



# QUARTERLY FINANCIAL REPORT

As of September 30, 2009

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## MANAGEMENT REPORT

January 1 - September 30, 2009

### **I - Highlights in the first nine months**

#### Covered bond market reopens

With the European Central Bank's announcement on May 7, 2009, of a plan to buy back EUR 60 billion in covered bonds over a year, investor confidence returned in this market segment. As a result, in the second quarter, access conditions improved in the primary bond market and the market for covered bonds reopened.

The increase in the volumes issued and the narrowing of issuance spreads gained momentum in the third quarter. In this context, Dexia MA fully benefited from the reopening of the market. After two benchmark issues for 12 and 15 years in May and June, a third benchmark transaction was launched in September for seven years.

As of September 30, 2009, Dexia MA had raised a total of EUR 6.9 billion with an average maturity of 13.2 years, thereby amply confirming its status as a leading issuer of *obligations foncières*.

#### Financial position of the Dexia Group

Despite signs that pointed to the end of the crisis, the macro-economic environment remained difficult in the third quarter of 2009. The recovery of equity markets was confirmed with a 20% rise in the Eurostoxx 50 stock market index, and on fixed income markets, spreads narrowed significantly.

Within this framework, Dexia confirmed its profitability for the third quarter in a row, representing a considerable improvement compared with the situation in which the Group found itself at the end of 2008. Whereas in the third quarter of 2008, the Group reported a net loss of EUR -1,544 million, net income, Group share, totaled EUR 274 million in the third quarter of 2009. This positive result reflects the Group's reduced risk profile, in particular after the sale of FSA Insurance.

In the first nine months of 2009, net income, Group share, stood at EUR 808 million, versus a net loss of EUR -723 million for the first nine months of 2008. Core businesses generated net income of EUR 761 million in the first nine months of the year, up 26% compared with the same period in the previous year.

## 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 by 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 regulatory over-collateralization (first quarter)

Dexia MA holds shares in the Italian and Belgian securitization vehicles DCC and DSFB, which enable Dexia Crediop and Dexia Bank Belgium to transfer their exposures in the local public sector to Dexia MA. These funds 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 *Commission bancaire*.

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	9/30/2009	Change Sept 09 / Dec 08
<b>Cover pool</b>	<b>69.3</b>	<b>68.8</b>	<b>77.8</b>	<b>13.1%</b>
<i>Loans</i>	52.4	56.7	54.8	-3.4%
<i>Securities</i>	16.9	19.9	23.7	18.9%
- <i>Assets pledged in favor of the Banque de France</i>		(7.8)	(0.7)	-91.6%
<b>Privileged debt</b>	<b>58.4</b>	<b>64.1</b>	<b>65.1</b>	<b>1.5%</b>
<i>Swapped value</i>				
<i>Obligations foncières (&amp; RCB*)</i>	56.4	62.0	62.6	0.9%
<i>Balance sheet value</i>				
Cash collateral received	0.0	0.5	1.4	172.8%
<b>Non-privileged debt</b>	<b>10.4</b>	<b>11.9</b>	<b>12.3</b>	<b>3.6%</b>
<i>Dexia Credit Local</i>	10.4	4.4	12.3	180.2%
<i>Banque de France</i>	0.0	7.5	0.0	-100.0%
<b>Shareholders' equity</b> <i>(IFRS, without unrealized gains and losses)</i>	<b>1.0</b>	<b>1.1</b>	<b>1.2</b>	<b>11.7%</b>

\* RCB = registered covered bonds

As of September 30, 2009, Dexia Municipal Agency's exposures to the public sector totaled EUR 78.5 billion, excluding accrued interest not yet due. They stood at EUR 76.6 billion at the end of 2008, and therefore rose EUR 1.9 billion.

The cover pool, which excludes the assets temporarily given in guarantee to the Banque de France, amounted to EUR 77.8 billion, up 13.1% from December 2008.

Outstanding debt, in swapped value, totaled EUR 65.1 billion, up 1.5% from December 2008.

The debt vis-à-vis Dexia Credit Local, which does not benefit from the legal privilege, stood at EUR 12.3 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, returned to zero after having risen to EUR 7.5 billion at the end of 2008.

Shareholders' equity, calculated according to IFRS but excluding unrealized or deferred gains and losses, was EUR 1.2 billion at the end of September 2009.

### III - Changes in assets in the first nine months of 2009

#### 1. Asset production in the period

Since the beginning of the year, assets increased by EUR 1.8 billion, in particular reflecting the early reimbursement of loans to DKB for EUR 1.7 billion. A breakdown follows.

