

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

Breakdown of outstanding assets by country (%)

	12/31/2007	12/31/2008
France	65.0	63.3
Italy	7.5	9.5
Switzerland	5.5	6.1
Belgium	4.8	5.6
Spain	4.2	4.5
Luxembourg	4.0	3.5
Poland	0.9	1.7
Germany	2.9	1.1
Sweden / Finland	1.3	0.9
Sub-total	96.1	96.2
Other countries	3.9	3.8
Total %	100.00	100.00

b. Replacement assets

As of December 31, 2008, replacement assets totaled EUR 5.8 billion, entirely comprised of public sector covered bonds rated triple-A by the agencies, and issued by Dexia Group entities. They are analyzed in the following table.

Securities	Country	Issuer	EUR millions	
			12/31/07	12/31/08
<i>Cedulas territoriales</i>	Spain	Dexia Sabadell	2,425	3,200
<i>Lettres de gage</i>	Luxembourg	Dexia LdG Banque	2,600	2,600
<i>Pfandbrief</i>	Germany	Dexia Kommunalbank Deutschland	1,000	-
Total			6,025	5,800

These replacement assets represented 9.3% of outstanding debt benefiting from the privilege, which totaled EUR 62.5 billion (in swapped value); their amount is limited by law to 15%.

It should be noted that a large proportion of replacement assets listed above was part of the assets temporarily excluded from the cover pool as of December 31, 2008, since they had been pledged in favor of the Banque de France. The

amount of replacement assets thus excluded totaled EUR 4,950 million.

4.3 - ASSET QUALITY AND FINANCIAL CRISIS

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

a. 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 on public sector entities (central governments, local governments, public organizations, etc.) or entities that are entirely and unconditionally guaranteed by public sector entities (excluding replacement assets).

Exposure to monoline insurers

In its public sector bond portfolio, Dexia holds six 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
Communauté urbaine de Lille	France	US203403AB67	12.1	AMBAC
Ville de Marseille	France	FR0000481608	5.0	FSA
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	Spain	ES0236395036	50.0	FSA
Total			80.6	

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 a limited number of exposures in the form of asset-backed securities (ABS).

Issuer	ISIN code	EUR millions
Blue Danube Loan Funding GmbH	XS0140097873	86.3
Colombo SRL	IT0003156939	13.5
Societa veicolo Astrea SRL	IT0003331292	4.0
Sub-total		103.8
DSFB - Dexia Secured Funding Belgium SIC	BE0933050073	1,599.7
DSFB - Dexia Secured Funding Belgium SIC	BE0934330268	1,579.8
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
Sub-total		7,189.5
Total		7,293.3

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 company (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 Standard & Poor's, 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 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 *lettres de gage* issued by Dexia LdG Banque – see 4.2.b.);
- the value of its derivative contracts entered into to protect it from interest rate and foreign exchange risks.

All of Dexia MA's derivative operations are conducted within the framework of standard ISDA or AFB contracts with major international banks (34 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 (and other issuers of covered bonds). These interest rate and currency swaps all benefit from the same legal privilege as *obligations foncières*. For this reason, Dexia MA does not pay its derivative counterparties any collateral, whereas they have to pay Dexia MA unless they benefit from the agencies' highest short-term rating.

As of December 31, 2008, Dexia MA was exposed (positive fair value of the swaps) to 12 banking counterparties, seven of which paid collateral, which offsets the exposure and five paid none since they had a very good rating. These five counterparties represented an exposure of EUR 580 million, mainly concentrated on Société Générale and Calyon (the other counterparties were RBC, Barclays and Santander).

Long-term derivatives signed with the five largest counterparties represented a total of 32.4% of the notional amounts and those signed with the Dexia Group 29.7%.

b. 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 it is a portfolio of securities available for sale - *placement*). These reserves or provisions would 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 December 31, 2008, no provision represented losses expected at maturity in any of the securities portfolios, whatever their accounting classification; provisions rather correspond to the difference between the market value and the acquisition cost of the securities.

EUR millions

Portfolio IFRS / French GAAP	Capital	AFS reserve		French GAAP	
	balance			provisions	
	12/31/2008	12/31/2007	12/31/2008	12/31/2007	12/31/2008
Loans and advances / Investissement	16,878	(18.1)	(177.0)	N.A.	N.A.
<i>Securities issued by Dexia subsidiaries</i>					
Italy - Dexia Crediop per la Cartolarizzazione	4,010	(0.1)	(2.6)		
Belgium - Dexia Secured Funding Belgium	3,180	-	1.4		
Spain - Dexia Sabadell	3,200	5.4	(20.6)		
Luxembourg - Dexia Lettres de Gage	2,600	0.9	(0.6)		
Germany - Dexia Kommunalbank Deutschland	-	6.5	-		
<i>Other securities</i>					
Germany	32	0.2	-		
Austria	86	(2.8)	(7.4)		
Belgium	233	1.8	0.9		
Spain	50	(0.7)	(2.2)		
France	429	5.2	8.1		
Greece	100	0.2	(1.5)		
Iceland	180	(0.8)	(11.5)		
Italy	2,583	(28.1)	(133.0)		
Japan	25	-	-		
Luxembourg	123	(2.2)	(1.1)		
Portugal	47	(3.6)	(6.9)		
Loans and advances / Placement	1,768	7.4	(15.4)	(0.7)	(12.2)
Germany	515	0.7	(1.6)		(1.6)
Spain	183	(0.3)	(1.4)	(0.4)	(1.2)
France	-	2.2	-		
United Kingdom	758	0.2	(0.3)		
Italy	204	0.6	(7.0)	(0.3)	(6.3)
USA	108	4.0	(5.1)		(3.1)
AFS / Placement	295	0.3	(6.8)	-	(6.8)
Germany	295	0.3	(6.8)		(6.8)
AFS / Investissement	994	9.0	(157.5)	-	-
Canada	22	0.4	(1.6)		
Greece	321	0.6	(52.5)		
Italy	506	8.0	(76.2)		
USA	145	-	(27.2)		
Accounting adjustments (not broken down)					
(foreign exchange fluctuations, premiums/discounts, basis swaps, etc.)					
	(258)	(3.4)	(1.0)		
General total	19,677	(4.8)	(357.7)	(0.7)	(19.0)

In the final quarter of 2008, most of the securities in the portfolio, which were previously classed as AFS, were restated in accounting as "Loans and advances" and are now treated as loans in accounting. The AFS reserve as of September 30, 2008, related to these securities was frozen and will be amortized over the residual life of the securities, as a discount. This point is presented in the notes to the financial statements.

If they are overdue, loans to the public sector are downgraded to "Non-performing loans", and the risk of non-recovery is covered by a provision. These provisions represent a very low amount (EUR 0.9 million versus EUR 0.5 million at the end of 2007).

In addition to these provisions for identified risks, general provisions are recorded in the IFRS financial statements. These collective provisions cover the risk of a loss in value on 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 probabilities of default (PD) and loss given default (LGD) based on credit risk models designed by Dexia within the framework of Basel II (on this point, see note 7.1 to the financial statements). The low amounts in question illustrate the portfolio's overall high quality. The increase observed in 2008 corresponds, for EUR 2 million, to the portfolio of securities restated as loans in the last quarter.

Non-performing

EUR millions	Capital balance	Non-performing loans		Specific impairment		Collective impairment (IFRS)	
	12/31/2008	12/31/2007	12/31/2008	12/31/2007	12/31/2008	12/31/2007	12/31/2008
Loans granted to Dexia subsidiaries, secured by exposures to public sector entities	1,941	-	-	-	-		
Poland - Dexia Kommunalkredit Bank	1,278						
Hungary - Dexia Kommunalkredit Bank	281						
Lithuania - Dexia Kommunalkredit Bank	80						
Greece - Dexia Kommunalkredit Bank	110						
France - Flobail	192						
Other loans	54,785	4.9	9.1	0.5	0.9		
Austria	211						
Belgium	879						
Finland	123						
France	47,902	4.9	9.1	0.5	0.9		
Greece	300						
Italy	16						
Portugal	127						
Sweden	554						
Switzerland	4,673						
General total	56,726	4.9	9.1	0.5	0.9	7.5	10.1

5. CHANGES IN DEBT BENEFITING FROM THE PRIVILEGE IN 2008

Dexia Municipal Agency issued the equivalent of EUR 10.2 billion in 2008, compared with EUR 15.3 billion in 2007, representing a decrease of 33.3%.

Dexia MA showed strong resistance to the crisis for a year (second half of 2007 and first half of 2008) and reported a good level of performance. It even issued three benchmarks in the first half of the year. The quality of these transactions was underscored by the covered bonds magazine *The Cover*, which gave Dexia MA three awards for 2008, one as Issuer of the Year, and the two others for the EUR 2 billion benchmark issue, which was named Deal of the Year, and Best Non-Debut Issue. But as of the summer of 2008, the world market for covered bonds practically came to a stop. In the period that followed, Dexia MA made several private placements and taps of existing issues.

The pace of issues in 2008 was as follows:

Quarterly issues

EUR millions	2007	2008
1 st quarter	5,360	4,273
2 nd quarter	3,681	4,534
3 rd quarter	2,345	680
4 th quarter	3,885	702
Total	15,271	10,189

Public sector issues and private placements are broken down in the following table:

New production

EUR millions	2007	2008
Public sector issues	11,813	7,737
Private placements	3,458	2,452
<i>including</i>		
RCB	783	313
Less than 2 years	139	130
Total	15,271	10,189

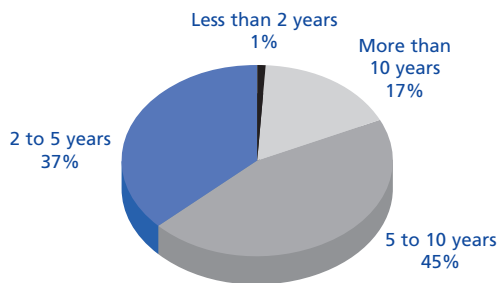
Public sector issues, which totaled EUR 7.7 billion, in particular included:

- three issues of benchmark size in euros: EUR 2 billion for 5 years (June 2013), EUR 1 billion for 7 years (April 2015), and EUR 1.25 billion for 3 years (June 2011);
- several taps of previous euro issues for EUR 2.8 billion;
- public sector issues in the following currencies: the United States dollar, the Swiss franc and the British pound.

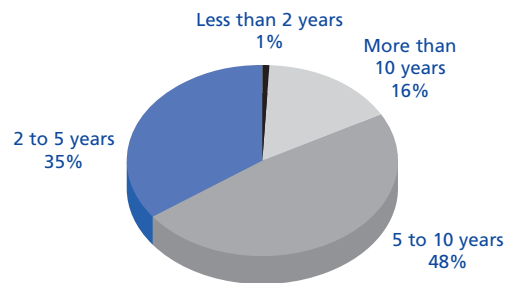
Privately placed issues, which totaled EUR 2.5 billion, included issues in the traditional form of *obligations foncières*, as well as registered covered bonds, designed as private placements for German investors. These issues make it possible to meet the specific needs of certain investors with alacrity and flexibility.

The average life of these issues was shorter, contracting from 7.72 years in 2007 to 5.70 years in 2008.

New issues in 2007 by maturity



New issues in 2008 by maturity

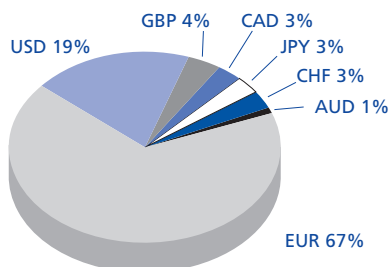


Issues denominated in euros totaled EUR 8.1 billion, representing 80% of the total. The other currencies, in equivalent euros, amounted to EUR 2.0 billion, for 20% of the total.

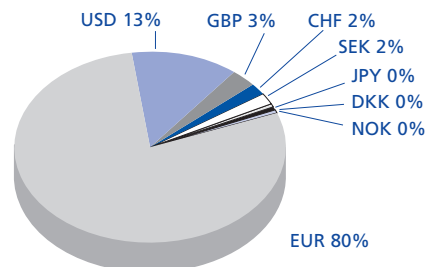
Breakdown by currency

Millions	2007	2008
EUR	10,266	8,135
Other currencies		
CHF	700	350
GBP	381	200
JPY	70,700	5,000
USD	3,954	1,630
CAD	800	0
AUD	129	0
SEK	0	1,333
DKK	0	250
NOK	0	230
Total other currencies		
EUR	5,005	2,054
Total	15,271	10,189

New issues in 2007 by currency

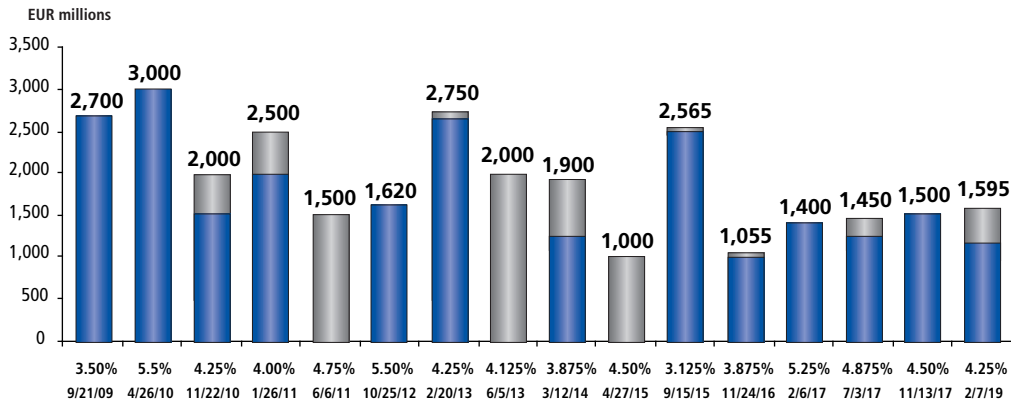


New issues in 2008 by currency

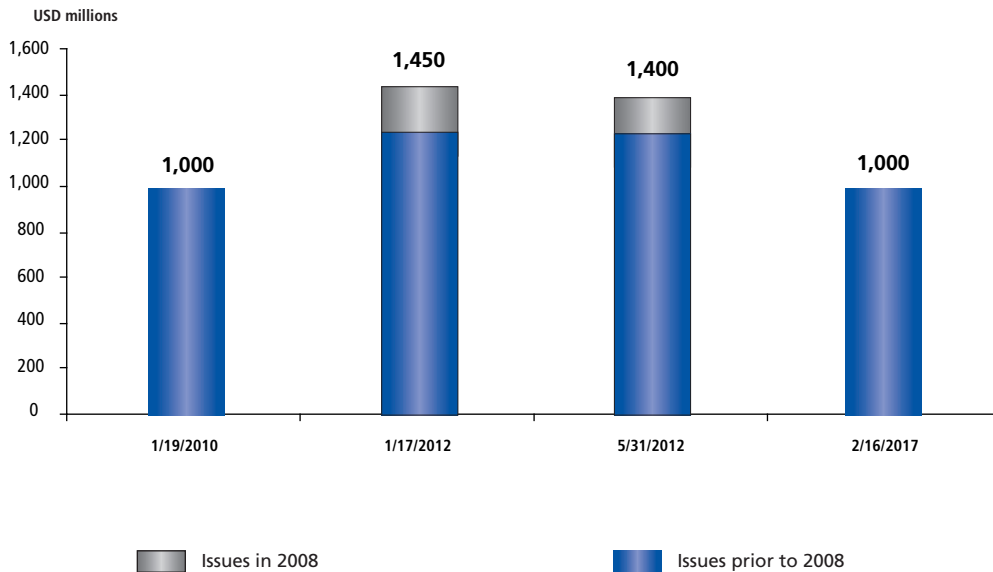


Dexia MA's issuance policy consists of a strong presence in the main euro and eurodollar markets by building a consistent curve and monitoring the performance of its benchmarks in the secondary market, and of active diversification in certain selected markets.

Breakdown of benchmark issues in EUR

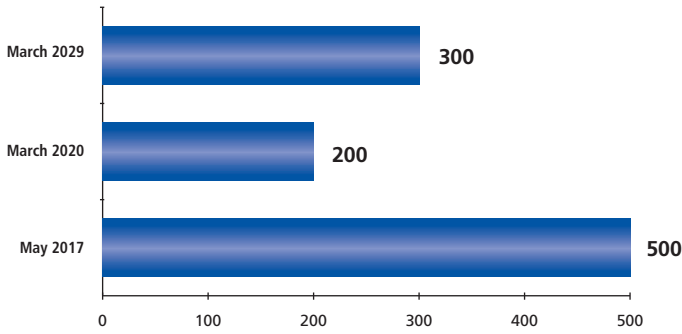


Breakdown of benchmark issues in USD

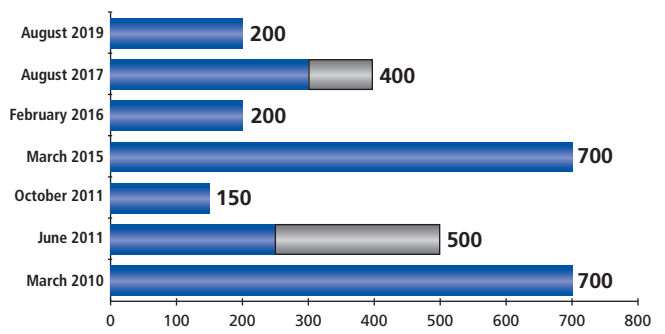


Main currency curves

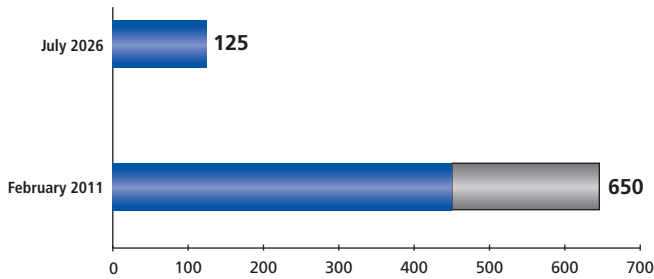
Canadian dollars
(CAD millions)



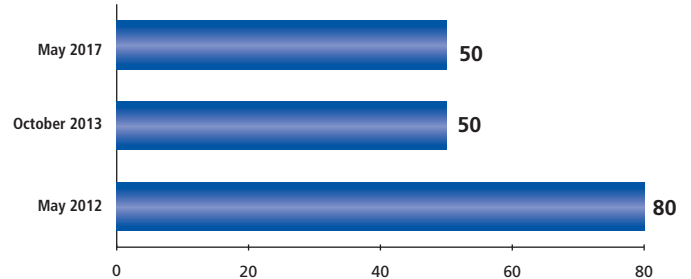
Swiss francs
(CHF millions)



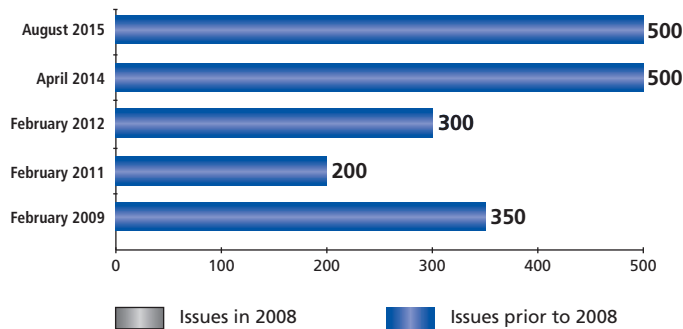
Sterling
(GBP millions)



Japanese yen
(JPY billions)



Australian dollars
(AUD millions)



In 2008, Dexia MA reimbursed a total of EUR 5.0 billion in *obligations foncières* (maturity or exercise of calls). The net increase in *obligations foncières* and registered covered bonds was therefore EUR 5.2 billion in 2008, and outstanding commitments totaled EUR 63.6 billion in swapped value at the end of the year.

Outstanding commitments

EUR millions	2007	2008
Beginning of the year	49,660	58,385
Issues	15,271	10 189
Reimbursements	(6,546)	(4,983)
End of the year	58,385	63,591

(swapped value)

Privileged debt also includes cash collateral, paid to Dexia MA by swap counterparties, which benefits from the same privilege as *obligations foncières*. According to article L.515-18 of the Monetary and Financial Code, the sums owed for derivative instruments subscribed by *sociétés de crédit foncier* to hedge their assets and liabilities or to cover the overall risk benefit from the legal privilege granted to *sociétés de crédit foncier*.

This protection provided by the law to swap counterparties also enables Dexia MA never to have to pay collateral.

The amount of cash collateral received significantly increased in 2008. It rose from EUR 19 million as of December 31, 2007, to EUR 462 million as of December 31, 2008.

6. CHANGES IN THE COVERAGE RATIO IN 2008

The coverage ratio is the ratio between the assets and the resources benefiting from the privilege. The Monetary and Financial Code stipulates that "the total amount of assets of *sociétés de crédit foncier* must be greater than the amount of liabilities benefiting from the privilege". Dexia Municipal Agency's specific controller certifies compliance with this rule for each issue.

CRB standard 99-10 (French Banking Regulations Committee) defines the way the coverage ratio is calculated. The ratio's denominator (article 8) "is comprised of *obligations foncières* and other resources benefiting from the privilege". The ratio's numerator (article 9) "is made up of the assets", weighted to reflect their category. In the case of Dexia MA, since the loans are granted to public sector entities or guaranteed by such, they are accounted for at their historical cost (100% weighting).

The debt securities, *cedulas territoriales* and *lettres de gage* recorded on Dexia MA's balance sheet are accounted for at 100% of their historical cost, a rule that applies to all debt securities and replacement assets.

The securities issued by securitization vehicles are also accounted for at 100% of their historical cost on Dexia MA's balance sheet when their rating by the agencies (Fitch, Moody's or Standard and Poor's) is equal to or higher than AA-, Aa3, AA-; when their rating is downgraded, but remains equal to or higher than A-, A3, A-, the weighting falls to 50%. The agencies lowered the rating of the notes issued by the DCC fund, whose rating is closely tied to that of Dexia Crediop; these shares are thus only accounted for at 50% of their value since October in the calculation of the over-collateralization ratio.

Dexia Municipal Agency decided to maintain a minimum coverage ratio of 105%, which is considered a safe margin. In practice, given the rate of asset turnover from the Group's commercial activity and asset transfers, the coverage ratio is regularly higher than 105%, as can be seen at the end of each month, when over-collateralization makes it possible to launch issues in the following month.

The following table analyzes the coverage ratio at the end of each month in 2008:

1 st quarter 2008	Jan-08	116.8%	3 rd quarter 2008	Jul-08	115.2%
	Feb-08	112.6%		Aug-08	114.9%
	Mar-08	117.3%		Sep-08	108.4%
2 nd quarter 2008	Apr-08	115.6%	4 th quarter 2008	Oct-08	104.5%
	May-08	114.1%		Nov-08	104.0%
	Jun-08	111.4%		Dec-08	104.2%

Legal and regulatory references:

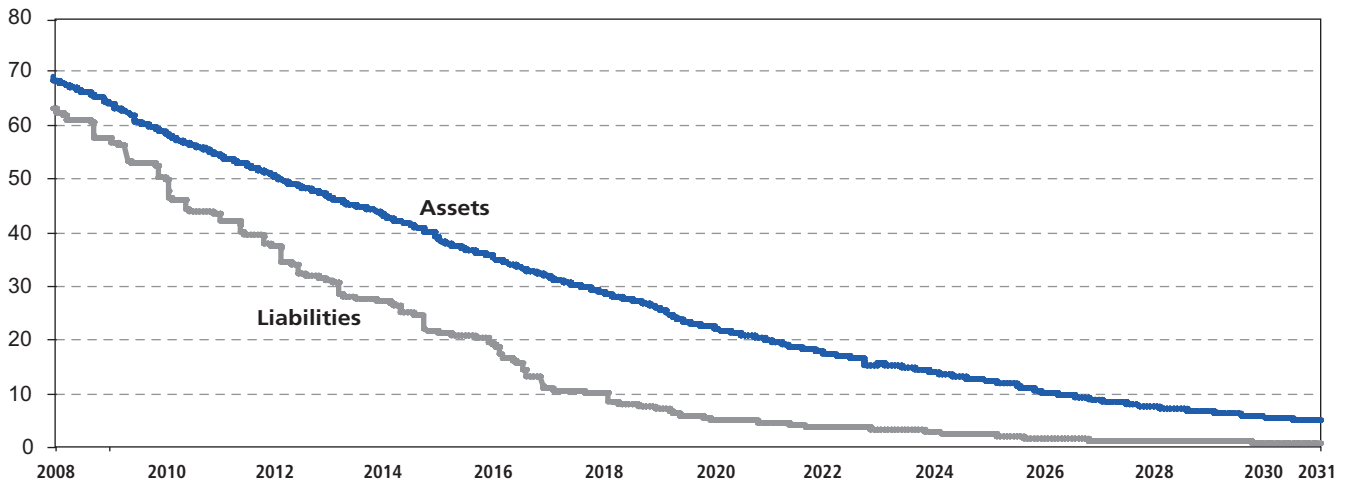
article L.515-20 of the Monetary and Financial Code; CRB standard 99-10; instruction 99-10 of the Banking Commission.

This table of changes in the coverage ratio prompts the following observations:

- the ratio declined significantly beginning in September 2008. Since then, Dexia MA has pledged certain assets to obtain financing from the Banque de France. These assets are therefore excluded from the calculation of over-collateralization. Indeed, realizing the absence of transactions in the covered bond market and the impossibility to produce new issues, Dexia MA decided to finance temporarily a large part of its surplus over-collateral (beyond 105%) with funding from the Banque de France;
- the ratio is slightly less than 105% since October as a result of the downgrade of the rating of the shares of the DCC securitization vehicle, now accounted for at only 50% of their value. The regulatory ratio came back to more than 105% as of January 2009.

The following graph on over-collateralization presents amortization curves of the assets and of issues benefiting from the privilege as of December 31, 2008. The assets temporarily pledged in favor of the Banque de France, i.e. EUR 7.8 billion, were deducted from the asset curve.

Amortization of assets and liabilities as of December 31, 2008 (EUR billions)



7. CHANGES IN DEBT THAT DOES NOT BENEFIT FROM THE LEGAL PRIVILEGE

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

Since the Company was created, this financing is borrowed only from Dexia Credit Local within the framework of a current account agreement. The agreement distinguishes several sub-accounts that make it possible to analyze this financing by category:

- to finance structural over-collateralization of 5% in the medium term;
- to finance undefined over-collateralization of more than 5% in the short term, using the current account.

In addition, Dexia MA holds at any time written commitments from Dexia Credit Local for irrevocable and to first-request financing covering the reimbursements of *obligations foncières* in the next 12 months.

Since the end of September 2008, Dexia MA uses another source of financing to complement its resources – funds from the Banque de France. These funds do not benefit from the privilege stipulated in the law on *sociétés de crédit foncier*, but are guaranteed by loans and securities deposited in guarantee in the account of Dexia MA at the central bank.

As of December 31, 2008, the debt owed to the Banque de France totaled EUR 7.5 billion and the amount owed to Dexia Credit Local was EUR 4.4 billion, excluding accrued interest not yet due. The latter debt could be analyzed according to the above-mentioned categories as follows:

- to finance over-collateralization of 5%: EUR 3.5 billion;
- to finance surplus over-collateralization, using the current account: EUR 0.9 billion.

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

EUR billions	Dexia Credit Local	Banque de France	Total
12/31/2006	7.7		7.7
12/31/2007	10.4		10.4
3/31/2008	10.1		10.1
6/30/2008	7.0		7.0
9/30/2008	5.4	4.0	9.4
12/31/2008	4.4	7.5	11.9

The EUR 1.5 billion increase between December 2007 and December 2008 corresponded to large payouts of loans at the end of 2008, combined with a small volume of issues in the period. This debt thus finances the over-collateralization of 5% and the surplus of over-collateral required to launch the coming issues of Dexia MA.

8. MANAGEMENT OF BALANCE SHEET RISKS

The strategies implemented to hedge interest rate and foreign exchange risks are reflected in the notional outstanding swaps analyzed in the table below between external and Dexia Group counterparties, as of December 31, 2008.

Breakdown of outstanding swaps (notional amounts) as of December 31, 2008

	Notional total * (EUR billions)	Dexia Group (%)	External counterparties (%)
Euribor against Eonia			
Macro-hedges	114.2	100.0%	0.0%
Total short-term swaps	114.2	100.0%	0.0%
Fixed rate swaps against Euribor			
Micro-hedges on <i>obligations foncières</i>	46.0	3.5%	96.5%
Micro-hedges on loans and debt securities	29.8	22.6%	77.4%
Macro-hedges on loans	26.4	84.9%	15.1%
Sub-total	102.2	30.1%	69.9%
Currency swaps			
Micro-hedges on <i>obligations foncières</i>	16.8	13.1%	86.9%
Micro-hedges on loans	5.4	61.4%	38.6%
Micro-hedges on debt securities	1.2	83.2%	16.8%
Sub-total	23.4	27.9%	72.1%
Total long-term swaps	125.6	29.7%	70.3%

* absolute value

8.1 - MANAGEMENT OF THE INTEREST RATE RISK

Interest rate risk management has applied the same method since the creation of Dexia Municipal Agency, when a document entitled General Principles and Rules Governing Risk Management at Dexia Municipal Agency was drawn up and approved by the rating agencies.

The management of interest rate risk involves two steps:

- in the first stage, all the assets and liabilities benefiting from the privilege and which do not naturally have a floating rate are swapped against Euribor three months until maturity as soon as they are recorded on the balance sheet. A residual fixed rate gap remains on the fixed rate assets that are hedged by macro swaps (in particular, small loans to clients). This gap is monitored within very strict limits;
- in the second step, Euribor lending and borrowing flows are swapped against Eonia until their 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 and is also monitored within strict limits.

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

The sensitivity limits for the fixed rate gap and the monetary gap are defined as the change in the gaps' net present value (NPV) under the impact of a parallel 1% (100 basis points) shift in the yield curve. The aggregate of these two limits for the fixed rate gap and the monetary gap is set at 3% of shareholders' equity, and this figure is reviewed every year at the end of the first quarter. In the first quarter of 2008, the total sensitivity level was EUR 26 million, and was adjusted to EUR 29.5 million as of the second quarter of 2008, including EUR 4.0 million for the monetary gap and EUR 25.5 million for the fixed rate gap. In practice, the real sensitivity is maintained significantly below this limit, as can be seen in the following table.

Sensitivity of the interest rate gap

EUR millions		Average	Maximum	Minimum	Limit
Fixe rate	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
	4Q 2008	11.4	18.0	(1.5)	25.5
Monetary	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
	4Q 2008	(0.2)	3.4	(3.4)	4.0
Total	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
	4Q 2008	11.0	15.8	(1.7)	29.5

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

8.2 - MANAGEMENT OF FOREIGN EXCHANGE RISK

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

8.3 - MANAGEMENT OF THE DURATION GAP

With the interest rate risk under control, as explained above, Dexia Municipal Agency manages the congruence of maturities between the assets and the liabilities by maintaining the gap in the duration between the assets and the liabilities within a maximum limit of three years. In practice, the duration gap is maintained well below this limit.

From the point of view of the method, since both the assets and the resources benefiting from the privilege have a floating rate after having been swapped, Dexia MA's balance sheet looks as if there were only a single loan vis-à-vis a single borrowing.

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

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

Duration in years	12/31 2007	3/31 2008	6/30 2008	9/30 2008	12/31 2008
Duration of assets	7.19	7.05	7.20	7.50	7.79
Duration of privileged liabilities	5.18	5.00	4.76	4.87	4.91
Gap in asset-liability duration	2.01	2.05	2.44	2.63	2.88
Duration gap limit	3	3	3	3	3

The duration gap between the assets and the liabilities widened in 2008; it is monitored closely since it is sensitive to interest rates (discounting effect) and significant changes in assets and liabilities.

9. COMMITMENTS GIVEN - COMMITMENTS RECEIVED

Commitments granted as of December 31, 2008, recorded off balance sheet in the amount of EUR 11.0 billion, comprised:

- EUR 3.2 billion in loans granted to local governments and not yet paid;
- EUR 7.8 billion in assets pledged to guarantee refinancing from the Banque de France.

Commitments received at the end of 2008 (EUR 12.9 billion) included:

- EUR 5.4 billion in refinancing agreements signed with Dexia Credit Local, concerning maturities of *obligations foncières* of less than a year;
- EUR 6.0 billion in guarantees received from local governments;
- EUR 1.5 billion in guarantees received in the form of pledges of public sector securities.

