



FINANCIAL REPORT

Half-year 2009

As of June 30, 2009

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MANAGEMENT REPORT

as of June 30, 2009

I - Highlights in the first half

Covered bond market reopens

The second quarter of 2009 was marked by improved access conditions in the primary bond market and the reopening of the market for covered bonds. It was the European Central Bank's announcement on May 7, 2009, of a plan to buy EUR 60 billion in covered bonds that reestablished investor confidence in this market segment. As a result, a total of EUR 46.7 billion was issued in this market as of June 30, 2009, with 75% of the total in the second quarter. Dexia MA fully benefited from the reopening of the market, conducting two benchmark transactions for 12 and 15 years, thereby amply confirming its status as a leading issuer of *obligations foncières*.

As of June 30, 2009, Dexia MA had raised a total of EUR 4.56 billion with an average maturity of 13.3 years.

Financial position of the Dexia Group

In the second quarter of 2009, the environment was characterized by the ongoing economic downturn, as well as by a progressive return to normal conditions in the financial markets. Within this framework, for the second quarter in a row, Dexia reported positive net income, Group share, of EUR 283 million (excluding the impact of the crisis, net income was EUR 451 million) in the second quarter of 2009. In the first half of 2009, Dexia reported net income, Group share, of EUR 534 million (excluding the impact of the crisis, net income was EUR 1,121 million).

All of the Group's business lines were profitable again.

The Group's liquidity position continues to improve, in particular as a result of the substantial volumes of medium- and long-term issues, as well as of accelerated balance sheet deleveraging and an increase in deposits.

The measures announced within the framework of the plan to transform the Group continued in line with objectives, and the sale of FSA Insurance to Assured Guarantee on July 1, 2009, represented a major step forward in this plan.

Early reimbursement of Dexia MA's exposures to central European sovereign commitments (first quarter)

At the end of 2008, Dexia MA held exposures to Poland, Hungary, Lithuania and Greece for a total of EUR 1,749 million, in the form of loans to Dexia Kommunalkredit Bank (DKB)

guaranteed by sovereign securities issued by these countries. These loans were subject to early reimbursement in March 2009, in application of a clause in the contract that allowed for this possibility in the event of a decline in DKB's rating.

Changes in over-collateralization (first quarter)

Dexia MA owns shares in Italian (DCC) and Belgian (DSFB) securitization vehicles that are used by Dexia Crediop and Dexia Banque Belgium to transfer to Dexia MA their exposures to local public sector. These shares saw their ratings lowered, like Dexia, from AA range to A range. This change led Dexia to weigh these assets at 50%, compared with 100% in the past, in the calculation of the regulatory over-collateralization ratio, which is verified by the specific controller and forwarded to the Banking Commission.

This represents a EUR 3.6 billion reduction in the assets taken into account for this ratio. To offset this decrease, Dexia MA reincorporated into the cover pool an equivalent volume of assets previously refinanced with the Banque de France. The required resources, not covered by the privilege, were obtained from Dexia Credit Local, in compliance with the financing agreement. Dexia MA's real cover pool and over-collateralization are currently much greater than the cover pool and over-collateralization calculated according to French regulatory requirements.

II - Changes in key balance sheet items

EUR billions	12/31/2007	12/31/2008	6/30/2009	Change June 09 / Dec 08	Change June 09 / Dec 07
Cover pool	69.3	68.8	73.4	6.7%	5.9%
<i>Loans</i>	52.4	56.7	53.6	-5.5%	2.3%
<i>Securities</i>	16.9	19.9	20.7	4.0%	22.5%
- <i>Assets pledged in favor of the Banque de France</i>		(7.8)	(0.9)	-88.5%	N.A.
Privileged debt <i>Swapped value</i>	58.4	64.1	64.1	0.0%	9.8%
<i>Obligations foncières (& RCB*)</i> <i>Balance sheet value</i>	56.4	62.0	62.0	0.0%	9.9%
Cash collateral received	0.0	0.5	1.1	120.0%	N.A.
Non-privileged debt	10.4	11.9	9.2	-22.7%	-11.5%
<i>Dexia Credit Local</i>	10.4	4.4	8.6	95.5%	-17.3%
<i>Banque de France</i>	0.0	7.5	0.6	-92.0%	N.A.
Shareholders' equity (IFRS, without unrealized gains)	1.0	1.1	1.1	3.0%	15.1%

* RCB = registered covered bonds

As of June 30, 2009, Dexia Municipal Agency's exposures to the public sector totaled EUR 74.3 billion, excluding accrued interest not yet due. They stood at EUR 76.6 billion at the end of 2008, and were therefore down EUR 2.3 billion.

The cover pool, which excludes the assets temporarily given in guarantee to the Banque de France, amounted to EUR 73.4 billion, up 6.7% from December 2008 and up 5.9% from December 2007.

Outstanding debt, in swapped value, totaled EUR 64.1 billion, stable in comparison with December 2008 and up 9.8% from December 2007.

The debt vis-à-vis Dexia Credit Local, which does not benefit from the legal privilege stood at EUR 8.6 billion. The financing obtained from the central bank, which does not benefit from the privilege granted by the law on *sociétés de credit foncier*, but is guaranteed by assets excluded from the cover pool, stood at EUR 0.6 billion.

Shareholders' equity, calculated according to IFRS but excluding unrealized or deferred gains and losses, was EUR 1.1 billion at the end of June 2009.

III - Changes in assets in the first six months of 2009

1. Asset production in the period

Since the beginning of the year, there was a decline in the cover pool of EUR 2.3 billion, in particular reflecting voluntarily limited acquisitions and the early reimbursement of loans to DKB for EUR 1.7 billion. A breakdown follows.

Acquisitions of assets

EUR billions	2008			H1 2009		
	Loans	Debt securities	Total	Loans	Debt securities	Total
France	7.2	-	7.2	0.7	1.0	1.7
Outside of France	1.4	5.2	6.6	0.1	0.5	0.6
Total new assets	8.6	5.2	13.8	0.8	1.5	2.3
Amortization	(3.8)	(1.0)	(4.8)	(1.7)	(0.7)	(2.4)
Early reimbursements	(0.8)	(1.0)	(1.8)	(2.0)	-	(2.0)
Sales	-	(0.3)	(0.3)	(0.1)	-	(0.1)
Foreign exchange adjustments	0.4	(0.1)	0.3	(0.1)	0.0	(0.1)
Net change	4.4	2.8	7.2	- 3.1	0.8	- 2.3

The gross amount of assets recognized on the balance sheet in the first quarter was EUR 2.3 billion.

These long-term assets are made up of the following items:

- EUR 0.8 billion in loans to the public sector, originated by Dexia Credit Local and its subsidiaries within the framework of their commercial activity in France and Switzerland;
- EUR 1.0 billion in a certificate of deposit (CD) issued by Dexia Credit Local and benefiting from the guarantee of the French, Belgian and Luxembourg governments. In amount and maturity, this CD corresponds to the investment of cash collateral received from swap counterparties;
- EUR 0.5 billion in *cedulas territoriales* issued by Dexia Sabadell, and classified as replacement assets; these new *cedulas* replaced the ones that matured in June 2009 in the same amount.

Breakdown of gross acquisitions

EUR billions		2008	H1 2009
Loans:	<i>Transfer mode</i>	8.6	0.8
France		7.2	0.7
Switzerland		0.6	0.1
Sweden, Finland, Portugal, other		0.0	
Poland, Hungary, Greece, Lithuania	<i>loans to DKB</i>	0.8	
Debt securities:	<i>Transfer mode</i>	5.2	1.5
Belgium	<i>SPV DSFB 2</i>	1.6	
Italy	<i>SPV DCC 3</i>	2.3	
Spain	<i>Cedulas territoriales</i>	1.1	0.5
Greece		0.1	
France			1.0
United States		0.1	
Japan		0.0	
Total		13.8	2.3

2. Outstanding assets as of June 30, 2009

a – Breakdown of assets

With regard to the breakdown of assets by country, there was little change mainly because there were few acquisitions in the period. On the other hand, there was a percentage increase in the proportion of the main countries, reflecting the reimbursement of exposures to central European countries. France continued to represent the largest volume of outstanding assets with almost 65% of the total. With five other countries together representing more than 30% of outstanding assets, geographical diversification remains significant.

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

Breakdown of outstanding assets by country (%)

	12/31/2008	6/30/2009
France	63.3	65.2
Italy	9.5	9.7
Switzerland	6.1	6.0
Belgium	5.6	5.7
Spain	4.5	4.6
Luxembourg	3.5	3.6
Subtotal	92.5	94.8
Other countries	7.5	5.2
Total %	100.0	100.0

b – Replacement assets

As of June 30, 2009, replacement assets totaled EUR 5.8 billion, entirely comprised of covered bonds issued by Dexia Group entities. They are analyzed in the following table. These replacement assets represented 9.2% of outstanding *obligations foncières* and registered covered bonds, which totaled EUR 63.0 billion in swapped value; their amount is limited by law to 15%.

Securities	Country	Issuer	EUR millions	
			12/31/2008	6/30/2009
<i>Cedulas territoriales</i>	Spain	Dexia Sabadell	3,200	3,200
<i>Lettres de gage</i>	Luxembourg	Dexia LdG Banque	2,600	2,600
Total			5,800	5,800

3. Asset quality and financial crisis

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

a. Quality of assets in the portfolio

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

Securities

Most of the securities held by Dexia MA are recognized as "Loans and advances" according to IFRS and as "Investment" according to French GAAP that correspond to the intention of the management to hold the securities until maturity. They are valued at cost price.

But certain securities, in particular because of their liquidity, remain classified as "Available for sale" according to IFRS and as "Placement" according to French GAAP, and 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 according to IFRS or to a provision (if there is a decline in value) according to French GAAP. These reserves 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.

In the final quarter of 2008, most of the securities in the portfolio, which were previously classified 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, when they were reclassified, was frozen and is amortized over the residual life of the securities, as a discount. This point is presented in the notes to the financial statements.

EUR millions

Portfolio IFRS / French GAAP	Capital balance	AFS reserve		French GAAP provisions	
	6/30/2009	12/31/2008	6/30/2009	12/31/2008	6/30/2009
Loans and advances / Investment	16,658	- 177.0	- 165.9	N.A.	N.A.
<i>Securities issued by DEXIA subsidiaries</i>					
Italy - Dexia Crediop per la Cartolarizzazione	3,961	- 2.6	- 2.5		
Belgium - Dexia Secured Funding Belgium	3,092	- 1.4	- 1.4		
Spain - Dexia Sabadell	3,200	- 20.6	- 14.2		
Luxembourg - Dexia Lettres de Gage	2,600	- 0.6	- 0.5		
Germany - Dexia Kommunalbank Deutschland	-	-	-		
<i>Other securities</i>					
Germany - Dexia Kommunalbank Deutschland	12	-	-		
Austria	85	- 7.4	- 6.9		
Belgium	233	- 0.9	- 0.4		
Spain	50	- 2.2	- 2.1		
France	419	- 8.1	- 7.5		
Greece	100	- 1.5	- 1.5		
Iceland	180	- 11.5	- 10.9		
Italy	2,545	- 133.0	- 129.3		
Japan	25	-	-		
Luxembourg	108	- 1.1	- 0.8		
Portugal	48	- 6.9	- 6.5		
Loans and advances / Placement	1,766	- 15.4	- 14.9	- 12.2	- 20.4
Germany	515	- 1.6	- 1.5	- 1.6	- 3.6
Spain	182	- 1.4	- 1.3	- 1.2	- 3.6
France	-	-	-		
UK	758	- 0.3	- 0.3		
Italy	203	- 7.0	- 6.8	- 6.3	- 11.2
USA	108	- 5.1	- 5.0	- 3.1	- 2.0
AFS / Placement	1,295	- 6.8	- 6.0	- 6.8	- 6.0
France	1,000				
Germany	295	- 7	- 6	- 7	- 6
AFS / Investment	994	- 116.7	- 118.5	-	-
Canada	22	- 1.6	- 0.1		
Greece	321	- 52.5	- 45.9		
Italy	506	- 35.4	- 65.0		
USA	145	- 27.2	- 7.5		
Accounting adjustments (not broken down) (foreign exchange fluctuations, premiums/discounts, basis swaps, etc.)	- 194	- 1.0	0.9		
General total	20,519	- 316.9	- 304.4	- 19.0	- 26.4

Loans

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 small amount (EUR 2.0 million).

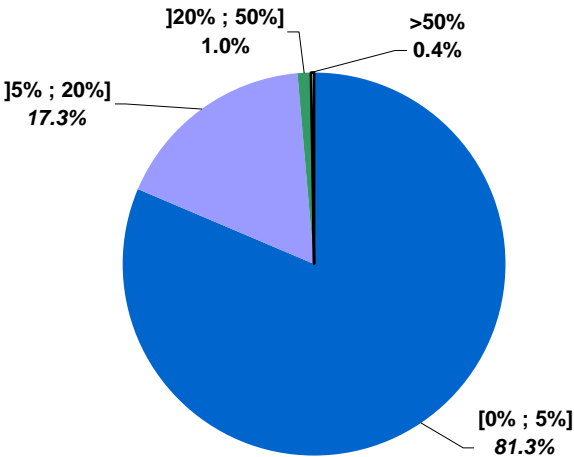
In addition to these provisions for identified risks, general provisions are recorded in the IFRS financial statements. This collective impairment covers the risk of a loss in value on the different portfolios (including securities recognized in accounting as “Loans and advances”); they are estimated 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 7.2.b to the financial statements). The low amounts in question illustrate the portfolio’s overall high quality.