##### Acquisitions of assets

EUR billions	2008			9/30/2009		
	Loans	Debt securities	Total	Loans	Debt securities	Total
France	7.2	-	7.2	2.7	1.4	4.1
Outside of France	1.4	5.2	6.6	0.1	3.2	3.3
<b>Total new assets</b>	<b>8.6</b>	<b>5.2</b>	<b>13.8</b>	<b>2.8</b>	<b>4.6</b>	<b>7.4</b>
Amortization	(3.8)	(1.0)	(4.8)	(2.6)	(0.8)	(3.4)
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)
Changes in provisions	-	-	-	0.0	0.0	-
<b>Net change</b>	<b>4.4</b>	<b>2.8</b>	<b>7.2</b>	<b>- 2.0</b>	<b>3.8</b>	<b>1.8</b>

The gross amount of assets recognized on the balance sheet during the period was EUR 7.4 billion.

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

- EUR 2.8 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 1.4 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;

- EUR 2.7 billion in securities issued or guaranteed by sovereign governments (Belgium, Netherlands and Ireland) with maturities of less than one year; these assets were acquired with a view to optimizing the capacity to issue *obligations foncières*, considering the amortization profile of the cover pool and the maturity dates of the *obligations foncières*.

### Breakdown of gross acquisitions

EUR billions		2008	9/30/2009
<b>Loans:</b>	<i>Transfer mode</i>	<b>8.6</b>	<b>2.8</b>
France		7.2	2.7
Switzerland		0.6	0.1
Sweden, Finland, Portugal, other		0.0	-
Poland, Hungary, Greece, Lithuania	<i>Loans to DKB</i>	0.8	-
<b>Debt securities:</b>	<i>Transfer mode</i>	<b>5.2</b>	<b>4.6</b>
Belgium	<i>SPV DSFB 2</i>	1.6	2.1
Italy	<i>SPV DCC 3</i>	2.3	-
Spain	<i>Cedulas territoriales</i>	1.1	0.5
Greece		0.1	-
France		-	1.4
United States		0.1	-
Japan		0.0	-
Ireland		-	0.2
Netherlands		-	0.4
<b>Total</b>		<b>13.8</b>	<b>7.4</b>

## 2. Outstanding assets as of September 30, 2009

### a – Breakdown of assets

With regard to the breakdown of assets by country, two factors have a significant influence – the reimbursement of exposures to central European countries (previously listed under “Other countries”) and the acquisition of securities with short term maturities, primarily issued by the Belgian government. France continued to represent the largest volume of outstanding assets with almost 64% 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	9/30/2009
France	63.3	63.9
Italy	9.5	9.1
Switzerland	6.1	5.7
Belgium	5.6	8.0
Spain	4.5	4.4
Luxembourg	3.5	3.4
<b>Subtotal</b>	<b>92.5</b>	<b>94.5</b>
Other countries	7.5	5.5
<b>Total %</b>	<b>100.0</b>	<b>100.0</b>

*b – Replacement assets*

As of September 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 9.1% of outstanding *obligations foncières* and registered covered bonds, which totaled EUR 63.7 billion in swapped value; their amount is limited by law to 15%.

Securities	Country	Issuer	EUR millions	
			12/31/2008	9/30/2009
<i>Cedulas territoriales</i>	Spain	Dexia Sabadell	3,200	3,200
<i>Lettres de gage</i>	Luxembourg	Dexia LdG Banque	2,600	2,600
<b>Total</b>			<b>5,800</b>	<b>5,800</b>

### 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. This designation indicates the intention to hold the securities until maturity and they are valued at cost price.

Certain securities, because of their liquidity in particular, remain classified as "Available for sale" according to IFRS, 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 a positive or negative AFS reserve. 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.

EUR millions

AFS Securities Portfolio IFRS	Capital balance	AFS reserve	
	9/30/2009	12/31/2008	9/30/2009
<i>Germany</i>	295	- 6.8	- 4.0
<i>Belgium</i>	2,124	-	1.0
<i>Canada</i>	22	- 1.6	0.3
<i>France</i>	1,350	-	-
<i>Greece</i>	321	- 52.5	- 37.6
<i>Ireland</i>	170	-	0.1
<i>Italy</i>	506	- 35.4	- 45.4
<i>Netherlands</i>	400	-	-
<i>USA</i>	145	- 27.2	2.8
<b>Total AFS securities</b>	<b>5,333</b>	<b>- 123.5</b>	<b>- 82.8</b>
<b>Other securities recognized as "Loans and advances"</b>	<b>18,338</b>	<b>- 192.4</b>	<b>- 175.5</b>
<b>Accounting adjustments (not broken down) (foreign exchange fluctuations, premiums/discounts, basis swaps, etc.)</b>	<b>- 257</b>	<b>- 1.0</b>	<b>0.7</b>
<b>General total - securities</b>	<b>23,414</b>	<b>- 316.9</b>	<b>- 257.6</b>

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, the date at which they were reclassified, was frozen and is amortized over the residual life of the securities, as a discount. This item is analyzed below. The point is presented in the notes to the financial statements.