10. INCOME STATEMENT FOR THE PERIOD IN IFRS

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

EUR millions - IFRS	12/31/2007	12/31/2008	Change 08/07
Interest margin	201	255	
Net commissions	(5)	(4)	
Net result of hedge accounting	1	-	
Net result of financial assets available for sale	6	3	
Other income and expense	-	-	
Net banking income	203	254	+25%
General administrative expenses	(75)	(83)	
Taxes	(8)	(9)	
Operating income before cost of risk	120	162	+35%
Cost of risk	-	(3)	
Pre-tax income	120	159	+33%
Corporate income tax	(40)	(46)	
Net income	80	113	+41%

In the last 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 annual accounts 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 as of January 1, 2007, 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 derivatives used as cash flow hedges (EUR +0.1 million).

The financial statements presented above give a better picture of the Company's real performance and results, in particular by avoiding certain asymmetrical treatments of debt rescheduling characteristic of 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.

Net banking income increased by 25% (EUR 51 million), rising from EUR 203 million to EUR 254 million.

The increase primarily came from the interest margin, up EUR 54 million. This margin corresponds to the difference between income from the assets and 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 17%, from EUR 60.5 billion to EUR 70.8 billion.

The item "Net result on financial assets available for sale" primarily included penalties received for early reimbursement of customer loans.

Operating expenses increased by 11%; this increase was linked to the rise in the volume of operations managed (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, primarily comprised of general provisions on portfolios, rose with the growth in outstanding loans that came from new production and especially, in 2008, securities restated as loans. This latter category contributed EUR 2 million to the cost of risk.

The apparent corporate income tax rate (including deferred taxes) decreased, since the portion of income reported by the Dublin branch increased (the branch's average outstanding assets rose from EUR 3 billion to EUR 5 billion).

Net income for the period was up 41%, rising EUR 33 million; it increased from EUR 80 million to EUR 113 million.

11. INCOME STATEMENT FOR THE PERIOD IN FRENCH GAAP

The income statement is presented synthetically in the following table.

EUR millions - French GAAP	12/31/2006	12/31/2007	12/31/2008	Change 2008/2007
Interest received on assets	2,030	2,882	3,734	
Net interest from macro-hedges	(220)	(42)	7	
Interest on <i>obligations foncières</i> and registered cover bonds	(1,369)	(2,248)	(3,072)	
Interest on funds received from Dexia Credit Local and Banque de France	(167)	(257)	(366)	
Provisions and income on available-for-sale securities	-	(1)	(54)	
Commissions received and paid	(3)	(4)	(4)	
Other	0	0	0	
Net banking income	271	330	245	-26%
General operating expenses	(68)	(75)	(84)	
Taxes	(6)	(8)	(9)	
Operating income before cost of risk	197	247	152	-38%
Cost of risk	-	0	0	
Pre-tax income	197	247	152	-38%
Corporate income tax	(65)	(81)	(53)	
Regulated provision on long- and medium-term loans	(10)	(12)	(8)	
Net income	122	154	91	-40%

Net banking income declined by 26% from the previous year. This decrease can be attributed to:

- the allocation of EUR 53 million to provisions on a portfolio of securities available for sale. This provision corresponds to a decrease in the market value of the securities issued or guaranteed by public sector entities in the following countries:

EUR millions	12/31/2008
<i>Placement portfolio</i>	
Italy	6
Germany	8
Spain	1
United States	3
Sub-Total	18
<i>Transfer to investissement portfolio</i>	
Greece	25
Iceland	10
Total	53

The principal depreciation concerned exposures on Greek and Iceland sovereign commitments (for EUR 25 million and 10 million).

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

The "commercial margin" component was up 13%, 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 "Customer loans", "Micro-hedge transactions" and "Macro-hedge transactions".

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

The cost of risk was at a very low level, reflecting the excellent quality of the assets (EUR 0.2 million).

Net income decreased 40% to EUR 91 million.

12. PROPOSED ALLOCATION OF NET INCOME

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

Year of distribution	Distributed from the year's income	Amount distributed (EUR)	Amount per share (EUR)
2000	1999	3,600,000	1.20
2001	2000	-	
2002	2001	-	
2003	2002	-	
2004	From retained earnings and 2003	120,000,000	24.00
2005	2004	62,000,000	10.00
2006	2005	84,320,000	12.40
2007	2006	116,280,000	15.30
2008	2007	70,080,000	8.00

The Shareholders' Meeting, both ordinary and extraordinary, will be asked, in its ordinary capacity, to vote a resolution to allocate 2008 net income and to distribute a dividend as follows (sums in euros).

Net income for the year 2008	91,264,639
Allocated to the legal reserve (5%)	(4,563,232)
Income available	86,701,407
Prior retained earnings	76,363,370
Amount available for distribution	163,064,777
Proposed distribution, EUR 12.00 per share	(113,520,000)
Retained earnings after distribution	49,544,777

13. CAPITAL INCREASE

The Shareholders' Meeting, both ordinary and extraordinary, of May 26, 2009, will be asked, in its extraordinary capacity, to increase the capital by EUR 114 million, raising the capital from EUR 946 million to EUR 1,060 million.

14. OUTLOOK FOR 2009

In 2009, the volume of issues Dexia Municipal Agency will be able to conduct is difficult to assess and will to a large extent depend on the recovery of the financial markets in general, and of the covered bond market in particular.

The pace and amount of its acquisitions of public sector assets from Dexia will be adapted to the issuance possibilities. Loans to the French local public sector are expected to represent a percentage of new asset production that will be slightly higher than in the past, in order to stabilize the percentage of French assets at the current level.

The amount of debt benefiting from the privilege and of assets in the cover pool should remain stable in 2009, as new assets and new issues, though limited, will offset the natural amortization of the assets and the liabilities.

Loans to local governments and bonds as of December 31, 2008

EUR millions	12/31/2008			12/31/2007		
	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
FRANCE						
Regions	1,943.6	171.4	2,115.0	1,778.2	180.9	1,959.1
Departments	6,071.4	-	6,071.4	5,214.4	3.0	5,217.4
Municipalities	19,674.9	257.5	19,932.4	19,061.2	264.8	19,326.0
Groups of municipalities	10,110.2	-	10,110.2	9,526.4	-	9,526.4
Public sector entities	9,502.7	-	9,502.7	8,345.0	60.4	8,405.4
Loans guaranteed by local governments	791.4	-	791.4	689.7	-	689.7
Total	48,094.2	428.9	48,523.1	44,614.9	509.1	45,124.0
AUSTRIA						
<i>Länder</i>	210.4	-	210.4	212.4	-	212.4
ABS	-	86.3	86.3	-	88.5	88.5
Total	210.4	86.3	296.7	212.4	88.5	300.9
PORTUGAL						
Regions	-	-	-	-	8.5	8.5
Municipalities	113.4	-	113.4	121.4	-	121.4
Public sector entities	13.3	-	13.3	153.8	-	153.8
Securities guaranteed by the State or by local governments	-	47.5	47.5	-	47.5	47.5
Loans guaranteed by local governments	-	-	-	-	-	-
Total	126.7	47.5	174.2	275.2	56.0	331.2
ICELAND						
Securities guaranteed by the State or by local governments	-	180.4	180.4	-	180.4	180.4
Total	-	180.4	180.4	-	180.4	180.4
FINLAND						
State	-	-	-	-	-	-
Municipalities	49.7	-	49.7	82.3	-	82.3
Public sector entities	72.9	-	72.9	82.6	-	82.6
Total	122.6	-	122.6	164.9	-	164.9
GREECE						
State	300.0	321.2	621.2	300.0	231.2	531.2
Loans guaranteed by the State or by local governments	110.0	-	110.0	110.0	-	110.0
Securities guaranteed by the State or by local governments	-	100.0	100.0	-	100.0	100.0
Total	410.0	421.2	831.2	410.0	331.2	741.2
ITALY						
State	-	506.3	506.3	-	506.3	506.3
Regions	-	1,042.6	1,042.6	-	1,065.7	1,065.7
Provinces	-	163.4	163.4	-	174.8	174.8
Municipalities	16.6	1,449.9	1,466.5	17.2	1,475.3	1,492.5
ABS	-	17.5	17.5	-	22.4	22.4
Securities issued by DCC (see note1 below)	-	4,010.1	4,010.1	-	1,809.7	1,809.7
Securities guaranteed by the State or by local governments	-	107.2	107.2	-	110.0	110.0
Total	16.6	7,297.0	7,313.6	17.2	5,164.2	5,181.4

EUR millions	12/31/2008			12/31/2007		
	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
SPAIN						
<i>Cedulas territoriales</i>	-	3,200.0	3,200.0	-	2,425.0	2,425.0
State	-	39.5	39.5	-	39.5	39.5
Securities guaranteed by the State or by local governments	-	64.9	64.9	-	64.9	64.9
Groups of municipalities	-	127.1	127.1	-	128.0	128.0
ABS	-	-	-	-	249.7	249.7
Total	-	3,431.5	3,431.5	-	2,907.1	2,907.1
SWITZERLAND						
Cantons	1,324.8	-	1,324.8	1,008.2	-	1,008.2
Municipalities	1,107.0	-	1,107.0	852.3	-	852.3
Public sector entities	127.9	-	127.9	-	-	-
Loans guaranteed by local governments	2,113.5	-	2,113.5	1,976.5	-	1,976.5
Total	4,673.2	-	4,673.2	3,837.0	-	3,837.0
BELGIUM						
Regions	428.3	93.3	521.6	571.6	93.3	664.9
Communities	74.4	125.0	199.4	260.9	189.6	450.5
Public sector entities	33.2	-	33.2	35.8	-	35.8
Securities guaranteed by the State or by local governments	-	15.0	15.0	-	126.6	126.6
Securities issued by DSFB (see note 2 below)	-	3,179.5	3,179.5	-	1,666.5	1,666.5
Loans guaranteed by the State or by local governments	342.9	-	342.9	377.2	-	377.2
Total	878.8	3,412.8	4,291.6	1,245.5	2,076.0	3,321.5
GERMANY						
<i>Länder</i>	-	535.0	535.0	-	640.0	640.0
<i>Pfandbriefe</i>	-	-	-	-	1,000.0	1,000.0
Securities guaranteed by the State or by local governments	-	299.8	299.8	-	353.6	353.6
Total	-	834.8	834.8	-	1,993.6	1,993.6
UNITED STATES						
States	-	249.7	249.7	-	145.0	145.0
Municipalities	-	-	-	-	-	-
Total	-	249.7	249.7	-	145.0	145.0
MONACO						
Public sector entities	-	-	-	0.1	-	0.1
Total	-	-	-	0.1	-	0.1
SWEDEN						
Municipalities	202.1	-	202.1	283.6	-	283.6
Loans guaranteed by local governments	351.9	-	351.9	456.7	-	456.7
Total	554.0	-	554.0	740.3	-	740.3
CANADA						
Provinces	-	22.4	22.4	-	22.4	22.4
Municipalities	-	0.0	0.0	-	-	-
Total	-	22.4	22.4	-	22.4	22.4
UNITED KINGDOM						
Securities guaranteed by the State or by local governments	-	758.3	758.3	-	762.8	762.8
Total	-	758.3	758.3	-	762.8	762.8

EUR millions	12/31/2008			12/31/2007		
	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
LUXEMBOURG						
<i>Lettres de gage</i>	-	2,600.0	2,600.0	-	2,600.0	2,600.0
Securities guaranteed by the State or by local governments	-	122.7	122.7	-	151.6	151.6
Total	-	2,722.7	2,722.7	-	2,751.6	2,751.6
HUNGARY						
Loans guaranteed by the State or by local governments	281.0	-	281.0	121.0	-	121.0
Total	281.0	-	281.0	121.0	-	121.0
LITHUANIA						
Loans guaranteed by the State or by local governments	80.0	-	80.0	80.0	-	80.0
Total	80.0	-	80.0	80.0	-	80.0
POLAND						
Loans guaranteed by the State or by local governments	1,278.0	-	1,278.0	657.0	-	657.0
Total	1,278.0	-	1,278.0	657.0	-	657.0
JAPAN						
Municipalities	-	25.0	25.0	-	-	-
Total	-	25.0	25.0	-	-	-
General total *	56,725.5	19,918.5	76,644.0	52,375.5	16,988.0	69,363.4

* Excluding premiums and discounts, recorded in accruals.

Premiums and discounts on securities	(9.6)	24.1
Translation adjustments on securities	(248.6)	(112.2)
Book value of securities on the balance sheet (French GAAP)	19,660.3	16,899.9

NOTE 1:

The DCC securities, in the amount of EUR 4,062.3 million as of December 31, 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 sold by Dexia Crediop to DCC. The securities held by Dexia MA benefit from the guarantee of Dexia Crediop and are consequently rated A+ by Fitch, A by Standard & Poor's, and A1 by Moody's. As of December 31, 2008, the assets held by DCC (series 1-2-3) could be broken down as follows:

**Assets held as of December 31, 2008,
by DCC - Dexia Crediop per la Cartolarizzazione**

Italian assets	EUR millions
State	0.0
Regions	2,056.8
Provinces	734.7
Municipalities	1,179.9
DCC bank account with Dexia Bank Belgium	90.9
Total	4,062.3

NOTE 2:

The DSFB securities (Compartment I and Compartment II), in the amount of EUR 3,226.9 million as of December 31, 2008, were subscribed by Dexia MA for 98%, i.e. EUR 3,179.5 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, Aa3 by Moody's and A by Standard and Poor's. As of December 31, 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 December 31, 2008,
by DSFB - Dexia Secured Funding Belgium**

Belgian assets	EUR millions
State	0.0
Regions	380.0
Provinces	0.0
Public sector entities	2,075.3
Group of public sector entities	95.4
Loans guaranteed by local governments	676.2
Total	3,226.9

Supervisory Board and Executive Board

SUPERVISORY BOARD (APRIL 2009)

CHAIRMAN

Philippe Rucheton

VICE CHAIRMAN

Benoît Debroise

Dexia Bank Belgium represented by
Michel Luttgens

Dexia Crediop represented by
Marc Brugière Garde

Dexia Credit Local represented by
Pascal Poupelle

Dexia Sabadell represented by
José Luis Castillo

Didier Casas

Jean-Luc Guitard

Jean Le Naour

Claude Schon

Johan Vankelecom

Stéphane Vermeire

EXECUTIVE BOARD (APRIL 2009)

CHAIRMAN

François Laugier

CHIEF EXECUTIVE OFFICER

Gilles Gallerne

Laurent Bouscharain

CHIEF EXECUTIVE OFFICER

Véronique Hugues

Hervé Foyan Djoudom

Directorships of members of management bodies

In application of article L.225-102-1 of the Commercial Code, the following list presents the directorships exercised in 2008 by each Company director of Dexia Municipal Agency who served during the year.

SUPERVISORY BOARD

CHAIRMAN (UNTIL DECEMBER 29, 2008)

Jacques Guerber

59 years old
 Vice chairman of the Management Board, Dexia SA (until November 2008)
 Member of the Board of Directors, Dexia SA (until October 2008)
 Member of the Board of Directors, Dexia Credit Local (until December 2008)
 Member of the Board of Directors, Dexia Bank Belgium (until December 2008)
 Member of the Board of Directors, Dexia BIL (until December 2008)
 Member of the Board of Directors, Crédit du Nord
 Member of the Board of Directors, Financial Security Assurance Holdings Ltd (until December 2008)
 Chairman of the Board of Directors, Dexia Participations Luxembourg

VICE CHAIRMAN (SINCE AUGUST 26, 2008)

Benoît Debroise

48 years old
 Dexia SA – Place Rogier 11 – B-1210 Brussels – Belgium
 Member of the Management Board, Dexia SA (July 2008 to December 2008)
 Member of the Board of Directors, Dexia Overseas (until December 2008)
 Member of the Board of Directors, Dexia Financial Products (until December 2008)
 Member of the Board of Directors, Dexia Capital Ireland (until November 2008)
 Member of the Board of Directors, Dexia Investment Ireland (until September 2008)
 Chairman of the Board of Directors, Parfipar (until September 2008)
 Chairman of the Board of Directors, Dexia Investment Company (until November 2008)
 Member of the Board of Directors, Dexia Microcredit Fund
 Chairman of the Board of Directors, Dexia Securities France SA (since September 2008)
 Chairman of the Board of Directors, Dexia Securities France Holding (since September 2008)

VICE CHAIRMAN (UNTIL AUGUST 26, 2008 AND MEMBER UNTIL DECEMBER 1, 2008)

Alain Delouis

48 years old
 Member of the Management Board, Dexia SA (until November 2008)
 Chairman of the Board of Directors, Dexia Securities France S.A. (until September 2008)
 Chairman of the Board of Directors, Dexia Securities France Holding (until September 2008)
 Member of the Board of Directors, Dexia Crediop (until December 2008) and Vice Chairman of the Board of Directors (October 2008 to December 2008)
 Member of the Board of Directors, Denizbank (until December 2008)
 Member of the Board of Directors, Financial Security Assurance Holdings Ltd (August 2008, to December 2008)
 Chairman of the Board of Directors, Dexia Holdings Inc (August 2008 to November 2008)
 Chairman of the Supervisory Board, Dexia Kommunalkredit Bank AG (September 2008 to December 2008)
 Vice Chairman of the Supervisory Board, Kommunalkredit Austria (September 2008 to December 2008)
 Member and Chairman of the Board of Directors, Dexia Sabadell (July 2008 to December 2008)
 Member of the Board of Directors, Fondation de l'Ecole Nationale des Ponts et Chaussées

MEMBERS

Luc Auberger (until March 10, 2008)

47 years old
 Member of the Board of Directors, Dexia Technology Services (until March 2008)

Didier Casas

38 years old
 Dexia Credit Local - Tour Dexia La Défense 2
 1, Passerelle des Reflets - 92913 La Défense
 Chief Executive Officer and Member of the Board of Directors, Dexia Habitat
 Permanent representative of Dexia Credit Local, member of the Board of Directors, Dexia CLF Immo
 Permanent representative of Dexia Credit Local, member of the Board of Directors, Dexia Finance
 Permanent representative of Dexia Credit Local, member of the Board of Directors, Floral
 Permanent representative of Dexia CLF Immo, member of the Board of Directors, Compagnie pour le Foncier et l'Habitat (CFH)

Bruno Deletré (until July 3, 2008)

47 years old
 Member of the Management Board, Dexia SA (until July 2008)
 Member of the Board of Directors, Financial Security Assurance Holdings Ltd (until July 2008)
 Member and Vice Chairman of the Board of Directors, Dexia Crediop (until July 2008)
 Vice Chairman of the Supervisory Board, Kommunalkredit Austria (until July 2008)
 Chairman of the Board of Directors, Dexia Holdings Incorporated (until July 2008)
 Chairman of the Supervisory Board, Dexia Kommunalkredit Bank A.G. (until July 2008)
 Chairman of the Board of Directors, Dexia Sabadell (until July 2008)
 Member of the Board of Directors, Denizbank (until July 2008)

Dexia Bank Belgium represented by Michel Luttgens

40 years old
 Dexia Bank Belgium – Boulevard Pacheco 44, B-1000 Brussels
 Member of the Board of Directors, ADINFO Belgium SA
 Chairman and Member of the Board of Directors, Cevi N.V.
 Chairman and Member of the Board of Directors, Logins N.V.

Dexia Crediop represented by Marc Brugière Garde

55 years old
 Dexia Crediop – Via Venti Settembre, 30 - I-00187 Rome - Italy
 Chief Executive Officer, Dexia Crediop
 Member of the Board of Directors, Fondazione Nuovi Mecenati (until November 2008)

Dexia Credit Local represented by Gérard Bayol (until February 3, 2009)

55 years old
 Chief Executive Officer, Dexia Credit Local (until November 2008) and member of the Board of Directors
 Member of the Board of Directors, Dexia Crediop
 Chairman of the Board of Directors, Dexia Sofaxis
 Permanent representative of Dexia Credit Local, member of the Board of Directors, Dexia CLF Banque
 Member of the Board of Directors, Dexia Epargne Pension (until November 2008)
 Permanent representative of Dexia Credit Local, member of SOFCA-GIE (until November 2008)
 Managing partner, SCI Bayoli

Dexia Sabadell represented by José Luis Castillo

54 years old
 Dexia Sabadell - Paseo de las Doce Estrellas, nº4 - Campo de las Naciones 28042 Madrid - Spain
 Chief Executive Officer, Dexia Sabadell
 Member of the Board of Directors, Popular Banca Privada
 Member of the Board of Directors, Dexia Crédito Local México S.A. de C.V.

François Durollet (until March 20, 2009)

53 years old
 Member of the Supervisory Board, Astris Finance (until June 2008)
 Member of the Supervisory Board, Kommunalkredit Austria (until December 2008)
 Chairman of the Supervisory Board, Dexia Kommunalkredit Bank A.G. (since December 2008)
 Vice Chairman (until December 2008) and then Chairman (since December 2008) of the Supervisory Board, Dexia Kommunalkredit Bank Polska
 Vice Chairman of the Supervisory Board, Dexia banka Slovensko
 Chairman of the Board of Directors, Dexia Crédito Local México S.A. de C.V.
 Chairman of the Supervisory Board, Dexia Kommunalbank Deutschland A.G.
 Chairman of the Board of Directors, Dexia Israël Bank Ltd
 Chairman of the Board of Directors, Dexia Credit Local Asia Pacific Pty Ltd
 Chairman of the Board of Directors, Dexia Public Finance (Switzerland) S.A.
 Chairman of the Board of Directors, Dexia Credit Local Research & Development India Private Ltd
 Chairman of the Board of Directors, D&F Service Company
 Member of the Board of Directors FSA (UK) Ltd

Jean Le Naour

43 years old
 Dexia Credit Local - Tour Dexia La Défense 2
 1, Passerelle des Reflets - 92913 La Défense
 Manager, CBX.IA 1
 Manager, CBX.IA 2
 Chairman and Chief Executive Officer, Compagnie pour le Foncier et l'Habitat (CFH)
 Chairman and Chief Executive Officer, Dexia CLF Immo
 Chairman and Chief Executive Officer, CBX.GEST
 Member of the Supervisory Board, Dexia Kommunalbank Deutschland AG
 Member of the Board of Directors, Dexia Sabadell

Claude Schon

52 years old
 Dexia SA Luxembourg Branch – 69 route d'Esch L 2953 Luxembourg
 Chairman of the Board of Directors, Dexia BIL Asia Singapore Ltd (until May 2008)
 Vice Chairman of the Supervisory Board, Dexia Kommunalbank Deutschland AG
 Member and Vice Chairman of the Board of Directors, RBC Dexia Investor Services Bank S.A.
 Chairman of the Board of Directors, Dexia Funding Luxembourg (since June 2008)
 Member of the Board of Directors, Dexia Investment Company
 Member of the Board of Directors, Dexia LdG Bank SA
 Member of the Board of Directors, Parfipar SA

Johan Vankelecom (since March 19, 2008)

37 years old

Dexia Credit Local - Tour Dexia La Défense 2
1, Passerelle des Reflets - 92913 La Défense**EXECUTIVE BOARD****CHAIRMAN****François Laugier**

44 years old

Dexia Credit Local - Tour Dexia La Défense 2
1, Passerelle des Reflets - 92913 La DéfenseMember of the Supervisory Board, Dexia Kommunalkredit
Bank AGMember of the Supervisory Board, Kommunalkredit Austria
(until December 2008)

Member of the Board of Directors, SISL

Member of the Board of Directors, Dexia LdG Banque SA

MEMBERS**Gilles Gallerne**

Chief Executive Officer

45 years old

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

Member of the Board of Directors, CBX.GEST

Véronique Hugues

Chief Executive Officer (since March 19, 2008)

38 years old

Dexia Credit Local - Tour Dexia La Défense 2
1, Passerelle des Reflets - 92913 La Défense**Sylvie Vadé**

Chief Executive Officer (until January 2008)

53 years old

Laurent Bouscharain

36 years old

Dexia Crédit Local - Tour Dexia La Défense 2
1, Passerelle des Reflets - 92913 La Défense

Managing Director, Dexia Municipal Agency Dublin Branch

Member of the Board of Directors, SISL

Member of the Board of Directors, SISL UK Co

Member of the Management Board, Dexia Kommunalkredit
Bank AG (since December 2008)Member of the Supervisory Board, Dexia Kommunalkredit
Bank Polska (since December 2008)**Hervé Foyan Djoudom**

35 years old

Dexia Crédit Local Dublin Branch - 6 George's Dock, IFSC, Dublin 1.

Managing Director, Dexia Credit Local Dublin Branch

Managing Director, Dexia Municipal Agency Dublin Branch

**COMPENSATION OF MEMBERS
OF MANAGEMENT BODIES**

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

AUDITORS

The auditors of Dexia Municipal Agency and their alternates are:

Mazars

Exaltis - 61, rue Henri Regnault - 92075 La Défense Cedex
represented by Guillaume Potel, Partner, and Anne Veaute,
Partner

Alternate: Pierre Masieri

Re-appointed by the Ordinary and Extraordinary
Shareholders' Meeting of March 24, 2005, until after the
Shareholders' Meeting called to approve the financial state-
ments for the year ending December 31, 2010.

Deloitte et Associés

185, avenue Charles de Gaulle - 92524 Neuilly-sur-Seine Cedex
represented by François Arbey, Partner, and José Luis Garcia,
Partner

Alternate: BEAS, represented by Mireille Berthelot, Partner
Appointed by the Ordinary and Extraordinary Shareholders'
Meeting of May 26, 2008, until after the Shareholders'
Meeting called to approve the financial statements for the
year ending December 31, 2010.

SPECIFIC CONTROLLER**FIDUS**

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

Alternate: GROUPEMENT D'EXPERTISE DE FRANCE

10, rue de la Grange Batelière - 75009 Paris
represented by François Dumenil

Assets as of December 31, 2008

EUR millions	Note	12/31/2007	12/31/2008
Central banks	2.1	15	0
Financial assets at fair value through profit or loss		0	0
Hedging derivatives	4.1	3,261	4,026
Financial assets available for sale	2.2	17,159	1,325
Interbank loans and advances	2.3	3,182	10,174
Customer loans and advances	2.4	49,419	70,287
Fair value revaluation of portfolio hedge		147	801
Financial assets held to maturity		0	0
Current tax assets	2.5	0	11
Deferred tax assets	2.5	55	223
Accruals and other assets	2.6	20	0
Total Assets		73,258	86,847

Liabilities as of December 31, 2008

EUR millions	Note	12/31/2007	12/31/2008
Central banks	3.1	0	7,473
Financial liabilities at fair value through profit or loss		0	0
Hedging derivatives	4.1	4,507	8,463
Interbank loans and deposits	3.2	10,424	4,410
Customer borrowings and deposits		0	0
Debt securities	3.3	57,296	64,266
Fair value revaluation of portfolio hedge		(14)	990
Current tax liabilities	3.4	21	6
Deferred tax liabilities	3.4	0	0
Accruals and other liabilities	3.5	70	525
Provisions		0	0
Subordinated debt		0	0
Shareholders' equity	3.6	954	714
Capital stock and additional paid-in capital		876	946
Reserves and retained earnings		2	12
Unrealised or deferred gains and losses		(4)	(357)
Net income		80	113
Total Liabilities		73,258	86,847

Income statement as of December 31, 2008

EUR millions	Note	12/31/2007	12/31/2008
Interest income	5.1	10,187	12,394
Interest expense	5.1	(9,986)	(12,139)
Fee and commission income	5.2	0	0
Fee and commission expense	5.2	(5)	(4)
Net gains (losses) on financial instruments at fair value through profit or loss	5.3	1	0
Net gains (losses) on financial assets available for sale	5.4	6	3
Other income	5.5	0	0
Other expense	5.6	0	0
Net banking income		203	254
Operating expense	5.7	(83)	(92)
Cost of risk	5.8	(0)	(3)
Operating income		120	159
Net gains (losses) on other assets		0	0
Income before tax		120	159
Corporate income tax	5.9	(40)	(46)
Net income		80	113
Earnings per share			
- Basic (EUR)		9	12
- Diluted (EUR)		9	12

Shareholders' equity

EUR millions	Core shareholders' equity			Unrealized or deferred gains and losses			
	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	Shareholders' equity
As of January 1, 2007, French GAAP	760	137	897	0	0	0	897
Impact of the first-time adoption of IFRS (see note 8.1.C)	0	(19)	(19)	(12)	0	(12)	(31)
As of January 1, 2007, IFRS	760	118	878	(12)	0	(12)	866
Movements during the period							
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	8	0	8	8
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 or loss	0	0	0	0	0	0	0
Changes in fair value of hedging derivatives through profit or 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
As of December 31, 2007, IFRS	876	82	958	(4)	0	(4)	954
Movements during the period							
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	(248)	0	(248)	(248)
Changes in fair value of hedging derivatives through shareholders' equity	0	0	0	0	(105)	(105)	(105)
Changes in fair value of available for sale financial assets through profit or loss	0	0	0	0	0	0	0
Changes in fair value of hedging derivatives through profit or loss	0	0	0	0	0	0	0
Net income for the period	0	113	113	0	0	0	113
Other movements	0	0	0	0	0	0	0
As of December 31, 2008, IFRS	946	125	1 071	(252)	(105)	(357)	714

Cash Flow Statement

EUR millions	12/31/2007	12/31/2008
Net income before taxes	120	159
+/- Amortization and depreciation and other impairment on fixed and intangible assets	0	0
+/- Depreciation and write-downs	0	3
+/- Expense/income from operating activities	(160)	(269)
+/- Expense/income from financing activities	199	240
+/- Other non-cash items	2	(59)
= Non-monetary items included in net income before tax and other adjustments	41	(85)
+/- Cash from interbank operations (Dexia Credit Local and Banque de France)	(2,000)	7,726
+/- Cash from interbank operations (customer loans)	(1,154)	(987)
+/- Cash from client operations (loans)	(4,375)	(2,949)
+/- Cash from financing assets	(5,865)	(2,888)
+/- Cash from hedging financial instruments	26	247
- Income tax paid	(81)	(75)
= Decrease/(increase) in cash from operating activities	(13,449)	1,074
CASH FLOW FROM OPERATING ACTIVITIES (A)	(13,288)	1,148
+/- Cash from financing assets and long-term investments	0	0
+/- Cash from investment property	0	0
+/- Cash from property and intangible assets	0	0
CASH FLOW FROM INVESTING ACTIVITIES (B)	0	0
+/- Cash from or for shareholders	0	0
+/- Other cash from financing activities	8,623	5,174
CASH FLOW FROM FINANCING ACTIVITIES (C)	8,623	5,174
EFFECT OF CHANGES IN EXCHANGE RATES ON CASH (D)	0	0
Increase/(decrease) in cash equivalents (A + B + C + D)	(4,665)	6,322
Cash flow from operating activities (A)	(13,288)	1,148
Cash flow from investing activities (B)	0	0
Cash flow from financing activities (C)	8,623	5,174
Effect of changes in exchange rates on cash (D)	0	0
Cash and cash equivalents at the beginning of the period	(2,819)	(7,484)
Cash, central banks and postal checking accounts (assets & liabilities)	2	15
Interbank accounts (assets & liabilities) and loans/deposits at sight	(2,821)	(7,499)
Cash and cash equivalents at the end of the period	(7,484)	(1,162)
Cash, central banks and postal checking accounts (assets & liabilities)	15	(334)
Interbank accounts (assets & liabilities) and loans/deposits at sight	(7,499)	(828)
Net cash	(4,665)	6,322

NOTES TO THE IFRS FINANCIAL STATEMENTS AS OF DECEMBER 31, 2008

CONTEXT OF PUBLICATION

Dexia Municipal Agency decided to publish a set of individual financial statements according to IFRS.

This publication is voluntary and the reference for the preparation of the financial statements is consistently, in compliance with legislation applicable in France, French generally accepted accounting procedures (French GAAP).

Dexia Municipal Agency presents its first annual financial statements prepared according to IFRS. These financial statements were examined by the Executive Board on March 5, 2009.

APPLICABLE ACCOUNTING PRINCIPLES

• APPLICATION OF IFRS ADOPTED BY THE EUROPEAN COMMISSION (IFRS EU)

On July 19, 2002, the European Commission published regulation EC 1606/2002, which obliged listed groups to apply IFRS as of January 1, 2005. Dexia has thus applied these standards since that date, and Dexia Municipal Agency decided to publish its financial statements according to these standards.

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 its previously reported 2007 financial statements according to the same rules.

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 deleted some paragraphs of IAS 39 with the objective of enabling European companies to reflect clearly in their consolidated financial statements the economic hedges conducted within the framework of their interest rate risk management (use of interest rate hedges in a portfolio and the possibility of hedging deposits).

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

The financial statements are prepared on an ongoing concern basis. The financial statements are stated in millions of euros (EUR) unless otherwise noted. They are compliant with CNC recommendation 2004 R03 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 customer loans and the provisions as well as the fair value of assets are the main items in the financial statements that are based on estimates and assumptions.