EUR millions

IFRS	Capital balance	Non-performing loans		Specific Impairment		Collective impairment	
	06/31/2009	12/31/2008	06/30/2009	12/31/2008	06/30/2009	12/31/2008	06/30/2009
General total	53,564	9.1	10.0	0.9	2.0	10.1	8.5
Loans granted to Dexia subsidiaries, secured by exposures to public sector entities	189	-	-	-	-		
<i>France - Flobail</i>	189						
Other loans	53,375	9.1	10.0	0.9	2.0		
<i>Austria</i>	210						
<i>Belgium</i>	870						
<i>Finland</i>	117						
<i>France</i>	46,828	9.1	10.0	0.9	2.0		
<i>Greece</i>	300						
<i>Italy</i>	16						
<i>Portugal</i>	120						
<i>Sweden</i>	444						
<i>Switzerland</i>	4,470						

The quality of Dexia Municipal Agency’s portfolio can also be seen in the weighting of its assets in the calculation of the Group’s solvency ratio. The Dexia Group chose the advanced method within the framework of the reform of the solvency ratio and capital adequacy according to Basel II criteria. Banking supervisors (the Banking Commission in France and the CBFA in Belgium) authorized the Group to use advanced internal models for the calculation and reporting of equity requirements for credit risk as of January 1, 2008.



As a result, Dexia MA is able to present the following analysis of its exposures, broken down by risk weighting, such as used for the calculation of capital requirements for the credit risk; these weightings are primarily calculated in function of the probability of default (PD) and loss given default (LGD). This analysis confirms the excellent quality of the assets in DMA’s portfolio, since more than 80% of the portfolio assets have a weighting that is less than 5%, and almost 99% of the portfolio assets have a weighting that is less than or equal to 20%.

b. Exposure to subprime mortgages, monoline insurers, ABS and banks

Exposure to subprime and other mortgage loans

Dexia MA has no exposure to mortgage loans, whether subprime or prime. The authorization granted to Dexia MA by the Banque de France (CECEI) only allows the Company to finance exposures to public 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 by 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	9.8	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			78.3	

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

Exposure in the form of ABS

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

Issuer	ISIN Code	EUR millions
Blue Danube Loan Funding GmbH	XS0140097873	85.1
Colombo SRL	IT0003156939	11.8
Societa veicolo Astrea SRL	IT0003331292	3.1
<i>S/T</i>		<i>100.0</i>
DSFB - Dexia Secured Funding Belgium SIC	BE0933050073	1,552.7
DSFB - Dexia Secured Funding Belgium SIC	BE0934330268	1,527.9
DCC - Dexia Crediop per la Cartolarizzazione SRL	IT0003674691	856.1
DCC - Dexia Crediop per la Cartolarizzazione SRL	IT0003941124	805.2
DCC - Dexia Crediop per la Cartolarizzazione SRL	IT0004349665	2,300.0
<i>S/T</i>		<i>7,041.9</i>
Total		7,141.9

Most of these exposures are asset-backed securities especially designed by Dexia to transfer to Dexia MA exposures to 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 made up of loans to the Italian public sector (regions, municipalities, etc).

Exposure to banks

Dexia MA holds two types of exposure to banks:

- its replacement assets, solely made up of covered bonds issued by Dexia Group entities (*cedulas territoriales* of Dexia Sabadell and *lettres de gage* issued by Dexia LdG Banque – see III.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 the counterparties pay collateral unless they benefit from the agencies' highest short-term rating.

As of June 30, 2009, Dexia MA was exposed (positive fair value of the swaps) to 11 banking counterparties, nine of which paid collateral to offset the exposure, and two of which paid no collateral because of their very good rating. These two counterparties represented an exposure of EUR 250 million.

Long-term derivatives signed with the five largest counterparties represented a total of 34.1% of the notional amounts and those signed with the Dexia Group 28.0%.

I - Changes in debt benefiting from the privilege in the first half of 2009

Dexia Municipal Agency issued the equivalent of EUR 4.6 billion since the beginning of 2009 compared with EUR 8.5 billion for the same period in 2008 and EUR 10.2 billion for the year 2008.

The pace of issues in recent quarters was as follows.

Quarterly issues

EUR millions	2008	2009
Q1	4,273	305
Q2	4,534	4,258
Q3	680	
Q4	702	
Total	10,189	4,563

This table recalls that three quarters of extremely limited activity, in a tightly closed market, had followed what was an excellent first half for Dexia MA in 2008 (three benchmark issues).

In 2009, while the covered bond market presented very few opportunities in terms of issues, the situation changed considerably as of the beginning of May, after the announcement of a covered bond buyback program in the euro zone for EUR 60 billion by the European Central Bank. This program got the market off to a new start, stimulating the liquidity and depth of the secondary market and significantly reducing the spreads paid by issuers for their primary issues. In addition, investors were again interested in long maturities, after having acquired many securities with short maturities guaranteed by governments in the previous quarters.

In this context, the quality of Dexia MA's signature enabled it to launch two significant benchmarks with long maturities in May and June, and to step up its activity in privately placed issues, in particular in the German RCB format.

The two benchmarks issued have the following characteristics:

- EUR 1.5 billion, maturity June 2021 (12 years)
- EUR 2.0 billion, maturity July 2024 (15 years)

The other public sector issues represented taps of euro benchmarks of November 2010 (EUR 150 million), March 2014 (EUR 30 million) and February 2019 (EUR 25 million), bringing their respective totals to EUR 2.15 billion, EUR 1.93 billion and EUR 1.62 billion.

The second quarter's privately placed issues were mainly in the form of 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.

A breakdown of new production between privately placed issues and public sector issues is presented below.

New Production

EUR millions	2008	Q1 2009	Q2 2009
Public issues	7,737	150	3,555
Private placements	2,452	155	703
<i>including :</i>			
<i>RCB</i>	313	155	650
<i>Less than 2 years</i>	130	0	0
Total	10,189	305	4,258

While the financial crisis had led to a reduction of maturities in 2008, longer maturities characterized issues in 2009. Thus, for Dexia MA, the average life of new issues is much longer than it was in the previous year: 13.4 years versus 5.7 years for the year 2008.

Dexia MA's 2009 issues were exclusively conducted in euros.

After reimbursement of EUR 3.1 billion, outstanding *obligations foncières* and registered covered bonds at the end of June, in swapped value, totaled EUR 63.0 billion.

Outstanding commitments

EUR millions	2008	H1 2009
Beginning of the period	58,385	63,591
Issues	10,189	4,563
Issue settled after 6/30/2009		-2,000
Reimbursements	-4,983	-3,124
End of the period	63,591	63,030

(swapped value)

II - Changes in the coverage ratio

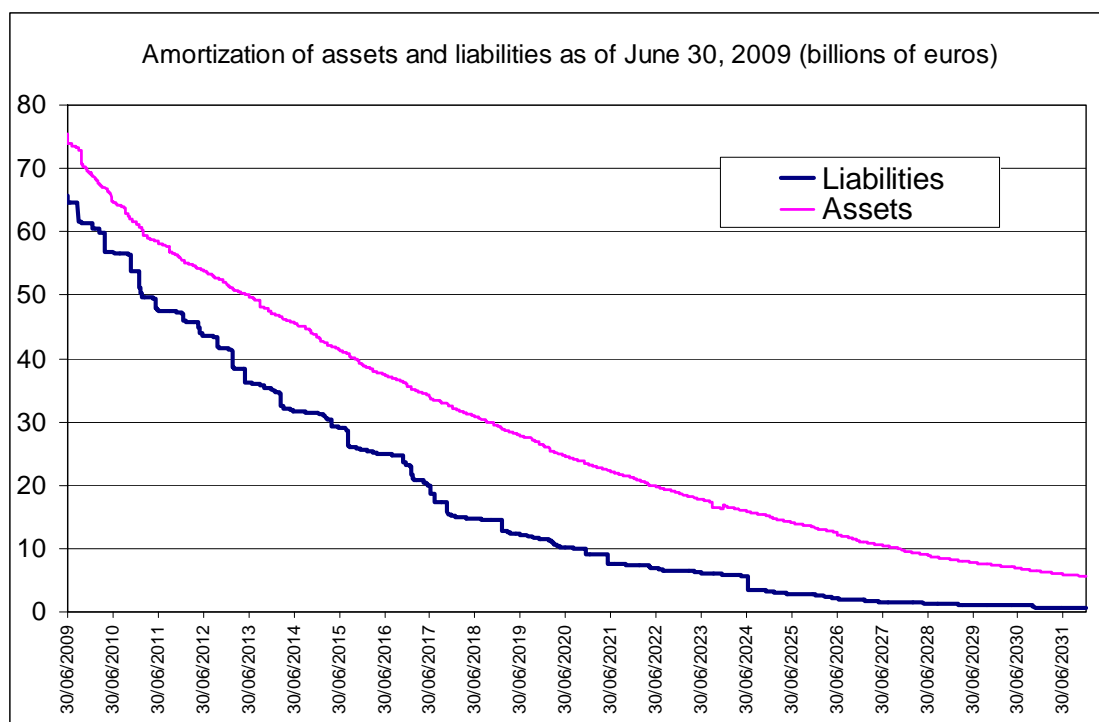
The coverage ratio, which is calculated according to the regulatory standards for *sociétés de crédit foncier*, is the ratio between the assets and the resources benefiting from the privilege. The following table shows changes at the end of the last twelve months.

Dexia MA 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.

3rd quarter 2008	Jul-08	115.2%
	Aug-08	114.9%
	Sep-08	108.4%
4th quarter 2008	Oct-08	104.5%
	Nov-08	104.0%
	Dec-08	104.2%
1st quarter 2009	Jan-08	109.2%
	Feb-08	109.3%
	Mar-08	108.5%
2nd quarter 2009	Apr-08	109.0%
	May-08	108.9%
	Jun-08	108.6%

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, aware of 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 following graph on over-collateralization presents amortization curves of the assets and of issues benefiting from the privilege as of June 30, 2009. The assets temporarily pledged in favor of the Banque de France, i.e. EUR 0.9 billion, were deducted from the asset curve.



III - Changes in debt that does not benefit from the legal privilege (debt contracted with Dexia Credit Local)

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*.

This financing is borrowed from Dexia Credit Local within the framework of a current account agreement. Temporary financing is also available from the Banque de France. This debt does not benefit from the privilege provided by the law on *sociétés de crédit foncier*, but is guaranteed by loans and securities deposited in guarantee in the account Dexia MA has opened at the central bank.

The agreement with Dexia Credit Local 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 over-collateralization over 5% in the short term, using the current account.

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

As of June 30, 2009, the debt owed to the Banque de France totaled EUR 0.6 billion and the amount owed to Dexia Credit Local was EUR 8.7 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 5.1 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
12/31/2007	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
3/31/2009	9.6	2.0	11.6
6/30/2009	8.6	0.6	9.2

IV - 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 June 30, 2009.

Breakdown of outstanding swaps (notional amounts) as of June 30, 2009

	Notional total (EUR billions)	Dexia Group (%)	External counterparties (%)
<u>Euribor against Eonia</u>			
Macro-hedges	116.4	100.0%	0.0%
Total short-term swaps			
<u>Fixed rate swaps against Euribor</u>			
Micro-hedges on <i>obligations foncières</i>	49.8	3.3%	96.7%
Micro-hedges on loans and debt securities	29.4	22.7%	77.3%
Macro-hedges on loans	24.0	82.1%	17.9%
<i>S/T</i>	103.2	27.2%	72.8%
<u>Currency swaps</u>			
Micro-hedges on <i>obligations foncières</i>	14.7	14.9%	85.1%
Micro-hedges on loans	5.0	59.1%	40.9%
Micro-hedges on debt securities	1.3	85.4%	14.6%
<i>S/T</i>	21.0	29.8%	70.2%
Total long-term swaps	124.2	27.6%	72.4%

* absolute value

- interest rate risk

The management of interest rate risk involves two steps.

- In the first stage, the assets and liabilities benefiting from the privilege 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 customers). This gap is monitored within very strict limits.
- In the second step, Euribor lending and borrowing flows are swapped against Eonia over a sliding period of two years, in order to eliminate the interest rate risk generated by differences in fixing dates. A residual gap remains after the first and second levels of hedging and is also monitored within strict limits.

In addition, any debt 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. Until the first quarter of 2009, the total sensitivity level was EUR 29.5 million, and was adjusted to EUR 30.5 million as of the second quarter of 2009, including EUR 4.5 million for the monetary gap and EUR 26.0 million for the fixed rate gap. In practice, the real sensitivity is maintained significantly below this limit, as can be seen in the following table.

Sensitivity of the interest rate gap (EUR millions)

		Average	Maximum	Minimum	Limit
Fixed rate	Q3 2008	12.8	18.5	6.8	25.5
	Q4 2008	11.4	18.0	- 1.5	25.5
	Q1 2009	11.9	20.2	5.4	25.5
	Q2 2009	6.9	10.2	3.6	26.0
Monetary	Q3 2008	0.6	1.4	0.0	4.0
	Q4 2008	- 0.2	3.4	- 3.4	4.0
	Q1 2009	- 0.4	1.2	- 3.6	4.0
	Q2 2009	- 0.6	1.1	- 1.8	4.5
Total	Q3 2008	13.4	18.8	7.7	29.5
	Q4 2008	11.0	15.8	- 1.7	29.5
	Q1 2009	11.2	19.9	5.1	29.5
	Q2 2009	6.3	9.8	2.9	30.5

The objective targeted by this management of the interest rate risk is to transform assets and liabilities into floating rates so that they will move together in a parallel manner following trends in the yield curve, while maintaining the margin unchanged.

- foreign exchange risk

Dexia MA 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.

- transformation risk

The difference in maturities between the assets and the liabilities may create a liquidity risk. At Dexia MA, the management rule is a commitment not to go beyond a duration gap of three years between the assets and the resources benefiting from the privilege. In practice, the duration gap remains under this limit, as can be seen in the table below.