EUR millions

IFRS	Capital balance	AFS reserve	
	9/30/2009	12/31/2008	9/30/2009
<b>Loans and advances</b>	<b>18,338</b>	<b>- 192.4</b>	<b>- 175.5</b>
<i>Securities issued by DEXIA subsidiaries</i>			
<i>Italy - Dexia Crediop per la Cartolarizzazione</i>	3,917	- 2.6	- 2.5
<i>Belgium - Dexia Secured Funding Belgium</i>	3,080	1.4	1.4
<i>Spain - Dexia Sabadell</i>	3,200	- 20.6	- 11.4
<i>Luxembourg - Dexia Lettres de Gage</i>	2,600	- 0.6	- 0.5
<i>Germany - Dexia Kommunalbank Deutschland</i>	-	-	-
<i>Other securities</i>			
<i>Germany</i>	527	- 1.6	- 1.5
<i>Austria</i>	85	- 7.4	- 6.8
<i>Belgium</i>	233	0.9	0.2
<i>Spain</i>	232	- 3.6	- 3.4
<i>France</i>	418	8.1	7.3
<i>Greece</i>	100	- 1.5	- 1.4
<i>Iceland</i>	180	- 11.5	- 10.6
<i>Italy</i>	2,733	- 140.0	- 134.4
<i>Japan</i>	25	-	-
<i>Luxembourg</i>	94	- 1.1	- 0.6
<i>Portugal</i>	48	- 6.9	- 6.3
<i>UK</i>	758	- 0.3	- 0.3
<i>USA</i>	108	- 5.1	- 4.7

### 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 represented a very small amount (EUR 1.0 million) as of September 30, 2009.

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.

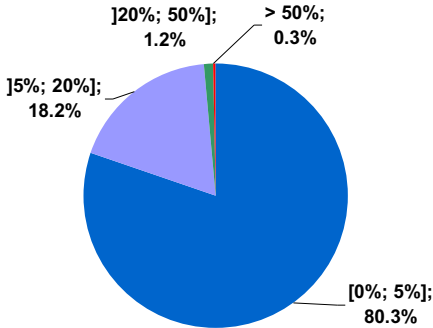
EUR millions

IFRS	Capital balance	Non-performing loans		Specific Impairment	
	9/30/2009	12/31/2008	9/30/2009	12/31/2008	9/30/2009
<b>Loans granted to Dexia subsidiaries, secured by exposures to public sector entities</b>	<b>187</b>	-	-	-	-
<i>France - Flobail</i>	187	-	-	-	-
<b>Other loans</b>	<b>54,605</b>	<b>9.1</b>	<b>12.1</b>	<b>0.9</b>	<b>1.0</b>
<i>Austria</i>	209				
<i>Belgium</i>	816				
<i>Finland</i>	105				
<i>France</i>	48,134	9.1	12.1	0.9	1.0
<i>Greece</i>	300				
<i>Italy</i>	15				
<i>Portugal</i>	119				
<i>Sweden</i>	426				
<i>Switzerland</i>	4,480				
<b>Collective impairment</b>				<b>10.1</b>	<b>8.9</b>
<b>General total</b>	<b>54,792</b>	<b>9.1</b>	<b>12.1</b>	<b>11.0</b>	<b>9.9</b>

The quality of Dexia Municipal Agency’s portfolio can also be seen in the weighting of its assets within the framework of the calculation of the Group’s solvency ratio. The Dexia Group chose the advanced method within the framework of the reform of the solvency ratio and capital adequacy according to Basel II criteria. Banking supervisors (the *Commission bancaire* 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.



Risk weighting (Basel II) of Dexia MA’s portfolio as of September 30, 2009



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 equity 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	9.4	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
<b>Total</b>			<b>77.9</b>	

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	10.4
Societa veicolo Astrea SRL	IT0003331292	2.4
<i>S/T</i>		<i>97.9</i>
DSFB - Dexia Secured Funding Belgium SIC	BE0933050073	1,555.5
DSFB - Dexia Secured Funding Belgium SIC	BE0934330268	1,524.7
DCC - Dexia Crediop per la Cartolarizzazione SRL	IT0003674691	836.9
DCC - Dexia Crediop per la Cartolarizzazione SRL	IT0003941124	779.5
DCC - Dexia Crediop per la Cartolarizzazione SRL	IT0004349665	2,300.0
<i>S/T</i>		<i>6,996.5</i>
<b>Total</b>		<b>7,094.4</b>

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 if they do not benefit from the agencies' highest short-term rating.