• CHANGES IN ACCOUNTING POLICIES SINCE JANUARY 1, 2008

a. Texts adopted by the European Commission

Since January 1, 2008, the European Commission has adopted the following IASB and IFRIC texts.

Standard

- IAS 14 revised Segment Reporting (IFRS 8). IASB published IAS 14 revised (IFRS 8) in January 2008, which had no significant impact on Dexia Municipal Agency. IFRS 8 is intended to replace IAS 14 for financial statements published as of January 1, 2009, and has not been applied early. This new standard will allow the use of segment information in line with management and external financial communication reporting.

Amendments to standards

- IAS 1 "Presentation of Financial Statements" Amendment applicable as of January 1, 2009, concerning the publication of supplemental disclosures on shareholders' equity and net income. The impact of this amendment is currently being analyzed.
- IFRS 2 "Share-Based Payment – Conditions of acquisition and cancellation" Amendment applicable as of January 1, 2009, the impact of which will not be significant for Dexia Municipal Agency.
- IAS 23 "Borrowing Costs", which requires borrowing costs to be capitalized. The change in this standard, applicable as of January 1, 2009, has no impact on Dexia Municipal Agency.

- IAS 39 “Financial Instruments: Recognition and Measurement” and IFRS 7 “Financial Instruments”: Disclosures – Amendment applicable as of July 1, 2008, which authorizes the restatement of certain financial assets.

This amendment authorizes under certain conditions the restatement of certain financial assets other than derivatives:

- from the categories “Financial assets held for trading” to the categories “Financial assets available for sale” and “Loans and advances”;
- as well as from the category “Financial assets available for sale” to the category “Loans and advances”.

Dexia Municipal Agency used this possibility to restate certain financial assets as of October 1, 2008. The impact and supplemental disclosures on the financial statements are discussed in note 2.7 to the financial statements “Restatement of financial assets”.

Interpretations

- IFRIC 13 “Consumer Loyalty Programme”, which has been applicable since July 1, 2008, but has no impact on Dexia Municipal Agency;
- 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 the financial statements of Dexia Municipal Agency.

b. Texts not yet adopted by the European Commission

For purposes of information, the following IASB and IFRIC texts, published in 2008, were not adopted at the end of December 2008 by the European Commission and are not applicable to Dexia Municipal Agency.

Standards

- IFRS 3 “Business Combinations” replaces the standard published in 2004 and will be applicable in fiscal years beginning as of July 1, 2009.

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

- IAS 1 “First-time Adoption of International Financial Reporting Standards” is applicable as of July 1, 2009, and offers options for the application of the following three standards: IFRS 3: “Business Combinations”, IAS 19: “Employee Benefits”, and IAS 21 “Effects of Changes in Foreign Exchange Rates”.

This standard has no impact on the financial statements of Dexia Municipal Agency.

Amendments

IASB also published four amendments to existing standards. The first two apply as of January 1, 2009. The last two will take effect as of July 1, 2009.

- 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 27 “Consolidated and Separate Financial Statements”.

The first three amendments have no impact on the financial statements of Dexia Municipal Agency

- Amendment to IAS 39 “Eligible Hedged Items”.

The impact of the fourth is being studied.

Annual improvements in IFRS in 2008

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, counting and valuation;
- those that concern changes in terminology with a minimum impact on the financial statements.

Interpretations

IFRIC published three interpretations, the first two of which apply as of January 1, 2009, and the last as of July 1, 2009:

- IFRIC 15 Agreements for the Construction of Real Estate;
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation;
- IFRIC 17 Distributions of Non-cash Assets to Owners.

These IFRIC interpretations have no impact on the financial statements of Dexia Municipal Agency.

1. ACCOUNTING PRINCIPLES APPLIED TO THE FINANCIAL STATEMENTS

1.1 - 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.

1.2 - 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 exchange rate at the date of the transaction. Monetary and non-monetary assets and liabilities that are nevertheless recognized at fair value and denominated in foreign currencies existing at the closing date are recognized at closing rates. Other non-monetary assets and liabilities are recorded at their historical rates. The resulting exchange differences from non-monetary assets and liabilities recognized at fair value are recorded as fair value adjustments.

1.3 - 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.

1.4 - FINANCIAL ASSETS

a. Interbank and customer 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.

b. Financial assets held for trading

Dexia Municipal Agency holds no assets for trading.

c. Financial assets designated at fair value through profit or loss

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

d. Financial assets available for sale and held to maturity

Management determines the appropriate classification of its investments at the time of the purchase. However, under certain conditions, the financial asset may be restated at a later date.

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. 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.

When financial assets available for sale are restated as loans and advances at a later date on the basis of the October 2008 amendment to IAS 39, the reserve representative of changes in the fair value of the financial assets available for sale as presented in the financial statements as of December 31, 2008, corresponds to the amortized part of this reserve with regard to the securities restated as of October 1, 2008.

e. 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.

f. Accounting for early reimbursement penalties

Dexia Municipal Agency has determined the accounting principles applicable to the restructuring of loans in accordance with AG 62 of IAS 39 concerning the restructuring of debt on financial assets.

Regarding the method of accounting for early reimbursement penalties, there are several possibilities depending on whether the early reimbursement is recognized as being an early reimbursement with refinancing or an extinguishment without refinancing.

Early reimbursement with refinancing

The method of accounting for early reimbursement penalties differs depending on whether the restructuring conditions are substantially different from those set initially.

In line with the principles of AG 62, Dexia 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 else amortized over the life of the new loan depending on the results of the eligibility test. If the eligibility test is passed (i.e. the difference in net present value is less than 10%), any early reimbursement penalties are amortized over the term of the new loan. If not (i.e. the difference exceeds 10%), early reimbursement penalties are recognized immediately in income.

Early reimbursement without refinancing

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

g. 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.

At each closing date, Dexia Municipal Agency examines the situation in order to determine if the parameters given for the models need to be adjusted. If such adjustments (e.g. with regard to the concentration of risks by business sector) are necessary, additional provisions are recognized.

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". Impairment of variable income financial assets available for sale is recorded as "Net gains and losses on financial assets available for sale".

h. Sale and repurchase agreements and lending of securities

Securities sold subject to a linked repurchase agreement (repos) 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 "Customer deposits" as appropriate.

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

- an off-balance sheet obligation to return securities; and
- “Interbank loans and advances” or “Customer 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 the borrowed securities are sold to third parties, the obligation to return them is recorded at fair value in “Financial liabilities designated at fair value through profit or loss”, and the gain or loss is included in “Net gains (losses) on financial instruments at fair value through profit or loss”.

Currently, Dexia Municipal Agency does not engage in this type of transaction.

1.5 - FINANCIAL LIABILITIES

a. Liabilities designated at fair value through profit or loss

Dexia Municipal Agency does not use this option.

b. 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 December 31, 2008. It is sub-divided into two parts.

1) *Obligations foncières*

Obligations foncières are recorded at nominal value.

Reimbursement premiums and issue premiums are amortized according to the straight line method over the life of the securities concerned, as of the first year, *prorata temporis*. They are recorded on the balance sheet in items corresponding to the type of debt concerned.

The amortization of these premiums is recorded in the income statement as interest income and charge on bonds and fixed income securities. In the case of bonds issued above par, the spread of issue premiums is deducted from related interest income and charge on bonds and fixed income securities.

Interest related to bonds is accounted for as banking operating

charges for accrued amounts, due and not yet due, calculated *prorata temporis* on the basis of contractual rates.

Fees and commissions on bond issues are spread in equal fractions over the life of the loans to which they are attached.

Bonds denominated in other currencies are treated in the same way as foreign exchange transactions (see 3.2).

2) Registered covered bonds

These private placements are recorded at nominal value. Issue premiums are dealt with in the same way as *obligations foncières* (see above).

Pursuant to article L.515-20 of the Monetary and Financial Code and article 6 of CRB standard 99-10 of July 27, 1999, total assets must at all times be greater than total liabilities benefiting from the privilege mentioned in article L.515-19 of the above-mentioned Monetary and Financial Code.

1.6 - DERIVATIVES

a. Fair value derivatives

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

b. 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.

c. Hedging of the interest rate risk of a portfolio

Dexia Municipal Agency 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 hedging relations 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 on a cumulative basis and all portfolio maturities are represented. Hence, when they are removed from the portfolio, they must be removed from all the maturities on which they had an impact.

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

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

On the balance sheet, revaluation could be recognized as:

- fair value revaluation of the asset hedge portfolio;
- fair value revaluation of the liability hedge portfolio.

Effectiveness tests consist in verifying that the hedging objective is attained, 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.

1.7 - 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. Active market prices are not, however, available for a significant number of the financial assets and liabilities held or issued by Dexia Municipal Agency.

If the market for a financial instrument is not active, valuation techniques are used. A valuation technique reflects what the transaction price would be at the date of the valuation under conditions of normal competition and motivated by usual business conditions, i.e. the price that the holder of the financial asset would receive in a usual transaction that is not a liquidation or a forced transaction.

The valuation model should take into account all the factors that the market players would take into consideration to value the asset. Within this framework, Dexia Municipal Agency relies on its own valuation models, as well as its market assumptions, i.e. an amount discounted through a treasury flow or any other method based on the market conditions existing at the closing date.

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, including observable and non-observable market data.

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 attempt to reflect as accurately as possible market conditions at the calculation

date as well as changes in the credit quality of the financial instruments and market liquidity.

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

- the fair value of fixed rate loans and mortgages 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 advances.

1.8 - 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.

1.9 - 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.

1.10 - 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 are recognized to account for temporary differences arising from investments in subsidiaries, jointly controlled companies and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

Deferred taxes related to fair value re-measurement of assets available for sale and cash flow hedges, 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.

1.11 - PROVISION FOR RISKS 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.

1.12 - 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.

1.13 - EARNINGS PER SHARE

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

1.14 - 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 members of the Company's management bodies.

1.15 - 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.

1.16 - CASH AND CASH EQUIVALENTS

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

PROCEDURE FOR THE PREPARATION OF THE FIRST FINANCIAL STATEMENTS ACCORDING TO IFRS

Dexia Municipal Agency's first financial statements according to IFRS were prepared in compliance with the procedures described in IFRS 1. The date of the changeover is January 1, 2007.

Dexia Municipal Agency thus prepared an opening balance sheet as of January 1, 2007, according to IFRS. In presenting its opening balance sheet, Dexia Municipal Agency complied with the general rule on retrospective application as defined by IFRS 1.

Dexia Municipal Agency presented a calculation of the impact of the changeover to IFRS on shareholders' equity and the balance sheet at the date of the first application and income for the years 2007 and 2008. Financial statements comparing French GAAP and IFRS, as well as tables analyzing the changeover were drawn up at the date of the first application as of January 1, 2007. They are presented in note 8 to the financial statements. Reconciliations are presented in the form of tables of the transition of financial data from French GAAP to IFRS.

The Company took the option allowed by paragraph 24 a) of IFRS 1, which involves using as IFRS book values in Dexia Municipal Agency's opening balance sheet as of January 1, 2007, Dexia Municipal Agency's book values (excluding the impact of consolidation restatements in the financial statements of Dexia Credit Local) in the financial statements of Dexia Credit Local at the same date, it being noted 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 TO THE ASSETS

2.1 - CENTRAL BANKS

EUR millions	12/31/2007	12/31/2008
Mandatory reserve deposits with central banks	15	0
Other central bank deposits	0	0
Total	15	0

2.2 - FINANCIAL ASSETS AVAILABLE FOR SALE

In the final quarter of 2008, most of the securities in the portfolio, which were previously classed as AFS, were restated in accounting as "Loans and advances" and are now treated as loans in accounting.

a. Analysis by nature

EUR millions	12/31/2007	12/31/2008
Loans	0	0
Bonds	17,159	1,325
Total	17,159	1,325

b. Breakdown by counterparty

EUR millions	12/31/2007	12/31/2008
Public sector	5,375	1,036
Credit institutions guaranteed by the public sector	351	289
Other - guaranteed by a State or local government	1,493	0
Other - ABS made up solely of public commitments	3,861	0
Total public sector	11,080	1,325
Replacement assets	6,079	0
Total	17,159	1,325
of which eligible for central bank refinancing	10,655	1,098

c. Impairment

EUR millions	12/31/2007	12/31/2008
Public sector bonds or bonds guaranteed by the public sector	11,080	1,325
Replacement assets	6,079	0
Total performing assets	17,159	1,325
Public sector bonds or bonds guaranteed by the public sector	0	0
Replacement assets	0	0
Total impaired assets	0	0
Specific impairment	0	0
Total assets after impairment	17,159	1,325

d. Replacement assets

EUR millions	Rating	12/31/2007	12/31/2008
Dexia Sabadell - <i>Cedulas territoriales</i>	Moody's Aaa	2,443	0
Dexia Kommunalbank Deutschland - <i>Pfandbrief</i>	S&P AAA	1,028	0
Dexia LdG Banque - <i>Lettres de gage</i>	S&P AAA	2,608	0
Total		6,079	0

e. ABS from public sector

EUR millions	Rating	12/31/2007	12/31/2008
Colombo	Aaa Moody's, AAA S&P	17	0
Astrea	AA- Fitch, Aa2 Mody's	6	0
Blue Danube	AA+ S&P	86	0
AyT <i>Cedulas territoriales</i> Cajas II	AAA S&P	246	0
DCC - Dexia Crediop per la Cartolarizzazione	A+ Fitch, A1 Moody's, A S&P	1,839	0
DSFB - Dexia Secured Funding Belgium	AA- Fitch, Aa3 Moody's, A S&P	1,667	0
Total		3,861	0

f. Transfers between portfolios

EUR millions	12/31/2007	12/31/2008
Accounting value as of December 31, 2008, of securities available for sale transferred to loans and advances as of September 30, 2008: see note 2.7	0	18,162

g. Analysis by residual maturity: see note 7.3**2.3 - INTERBANK LOANS AND ADVANCES****a. Analysis by nature**

EUR millions	12/31/2007	12/31/2008
Nostro accounts	0	59
Other interbank loans and advances	3,182	10,115
Performing assets	3,182	10,174
Impaired loans and advances	0	0
Impaired assets	0	0
Total assets before impairment	3,182	10,174
Specific impairment	0	0
Collective impairment	0	0
Total	3,182	10,174

b. Breakdown by counterparty

EUR millions	12/31/2007	12/31/2008
Swiss cantonal banks benefiting from their canton's legal guarantee	1,978	2,189
Banks guaranteed by a local government, <i>crédits municipaux</i>	117	145
Credit institutions belonging to the Dexia Group: loans benefiting from the assignment in guarantee of refinanced public debt	1,087	1,965
Credit institutions guaranteed by the State	0	8
Replacement assets	0	5,867
Total	3,182	10,174

c. Replacement assets

EUR millions	Rating	12/31/2007	12/31/2008
Dexia Sabadell - <i>Cedulas territoriales</i>	Moody's Aaa	0	3,202
Dexia LdG Banque - <i>Lettres de gage</i>	S&P AAA	0	2,606
Dexia Credit Local Dublin - sight account		0	59
Total		0	5,867

d. Analysis by residual maturity: see note 7.3

2.4 - CUSTOMER LOANS AND ADVANCES

a. Analysis by counterparty

EUR millions	12/31/2007	12/31/2008
Public sector	45,853	58,130
Other * - guaranteed by a State or local government	3,570	4,808
Other - ABS made up solely of public commitments	0	7,351
Performing assets	49,423	70,289
Impaired loans and advances	4	8
Impaired assets	4	8
Total assets before impairment	49,427	70,297
Specific impairment	0	0
Collective impairment	(8)	(10)
Total	49,419	70,287

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

b. Public sector ABS

EUR millions	Rating	12/31/2007	12/31/2008
Colombo	Aaa Moody's, AAA S&P	0	13
Astrea	AA- Fitch, Aa2 Mody's	0	4
Blue Danube	AA+ S&P	0	80
DCC - Dexia Crediop per la Cartolarizzazione	A+ Fitch, A1 Moody's, A S&P	0	3,196
DSFB - Dexia Secured Funding Belgium	AA- Fitch, Aa3 Moody's, A S&P	0	4,058
Total		0	7,351

c. Analysis by residual maturity: see note 7.3

2.5 - TAX ASSETS

EUR millions	12/31/2007	12/31/2008
Current income tax	0	11
Other taxes	0	0
Current tax assets	0	11
Deferred tax assets (see note 4.2)	55	223

2.6 - ACCRUALS AND OTHER ASSETS

Analysis by nature (EUR millions)	12/31/2007	12/31/2008
Cash collateral	0	0
Other accounts receivable	20	0
Prepaid charges	0	0
Other assets	0	0
Total accruals and other assets	20	0

2.7 - RESTATEMENT OF FINANCIAL ASSETS (IAS 39 AMENDED)

Date of restatement: October 1, 2008

	Carrying amount of assets reclassified, at October 1, 2008		Carrying amount of reclassified assets at December 31, 2008		Fair value of reclassified assets at December 31, 2008		Amount not taken through profit or loss (1) and (2) due to reclassification		Amount not taken through AFS reserve (3) due to reclassification		Tax effect		Net		Premium/discount amortization through net income		Premium/discount amortization through AFS reserve		
(1) From "Financial assets held for trading" to "Loans and advances"																			
(2) From "Financial assets held for trading" to "Financial assets available for sale"																			
(3) From "Financial assets available for sale" to "Loans and advances"	17,855	18,162	440				(213)	75	(138)										6
Collective impairment set up during the quarter through profit or loss due to reclassification towards "Loans and advances"				(2)															
Associated tax effect				0															

3. NOTES TO THE LIABILITIES**3.1 - CENTRAL BANKS**

This item includes refinancing obtained through Banque de France tenders.

Since the end of September 2008, 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 7,473 million as of December 31, 2008.

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

EUR millions	12/31/2007	12/31/2008
Overnight borrowing	0	334
Time borrowing, maturity first quarter 2009	0	7,126
Accrued interest	0	13
Total funding from Banque de France	0	7,473

3.2 - INTERBANK LOANS AND DEPOSITS**a. Analysis by nature**

EUR millions	12/31/2007	12/31/2008
Demand deposits	7,515	882
Time deposits	2,909	3,528
Total	10,424	4,410

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 4,380 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 880 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 December 31, 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.

EUR millions	12/31/2007	12/31/2008
Balance of current account	7,499	880
Accrued interest not yet due on the current account	16	2
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	9	28
Total Dexia Credit Local	10,424	4,410

b. Analysis by residual maturity: see note 7.3

3.3 - DEBT SECURITIES

a. Analysis by nature

EUR millions	12/31/2007	12/31/2008
<i>Obligations foncières</i>	55,942	62,411
Registered covered bonds	1,354	1,855
Total	57,296	64,266

b. Analysis by residual maturity: see note 7.3

3.4 - TAX LIABILITIES

EUR millions	12/31/2007	12/31/2008
Current income tax	16	0
Other taxes	5	6
Current tax liabilities	21	6
Deferred tax liabilities (see note 4.2)	0	0

3.5 - ACCRUALS AND OTHER LIABILITIES

EUR millions	12/31/2007	12/31/2008
Cash received as collateral	19	462
Other accrued charges	23	57
Deferred income	0	0
Other accounts payable and other liabilities	28	6
Total	70	525

3.6 - DEXIA MUNICIPAL AGENCY - SHAREHOLDERS' EQUITY

EUR millions	Core shareholders' equity			Unrealized or deferred gains and losses			
	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	Shareholders' equity
As of January 1, 2007, French GAAP	760	137	897	0	0	0	897
Impact of the first-time adoption of IFRS (see note 8.1.C)	0	(19)	(19)	(12)	0	(12)	(31)
As of January 1, 2007, IFRS	760	118	878	(12)	0	(12)	866
Movements during the period							
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	8	0	8	8
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 or loss	0	0	0	0	0	0	0
Changes in fair value of hedging derivatives through profit or 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
As of December 31, 2007, IFRS	876	82	958	(4)	0	(4)	954
Movements during the period							
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	(248)	0	(248)	(248)
Changes in fair value of hedging derivatives through shareholders' equity	0	0	0	0	(105)	(105)	(105)
Changes in fair value of available for sale financial assets through profit or loss	0	0	0	0	0	0	0
Changes in fair value of hedging derivatives through profit or loss	0	0	0	0	0	0	0
Net income for the period	0	113	113	0	0	0	113
Other movements	0	0	0	0	0	0	0
As of December 31, 2008, IFRS	946	125	1 071	(252)	(105)	(357)	714

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

- (i) to allocate the 2007 net income of EUR 153.5 million, constituting income for distribution of EUR 146.4 million, after allocation to the legal reserve and the addition of retained earnings, as follows:
 - distribution of a dividend of EUR 70.1 million;
 - allocation of the rest to retained earnings;
- (ii) to increase the capital in cash by EUR 70 million. This capital increase was subscribed by Dexia Credit Local and enacted on May 28, 2008.

Dexia MA's capital stock totaled EUR 946 million, comprising 9,460,000 shares with a face value of EUR 100.

4. OTHER NOTES ON THE BALANCE SHEET

4.1 . DERIVATIVES

a. Analysis by nature

EUR millions	12/31/2007		12/31/2008	
	Assets	Liabilities	Assets	Liabilities
Derivatives at fair value through profit or loss	0	0	0	0
Derivatives designated as fair value hedges	1,381	2,636	1,809	6,362
Derivatives designated as cash flow hedges	35	21	8	250
Derivatives designated as portfolio hedges	1,845	1,850	2,209	1,851
Hedging derivatives	3,261	4,507	4,026	8,463
Total derivatives	3,261	4,507	4,026	8,463

b. Detail of derivatives designated as fair value hedges

EUR millions	12/31/2007				12/31/2008			
	Notional amount		Assets	Liabilities	Notional amount		Assets	Liabilities
	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	19,658	20,906	572	1,757	19,789	21,001	1,146	1,501
Interest rate derivatives	40,575	40,575	809	879	41,211	41,211	663	4,861
Total	60,233	61,481	1,381	2,636	61,000	62,212	1,809	6,362

c. Detail of derivatives designated as cash flow hedges

EUR millions	12/31/2007				12/31/2008			
	Notional amount		Assets	Liabilities	Notional amount		Assets	Liabilities
	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	2,786	2,944	35	21	2,472	2,551	8	250
Interest rate derivatives	0	0	0	0	0	0	0	0
Total	2,786	2,944	35	21	2,472	2,551	8	250

EUR millions	12/31/2007	12/31/2008
Recycled amount of the fair value reserve on cash flow hedges in the acquisition cost of non-financial asset (cash flow hedge of a highly probable transaction).	0	0

d. Detail of derivatives designated as portfolio hedges

EUR millions	12/31/2007				12/31/2008			
	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	
Interest rate derivatives	162,495	162,495	1,845	1,850	174,562	174,562	2,209	1,851
Total	162,495	162,495	1,845	1,850	174,562	174,562	2,209	1,851

4.2 - DEFERRED TAXES

a. Analysis by nature

EUR millions	12/31/2007	12/31/2008
Deferred tax assets before impairment	55	223
Impairment on deferred tax assets	0	0
Deferred tax assets (1)	55	223
Deferred tax liabilities (1)	0	0
Total	55	223

(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 December 31, 2008.

b. Movements

EUR millions	12/31/2007	12/31/2008
As of January 1	15	55
Charge/credit recognized in the income statement	43	7
Effect of change in tax rates - impact on the income statement	0	0
Movements directly recognized in shareholders' equity	(3)	161
Effect of change in tax rates - impact on shareholders' equity	0	0
Translation adjustment	0	0
Other movements	0	0
As of December 31	55	223

c. Deferred taxes coming from assets on the balance sheet

EUR millions	12/31/2007	12/31/2008
Loans (and loan loss provisions)	48	62
Securities	2	104
Derivatives	0	57
Accruals and other assets	20	18
Total	70	241

d. Deferred taxes coming from liabilities on the balance sheet

EUR millions	12/31/2007	12/31/2008
Derivatives	0	0
Borrowings, deposits and issues of debt securities	0	0
Provisions	0	0
Regulatory provisions	(15)	(18)
Accruals and other liabilities	0	0
Total	(15)	(18)

4.3 - RELATED-PARTY TRANSACTIONS

Analysis by nature (EUR millions)	Parent company (Dexia Credit Local)		Other related parties (1)	
	12/31/2007	12/31/2008	12/31/2007	12/31/2008
Assets				
Loans and advances (2)	1,087	9,283	0	5,802
Bonds (2)	5,310	0	4,275	0
Liabilities				
Interbank loans	2,909	3,528	0	0
Income statement				
Interest income on loans and advances (3)	13	270	0	73
Interest income on bonds (4)	223	215	62	188
Interest expense on loans	(132)	(144)	0	0
Fee and commission expense	(4)	(3)	0	0
Off-balance sheet				
Interest rate derivatives	132,147	140,857	4,019	3,972
Guarantees issued by the Group	1,839	4,010	1,667	3,194

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

(2) Restatement of securities available for sale as loans and advances as of October 1, 2008, cf. note 2.7.

(3) Including interest in the fourth quarter of 2008 from securities restated as loans and advances as of October 1, 2008, cf. note 2.7.

(4) Interest as of September 30, 2008, from securities restated as loans and advances as of October 1, 2008, cf. note 2.7.

5. NOTES ON THE INCOME STATEMENT

5.1 - INTEREST INCOME - INTEREST EXPENSE

En EUR millions	12/31/2007	12/31/2008
Interest income	10,187	12,394
Central banks	0	1
Interbank loans and advances (1)	71	234
Customer loans and advances (2)	1,853	2,236
Financial assets available for sale	586	706
Financial assets held to maturity	0	0
Derivatives used for hedging	7,677	9,217
Impaired assets	0	0
Other	0	0
Interest expense	(9,986)	(12,139)
Central banks	0	(48)
Interbank loans and deposits	(264)	(327)
Customer borrowings and deposits	0	0
Debt securities	(2,244)	(2,657)
Subordinated debt	0	0
Derivatives used for hedging	(7,478)	(9,107)
Other	0	0
Interest margin	201	255

(1) of which from securities transferred to loans and advances since September 30, 2008

0 75

(2) of which from securities transferred to loans and advances as of September 30, 2008

0 157

5.2 - FEES AND COMMISSIONS

EUR millions	12/31/2007			12/31/2008		
	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	(5)	(5)	0	(4)	(4)
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
Total	0	(5)	(5)	0	(4)	(4)

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

EUR millions	12/31/2007	12/31/2008
Net result of hedge accounting	1	0
Net result of foreign exchange transactions	0	0
Total	1	0

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

Analysis of net result of hedge accounting

EUR millions	12/31/2007	12/31/2008
Fair value hedges	1	0
Fair value changes in the hedged item attributable to the hedged risk	(1,141)	3,598
Fair value changes in the hedging derivatives	1,142	(3,598)
Cash flow hedges	0	0
Fair value changes in the hedging derivatives – ineffective portion	0	0
Discontinuation of cash flow hedge accounting (Cash flows no longer expected to occur)	0	0
Hedges of net investments in a foreign operation	0	0
Fair value changes in the hedging derivatives – ineffective portion	0	0
Portfolio hedge	0	0
Fair value changes in the hedged item	(41)	(350)
Fair value changes in the hedging derivatives	41	350
Total	1	0

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

EUR millions	12/31/2007	12/31/2008
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 advances	6	4
Total	6	3

5.7 - OPERATING EXPENSE

EUR millions	12/31/2007	12/31/2008
Payroll costs	0	0
General and administrative expense	(75)	(83)
Taxes	(8)	(9)
Total	(83)	(92)

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

In addition, specific management contracts grant different entities 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

EUR millions	12/31/2007			12/31/2008		
	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	(3)	0	(3)
Fixed income securities available for sale	0	0	0	0	0	0
Total	0	0	0	(3)	0	(3)

Detail of collective and specific impairments

Collective impairment (EUR millions)	12/31/2007			12/31/2008		
	Charges	Recoveries and uses	Total	Charges	Recoveries and uses	Total
Loans and securities held to maturity	0	0	0	(3)	0	(3)
Off-balance sheet commitments	0	0	0	0	0	0
Total	0	0	0	(3)	0	(3)

(1) As of December 31, 2008, the contribution to the cost of risk of outstanding securities restated as loans totaled EUR 2 million.

Specific impairment (EUR millions)	12/31/2007				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
Total credit	0	0	0	0	0
Fixed income securities	0	0	0	0	0
Total	0	0	0	0	0

Specific impairment (EUR millions)	12/31/2008				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
Total credit	0	0	0	0	0
Fixed income securities	0	0	0	0	0
Total	0	0	0	0	0

5.9 - CORPORATE INCOME TAX

a. Detail of tax expense

EUR millions	12/31/2007	12/31/2008
Current taxes	(83)	(53)
Deferred taxes	43	7
Tax on prior years' income	0	0
Deferred taxes on prior years	0	0
Provisions for tax litigation	0	0
Total	(40)	(46)

b. Effective tax expense as of December 31, 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 system. In Ireland, the rate is 12.5%. The effective tax rate observed as of December 31, 2008, amounted to 28.97%.

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

EUR millions	12/31/2007	12/31/2008
Income before income taxes	120	159
Net income from associates	0	0
Tax base	120	159
Applicable tax rate at end of the period	34.43%	34.43%
Theoretical corporate income tax at the standard rate	41	55
Impact of differences between foreign tax rates and the standard French tax rate	(1)	(9)
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
Provisions for tax litigation	0	0
Corporate income tax recorded in the income statement	40	46
Effective tax rate	33.40%	28.97%

c. Tax consolidation group

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.

6. NOTE ON OFF-BALANCE SHEET ITEMS

6.1 - REGULAR WAY TRADE

EUR millions	12/31/2007	12/31/2008
Assets to be delivered	0	0
Liabilities to be received	0	0

6.2 - GUARANTEES

EUR millions	12/31/2007	12/31/2008
Guarantees given to Banque de France (1)	0	7,811
Guarantees received from customers	5,892	7,455

(1) Accounting value of financial assets given as guarantees of liabilities.

6.3 - LOAN COMMITMENTS

EUR millions	12/31/2007	12/31/2008
Loan commitments given to credit institutions	111	11
Loan commitments given to customers	4,728	3,177
Loan commitments received from credit institutions	4,684	5,432
Loan commitments received from customers	0	0

6.4 - OTHER COMMITMENTS

EUR millions	12/31/2007	12/31/2008
Banking activity - Commitments given	0	0
Banking activity - Commitments received	3,490	7,204

7. NOTES ON RISK EXPOSURE AS OF DECEMBER 31, 2008

7.1 - FAIR VALUE

a. Composition of the fair value of the assets

EUR millions	As of 12/31/2007			As of 12/31/2008		
	Book value	Fair value	Unrecognized fair value adjustment	Book value	Fair value	Unrecognized fair value adjustment
Central banks	15	15	0	0	0	0
Hedging derivatives (see note 4.1.a) (1)	3,261	3,261		4,026	4,026	
Financial assets available for sale (1)	17,159	17,159		1,325	1,325	
Interbank loans and advances	3,182	3,127	(55)	10,174	10,025	(149)
Customer loans and advances	49,419	49,766	655	70,287	71,736	1,449
Fair value revaluation of portfolio hedge (1) (2)	147	147		801	801	
Other assets	75	75	0	234	234	0
Total	73,258	73,550	600	86,847	88,147	1,300

(1) For these items, fair value is the book value.

(2) The item "Fair value revaluation of portfolio hedge" corresponds to the revaluation of the interest rate risk of assets that are covered by a portfolio hedge. These assets are recorded under "Customer loans and advances", "Interbank loans and advances", and "Financial assets available for sale".

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

EUR millions	As of 12/31/2007			As of 12/31/2008		
	Book value	Fair value	Unrecognized fair value adjustment	Book value	Fair value	Unrecognized fair value adjustment
Central banks	0	0	0	7,473	7,473	0
Hedging derivatives (see note 4.1.a) (1)	4,507	4,507		8,463	8,463	
Interbank loans and deposits	10,424	10,424		4,410	4,429	19
Customer borrowings and deposits	0	0	0	0	0	0
Debt securities	57,296	57,296	0	64,266	63,555	(711)
Fair value revaluation of portfolio hedge (1) (2)	(14)	(14)		990	990	
Other liabilities	91	91	0	531	531	0
Total	72,304	72,304	0	86,133	85,441	(692)

(1) For these items, fair value is the book value.

(2) The item "Fair value revaluation of portfolio hedge" corresponds to the revaluation of the interest rate risk of liabilities that are covered by a portfolio hedge. These liabilities are recorded under "Debt securities".