Duration in years	6/30/2008	9/31/2008	12/31/2008	3/31/2009	6/30/2009
Duration of assets	7.20	7.50	7.79	7.20	6.99
Duration of privileged liabilities	4.76	4.87	4.91	4.77	4.95
Gap in asset-liability duration	2.44	2.63	2.88	2.43	2.04
Duration gap limit	3	3	3	3	3

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

V - Income statement for the period (IFRS)

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

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 income statement for the period ended June 30, 2009, can be analyzed in a synthetic manner as follows.

<i>EUR millions - IFRS</i>	H1 2008	2008	H1 2009	Change H1 2009/2008
Interest margin	127	255	175	
Net commissions	(2)	(4)	(3)	
Net result of hedge accounting	-	-	-	
Net result of financial assets available for sale	-	3	19	
Other income and expense	-	-	-	
Net banking income	125	254	191	+53%
General administrative expenses	(41)	(83)	(43)	
Taxes	(4)	(9)	(4)	
Operating income before cost of risk	80	162	144	+80%
Cost of risk	(1)	(3)	(1)	
Pre-tax income	79	159	143	+81%
Corporate income tax	(24)	(46)	(44)	
Net income	55	113	99	+80%

Net banking income increased by 53% (EUR 66 million) over the first half of 2008, rising from EUR 125 million to EUR 191 million.

The increase can be attributed to the interest margin, up EUR 48 million, and the result of financial assets available for sale, which rose EUR 19 million.

The interest margin corresponds to the difference between income from the assets and cost of liabilities (hedged against interest rate and foreign exchange risks), and it generally increases in function of changes in the volume and margin of new operations. This half-year's significant increase corresponds:

- to the growth of the commercial margin (the average margin rate increased and average outstanding assets rose 4.6% compared with the same period in the previous year, rising from EUR 69.9 billion to EUR 73.1 billion);
- to the considerable decrease in the cost of resources that do not benefit from the legal privilege (current account with Dexia Credit Local, indexed on Eonia and Banque de France financing).

The rise in the cost of privileged resources had no significant impact on the results of the first half of the year, because the major part of the volume of payouts is recorded at the end of the half year.

The item "Net result of financial assets available for sale" included penalties received for early reimbursement of customer loans (EUR 3 million) and borrowings (EUR 7 million), in addition to the result of asset sales (EUR 9 million).

Operating expenses were up in comparison with the same period in the previous year. This was due to the trend in business. In fact, the amount of fees is closely linked to the volume of transactions managed (cover pool and *obligations foncières*). They are mainly comprised of commissions paid to Dexia Credit Local for the operational management of the Company within the framework of the contract described in article L.515-22 of the Monetary and Financial Code.

The cost of risk was at an extremely low level, owing to the excellent quality of the assets.

The average rate of corporate income tax (including deferred taxes) was stable.

Net income for the period was up 80%, rising EUR 44 million; it increased from EUR 55 million to EUR 99 million.

VI - Income statement for the period (French GAAP)

In addition to its quarterly financial statements published according to IFRS, Dexia MA must also publish semiannual and annual accounts according to French GAAP. The main differences with the financial statements according to French GAAP concern accounting for hedging transactions and the rules for provisions. The accounting principles used for the financial statements according to French GAAP and according to IFRS are presented in the notes to the financial statements.

The income statement is presented below.

<i>EUR millions - French GAAP</i>	H1 2008	2008	H1 2009	Change H1 2009/2008
Interest margin	150	302	194	
Net commissions	(2)	(4)	(3)	
Provisions and income on available-for-sale securities	(31)	(54)	(7)	
Other income and expense	-	-	-	
Net banking income	117	244	184	+57%
General administrative expenses	(41)	(83)	(43)	
Taxes	(4)	(9)	(4)	
Operating income before cost of risk	72	152	137	+90%
Cost of risk	-	-	-	
Pre-tax income	72	152	137	+90%
Corporate income tax	(29)	(53)	(44)	
Regulated provision on long- and medium-term loans	(4)	(8)	(6)	
Net income	39	91	87	+123%

Net income for this half year according to French GAAP was rather close to net income according to IFRS, except for the provisions recorded on the placement portfolio for EUR -7 million in net banking income and the regulated provision of EUR -6 million.

VII - Outlook for the second half of 2009

In 2009, a year significantly marked by the world financial crisis, which also affected the covered bond market, Dexia MA will adapt the volume of its asset acquisitions to its issuance capacity. The improvement in the issuance conditions noted since May is significant, but the amount borrowed will depend on the opportunities the market will offer and on the lasting improvement of the international financial situation.

The portion of French assets in the new acquisitions will be preponderant.

The highly protective framework of French legislation, the quality of the Company's assets and its strict risk management rules will enable Dexia MA to differentiate itself from other issuers of covered bonds, and they will continue to be strong points as the crisis abates.

* * * *

Loans to local governments and bonds as of 6/30/2009
(millions of euros)

	6/30/2009			12/31/2008		
	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
France						
State	268.9	0.0	268.9	0.0	0.0	0.0
Regions	1,896.8	161.8	2,058.6	1,943.6	171.4	2,115.0
Departments	6,117.3	0.0	6,117.3	6,071.4	0.0	6,071.4
Municipalities	18,884.8	256.9	19,141.7	19,674.9	257.5	19,932.4
Groups of municipalities	9,858.4	0.0	9,858.4	10,110.2	0.0	10,110.2
Public sector entities	9,199.3	0.0	9,199.3	9,502.7	0.0	9,502.7
Loans guaranteed by local governments	791.9	0.0	791.9	791.4	0.0	791.4
Credit institution (certificate of deposit)	0.0	1,000.0	1,000.0			
Total	47,017.4	1,418.7	48,436.1	48,094.2	428.9	48,523.1
Austria						
Länder	209.4	0.0	209.4	210.4	0.0	210.4
ABS	0.0	85.1	85.1	0.0	86.3	86.3
Total	209.4	85.1	294.5	210.4	86.3	296.7
Portugal						
Regions	0.0	0.0	0.0	0.0	0.0	0.0
Municipalities	108.3	0.0	108.3	113.4	0.0	113.4
Public sector entities	12.0	0.0	12.0	13.3	0.0	13.3
Securities guaranteed by the State or by local governments	0.0	47.5	47.5	0.0	47.5	47.5
Loans guaranteed by local governments	0.0	0.0	0.0	0.0	0.0	0.0
Total	120.3	47.5	167.8	126.7	47.5	174.2
Iceland						
Securities guaranteed by the State or by local governments	0.0	180.4	180.4	0.0	180.4	180.4
Total	0.0	180.4	180.4	0.0	180.4	180.4
Finland						
State	0.0	0.0	0.0	0.0	0.0	0.0
Municipalities	46.1	0.0	46.1	49.7	0.0	49.7
Public sector entities	70.5	0.0	70.5	72.9	0.0	72.9
Total	116.6	0.0	116.6	122.6	0.0	122.6
Greece						
State	300.0	321.2	621.2	300.0	321.2	621.2
Loans guaranteed by the State or by local governments	0.0	0.0	0.0	110.0	0.0	110.0
Securities guaranteed by the State or by local governments	0.0	100.0	100.0	0.0	100.0	100.0
Total	300.0	421.2	721.2	410.0	421.2	831.2
Italy						
State	0.0	506.3	506.3	0.0	506.3	506.3
Regions	0.0	1,032.4	1,032.4	0.0	1,042.6	1,042.6
Provinces	0.0	158.9	158.9	0.0	163.4	163.4
Municipalities	15.4	1,428.3	1,443.7	16.6	1,449.9	1,466.5
ABS	0.0	14.9	14.9	0.0	17.5	17.5
Securities issued by DCC (see note 1 below)	0.0	3,961.2	3,961.2	0.0	4,010.1	4,010.1
Securities guaranteed by the State or by local governments	0.0	102.7	102.7	0.0	107.2	107.2
Total	15.4	7,204.7	7,220.1	16.6	7,297.0	7,313.6

Spain	6/30/2009			12/31/2008		
	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
<i>Cedulas territoriales</i>	0.0	3,200.0	3,200.0	0.0	3,200.0	3,200.0
State	0.0	37.3	37.3	0.0	39.5	39.5
Securities guaranteed by the State or by local governments	0.0	64.9	64.9	0.0	64.9	64.9
Groups of municipalities	0.0	127.0	127.0	0.0	127.1	127.1
ABS	0.0	0.0	0.0	0.0	0.0	0.0
Total	0.0	3,429.2	3,429.2	0.0	3,431.5	3,431.5
Switzerland	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
Cantons	1,353.3	0.0	1,353.3	1,324.8	0.0	1,324.8
Municipalities	1,109.3	0.0	1,109.3	1,107.0	0.0	1,107.0
Public sector entities	98.4	0.0	98.4	127.9	0.0	127.9
Loans guaranteed by local governments	1,909.1	0.0	1,909.1	2,113.5	0.0	2,113.5
Total	4,470.1	0.0	4,470.1	4,673.2	0.0	4,673.2
Belgium	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
Regions	429.5	93.3	522.8	428.3	93.3	521.6
Communities	74.4	125.0	199.4	74.4	125.0	199.4
Public sector entities	93.1	0.0	93.1	33.2	0.0	33.2
Securities guaranteed by the State or by local governments	0.0	15.0	15.0	0.0	15.0	15.0
Securities issued by DSFB (see note2 below)	0.0	3,092.1	3,092.1	0.0	3,179.5	3,179.5
Loans guaranteed by the State or by local governments	273.3	0.0	273.3	342.9	0.0	342.9
Total	870.3	3,325.4	4,195.7	878.8	3,412.8	4,291.6
Germany	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
<i>Länder</i>	0.0	515.0	515.0	0.0	535.0	535.0
Securities guaranteed by the State or by local governments	0.0	300.6	300.6	0.0	299.8	299.8
Total	0.0	815.6	815.6	0.0	834.8	834.8
United States	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
States	0.0	252.9	252.9	0.0	249.7	249.7
Municipalities	0.0	0.0	0.0	0.0	0.0	0.0
Total	0.0	252.9	252.9	0.0	249.7	249.7
Monaco	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
Public sector entities	0.0	0.0	0.0	0.0	0.0	0.0
Total	0.0	0.0	0.0	0.0	0.0	0.0
Sweden	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
Municipalities	151.2	0.0	151.2	202.1	0.0	202.1
Loans guaranteed by local governments	293.1	0.0	293.1	351.9	0.0	351.9
Total	444.3	0.0	444.3	554.0	0.0	554.0
Canada	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
Provinces	0.0	22.4	22.4	0.0	22.4	22.4
Municipalities	0.0	0.0	0.0	0.0	0.0	0.0
Total	0.0	22.4	22.4	0.0	22.4	22.4
United Kingdom	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
Securities guaranteed by the State or by local governments	0.0	758.3	758.3	0.0	758.3	758.3
Total	0.0	758.3	758.3	0.0	758.3	758.3

	6/30/2009			12/31/2008		
	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
Luxembourg						
<i>Lettres de gage</i>	0.0	2,600.0	2,600.0	0.0	0.0	0.0
Securities guaranteed by the State or by local governments	0.0	108.3	108.3	0.0	2,722.7	2,722.7
Total	0.0	2,708.3	2,708.3	0.0	2,722.7	2,722.7
Hungary						
Loans guaranteed by the State or by local governments	0.0	0.0	0.0	281.0	0.0	281.0
Total	0.0	0.0	0.0	281.0	0.0	281.0
Lithuania						
Loans guaranteed by the State or by local governments	0.0	0.0	0.0	80.0	0.0	80.0
Total	0.0	0.0	0.0	80.0	0.0	80.0
Poland						
Loans guaranteed by the State or by local governments	0.0	0.0	0.0	1,278.0	0.0	1,278.0
Total	0.0	0.0	0.0	1,278.0	0.0	1,278.0
Japan						
Municipalities	0.0	25.0	25.0	0.0	25.0	25.0
Total	0.0	25.0	25.0	0.0	25.0	25.0
General total *	53,563.8	20,694.7	74,258.5	56,725.5	19,918.5	76,644.0

* Excluding premiums and discounts, recorded in accruals

Premiums and discounts on securities	-11.3	-9.6
Translation adjustments on securities	-182.5	-248.6
Book value of securities on the balance sheet (French GAAP)	20,500.9	19,660.3

NOTE 1:

The DCC securities, in the amount of EUR 4,013.4 million as of June 30, 2009, were subscribed by Dexia MA for EUR 3,961.2 million. The purpose of this securitization vehicle created by Dexia Crediop is to allow refinancing by Dexia MA of Italian public sector assets transferred by Dexia Crediop to DCC. The securities held by Dexia MA benefit from the guarantee of Dexia Crediop and are consequently rated A+ by Fitch, A by Standard & Poor's, and A2 by Moody's. As of June 30, 2009, the assets held by DCC (series 1-2-3) could be broken down as follows:

NOTE 2:

The DSFB securities, in the amount of EUR 3,152.9 million as of June 30, 2009, were subscribed by Dexia MA for 98%, i.e. EUR 3,092.1 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 June 30, 2009, 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 June 30, 2009, by DCC - Dexia Crediop per la Cartolarizzazione

Italian assets	millions of euros
State	0.0
Regions	2,033.5
Provinces	716.3
Municipalities	1,149.6
DCC bank account with Dexia Bank Belgium	114.0
Total	4,013.4

Assets held as of June 30, 2009, by DSFB - Dexia Secured Funding Belgium

Belgian assets	millions of euros
State	0.0
Regions	379.1
Provinces	0.0
Public sector entities	2,023.6
Groups of public sector entities	91.4
Loans guaranteed by local governments	658.8
Total	3,152.9