As of September 30, 2009, Dexia MA was exposed (positive fair value of the swaps) to 12 banking counterparties, nine of which paid collateral to offset the exposure, and three of

which paid no collateral because of their very good rating. These three counterparties represented an exposure of EUR 410 million.

Long-term derivatives signed with the five largest external counterparties represented a total of 35.1% of the notional amounts and those signed with the Dexia Group 24.1%.

#### **IV - Changes in debt benefiting from the privilege in the first nine months of 2009**

Dexia Municipal Agency issued the equivalent of EUR 6.9 billion since the beginning of 2009 compared with EUR 9.5 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.

<b>EUR millions</b>	<b>2008</b>	<b>2009</b>
Q1	4,273	305
Q2	4,534	4,258
Q3	680	2,310
Q4	702	
<b>Total</b>	<b>10,189</b>	<b>6,873</b>

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 again expressed interest in long maturities, after having acquired many securities with short term maturities guaranteed by governments in the previous quarters.

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

The three benchmarks issued have the following characteristics:

- EUR 1.5 billion, maturity June 2021 (12 years),
- EUR 2.0 billion, maturity July 2024 (15 years),
- EUR 1.0 billion, maturity September 2016 (7 years).

The other public sector issues represented an issue in Swiss francs, maturity May 2018 (CHF 250 million) and 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 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.

EUR millions	2008	9 months 2009
<b>Public issues</b>	7,737	4,870
<b>Private placements</b>	2,452	2,003
<i>including:</i>		
<i>RCB</i>	313	1,760
<i>Less than 2 years</i>	130	150
<b>Total</b>	<b>10,189</b>	<b>6,873</b>

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: 13.2 years versus 5.7 years for the year 2008.

Dexia MA's 2009 issues were exclusively conducted in euros (except for the CHF issue mentioned above).

After reimbursement of EUR 6.4 billion, outstanding *obligations foncières* and registered covered bonds at the end of September, in swapped value, totaled EUR 63.7 billion.

EUR millions	2008	9 months 2009
<b>Beginning of the period</b>	58,385	63,591
<b>Issues</b>	10,189	6,873
<b>Issue settled after 9/30/2009</b>	0	-315
<b>Reimbursements</b>	-4,983	-6,442
<b>End of the period</b>	<b>63,591</b>	<b>63,707</b>

(swapped value)

## V - Changes in the coverage ratio

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

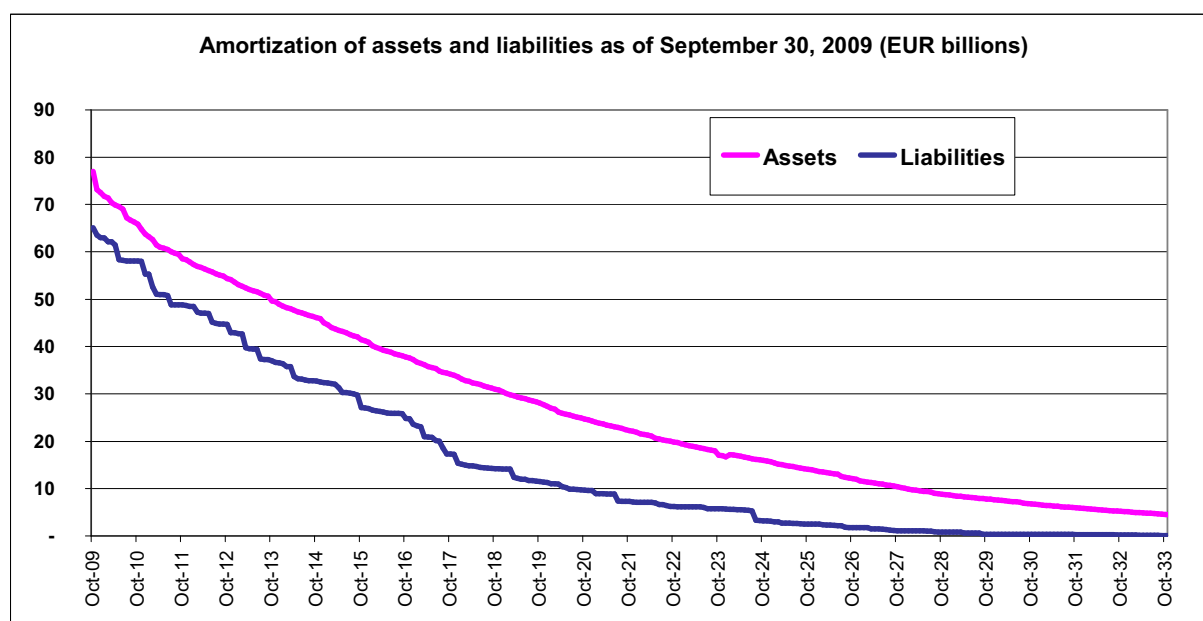
Dexia MA decided to maintain a minimum coverage ratio of 105%, which is considered a safe margin. In practice, given the rate of asset turnover from the Group's commercial activity and asset transfers, the coverage ratio is regularly higher than 105%, as can be seen at the end of each month, when over-collateralization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