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

Fair value of financial assets (EUR millions)	As of 12/31/2008			Total
	Level 1 (1)	Level 2 (2)	Level 3 (3)	
Interbank loans and advances	0	4,163	5,862	10,025
Customer loans and advances	0	56,262	15,474	71,736
Hedging derivatives (see note 4.1.a)	0	4,127	(101)	4,026
Financial assets available for sale	224	1,101	0	1,325
Fair value revaluation of portfolio hedge	0	801	0	801
Total	224	66,454	21,235	87,913

Fair value of financial liabilities (EUR millions)	As of 12/31/2008			Total
	Level 1 (1)	Level 2 (2)	Level 3 (3)	
Central banks	0		7,473	7,473
Interbank loans and deposits		3,547	882	4,429
Customer borrowings and deposits	0	0	0	0
Hedging derivatives (see note 4.1.a)	0	8,146	317	8,463
Fair value revaluation of portfolio hedge	0	990	0	990
Debt securities	0	63,555	0	63,555
Total	0	76,238	8,672	84,910

(1) Price quoted on an active market for the same type of instrument.

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

(3) Use of a valuation technique in which all the significant parameters are not observable.

7.2 EXPOSURE TO CREDIT RISKS

Exposure to credit risks 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 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.

a. Breakdown of exposure to credit risks**Analysis of exposure by geographic region**

EUR millions	Amount as of 12/31/2008
Belgium	4,325
France	53,223
Germany	998
Italy	7,451
Luxembourg	2,606
Other European Union countries	8,027
Rest of Europe	4,970
United States and Canada	311
Other	108
Total exposure	82,019

Analysis of exposure by category of counterparty

EUR millions	Amount as of 12/31/2008
States	3,097
Local public sector	64,792
ABS	97
Financial institutions	14,033
Total exposure	82,019

Exposures on financial institutions include: banks guaranteed by local governments (Swiss cantonal banks, *crédits municipaux* in France, etc.) for EUR 2.1 billion, hedging derivative counterparties for EUR 1.3 billion, covered bonds classified as replacement assets for EUR 5.8 billion, and loans granted to Dexia Kommunalkredit Bank, guaranteed by securities of sovereign issuers or Central European governments for EUR 1.7 billion.

This item also includes the transfers of exposures on Belgian public sector entities, via the DSFB mutual fund, represented as of December 31, 2008, as a bank exposure for EUR 3.2 billion. These exposures will be treated as exposures on the Belgian public sector in future reports.

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 12/31/2008
Debt securities	1,441
Loans and advances	76,057
Financing commitments on loans	3,188
Hedging derivatives	1,333
Total exposure	82,019

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. Seventy-two percent of the portfolio has a weighting of less than 5% and 97% of the portfolio has a weighting that is less than or equal to 20%. However, the weightings of certain operations with Dexia Group entities were overvalued as of December 31, 2008; this concerns:

- transfers of exposures on Belgian public sector entities, via the DSFB mutual fund, represented as a bank exposure for EUR 3.2 billion; these exposures will be treated as exposures on the Belgian public sector in the next report with weightings much less than the 17% applied as of December 31, 2008;
- exposures in the form of *lettres de gages*, issued by Dexia LdG Banque, which were modeled like covered bonds with the application of a standard factor of loss in the event of default (LGD) of 30%. As of January 1, 2009, this factor dropped below 5% because of the change in the internal LGD model on Luxembourg covered bonds; these exposures, which represent EUR 2.6 billion, will be classified in the "From 0 to 5%" category in the next report, instead of in the "5% to 20%" and "20% to 50%" categories applied as of December 31, 2008.

EUR millions	Risk weighting (Basel II)				Total	Default	Total
	From 0 to 5%	From 5% to 20%	From 20% to 50%	More than 50%			
Debt securities	1,006	435	0	0	1,441	0	1,441
Loans and advances	55,383	18,889	1,425	280	75,977	80	76,057
Financing commitments on loans	2,691	488	0	9	3,188	0	3,188
Hedging derivatives	(107)	519	921	0	1,333	0	1,333
Total exposure	58,973	20,331	2,346	289	81,939	80	82,019
Share	72.0%	24.8%	2.9%	0.4%	100.0%		

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 non-performing loans and watchlist exposures; such exposures are subject to particular surveillance.

7.3 - LIQUIDITY RISK: ANALYSIS BY TERM TO MATURITY

a. Analysis of assets

EUR millions	As of 12/31/2008									
	Sight	Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	No fixed maturity	Accrued interest	Fair value adjustment	Impairment	Total
Central banks	0	0	0	0	0	0	0	0	0	0
Derivatives	0	0	0	0	0	0	2,904	1,122	0	4,026
Financial assets available for sale	0	0	0	175	1,071	0	10	69	0	1,325
Interbank loans and advances	0	148	927	5,835	3,130	0	86	48	0	10,174
Customer loans and advances	0	989	4,266	13,991	45,849	0	1,018	4,184	(10)	70,287
Fair value revaluation of portfolio hedge	0	0	0	0	0	0	0	801	0	801
Financial assets held to maturity	0	0	0	0	0	0	0	0	0	0
Tax assets	0	0	0	0	0	234	0	0	0	234
Accruals and other assets	0	0	0	0	0	0	0	0	0	0
Total	0	1,137	5,193	20,001	50,050	234	4,018	6,224	(10)	86,847

b. Analysis of liabilities, excluding shareholders' equity

As of 12/31/2008									
EUR millions	Sight	Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	No fixed maturity	Accrued interest	Fair value adjustment	Total
Central banks	0	7,460	0	0	0	0	13	0	7,473
Hedging derivatives							4,183	4,280	8,463
Interbank loans and deposits			0	2,900	1,480	0	30	0	4,410
Customer borrowings and deposits	0	0	0	0	0	0	0	0	0
Debt securities	0	1,620	3,430	25,937	30,645	0	1,354	1,280	64,266
Fair value revaluation of portfolio hedge								990	990
Tax liabilities						6			6
Accruals and other liabilities	0	463	62	0	0	0	0		525
Provisions						0			0
Subordinated debt	0	0	0	0	0	0	0	0	0
Total	0	9,543	3,492	28,837	32,125	6	5,580	6,550	86,133

c. Net liquidity gap

EUR millions	Sight	Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	No fixed maturity
As of 12/31/2008	0	(8,406)	1,701	(8,836)	17,925	228

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.

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

Sight deposits are listed in the Sight column, as the information presented below takes into account the current maturity until the next due date at which interest rates are reset from an accounting standpoint, rather than from assumptions based on observed behavioral data. The latter strategy is employed for the calculation of ALM sensitivity (see note 7.6). All fixed rate assets and liabilities are categorized in the tables below on the basis of their date of maturity.

a. Analysis of assets

As of 12/31/2008										
EUR millions	Sight	Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	No fixed maturity	Accrued interest	Fair value adjustment	Impairment	Total
Central banks										0
Derivatives							2,904	1,122		4,026
Financial assets available for sale		301	200		745		10	69		1,325
Interbank loans and advances	58	7,679	352	1,108	843		86	48		10,174
Customer loans and advances		11,215	12,286	10,532	31,062		1,018	4,184	(10)	70,287
Fair value revaluation of portfolio hedge								801		801
Financial assets held to maturity										0
Tax assets						234				234
Accruals and other assets										0
Total	58	19,195	12,838	11,640	32,650	234	4,018	6,224	(10)	86,847

b. Analysis of liabilities, excluding shareholders' equity

As of 12/31/2008										
EUR millions	Sight	Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	No fixed maturity	Accrued interest	Fair value adjustment		Total
Central banks		7,460					13			7,473
Hedging derivatives							4,183	4,280		8,463
Interbank loans and deposits	880			2,900	600		30			4,410
Customer borrowings and deposits										0
Debt securities		4,731	7,196	24,287	25,418		1,354	1,280		64,266
Fair value revaluation of portfolio hedge								990		990
Tax liabilities						6				6
Accruals and other liabilities		525								525
Provisions										0
Subordinated debt										0
Total	880	12,716	7,196	27,187	26,018	6	5,580	6,550		86,133

c. Balance sheet sensitivity gap

EUR millions	Sight	Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	No fixed maturity
As of 12/31/2008	(822)	6,479	5,642	(15,547)	6,632	228

The sensitivity gap of the balance sheet is hedged by derivatives.

7.5 - CURRENCY RISK

Classification by original currency (EUR millions)	12/31/2007				Total
	EUR	Other EU currencies	US dollars	Other currencies	
Total assets	58,362	4,289	6,900	3,707	73,258
Total liabilities and shareholders' equity	58,362	4,289	6,900	3,707	73,258
Net balance sheet position	0	0	0	0	0

Classification by original currency (EUR millions)	12/31/2008				Total
	EUR	Other EU currencies	US dollars	Other currencies	
Total assets	70,443	3,991	8,504	3,909	86,847
Total liabilities and shareholders' equity	70,443	3,991	8,504	3,909	86,847
Net balance sheet position	0	0	0	0	0

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

7.6 - SENSITIVITY TO INTEREST RATE RISK

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

All the derivative financial instruments used by Dexia Municipal Agency are part of a hedging system, whether micro or macro. The Company may not conduct trading operations, nor 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	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
	4Q 2008	11.4	18.0	(1.5)	25.5
Monetary	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
	4Q 2008	(0.2)	3.4	(3.4)	4.0
Total	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
	4Q 2008	11.0	15.8	(1.7)	29.5

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

8. CHANGEOVER TO THE NEW EUROPEAN ACCOUNTING STANDARDS (IFRS)

8.1.a - RECONCILIATION OF ASSETS AS OF JANUARY 1, 2007

EUR millions	12/31/2006	IFRS		1/1/2007	
	French GAAP	Reclassification	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 bank 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 or 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
				0	XIV. Investment property
XII. Treasury stock	0				
XIII. Other assets	0			44	Total items IX. to XI.
			28	28	IX. and X. Tax assets
		16		16	XI. Accruals and other assets
XIV. Accruals and other assets	2,625	(2,543)	(82)		
Total assets	61,550	(424)	798	61,924	Total assets

8.1.b - RECONCILIATION OF LIABILITIES AS OF JANUARY 1, 2007

EUR millions	12/31/2006	IFRS		1/01/2007	
	French GAAP	Reclassification	Restatements	IFRS	
I. Interbank loans and deposits	7,737			0	I. Interbank loans and deposits
				7,737	IV. Interbank loans and deposits
II. Customer deposits	0			0	V. Customer deposits
				0	II. Financial liabilities at fair value through profit or loss
			189	189	VII. Fair value revaluation of portfolio hedge
III. Debt securities	49,283	(113)	(202)	48,968	VI. Debt securities
IV. Other liabilities	21	(1)		20	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. and IX. Tax liabilities
C. Regulated provisions	32		(32)	0	
VII. General banking risk reserve	0			0	
VIII. Subordinated debt	0			0	XIV. Subordinated and convertible debt
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				
XV. Cumulative translation adjustments	0		(12)	(12)	XIX. Gains or losses not recognized in the income statement
Shareholders' equity	897	0	(31)	866	Shareholders' equity, Group share
Total liabilities	61,550	(424)	798	61,924	Total liabilities

8.1.c - RECONCILIATION OF SHAREHOLDERS' EQUITY AS OF JANUARY 1, 2007

EUR millions	Amount as of 12/31/2006	Notes
Shareholders' equity - French GAAP	897	
(of which 2006 net income)		
Impact of IAS 32/39 and IAS 37	(31)	
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 spread of equalization payments and early reimbursement 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)
Shareholders' equity under IFRS as of January 1, 2007	866	

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, in cash flow hedge reserve (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.

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 standards, 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.

In addition to the changes in classification presented below, certain balance sheet items are accounted for at market value since January 1, 2007.

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

This item is unchanged from the previous format.

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 derivatives used to hedge the fair value of this item's assets.

E VI: Customer 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 derivatives used to hedge the fair value 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 general IFRS allowance.

E II, IV and 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.

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.

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.

E-IX and X: Tax assets

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

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

2.1 - E-I: Central banks and postal checking accounts

This item is unchanged from the previous format.

2.2 - E-IV: Interbank loans and deposits

This item is unchanged from the previous format.

2.3 - E-V: Customer deposits

This item is unchanged from the previous format.

2.4 - 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.

2.5 - 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.

2.6 - 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.

2.7 - 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.

8.1.d - INCOME STATEMENT RECONCILIATION AS OF DECEMBER 31, 2007, AND AS OF DECEMBER 31, 2008

Income statement (EUR millions)	12/31/2007	IFRS		12/31/2007
	French GAAP	Reclassifications	Restatements	IFRS
I. Interest income	6,945	3,370	(128)	10,187
II. Interest expense	(6,609)	(3,377)		(9,986)
III. Income from variable income securities	0			0
IV. Commission income	0			0
V. Commission expense	(5)	0		(5)
VI. Gains (losses) on trading securities transactions	0	1		1
VII. Gains (losses) on securities available for sale for sale transactions	(1)	6	1	6
VIII. Other banking income	0			0
IX. Other banking expense	0			0
Net banking income	330	0	(127)	203
XI. Total general operating expenses	(83)			(83)
Operating income before cost of risk	247	0	(127)	120
XIII. Cost of risk	0			0
Operating income	247	0	(127)	120
XV. Gains (losses) on fixed assets	0			0
Recurring income before income taxes	247	0	(127)	120
XVI. Non-recurring items	0			0
XVII. Corporate income tax	(82)		42	(40)
XIX. Net allocation to the general banking risks reserve	(12)		12	0
Net income	153	0	(73)	80

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

2.8 - 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.

2.9 - 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.

2.10 - E-X: Accruals and other liabilities

This item primarily includes D-IV: Other liabilities.

2.11 - Shareholders' equity

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

12/31/2008	IFRS		12/31/2008	
French GAAP	Reclassifications	Restatements	IFRS	Income statement (EUR millions)
8,542	3,895	(43)	12,394	I. Interest income
(8,240)	(3,899)		(12,139)	II. Interest expense
0			0	
0			0	III. Commission income
(4)			(4)	IV. Commission expense
0			0	V. Net gains (losses) on financial instruments at fair value through profit or loss
(54)	4	53	3	VI. Net gains (losses) on financial assets available for sale
0			0	VII. Other income
0			0	VIII. Other expense
244	0	10	254	Net banking income
(92)			(92)	X. Operating expense
152	0	10	162	XII. Operating income before cost of risk
0		(3)	(3)	XIII. Cost of risk
152	0	7	159	XIV. Operating income
0			0	XVI. Net gains (losses) on other assets
152	0	7	159	XVIII. Income before income taxes
0			0	
(53)		7	(46)	XIX. Corporate income tax
(8)		8	0	
91	0	22	113	XXI. Net income

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 standards, 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.

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.

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), when the securities are recognized as financial assets available for sale.

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 DECEMBER 31, 2008

EUR millions	Amount as of 12/31/2008
Shareholders' equity - French GAAP (including net income for the year 2008)	1,141
Difference on retained earnings:	(92)
- consequences of first-time adoption of IFRS as of January 1, 2007	(19)
- difference between French GAAP and IFRS on net income for the year 2007	(73)
Difference on AFS and CFH reserves:	(357)
- cumulated change in fair value of financial assets available for sale through shareholders' equity	(252)
- cumulated change in fair value of cash flow hedge derivatives through shareholders' equity	(105)
Difference on net income for the period:	22
Shareholders' equity under IFRS as of December 31, 2008	714

AUDITORS' REPORT ON THE IFRS FINANCIAL STATEMENTS

Year ended December 31, 2008

This is a free translation into English of the auditors' report on the financial statements issued in French and is provided solely for the convenience of English-speaking users.

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

To the Shareholders,

In our capacity as auditors of Dexia Municipal Agency (or the "Company") and pursuant to your request, in the context of the wish of your Company to provide more extensive financial information to investors, we have audited the accompanying financial statements of Dexia Municipal Agency for the year ended December 31, 2008.

We hereby specify that since this is the first time your Company is preparing its financial statements in accordance with IFRS for the year ended December 31, 2008, the information presented in respect of the year ended December 31, 2007, presented for comparative purposes, has been reviewed.

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

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

In our opinion, the financial statements give a true and fair view in all material respects of the assets and liabilities and of the financial position of the Group as of December 31, 2008, and of the results of its operations for the year then ended in accordance with the IFRS as adopted by the European Union.

This report does not constitute a report on the statutory audit of the financial statements prepared in accordance with French general accounting rules and principles pursuant to article L. 823-9 of the French Commercial Code (Code de commerce). In addition to the information relating to the specific verification required by law, covering, in particular, the management report, this auditors' report includes, in accordance with article L.823-9 paragraph 2 of the French Commercial Code, a justification of our assessments, made in a context of high market volatility and a certain difficulty to apprehend the economic outlook.

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

Courbevoie and Neuilly-sur-Seine, April 8, 2009
The Statutory Auditors

Mazars

Guillaume Potel
Partner



Anne Veaute
Partner




Deloitte & Associés

François Arbey
Partner



José-Luis Garcia
Partner



Assets as of December 31, 2008

EUR millions	Notes	Amount as of 12/31/2006	Amount as of 12/31/2007	Amount as of 12/31/2008
Central banks	2.1	2	15	0
Government and public entity securities, eligible for central bank refinancing	2.2	2,630	3,439	3,740
Interbank loans and advances	2.3	2,081	3,193	4,310
Customer loans	2.4	45,625	50,012	53,367
Bonds and other fixed income securities	2.5	8,587	13,637	16,141
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	2.6	0	1	13
Accruals and other assets	2.7	2,625	3,227	3,797
Total assets	2.8	61,550	73,524	81,368

Liabilities as of December 31, 2008

EUR millions	Notes	Amount as of 12/31/2006	Amount as of 12/31/2007	Amount as of 12/31/2008
Central banks	3.1	0	0	7,473
Interbank loans	3.2	7,737	10,432	4,416
Customer loans		0	0	0
Debt securities	3.3	49,283	57,537	63,351
Other liabilities	3.4	21	40	497
Accruals and other liabilities	3.5	3,580	4,421	4,436
Provisions for risks and charges	3.6	0	0	2
Regulated provisions	3.6	32	44	52
General banking risks reserve		0	0	0
Subordinated debt		0	0	0
Shareholders' equity		897	1,050	1,141
Capital stock	3.7	760	876	946
Additional paid-in capital	3.7	0	0	0
Reserves and retained earnings	3.7	14	21	104
Net income	3.7	123	153	91
Total liabilities	3.8	61,550	73,524	81,368

Off-balance sheet items as of December 31, 2008

EUR millions	Notes	Amount as of 12/31/2006	Amount as of 12/31/2007	Amount as of 12/31/2008
Commitments granted	4.1	4,581	4,839	10,999
Financing commitments		4,581	4,839	3,188
Guarantees given		0	0	0
Other commitments given		0	0	7,811
Commitments received	4.2	11,867	10,576	12,887
Financing commitments		6,610	4,684	5,432
Guarantees received		5,257	5,892	5,970
Other commitments received		0	0	1,485
Foreign currency transactions	4.3	36,957	46,294	45,813
Interest rate derivatives	4.4	177,161	203,663	216,370
Commitments related to securities transactions	4.5	0	0	0

Income statement as of December 31, 2008

EUR millions	Notes	Amount as of 12/31/2006	Amount as of 12/31/2007	Amount as of 12/31/2008
Interest income	5.0.a	4,418	6,945	8,542
Interest expense	5.0.b	(4,145)	(6,609)	(8,240)
Income from variable income securities		0	0	0
Commission income	5.2	0	0	0
Commission expense	5.2	(3)	(5)	(4)
Net gains (losses) on held-for-trading portfolio	5.3	0	0	0
Net gains (losses) on portfolio transactions available for sale	5.3	0	(1)	(54)
Other banking income		0	0	0
Other banking expense		0	0	0
Net banking income		270	330	244
General operating expense	5.1	(73)	(83)	(92)
Depreciation and amortization		0	0	0
Operating income before cost of risk		197	247	152
Cost of risk		0	0	0
Income from operations		197	247	152
Income (loss) on fixed assets		0	0	0
Income before non-recurring items and taxes		197	247	152
Non-recurring items		0	0	0
Corporate income tax	5.4	(64)	(82)	(53)
Net allocation to general banking risks reserve and regulated provisions		(10)	(12)	(8)
Net income		123	153	91
Basic earnings per share		16.18	17.47	9.62
Diluted earnings per share		16.18	17.47	9.62

Shareholders' equity

EUR millions	Amount
As of 12/31/2007	
Capital stock	876
Additional paid-in capital (APIC)	0
Commitments to increase capital stock and APIC	0
Reserves and retained earnings	21
Net income for the year	153
Interim dividends	0
Shareholders' equity as of December 31, 2007	1,050
Movements for the period	
Changes in capital stock	70
Changes in APIC	0
Changes in commitments to increase capital stock and APIC	0
Changes in reserves and retained earnings	83
Dividends paid (-)	(70)
Net income for the period	91
Other movements	0
As of December 31, 2008	
Capital stock	946
Additional paid-in capital (APIC)	0
Commitments to increase capital stock and APIC	0
Reserves and retained earnings	104
Net income for the period	91
Shareholders' equity as of December 31, 2008	1,141

Cash Flow Statement

EUR millions	12/31/2006	12/31/2007	12/31/2008
Net income before taxes	197	247	152
+/- Amortization and depreciation and other impairment on fixed and intangible assets	0	0	0
+/- Depreciation and write-downs	0	0	0
+/- Expense/income from operating activities	(97)	(246)	(252)
+/- Expense/income from financing activities	86	199	240
+/- Other non-cash items	(300)	(39)	(66)
= Non-monetary items included in net income before tax and other adjustments	(311)	(86)	(78)
+/- Cash from interbank operations (Dexia Credit Local and Banque de France)	700	(2,000)	7,726
+/- Cash from interbank operations (customer loans)	(745)	(1,154)	(987)
+/- Cash from customer operations (loans)	(4,922)	(4,375)	(2,949)
+/- Cash from financing assets	(1,881)	(5,865)	(2,888)
+/- Cash from hedging financial instruments	1	26	247
- Income tax paid	(47)	(81)	(75)
= Decrease/(increase) in cash from operating activities	(6,894)	(13,449)	1,074
CASH FLOW FROM OPERATING ACTIVITIES (A)	(7,008)	(13,288)	1,148
+/- Cash from financing assets and long-term investments	0	0	0
+/- Cash from investment property	0	0	0
+/- Cash from property and intangible assets	0	0	0
CASH FLOW FROM INVESTING ACTIVITIES (B)	0	0	0
+/- Cash from or for shareholders	(4)	0	0
+/- Other cash from financing activities	7,032	8,623	5,174
CASH FLOW FROM FINANCING ACTIVITIES (C)	7,028	8,623	5,174
EFFECT OF CHANGES IN EXCHANGE RATES ON CASH (D)	0	0	0
Increase/(decrease) in cash equivalents (A + B + C + D)	20	(4,665)	6,322
Cash flow from operating activities (A)	(7,008)	(13,288)	1,148
Cash flow from investing activities (B)	0	0	0
Cash flow from financing activities (C)	7,028	8,623	5,174
Effect of exchange rates on cash (D)	0	0	0
Cash and cash equivalents at the beginning of the period	(2,839)	(2,819)	(7,484)
Cash, central banks and postal checking accounts (assets & liabilities)	0	2	15
Interbank accounts (assets & liabilities) and loans/deposits at sight	(2,839)	(2,821)	(7,499)
Cash and cash equivalents at the end of the period	(2,819)	(7,484)	(1,162)
Cash, central banks and postal checking accounts (assets & liabilities)	2	15	(334)
Interbank accounts (assets & liabilities) and loans/deposits at sight	(2,821)	(7,499)	(828)
Net cash	20	(4,665)	6,322

NOTES TO THE FRENCH GAAP FINANCIAL STATEMENTS

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 compliance with the recommendations proffered by the rating agencies, Dexia MA's ISDA master agreements (and their accompanying credit support annexes) stipulate that only the counterparty should pay collateral to Dexia MA, and that Dexia MA never has to pay, because of the protection provided by French legislation on *sociétés de crédit foncier* to derivative counterparties in the same way as to holders 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 replacement of the swaps with Lehman Brothers by swaps with other counterparties occurred with no loss for Dexia MA.

Restatement of AFS securities as HTM securities

This restatement, which occurred in the fourth quarter of 2008, involved a nominal amount of EUR 520 million and resulted in replacing the provision on AFS securities in the financial statements as of September 30, 2008 (EUR 34.6 million), by a discount on securities. This discount is spread in income, since the transfer, in interest margin.

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 - ACCOUNTING PRINCIPLES

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

The financial statements as of December 31, 2008, were drawn up using the same accounting principles as those used in the financial statements as of December 31, 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 standard 91-02 of the Banking Regulation Committee (CRB).

1.2 - CUSTOMER LOANS

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

Interest on loans is recorded as banking income *pro rata temporis* for accrued amounts due and not yet due, as is interest on unpaid installments.

Dexia Municipal Agency applies CRC standard 2002-03. This standard stipulates that a loan is considered as non-performing when it presents one of the following characteristics:

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

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

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

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

1.3 - 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 December 31, 2008, there were four 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:

- *cedulas territoriales* issued by Dexia Sabadell Banco Local, the Spanish subsidiary of Dexia Credit Local;
- *lettres de gage* in Luxembourg, issued by Dexia LdG Banque, 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. The DCC securitization vehicle was introduced in the second quarter of 2004 with an 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.

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

At closing, in application of the principle of prudence, securities available for sale are recorded on the balance sheet at their acquisition cost or their selling price at closing, whichever is lower, after accounting, when relevant, for the value of the micro-hedge swap.

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

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

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

1.4 - 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 December 31, 2008, it is subdivided into two categories:

a. 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 *prorata temporis*. They are recorded on the balance sheet under the same headings as the corresponding outstanding debt.

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

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

Bond issuance costs and commissions are amortized in equal parts on a straight-line basis over the life of the related loans.

Bonds denominated in foreign currencies are accounted for by the same method as foreign currency transactions (see below).

b. 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 standard 99-10 of July 27, 1999, total assets must always exceed liabilities benefiting from the privilege referred to in article L.515-19 of the Monetary and Financial Code.

1.5 - PROVISION FOR RISKS 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.

1.6 - 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 standards 90-15 and 92-04. Evaluation and accounting principles are determined according to the portfolio to which they are assigned.

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

The law stipulates that derivative transactions do not benefit from the privilege when related to sources of financing that do not themselves benefit from the privilege.

For Dexia MA, the only resources that do not benefit from the privilege comprise the debt with Dexia Credit Local, which is not hedged.

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

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

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

- prior to January 1, 2005, the equalization payment is extended over the length of the cancelled transaction;
- since January 1, 2005, the equalization payment is recorded in the income statement over the period of cancellation; however, the equalization payment paid by Dexia 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.

b. 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 standard 99-10.

Expense and income on these transactions are recorded in the statement of income *pro rata 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:

- 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;
- since January 1, 2005, the equalization payment is recorded in the income statement at cancellation.

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

c. Monitoring market risks

Market risks refer to the risk of loss linked to fluctuations in market prices and interest rates, their interactions and levels of volatility.

Market risks linked to trading portfolios are not compatible with the activity of Dexia MA. The Company cannot have a derivative instrument in an isolated open position. All derivatives used by Dexia MA are part of a hedging strategy, either micro- or macro-hedges.

Market risks related to foreign exchange transactions are eliminated from the start by currency swaps when an asset or liability that is not denominated in euros is recorded on the balance sheet. General accounting verifies that at each closing there is no foreign exchange risk.

The market back-office and market accounting units regularly control the symmetry of micro-hedge swaps.

1.7 - FOREIGN CURRENCY TRANSACTIONS

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

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

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

1.8 - FOREIGN EXCHANGE TRANSACTIONS

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

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

1.9 - 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.

1.10 - 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 December 31, 2008, Dexia MA recognized no deferred taxes concerning its Dublin branch.

No other source of deferred taxes was identified at the end of the year.

1.11 - 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 (EUR MILLIONS)

2.1 - CENTRAL BANKS

	Amount as of 12/31/07	Amount as of 12/31/08
Mandatory reserves	15	0
Total	15	0

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

a. Accrued interest included in this item: 81

b. Analysis by residual maturity excluding accrued interest

Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total
0	24	259	3,376	3,659

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

	Amount as of 12/31/08	Latent capital loss as of 12/31/08
Listed (1) securities	3,113	4
Other securities	546	0
Total	3,659	4

(1) Listed refers to securities traded in an organized market.

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

Portfolio	Gross amount as of 12/31/2007	Increases	Decreases (1)	Transfer *	Other changes **	Impairment as of 12/31/2008	Amount as of 12/31/2008
Trading	0	0	0	0	0	0	0
Available for sale	994	90	(57)	(290)	0	(4)	733
Investment	2,402	0	(88)	290	322	0	2,926
	3,396	90	(145)	0	322	(4)	3,659

(1) In the investment portfolio, only reimbursement are concerned.

* details of transfers of securities from available for sale to investment portfolios

Name	Amount transferred as of 9/30/2008	Depreciation as of 9/30/2008	Depreciation as of 12/31/2008 if no transfer
Republic of Greece	290	23	50

** details of transfers of "bonds and other fixed income securities" to "public entity securities eligible for refinancing by the European central bank"

Name	Amount
Communauté française de Belgique	137
Région Campanie	67
Région Wallonne	101
Société Wallonne du Crédit Social	17
Total	322

2.3 - INTERBANK LOANS AND ADVANCES

2.3.1 - Sight interbank loans

	Amount as of 12/31/07	Amount as of 12/31/08
Balance of current account	0	58
Accrued interest not yet due on the current account	0	0
Unallocated sums	0	0
Total Dexia Credit Local	0	58

2.3.2 - Time interbank 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 2,112 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: 56

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
53	285	1,172	2,686	4,196

c. Analysis by initial maturity excluding accrued interest

	Net amount as of 12/31/2007	Gross amount as of 12/31/2008	Decrease in value as of 12/31/2008	Net amount as of 12/31/2008
Commitments of less than 1 year	0	0	0	0
Commitments of more than 1 year	3,156	4,196	0	4,196
Total	3,156	4,196	0	4,196

d. Breakdown by counterparty

	Amount as of 12/31/2008
Swiss cantonal banks benefiting from their canton's legal guarantee	2,112
Banks guaranteed by a local government, <i>crédits municipaux</i>	144
Credit institutions belonging to the Dexia Group: loans benefiting from the assignment in guarantee of refinanced public debt	1,940
Total	4,196

2.4 - CUSTOMER LOANS

a. Accrued interest included in this item: 837

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
990	4,241	13,581	33,718	52,530

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

Economic sector	Amount as of 12/31/2007	Amount as of 12/31/2008(1)
Public sector	45,764	49,182
Other sectors*	3,456	3,348
Total	49,220	52,530

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

(1) Of which EUR 44.6 billion eligible for central bank refinancing.

d. Analysis by initial maturity excluding accrued interest

	Net amount as of 12/31/2007	Gross amount as of 12/31/2008 (1)	Impairment as of 12/31/2008	Net amount as of 12/31/2008
Commitments of less than 1 year	0	0	0	0
Commitments of more than 1 year	49,220	52,530	(1)	52,529
Total	49,220	52,530	(1)	52,529

(1) Including:

- non-performing customer loans: EUR 5 million;
- compromised non-performing loans: EUR 4 million.

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

	Net amount as of 12/31/2007	Gross amount as of 12/31/2008	Impairment as of 12/31/2008	Net amount as of 12/31/2008
Performing commitments	49,215	52,521	0	52,521
Restructured commitments	0	0	0	0
Non-performing loans	3	5	(1)	4
Compromised non-performing loans	2	4	0	4
Total	49,220	52,530	(1)	52,529

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

Depreciation on non-performing loans	Amount as of 12/31/2007	Allocation	Reversals	Transfer	Amount as of 12/31/2008
For non-performing loans					
On loans	0	0	0	0	0
On interest	0	(1)	0	0	(1)
For compromised non-performing loans					
On loans	0	0	0	0	0
On interest	0	0	0	0	0
Total	0	(1)	0	0	(1)

- Provisions on interest are recorded in Net banking income.