Assets as of June 30, 2009

EUR millions	Note	6/30/2008	6/30/2009
Central banks	2.1	15	16
Financial assets at fair value through profit or loss		0	0
Hedging derivatives	4.1	2,786	2,949
Financial assets available for sale	2.2	19,612	2,323
Interbank loans and advances	2.3	4,174	8,126
Customer loans and advances	2.4	50,674	67,246
Fair value revaluation of portfolio hedge		84	627
Financial assets held to maturity		0	0
Current tax assets	2.5	13	0
Deferred tax assets	2.5	91	188
Accruals and other assets	2.6	54	28
Total Assets		77,503	81,503

Liabilities as of June 30, 2009

EUR millions	Note	6/30/2008	6/30/2009
Central banks	3.1	0	600
Financial liabilities at fair value through profit or loss		0	0
Hedging derivatives	4.1	6,129	5,236
Interbank loans and deposits	3.2	7,071	8,626
Customer borrowings and deposits		0	0
Debt securities	3.3	63,712	63,769
Fair value revaluation of portfolio hedge		(444)	1 264
Current tax liabilities	3.4	10	15
Deferred tax liabilities	3.4	0	0
Accruals and other liabilities	3.5	83	1 118
Provisions		0	0
Subordinated debt		0	0
Shareholders' equity		942	875
Capital stock and additional paid-in capital		946	1 060
Reserves and retained earnings		12	11
Unrealised or deferred gains and losses		(71)	(295)
Net income		55	99
Total Liabilities		77,503	81,503

Income statement

EUR millions	Note	6/30/2008	6/30/2009
Interest income	5.1	6,125	4,045
Interest expense	5.1	(5,998)	(3,870)
Fee and commission income	5.2	0	0
Fee and commission expense	5.2	(2)	(3)
Net gains (losses) on financial instruments at fair value through profit or loss	5.3	0	0
Net gains (losses) on financial assets available for sale	5.4	0	19
Other income	5.5	0	0
Other expense	5.6	0	0
NET BANKING INCOME		125	191
Operating expense	5.7	(45)	(47)
Cost of risk	5.8	(1)	0
Operating income		79	144
Net gains (losses) on other assets		0	-1
Income before tax		79	143
Corporate income tax	5.9	(24)	(44)
Net income		55	99
Earnings per share			
- Basic (EUR)		6	9
- Diluted (EUR)		6	9

Net income and unrealised or deferred gains and losses through shareholders' equity

EUR millions	6/30/2008	12/31/2008	6/30/2009
I. Net income	55	113	99
II. Translation adjustments	0	0	0
III. Unrealised or deferred gains and losses of financial assets available for sale	(96)	(358)	(304)
IV. Unrealised or deferred gains and losses of cash flow hedges	(4)	(162)	(122)
VII. Unrealised or deferred gains and losses of associates	0	0	0
VIII. Taxes	29	163	131
IX. Total of unrealised or deferred gains and losses through shareholders' equity	(71)	(357)	(295)
X. Net income and unrealised or deferred gains and losses through shareholders' equity	(16)	(244)	(196)
XI. Of which group share	(16)	(244)	(196)
XII. Of which minority interests	0	0	0

Shareholders' equity

	Core shareholders' equity			Unrealised or deferred gains and losses			Shareholders' equity
	Capital stock, Additional paid-in capital	Retained earnings and net income for the period	Total	Net change in fair value of available for sale financial assets, after tax	Net change in fair value of hedging derivatives, after tax	Total	
EUR millions							
As of December 31, 2008, IFRS	946	125	1,071	(252)	(105)	(357)	714
<i>Movements during the period</i>							
- Capital stock	114	0	114	0	0	0	114
- Dividends	0	(114)	(114)	0	0	0	(114)
- Changes in fair value of available for sale financial assets through shareholders' equity	0	0	0	37	0	37	37
- Changes in fair value of hedging derivatives through shareholders' equity	0	0	0	0	25	25	25
- Changes in fair value of available for sale financial assets through profit and loss	0	0	0	0	0	0	0
- Changes in fair value of hedging derivatives through profit and loss	0	0	0	0	0	0	0
- Net income for the period	0	68	68	0	0	0	68
- Other movements	0	0	0	0	0	0	0
As of June 30, 2009, IFRS	1,060	79	1,139	(215)	(80)	(295)	844

On May 26, 2009, the Shareholders' Meeting, both ordinary and extraordinary, decided :

- (i) to allocate the 2008 net income of EUR 91.3 million to retained earnings, constituting an income for distribution of EUR 163.1 million after
- (ii) to distribute a dividend of EUR 113.5 million
- (iii) to increase the capital in cash by EUR 114 million. This capital increase was subscribed by Dexia Crédit Local on June 09, 2009.

Cash Flow Statement

EUR millions	6/30/2008	6/30/2009
Net income before taxes	79	143
+/- Amortisation and depreciation and other impairment on fixed and intangible assets	0	0
+/- Depreciation and write-downs	0	1
+/- Expense/income from operating activities	(1)	575
+/- Expense/income from financing activities	2	(349)
+/- Other non-cash items	(19)	(170)
= Non-monetary elements included in net income before tax and other adjustments	(18)	57
+/- Cash from interbank operations (Dexia Credit Local and Banque de France)	600	(5,976)
+/- Cash from interbank operations (client loans)	(964)	1,982
+/- Cash from client operations (loans)	(490)	1,082
+/- Cash from financing assets	(2,641)	(779)
+/- Cash from hedging financial instruments	(236)	739
- Income tax paid	(55)	(27)
= Decrease/(increase) in cash from operating activities	(3,786)	(2,979)
CASH FLOW FROM OPERATING ACTIVITIES (A)	(3,725)	(2,779)
+/- 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	7,744	(568)
CASH FLOW FROM FINANCING ACTIVITIES (C)	7,744	(568)
EFFECT OF EXCHANGE RATE CHANGES ON CASH (D)	0	0
Increase/(decrease) in cash equivalents (A + B + C + D)	4,018	(3,347)
Cash flow from operating activities (A)	(3,725)	(2,779)
Cash flow from investing activities (B)	0	0
Cash flow from financing activities (C)	7,743	(568)
Effect of exchange rates on cash (D)	0	0
Cash and cash equivalents at the beginning 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)
Cash and cash equivalents at the end of the period	(3,466)	(4,509)
Cash, central banks and postal checking accounts (assets & liabilities)	15	16
Interbank accounts (assets & liabilities) and loans/deposits at sight	(3,481)	(4,525)
Net cash	4,018	(3,347)

NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2009

CONTEXT OF PUBLICATION

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

This publication is voluntary. 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 presented its first annual financial statements prepared according to IFRS to report the fiscal year 2008. The current financial statements were examined by the Executive Board on August 27, 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 has carved out some paragraphs of IAS 39 with the objective of enabling European companies to reflect appropriately in their consolidated financial statements the economic hedges they make in the course of their interest rate risk management (application of interest rate portfolio hedging and the possibility of hedging deposits).

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

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

The accounting policies adopted by Dexia Municipal Agency for these interim consolidated statements are consistent with those described in Annual Report 2008 (paragraph 1, pages 35 to 41).

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 advances and provisions as well as fair value assets are the main items in the financial statements that reflect estimates and assumptions.

• CHANGES IN ACCOUNTING POLICIES SINCE JANUARY 1, 2009

Changes in accounting policies and texts since the previous annual publication that may impact Dexia Municipal Agency.

a. Texts adopted by the European Commission

Since January 1, 2009, the European Commission has adopted the following IASB and IFRIC texts.

- *Standards*

- Revised IFRS 3 “Business combinations”, which replaces the standard as issued in 2004 and will be effective for annual reporting periods that begin on or after July 1, 2009. The revision of this standard has no impact on the financial statements of Dexia Municipal Agency.

- Revised IAS 27 “Consolidated and separate financial statements” will be effective for annual reporting periods that begin on or after July 1, 2009 and is mainly related to the accounting for changes in the level of ownership interest in a subsidiary. This amendment should be seen in relation with the revised IFRS 3 “Business Combinations”. The revision of this standard has no significant impact on the financial statements of Dexia Municipal Agency.

- *Amendments to standards*

- Improvements made in 2008 to IFRS and IAS, a series of amendments to IFRS applicable as of January 1, 2009, with no impact on the financial statements of Dexia Municipal Agency..

- Amendments to IAS 32 “Financial Instruments: Presentation” and IAS 1 “Presentation of Financial Statements” entitled “Puttable Instruments and Obligations Arising on Liquidation”, applicable as of January 1, 2009. These amendments have no impact on the financial statements of Dexia Municipal Agency.

- Amendments to IFRS 1 “First-time Adoption of IFRS” and IAS 27 “Consolidated and Separate Financial Statements”, applicable as of January 1, 2009 concerning the cost of an equity interest in a subsidiary, a jointly controlled entity or a company accounted for by the equity method. These amendments have no impact on the financial statements of Dexia Municipal Agency.

- *Interpretations*

- IFRIC 12 “Service Concession Arrangements”, which is applicable at the latest by the opening date of the first fiscal year beginning after March 26, 2009 (the date it was adopted by the European Union), but has no impact on the financial statements of Dexia Municipal Agency.

- IFRIC 16 “Hedges of a Net Investment in a Foreign Operation”, which will be applicable as from July 1, 2009, and has no impact on Dexia Municipal Agency.

b. Texts endorsed by the European Commission that are applicable as of January 1, 2009

In the consolidated financial statements as of June 30, 2009, Dexia Municipal Agency applies the revised IAS 1 and as a result, discloses a new statement called “Net income and unrealized or deferred gains and losses through shareholder’s equity”. The enforcement of other standards that came into effect as of January 1, 2009 has no impact on the interim financial statements as of June 30, 2009.

c. Texts not yet adopted by the European Commission

For purposes of information, the following IASB and IFRIC texts, published in the first quarter of 2009, were not adopted by the European Commission by the end of March 2009 and are not applicable to Dexia Municipal Agency.

- *Amendments to standards*

IASB published two amendments to existing standards.

- Amendments to IFRS 7 “Financial Instruments: Disclosures” entitled “Improving Disclosures about Financial Instruments”. These amendments, which take effect for the periods begun as of January 1, 2009, are designed to improve disclosures with regard to fair value evaluations and the liquidity risk related to financial instruments. These amendments have no impact on the financial statements of Dexia Municipal Agency.

- Amendments to IFRIC 9 “Reassessment of Embedded Derivatives” and IAS 39 “Financial Instruments: Recognition and Measurement” entitled “Embedded Derivatives”. These amendments should be applied for annual financial statements beginning after June 30, 2009, and have no impact on the financial statements of Dexia Municipal Agency.

- Amendments to IFRS 2 “Share-based Payment” “Group Cash-settled Share-based Payment Transactions”, applicable for annual periods beginning on or after January 1, 2010. These amendments aim to clarify the scope of IFRS 2. There is no impact for Dexia Municipal Agency, as Dexia Municipal Agency does not offer cash-settled share-based payments.

The IASB also issued:

- “Improvements to existing standards”, which are a collection of amendments to existing International Financial Reporting Standards. Unless otherwise specified, the amendments are effective for annual period beginning on or after January 1, 2010. No significant impact is expected for Dexia Municipal Agency.

- *Interpretations*

IFRIC published an interpretation, which takes effect as of January 1, 2009:

- IFRIC 18 “Transfers of Assets from Customers”.

This IFRIC interpretation has 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 monetary assets and liabilities are recognized in income. Foreign 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). Dexia MA’s securities accounted for as “Financial assets available for sale” are, 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 commitments 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 June 30, 2009, corresponds to the remainder to be amortized 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 customer'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 whether 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 June 30, 2009, 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 below).

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 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 a going concern 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 the hedge relationships is to reduce the interest rate risk exposure stemming from certain categories of assets or liabilities designated as the qualifying hedged items.

The entity performs a comprehensive analysis of its interest rate risk exposure. It consists of assessing fixed rate exposure taking into account all the exposures on the balance sheet.

Dexia MA selects financial assets and liabilities to be part of the hedge of the portfolio’s interest rate risk exposure. The entity defines at inception the risk exposure to be hedged, the length of the contract, the method and the frequency with which it will perform tests. The entity constantly applies the same methodology for selecting assets and liabilities to be part of the portfolio. Assets and liabilities are included 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 is 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.

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 is 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. A geographic breakdown of assets by country of residence of the counterparty is presented quarterly, at the end of the management 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.