<b>4th quarter 2008</b>	Oct-08	104.5%
	Nov-08	104.0%
	Dec-08	104.2%
<b>1st quarter 2009</b>	Jan-08	109.2%
	Feb-08	109.3%
	Mar-08	108.5%
<b>2nd quarter 2009</b>	Apr-08	109.0%
	May-08	108.9%
	Jun-08	108.6%
<b>3rd quarter 2009</b>	Jul-09	108.0%
	Aug-09	107.4%
	Sep-09	114.5%

The assets that Dexia MA pledged in order to obtain financing from the Banque de France are excluded from the calculation of over-collateralization. Dexia made use of the central bank financing, primarily in the fourth quarter of 2008, and then for lesser sums in the first two quarters of 2009.

The ratio significantly increased at the end of September 2009. This was due to the acquisition of bonds issued or guaranteed by governments of European nations; these assets have short maturities (cf. III-1).

The following graph on over-collateralization presents amortization curves of the assets and of issues benefiting from the privilege as of September 30, 2009. The assets temporarily pledged in favor of the Banque de France, i.e. EUR 0.6 billion, were deducted from the asset curve.



## VI - 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 September 30, 2009, Dexia MA had no debt vis-à-vis the Banque de France and it owed Dexia Credit Local a total of EUR 12.3 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 8.8 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
9/30/2009	12.3		12.3

## VII - 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 September 30, 2009.

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

	Notional total (EUR billions)	Dexia Group (%)	External counterparties (%)
<b><u>Euribor against Eonia</u></b>			
Macro-hedges	<b>121.8</b>	<b>100.0%</b>	<b>0.0%</b>
<b><u>Total short-term swaps</u></b>			
<b><u>Fixed rate swaps against Euribor</u></b>			
Micro-hedges on <i>obligations foncières</i>	49.0	3.4%	96.6%
Micro-hedges on loans and debt securities	31.8	21.2%	78.8%
Macro-hedges on loans	20.1	73.9%	26.1%
<i>S/T</i>	<b>100.9</b>	<b>23.1%</b>	<b>76.9%</b>
<b><u>Currency swaps</u></b>			
Micro-hedges on <i>obligations foncières</i>	14.0	14.2%	85.8%
Micro-hedges on loans	5.0	58.7%	41.3%
Micro-hedges on debt securities	1.2	84.6%	15.4%
<i>S/T</i>	<b>20.3</b>	<b>29.4%</b>	<b>70.6%</b>
<b><u>Total long-term swaps</u></b>			
	<b>121.2</b>	<b>24.1%</b>	<b>75.9%</b>

\* 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	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
	Q3 2009	11.4	20.5	3.7	26.0
Monetary	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
	Q3 2009	1.0	3.2	- 4.0	4.5
Total	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
	Q3 2009	8.5	16.7	- 1.9	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 well under this limit, as can be seen in the table below.

Duration in years	9/30/2008	12/31/2008	3/31/2009	6/30/2009	9/30/2009
Duration of assets	7.50	7.79	7.20	6.99	6.62
Duration of privileged liabilities	4.87	4.91	4.77	4.95	5.13
<b>Gap in asset-liability duration</b>	<b>2.63</b>	<b>2.88</b>	<b>2.43</b>	<b>2.04</b>	<b>1.49</b>
<b>Duration gap limit</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>

The duration gap between the assets and the liabilities is monitored closely since it is sensitive to interest rates (discounting effect) and to significant changes in assets and liabilities. The volume of long issues and the acquisition of short-term assets in 2009 are the reason for the narrower gap in duration.

#### - liquidity risk

DMA is able to cover all of its liquidity needs by using two sources of funding. First of all, the current account with Dexia Credit Local, then the Central Bank. As a bank, DMA has an independent and direct access to Banque de France refinancing, even in case of bankruptcy of its mother company. Considering that DMA is exclusively dedicated to Public sector assets,



around 70% of its cover pool is eligible as collateral for ECB refinancing. This enables DMA to cover its liquidity needs till the maturity of its longest privileged debt.

### VIII - 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 September 30, 2009, can be analyzed in a synthetic manner as follows.