- Provisions on outstanding are recorded in Cost of risk

2.5 - BONDS AND OTHER FIXED INCOME SECURITIES**a. Accrued interest included in this item: 140****b. Analysis by residual maturity excluding accrued interest**

Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total
0	750	4,887	10,364	16,001

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

Issuer's economic sector	Amount as of 12/31/2007	Amount as of 12/31/2008
Public sector	1,764	1,464
Other sectors (guaranteed by a State or local government)	1,883	1,444
Other sectors (ABS) (1)	357	104
<i>Cedulas territoriales</i> issued by Dexia Sabadell Banco Local	2,425	3,200
DCC – Dexia Crediop per la Cartolarizzazione	1,810	4,010
<i>Pfandbrief</i> issued by Dexia Kommunalbank Deutschland	1,000	0
DSFB – Dexia Secured Funding Belgium	1,667	3,180
<i>Lettres de gage</i> issued by Dexia LdG Banque	2,599	2,599
Total	13,505	16,001
- of which eligible for central bank refinancing:	7,078	6,598
- of which replacement assets:	6,024	5,799

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: 86.32 (rated AA+ S&P – guaranteed by the Land of Lower Austria)

d. Replacement assets

Covered bonds	Rating	Amount as of 12/31/2008
Dexia Sabadell Banco Local	Moody's Aaa	3,200
Dexia LdG Banque	S&P AAA	2,599
Total		5,799

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

	Amount as of 12/31/2007	Amount as of 12/31/2008	Latent capital loss as of 12/31/2008
Listed (1) securities	8,254	7,605	13
Other securities	5,251	8,396	0
Total	13,505	16,001	13

(1) Listed refers to securities traded in an organized market.

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

Portfolio	Gross amount as of 12/31/2007	Increases	Decreases (1)	Translation adjustments	Transfer*	Other changes **	Impairment as of 12/31/2008	Amount as of 12/31/2008
Trading	0	0	0	0	0	0	0	0
Available for sale	1,793	123	(346)	(157)	(230)	0	(13)	1,170
Investment	11,712	4,964	(1,794)	41	230	(322)	0	14,831
	13,505	5,087	(2,140)	(116)	0	(322)	(13)	16,001

(1) In the investment portfolio, only reimbursements are concerned.

* details of transfers of securities from available for sale to investment portfolios

Name	Amount	Depreciation as of 9/30/2008	Depreciation as of 12/31/2008 if no transfer
Hellenic railways	100	2	0
Landsvirkjun - The national power company - Reykjavik	130	10	8
	230	12	8

** details of transfers of "bonds and other fixed income securities" to "public entity securities eligible for refinancing by the European central bank"

Name	Amount
Communauté française de Belgique	(137)
Région Campanie	(67)
Région Wallonne	(101)
Société Wallonne du Crédit Social	(17)
Total	(322)

2.6 - OTHER ASSETS

	Amount as of 12/31/2007	Amount as of 12/31/2008
Other receivables	1	13
Total	1	13

This item includes EUR 11 million in tax credit, the difference between the prepaid amounts based on the 2007 fiscal result and the real tax charge booked in Dexia MA's accounts as of December 31, 2008.

2.7 - ACCRUALS AND OTHER ASSETS

	Amount as of 12/31/2007	Amount as of 12/31/2008
Deferred losses on hedging transactions	296	397
Deferred charges on bond issues	124	378
Deferred charges on hedging transactions	285	322
Premiums on acquisition of loans from Dexia Credit Local France	127	125
Premiums on acquisition of loans other than from Dexia Credit Local France	29	17
Other prepaid charges	0	0
Accrued interest not yet due on hedging transactions	2,366	2,558
Translation adjustments	0	0
Other accrued income	0	0
Other accruals	0	0
Total	3,227	3,797

2.8 - TOTAL ASSETS

Analysis by original currency	Amount in original currency as of 12/31/2008	Amount in euros as of 12/31/2008
Assets in EUR	65,330	65,330
Assets in AUD	2,088	1,028
Assets in CAD	1,012	597
Assets in CHF	3,220	2,167
Assets in DKK	255	34
Assets in GBP	1,447	1,518
Assets in HKD	702	65
Assets in JPY	245,897	1,941
Assets in NOK	235	24
Assets in NZD	157	65
Assets in PLN	59	14
Assets in SEK	1,427	131
Assets in SKK	614	20
Assets in TRY	55	26
Assets in USD	11,718	8,387
Assets in ZAR	271	21
Total		81,368

3. NOTES TO THE LIABILITIES (EUR MILLIONS)

3.1 - CENTRAL BANKS

Since the end of September 2008, 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 7,473 million as of December 31, 2008. This source of financing does not benefit from the privilege defined in article L.515-19 of the Monetary and Financial Code.

EUR millions	Amount as of 12/31/2007	Amount as of 12/31/2008
Overnight borrowing	0	334
Time borrowing, maturity first quarter 2009	0	7,126
Accrued interest	0	13
TOTAL funding from Banque de France	0	7,473

3.2 – INTERBANK 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 4,380 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 880 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 December 31, 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 12/31/2007	Amount as of 12/31/2008
Balance of current account	7,499	880
Accrued interest not yet due on the current account	16	2
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	8	28
Unallocated sums	8	6
Total Dexia Credit Local	10,431	4,416

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	880	880
Time	0	0	2,900	600	3,500
Total	0	0	2,900	1,480	4,380

3.3 - DEBT SECURITIES**3.3.1 - Debt securities (*obligations foncières*)****a. Accrued interest included in this item: 1,314****b. Analysis by residual maturity excluding accrued interest**

Type of securities	Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total
<i>Obligations foncières</i>	1,860	3,425	25,935	29,068	60,288
Of which issuance premiums (1)	0	(4)	(6)	(199)	(209)

(1) The gross amount, before amortization, of issue premiums totaled EUR 243.3 million.

c. Changes during the year excluding accrued interest

Amount as of 12/31/2007	Increases	Decreases	Translation adjustments	Amount as of 12/31/2008
55,006	9,774	(4,569)	77	60,288

3.3.2 - Other bonds (registered covered bonds)**a. Accrued interest included in this item: 40****b. Analysis by residual maturity excluding accrued interest**

Type of securities	Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total
<i>Registered covered bonds</i>	0	0	0	1,709	1,709
Of which issuance premiums (1)	0	0	0	(3)	(3)

(1) The gross amount, before amortization, of issue premiums totaled EUR 3.2 million.

c. Changes during the year excluding accrued interest

Amount as of 12/31/2007	Increases	Decreases	Translation adjustments	Amount as of 12/31/2008
1,396	313	0	0	1,709

3.4 - OTHER LIABILITIES

	Amount as of 12/31/2007	Amount as of 12/31/2008
Cash received as collateral	19	462
Accrued interest not yet due on cash received as collateral	0	0
Taxes	21	6
Equalization payment on unwound hedging contracts	0	29
Total	40	497

3.5 - ACCRUALS AND OTHER LIABILITIES

	Amount as of 12/31/2007	Amount as of 12/31/2008
Deferred gains on hedging transactions	59	52
Deferred income on hedging transactions	685	805
Deferred income on loans	53	40
Discounts on acquisition of loans other than from Dexia Credit Local in France	88	74
Discounts on acquisition of loans from Dexia Credit Local in France	87	82
Accrued interest not yet due on hedging transactions	2,018	2,064
Other accrued charges	23	27
Translation adjustments	1,406	1,291
Other accruals	2	1
Total	4,421	4,436

3.6 - REGULATED PROVISIONS AND PROVISIONS FOR RISKS AND CHARGES

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

Amount as of 12/31/2007	Increases	Decreases	Amount as of 12/31/2008
44	8	0	52

b. Provision for risks on financial instruments

Amount as of 12/31/2007	Increases	Decreases	Amount as of 12/31/2008
0	2	0	2

3.7 - EQUITY

	Amount as of 12/31/2007	Amount as of 12/31/2008
Capital stock	876	946
Legal reserve	20	28
Retained earnings (+/-)	1	76
Net income (+/-)	153	91
Total	1,050	1,141

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

- (i) to allocate the 2007 net income of EUR 153.5 million, constituting income for distribution of EUR 146.4 million, after allocation to the legal reserve and the addition of retained earnings, as follows:
 - distribution of a dividend of EUR 70.1 million;
 - allocation of the rest to retained earnings;
- (ii) to increase the capital in cash by EUR 70 million. This capital increase was subscribed by Dexia Credit Local and enacted on May 28, 2008.

Dexia MA's capital stock totaled EUR 946 million, comprising 9,460,000 shares with a face value of EUR 100.

3.8 - TOTAL LIABILITIES

Analysis by original currency	Amount in original currency as of 12/31/2008	Amount in euros as of 12/31/2008
Liabilities in EUR	65,330	65,330
Liabilities in AUD	2,088	1,028
Liabilities in CAD	1,012	597
Liabilities in CHF	3,220	2,167
Liabilities in DKK	255	34
Liabilities in GBP	1,447	1,518
Liabilities in HKD	702	65
Liabilities in JPY	245,897	1,941
Liabilities in NOK	235	24
Liabilities in NZD	157	65
Liabilities in PLN	59	14
Liabilities in SEK	1,427	131
Liabilities in SKK	614	20
Liabilities in TRY	55	26
Liabilities in USD	11,718	8,387
Liabilities in ZAR	271	21
Total		81,368

3.9 - TRANSACTIONS WITH RELATED PARTIES

Analysis by nature EUR millions	Parent company par Dexia Credit Local		Other related parties (1)	
	12/31/2007	12/31/2008	12/31/2007	12/31/2008
Assets				
Balance of current account	0	58	0	0
Interbank loans	1,087	1,965	0	0
Bonds and other fixed income securities	5,298	7,237	4,275	5,801
Liabilities				
Balance of current account	7,515	882	0	0
Interbank loans	2,908	3,528	0	0
Income statement				
Interest income on loans and advances	13	85	0	0
Interest income on bonds	223	400	62	261
Interest expense on loans	(132)	(144)	0	0
Fee and commission expense	(4)	(3)	0	0
Off-balance sheet				
Interest rate derivatives	132,245	140,945	4,019	3,972

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

4. NOTES TO THE OFF-BALANCE SHEET ITEMS (EUR MILLIONS)**4.1 - COMMITMENTS GRANTED**

EUR millions	Amount as of 12/31/2007	Amount as of 12/31/2008
Financing commitments granted to credit institutions	111	11
Financing commitments granted to clients (1)	4,728	3,177
Other commitments given, securities as collateral	0	7,811
Total	4,839	10,999

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

4.2 - COMMITMENTS RECEIVED

	Amount as of 12/31/2007	Amount as of 12/31/2008
Financing commitments received from credit institutions (1)	4,684	5,432
Currencies borrowed	0	0
Guarantees received from credit institutions	0	0
Guarantees received from local governments and asset transfers as guarantees of commitments on local governments (2)	5,892	7,455
Total	10,576	12,887

(1) Including EUR 5.338 million in refinancing agreements from Dexia Credit Local for *obligations foncières* of less than one year as of December 31, 2008.

(2) The amount as of December 31, 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 12/31/2007	Amount as of 12/31/2008	Fair value as of 12/31/2008
Currencies to receive	22,444	22,261	732
Currencies to deliver	23,850	23,552	(253)
Total	46,294	45,813	479

4.4 - COMMITMENTS ON INTEREST RATE DERIVATIVES

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

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

Type of transaction	Amount as of 12/31/2007	Less than 1 year (1)	1 year to 5 years (2)	More than 5 years (3)	Total as of 12/31/2008
Unconditional transactions	203,663	121,465	25,916	68,989	216,370
(1) of which deferred start:	17,015				
(2) of which deferred start:	1,468				
(3) of which deferred start:	7,240				
Total	25,723				

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

b. Analysis of interest rate transactions by product type

	Amount as of 12/31/2007	Amount as of 12/31/2008
Interest rate swaps	203,663	216,370
Futures	0	0
Interest rate options	0	0
Total	203,663	216,370

c. Analysis of interest rate swap transactions

	Amount as of 12/31/2007	Amount as of 12/31/2008	Fair value as of 12/31/2008
Micro-hedge	71,139	75,770	(2,449)
Macro-hedge	132,524	140,600	(1,188)
Total	203,663	216,370	(3,637)

d. Analysis of interest rate transactions by counterparty

	Amount as of 12/31/2007	Amount as of 12/31/2008
Parent and other Dexia Group companies	136,264	144,917
Counterparties with equity interests	0	0
Other counterparties	67,399	71,453
Total	203,663	216,370

4.5 - COMMITMENTS RELATED TO SECURITIES TRANSACTIONS

	Amount as of 12/31/2007	Amount as of 12/31/2008
Securities purchased:		
Spot	0.0	0.0
Forward	0.0	0.0
Total	0.0	0.0

5. NOTES TO THE INCOME STATEMENT (EUR MILLIONS)**5.0.a - INTEREST AND RELATED INCOME**

In particular, this item comprises:

- EUR 156 million in interest due and interest accrued and not yet due on interbank transactions;
- EUR 2,596 million in interest due and interest accrued and not yet due on customer loans, early loan reimbursement penalties in the amount of EUR 15 million, and income from micro-hedging operations;
- EUR 982 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 4,808 million in income on macro-hedging operations.

5.0.b - INTEREST AND RELATED EXPENSE

In particular, this item comprises:

- EUR 367 million in interest due and interest accrued and not yet due on refinancing operations of which EUR 352 million with Dexia Credit Local and EUR 15 million with the Banque de France;
- EUR 3,072 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 4,801 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 MA.

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 12/31/2008
Taxes	9
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 81 million)	83
Total	92

5.2 - ANALYSIS OF COMMISSIONS PAID

	Amount as of 12/31/2007	Amount as of 12/31/2008
Commission for business brokerage and securities portfolio management billed by Dexia Crediop	(4)	(3)
Commission paid on securities transactions	(1)	(1)
Total	(5)	(4)

5.3 - ANALYSIS OF INCOME (LOSSES) FROM FINANCIAL TRANSACTIONS

	Amount as of 12/31/2007	Amount as of 12/31/2008
Transactions on available-for-sale securities (1)	(1)	(54)
Transactions on investment securities	0	0
Transactions on interest rate derivatives	0	0
Foreign exchange transactions	0	0
Total	(1)	(54)

(1) This item regroups capital gains and losses on sales and provisions and reversals on these portfolios. The amount as of December 31, 2008, included EUR (1.1) million in capital losses.

5.4 - CORPORATE INCOME TAX

	Amount as of 12/31/2007	Amount as of 12/31/2008
Corporate income tax	(83)	(53)
Deferred taxes	1	0
Total	(82)	(53)

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

Financial Statements – Year ended December 31, 2008

*This is a free translation into English of the statutory auditors' report in French,
and is provided solely for the convenience of English-speaking readers.*

This report includes information specifically required by French law and this is presented after the Opinion on the financial statements.

This information includes an explanatory paragraph discussing the auditors' assessment of certain significant accounting matters.

These assessments were made for the purpose of issuing an opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements.

The report also includes information relating to the specific verification of information in the management report.

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

To the shareholders,

In compliance with the assignment entrusted to us by your Shareholders' Annual General Meeting, we hereby report to you, for the year ended December 31, 2008, on:

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

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

1. OPINION ON THE FINANCIAL STATEMENTS

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

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of Dexia Municipal Agency as of December 31, 2008, and of the results of its operations for the year then ended, in accordance with accounting rules and principles applicable in France.

2. JUSTIFICATION OF ASSESSMENTS

The accounting assessments used for the financial statements prepared as of December 31, 2008, have been made in a context of high market volatility and a certain difficulty to apprehend the economic outlook. In this context and in accordance with the requirements of article L.823-9 of the Commercial Code relating to the justification of our assessments, we bring to your attention the following matters:

Credit risks provision:

As described in note "1.2 – Customer loans" of the notes to the financial statements, your company records provisions to cover credit risks inherent in any banking activity. As part of our assessment of these accounting estimates, we examined the credit risk review process, the assessment of the irrecoverability risk and the adequacy of specific allowances for loan losses.

Valuation of financial instruments:

As described in note “1.3 – Securities transactions” of the notes to the financial statements, your company uses internal models and methods to value financial instruments that are not listed on liquid markets, as well as for the recording of certain provisions. Our procedures consisted in reviewing the control procedures related to the illiquidity assessment of the market, the verification of the models and the determination of the data and assumptions used.

These assessments were made in the context of our audit of the financial statements, taken as a whole, and therefore contributed to the opinion we formed and which is expressed in the first part of this report.



3. SPECIFIC VERIFICATIONS AND DISCLOSURES



We have also performed the specific verifications required by law.

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

In application of the law, we indicate that the information required by article L.225-102-1 of the Commercial Code does not include the compensation paid and personal benefits granted by the controlling company to the members of management bodies of your company for their duties in the controlling company, for the reasons presented in the paragraph on the compensation of members of management bodies in the above-mentioned report.

Courbevoie and Neuilly-Sur-Seine, April 8, 2009
The Statutory Auditors

Mazars
Guillaume Potel
Partner

Anne Veaute
Partner


Deloitte & Associés
François Arbey
Partner

José-Luis Garcia
Partner


SUPPLEMENTAL DISCLOSURES

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

In addition, *sociétés de crédit foncier* are governed by articles L.515-13 to L.515-33 and R515-2 to R515-14 of Book V, Title I, Chapter 5, Section 4 of the Monetary and Financial Code. It should be noted that the above-mentioned articles have been amended several times and, in particular, in 2008 to comply with the "Law of modernization of the economy" (2008-776) of August 4, 2008. Article 157 of this law allows *sociétés de crédit foncier* to participate in Banque de France refinancing operations, and article 158 broadens the geographic scope of eligible assets.

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

- capital adequacy ratio,
- control of major risks.

On the other hand, the liquidity ratio is calculated on the basis of data presented in the financial statements of Dexia MA. In 2008, Dexia MA had a monthly liquidity ratio of more than 100%; as of December 31, 2008, it was 183%.

Pursuant to article L.515-20 of the Monetary and Financial Code and article 6 of CRB standard 99-10, modified by the *arrêté* of May 7, 2007, Dexia MA's total assets must always exceed liabilities benefiting from the privilege referred to in article L.515-19 of the Monetary and Financial Code. As of December 31, 2008, the coverage ratio was 104.2%.

Income for the last five years

EUR thousands	2004	2005	2006	2007	2008
Financial position					
Capital stock	620,000	680,000	760,000	876,000	946,000
Number of shares	6,200,000	6,800,000	7,600,000	8,760,000	9,460,000
Results of operations					
Revenues (2)	1,066,479	1,234,255	1,810,050	2,840,096	3,741,424
Income before income tax, amortization, depreciation and contingencies net of reversals	90,041	143,937	197,057	247,582	205,439
Corporate income tax	31,007	47,887	64,585	81,417	53,123
Income after income tax, amortization, depreciation and contingencies net of reversals	60,856	88,947	122,512	153,475	91,265
Exceptional distribution	120,000	-	-	-	-
Dividend (1)	62,000	84,320	116,280	70,080	113,520
Per share data					
Revenues (2)	172.01	181.51	238.16	324.21	395.50
Income after income tax, amortization, depreciation and contingencies net of reversals	9.52	14.13	17.43	18.97	16.10
Corporate income tax	5.00	7.04	8.50	9.29	5.62
Income after income tax, amortization, depreciation and contingencies net of reversals	9.82	13.08	16.12	17.52	9.65
Exceptional distribution	24.00	-	-	-	-
Dividend per share (1)	10.00	12.40	15.30	8.00	12.00

(1) Proposed distribution for 2008.

(2) Revenues are comprised of the following items:

- interest and related income, netted of macro-hedging expense;
- commission income;
- net income on foreign exchange transactions;
- other operating income.

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

Coverage ratio

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

Assets covering sources of funds benefiting from the privilege (weighted amounts in EUR millions)	12/31/2008
Exposures on public sector entities	61,454.3
Shares in funds or similar entities that meet the conditions of article L.515-16	5,315.8
Securities and secure and liquid deposits	910.6
Other assets	2,552.3
Total assets	70,233.0

Sources of funds benefiting from the privilege defined in article L.515-19 of the Monetary and Financial Code (weighted amounts in EUR millions)	12/31/2008
<i>Obligations foncières</i>	60,497.7
Other bonds benefiting from the privilege	1,712.0
Liabilities related to these securities	1,353.7
Amounts owed under the contract provided for in article L.515-22 of the Monetary and Financial Code	26.2
Amounts owed for financial futures benefiting from the privilege defined in article L.515-19 of the Monetary and Financial Code	3,817.2
Total liabilities	67,406.8

Coverage ratio	104.19%
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Auditor's fees in 2008

EUR thousands	Mazars				Caderas Martin				Deloitte			
	Amount (excl. VAT)		%		Amount (excl. VAT)		%		Amount (excl. VAT)		%	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Audit services rendered												
Audit, certification, examination of company financial statements	295.6	151.9	100%	100%	40.0	146.0	100%	100%	295.6	0	100%	0
Other services rendered directly linked to audit	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	295.6	151.9	100%	100%	40.0	146.0	100%	100%	295.6	0	100%	0
Other services												
Legal, tax, labor issues	-	-	-	-	-	-	-	-	-	-	-	-
Other (to specify if >10% of audit fees)	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal												
Total	295.6	151.9	100%	100%	40.0	146.0	100%	100%	295.6	0	100%	0

List of bonds issued by Dexia Municipal Agency (obligations foncières, registered covered bonds)

Obligations foncières ISIN number	Currency	Nominal amount in foreign currency	Balance (EUR millions)	Redemption value (*)	Final due date	First call option date	Stock exchange
AU0000DXAH15	AUD	200 000 000	98	125	15-Feb-11		Sydney
AU0000DXAHB0	AUD	20 000 000	10	11	16-Jan-26		Sydney
AU0000DXAHC8	AUD	100 000 000	49	59	4-Feb-09		Sydney
AU0000DXAHC8	AUD	250 000 000	123	153	4-Feb-09		Sydney
AU0000DXAHD6	AUD	150 000 000	73	90	2-Apr-14		Sydney
AU0000DXAHD6	AUD	200 000 000	98	121	2-Apr-14		Sydney
AU0000DXAHD6	AUD	150 000 000	73	90	2-Apr-14		Sydney
AU0000DXAHE4	AUD	200 000 000	99	117	7-Feb-12		Sydney
AU0000DXAHE4	AUD	100 000 000	49	59	7-Feb-12		Sydney
AU0000DXAHH7	AUD	100 000 000	48	58	24-Aug-15		Sydney
AU0000DXAHH7	AUD	200 000 000	99	123	24-Aug-15		Sydney
AU0000DXAHH7	AUD	200 000 000	98	124	24-Aug-15		Sydney
FR0010340091	AUD	25 870 000	17	20	1-Jul-11		Unlisted
FR0010397828	AUD	11 600 000	6	7	20-Mar-14		Unlisted
FR0010503011	AUD	29 400 000	14	19	19-Jun-14		Luxembourg
XS0213323990	AUD	100 000 000	49	60	10-Sep-09		Luxembourg
Subtotal	AUD	2 036 870 000	1 003	1 236			
FR0010172098	CAD	200 000 000	118	122	9-Mar-20		Luxembourg
FR0010443630	CAD	200 000 000	118	131	9-Mar-29		Luxembourg
FR0010443630	CAD	100 000 000	54	69	9-Mar-29		Luxembourg
FR0010477083	CAD	500 000 000	295	335	30-May-17		Luxembourg
Subtotal	CAD	1 000 000 000	585	658			
CH0010431168	CHF	200 000 000	134	128	8-Mar-10		Zurich
CH0010431168	CHF	500 000 000	337	311	8-Mar-10		Zurich
CH0019454054	CHF	150 000 000	101	98	12-Oct-11		Zurich
CH0020643760	CHF	50 000 000	33	31	11-Mar-15		Zurich
CH0020643760	CHF	100 000 000	66	64	11-Mar-15		Zurich
CH0020643760	CHF	150 000 000	103	97	11-Mar-15		Zurich
CH0020643760	CHF	100 000 000	68	64	11-Mar-15		Zurich
CH0020643760	CHF	200 000 000	135	128	11-Mar-15		Zurich
CH0020643760	CHF	100 000 000	68	65	11-Mar-15		Zurich
CH0021644452	CHF	250 000 000	169	162	24-Jun-11		Zurich
CH0023984815	CHF	200 000 000	136	129	9-Feb-16		Zurich
CH0032508563	CHF	165 000 000	111	100	9-Aug-17		Zurich
CH0032508563	CHF	135 000 000	93	81	9-Aug-17		Zurich
CH0032508563	CHF	100 000 000	66	62	9-Aug-17		Zurich
CH0033023216	CHF	200 000 000	136	121	28-Aug-19		Zurich
CH0043323317	CHF	250 000 000	169	155	21-Jun-11		Zurich
FR0010526376	CHF	20 000 000	13	12	15-Oct-27		Unlisted
FR0010535658	CHF	80 000 000	54	48	30-May-13		Unlisted
FR0010555748	CHF	50 000 000	34	30	20-Dec-17		Unlisted
Subtotal	CHF	3 000 000 000	2 026	1 886			
FR0010653568	DKK	250 000 000	34	34	7-Jan-11		Unlisted
Subtotal	DKK	250 000 000	34	34			
FR0000470148	EUR	10 000 000	10	10	6-Sep-12		Luxembourg
FR0000470221	EUR	20 000 000	20	20	3-Oct-14		Luxembourg
FR0000470361	EUR	33 000 000	33	33	30-Sep-14		Luxembourg
FR0000470494	EUR	20 000 000	20	20	22-Oct-14		Luxembourg
FR0000472417	EUR	45 000 000	44	45	20-Feb-13		Luxembourg - Paris

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

Obligations foncières ISIN number	Currency	Nominal amount in foreign currency	Balance (EUR millions)	Redemption value (*)	Final due date	First call option date	Stock exchange
FR0000472417	EUR	55 000 000	54	55	20-Feb-13		Luxembourg - Paris
FR0000472417	EUR	500 000 000	501	500	20-Feb-13		Luxembourg - Paris
FR0000472417	EUR	500 000 000	499	500	20-Feb-13		Luxembourg - Paris
FR0000472417	EUR	1 000 000 000	998	1 000	20-Feb-13		Luxembourg - Paris
FR0000472417	EUR	250 000 000	249	250	20-Feb-13		Luxembourg - Paris
FR0000472417	EUR	150 000 000	149	150	20-Feb-13		Luxembourg - Paris
FR0000472417	EUR	250 000 000	252	250	20-Feb-13		Luxembourg - Paris
FR0000472474	EUR	53 000 000	53	53	7-Dec-15		Luxembourg
FR0000473357	EUR	136 000 000	136	136	2-Apr-18		Luxembourg
FR0000473522	EUR	140 000 000	140	140	30-Dec-13		Luxembourg
FR0000473589	EUR	25 000 000	25	25	8-Apr-13		Luxembourg
FR0000474256	EUR	25 350 000	25	25	30-Dec-13		Luxembourg
FR0000480055	EUR	30 000 000	30	30	16-Jul-12		Luxembourg
FR0000480071	EUR	15 000 000	15	15	5-Jul-12		Luxembourg
FR0000480329	EUR	30 000 000	30	30	9-Aug-17		Luxembourg
FR0000480329	EUR	300 000 000	300	300	9-Aug-17		Luxembourg
FR0000480329	EUR	50 000 000	50	50	9-Aug-17		Luxembourg
FR0000480329	EUR	40 000 000	40	40	9-Aug-17		Luxembourg
FR0000480329	EUR	131 000 000	133	131	9-Aug-17		Luxembourg
FR0000480329	EUR	100 000 000	100	100	9-Aug-17		Luxembourg
FR0000480329	EUR	20 000 000	20	20	9-Aug-17		Luxembourg
FR0000480329	EUR	77 800 000	77	78	9-Aug-17		Luxembourg
FR0000480329	EUR	50 000 000	50	50	9-Aug-17		Luxembourg
FR0000480329	EUR	168 000 000	168	168	9-Aug-17		Luxembourg
FR0000480675	EUR	200 000 000	200	200	17-May-12		Paris
FR0000480683	EUR	135 000 000	135	135	24-May-10		Paris
FR0000481178	EUR	15 000 000	15	15	7-Jul-10		Paris
FR0000488132	EUR	250 000 000	280	250	6-Feb-17		Luxembourg - Paris
FR0000488132	EUR	750 000 000	740	750	6-Feb-17		Luxembourg - Paris
FR0000488132	EUR	150 000 000	157	150	6-Feb-17		Luxembourg - Paris
FR0000488132	EUR	150 000 000	157	150	6-Feb-17		Luxembourg - Paris
FR0000488132	EUR	100 000 000	101	100	6-Feb-17		Luxembourg - Paris
FR0000488835	EUR	30 000 000	30	30	12-Apr-12		Luxembourg
FR0000488884	EUR	15 000 000	15	15	7-May-12		Luxembourg
FR0000489296	EUR	100 000 000	104	100	25-Oct-12		Luxembourg - Paris
FR0000489296	EUR	20 000 000	21	20	25-Oct-12		Luxembourg - Paris
FR0000489296	EUR	1 000 000 000	998	1 000	25-Oct-12		Luxembourg - Paris
FR0000489296	EUR	250 000 000	254	250	25-Oct-12		Luxembourg - Paris
FR0000489296	EUR	250 000 000	254	250	25-Oct-12		Luxembourg - Paris
FR0000489395	EUR	30 000 000	30	30	29-May-14		Luxembourg
FR0000489411	EUR	30 000 000	30	30	30-May-14		Luxembourg
FR0000489890	EUR	13 000 000	13	13	30-Jun-14		Luxembourg
FR0000497430	EUR	300 000 000	299	300	26-Apr-10		Various exchanges
FR0000497430	EUR	500 000 000	498	500	26-Apr-10		Various exchanges
FR0000497430	EUR	700 000 000	702	700	26-Apr-10		Various exchanges
FR0000497430	EUR	250 000 000	250	250	26-Apr-10		Various exchanges
FR0000497430	EUR	1 250 000 000	1 247	1 250	26-Apr-10		Various exchanges
FR0000499030	EUR	30 000 000	30	30	23-Feb-15		Luxembourg
FR0010007565	EUR	25 000 000	25	25	2-Sep-13		Luxembourg
FR0010014902	EUR	50 000 000	50	50	24-Sep-13		Luxembourg
FR0010018028	EUR	62 000 000	62	62	9-Oct-15		Luxembourg
FR0010018044	EUR	30 000 000	30	30	26-Sep-13		Luxembourg
FR0010019406	EUR	95 000 000	95	95	1-Oct-13		Luxembourg

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

5 | SUPPLEMENTAL DISCLOSURES

<i>Obligations foncières</i> ISIN number	Currency	Nominal amount in foreign currency	Balance (EUR millions)	Redemption value (*)	Final due date	First call option date	Stock exchange
FR0010019406	EUR	25 000 000	25	25	1-Oct-13		Luxembourg
FR0010019471	EUR	50 000 000	50	50	9-Aug-17		Luxembourg
FR0010032813	EUR	15 000 000	15	15	28-Mar-11		Luxembourg
FR0010033357	EUR	50 000 000	50	50	20-Nov-18		Luxembourg
FR0010034371	EUR	75 000 000	75	75	15-Dec-19		Luxembourg
FR0010039032	EUR	150 000 000	149	150	26-Jan-11		Luxembourg - Paris
FR0010039032	EUR	150 000 000	150	150	26-Jan-11		Luxembourg - Paris
FR0010039032	EUR	200 000 000	201	200	26-Jan-11		Luxembourg - Paris
FR0010039032	EUR	1 000 000 000	1 000	1 000	26-Jan-11		Luxembourg - Paris
FR0010039032	EUR	200 000 000	204	200	26-Jan-11		Luxembourg - Paris
FR0010039032	EUR	150 000 000	152	150	26-Jan-11		Luxembourg - Paris
FR0010039032	EUR	200 000 000	205	200	26-Jan-11		Luxembourg - Paris
FR0010039032	EUR	150 000 000	150	150	26-Jan-11		Luxembourg - Paris
FR0010039032	EUR	300 000 000	299	300	26-Jan-11		Luxembourg - Paris
FR0010039164	EUR	40 000 000	40	40	19-Feb-18		Luxembourg
FR0010039172	EUR	13 000 000	13	13	2-Feb-14		Luxembourg
FR0010051698	EUR	111 500 000	112	112	20-Feb-19		Luxembourg
FR0010053769	EUR	20 000 000	20	20	26-Feb-16		Luxembourg
FR0010054049	EUR	20 000 000	20	20	3-Mar-14		Luxembourg
FR0010060350	EUR	50 000 000	50	50	17-Mar-14		Luxembourg
FR0010060384	EUR	30 000 000	30	30	5-Mar-20		Luxembourg
FR0010061978	EUR	50 000 000	50	50	15-Mar-16		Luxembourg
FR0010061986	EUR	65 000 000	65	65	15-Mar-19		Luxembourg
FR0010061994	EUR	40 000 000	40	40	29-Mar-19		Luxembourg
FR0010063727	EUR	40 000 000	40	40	15-Mar-21		Luxembourg
FR0010063768	EUR	10 600 000	11	11	10-Mar-14		Luxembourg
FR0010068361	EUR	100 000 000	100	100	15-Apr-19		Luxembourg
FR0010068437	EUR	51 500 000	52	52	15-Apr-19		Luxembourg
FR0010070888	EUR	27 000 000	27	27	15-Apr-19		Luxembourg
FR0010071852	EUR	35 000 000	35	35	26-Apr-19		Luxembourg
FR0010081869	EUR	23 000 000	23	23	21-May-14		Luxembourg
FR0010081885	EUR	10 000 000	10	10	21-May-16		Luxembourg
FR0010089839	EUR	90 200 000	90	90	24-Jun-24		Luxembourg
FR0010092908	EUR	10 000 000	10	10	7-Jun-19		Luxembourg
FR0010093336	EUR	50 000 000	50	50	22-Jun-24		Luxembourg
FR0010096131	EUR	63 000 000	63	63	2-Jul-14		Luxembourg
FR0010096818	EUR	37 000 000	37	37	15-Jul-19	15-Jul-14	Luxembourg
FR0010104802	EUR	8 500 000	9	9	27-Aug-19	27-Aug-09	Luxembourg
FR0010108811	EUR	80 000 000	80	80	1-Sep-19		Luxembourg
FR0010111260	EUR	32 000 000	32	32	10-Sep-14		Luxembourg
FR0010114322	EUR	200 000 000	201	200	21-Sep-09		Luxembourg - Paris
FR0010114322	EUR	200 000 000	199	200	21-Sep-09		Luxembourg - Paris
FR0010114322	EUR	150 000 000	149	150	21-Sep-09		Luxembourg - Paris
FR0010114322	EUR	250 000 000	250	250	21-Sep-09		Luxembourg - Paris
FR0010114322	EUR	1 000 000 000	999	1 000	21-Sep-09		Luxembourg - Paris
FR0010114322	EUR	250 000 000	250	250	21-Sep-09		Luxembourg - Paris
FR0010114322	EUR	500 000 000	498	500	21-Sep-09		Luxembourg - Paris
FR0010114322	EUR	150 000 000	149	150	21-Sep-09		Luxembourg - Paris
FR0010115741	EUR	28 500 000	29	29	30-Sep-14		Luxembourg
FR0010120519	EUR	65 000 000	65	65	21-Oct-19	21-Oct-14	Luxembourg
FR0010125732	EUR	100 000 000	100	100	11-Oct-19		Luxembourg
FR0010125823	EUR	200 000 000	200	200	5-Nov-10		Luxembourg
FR0010130419	EUR	15 000 000	15	15	18-Nov-19		Luxembourg