2. NOTES TO THE ASSETS

2.1 - CENTRAL BANKS

EUR millions	06/30/2008	06/30/2009
Mandatory reserve deposits with central banks	15	16
Other central bank deposits	0	0
Total	15	16

2.2 - FINANCIAL ASSETS AVAILABLE FOR SALE

a. Analysis by nature

EUR millions	06/30/2008	06/30/2009
Loans	0	0
Bonds	19,612	2,323
Total	19,612	2,323

b. Breakdown by counterparty

EUR millions	06/30/2008	06/30/2009
Public sector	5,274	1,033
Credit institutions guaranteed by the public sector	331	1,290
Other - guaranteed by a State or local government	1,285	0
Other - ABS made up solely of public commitments	7,436	0
Total public sector	14,326	2,323
Replacement assets	5,286	0
Total	19,612	2,323
<i>of which eligible for central bank refinancing</i>	9,470	0

c. Impairment

EUR millions	06/30/2008	06/30/2009
Public sector bonds or bonds guaranteed by the public sector	14,326	2,323
Replacement assets	5,286	0
Total performing assets	19,612	2,323
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	19,612	2,323

d. Replacement assets

EUR millions	Rating	06/30/2008	06/30/2009
Dexia Sabadell - <i>Cedulas</i>	Moody's Aaa	2,678	0
Dexia LdG Banque - Lettres de Gage	S&P AAA	2,608	0
Total		5,286	0

e. ABS from public sector

EUR millions	Rating	06/30/2008	06/30/2009
Colombo	Aaa Moody's, AAA S&P	15	0
Astrea	AA- Fitch, Aa2 Mody's	5	0
Blue Danube	AA+ S&P	84	0
DCC - Dexia Crediop per la cartolarisazion	A+ Fitch, A2 Moody's, A S&P	4,109	0
DSFB - Dexia Secured Funding Belgium	A+ Fitch, A1 Moody's, A S&P	3,223	0
Total		7,436	0

f. Analysis by residual maturity: see note 7.3

2.3 INTERBANK LOANS AND ADVANCES

a. Analysis by nature

EUR millions	6/30/2008	6/30/2009
Nostro accounts	22	27
Other interbank loans and advances	4,152	8,099
Performing assets	4,174	8,126
Impaired loans and advances	0	0
Impaired assets	0	0
Total assets before impairment	4,174	8,126
Specific impairment	0	0
Collective impairment	0	0
Total	4,174	8,126

b. Breakdown by counterparty

EUR millions	6/30/2008	6/30/2009
Swiss cantonal banks benefiting from their canton's legal guarantee	2,078	1,969
Banks guaranteed by a local government, <i>crédits municipaux</i>	112	140
Credit institutions belonging to the Dexia Group: loans benefiting from the assignment in guarantee of refinanced public debt	1,962	189
Credit institutions guaranteed by the State	0	9
Replacement assets	22	5,819
Total	4,174	8,126

c. Replacement assets

EUR millions	Rating	6/30/2008	6/30/2009
Dexia Sabadell - <i>Cedulas</i>	Moody's Aaa	0	2,601
Dexia LdG Banque - Lettres de gage	S&P AAA	0	3,191
Dexia CL		22	27
Total		22	5,819

d. Analysis by residual maturity: see note 7.3

2.4 - CUSTOMER LOANS AND ADVANCES

a. Analysis by counterparty

EUR millions	6/30/2008	6/30/2009
Public sector	47,079	56,681
Other * - guaranteed by a State or local government	3,598	3,398
Other - ABS made up solely of public commitments	0	7,167
Performing assets	50,677	67,246
Impaired loans and advances	5	10
Impaired assets	5	10
Total assets before impairment	50,682	67,256
Specific impairment	0	0
Collective impairment	(8)	(10)
Total	50,674	67,246

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

b. Public sector ABS

en EUR millions	Rating	6/30/2008	6/30/2009
Colombo	Aaa Moody's, AAA S&P	0	12
Astrea	AA- Fitch, Aa2 Mody's	0	3
Blue Danube	AA+ S&P	0	78
DCC - Dexia Crediop per la cartolarizzazione	A+ Fitch, A2 Moody's, A S&P	0	3,976
DSFB - Dexia Secured Funding Belgium	A+ Fitch, A1 Moody's, A S&P	0	3,098
Total		0	7,167

c. Analysis by residual maturity: see note 7.3

2.5 - TAX ASSETS

EUR millions	6/30/2008	6/30/2009
Current income tax	13	0
Other-taxes	0	0
Current tax assets	13	0
Deferred tax assets (see note 4.2)	91	188

2.6 - ACCRUALS AND OTHER ASSETS

Analysis by nature (EUR millions)	6/30/2008	6/30/2009
Cash collateral	0	0
Other accounts receivable	0	0
Prepaid charges	0	0
Other assets	54	28

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 fin

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

EUR millions	6/30/2008	6/30/2009
Overnight borrowing	0	0
Time borrowing, maturity second quarter 2009	0	600
Accrued interests	0	0
Total Banque de France funding	0	600

3.2 - INTERBANK LOANS AND DEPOSITS

a. Analysis by nature

EUR millions	6/30/2008	6/30/2009
Demand deposits	3,512	4,557
Time deposits	3,559	4,069
Total	7,071	8,626

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 i

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 8,863 million, broken down as follows (excluding accrued

- 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 4,554 million;

- sub-account financing waiting-for-issue assets stock, financing realized at 2011 maturity EONIA, re-fundable while cashing-in issues. Sub-account balance of EUR 550 millions ;

- 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 registere

The current account agreement between DexiaCredit Local and Dexia MA will exist as long as Dexia MA is authorized to operate as *société de crédit foncier* and acquires or grants loans to public sector entities. This source of financing does not benefit

EUR millions	6/30/2008	6/30/2009
Balance of current account	3,498	4,554
Accrued interest not yet due on the current account	14	3
Balance of the ancillary account – maturity 2010	200	0
Balance of the ancillary account – maturity 2011	700	550
Balance of the ancillary account – maturity 2012	2,000	0
Balance of the ancillary account – maturity 2015	600	3,500
Balance of the ancillary account – maturity 2016	0	0
Accrued interest not yet due on the ancillary account	59	19
TOTAL Dexia Crédit Local	7,071	8,626

b. Analysis by residual maturity : see note 7.3

3.3 DEBT SECURITIES

a. Analysis by nature

EUR millions	6/30/2008	6/30/2009
<i>Obligations foncières</i>	62,212	61,157
Registered covered bonds	1,500	2,612
Total	63,712	63,769

b. Analysis by residual maturity : see note 7.3

3.4 - TAX LIABILITIES

EUR millions	6/30/2008	6/30/2009
Current income tax	6	12
Other taxes	4	3
Current tax liabilities	10	15
Deferred tax liabilities (see note 4.2)	0	0

3.5 - ACCRUALS AND OTHER LIABILITIES

EUR millions	6/30/2008	6/30/2009
Cash received as collateral	0	1,064
Other accrued charges	24	54
Deferred income	0	0
Other accounts payable and other liabilities	59	0
Total	83	1,118

4. OTHER NOTES ON THE BALANCE SHEET

4.1 DERIVATIVES

a. Analysis by nature

EUR millions	6/30/2008		6/30/2009	
	Assets	Liabilities	Assets	Liabilities
Derivatives at fair value through profit or loss	0	0	0	0
Derivatives designated as fair value hedge:	1,017	4,069	1,162	3,920
Derivatives designated as cash flow hedges	16	0	3	230
Derivatives designated as portfolio hedge:	1,753	2,060	1,784	1,086
Hedging derivatives	2,786	6,129	2,949	5,236
Total derivatives	2,786	6,129	2,949	5,236

b. Detail of derivatives designated as fair value hedges

EUR millions	6/30/2008				6/30/2009			
	Notional amount		Assets	Liabilities	Notional amount		Assets	Liabilities
	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives:	20,261	22,200	333	2,337	18,064	18,635	732	746
Interest rate derivatives	41,096	41,096	684	1,732	41,277	41,277	430	3,174
Total	61,357	63,296	1,017	4,069	59,341	59,912	1,162	3,920

c. Detail of derivatives designated as cash flow hedges

EUR millions	6/30/2008				6/30/2009			
	Notional amount		Assets	Liabilities	Notional amount		Assets	Liabilities
	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	2,618	2,811	16	0	2,444	2,549	3	230
Interest rate derivatives	0	0	0	0	0	0	0	0
Total	2,618	2,811	16	0	2,444	2,549	3	230

EUR millions	6/30/2008	6/30/2009
Recycled amount of the fair value reserve cash flow hedges in the acquisition co of non-financial assets (cash flow hedge of a highly probable transaction)	0	0

d. Detail of derivatives designated as portfolio hedges

EUR millions	6/30/2008				6/30/2009			
	Notional amount		Assets	Liabilities	Notional amount		Assets	Liabilities
	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives:	0	0	0	0	0	0	0	0
Interest rate derivatives	180,182	180,182	1,753	2,060	177,738	177,738	1,784	1,086
Total	180,182	180,182	1,753	2,060	177,738	177,738	1,784	1,086

4.2 - DEFERRED TAXES

a. Analysis by nature

EUR millions	6/30/2008	6/30/2009
Deferred tax assets before impairment	91	188
Impairment on deferred tax assets	0	0
Deferred tax assets (1)	91	188
Deferred tax liabilities (1)	0	0
Total	91	188

(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 asset on the fair value reserve on securities available for sale as of June 30, 2009

b. Movements

EUR millions	6/30/2008	6/30/2009
As of January 1	55	223
- Charge/credit recognized in the income statement	9	(5)
- Effect of change in tax rates - impact on the income statement	0	0
- Movements directly recognized in shareholders' equity	27	(32)
- Effect of change in tax rates - impact on shareholders' equity	0	0
- Translation adjustment	0	0
- Other movements	0	0
As of June 30	91	188

c. Deferred taxes from assets on the balance sheet

EUR millions	6/30/2008	6/30/2009
Loans (and loan loss provisions)	61	61
Securities	26	84
Derivatives	2	42
Accruals and other assets	19	17
Total	108	204

d. Deferred taxes from liabilities on the balance sheet

EUR millions	6/30/2008	6/30/2009
Derivatives	0	0
Borrowings, deposits and issues of debt securities	0	0
Provisions	0	0
Regulatory provisions	(17)	(19)
Accruals and other liabilities	0	0
Total	(17)	(19)

4.3 RELATED-PARTY TRANSACTIONS

Analysis by nature EUR millions	Parent company (Dexia Credit Local)		Other related parties (1)	
	6/30/2008	6/30/2009	6/30/2008	6/30/2009
Assets				
Loans and advances (2)	1,962	7,355	0	5,699
Bonds (2)	8,555	0	5,831	0
Liabilities				
Balance of current account	3,512	4,557	0	0
Interbank loans	3,559	4,069	0	0
Income statement				
Interest income on loans	35	107	0	67
Interest income on bonds	177	0	114	0
Interest expense on loans	(42)	(28)	0	0
Fee and commission expense	0	0	0	0
Off-balance sheet				
Interest rate derivatives	143,844	135,446	3,711	2,874
Guarantees issued by the Group	4,056	3,961	3,216	3,092

(1) This item includes transactions with entities of Belgian and Luxemburg 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

5. NOTES ON THE INCOME STATEMENT

5.1 - INTEREST INCOME - INTEREST EXPENSE

EUR millions	6/30/2008	6/30/2009
Interest income	6,125	4,045
Central banks	0	0
Interbank loans and advances (1)	65	115
Customer loans and advances (2)	1 079	1 128
Financial assets available for sale	439	30
Financial assets held to maturity	0	0
Derivatives used for hedging	4 542	2 772
Impaired assets	0	0
Other	0	0
Interest expense	(5,998)	(3,870)
Central banks	0	0
Interbank loans and deposits	(178)	(87)
Customer borrowings and deposits	0	0
Debt securities	(1 289)	(1 275)
Subordinated debt	0	0
Derivatives used for hedging	(4 531)	(2 508)
Other	0	0
Interest margin	127	175

5.2 FEES AND COMMISSIONS

EUR millions	6/30/2008			6/30/2009		
	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	(2)	(2)	0	(3)	(3)
Custodial services	0	0	0	0	0	0
Issuance and underwriters of securities	0	0	0	0	0	0
Other	0	0	0	0	0	0
Total	0	(2)	(2)	0	(3)	(3)

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

EUR millions	6/30/2008	6/30/2009
Net result of hedge accounting	0	0
Net result of foreign exchange transactions	0	0
Total	0	0

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

Analysis of net result of hedge accounting

EUR millions	6/30/2008	6/30/2009
Fair value hedges	0	0
Fair value changes of the hedged item attributable to the hedged risk	(521)	(233)
Fair value changes of the hedging derivatives	521	233
Cash flow hedges	0	0
Fair value changes of the hedging derivatives – ineffective portion	0	0
Discontinuation of cash flow hedge accounting (Cash flows no longer expected to occur)	0	0
Hedges of net investments in a foreign operation	528	(447)
Fair value changes of the hedging derivatives – ineffective portion	528	(447)
Portfolio hedge	0	0
Fair value changes of the hedged item	528	(447)
Fair value changes of the hedging derivatives	(528)	447
Total	528	(447)

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

EUR millions	6/30/2008	6/30/2009
Net gain (loss) on disposals of loans and securities available for sale	(1)	0
Impairment of variable income securities available for sale	0	0
Net gain (loss) on disposals of debt securities	0	12
Net gain (loss) on the sale or cancellation of loans and advances	1	7
Total	0	19

5.5 OPERATING EXPENSE

EUR millions	6/30/2008	6/30/2009
Payroll costs	0	0
General and administrative expense	(41)	(43)
Taxes	(4)	(4)
Total	(45)	(47)

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 of

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).

5.6 - COST OF RISK

EUR millions	6/30/2008			6/30/2009		
	Collective impairment	Specific impairment	Total	Collective impairment	Specific impairment	Total
Loans and advances	0	(1)	(1)	0	(1)	(1)
Fixed income securities available for sale	0	0	0	0	0	0
Total	0	(1)	(1)	0	(1)	(1)

Detail of collective and specific impairments

Collective impairment EUR millions	6/30/2008			6/30/2009		
	Charges	Recoveries	Total	Charges	Recoveries	Total
Loans and securities held to maturity	(1)	0	(1)	0	0	0
Off-balance sheet commitments	0	0	0	0	0	0
Total	(1)	0	(1)	0	0	0

Specific impairment EUR millions	6/30/2008				Total
	Charges	Recoveries	Losses	Collections	
Interbank loans and advances	0	0	0	0	0
Customer loans and advances	0	0	0	0	0
Financial assets held to maturity	0	0	0	0	0
Off-balance sheet commitments	0	0	0	0	0
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	6/30/2009				Total
	Charges	Recoveries	Losses	Collections	
Interbank loans and advances	0	0	0	0	0
Customer loans and advances	(1)	0	0	0	(1)
Financial assets held to maturity	0	0	0	0	0
Off-balance sheet commitments	0	0	0	0	0
Total credit	(1)	0	0	0	(1)
Fixed income securities	0	0	0	0	0
Total	(1)	0	0	0	(1)

5.7 - CORPORATE INCOME TAX

a. Detail of tax expense

EUR millions	6/30/2008	6/30/2009
Current taxes	(33)	(41)
Deferred taxes	9	(3)
Tax on prior years' income	0	0
Deferred taxes on prior years	0	0
Provisions for tax litigations	0	0
Total	(24)	(44)

b. Effective tax expense as of June 30, 2009

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 June 30, 2009, amounted to 30.84%

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

(EUR millions)	6/30/2008	6/30/2009
Income before income taxes	79	143
Net income from associates	0	0
Tax base	79	143
Applicable tax rate at the end of the period	34.43%	34.43%
Theoretical corporate income tax at the standard rate	27	49
Impact of differences between foreign tax rates and the standard French tax rate	(3)	(5)
Tax effect of non-deductible expenses	0	0
Tax effect of non-taxable income	0	0
Impact of items taxed at a reduced rate	0	0
Other additional taxes or tax savings	0	0
Liability method	0	0
Provision for tax litigations	0	0
Corporate income tax recorded in the income statement	24	44
Effective tax rate	30.08%	30.84%

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.