<i>EUR millions - IFRS</i>	9 months 2008	2008	9 months 2009	Change 9 months 2009/2008
Interest margin	184	255	233	
Net commissions	(3)	(4)	(4)	
Net result of hedge accounting	-	-	-	
Net result of financial assets available for sale	3	3	22	
Other income and expense	-	-	-	
<b>Net banking income</b>	<b>184</b>	<b>254</b>	<b>251</b>	<b>+36%</b>
General administrative expenses	(63)	(83)	(65)	
Taxes	(6)	(9)	(4)	
<b>Operating income before cost of risk</b>	<b>115</b>	<b>162</b>	<b>182</b>	<b>+58%</b>
Cost of risk	(1)	(3)	(1)	
<b>Pre-tax income</b>	<b>114</b>	<b>159</b>	<b>181</b>	<b>+59%</b>
Corporate income tax	(34)	(46)	(56)	
<b>Net income</b>	<b>80</b>	<b>113</b>	<b>125</b>	<b>+56%</b>

Net banking income increased by 36% (EUR 67 million) over the same period in 2008, rising from EUR 184 million to EUR 251 million.

The increase can be attributed to the interest margin, up EUR 49 million, and income from 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 significant increase of the interest margin in 2009 corresponds:

- to the growth of the commercial margin (the average outstanding assets rose more than 4.0% compared with the same period in the previous year, rising from EUR 70.5 billion to 73.3 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 a minor impact on the results of the period, because the major part of the volume of payouts was recorded in June and in the third quarter.

The item “Net result of financial assets available for sale” included penalties received for early reimbursement of customer loans (EUR 3 million) and gains recorded upon early reimbursement of borrowings (EUR 7 million), in addition to capital gains from the sale of assets (EUR 12 million).

Operating expenses were mainly comprised of commissions paid to Dexia Credit Local for the operational management of the Company within the framework of the contract described in article L.515-22 of the Monetary and Financial Code. They rose slightly 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*). Taxes (Organic, *taxe professionnelle*) declined as the base on which they are calculated is linked to interest rates, which have fallen sharply in 2009.

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 56%, rising EUR 45 million; it increased from EUR 80 million to EUR 125 million.

## **IX - Outlook for the last quarter**

In light of the significant volume of issues already launched, Dexia MA will implement an opportunistic strategy in the last quarter of 2009, focusing on private placements and taps of existing benchmarks.

The production and acquisition of assets originated in the Dexia Group will be calibrated so as to provide Dexia MA with the volume required to launch an ambitious issuance program in the first quarter of 2010.

\* \* \* \*

**Loans to local governments and bonds as of 9/30/2009  
(EUR millions)**

France	9/30/2009			12/31/2008		
	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
State	268.9	0.0	268.9	0.0	0.0	0.0
Regions	1,923.6	161.8	2,085.4	1,943.6	171.4	2,115.0
Departments	6,000.9	0.0	6,000.9	6,071.4	0.0	6,071.4
Municipalities	18,826.4	256.4	19,082.8	19,674.9	257.5	19,932.4
Groups of municipalities	10,148.3	0.0	10,148.3	10,110.2	0.0	10,110.2
Public sector entities	9,486.8	0.0	9,486.8	9,502.7	0.0	9,502.7
Loans guaranteed by local governments	1,666.2	0.0	1,666.2	791.4	0.0	791.4
Credit institution (certificate of deposit)	0.0	1,350.0	1,350.0			
<b>Total</b>	<b>48,321.1</b>	<b>1,768.2</b>	<b>50,089.3</b>	<b>48,094.2</b>	<b>428.9</b>	<b>48,523.1</b>
<b>Austria</b>						
	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
<i>Länder</i>	208.6	0.0	208.6	210.4	0.0	210.4
ABS	0.0	85.1	85.1	0.0	86.3	86.3
<b>Total</b>	<b>208.6</b>	<b>85.1</b>	<b>293.7</b>	<b>210.4</b>	<b>86.3</b>	<b>296.7</b>
<b>Portugal</b>						
	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
Regions	0.0	0.0	0.0	0.0	0.0	0.0
Municipalities	107.6	0.0	107.6	113.4	0.0	113.4
Public sector entities	11.6	0.0	11.6	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
<b>Total</b>	<b>119.2</b>	<b>47.5</b>	<b>166.7</b>	<b>126.7</b>	<b>47.5</b>	<b>174.2</b>
<b>Iceland</b>						
	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
Securities guaranteed by the State or by local governments	0.0	180.4	180.4	0.0	180.4	180.4
<b>Total</b>	<b>0.0</b>	<b>180.4</b>	<b>180.4</b>	<b>0.0</b>	<b>180.4</b>	<b>180.4</b>
<b>Finland</b>						
	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
State	0.0	0.0	0.0	0.0	0.0	0.0
Municipalities	44.7	0.0	44.7	49.7	0.0	49.7
Public sector entities	60.4	0.0	60.4	72.9	0.0	72.9
<b>Total</b>	<b>105.1</b>	<b>0.0</b>	<b>105.1</b>	<b>122.6</b>	<b>0.0</b>	<b>122.6</b>
<b>Greece</b>						
	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
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
<b>Total</b>	<b>300.0</b>	<b>421.2</b>	<b>721.2</b>	<b>410.0</b>	<b>421.2</b>	<b>831.2</b>
<b>Italy</b>						
	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
State	0.0	506.3	506.3	0.0	506.3	506.3
Regions	0.0	1,031.3	1,031.3	0.0	1,042.6	1,042.6
Provinces	0.0	157.6	157.6	0.0	163.4	163.4
Municipalities	15.4	1,417.3	1,432.7	16.6	1,449.9	1,466.5
ABS	0.0	12.8	12.8	0.0	17.5	17.5
Securities issued by DCC (see note 1 below)	0.0	3,916.3	3,916.3	0.0	4,010.1	4,010.1
Securities guaranteed by the State or by local governments	0.0	108.7	108.7	0.0	107.2	107.2
<b>Total</b>	<b>15.4</b>	<b>7,150.3</b>	<b>7,165.7</b>	<b>16.6</b>	<b>7,297.0</b>	<b>7,313.6</b>
<b>Spain</b>						
	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	37.1	37.1	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	128.0	128.0	0.0	127.1	127.1
<b>Total</b>	<b>0.0</b>	<b>3,430.0</b>	<b>3,430.0</b>	<b>0.0</b>	<b>3,431.5</b>	<b>3,431.5</b>