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<i>Obligations foncières</i> ISIN number	Currency	Nominal amount in foreign currency	Balance (EUR millions)	Redemption value (*)	Final due date	First call option date	Stock exchange
FR0010130435	EUR	200 000 000	200	200	2-Dec-19		Luxembourg
FR0010133645	EUR	100 000 000	100	100	14-Jan-15		Luxembourg
FR0010133645	EUR	75 000 000	75	75	14-Jan-15		Luxembourg
FR0010134577	EUR	120 000 000	120	120	3-Dec-24		Luxembourg
FR0010134601	EUR	75 000 000	75	75	26-Nov-11		Luxembourg
FR0010134601	EUR	75 000 000	75	75	26-Nov-11		Luxembourg
FR0010137489	EUR	50 000 000	50	50	6-Dec-14		Luxembourg
FR0010160911	EUR	20 000 000	20	20	28-Jan-25		Luxembourg
FR0010163394	EUR	230 000 000	220	230	10-Feb-25		Luxembourg
FR0010165696	EUR	60 000 000	60	60	17-Feb-20		Luxembourg
FR0010167304	EUR	50 000 000	50	50	7-Mar-20		Luxembourg
FR0010167312	EUR	50 000 000	50	50	2-Mar-20		Unlisted
FR0010170589	EUR	31 000 000	31	31	10-Mar-20		Unlisted
FR0010170597	EUR	30 000 000	30	30	15-Mar-20		Luxembourg
FR0010170696	EUR	20 000 000	20	20	4-Mar-20		Luxembourg
FR0010170712	EUR	6 000 000	6	6	15-Mar-20		Luxembourg
FR0010172031	EUR	50 000 000	50	50	11-Mar-20		Luxembourg
FR0010172106	EUR	30 000 000	30	30	14-Mar-17		Luxembourg
FR0010173716	EUR	100 000 000	100	100	23-Mar-15		Luxembourg
FR0010173724	EUR	5 000 000	5	5	6-Apr-20	6-Apr-06	Luxembourg
FR0010173765	EUR	75 000 000	75	75	15-Jul-15		Luxembourg
FR0010175844	EUR	140 000 000	140	140	24-Mar-20		Unlisted
FR0010175869	EUR	76 000 000	76	76	30-Mar-20		Unlisted
FR0010178467	EUR	35 000 000	35	35	22-Apr-15		Luxembourg
FR0010185892	EUR	100 000 000	100	100	29-Apr-22		Luxembourg
FR0010186163	EUR	155 000 000	155	155	6-May-20		Luxembourg
FR0010190066	EUR	100 000 000	100	100	6-May-22		Luxembourg
FR0010190181	EUR	25 000 000	25	25	20-May-20		Luxembourg
FR0010190199	EUR	150 000 000	150	150	27-Apr-20		Luxembourg
FR0010190207	EUR	280 000 000	280	280	20-Jun-12		Luxembourg
FR0010190207	EUR	12 500 000	13	13	20-Jun-12		Luxembourg
FR0010190231	EUR	100 000 000	100	100	13-May-22		Luxembourg
FR0010190264	EUR	25 000 000	25	25	20-May-20		Luxembourg
FR0010192989	EUR	40 000 000	40	40	26-May-15	26-May-08	Luxembourg
FR0010194506	EUR	100 000 000	100	100	20-May-22		Luxembourg
FR0010194522	EUR	60 000 000	60	60	19-May-20	19-May-08	Luxembourg
FR0010199877	EUR	12 500 000	13	13	27-May-20	27-May-11	Luxembourg
FR0010199935	EUR	10 000 000	10	10	6-Jun-30	6-Jun-12	Luxembourg
FR0010199984	EUR	10 000 000	10	10	8-Jun-20		Luxembourg
FR0010208587	EUR	10 000 000	10	10	24-Jun-20		Luxembourg
FR0010209924	EUR	6 500 000	7	7	29-Jun-17	29-Dec-05	Luxembourg
FR0010209924	EUR	5 170 000	5	5	29-Jun-17	29-Dec-05	Luxembourg
FR0010209940	EUR	15 000 000	15	15	29-Jun-20		Luxembourg
FR0010210005	EUR	10 000 000	10	10	6-Jul-20		Luxembourg
FR0010212845	EUR	25 000 000	25	25	1-Aug-15	1-Aug-08	Luxembourg
FR0010212977	EUR	22 000 000	22	22	8-Aug-25		Luxembourg
FR0010224402	EUR	50 000 000	50	50	8-Sep-20		Luxembourg
FR0010224410	EUR	50 000 000	50	50	8-Sep-20		Luxembourg
FR0010224477	EUR	30 000 000	30	30	24-Aug-12		Unlisted
FR0010225359	EUR	16 150 000	16	16	7-Oct-10		Unlisted
FR0010231324	EUR	16 000 000	16	16	15-Sep-17	15-Sep-12	Luxembourg
FR0010231357	EUR	65 000 000	58	65	15-Sep-15		Luxembourg
FR0010231357	EUR	1 000 000 000	994	1 000	15-Sep-15		Luxembourg

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<i>Obligations foncières</i> ISIN number	Currency	Nominal amount in foreign currency	Balance (EUR millions)	Redemption value (*)	Final due date	First call option date	Stock exchange
FR0010231357	EUR	500 000 000	486	500	15-Sep-15		Luxembourg
FR0010231357	EUR	500 000 000	473	500	15-Sep-15		Luxembourg
FR0010231357	EUR	500 000 000	469	500	15-Sep-15		Luxembourg
FR0010231365	EUR	30 000 000	30	30	14-Sep-12		Unlisted
FR0010235366	EUR	30 000 000	30	30	17-Oct-15	17-Oct-06	Luxembourg
FR0010235374	EUR	5 000 000	5	5	22-Sep-15	22-Dec-05	Luxembourg
FR0010235416	EUR	30 000 000	30	30	28-Sep-12		Unlisted
FR0010237032	EUR	50 000 000	50	50	27-Sep-13		Unlisted
FR0010237081	EUR	55 000 000	55	55	3-Oct-20		Luxembourg
FR0010237115	EUR	10 000 000	10	10	5-Oct-09	5-Oct-06	Luxembourg
FR0010237149	EUR	50 000 000	50	50	15-Jul-30	17-Jan-11	Luxembourg
FR0010237172	EUR	80 000 000	80	80	15-Jul-30	17-Jan-11	Luxembourg
FR0010242628	EUR	40 000 000	40	40	21-Oct-30	21-Oct-08	Luxembourg
FR0010245738	EUR	30 000 000	30	30	26-Oct-22		Unlisted
FR0010248609	EUR	100 000 000	100	100	16-Nov-15		Luxembourg
FR0010248658	EUR	100 000 000	100	100	21-Dec-15		Luxembourg
FR0010248666	EUR	100 000 000	100	100	9-Nov-30	10-Nov-08	Luxembourg
FR0010249565	EUR	10 000 000	10	10	14-Nov-25	16-Nov-15	Luxembourg
FR0010249581	EUR	25 000 000	25	25	9-Nov-10	9-May-06	Luxembourg
FR0010249722	EUR	100 000 000	100	100	10-Nov-30	10-Nov-08	Luxembourg
FR0010261412	EUR	20 000 000	19	20	15-Dec-20		Luxembourg
FR0010261412	EUR	277 500 000	278	278	15-Dec-20		Luxembourg
FR0010261412	EUR	155 500 000	156	156	15-Dec-20		Luxembourg
FR0010261412	EUR	100 000 000	100	100	15-Dec-20		Luxembourg
FR0010261412	EUR	35 000 000	35	35	15-Dec-20		Luxembourg
FR0010261412	EUR	30 000 000	29	30	15-Dec-20		Luxembourg
FR0010261412	EUR	98 500 000	99	99	15-Dec-20		Luxembourg
FR0010261529	EUR	50 000 000	50	50	4-Jan-26		Luxembourg
FR0010264093	EUR	50 000 000	50	50	12-Mar-13		Unlisted
FR0010265306	EUR	11 000 000	11	11	28-Jan-13		Unlisted
FR0010265488	EUR	100 000 000	100	100	5-Jan-26	5-Jan-16	Luxembourg
FR0010279109	EUR	30 000 000	85	85	24-Jan-34		Luxembourg
FR0010289322	EUR	36 500 000	37	37	16-Feb-26		Unlisted
FR0010289397	EUR	15 000 000	15	15	16-Feb-26		Luxembourg
FR0010292128	EUR	10 000 000	10	10	7-Mar-26		Luxembourg
FR0010297242	EUR	100 000 000	100	100	20-Mar-26		Luxembourg
FR0010301796	EUR	15 000 000	15	15	23-Mar-16		Luxembourg
FR0010306068	EUR	50 000 000	50	50	16-Jan-13		Unlisted
FR0010306373	EUR	34 000 000	34	34	31-Mar-16		Luxembourg
FR0010306373	EUR	29 000 000	29	29	31-Mar-16		Luxembourg
FR0010306456	EUR	10 000 000	10	10	7-Apr-25		Unlisted
FR0010306472	EUR	10 000 000	10	10	6-Apr-20		Unlisted
FR0010306480	EUR	20 000 000	20	20	6-Apr-20		Unlisted
FR0010306498	EUR	10 000 000	10	10	7-Apr-25		Unlisted
FR0010306506	EUR	5 000 000	5	5	7-Apr-26		Unlisted
FR0010306514	EUR	5 000 000	5	5	6-Apr-27		Unlisted
FR0010306522	EUR	5 000 000	5	5	5-Apr-30		Unlisted
FR0010306605	EUR	50 000 000	50	50	19-Apr-18		Luxembourg
FR0010318410	EUR	50 000 000	50	50	24-Apr-26		Unlisted
FR0010322792	EUR	65 000 000	65	65	5-May-36	5-May-11	Luxembourg
FR0010333534	EUR	60 000 000	60	60	9-Jun-16		Luxembourg
FR0010342378	EUR	10 000 000	10	10	21-Jun-21		Luxembourg
FR0010342519	EUR	10 000 000	10	10	12-Jul-18		Luxembourg

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<i>Obligations foncières</i> ISIN number	Currency	Nominal amount in foreign currency	Balance (EUR millions)	Redemption value (*)	Final due date	First call option date	Stock exchange
FR0010345066	EUR	27 000 000	27	27	19-Jun-16	20-Jun-11	Unlisted
FR0010347625	EUR	50 000 000	50	50	26-Apr-13		Unlisted
FR0010347641	EUR	80 000 000	80	80	23-Jun-09		Luxembourg
FR0010347674	EUR	30 000 000	30	30	3-Jul-09		Luxembourg
FR0010347815	EUR	50 000 000	50	50	7-Oct-15		Unlisted
FR0010348029	EUR	153 410 000	153	153	10-Jan-12		Unlisted
FR0010348516	EUR	10 000 000	10	10	25-Jul-16	25-Oct-06	Unlisted
FR0010359729	EUR	50 000 000	50	50	27-Feb-13		Unlisted
FR0010359943	EUR	100 000 000	100	100	16-Aug-18		Luxembourg
FR0010363325	EUR	200 000 000	200	200	22-Aug-22		Luxembourg
FR0010363325	EUR	31 000 000	31	31	22-Aug-22		Luxembourg
FR0010363382	EUR	50 000 000	50	50	23-Nov-11		Unlisted
FR0010363457	EUR	20 000 000	20	20	25-Aug-16		Luxembourg
FR0010363473	EUR	50 000 000	50	50	23-Sep-15		Unlisted
FR0010369231	EUR	50 000 000	50	50	11-May-16		Unlisted
FR0010369306	EUR	250 000 000	241	250	12-Mar-14		Luxembourg
FR0010369306	EUR	200 000 000	198	200	12-Mar-14		Luxembourg
FR0010369306	EUR	150 000 000	148	150	12-Mar-14		Luxembourg
FR0010369306	EUR	150 000 000	148	150	12-Mar-14		Luxembourg
FR0010369306	EUR	1 000 000 000	1 000	1 000	12-Mar-14		Luxembourg
FR0010369306	EUR	150 000 000	148	150	12-Mar-14		Luxembourg
FR0010369330	EUR	50 000 000	50	50	27-Sep-18		Luxembourg
FR0010369546	EUR	50 000 000	50	50	3-Oct-21		Luxembourg
FR0010369645	EUR	30 000 000	30	30	20-Sep-18		Unlisted
FR0010369710	EUR	6 000 000	6	6	29-Sep-16	1-Oct-07	Unlisted
FR0010379073	EUR	50 000 000	50	50	10-Oct-21		Luxembourg
FR0010379081	EUR	50 000 000	50	50	27-Feb-15		Unlisted
FR0010385930	EUR	50 000 000	50	50	27-Oct-21		Unlisted
FR0010386078	EUR	55 000 000	55	55	7-Nov-16		Luxembourg
FR0010386086	EUR	55 000 000	55	55	7-Nov-16		Luxembourg
FR0010386136	EUR	50 000 000	50	50	7-Nov-16	7-Nov-07	Luxembourg
FR0010391078	EUR	50 000 000	50	50	27-Jul-12		Unlisted
FR0010391110	EUR	12 000 000	12	12	21-Nov-18		Luxembourg
FR0010391334	EUR	51 300 000	51	51	6-Nov-13	6-Nov-07	Luxembourg
FR0010394502	EUR	5 000 000	5	5	8-Nov-11		Unlisted
FR0010398115	EUR	25 000 000	23	25	24-Nov-16		Luxembourg
FR0010398115	EUR	1 000 000 000	997	1 000	24-Nov-16		Luxembourg
FR0010398115	EUR	30 000 000	27	30	24-Nov-16		Luxembourg
FR0010412577	EUR	10 000 000	10	10	29-Dec-21		Luxembourg
FR0010412684	EUR	100 000 000	100	100	9-Jan-17		Luxembourg
FR0010422568	EUR	100 000 000	100	100	26-Jan-15	26-Jan-08	Luxembourg
FR0010422972	EUR	50 000 000	50	50	30-Jan-13		Unlisted
FR0010428003	EUR	20 500 000	21	21	15-Feb-22		Luxembourg
FR0010428029	EUR	53 750 000	54	54	5-Feb-15	5-Feb-09	Luxembourg
FR0010428185	EUR	150 000 000	145	150	7-Feb-19		Luxembourg
FR0010428185	EUR	150 000 000	145	150	7-Feb-19		Luxembourg
FR0010428185	EUR	20 000 000	18	20	7-Feb-19		Luxembourg
FR0010428185	EUR	125 000 000	117	125	7-Feb-19		Luxembourg
FR0010428185	EUR	150 000 000	147	150	7-Feb-19		Luxembourg
FR0010428185	EUR	1 000 000 000	996	1 000	7-Feb-19		Luxembourg
FR0010434621	EUR	5 000 000	5	5	21-Feb-22	19-Feb-09	Luxembourg
FR0010449892	EUR	50 000 000	50	50	30-Mar-20	30-Mar-10	Luxembourg
FR0010451948	EUR	100 000 000	100	100	26-Jul-13		Unlisted

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5 | SUPPLEMENTAL DISCLOSURES

<i>Obligations foncières</i> ISIN number	Currency	Nominal amount in foreign currency	Balance (EUR millions)	Redemption value (*)	Final due date	First call option date	Stock exchange
FR0010455147	EUR	20 000 000	20	20	20-Mar-14		Unlisted
FR0010459230	EUR	44 400 000	44	44	20-Jun-14		Luxembourg
FR0010466003	EUR	40 000 000	40	40	2-May-17		Luxembourg
FR0010469809	EUR	19 300 000	19	19	20-Jun-14		Luxembourg
FR0010470914	EUR	20 000 000	20	20	20-Mar-14		Unlisted
FR0010492025	EUR	20 000 000	20	20	3-Jul-17		Luxembourg
FR0010492025	EUR	150 000 000	148	150	3-Jul-17		Luxembourg
FR0010492025	EUR	1 250 000 000	1 246	1 250	3-Jul-17		Luxembourg
FR0010492025	EUR	30 000 000	31	30	3-Jul-17		Luxembourg
FR0010500413	EUR	50 000 000	50	50	17-Jan-17		Unlisted
FR0010501825	EUR	200 000 000	200	200	20-Jul-22		Luxembourg
FR0010504761	EUR	45 000 000	45	45	2-Aug-32		Luxembourg
FR0010505008	EUR	50 000 000	50	50	27-Apr-16		Unlisted
FR0010520874	EUR	50 000 000	50	50	18-Jun-10		Unlisted
FR0010524488	EUR	50 000 000	50	50	27-Feb-17		Unlisted
FR0010526962	EUR	50 000 000	50	50	13-Feb-15		Unlisted
FR0010537696	EUR	50 000 000	50	50	30-Oct-12		Unlisted
FR0010538157	EUR	206 000 000	206	206	8-Nov-10	8-Feb-08	Luxembourg
FR0010539734	EUR	1 500 000 000	1 491	1 500	13-Nov-17		Luxembourg
FR0010547349	EUR	250 000 000	245	250	22-Nov-10		Luxembourg
FR0010547349	EUR	1 500 000 000	1 497	1 500	22-Nov-10		Luxembourg
FR0010547349	EUR	250 000 000	249	250	22-Nov-10		Luxembourg
FR0010557686	EUR	50 000 000	50	50	18-Oct-12		Unlisted
FR0010581520	EUR	2 000 000 000	1 998	2 000	5-Jun-13		Luxembourg
FR0010584581	EUR	10 000 000	10	10	21-Feb-18		Luxembourg
FR0010594374	EUR	47 500 000	48	48	8-Aug-25		Luxembourg
FR0010611491	EUR	1 000 000 000	998	1 000	27-Apr-15		Luxembourg
FR0010617217	EUR	50 000 000	50	50	16-May-23		Luxembourg
FR0010626960	EUR	250 000 000	248	250	6-Jun-11		Luxembourg
FR0010626960	EUR	1 250 000 000	1 248	1 250	6-Jun-11		Luxembourg
FR0010631762	EUR	153 000 000	153	153	26-Jun-23		Luxembourg
FR0010634527	EUR	300 000 000	300	300	13-Jan-14		Luxembourg
FR0010646216	EUR	10 000 000	10	10	22-Jul-13		Luxembourg
FR0010653204	EUR	36 000 000	36	36	11-Aug-11		Luxembourg
FR0010679357	EUR	50 000 000	50	50	26-Apr-10		Luxembourg
XS0122951899	EUR	240 000 000	241	240	21-Feb-11		Luxembourg
XS0122951899	EUR	250 000 000	251	250	21-Feb-11		Luxembourg
XS0124124016	EUR	250 000 000	250	250	27-Feb-09		Luxembourg
XS0124124016	EUR	240 000 000	240	240	27-Feb-09		Luxembourg
XS0158657087	EUR	100 000 000	100	100	8-Mar-10		Luxembourg
XS0179341473	EUR	75 000 000	75	75	31-Mar-11		Luxembourg
XS0195411698	EUR	75 000 000	76	75	28-Dec-12		Luxembourg
Subtotal	EUR	44 876 930 000	44 801	44 932			
FR0000470775	GBP	189 000 000	198	300	22-Nov-17		Unlisted
FR0000486581	GBP	125 000 000	130	205	16-Jul-26		Luxembourg
FR0000487738	GBP	215 000 000	225	345	14-Dec-16		Unlisted
FR0010286971	GBP	100 000 000	104	126	7-Feb-11		Luxembourg
FR0010286971	GBP	100 000 000	103	152	7-Feb-11		Luxembourg
FR0010286971	GBP	50 000 000	51	74	7-Feb-11		Luxembourg
FR0010286971	GBP	100 000 000	104	133	7-Feb-11		Luxembourg
FR0010286971	GBP	100 000 000	102	147	7-Feb-11		Luxembourg
FR0010286971	GBP	200 000 000	210	291	7-Feb-11		Luxembourg
FR0010306803	GBP	100 000 000	105	143	19-Apr-16		Luxembourg

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

<i>Obligations foncières</i> ISIN number	Currency	Nominal amount in foreign currency	Balance (EUR millions)	Redemption value (*)	Final due date	First call option date	Stock exchange
FR0010518878	GBP	100 000 000	105	148	14-Sep-09		Luxembourg
FR0010556506	GBP	31 000 000	33	44	7-Dec-12		Unlisted
Subtotal	GBP	1 410 000 000	1 468	2 108			
FR0000471195	HKD	200 000 000	18	26	5-Dec-17		Luxembourg
FR0010173617	HKD	500 000 000	46	49	18-Mar-09		Unlisted
Subtotal	HKD	700 000 000	65	75			
FR0000486821	JPY	3 000 000 000	24	28	8-Aug-16		Luxembourg
FR0010161075	JPY	1 000 000 000	8	7	17-Feb-20	17-Aug-05	Unlisted
FR0010192914	JPY	1 000 000 000	8	7	20-May-20	20-May-06	Unlisted
FR0010197822	JPY	20 000 000 000	158	152	21-May-12		Luxembourg
FR0010197822	JPY	60 000 000 000	473	442	21-May-12		Luxembourg
FR0010199802	JPY	10 000 000 000	79	74	14-Jun-17		Unlisted
FR0010225433	JPY	10 000 000 000	79	74	1-Sep-20		Unlisted
FR0010239285	JPY	1 000 000 000	8	7	29-Sep-15	29-Sep-06	Unlisted
FR0010239335	JPY	1 000 000 000	8	7	27-Oct-20	27-Oct-06	Unlisted
FR0010264184	JPY	700 000 000	6	5	21-Dec-20	21-Jun-06	Unlisted
FR0010265355	JPY	500 000 000	4	3	11-Jan-11	11-Jul-06	Unlisted
FR0010279240	JPY	1 000 000 000	8	7	30-Jan-26		Unlisted
FR0010287078	JPY	500 000 000	4	4	16-Feb-26	16-Feb-07	Unlisted
FR0010289363	JPY	700 000 000	6	5	16-Feb-16	16-Aug-06	Unlisted
FR0010292151	JPY	500 000 000	4	4	1-Mar-21	1-Sep-06	Unlisted
FR0010295782	JPY	600 000 000	5	4	2-Mar-16	4-Sep-06	Unlisted
FR0010297069	JPY	500 000 000	4	4	13-Mar-18	13-Sep-06	Unlisted
FR0010333526	JPY	600 000 000	5	4	1-Jun-21	1-Jun-07	Unlisted
FR0010347930	JPY	5 000 000 000	39	34	20-Jul-21		Unlisted
FR0010386128	JPY	50 000 000 000	393	336	31-Oct-13		Luxembourg
FR0010412742	JPY	5 000 000 000	39	32	18-Jan-17		Unlisted
FR0010437343	JPY	2 000 000 000	16	13	26-Mar-14		Unlisted
FR0010466086	JPY	1 100 000 000	9	7	26-Mar-14		Unlisted
FR0010468652	JPY	50 000 000 000	395	308	9-May-17		Luxembourg
FR0010469817	JPY	7 600 000 000	60	47	20-Jun-14		Luxembourg
FR0010526475	JPY	5 000 000 000	39	31	18-Oct-17		Unlisted
FR0010629592	JPY	5 000 000 000	39	31	25-Jun-18		Unlisted
Subtotal	JPY	243 300 000 000	1 919	1 677			
FR0010655183	NOK	230 000 000	24	29	7-Jan-11		Unlisted
Subtotal	NOK	230 000 000	24	29			
XS0165373738	NZD	100 000 000	41	50	7-Apr-09		Luxembourg
XS0165373738	NZD	50 000 000	21	27	7-Apr-09		Luxembourg
Subtotal	NZD	150 000 000	62	77			
FR0010306548	PLN	25 000 000	14	15	12-Apr-25		Unlisted
Subtotal	PLN	25 000 000	14	15			
FR0010636423	SEK	1 000 000 000	92	106	29-Jun-15		Luxembourg
FR0010640557	SEK	333 000 000	31	35	8-Jul-15		Luxembourg
Subtotal	SEK	1 333 000 000	122	142			
FR0010114371	SKK	605 000 000	20	15	24-Sep-24		Luxembourg
Subtotal	SKK	605 000 000	20	15			
FR0010285270	TRY	50 000 000	23	31	3-Feb-09		Luxembourg
Subtotal	TRY	50 000 000	23	31			
FR0000470239	USD	20 000 000	14	20	12-Sep-17		Luxembourg
FR0000488637	USD	500 000 000	358	569	27-Mar-09		Luxembourg
FR0000488637	USD	75 000 000	54	79	27-Mar-09		Luxembourg
FR0010031070	USD	344 190 000	246	300	25-Nov-10		Unlisted
FR0010096982	USD	269 500 000	193	223	1-Jul-19		Luxembourg

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

5 | SUPPLEMENTAL DISCLOSURES

<i>Obligations foncières</i> ISIN number	Currency	Nominal amount in foreign currency	Balance (EUR millions)	Redemption value (*)	Final due date	First call option date	Stock exchange
FR0010115816	USD	80 000 000	26	60	27-Sep-24	27-Sep-06	Luxembourg
FR0010117382	USD	80 000 000	25	60	25-Oct-24	25-Oct-05	Luxembourg
FR0010130476	USD	127 920 000	92	100	17-Nov-14		Unlisted
FR0010157388	USD	15 000 000	11	11	29-Dec-09		Unlisted
FR0010160978	USD	15 000 000	11	11	29-Dec-09		Unlisted
FR0010190116	USD	20 000 000	14	15	21-Dec-09		Unlisted
FR0010251306	USD	120 000 000	86	99	15-Nov-35	15-Nov-10	Luxembourg
FR0010257865	USD	40 000 000	29	34	20-Dec-12		Unlisted
FR0010261511	USD	100 000 000	72	85	9-Dec-13		Unlisted
FR0010271122	USD	1 000 000 000	716	827	19-Jan-09		Luxembourg
FR0010289488	USD	300 000 000	215	249	30-Jan-14		Unlisted
FR0010292078	USD	45 000 000	32	38	23-Feb-16	23-Feb-09	Unlisted
FR0010306563	USD	200 000 000	143	167	25-Apr-14		Unlisted
FR0010322826	USD	61 800 000	44	50	10-Jun-13		Luxembourg
FR0010345215	USD	300 000 000	215	238	21-Jun-12		Unlisted
FR0010363507	USD	100 000 000	72	79	25-Mar-15		Unlisted
FR0010369165	USD	100 000 000	72	78	29-Sep-09		Unlisted
FR0010386045	USD	200 000 000	146	129	17-Jan-12		Luxembourg
FR0010386045	USD	1 250 000 000	893	997	17-Jan-12		Luxembourg
FR0010397984	USD	100 000 000	72	78	21-Oct-09		Unlisted
FR0010422477	USD	1 000 000 000	716	763	19-Jan-10		Luxembourg
FR0010422980	USD	10 000 000	7	7	24-Mar-14		Unlisted
FR0010422980	USD	24 020 000	17	19	24-Mar-14		Unlisted
FR0010437368	USD	1 000 000 000	715	767	16-Feb-17		Luxembourg
FR0010452805	USD	100 000 000	72	75	27-Mar-13		Unlisted
FR0010479964	USD	150 000 000	109	97	31-May-12		Luxembourg
FR0010479964	USD	1 250 000 000	893	929	31-May-12		Luxembourg
FR0010487108	USD	30 000 000	21	22	24-Jun-14		Unlisted
FR0010487538	USD	100 000 000	72	75	19-May-11		Unlisted
FR0010491597	USD	40 000 000	29	30	20-Jun-14		Luxembourg
FR0010519090	USD	100 000 000	72	73	18-Sep-09		Unlisted
FR0010524942	USD	100 000 000	72	71	10-Sep-09		Unlisted
FR0010555060	USD	100 000 000	72	68	10-Mar-10		Unlisted
FR0010557157	USD	100 000 000	72	68	17-Nov-09		Unlisted
FR0010568758	USD	300 000 000	214	204	31-Dec-15		Unlisted
FR0010571109	USD	200 000 000	142	135	18-Dec-17		Unlisted
FR0010572552	USD	250 000 000	179	168	22-Jan-18		Luxembourg
FR0010584805	USD	200 000 000	143	138	15-Feb-13		Unlisted
FR0010605725	USD	200 000 000	143	127	1-Jul-11		Unlisted
FR0010611400	USD	40 000 000	186	182	30-Apr-38	30-Apr-13	Luxembourg
FR0010617464	USD	40 000 000	135	132	16-May-33	16-May-12	Luxembourg
FR0010641464	USD	50 000 000	36	32	11-Jul-11		Luxembourg
XS0193749636	USD	70 000 000	50	58	12-Dec-12		Luxembourg
XS0211544746	USD	75 000 000	54	58	4-Mar-15		Luxembourg
XS0211544746	USD	50 000 000	36	42	4-Mar-15		Luxembourg
Subtotal	USD	11 042 430 000	8 102	8 935			
FR0010237198	ZAR	250 000 000	19	32	18-Jan-11		Luxembourg
Subtotal	ZAR	250 000 000	19	32			
Total obligations foncières			60 288	61 879			

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

Registered covered bonds	Currency	Nominal amount in foreign currency	Balance (EUR millions)	Redemption value (*)	Final due date	First call option date	Stock exchange
	EUR	37 735 849	38	38	15-Aug-24		Unlisted
	EUR	26 829 268	27	27	15-Aug-33		Unlisted
	EUR	26 190 476	26	26	15-Nov-33		Unlisted
	EUR	21 951 220	22	22	15-Aug-33		Unlisted
	EUR	21 428 571	21	21	15-Nov-33		Unlisted
	EUR	37 735 849	38	38	15-Feb-24		Unlisted
	EUR	15 000 000	15	15	15-May-25		Unlisted
	EUR	28 947 368	29	29	15-Feb-33		Unlisted
	EUR	27 500 000	27	28	16-May-33		Unlisted
	EUR	23 684 211	24	24	15-Feb-33		Unlisted
	EUR	22 500 000	22	23	16-May-33		Unlisted
	EUR	37 735 849	38	38	15-May-24		Unlisted
	EUR	37 735 849	38	38	15-Nov-24		Unlisted
	EUR	15 000 000	15	15	17-Feb-25		Unlisted
	EUR	15 000 000	15	15	15-Aug-25		Unlisted
	EUR	15 000 000	15	15	17-Nov-25		Unlisted
	EUR	21 000 000	21	21	21-Oct-41	21-Oct-16	Unlisted
	EUR	10 000 000	10	10	24-Oct-16		Unlisted
	EUR	100 000 000	100	100	6-Nov-23		Unlisted
	EUR	30 000 000	30	30	6-Nov-24		Unlisted
	EUR	15 000 000	15	15	26-Nov-29		Unlisted
	EUR	15 000 000	15	15	26-Nov-29		Unlisted
	EUR	15 000 000	15	15	22-Nov-21		Unlisted
	EUR	10 000 000	10	10	17-Jan-24		Unlisted
	EUR	50 000 000	50	50	17-Jan-24		Unlisted
	EUR	15 000 000	15	15	22-Jan-27		Unlisted
	EUR	50 000 000	50	50	15-Feb-27		Unlisted
	EUR	50 000 000	50	50	15-Feb-27		Unlisted
	EUR	50 000 000	50	50	26-Feb-27		Unlisted
	EUR	50 000 000	50	50	26-Feb-27		Unlisted
	EUR	20 000 000	20	20	28-Feb-17		Unlisted
	EUR	10 000 000	10	10	17-Mar-42	17-Mar-17	Unlisted
	EUR	10 000 000	10	10	17-Mar-42	17-Mar-17	Unlisted
	EUR	20 000 000	20	20	16-Apr-17		Unlisted
	EUR	10 000 000	10	10	23-Apr-27		Unlisted
	EUR	20 000 000	20	20	24-Apr-17		Unlisted
	EUR	15 000 000	15	15	9-May-42	9-May-17	Unlisted
	EUR	15 000 000	15	15	9-May-42	9-May-17	Unlisted
	EUR	20 000 000	20	20	25-May-27		Unlisted
	EUR	15 000 000	15	15	4-Jun-27		Unlisted
	EUR	10 000 000	10	10	12-Jun-17		Unlisted
	EUR	10 000 000	10	10	12-Jun-17		Unlisted
	EUR	2 000 000	2	2	12-Jun-17		Unlisted
	EUR	50 000 000	50	50	11-Jun-27		Unlisted
	EUR	50 000 000	50	50	11-Jun-27		Unlisted
	EUR	20 000 000	20	20	28-Nov-17		Unlisted
	EUR	10 000 000	10	10	28-Nov-17		Unlisted
	EUR	10 000 000	10	10	26-Jun-17		Unlisted
	EUR	10 000 000	10	10	26-Jun-17		Unlisted
	EUR	10 000 000	10	10	9-Jul-27		Unlisted
	EUR	75 000 000	75	75	14-Aug-26		Unlisted

* Value determined by the interest rate swap contracted to hedge the issue of registered covered bonds.