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. NOTES ON OFF-BALANCE SHEET ITEMS

6.1 - REGULAR WAY TRADE

EUR millions	6/30/2008	6/30/2009
Assets to be delivered	0	0
Liabilities to be received	0	0

6.2 GUARANTEES

EUR millions	6/30/2008	6/30/2009
Guarantees given to the Banque de France	0	886
Guarantees received from customers	6,031	5,672

6.3 - LOAN COMMITMENTS

EUR millions	6/30/2008	6/30/2009
Loan commitments given to credit institutions	21	44
Loan commitments given to customers	4,657	2,790
Loan commitments received from credit institutions	7,063	10,507
Loan commitments received from customers	0	0

6.4 - OTHER COMMITMENTS

EUR millions	6/30/2008	6/30/2009
Banking activity - Commitments given	0	0
Banking activity - Commitments received	8,804	7,053

7. NOTES ON RISK EXPOSURE AS OF JUNE 30,2009

7.1 - FAIR VALUE

a. Composition of the fair value of the assets

	6/30/2008			6/30/2009		
	Book Value	Fair Value	Unrecognized fair value adjustment	Book Value	Fair Value	Unrecognized fair value adjustment
EUR Millions						
Central Banks	15	15	0	16	16	0
Hedging derivatives (see note 4.1.a) (1)	2,786	2,786		2,949	2,949	
Financial assets available for sale (1)	19,612	19,612		2,323	2,323	
Interbank loans and advances	4,174	3,127	(1,047)	8,126	7,821	(305)
Customer loans and advances	50,674	50,074	(600)	67,246	65,815	(1,431)
Fair value revaluation of portfolio hedge (1) (2)	84	84		627	627	
Other assets	104	75	(29)	216	216	0
Total	77,449	75,773	(1,676)	81,503	79,767	(1,736)

(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 shareholder's equity

	6/30/2008			6/30/2009		
	Book Value	Fair Value	Unrecognized fair value adjustment	Book Value	Fair Value	Unrecognized fair value adjustment
EUR Millions						
Central Banks	0	0	0	600	600	0
Hedging derivatives (see note 4.1.a) (1)	4,507	4,507		5,236	5,236	
Interbank loans and deposits	10,424	10,424		8,626	8,677	51
Customer borrowingf and deposit	0	0	0	0	0	0
Debt securities	57,296	57,296	0	63,769	62,617	(1,152)
Fair value revaluation of portfolio hedge (1) (2)	(14)	(14)		1,264	1,264	
Other liabilities	91	91	0	1,133	1,133	0
Total	72,304	72,304	0	80,628	79,527	(1,101)

(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 6/30/2009			
	Level 1 (1)	Level 2 (2)	Level 3 (3)	Total
Interbank loans and advances	0	2,149	5,672	7,821
Customer loans and advances	0	54,211	11,604	65,815
Hedging derivatives (see note 4.1.a)	0	2,994	(45)	2,949
Financial assets available for sale (1)	552	1,771	0	2,323
Fair value revaluation of portfolio hedge	0	627	0	627
Total	552	61,752	17,231	79,535

Fair value of financial liabilities (EUR millions)	As of 6/30/2009			
	Level 1 (1)	Level 2 (2)	Level 3 (3)	Total
Central Banks	0	0	600	600
Interbank loans and deposits	0	4,120	4,557	8,677
Customer borrowingf and deposit	0	0	0	0
Hedging derivatives (see note 4.1.a) (1)	0	5,159	77	5,236
Fair value revaluation of portfolio hedge	0	1,264	0	1,264
Debt securities	0	62,617	0	62,617
Total	0	73,160	5,234	78,394

(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

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

a. Breakdown of exposure to credit risks

Analysis of exposure by geographic region

EUR millions	Amount as of 3/31/2009
Belgium	4,782
France	51,776
Germany	846
Italy	7,248
Luxembourg	2,631
Other European Union countries	5,953
Rest of Europe	4,755
United States and Canada	334
Japan	26
Other European Union countries	31
Total exposure	78,382

Analysis of exposure by category of counterparty

EUR millions	Amount as of 3/31/2009
States	3,902
Local public sector	66,334
ABS	93
Financial institutions	8,053
Total exposure	78,382

Exposures to financial institutions include, in particular: hedging derivative counterparties for EUR 1.1 billion, and covered bonds classified as replacement assets for EUR 5.8 billion.

Exposures to ABS correspond to the three ABS 100% guaranteed by a public-sector entity or an entity with a 100% public-sector asset pool: Blue Danube Loan Funding GmbH, Colombo SRL, Societa veicolo Astrea SRL.

- Analysis of exposure by category of instrument

EUR millions	Amount as of 3/31/2009
Debt securities	2,323
Loans and advances	72,758
Financing commitments on loans	2,840
Hedging derivatives	461
Total exposure	78,382

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 exclusi

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 o

This analysis confirms the excellent quality of the assets in Dexia MA's portfolio. Eighty percent of the portfolio has a weighting of less than 5% and 99% of the portfolio has a weighting that is less than or equal to 20%.

EUR millions	Risk weighting (Basel II)				Total
	from 0 to 5%	from 5% to 20%	from 20% to 50%	more than 50%	
Debt securities	2,006	317	0	0	2,323
Loans and advances	59,449	12,772	248	289	72,758
Financing commitments on loans	2,504	324	5	7	2,840
Hedging derivatives	(205)	124	541	1	461
Total exposure	63,754	13,537	794	297	78,382
Share	81.3%	17.3%	1.0%	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 bad debt 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 June 30, 2009							Fair value adjustment	Impairment	Total
	Sight	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No fixed maturity	Accrued interest			
Central banks	16	0	0	0	0	0	0	0	0	16
Derivatives	0	0	0	0	0	0	1,801	1,148	0	2,949
Financial assets available for sale	0	1,000	0	175	1,064	0	11	73	0	2,323
Interbank loans and advances	27	22	2,223	4,521	1,237	0	34	62	0	8,126
Customer loans and advances	0	894	3,953	13,690	45,266	0	885	2,569	(11)	67,246
Fair value revaluation of portfolio hedge	0	0	0	0	0	0	0	627	0	627
Financial assets held to maturity	0	0	0	0	0	0	0	0	0	0
Tax assets	0	0	0	0	0	0	188	0	0	188
Accruals and other assets	0	28	0	0	0	0	0	0	0	28
Total	43	1,944	6,176	18,386	47,567	188	2,731	4,479	(11)	81,503

b. Analysis of liabilities, excluding shareholders' equity

EUR millions	As of June 30, 2009							Fair value adjustment	Total
	Sight	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No fixed maturity	Accrued interest		
Central banks		600	0	0	0	0	0	0	600
Hedging derivatives							2,178	3,058	5,236
Interbank loans and deposits	4,554	0	0	550	3,500	0	22	0	8,626
Customer borrowings and deposits	0	0	0	0	0	0	0	0	0
Debt securities	0	2,915	4,768	24,525	29,484	0	999	1,078	63,769
Fair value revaluation of portfolio hedge								1,264	1,264
Tax liabilities							15		15
Accruals and other liabilities	0	1,118	0	0	0	0	0		1,118
Provisions									0
Subordinated debts	0	0	0	0	0	0	0	0	0
Total	4,554	4,633	4,768	25,075	32,984	15	3,199	5,400	80,628

c. Net liquidity gap

EUR Millions	Sight	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No fixed maturity
As of June 30, 2009	0	0	0	0	0	0

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 prov

7.5 - CURRENCY RISK

Classification by original currency	As of June 30, 2008				Total
	EUR	Other EU currencies	U.S. dollars	Other currencies	
EUR millions:					
Total assets	62,506	4,254	7,238	3,505	77,503
Total liabilities and shareholders' equity	62,506	4,254	7,238	3,505	77,503
Net balance sheet position	0	0	0	0	0

Classification by original currency	0				Total
	EUR	Other EU currencies	U.S. dollars	Other currencies	
EUR millions:					
Total assets	67,043	4,086	6,840	3,534	81,503
Total liabilities and shareholders' equity	67,043	4,086	6,840	3,534	81,503
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

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 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 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 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 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	Q3 2008	12.8	18.5	6.8	25.5
	Q4 2008	11.4	18.0	1.5	25.5
	Q1 2009	11.9	20.2	5.4	25.5
	Q2 2009	6.9	10.2	3.6	26.0
Monetary	Q3 2008	0.6	1.4	0.0	4.0
	Q4 2008	- 0.2	3.4	- 3.4	4.0
	Q1 2009	- 0.4	1.2	- 3.6	4.0
	Q2 2009	- 0.6	1.1	- 1.8	4.5
Total	Q3 2008	13.4	18.8	7.7	29.5
	Q4 2008	11.0	15.8	1.7	29.5
	Q1 2009	11.2	19.9	5.1	29.5
	Q2 2009	6.3	9.8	2.9	30.5

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

**Statutory Auditors' Review Report
of the intermediate financial statements under IFRS Gaap
for the period from January 1, 2009 to June 30, 2009**

(Free translation of the French language original)

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

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

In our capacity of statutory auditors of **Dexia Municipal Agency** and following the request made to us, in the context of the objective of the entity to enhance the financial information provided to investors, we have reviewed the accompanying intermediate financial statements for the six-month period ended June 30, 2009.

These interim financial statements were prepared under the responsibility of the Executive Board in a context of economic and financial crisis which is still characterized by a high market volatility and a certain difficulty to apprehend the economic outlook. Our role is to express our conclusion on these financial statements, based on our review.

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

Based on our review, nothing has come to our attention that causes us to believe that the accompanying intermediate financial statements do not present fairly, in all material respects, the results of operations for the six months ended June 30, 2009 and the financial position of **Dexia Municipal Agency** and its assets at that date, in accordance with IFRSs as adopted by the EU.

This report is solely for your information in the context described here before and is not to be used, circulated or quoted for any other purpose.

We accept no responsibility towards any third party.

This report is governed by French Law. The courts of France shall have exclusive jurisdiction in relation to any claim, dispute or difference concerning our engagement letter or this report, and any matter arising from them. Each party irrevocably waives any right it may have to object an action being brought in those courts, to claim that the action has been brought in an inconvenient forum, or to claim that those courts do not have jurisdiction.

Neuilly-sur-Seine and Courbevoie, August 28, 2009

The statutory auditors
French original signed by

**Deloitte & Associés
Mazars**

**François ARBEY
Hervé HELIAS
Virginie CHAUVIN**

ASSETS AS OF JUNE 30, 2009

EUR Millions	Notes	6/30/2008	12/31/2008	6/30/2009
Central banks	2.1	15	0	16
Government and public entity securities, eligible for central bank refinancing	2.2	3,424	3,740	3,647
Interbank loans and advances	2.3	4,200	4,310	2,261
Client loans	2.4	50,700	53,367	52,152
Bonds and other fixed income securities	2.5	16,212	16,141	16,962
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	18	13	0
Accruals and other assets	2.7	3,469	3,797	2,641
TOTAL ASSET	2.8	78,038	81,368	77,679

LIABILITIES AS OF JUNE 30, 2009

EUR Millions	Notes	6/30/2008	12/31/2008	6/30/2009
Central banks	3.1	0	7,473	600
Interbank loans	3.2	7,076	4,416	8,624
Client loans		0	0	0
Debt securities	3.3	64,574	63,351	63,039
Other liabilities	3.4	11	497	1,075
Accruals and other liabilities	3.5	5,231	4,436	3,045
Provisions for risks and charges	3.6	9	2	6
Provisions pour impôt différés	3.6	0	0	4
Regulated provisions	3.6	48	52	57
General banking risks reserve		0	0	0
Subordinated debt		0	0	0
Shareholders' equity		1,089	1,141	1,229
Capital stock	3.7	946	946	1,060
Additional paid-in capital	3.7	0	0	0
Reserves and retained earnings	3.7	104	104	82
Net income	3.7	39	91	87
TOTAL LIABILITIES	3.8	78,038	81,368	77,679

OFF-BALANCE SHEET ITEMS AS OF JUNE 30,2009

EUR Millions	Notes	6/30/2008	12/31/2008	6/30/2009
COMMITMENTS GRANTED	4.1	4,679	10,999	3,720
Financing commitments		4,679	3,188	2,834
Guarantees given		0	0	0
Other commitments given		0	7,811	886
COMMITMENTS RECEIVED	4.2	14,642	12,887	16,179
Financing commitments		7,063	5,432	10,507
Guarantees received		6,031	5,970	5,672
Other commitments received		1,548	1,485	0
Foreign currency transactions	4.3	47,888	45,813	41,692
Interest rate derivatives	4.4	221,862	216,370	219,599
Commitments related to securities transactions	4.5	0	0	0