	9/30/2009			12/31/2008		
	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
<b>Switzerland</b>						
Cantons	1,359.2	0.0	1,359.2	1,324.8	0.0	1,324.8
Municipalities	1,115.0	0.0	1,115.0	1,107.0	0.0	1,107.0
Public sector entities	98.8	0.0	98.8	127.9	0.0	127.9
Loans guaranteed by local governments	1,907.4	0.0	1,907.4	2,113.5	0.0	2,113.5
<b>Total</b>	<b>4,480.4</b>	<b>0.0</b>	<b>4,480.4</b>	<b>4,673.2</b>	<b>0.0</b>	<b>4,673.2</b>
<b>Belgium</b>						
Regions	382.3	93.3	475.6	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
Etat	0.0	2,124.2	2,124.2	0.0	15.0	15.0
Securities issued by DSFB (see note 2 below)	0.0	3,080.2	3,080.2	0.0	3,179.5	3,179.5
Loans guaranteed by the State or by local governments	266.1	15.0	281.1	342.9	0.0	342.9
<b>Total</b>	<b>815.9</b>	<b>5,437.7</b>	<b>6,253.6</b>	<b>878.8</b>	<b>3,412.8</b>	<b>4,291.6</b>
<b>Germany</b>						
<i>Länder</i>	0.0	515.0	515.0	0.0	535.0	535.0
<i>Pfandbriefe</i>	0.0	0.0	0.0	0.0	0.0	0.0
<i>Securities guaranteed by the State or by local governments</i>	0.0	302.6	302.6	0.0	299.8	299.8
<b>Total</b>	<b>0.0</b>	<b>817.6</b>	<b>817.6</b>	<b>0.0</b>	<b>834.8</b>	<b>834.8</b>
<b>United States</b>						
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
<b>Total</b>	<b>0.0</b>	<b>252.9</b>	<b>252.9</b>	<b>0.0</b>	<b>249.7</b>	<b>249.7</b>
<b>Monaco</b>						
Public sector entities	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Sweden</b>						
Municipalities	155.1	0.0	155.1	202.1	0.0	202.1
Loans guaranteed by local governments	271.2	0.0	271.2	351.9	0.0	351.9
<b>Total</b>	<b>426.3</b>	<b>0.0</b>	<b>426.3</b>	<b>554.0</b>	<b>0.0</b>	<b>554.0</b>
<b>Canada</b>						
Provinces	0.0	22.4	22.4	0.0	22.4	22.4
Municipalities	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>0.0</b>	<b>22.4</b>	<b>22.4</b>	<b>0.0</b>	<b>22.4</b>	<b>22.4</b>
<b>United Kingdom</b>						
Securities guaranteed by the State or by local governments	0.0	758.3	758.3	0.0	758.3	758.3
<b>Total</b>	<b>0.0</b>	<b>758.3</b>	<b>758.3</b>	<b>0.0</b>	<b>758.3</b>	<b>758.3</b>
<b>Luxembourg</b>						
<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	93.8	93.8	0.0	2,722.7	2,722.7
<b>Total</b>	<b>0.0</b>	<b>2,693.8</b>	<b>2,693.8</b>	<b>0.0</b>	<b>2,722.7</b>	<b>2,722.7</b>