5 | SUPPLEMENTAL DISCLOSURES

Registered covered bonds	Currency	Nominal amount in foreign currency	Balance (EUR millions)	Redemption value (*)	Final due date	First call option date	Stock exchange
	EUR	10 000 000	10	10	23-Oct-47	23-Oct-17	Unlisted
	EUR	1 000 000	1	1	23-Oct-47	23-Oct-17	Unlisted
	EUR	1 500 000	2	2	23-Oct-47	23-Oct-17	Unlisted
	EUR	1 500 000	2	2	23-Oct-47	23-Oct-17	Unlisted
	EUR	1 000 000	1	1	23-Oct-47	23-Oct-17	Unlisted
	EUR	20 000 000	20	20	19-Nov-47	16-Nov-17	Unlisted
	EUR	10 000 000	10	10	19-Nov-47	16-Nov-17	Unlisted
	EUR	1 000 000	1	1	19-Nov-47	16-Nov-17	Unlisted
	EUR	25 000 000	25	25	7-Dec-47	7-Dec-17	Unlisted
	EUR	25 000 000	25	25	7-Dec-47	7-Dec-17	Unlisted
	EUR	11 000 000	11	11	14-Jan-48	14-Jan-18	Unlisted
	EUR	5 000 000	5	5	14-Jan-48	14-Jan-18	Unlisted
	EUR	2 000 000	2	2	14-Jan-48	14-Jan-18	Unlisted
	EUR	2 000 000	2	2	14-Jan-48	14-Jan-18	Unlisted
	EUR	15 000 000	15	15	24-Jan-48	24-Jan-18	Unlisted
	EUR	5 000 000	5	5	24-Jan-48	24-Jan-18	Unlisted
	EUR	10 000 000	10	10	24-Jan-48		Unlisted
	EUR	10 000 000	10	10	7-Feb-48	7-Feb-18	Unlisted
	EUR	13 090 718	13	13	15-May-28		Unlisted
	EUR	10 000 000	10	10	20-May-48	20-May-18	Unlisted
	EUR	10 000 000	10	10	20-May-48	20-May-18	Unlisted
	EUR	10 000 000	10	10	16-Jun-23		Unlisted
	EUR	50 000 000	50	50	23-Jun-20		Unlisted
	EUR	20 000 000	20	20	19-Jun-48	19-Jun-18	Unlisted
	EUR	50 000 000	50	50	30-Jul-18		Unlisted
	EUR	25 000 000	25	25	6-Aug-25		Unlisted
	EUR	20 000 000	20	20	16-Dec-23	16-Dec-14	Unlisted
	EUR	10 000 000	10	10	11-Dec-23		Unlisted
	EUR	20 000 000	20	20	11-Dec-23		Unlisted
	EUR	15 000 000	15	15	20-Dec-24		Unlisted
Subtotal	EUR	1 712 065 228	1 709	1 712			
Total registered covered bonds			1 709	1 712			
Balance sheet total			61 997	63 591			

* Value determined by the interest rate swap contracted to hedge the issue of registered covered bonds.

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

This report describes the principles and procedures applied during the year 2008.

As a credit institution, Dexia Municipal Agency refers, in order to draw up this report, to the provisions of the French Banking Regulations Committee (CRB) standard 97-02, as modified by the decrees of March 31, 2005, June 17, 2005, February 20, 2007, July 2, 2007, September 11, 2008, and January 14, 2009, which defines the roles, principles and organization of internal control, as well as to the reference framework published by the French Financial Markets Authority (AMF).

1. CONDITIONS OF PREPARATION AND ORGANIZATION OF THE SUPERVISORY BOARD'S GOVERNANCE

The purpose of Dexia Municipal Agency is to finance public sector commitments generated by the Dexia Group by issuing *obligations foncières* and raising other funds benefiting from the same privilege, all rated triple-A. This role is strategic for the Dexia Group's public finance activity.

The Supervisory Board has 12 members, whose term of office is six years and who are appointed by the Annual Shareholders' Meeting by reason of their expertise and the contribution they can make to the Company. The Board's composition was modified in 2009 by the appointment of Philippe Rucheton as Chairman of the Board, replacing Jacques Guerber, who resigned. Pascal Poupelle was named the permanent representative of Dexia Credit Local, replacing Gérard Bayol. Jean-Luc Guitard was named a member of the Board, replacing Alain Delouis, who resigned, and Stéphane Vermeire was also named a member of the Board, replacing François Durollet. The Supervisory Board meets at least every three months; the two auditors and the specific controller of the *société de crédit foncier* also attend the meetings. In advance of the meeting, the Chairman of the Supervisory Board and the Chairman of the Executive Board send the Board members an agenda and a file with reports or documents relating to the subjects to be discussed. The Board met six times in 2008, in particular since the Chairman of the Supervisory Board decided to hold a special meeting in October to analyze the impact of the aggravation of

the financial crisis on the Company's strategy. The rate of assiduity was 69.2%.

The agenda respects a regular format: minutes, business review of the previous quarter and of current trends including issuance conditions, the presentation of the financial statements, and the development of projects for asset acquisition from Dexia Credit Local and foreign entities. Specific topics are added at different times of the year: the report on internal control and the report on risk assessment and surveillance in application of articles 42 and 43 of CRB standard 97-02 as modified; information to be published relating to the quality of assets as well as the level and sensitivity of the interest rate position in application of article 13 of CRB standard 99-10.

The information and documents forwarded to the members enable the Board to have a full, clear and accurate view of the Company's position and development.

During Supervisory Board meetings, the Executive Board develops the points on the agenda by comments and synthetic presentations. The Board advises on strategic choices and, if necessary, makes recommendations that are followed up on in subsequent meetings. The Board pays special attention to transfers of public sector assets to Dexia MA.

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

2. DEXIA MUNICIPAL AGENCY'S PARTICULAR OPERATING STRUCTURE

Dexia Municipal Agency is a legally independent company with its own Supervisory Board and Executive Board. However, in order to preserve the privilege enjoyed by holders of *obligations foncières* and other privileged debt

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

In terms of governance, and in areas that concern it, Dexia MA applies the practices of its parent company.

3. THE COMPANY'S OBJECTIVES WITH REGARD TO INTERNAL CONTROL

Like all credit institutions, Dexia Municipal Agency and Dexia Credit Local, which manages Dexia MA's operations, are subject to the oversight of the French Banking Commission.

The objectives and organization of their internal control are defined within the framework set by the Monetary and Financial Code, and the French Banking Regulations Committee (CRB) standard 97-02 as modified, the correct application of which is periodically checked by the internal audit division.

The internal control system, according to CRB standard 97-02 as modified, ensures that different control procedures are applied to provide:

- the compliance of internal operations and procedures;
- reliable and quality financial and accounting data;
- security in processing information;
- systems to measure and monitor risks and results.

More specifically, the responsibilities assigned to internal control in effect at Dexia Credit Local are designed to:

- verify that the risk control system applied is solid and efficient; the internal control system aims to guarantee the Executive Board that the risks taken by the Company are in line with the policy defined by the Supervisory Board and the Executive Board;
- ensure that the financial and accounting data produced is reliable and relevant; the main objective of the financial information is to give a true and fair view of the position of Dexia MA in a regular, complete and transparent manner. The internal control system is focused on the achievement of this objective.

Dexia MA has set up a number of procedures and controls within the framework of the organization of Dexia Credit Local's internal control system, which aim to ensure the proper operation of Dexia MA in compliance with regulations and prudential principles, while exercising efficient management of available resources.

4. GENERAL ARCHITECTURE OF THE INTERNAL CONTROL SYSTEM

The Executive Board is the prime guarantor of the efficiency of the Company's internal control system; because of the structure of Dexia MA and the management agreement that binds it to Dexia Credit Local, the Executive Board relies on the organization of internal control that is operative at Dexia Credit Local.

The control system of Dexia MA is based on a separation of the following functions:

- permanent control excluding compliance:
This control verifies that the risk control system applied is solid and efficient and ensures the quality of financial and accounting data;
- compliance control:
This control verifies that all the regulations and procedures are applied on a permanent basis and do not expose the Company, by reason of their absence or non-application, to any risk of administrative or disciplinary sanctions, financial risk, or damage to its reputation;
- periodic control or internal audit:
This control, exercised by the internal audit division of Dexia Credit Local, in close coordination with the Dexia Group's internal audit teams, is responsible for monitoring the efficiency and effective application of the controls, in the parent company and all the subsidiaries and branches.

These three areas of responsibility are developed later in this report.

In order to ensure that the appropriate information and instructions are available to all the players in internal control, the Dexia Credit Local Group has progressively developed a common set of references. These reference documents may be regrouped in four broad categories:

- the charters define, for each business line or activity, the reference objectives and policies that the Group has set for itself, and develop a conceptual framework governing organization and operation. This is, for example, the case of the internal audit charter and the compliance charter defined by the Dexia Group;
- the codes regroup, for a given activity, rules of conduct or best practices that apply to all the employees concerned, independently of their hierarchical or functional reporting lines. The Group thus adopted in 2002 a code of ethics that was distributed to all employees, both at headquarters and

in the subsidiaries and branches, and was updated in 2008 to take into account the provisions of the MIF directive and its transposition into French law;

- the rules of conduct, also called directives, are the first level of operational application of these charters and codes. They set practical standards of quality, define effective limits and organize the delegation system. The rules of conduct drawn up by the Dexia Group's risk management team thus make it possible to determine all the counterparty limits set for the Dexia Credit Local Group;
- finally, in application of the charters, codes and directives, the procedures define the organization, the measures to be taken and the control to be exercised to perform a given activity. All employees in their units or divisions should have a manual of procedures applicable to the position they occupy.

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

4.1 - PERMANENT CONTROL EXCLUDING COMPLIANCE

This area is the responsibility of the head of the risk management and permanent control department, who is a member of the Management Board of Dexia Credit Local. The head of the risk management and permanent control department of Dexia MA is the head of the risk management and permanent control department of Dexia Credit Local. He monitors and manages risks in conformity with the recommendations of the Executive Board and oversees the Company's permanent control. He has no hierarchical link with the other units. He exercises his role in full independence of the operational lines.

The monitoring of permanent control relies on dedicated teams that measure and monitor risks and on decentralized resources in corporate divisions. The comprehensive control system comprises three levels.

The first level of control is performed in operating divisions by employees and their direct hierarchy for transactions processed using current procedures in effect at Dexia Credit Local and those specific to Dexia MA.

The second level of control is conducted within the operating divisions by specially assigned individuals who report to the risk management and permanent control department to which they are functionally linked.

The operating divisions and their departments have guide-

lines to which employees can refer in the exercise of their functions. The procedures of Dexia Credit Local are adapted or amended when necessary to account for the legal characteristics and management rules specific to Dexia MA. A manual of general procedures in use at Dexia MA provides additional operating procedures. It can be consulted on the Company's intranet site. In the operating divisions of Dexia Credit Local, the functions that deal with Dexia MA are identified and attributed on a nominative basis in the departments and units. There is a functional link between these divisions and departments and a member of the Executive Board of Dexia MA.

The third level of control is that of the risk management and permanent control department. It is the responsibility, in the risk management and permanent control department, of the unit in charge of monitoring these controls, which is in the division of operational risks management, IT security and permanent control, so as to ensure all the synergies possible among these different levels of control. This unit coordinates, organizes and reports permanent control procedures.

These third level controls are based on a control plan, the results of which are reported on a consolidated basis quarterly to the Management Board of Dexia Credit Local. These controls cover the bank's main operating procedures and were selected in cooperation with the operating divisions. They are based both on the mapping of the operating processes developed within the framework of the ISO 9001 Quality project and on the mapping of risks and controls employed within the framework of the management of operational risks.

Since it is integrated into the management system of Dexia Credit Local, Dexia MA benefits from the same permanent control architecture.

4.2 - COMPLIANCE CONTROL

The head of compliance at Dexia Credit Local is in charge of compliance at Dexia MA. Compliance is organized in a network that encompasses the whole Dexia Group, from the holding company to the French and foreign subsidiaries and affiliates of Dexia Credit Local. This function is independent and, since the reorganization in October 2008, operates under the authority of Dexia's General Secretary. The head of compliance at Dexia Credit Local is responsible for the cross-divisional monitoring of all compliance issues for the Public and Wholesale Banking business line, an area that particularly concerns all the assets of Dexia MA.

At Dexia Credit Local, the organization of the compliance function was modified to better reflect the Dexia Group's organization: the head of compliance reports to the General Secretary since January 2009. The head of compliance has a functional link with the head of compliance of the Dexia

Group. He also acts as the TRACFIN correspondent within the framework of the obligations of banks in the fight against money laundering and the financing of terrorist activities.

The Dexia Credit Local Group operates in highly regulated sectors. It must, therefore, constantly be able to control that it complies with all legal and regulatory requirements and local rules. In addition to these requirements, the Group has developed its own set of rules. Rules of appropriate conduct were assembled in codes of conduct such as the integrity policy and the compliance charter. They are presented in a code of conduct distributed to all employees since 2002. A code of conduct for market traders was drawn up and distributed to the employees concerned. This code of conduct was updated in May 2008, in particular to take into account the changes brought about by the implementation of the provisions of the MIF directive.

More specifically, with regard to money laundering, the Dexia Group complies with French rules and local rules at each of its international entities. Beyond these basics, the Group has introduced stricter standardized criteria in terms of client acceptability and respectability. The objective is to work only with counterparties whose identity is perfectly established and who share its criteria of integrity and responsibility.

The general anti-money laundering and anti-terrorist procedure was updated in May 2008 and is accessible to all employees. USA Patriot Act certification for all the Group entities concerned is available on Dexia's Internet site. Mandatory training sessions are organized regularly for new arrivals as well as for homogeneous populations (financial markets).

A priori, Dexia MA is not exposed to the risk of money laundering with regard to its assets, for which its counterparties are public sector entities. Concerning investors in the liabilities, precautions are taken with bank counterparties who act as dealers in the placement of Dexia MA issues. As intermediaries between Dexia MA and investors, they commit, in the documentation of the EMTN program or other programs, if such are launched, and issue-by-issue in private placements or in stand-alone issues, to obtain and record reliable information on the identity of subscribers, in compliance with the requirements of the anti-money laundering directive 2005/60/EC of October 25, 2005, or in compliance with equally strict requirements for those not governed by the European directive. These counterparties commit to alert their respective oversight authorities if they learn or suspect that subscribers are engaged in money laundering or the financing of terrorist activities.

In 2008, responding to the policy defined at the level of the Dexia Group, the compliance action plan was pursued and completed. The compliance division ensures a regulatory watch by constantly adapting applicable texts. A full guide to compliance procedures was drawn up and is regularly updated. A control plan was organized and implemented. The mapping of compliance risks was also updated.

Following the new definition of the range of issues overseen by the compliance division, including the protection of personal data, the division has assumed responsibility for updating the data processing reports to be filed with the CNIL.

4.3 - PERIODIC CONTROL

Responsibility for periodic control is entrusted to internal audit and inspection services. Internal audit at Dexia Credit Local is assigned the task of promoting internal control and constantly monitoring the efficiency and effective application of the internal control system in effect for all Dexia Credit Local companies and Dexia MA. Within this framework, internal audit assesses, in particular through its audits, whether the risks incurred by the Dexia Credit Local Group within the framework of its different activities are adequately perceived and covered. Inspection services serve to conduct investigations in order to prevent fraud and to ensure that the prescriptions of the code of conduct and the company charter are respected.

Periodic control, i.e. internal audit and inspection, is under the responsibility of Dexia Credit Local's general auditor, who reports hierarchically to the Chief Executive Officer of Dexia Credit Local, and functionally to the general auditor of the Dexia Group. He is also responsible for the accomplishment of his task before the Board of Directors of Dexia Credit Local.

The general auditor of Dexia Credit Local exercises a particular function concerning Dexia MA, as specified in article 9 of the management agreement between Dexia MA and Dexia Credit Local: "Dexia Credit Local's internal audit division audits all of the transactions and procedures of Dexia MA, as it does those of Dexia Credit Local and that company's other subsidiaries within the framework of the criteria generally applicable to the Dexia Group. In addition, it acts as Dexia MA's own internal control unit for all that concerns CRB standard 97-02 as modified (control of Dexia MA's transactions and internal procedures, audit trails, measurement of risks and results, etc.)." The general auditor has direct access to the Chairman of the Supervisory Board of Dexia MA.

A charter lists the basic principles that govern internal audit activities in the Dexia Group. It describes the unit's objectives, role, responsibilities and operating procedures.

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

The frequency of the audits is determined on the basis of this analysis and on the current year's program, which schedules audits at Dexia MA. All operating processes are audited over a maximum of three years. Audits give rise to the drafting of a contradictory report and generate a set of recommendations targeting weak points or areas for improvement, in order to bolster procedures and internal control. They are transposed into an action plan that Dexia MA's Executive Board approves

and monitors. Monitoring reports are drawn up and controlled by internal audit, examined at Executive Board meetings and then forwarded to the Chairman of the Supervisory Board of Dexia MA. These items are mentioned in the annual report pursuant to CRB standard 97-02 (forwarded to the Banking Commission), in the half-year report for the Dexia Group's audit division, and in the reports to the audit committees of Dexia Credit Local and the Dexia Group. In 2008, Dexia MA was audited by the internal audit team both as an independent entity and within the framework of an audit process concerning Dexia Credit Local including Dexia MA, in particular in the following areas: trading room, ALM, regulatory reporting, and the impact of the liquidity crisis.

5. CONTROLS BY THE SPECIFIC CONTROLLER

The specific controller is a French professionally certified auditor named by the Company's executive management upon approval of the French Banking Commission.

The specific controller conducts controls pursuant to articles L.515-30 and L.515-31 of the Monetary and Financial Code as well as to decree 99-710 of August 3, 1999, and CRB standard 99-10. He is responsible for ensuring that the Company respects its exclusive corporate purpose and prudential regulations. He carries out appropriate audits in cooperation with the auditors and is completely independent *vis-à-vis* the Company's other officers. He is also liable for the negative consequences of any error or negligence committed in the exercise of his functions.

The specific controller has access to all information, from management, internal control and internal audit. In addition, operating services and internal control units have been instructed to provide specified information in order to allow the specific controller to monitor the coverage ratio, the nature of new assets, interest rate risk management, and the asset/liability duration gap on a regular basis. For every Dexia MA issue contract, he affirms compliance with legal and regulatory standards concerning the ratio of coverage of the privileged liabilities by the assets, once the issue has been paid. The specific controller certifies the documents that the Company sends to the banking commission to meet legal and regulatory requirements for *sociétés de crédit foncier*. He submits an annual report on his activity to the Supervisory Board of Dexia MA, and a copy is forwarded to the Banking Commission.

6. PRODUCTION OF THE ANNUAL FINANCIAL STATEMENTS

The Company's annual financial statements should give a true and fair view of its assets, financial position and results.

The organization of accounting at Dexia Municipal Agency is the responsibility of the general accounting department of

Dexia Credit Local, within the framework of the management agreement between the two companies. Accounting plays a centralizing role in the organization of Dexia Credit Local. It reports to the company's CFO, who is a member of the Executive Board, and has varied sources of information to ensure its role in monitoring accounting operations in the broad sense. It contributes to committees that may be of interest in its assignments or receive its reports. It participates in the development of information systems, in order to make sure that its specific needs are taken into account.

Under general accounting, the operative accounting department produces basic accounting data and the annual financial statements of Dexia Credit Local and Dexia MA, as well as of other subsidiaries that do not have their own accounting departments. It is also responsible for producing the consolidated financial statements of the Dexia Credit Local Group.

Under general accounting, the accounting standards, controls and development unit is comprised of teams in charge of the accounting information system and quality, a team in charge of accounting standards, and an independent control team. Together, they contribute to the continued search for performance, reliability and quality in the production of accounting data for consolidation, in particular in a context of uniform use of IFRS within the Dexia Credit Local Group. It should be noted that Dexia MA published its third quarter 2008 financial statements for the first time according to IFRS, whereas up to then it only produced financial data according to IFRS for the consolidation of Dexia Credit Local. The independent control team, created in 2005, participates in permanent control operations. It checks the existence and relevance of the controls conducted quarterly on the companies consolidated by Dexia Credit Local and on Dexia MA. It complements these controls by audits in international entities, at intervals adapted to the units concerned, and thus verifies the proper application of accounting principles and rules. A dedicated team oversees compliance with regulatory and prudential standards. This team regularly visits foreign subsidiaries and branches. It participates in developments in information systems, ensuring that its specific needs are addressed in the projects.

Within this general framework, the annual financial statements of Dexia MA are produced by its own general accounting unit, in addition to dedicated accounting teams in auxiliary accounting units. The same officer supervises the general accounting team that produces the annual financial statements of Dexia MA according to French GAAP and IFRS, as well as the team that produces the annual financial statements of Dexia Credit Local according to French GAAP and IFRS.

6.1 - FIRST-TIME PUBLICATION OF FINANCIAL STATEMENTS ACCORDING TO IFRS

At the end of 2007, Dexia MA launched a project that would enable it to publish its quarterly accounts according to IFRS as of the third quarter of 2008. The objective was to contribute to a better understanding and greater comparability of its financial statements internationally. This goal was achieved as a result of the efforts made over almost a year by many teams (front office, back office, risk management, information systems and, of course, accounting).

The rules applied by Dexia MA are the same as those applied by the Dexia Group and are in compliance with IFRS as adopted by the European Commission (IFRS-EU). The date of the first application of the new standards was set for January 1, 2007, in order to provide 2007 data comparable to the data produced in 2008.

The IFRS financial statements presented by Dexia MA give a fairer view of the Company's real performance and financial results, in particular by avoiding certain asymmetries in French GAAP with regard to the treatment of debt rescheduling. The impact of the changeover to the new standards and the reconciliation of the 2007 and 2008 results in French GAAP and IFRS are presented in the notes to the IFRS financial statements.

6.2 - PREPARATION OF ANNUAL FINANCIAL STATEMENTS

The accounting information system of Dexia Credit Local and Dexia Municipal Agency is in large measure automatically supplied by upstream management systems that manage transactions with clients and market counterparties, as well as operating expenses. When data is entered into one of the management systems, it is automatically recorded in accounting according to a pre-defined plan. These entries help constitute the financial statements in a single accounting system based on a double set of references (French GAAP and IFRS), which produces the three sets of data required (financial statements in French GAAP, in IFRS and the contribution to the consolidation of the Group in IFRS).

The internal control system guarantees the completeness and accuracy of accounting entries. The team in charge of compliance with standards validates the automated accounting procedures on the basis of the double set of references, as well as complex or unusual operations, which are sometimes accounted for manually, although they are processed using specific internal control procedures.

Several levels of control are scheduled during the preparation of the annual financial statements.

A first level of control is conducted by accounting teams that are specialized by business, in particular by analyzing bank

reconciliation and technical suspense accounts. Every month, operations recorded in the accounts are compared with management balances, and symmetry controls are conducted on micro-hedge operations. Interest expense and income are compared with average outstanding balances, and average rates are compared between periods. These teams also produce a synthesis of their own audits and of points requiring special attention or improved procedures when the next financial statements are produced.

Other accounting teams conduct additional controls at monthly, quarterly and annual closing periods. The work already accomplished in subsidiary accounting units is periodically reviewed in synthetic notes issued by the teams with a checklist of the controls carried out. All these notes form a synthetic report that is forwarded to a member of Dexia MA's Executive Board.

End-of-quarter accounting results are compared with management results, and their consistency from one period to the next is verified using analytical controls. Major discrepancies are to be explained.

Accounting entries generated by these processes are then regrouped and aggregated according to an automated and standardized process to serve as the basis for the annual financial statements of Dexia MA in French GAAP, IFRS and the Company's contribution to the consolidated IFRS financial statements of Dexia Credit Local. Using these statements, and in certain cases data supplied by the management systems, accounting then carries out cross-referenced controls between the syntheses and the notes to the financial statements. During the process, reviews and controls are conducted on the consistency and application of procedures according to hierarchically established delegations.

6.3 - FINALIZATION OF THE FINANCIAL STATEMENTS

The financial statements, balance sheet, income statement and notes are subject to particular scrutiny during the preparatory phase and in their final form by a member of Dexia MA's Executive Board. Dexia MA's Executive Board meets to approve the quarterly financial statements. The Company's two auditors attend the meeting and the specific controller is also invited. The period's management report is also examined at this meeting.

The annual report is prepared by Dexia MA's Executive Board in liaison with units of Dexia Credit Local, in particular, general accounting, back offices, risk control and the General Secretariat. The Company's auditors verify the information it contains. The information is also available, with some differences in presentation, in the document on the quality of the assets and the management of interest rate risk that is submitted to the Banking Commission and published in the BALO, in compliance with instruction 2000-04. All these documents are presented to the Supervisory Board of Dexia MA.

In addition to the regulatory publication in the BALO, the quarterly, semi-annual and annual financial statements, together with the corresponding management reports, are posted on the Internet site www.dexia-ma.com, and on the site of a financial information company (HUGIN) registered with the French Financial Markets Authority (AMF) as concerns regulatory information.

6.4 - ROLE OF THE AUDITORS

Dexia Municipal Agency is audited by two specialized auditing firms, which crosscheck their findings. The auditors are associated throughout the process used to control financial and accounting data in order to ensure efficiency and transparency. In due diligence, they analyze accounting procedures and evaluate current internal control systems solely to determine the nature, period and extent of their controls. Their assessment of the Company's internal control uses substantive procedures. Their audit makes no judgment on the efficiency and reliability of internal control systems. Nevertheless, on this occasion, they may make recommendations on internal control procedures and systems that could influence the quality of financial and accounting information produced, submitted to the Supervisory Board and published.

The auditors also review the accounting manuals, as well as instructions issued by accounting. They consult internal audit reports, to which they have ready access, as well as the minutes of meetings of the Executive Board. They organize meetings to synthesize the results of their review, and when required, appreciate the interpretation given of legal and regulatory texts by the standards unit. They check the consistency of the management report and the financial statements with all the items they have reviewed and audited.

Lastly, they employ due diligence to obtain reasonable assurance that the financial statements are free of any material misstatement.

It should be noted that one of Dexia MA's auditors resigned and was replaced at the beginning of 2008 by the Dexia Group's auditor. Dexia MA's two auditors are thus the same as those of Dexia Credit Local.

6.5 - MANAGEMENT INFORMATION

The financial statements (balance sheet, off-balance sheet, income statement, cash flow statement and notes) are not the only quantified items of analysis that Dexia MA makes public. They are complemented by the activity reports, prospects and risk assessments, which are incorporated into the annual report. These items are directly supplied by the operating divisions or the risk control department. Their accuracy is therefore guaranteed by the internal control system of the divisions concerned.

7. MAIN RISKS AND SPECIFIC INTERNAL CONTROL PROCEDURES

In general, banking generates four principal types of risks – credit risks, market risks, structural risks (interest rate, foreign exchange and liquidity), and operational risks. Monitoring all these types of risks is the joint responsibility of dedicated committees and the risk management and permanent control department, with the help of tools it has developed, in compliance with regulatory and prudential constraints and within the framework of the limits set by the Dexia Group. In general, all the risk management measures at the level of Dexia Credit Local also exist in each subsidiary or branch.

Because the Company is an issuer of guaranteed bonds, the risks authorized for Dexia MA are strictly selected and limited. When the Company was created, a distinction was made between risks that are compatible and risks that are not compatible with the legal and regulatory framework of *sociétés de crédit foncier* and with the specific nature of Dexia MA's by-laws and its approval by French banking authorities (the Banque de France's *Comité des établissements de crédit et des entreprises d'investissement* - CECEI).

The rating agencies imposed restrictions or validated limits for risks compatible with the Company's activity. Subsequently, a policy paper was drafted to make a synthesis of these compatible risks; entitled Principles and Rules for Risk Management at Dexia Municipal Agency, this document received the approval of the rating agencies. These principles have not been modified since that time.

The general approach adopted by the Executive Board of Dexia MA and applied in every department of Dexia Credit Local in charge of the operations concerned involves monitoring:

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

The risks compatible with the activity of Dexia MA and subject to monitored and managed limits include the following:

- credit risk on assets;
- credit risk on bank counterparties;
- general interest rate risk;
- risks concerning liquidity, the congruence of maturities and the coverage of debt benefiting from the privilege;
- operational risks;
- legal risks.

Credit risk on assets

Credit risk is the risk of loss linked to the inability of clients or other bank counterparties to meet their financial obligations.

Any commitment that may generate a credit risk must be approved following a decision-making process organized in function of the volume, type of counterparty and complexity of the commitment. It is based on a system of delegation of decision-making power for local public sector clients mainly located in western Europe and North America, where the risk is low. These delegations are governed by strict rules. On the contrary, Dexia credit committees (Dexia Credit Local, Dexia and the Management Credit Committee) are necessarily involved when it is a question of private sector corporate financing, project financing (except in a limited number of cases), asset financing and loans to local public sector clients excluding delegated areas.

The Dexia Group sets general risk limits for the Group by internal rating levels, which correspond to objectives concerning the use of capital. These risk limits are broken down by business and then by entity.

The architecture of the surveillance system is based on two levels:

- the first level, which is the responsibility of the sales teams at headquarters, branches and subsidiaries within the framework of the permanent monitoring of their counterparties' financial base;
- the second level, which is the responsibility of the risk management and permanent control department, which quarterly receives and consolidates exposures, unpaid invoices and non-performing loans, and participates in the determination of the provisions.

The management and control of credit risk are based on internal ratings. In compliance with applicable rules throughout the Dexia Group, every counterparty is given an internal risk rating. Under the sole responsibility of risk management, the rating is determined at the beginning of a relation or a transaction, and is then subject to a regular and formalized assessment, which is theoretically annual, except for counterparties on the watchlist, which are reviewed quarterly. The Dexia Group chose the advanced method within the framework of the reform of the solvency ratio and capital adequacy according to Basel II criteria. Dexia Credit Local develops internal rating systems for each category of counterparty, with a scale of 18 levels, two of which are counterparties that have defaulted. For counterparties that are not currently covered by an internal rating, ratings are determined using expert methods or scoring techniques.

In December 2007, Dexia received authorization from the banking regulators to apply the IRBA advanced method from January 1, 2008. This agreement was accompanied by terms and conditions that were developed in an action plan throughout 2008. Internal audit oversees its application.