INCOME STATEMENT AS OF JUNE 30, 2009

EUR Millions	Notes	6/30/2008	12/31/2008	6/30/2009
Interest income	5.0.a	4,193	8,542	2,227
Interest expense	5.0.b	(4 043)	(8 240)	(2 033)
Income from variable income securities		0	0	0
Commission income	5.2	0	0	0
Commission expense	5.2	(2)	(4)	(3)
Net gains (losses) on held-for-trading portfolio	5.3	0	0	0
Net gains (losses) on portfolio transactions available for sale	5.3	(31)	(54)	(7)
Other banking income		0	0	0
Other banking expense		0	0	0
NET BANKING INCOME		117	244	184
General operating expense	5.1	(45)	(92)	(47)
Depreciation and amortization		0	0	0
OPERATING INCOME BEFORE COST OF RISK		72	152	137
Cost of risk		0	0	0
INCOME FROM OPERATIONS		72	152	137
Income (loss) on fixed assets		0	0	0
INCOME BEFORE NON-RECURRING ITEMS AND TAXES		72	152	137
Non-recurring items		0	0	0
Corporate income tax	5.4	(29)	(53)	(44)
Net allocation to general banking risks reserve and regulated provisions		(4)	(8)	(6)
NET INCOME		39	91	87
Basic earnings per share		4.12	9.62	8.18
Diluted earnings per share		4.12	9.62	8.18

SHAREHOLDERS' EQUITY

EUR millions	Amount
<u>As of December 31, 2008</u>	
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 year	91
Interim dividends	0
Shareholders' equity as of December 31, 2008	1,141
<u>Movements for the period</u>	
Changes in capital stock	114
Changes in APIC	0
Changes in commitments to increase capital stock and APIC	0
Changes in reserves and retained earnings	1
Dividends paid (-)	(114)
Net income for the period	87
Other movements	0
<u>As of June 30, 2009</u>	
Capital stock	1,060
Additional paid-in capital (APIC)	0
Commitments to increase capital stock and APIC	0
Reserves and retained earnings	82
Net income for the period	87
Shareholders' equity as of June 30, 2009	1,229

**Cash Flow Statement
as of June 30, 2009**

EUR millions	6/30/2008	12/31/2008	6/30/2009
Net income before taxes	72	152	136
+/- Amortization and depreciation and other impairment on fixed and intangible assets	0	0	0
+/- Depreciation and write-downs	0	0	1
+/- Expense/income from operating activities	(2)	(252)	581
+/- Expense/income from financing activities	16	240	(349)
+/- Other non-cash items	(25)	(66)	(169)
= Non-monetary items included in net income before tax and other adjustments	(11)	(78)	64
- Cash from interbank operations (Dexia Credit Local and Banque de France)	600	7,726	(5,976)
+ Cash from interbank operations (customer loans)	(964)	(987)	1,982
+/- Cash from customer operations (loans)	(490)	(2,949)	1,082
+/- Cash from financing assets	(2,641)	(2,888)	(779)
+/- Cash from hedging financial instruments	(236)	247	739
- Income tax paid	(55)	(75)	(27)
= Decrease/(increase) in cash from operating activities	(3,786)	1,074	(2,979)
CASH FLOW FROM OPERATING ACTIVITIES (A)	(3,725)	1,148	(2,779)
+/- 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	0	0	0
+/- Other cash from financing activities	7,744	5,174	(568)
CASH FLOW FROM FINANCING ACTIVITIES (C)	7,744	5,174	(568)
EFFECT OF CHANGES IN EXCHANGE RATES ON CASH (D)	0	0	0
Increase/(decrease) in cash equivalents (A + B+ C + D)	4,018	6,322	(3,347)
Cash flow from operating activities (A)	(3,725)	1,148	(2,779)
Cash flow from investing activities (B)	0	0	0
Cash flow from financing activities (C)	7,743	5,174	(568)
Effect of exchange rates on cash (D)	0	0	0
Cash and cash equivalents at the beginning of the period	(7,484)	(7,484)	(1,162)
Cash, central banks and postal checking accounts (assets & liabilities)	15	15	(334)
Interbank accounts (assets & liabilities) and loans/deposits at sight	(7,499)	(7,499)	(828)
Cash and cash equivalents at the end of the period	(3,466)	(1,162)	(4,509)
Cash, central banks and postal checking accounts (assets & liabilities)	15	(334)	16
Interbank accounts (assets & liabilities) and loans/deposits at sight	(3,481)	(828)	(4,525)
Net cash	4,018	6,322	(3,347)

NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2009

1. SIGNIFICANT ACCOUNTING POLICIES

Accounting principles

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

The financial statements as of June 30, 2009, were drawn up using the same accounting principles as those used in the financial statements as of December 31, 2008.

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

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

The accounts 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).

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, modified by CRC standard 2005-03. This standard stipulates that a loan is considered as non-performing when it presents one of the following characteristics:

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

In addition, this standard introduces a new category of bad debt: compromised non-performing loans. Loans unpaid for more than one year are recorded in this category. Interest on these loans no longer contributes to the interest margin once they have been transferred to the category of compromised non-performing loans. This standard also requires the identification of outstanding loans that have been restructured under non-market conditions; Dexia Municipal Agency had no outstanding loans in this category as of June 30, 2009.

Article 13 of this standard recommends recognizing in discounted value the provisions covering the losses expected on the non-performing and compromised non-performing loans. With respect to the level of non-performing loans and of the corresponding provisions, the introduction of discounted provisions in the financial statements of Dexia MA as of June 30, 2009, would not have been significant.

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.

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.

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 June 30, 2009, 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:
 - o *cedulas territoriales* issued by Dexia Sabadell Banco Local, the Spanish subsidiary of Dexia Credit Local;
 - o *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:
 - o 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).

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 June 30, 2009, it is subdivided into two categories:

1) Debt securities, for *obligations foncières*

These debt securities are recorded at face value.

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

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

2) Other debt securities, for registered covered bonds.

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

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

Provision for risks and charges

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.

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.

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 customer assets.

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

In the event of early repayment, the sale of the hedged item, or early repayment within the framework of the renegotiation of the hedged item, the cancellation equalization payment received or paid because of the early interruption of the hedging instrument is recorded in the following manner, if the hedging instrument has been cancelled:

- (i) prior to January 1, 2005, the equalization payment is extended over the length of the cancelled transaction;
- (ii) since January 1, 2005, the equalization payment is recorded in the 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.

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

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

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

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

Monitoring market risks

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

Market risks linked to trading portfolios are not compatible with the activity of Dexia 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.

The policy of Dexia MA is to avoid any foreign exchange risk. Market risks related to foreign exchange transactions are eliminated from the start by currency swaps when an asset or liability that is not denominated in euros is recorded on the balance sheet.

General accounting verifies that at each closing there is no foreign exchange risk.

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

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.

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.

Non-recurring income and expense

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

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

Deferred taxes

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

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

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

In its financial statements as of June 30, 2009, Dexia MA recognized no deferred taxes concerning its Dublin branch. No other source of deferred taxes was identified at the end of the year.

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 – Cash, central banks and postal checking accounts

	Amount as of 6/30/08	Amount as of 6/30/09
Mandatory reserves	15	16
TOTAL	15	16

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

a. *Accrued interest included in this item: 40*

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	146	100	3,361	3,607

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

	Amount as of 6/30/09	Latent capital loss as of 6/30/09
Listed securities	3,082	(5)
Other securities	525	0
TOTAL	3,607	(5)

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

PORTFOLIO	Gross amount as of 6/30/08	Amount as of 12/31/08	Increases	Decreases	Other changes *	Impairment as of 6/30/09	Amount as of 6/30/09
Trading	0	0	0	0	0	0	0
Available for sale	1,037	737	0	(1)	0	0	736
Investment	2,340	2,926	0	(33)	(17)	(5)	2,871
	3,377	3,663	0	(34)	(17)	(5)	3,607

2.3 - Interbank loans and advances

2.3.1 - Sight interbank loans

	Amount as of 6/30/08	Amount as of 6/30/09
Balance of current account	22	27
Accrued interest not yet due on the current account	0	0
Unallocated sums	0	0
TOTAL Dexia Credit Local	22	27

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 1,881 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: 26*

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
	26	381	982	819	2,208

c. *Analysis by initial maturity excluding accrued interest*

	Net amount as of 6/30/08	Gross amount as of 6/30/09	Decrease in value as of 6/30/09	Net amount as of 6/30/09
Commitments of less than 1 year	0	0	0	0
Commitments of more than 1 year	4,131	2,208	0	2,208
TOTAL	4,131	2,208	0	2,208

d. *Breakdown by counterparty*

	Amount as of 6/30/09
Swiss cantonal banks benefiting from their canton's legal guarantee	1,881
Banks guaranteed by a local government, <i>crédits municipaux</i>	139
Credit institutions belonging to the Dexia Group: loans benefiting from the assignment in guarantee of refinanced public debt	188
TOTAL	2,208

2.4 - Customer loans

a. Accrued interest included in this item: 795

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
787	3,818	13,435	33,317	51,357

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

ECONOMIC SECTOR	Amount as of 6/30/08	Amount as of 6/30/09 (1)
Public sector	46,278	48,114
Other sectors*	3,547	3,243
TOTAL	49,825	51,357

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

(1) Of which EUR 886 million eligible for central bank refinancing

d. Analysis by initial maturity excluding accrued interest

	Net amount as of 6/30/08	Gross amount as of 6/30/09 (1)	Impairment as of 6/30/09	Net amount as of 6/30/09
Commitments of less than 1 year	0	0	0	0
Commitments of more than 1 year	49,824	51,357	(2)	51,355
TOTAL	49,824	51,357	(2)	51,355

(1) Including:

- non-performing customer loans: EUR 8 million
- compromised non-performing loans: EUR 2 million.

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

	Gross amount as of 6/30/08	Gross amount as of 6/30/09	Impairment as of 6/30/09	Net amount as of 6/30/09
Performing commitments	49,819	51,347	0	51,347
Restructured commitments	0	0	0	0
Non-performing loans	4	8	0	8
Compromised non-performing loans	2	2	(2)	0
TOTAL	49,825	51,357	(2)	51,355

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

DEPRECIATION ON NON-PERFORMING LOANS	Amount as of 6/30/08	Amount as of 12/31/08	Allocation	Reversals	Transfers	Amount as of 6/30/09
<i>Non-performing loans</i>						
On loans	0	0	0	0	0	0
On interest	0	(1)	0	0	0	(1)
<i>Compromised non-performing loans</i>						
On loans	0	0	0	0	0	0
On interest	0	0	(1)	0	0	(1)
TOTAL	0	(1)	(1)	0	0	(2)

- 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: 68

b. Analysis by residual maturity excluding accrued interest

Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total
1,000	1,853	3,789	10,252	16,894

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

ISSUER'S ECONOMIC SECTOR	Amount as of 6/30/08	Amount as of 6/30/09
Public sector	1,809	1,420
Other sectors (guaranteed by a State or local government)	1,623	1,521
Other sectors (ABS) (1)	107	100
<i>Cedulas territoriales</i> issued by Dexia Sabadell Banco Local	2,675	3,200
DCC – Dexia Crediop per la Cartolarizzazione	4,056	3,961
DSFB – Dexia Secured Funding Belgium	3,202	3,092
<i>Lettres de gage</i> issued by Dexia LdG Banque	2,599	2,600
Banks - securities issued with maturity of less than one year (2)	0	1,000
TOTAL	16,071	16,894
- of which eligible for central bank refinancing:	6,054	7,520
- of which replacement assets:	5,274	5,800

(1) Asset-backed securities (ABS):

- Colombo: 11.85 (rated Aaa Moody's, AAA S&P)
- Astrea: 3.08 (rated Aa2 Moody's, AA- Fitch)

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

- Blue Danube Loan Funding: 85.12 (rated AA+ S&P – guaranteed by the Land of Lower Austria)

(2) Certificates of deposit issued by French credit institutions

d. Replacement assets

Covered bonds	Rating	Amount 6/30/09
Dexia Sabadell Banco Local	Moody's Aaa	3,200
Dexia LdG Banque	S&P AAA	2,600
TOTAL		5,800

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

	Amount as of 6/30/08	Amount as of 6/30/09	Latent capital loss as of 6/30/09
Listed (1) securities	7,246	7,650	(16)
Other securities	8,825	9,244	0
TOTAL	16,071	16,894	(16)

(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 6/30/08	Gross amount as of 12/31/08	Increases	Decreases	Translation adjustments	Other changes as of 6/30/09	Impairment as of 6/30/09	Amount as of 6/30/09
Trading	0	0	0	0	0	0	0	0
Available for sale	1,567	1,183	1,800	(800)	69	0	(16)	2,236
Investment	14,504	14,831	500	(685)	(5)	17	0	14,658
	16,071	16,014	2,300	(1,485)	64	17	(16)	16,894

2.6 - Other assets

	Amount as of 6/30/08	Amount as of 6/30/09
Other receivables	0	0
TOTAL	0	0

2.7 - Accruals and other assets

	Amount as of 6/30/08	Amount as of 6/30/09
Deferred losses on hedging transactions	326	368
Deferred charges on bond issues	361	359
Deferred charges on hedging transactions	290	272
Premiums on acquisition of loans from Dexia Credit Local France	122	118
Premiums on acquisition of loans other than from Dexia Credit Local France	23	14
Other prepaid charges	0	0
Accrued interest not yet due on hedging transactions	2,347	1,510
Translation adjustments	0	0
Other accrued income	0	0
Other accruals	0	0
TOTAL	3,469	2,641

2.8 - Total assets

Analysis by original currency	Amount in original currency as of 6/30/09	Amount in euros as of 6/30/09
Assets in EUR	63,326	63,317
Assets in AUD	1,732	994
Assets in CAD	1,013	622
Assets in CHF	3,187	2,090
Assets in DKK	256	35
Assets in GBP	1,437	1,686
Assets in HKD	206	19
Assets in JPY	243,219	1,802
Assets in NZD	237	26
Assets in PLN	59	13
Assets in SEK	1,396	128
Assets in USD	9,696	6,923
Assets in ZAR	261	24
TOTAL		77,679

3. NOTES TO THE LIABILITIES (EUR millions)

3.1 - Central banks and postal checking accounts (est-ce que c'est toujours le cas??)

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 600 million as of June 30.

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 6/30/08	Amount as of 6/30/09
Overnight borrowing	0	0
Time borrowing, maturity third quarter 2009	0	600
Accrued interest	0	0
TOTAL funding from Banque de France	0	600

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 8,600 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 4,550 million;
- a sub-account financing the stock of assets prior to issuance, realized at 2011 maturity Eonia, reimbursable when issues are cashed in; sub-account balance of EUR 550 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 June 30, 2009; 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 6/30/08	Amount as of 6/30/09
Balance of current account	3,498	4,550
Accrued interest not yet due on the current account	14	3
Balance of the ancillary account – maturity 2010	200	0
Balance of the ancillary account – maturity 2011	700	550
Balance of the ancillary account – maturity 2012	2,000	0
Balance of the ancillary account – maturity 2015	600	0
Balance of the ancillary account – maturity 2016	0	3,500
Accrued interest not yet due on the ancillary account	59	19
Unallocated sums	5	2
TOTAL Dexia Credit Local	7,076	8,624

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	4,550	0	0	0	4,550
Time	0	0	550	3,500	4,050
Total	4,550	0	550	3,500	8,600

3.3 - Debt securities

3.3.1- Debt securities (*obligations foncières*)

a. Accrued interest included in this item: 959

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
<i>Obligations foncières</i>	3,121	4,766	24,512	27,127	59,526
Of which issuance premiums	(1)	(2)	(19)	(173)	(195)

c. Changes during the year excluding accrued interest

	Amount as of 6/30/08	Amount as of 12/31/08	Increases	Decreases	Translation adjustments	Amount as of 6/30/09
	61,916	60,288	1,872	(2,821)	187	59,526

3.3.2- Other bonds (registered covered bonds)

Accrued interest included in this item: 40

b. Analysis by residual maturity excluding accrued interest

	Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total
Registered covered bonds	0	0	0	2,514	2,514
Of which issuance premiums	0	0	0	(3)	(3)

c. Changes during the year excluding accrued interest

	Amount as of 6/30/08	Amount as of 12/31/08	Increases	Decreases	Translation adjustments	Amount as of 6/30/09
	1,570	1,709	805	0	0	2,514

3.4 – Other liabilities

	Amount as of 6/30/08	Amount as of 6/30/09
Cash received as collateral	0	1,063
Accrued interest not yet due on cash received as collateral	0	0
Taxes	10	12
Balances to pay on unwound hedging contracts	0	0
TOTAL	10	1,075

3.5 – Accruals and other liabilities

	Amount as of 6/30/08	Amount as of 6/30/09
Deferred gains on hedging transactions	56	0
Deferred income on hedging transactions	714	790
Deferred income on loans	46	115
Discounts on acquisition of loans other than from Dexia Credit Local in France	81	67
Discounts on acquisition of loans from Dexia Credit Local in France	85	0
Accrued interest not yet due on hedging transactions	2,089	1,369
Other accrued charges	24	26
Translation adjustments	2,132	677
Other accruals	4	1
TOTAL	5,231	3,045

3.6 – Regulated provisions

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

Amount as of 6/30/08	Amount as of 12/31/08	Increases	Decreases	Amount as of 6/30/09
48	52	5	0	57

b) Provision for deferred taxes

Amount as of 6/30/08	Amount as of 12/31/08	Increases	Decreases	Amount as of 6/30/09
0	0	4	0	4

c) Provision for risks on financial instruments

Amount as of 6/30/08	Amount as of 12/31/08	Increases	Decreases	Amount as of 6/30/09
9	2	4	0	6

3.7 – Equity

	Amount as of 6/30/08	Amount as of 6/30/09
Capital stock	946	1,060
Legal reserve	28	32
Retained earnings (+/-)	76	50
Net income (+/-)	39	87
TOTAL	1,089	1,229

On May 26, 2009, the Shareholders' Meeting, both ordinary and extraordinary, decided:

- (i) to allocate the 2008 net income of EUR 91.3 million to retained earnings, constituting income for distribution of EUR 163.1 million after allocation to the legal reserve;
- (ii) to distribute a dividend of EUR 113.5 million;
- (iii) to increase the capital in cash by EUR 114 million. This capital increase was subscribed by Dexia Crédit Local on June 9, 2009.

3.8 - Total liabilities

	Amount in original currency as of 6/30/09	Amount in euros as of 6/30/09
Assets in EUR	63,326	63,317
Assets in AUD	1,732	994
Assets in CAD	1,013	622
Assets in CHF	3,187	2,090
Assets in DKK	256	35
Assets in GBP	1,437	1,686
Assets in HKD	206	19
Assets in JPY	243,219	1,802
Assets in NZD	237	26
Assets in PLN	59	13
Assets in SEK	1,396	128
Assets in USD	9,696	6,923
Assets in ZAR	261	24
TOTAL		77,679

3.9 - TRANSACTIONS WITH RELATED PARTIES

Analysis by nature EUR millions	Parent company Dexia Credit Local		Other related parties (1)	
	6/30/08	6/30/09	6/30/08	6/30/09
Assets				
Balance of current account	22	27	0	0
Interbank loans	1,962	188	0	0
Bonds and other fixed income securities	6,801	7,184	5,823	5,698
Liabilities				
Balance of current account	3,512	4,553	0	0
Interbank loans	3,559	4,069	0	0
Income statement				
Interest income on loans and advances	35	3	0	0
Interest income on bonds	147	91	114	67
Interest expense on loans	(42)	(28)	0	0
Fee and commission expense	(2)	(2)	0	0
Off-balance sheet				
Interest rate derivatives	143,936	140,921	3,711	3,525

(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

	Amount as of 6/30/08	Amount as of 6/30/09
Financing commitments granted to credit institutions	21	44
Financing commitments granted to clients (1)	4,658	2,790
Other commitments given, securities as collateral	0	886
TOTAL	4,679	3,720

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

4.2 - Commitments received

	Amount as of 6/30/08	Amount as of 6/30/09
Financing commitments received from credit institutions (1)	6,845	10,507
Currencies borrowed	218	0
Guarantees received from credit institutions	0	0
Guarantees received from local governments and asset transfers as guarantees of commitments on local governments	7,579	5,672
TOTAL	14,642	16,179

(1) Including EUR 7.686 million in refinancing agreements from Dexia Credit Local for *obligations foncières* of less than one year as of June 30, 2009.

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 6/30/08	Amount as of 6/30/09	Fair value as of 6/30/09
Currencies to receive	22,878	20,508	434
Currencies to deliver	25,010	21,184	(143)
TOTAL	47,888	41,692	291

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 6/30/08	Less than 1 year (1)	1 year to 5 years (2)	More than 5 years (3)	Total as of 6/30/09
Unconditional transactions	221,682	64,337	85,846	69,776	219,959
(1) of which deferred start:	12,582				
(2) of which deferred start:	3,676				
(3) of which deferred start:	5,354				
Total	21,612				

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

b. Analysis of interest rate transactions by product type

	Amount as of 6/30/08	Amount as of 6/30/09
Interest rate swaps	221,862	219,599
Interest rate options	0	0
TOTAL	221,862	219,599

c. Analysis of interest rate swap transactions

	Amount as of 6/30/08	Amount as of 6/30/09	Fair value as of 6/30/09
Micro-hedge	77,761	79,173	(435)
Macro-hedge	144,101	140,426	(1,090)
TOTAL	221,862	219,599	(1,525)

d. Analysis of interest rate transactions by counterparty

	Amount as of 6/30/08	Amount as of 6/30/09
Parent and other Dexia Group companies	147,647	144,446
Counterparties with equity interests	0	0
Other counterparties	74,215	75,153
TOTAL	221,862	219,599

4.5 - Commitments related to securities transactions

	Amount as of 6/30/08	Amount as of 6/30/09
Securities purchased:		
Spot	0	0
Forward	0	0
TOTAL	0	0

5. NOTES TO THE INCOME STATEMENT (EUR millions)

5.0.a - Interest and related income

In particular, this item comprises:

- EUR 47 million in interest due and interest accrued and not yet due on interbank transactions;
- EUR 952 million in interest due and interest accrued and not yet due on customer loans, early loan repayment penalties in the amount of EUR 8 million, and income from micro-hedging operations;
- EUR 265 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 micro-hedging on these securities;
- EUR 962 million in income on macro-hedging operations.

5.0.b - Interest and related expense

In particular, this item comprises:

- EUR 86 million in interest due and interest accrued and not yet due on refinancing operations of which EUR 52 million with Dexia Credit Local and EUR 32 million with the Banque de France;
- EUR 752 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 1,195 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 (Kommunikredit Austria, Dexia Crediop, Dexia Public Finance Norden and Dexia Bank Belgium).

General operating expense can be broken down as follows.

	Amount as of 6/30/09
Taxes	4
Other general operating expense (This item mainly includes the management commissions billed by Dexia Credit Local and other Group companies to Dexia Municipal Agency under the management contracts they have signed, i.e. EUR 42 million.)	43
TOTAL	47

5.2 – Analysis of commissions paid

	Amount as of 6/30/08	Amount as of 6/30/09
Commission for business brokerage and securities portfolio management billed by Dexia Crediop	(2)	(2)
Commission paid on securities transactions	0	(1)
TOTAL	(2)	(3)

5.3 – Analysis of income from financial transactions

	Amount as of 6/30/08	Amount as of 6/30/09
Transactions on available-for-sale securities (1)	(31)	(7)
Transactions on investment securities	0	0
Transactions on interest rate derivatives	0	0
Foreign exchange transactions	0	0
TOTAL	(31)	(7)

(1) This item regroups capital gains and losses on sales and provisions and reversals on these portfolios.

5.4 – Corporate income tax

	Amount as of 6/30/08	Amount as of 6/30/09
Corporate income tax	(33)	(38)
Deferred taxes	4	(6)
TOTAL	(29)	(44)

The tax rate used for 2008 is 34.43% for France.

The tax rate used for the Dublin branch is 12.50%

DEXIA MUNICIPAL
AGENCY

*Period from
January 1, 2009
to June 30, 2009*

Dexia Municipal Agency

Registered office: 1, Passerelle des Reflets - Tour Dexia
La Défense 2 - 92913 La Défense cedex
Private company with share capital of EUR 1 060 000 000
Company registration number: 421 318 064 RCS Nanterre

STATUTORY AUDITORS' REVIEW REPORT ON THE INTERIM FINANCIAL STATEMENTS

Period from January 1, 2009 to June 30, 2009

(Translated from French into English)

DELOITTE & ASSOCIES

MAZARS

DEXIA MUNICIPAL
AGENCY

*Period from
January 1, 2009
to June 30, 2009*

DELOITTE & ASSOCIES

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SOCIETE ANONYME D'EXPERTISE COMPTABLE ET DE COMMISSARIAT AUX COMPTES
CAPITAL DE 8 320 000 EUROS - RCS NANTERRE B 784 824 153

**Statutory auditors' review report
on the interim financial statements
for the period from January 1, 2009 to June 30, 2009**

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

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

To the shareholders,

In our capacity of statutory auditors and in accordance with the requirements of article L. 451-1-2 III of the French Monetary and Financial Code (*Code monétaire et financier*), we have performed:

- the review of the accompanying interim financial statements of Dexia Municipal Agency for the period from January 1, 2009 to June 30, 2009;
- the verification of the information provided in the interim management report.

These interim financial statements were prepared under the responsibility of the Executive Board in a context of economic and financial crisis which is still characterized by a high market volatility and a certain difficulty to apprehend the economic outlook. Our role is to express our conclusion on these financial statements, based on our review.

I – CONCLUSION ON THE FINANCIAL STATEMENTS

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

A review mainly consists of interviewing management in charge of accounting and financial matters and applying analytical procedures. These procedures are less broad in scope than those required for an audit performed in accordance with French auditing standards. Accordingly, a review only provides moderate assurance, which is less assurance than that provided by an audit, that the financial statements taken as a whole are free of material misstatements.

Based on our review, we did not identify any material misstatements that would cause us to believe that the interim financial statements do not present fairly, in all material aspects, the results of operations for the six months ended June 30, 2009 and the financial position of Dexia Municipal Agency and its assets at that date, in accordance with accounting rules and principles applicable in France.

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II - SPECIFIC VERIFICATION

We have also verified the information contained in the interim management report commenting the interim financial statements subject to our review.

We have nothing to report with respect to the fairness of such information and its consistency with the interim financial statements.

Courbevoie and Neuilly Sur Seine, on 28th august 2009

The statutory auditors

French original signed by

DELOITTE & ASSOCIES

FRANÇOIS ARBEY

MAZARS

HERVE HELIAS

VIRGINIE CHAUVIN



PERSON RESPONSIBLE FOR THE HALF-YEAR FINANCIAL REPORT

I, the undersigned, Gilles GALLERNE, Member of the management board – Chief executive officer of Dexia Municipal Agency,

hereby attest to the fact that, to the best of my knowledge, these half-year financial statements have been prepared in accordance with all applicable accounting standards and provide an accurate and fair view of the assets, financial position and earnings of the company, and that the half-year financial report presents an accurate account of all significant events that have taken place during the first six months of the year and their impact on the half-year financial statements, and of all the primary risks and uncertainties concerning the remaining six months of the fiscal year.

La Défense – August 28, 2009

A handwritten signature in black ink, appearing to read "Gallerne", with a horizontal line drawn underneath it.

Gilles GALLERNE
Member of the management board – Chief executive officer