The risk of default, which is a component of credit risk, is very low on the assets of Dexia MA, which are comprised of commitments on public sector entities or entities they have guaranteed, as defined in articles L.515-15 and following of the Monetary and Financial Code. The credit quality of the assets and related controls of commitments is reflected in the low level of non-performing commitments and provisions. Defaults and counterparties under surveillance are examined, according to the level of delegation, either by the Group default committees and watchlist or by Dexia Credit Local's default committees and watchlist. In addition, the head of the risk management and permanent control department of Dexia Credit Local chairs the provisions committee. Every quarter, this committee determines the amount of provisions allocated and monitors the cost of risk. A portfolio-based provision makes it possible to create reserves that can protect the bank in the event of possible mishaps, in compliance with IFRS rules.

As of December 31, 2008, non-performing loans and compromised non-performing loans amounted to EUR 9.1 million for a loan total on the balance sheet of EUR 57 billion (there are no non-performing commitments in debt securities). Provisions on non-performing commitments were EUR 0.9 million at the end of 2008.

The great majority of these assets come directly from the marketing activities of Dexia Group entities in the field of Public and Wholesale Banking. When new assets are transferred or allocated to Dexia MA's balance sheet, eligibility is verified at two successive levels for both French and non-French assets. These verifications follow standard procedures.

For new French loans, these controls are conducted:

- by middle-office administration centers;
- by daily processing of back offices at headquarters.

For foreign assets, controls are conducted:

- by the entity that generated the asset;
- by a specialized unit: the local public sector risks division and, if appropriate, the General Secretariat;
- by a member of Dexia MA's Executive Board.

In addition, the specific controller conducts a thorough, regular verification of the eligibility of assets *a posteriori*.

Credit risk on bank counterparties

For Dexia MA, bank counterparty risk concerns, on the one hand, securities issued by banks recorded as replacement assets (covered bonds, a category of assets that presents a very low risk), and on the other, counterparties in hedging operations with which the company has signed ISDA or AFB (French banking association) framework agreements that meet rating agencies' standards for *sociétés de crédit foncier*. Only counterparties with a certain rating are admitted. The market risk management division monitors these ratings and any changes; the information is forwarded to a member of Dexia MA's Executive Board. At the end of December 2008, all external counterparties had a good or very good short-term

rating: F1+ or F1 / P1 / A-1+ or A-1, from Fitch, Moody's and Standard and Poor's respectively. The Executive Board initiates specific action whenever a counterparty ceases to be eligible because of a downgrade in rating. In addition, Dexia Credit Local, which benefits from a short-term rating of F1+/P1/A-1+ is the largest swap counterparty, accounting for about 25% of nominal outstanding long-term derivatives, and it was the only counterparty for monetary swaps from Euribor to Eonia as of December 31, 2008.

It should be noted that these currency swaps and interest rate swaps benefit from the legal privilege to the same extent as the *obligations foncières*.

Market risks

Market risks refer to the risk of loss linked to fluctuations in market prices and interest rates, their interactions and levels of volatility.

Market risks linked to trading portfolios are not compatible with the activity of Dexia MA. The Company cannot have a derivative instrument in an isolated open position. All derivatives used by Dexia MA are part of a hedging strategy, either micro- or macro-hedges.

Market risks related to foreign exchange transactions are eliminated from the start by currency swaps when an asset or liability that is not denominated in euros is recorded on the balance sheet.

General accounting verifies that for each reporting period there is no foreign exchange risk. The market back office and market accounting units regularly control the symmetry of micro-hedge swaps. Bonds held in the assets are recognized as investment securities or securities available for sale (*placement*) in French GAAP and as loans or securities available for sale in IFRS.

Some of these, which are issued by credit institutions benefiting from the highest credit rating (minimum AA-, Aa3, AA-) determined by an external credit rating agency recognized by the French Banking Commission, can be considered as replacement assets. The total amount of these securities, which are considered as reliable and liquid securities and may be mobilized in the central bank, must not exceed 15% of the total amount of the *obligations foncières* and other debt benefiting from the privilege. As of December 31, 2008, replacement assets totaled EUR 5.8 billion, or 9.3% of outstanding privileged commitments; they are comprised solely of covered bonds rated triple-A, issued by credit institutions of the Dexia Group.

General interest rate risk

General interest rate risks are grouped under the heading ALM (asset and liability management) risks. ALM's goal is to cover partially or totally the risks linked to the structure of the balance sheet. Interest rate risk management is the responsibility of the Dexia Group's ALM committee, which delegates to the finance committee of Dexia Credit Local the

operational management of its own balance sheet, while operations are the responsibility of the technical ALM committee of Dexia Credit Local to which the risk management and permanent control department and the market division contribute. On a monthly basis, the committee monitors ALM net present value with regard to the assets and liabilities concerned within Dexia Credit Local plus Dexia MA, and watches the sensitivity of this net present value to any change in the yield curve.

Dexia MA is subject to specific management, since the goal is to neutralize interest rate exposure as much as possible. Dexia MA uses micro interest rate hedges on a part of the assets and liabilities benefiting from the legal privilege, and macro interest rate hedges on another part of the assets and off-balance sheet in order to manage the general interest rate risk. Micro-hedges cover the interest rate risk on a part of debt securities, on certain loans, on *obligations foncières* and on registered covered bonds.

Macro-hedges are basically used to manage interest rate risk on fixed rate loans not covered by micro-hedges and to manage differences in Euribor fixing dates by Eonia hedges. The method used is based on simple principles and consists in converting assets and liabilities into two masses on a variable index so that they move in a parallel manner under the impact of yield curve movements. Interest rate risk has, in this way, been contained within a set limit of 3% of shareholders' equity since 2005, with the approval of the rating agencies. For 2008, the limit was EUR 29.5 million, with the monetary gap limit set at EUR 4.0 million, and the remainder for the fixed rate gap. Sensitivity was considered as a variation in the gap's net present value for a change in the yield curve of 100 basis points.

Management control and the respect of limits is monitored by (i) Dexia Credit Local's ALM team as a first level control, and (ii) the market risk management division for a second level. The latter entity produces a weekly report. In addition, the back office monitors hedging operations. The market back office, market accounting, client accounting and general accounting verify the symmetry of the micro-hedges.

The specific controller receives the report issued by the market risk management division and can judge whether the congruence of interest rates between the assets and the liabilities is sufficient.

Liquidity risk, risk of non-compliance with the coverage ratio, risk of insufficient congruence of maturities

The liquidity risk of Dexia MA is covered by financing agreements with Dexia Credit Local. Cash management is handled by Dexia Credit Local's cash management division.

In addition to the availability of the current account, Dexia MA materializes refinancing agreements with Dexia Credit Local covering the reimbursement of issues that become repayable in less than one year and represent a total amount of more than EUR 100 million for the same month.

The coverage of long-term liquidity needs is tested by stress scenarios conducted by or under the control of rating agencies and which serve to define the level of overcollateralization that matches a triple-A rating. In 2008, the stress scenarios practiced on the basis of the extinguishment of assets, i.e. without adding new assets and on outstanding privileged debt, showed that the break-even point of over-collateralization was generally between 4% and 5%. Dexia MA committed to maintain a safe level of over-collateralization of 5%. Several controls are conducted to ensure that this level of security is still respected. All planned issue programs give rise to stress scenario tests to check whether the planned program, without increasing the assets, will satisfy the limit of 5% and the rating agencies' objectives of stressed cash flows. Two of the rating agencies systematically give their approval of these planned programs on a monthly basis, thereby enabling the Company to lock in its triple-A rating *a priori*.

Since September 2008, Dexia MA has finalized the setup of operating circuits that enable it to obtain refinancing from the Banque de France, guaranteed either by loans or by securities in the assets on its balance sheet. The Company put its ability to a real test by obtaining financing of EUR 7.5 billion at the end of 2008. The financing obtained from the central bank makes it possible to finance any surplus over-collateralization on a temporary basis under good conditions, while waiting to issue *obligations foncières* once the covered bond market takes off again. This will provide an additional source of liquidity, as a complement to financing supplied by its parent company Dexia Credit Local, so that Dexia MA will always have the resources it needs to reimburse the maturities of its *obligations foncières*.

Lastly, the specific controller has information that allows him to certify for each issue that the company respects the coverage ratio on a permanent basis.

The congruence of maturities of assets and liabilities benefiting from the privilege is measured monthly and market risk management draws up a report. Since the interest rate risk is covered otherwise, as mentioned above, the duration gap corresponds to the transformation of refinancing. Dexia MA established a management limit for the duration gap of three years.

The specific controller receives the information he needs to assess whether the congruence of maturities of the assets and the liabilities is sufficient.

Operational risks

Operational risks are risks of loss resulting from the lack of adaptation or failure on the part of procedures, individuals, systems and also external events. It includes the risks linked to the security of information systems, as well as legal risks. Dexia chose to include the risk of reputation in its management of operational risks.

The Dexia Group introduced procedures and a management tool that incorporates risk mapping corresponding to the

criteria of the Basel II standard method, in compliance with "the sound practices for the management and supervision of operational risks" published by the Basel committee.

A process to compile incidents and operating losses was defined for the Group. The incidents are declared by Group entities using a collecting tool and are classified and analyzed by the operational risks correspondents. The operational risk committee coordinates and manages operational risks for the whole Group. A quarterly report is submitted to the Management Board of Dexia Credit Local, the Group's Executive Committee and the heads of the business units of Dexia Credit Local and the Dexia Group.

Dexia Credit Local has an operational risks team in the risk management and permanent control department, relayed by a network of correspondents named in every division and entity. The involvement of the heads of the business lines ensures the effectiveness of the system. All the operational functions exercised by Dexia Credit Local on behalf of Dexia MA respect the same requirement.

The security of Dexia MA's IT systems is managed within Dexia Credit Local. According to the security policy that was defined and is regularly reassessed in the risk management and permanent control department by the division of operational risks, information systems security and permanent control. Directives and operating procedures are broken down by risk sector: physical security, security of system access control, security of databases and applications, security of continued operation. The continuity plan is reviewed annually under the supervision of a dedicated piloting committee, and full-scale tests are organized. Within the framework of this plan, critical IT production systems are installed at a single location with a service provider in a highly secured environment with a broadband connection to Dexia Credit Local - Dexia MA. For additional security, a mirror site was installed with duplicate connections to take over in the event of a failure at the primary installation. The backup system was successfully tested in 2008.

Legal risk

Dexia MA's control of legal risks, concerning agreements related to assets or liabilities, is under the responsibility of the General Secretary, who heads up Dexia Credit Local's legal division. Dexia MA's contractual commitments originate in or are approved by Dexia Credit Local's legal and tax division, in compliance with the Group's general practice.

8. PREPARATION OF THE REPORT

This report was drawn up by the Chairman of the Supervisory Board of Dexia Municipal Agency. The Chairman of the Supervisory Board asked the internal audit division of Dexia Credit Local to supply relevant data from each unit responsible for control and finance, as well as from the operational units and support functions concerned. The analyses and descriptions presented are also based on information obtained from interviews with Dexia MA's Executive Board, on internal audit reports, and on discussions with members of Dexia Credit Local's Management Board.

Philippe Rucheton
Chairman of the Supervisory Board



**Statutory Auditors' report,
prepared in accordance with article L.225-235
of the French Commercial Code (Code de Commerce)
on the report prepared by the Chairman of the Supervisory Board
of Dexia Municipal Agency**

Year ended December 31, 2008

To the Shareholders,

In our capacity as Statutory Auditors of Dexia Municipal Agency, and in accordance with article L.225-235 of the French Commercial Code (Code de Commerce), we hereby report to you on the report prepared by the Chairman of your company in accordance with article L.225-68 of the French Commercial Code (Code de Commerce) for the year ended December 31, 2008.

It is the Chairman's responsibility to prepare, and submit to the Supervisory Board for approval, a report on the internal control and risk management procedures implemented by the company and containing the other disclosures required by article L.225-68 of the French Commercial Code (Code de Commerce), particularly in terms of corporate governance.

It is our responsibility:

- to report to you on the information contained in the Chairman's report in respect of the internal control procedures relating to the preparation and processing of the accounting and financial information, and
- to attest that this report contains the other disclosures required by article L. 225-68 of the French Commercial Code (Code de commerce), it being specified that we are not responsible for verifying the fairness of these disclosures.

We conducted our work in accordance with professional standards applicable in France.

Information on the internal control procedures relating to the preparation and processing of accounting and financial information

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control procedures relating to the preparation and processing of the accounting and financial information. These procedures consisted mainly in:

- obtaining an understanding of the internal control procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based and the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and the existing documentation;
- determining if any significant weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our engagement are properly disclosed in the Chairman's report.

On the basis of our work, we have nothing to report on the information in respect of the company's internal control procedures relating to the preparation and processing of accounting and financial information contained in the report prepared by the Chairman of the Supervisory Board in accordance with article L.225-68 of the French Commercial Code (Code de Commerce).

Other disclosures

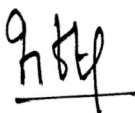
We hereby attest that the Chairman's report includes the other disclosures required by article L.225-68 of the French Commercial Code (Code de commerce).

Courbevoie and Neuilly-Sur-Seine, April 8, 2009

The Statutory Auditors

Mazars

Guillaume Potel
Partner



Anne Veaute
Partner



Deloitte & Associés

François Arbey
Partner



José-Luis Garcia
Partner



SHAREHOLDERS' MEETING OF MAY 26, 2009

Observations of the Supervisory Board

Pursuant to the provisions of article L.225-68 of the Commercial Code, we hereby state that we have no comment to make on the management report of the Executive Board or on the financial statements for the year ended December 31, 2008.

The Supervisory Board wishes to thank the Executive Board for the initiatives taken and the results achieved during the year ended December 31, 2008.

The Supervisory Board

Resolutions proposed to the Ordinary and Extraordinary Shareholders' Meeting of May 26, 2009

TO THE ORDINARY SHAREHOLDERS' MEETING

First resolution

APPROVAL OF THE FINANCIAL STATEMENTS

The Ordinary Shareholders' Meeting, after hearing the reports of the Executive Board, the Chairman of the Supervisory Board and the statutory auditors, as well as the observations of the Supervisory Board, approves the financial statements for the year ended December 31, 2008, as presented, with all the transactions that generated these financial statements or are mentioned in the above reports, showing net income of EUR 91,264,639.34.

Second resolution

APPROVAL OF REGULATED AGREEMENTS AND COMMITMENTS

After hearing the statutory auditors' special report on regulated agreements and commitments, governed by article L225-86 of the Commercial Code, the Ordinary Shareholders' Meeting approves this report.

Third resolution

DISCHARGE TO MEMBERS OF THE MANAGEMENT BODIES

By virtue of the adoption of the first two resolutions, the Ordinary Shareholders' Meeting gives full discharge to the members of the management bodies for the performance of their duties during the year ended December 31, 2008.

Fourth resolution

ALLOCATION OF NET INCOME

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

Allocation of net income	EUR
Net income for the year	91,264,639
Legal reserve (5%)	(4,563,232)
Retained earnings	76,363,370
2008 income available for distribution	163,064,777
Dividends distributed	(113,520,000)
Retained earnings after allocation	49,544,777

Each share will receive a dividend of EUR 12 eligible for a rebate of 40% according to article 158.3-2 of the French General Tax Code (Code Général des Impôts).

The dividend will be paid as of May 28, 2009.

The Ordinary Shareholders' Meeting recalls, pursuant to article 243bis of the French General Tax Code, that the following dividends were paid in the previous three years.

EUR	2005	2006	2007
Net dividend per share	12.40	15.30	8
Amount per share eligible for rebate (article 58.3-2 of the French General tax code)	12.40 ⁽¹⁾	15.30 ⁽¹⁾	8 ⁽¹⁾
Total amount eligible for rebate (article 58.3-2 of the French General tax code)	84,320,000 ⁽¹⁾	116,280,000 ⁽¹⁾	70,080,000 ⁽¹⁾

⁽¹⁾ Rate 40%

Fifth resolution

CERTIFICATION OF THE FINANCIAL STATEMENTS

In application of article L.822-14 of the Commercial Code, the Ordinary Shareholders' Meeting takes note that the financial statements for the year ended December 31, 2008, were certified by the statutory auditors:

- Guillaume Potel, Partner, and Anne Veaute, Partner, representing the firm Mazars on the one hand,
- François Arbey, Partner, and José Luis Garcia, Partner, representing the firm Deloitte & Associés on the other hand.

Sixth resolution

RATIFICATION OF APPOINTMENT

The Ordinary Shareholders' Meeting ratifies the decision of the Supervisory Board at its meeting on April 1, 2009, to name Philippe Rucheton as a member of the Supervisory Board, replacing Jacques Guerber, who resigned, for the remaining portion of the latter's term, until the shareholders' meeting called to approve the financial statements for the year ending December 31, 2010.

Seventh resolution

RATIFICATION OF APPOINTMENT

The Ordinary Shareholders' Meeting ratifies the decision of the Supervisory Board at its meeting on April 1, 2009, to name Jean-Luc Guitard as a member of the Supervisory Board, replacing Alain Delouis, who resigned, for the remaining portion of the latter's term, until the shareholders' meeting called to approve the financial statements for the year ending December 31, 2008.

Eighth resolution

RATIFICATION OF APPOINTMENT

The Ordinary Shareholders' Meeting ratifies the decision of the Supervisory Board at its meeting on April 1, 2009, to name Stéphane Vermeire as a member of the Supervisory Board, replacing François Durolet, who resigned, for the remaining portion of the latter's term, until the shareholders' meeting called to approve the financial statements for the year ending December 31, 2010.

Ninth resolution

RENEWAL OF APPOINTMENT

OF A MEMBER OF THE SUPERVISORY BOARD

The Ordinary Shareholders' Meeting, noting that the term of Jean-Luc Guitard as a member of the Supervisory Board comes to an end on this day, renews his mandate for a period of six years, which will end after the ordinary shareholders' meeting called to approve the financial statements for the year ending December 31, 2014.

Tenth resolution

RENEWAL OF APPOINTMENT

OF A MEMBER OF THE SUPERVISORY BOARD

The Ordinary Shareholders' Meeting, noting that the term of Claude Schon as a member of the Supervisory Board comes to an end on this day, renews his mandate for a period of six years, which will end after the ordinary shareholders' meeting called to approve the financial statements for the year ending December 31, 2014.

TO THE EXTRAORDINARY SHAREHOLDERS' MEETING

Eleventh resolution

CAPITAL INCREASE OF AN AMOUNT OF EUR 114 MILLION
VIA THE CREATION OF NEW SHARES IN CASH

The Extraordinary Shareholders' Meeting, after hearing the Executive Board's report and noting that the capital stock is entirely paid up, decides to increase capital stock by EUR 114 million from EUR 946 million to EUR 1.06 billion via the creation of 1,140,000 new shares in cash with a par value of EUR 100 each.

The new shares are issued at par and will be fully paid up at subscription in cash. They will have effect as of January 1, 2009, whatever the date of the capital increase, and will be completely assimilated to existing shares and subject to all the provisions of the by-laws and decisions of the Shareholders' Meetings from their creation.

Subscriptions will be received between May 26 and June 9, 2009, included, at the Company's registered office. The funds paid to back the subscriptions will be deposited with Dexia CLF Banque.

Twelfth resolution

SUBSEQUENT AMENDMENT OF ARTICLE 6 OF THE BY-LAWS

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

Article 6: Capital stock

"Capital stock is set at the sum of EUR 1,060,000,000. It is divided into 10,600,000 shares."

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

Thirteenth resolution

EXTENSION OF MODES OF PARTICIPATION
IN SUPERVISORY BOARD MEETINGS

The Extraordinary Shareholders' Meeting, after hearing the report of the Executive Board, decides to extend the modes of participation in meetings of the Supervisory Board by adding to physical presence and video conferences, any means of communication that makes it possible to identify the members.

Fourteenth resolution

SUBSEQUENT AMENDMENT OF ARTICLE 21 OF THE BY-LAWS

As a result of the previous resolution, the Extraordinary Shareholders' Meeting decides to modify as follows the eighth paragraph of article 21 of the by-laws:

"When such occurs, and according to the modalities stipulated by current legislation, members of the Supervisory Board are considered present for the calculation of the quorum and the majority if they participate in the Board meeting by video-conference or via a means of telecommunications that ensures identification."

Fifteenth resolution

POWERS

The Extraordinary Shareholders' Meeting gives full powers to the bearer of an original, a copy or an excerpt of the minutes of this meeting to carry out all legal formalities, in particular to notify the Tribunal de Commerce de Nanterre of any changes.

LEGAL AND ADMINISTRATIVE INFORMATION

INFORMATION ABOUT THE COMPANY

CORPORATE NAME

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

REGISTERED OFFICE

The Company's registered office is located at:
1, passerelle des Reflets - Tour Dexia
La Défense 2 - 92913 La Défense Cedex

LEGAL STRUCTURE

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

OFFICIAL CECEI APPROVAL

The Company was approved by the *Comité des établissements de crédit et des entreprises d'investissement (CECEI)* on July 23, 1999, as a *société financière - société de crédit foncier*. This approval became definitive on October 1, 1999.

APPLICABLE LEGISLATION

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

INCORPORATION DATE

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

CORPORATE PURPOSE (ARTICLE 2 OF THE BY-LAWS)

The Company's exclusive purpose is:

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

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

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

Pursuant to the law of January 2, 1981 facilitating corporate borrowing, the Company may assign all the assets it owns, whatever the nature (whether professional or not) of these assets.

COMPANY REGISTRATION AND APE BUSINESS IDENTIFICATION CODE

Dexia Municipal Agency is registered as a corporate entity under the designation NANTERRE 421 318 064 (Registre du Commerce et des Sociétés). Its APE code is 6492Z.

AVAILABILITY OF INFORMATION

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

1, passerelle des Reflets
Tour Dexia - La Défense 2
92913 La Défense Cedex

FISCAL YEAR (ARTICLE 39 OF THE BY-LAWS)

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

EXCEPTIONAL EVENTS AND LEGAL PROCEEDINGS

There is no exceptional event or legal proceeding pending or in process that could have a material impact on the assets and liabilities, financial position or results of the Company and its subsidiaries.

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

Income available for distribution comprises net income for the year minus any prior year losses and any allocations to reserves pursuant to current legislation, plus any retained earnings carried forward from previous years. From the available surplus, the Ordinary Shareholders' Meeting, voting on a recommendation of the Executive Board, may allocate all or a part of the remaining income to retained earnings. There are no priority shares or dividends.

ANNUAL SHAREHOLDERS' MEETINGS

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

Annual shareholders' meetings are called as required by current legislation. They are held at the Company's registered office or any other location specified in the notice of meeting. All shareholders have the right to obtain copies of the documents required to make an informed decision concerning the overall management and control of the Company.

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

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

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

VOTING RIGHTS (ARTICLE 32 OF THE BY-LAWS)

The voting rights attached to the shares are proportional to the percentage of capital the shares represent. Each share conveys one voting right. At annual shareholders' meetings, the number of votes that may be cast by each shareholder corresponds to the number of shares held plus the number of shares for which the shareholder holds proxy.

INFORMATION ABOUT THE COMPANY'S CAPITAL AND SHARES

CAPITAL

Capital stock currently stands at EUR 946,000,000 represented by 9,460,000 nominative shares with no stated par value. There are no other securities that grant rights to shares in the capital of Dexia Municipal Agency.

SHAREHOLDING STRUCTURE IN THE LAST FIVE YEARS

Date of the shareholders' meeting	Date of the capital	Amount of the capital increase	Cumulated capital increase (EUR)
12/3/04	12/10/04	120,000,000	620,000,000
3/24/05	3/31/05	60,000,000	680,000,000
5/16/06	5/24/06	80,000,000	760,000,000
5/15/07	5/18/07	116,000,000	876,000,000
5/26/08	5/28/08	70,000,000	946,000,000

Breakdown of capital	2004	2005	2006	2007	2008
Dexia Credit Local	99.99%	99.99%	99.99%	99.99%	99.99%
French and/or Belgian private, institutional and corporate investors	0.01%	0.01%	0.01%	0.01%	0.01%

At the Shareholders' Meeting of May 26, 2008, there were 8,760,000 voting rights in existence.

DECLARATION OF FINANCIAL SUPPORT

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

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

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

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

Statement by the person responsible

This is a free translation of the French language original

I, the undersigned Gilles Gallerne, Chief Executive Officer of Dexia Municipal Agency,

Hereby affirm that to the best of my knowledge, the financial statements have been prepared in conformity with applicable accounting standards and present fairly, in all material aspects, the assets and liabilities, financial position and results of Dexia Municipal Agency, and that the management report presents a fair image of trends in the Company's business, results and financial position, as well as a description of the main risks and uncertainties it must face.

La Défense, April 10, 2009

Gilles Gallerne
Chief Executive Officer



LIST OF INFORMATION PUBLISHED OR DISCLOSED in the last 12 months (in application of article L.451-1-1 of the Monetary and Financial Code and of article 222-7 of the general regulations of the French Financial Markets Authority - AMF)

Nature of the information	Publication or announcement
I - Activity and results	
Quarterly financial report as of December 31, 2008	BALO 3/11/2009
Quarterly financial report as of September 30, 2008	BALO 12/15/2008
Management report as of June 30, 2008	BALO 10/27/2008
Quarterly financial report as of June 30, 2008	BALO 9/5/2008
Approval of 2007 annual financial statements	BALO 6/11/2008
Quarterly financial report as of March 31, 2008	BALO 6/9/2008
Banking commission memorandum on the quality of assets as of 12/31/07	BALO 6/4/2008
2007 annual financial statements	BALO 4/18/2008
II - Corporate organization	
Modified registration – Change in permanent representative of Dexia Credit Local member of the Supervisory Board	Les Petites Affiches 3/10/2009
Modified registration – Change in composition of the Supervisory Board and in Vice Chairman	Les Petites Affiches 10/9/2008
Modified registration – Change in statutory auditor and capital increase	Les Petites Affiches 6/3/2008
Modified registration – Change in composition of the Executive Board and in Chief Executive Officer – change in composition of the Supervisory Board	Les Petites Affiches 5/2/2008
Shareholder notification of the Annual Shareholders' Meeting of May 26, 2008	BALO 4/16/2008
III – Other information	
Issuance and quote – issue of EMTN 319 TR 3 – amount EUR 150,000,000 – maturity February 2019	BALO 5/14/2008
Dexia Municipal Agency – Annual Report 2007 – submitted to AMF	HUGIN (1) 4/3/2008
Dexia Municipal Agency – Rapport annuel 2007 – submitted to AMF	HUGIN 4/3/2008
Certificates of approval	
Dexia Municipal Agency – second supplement to the basic prospectus of 7/24/2008	AMF 12/29/2008
Dexia Municipal Agency – first supplement to the basic prospectus of 7/24/2008	AMF 9/2/2008
Dexia Municipal Agency – Basic prospectus of 7/24/2008	AMF 8/14/2008
Dexia Municipal Agency – sixth supplement to the basic prospectus of 7/23/2007	AMF 6/13/2008
Dexia Municipal Agency – fifth supplement to the basic prospectus of 7/23/2007	AMF 5/23/2008
Dexia Municipal Agency – fourth supplement to the basic prospectus of 7/23/2007	AMF 4/8/2008
Dexia Municipal Agency – EMTN 358 TR 4 EUR 150,000,000 maturity November 2010	HUGIN 1/13/2009
Dexia Municipal Agency – quarterly financial report as of September 30, 2008	HUGIN 12/23/2008
Dexia Municipal Agency - Rapport financier trimestriel as of September 30, 2008	HUGIN 12/23/2008
Dexia Municipal Agency – EMTN 319 TR 6 EUR 150,000,000 maturity February 2019	HUGIN 12/8/2008
Dexia Municipal Agency – EMTN 340 TR 4 EUR 30,000,000 maturity July 2017	HUGIN 12/4/2008
Dexia Municipal Agency – EMTN 319 TR 5 EUR 125,000,000 maturity February 2019	HUGIN 11/24/2008
Dexia Municipal Agency – EMTN 340 TR 3 EUR 20,000,000 maturity July 2017	HUGIN 11/18/2008
Dexia Municipal Agency – EMTN 31 TR 5 EUR 20,000,000 maturity October 2012	HUGIN 11/3/2008
Dexia Municipal Agency – EMTN 49 TR 8 EUR 55,000,000 maturity February 2013	HUGIN 11/3/2008
Dexia Municipal Agency – EMTN 194 TR 5 EUR 65,000,000 maturity September 2015	HUGIN 10/31/2008
Dexia Municipal Agency – EMTN 319 TR 4 EUR 20,000,000 maturity February 2019	HUGIN 10/31/2008
Dexia Municipal Agency – EMTN 49 TR 7 EUR 45,000,000 maturity February 2013	HUGIN 10/28/2008
Dexia Municipal Agency – EMTN 389 TR 1 EUR 50,000,000 maturity April 2010	HUGIN 10/23/2008
Dexia Municipal Agency – EMTN 308 TR 3 EUR 25,000,000 maturity November 2016	HUGIN 10/23/2008
Dexia Municipal Agency – EMTN 308 TR 2 EUR 30,000,000 maturity November 2016	HUGIN 10/22/2008
Dexia Municipal Agency – 2008 half year financial report	HUGIN 8/28/2008
Dexia Municipal Agency - rapport financier semestriel 2008	HUGIN 8/28/2008
Dexia Municipal Agency – EMTN 386 TR 1 EUR 36,000,000 maturity August 2011	HUGIN 8/8/2008
Dexia Municipal Agency – EMTN 385 TR 1 EUR 10,000,000 maturity July 2013	HUGIN 7/22/2008
Dexia Municipal Agency – EMTN 377 TR 2 EUR 250,000,000 maturity July 2011	HUGIN 7/16/2008

(1) Professional wire for regulatory information, AMF registered.

Nature of the information	Publication or announcement
Dexia Municipal Agency – EMTN 340 TR 2 EUR 150,000,000 maturity July 2017	HUGIN 7/9/2008
Dexia Municipal Agency – EMTN 384 TR 1 USD 50,000,000 maturity July 2011	HUGIN 7/9/2008
Dexia Municipal Agency – EMTN 219 TR 7 EUR 30,000,000 maturity December 2020	HUGIN 7/9/2008
Dexia Municipal Agency – EMTN 381 TR 1 EUR 300,000,000 maturity January 2014	HUGIN 7/7/2008
Dexia Municipal Agency – EMTN 383 TR 1 SEK 333,000,000 maturity July 2015	HUGIN 7/7/2008
Dexia Municipal Agency – EMTN 380 TR 1 EUR 153,000,000 maturity June 2023	HUGIN 7/1/2008
Dexia Municipal Agency – EMTN 358 TR 3 EUR 250,000,000 maturity November 2010	HUGIN 6/26/2008
Dexia Municipal Agency – EMTN 382 TR 1 SEK 1,000,000,000 maturity June 2015	HUGIN 6/26/2008
Dexia Municipal Agency – EMTN 336 TR 2 USD 150,000,000 maturity May 2012	HUGIN 6/23/2008
Dexia Municipal Agency – EMTN 297 TR 2 USD 200,000,000 maturity January 2012	HUGIN 6/23/2008
Dexia Municipal Agency – EMTN 219 TR 6 EUR 20,000,000 maturity December 2020	HUGIN 6/17/2008
Dexia Municipal Agency – EMTN 377 TR 1 EUR 1,250,000,000 maturity June 2011	HUGIN 6/3/2008
Dexia Municipal Agency – EMTN 234 TR 5 GBP 100,000,000 maturity February 2011	HUGIN 5/16/2008
Dexia Municipal Agency – EMTN 374 TR 1 EUR 50,000,000 maturity May 2023	HUGIN 5/15/2008
Dexia Municipal Agency – EMTN 319 TR 3 EUR 150,000,000 maturity February 2019	HUGIN 5/15/2008
Dexia Municipal Agency – EMTN 375 TR 1 USD 40,000,000 maturity May 2033	HUGIN 5/15/2008
Dexia Municipal Agency – EMTN 73 TR 9 EUR 150,000,000 maturity January 2011	HUGIN 5/7/2008
Dexia Municipal Agency – EMTN 372 TR 1 USD 40,000,000 maturity April 2038	HUGIN 4/29/2008
Dexia Municipal Agency – EMTN 373 TR 1 EUR 1,000,000,000 maturity April 2015	HUGIN 4/23/2008
Dexia Municipal Agency – EMTN 288 TR 6 EUR 150,000,000 maturity March 2014	HUGIN 3/31/2008
Dexia Municipal Agency – EMTN 288 TR 5 EUR 150,000,000 maturity March 2014	HUGIN 3/31/2008
Dexia Municipal Agency – EMTN 288 TR 4 EUR 150,000,000 maturity March 2014	HUGIN 3/27/2008

DEXIA MUNICIPAL AGENCY

Société Anonyme à Directoire et Conseil de Surveillance
A French credit institution with an Executive Board and a Supervisory Board
Capital of EUR 946,000,000
R.C.S. NANTERRE 421 318 064

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