	9/30/2009			12/31/2008		
	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
<b>Hungary</b>						
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
<b>Lithuania</b>						
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
<b>Poland</b>						
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
<b>Japan</b>						
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
<b>Netherlands</b>						
State	0.0	400.0	400.0	0.0	0.0	0.0
Total	0.0	400.0	400.0	0.0	0.0	0.0
<b>Ireland</b>						
Securities guaranteed by the State	0.0	170.0	170.0	0.0	0.0	0.0
Total	0.0	170.0	170.0	0.0	0.0	0.0
<b>General total *</b>	<b>54,792.0</b>	<b>23,660.4</b>	<b>78,452.4</b>	<b>56,725.5</b>	<b>19,918.5</b>	<b>76,644.0</b>

\* Excluding premiums and discounts

Premiums and discounts on securities	-14.0	-9.6
Translation adjustments on securities	-243.3	-248.6
<b>Value of securities on the balance sheet (French accounting standards)</b>	<b>23,403.1</b>	<b>19,660.3</b>

Premiums and discounts are recorded in accruals.

**NOTE 1:**

The DCC securities, in the amount of EUR 3,968.5 million as of September 30, 2009, were subscribed by Dexia MA for EUR 3,916.3 million. The purpose of this securitization vehicle created by Dexia Credioip is to allow refinancing by Dexia MA of Italian public sector assets transferred by Dexia Credioip to DCC. The securities held by Dexia MA benefit from the guarantee of Dexia Credioip and are consequently rated A+ by Fitch, A by Standard & Poor's and A2 by Moody's. As of September 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 3,139.5 million as of September 30, 2009, were subscribed by Dexia MA for 98%, i.e. EUR 3,080.2 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 A+ by Fitch, A by Standard and Poor's and A1 by Moody's. As of September 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 September 30, 2009, by DCC - Dexia Credioip per la Cartolarizzazione**

Italian assets	EUR millions
State	0.0
Regions	2,033.0
Provinces	711.3
Municipalities	1,139.7
DCC bank account with Dexia Bank Belgium	84.5
<b>Total</b>	<b>3,968.5</b>

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

Belgian assets	EUR millions
State	0.0
Regions	378.0
Provinces	0.0
Public sector entities	2,016.5
Groups of public sector entities	89.3
Loans guaranteed by local governments	655.7
<b>Total</b>	<b>3,139.5</b>

## Assets as of September 30, 2009

EUR millions	Note	9/30/2008	9/30/2009
Central banks	2.1	8	16
Financial assets at fair value through profit or loss		-	-
Hedging derivatives	4.1	3,152	3,034
Financial assets available for sale	2.2	19,583	5,434
Interbank loans and advances	2.3	4,167	8,180
Customer loans and advances	2.4	51,865	68,753
Fair value revaluation of portfolio hedge		- 103	804
Financial assets held to maturity		-	-
Current tax assets	2.5	17	2
Deferred tax assets	2.5	220	154
Accruals and other assets	2.6	42	-
<b>Total Assets</b>		<b>78,951</b>	<b>86,377</b>

## Liabilities as of September 30, 2009

EUR millions	Note	9/30/2008	9/30/2009
Central banks	3.1	3,997	-
Financial liabilities at fair value through profit or loss		-	-
Hedging derivatives	4.1	5,799	5,486
Interbank loans and deposits	3.2	5,384	12,328
Customer borrowings and deposits		-	-
Debt securities	3.3	63,368	64,666
Fair value revaluation of portfolio hedge		- 407	1,528
Current tax liabilities	3.4	9	11
Deferred tax liabilities	3.4	-	-
Accruals and other liabilities	3.5	89	1,392
Provisions		-	-
Subordinated debt		-	-
<b>Shareholders' equity</b>		<b>712</b>	<b>966</b>
Capital stock and additional paid-in capital		946	1,060
Reserves and retained earnings		12	11
Unrealised or deferred gains and losses		- 326	- 230
Net income		80	125
<b>Total Liabilities</b>		<b>78,951</b>	<b>86,377</b>

## Income statement

EUR millions	Note	9/30/2008	9/30/2009
Interest income	5.1	9,357	5,725
Interest expense	5.1	- 9,173	- 5,492
Fee and commission income	5.2	-	-
Fee and commission expense	5.2	- 3	- 4
Net gains (losses) on financial instruments at fair value through profit or loss	5.3	-	-
Net gains (losses) on financial assets available for sale	5.4	3	22
Other income	5.5	0	-
Other expense	5.6	- 0	-
<b>NET BANKING INCOME</b>		<b>184</b>	<b>251</b>
Operating expense	5.7	- 69	- 69
Cost of risk	5.8	- 1	- 1
<b>Operating income</b>		<b>114</b>	<b>181</b>
Net gains (losses) on other assets		-	-
<b>Income before tax</b>		<b>114</b>	<b>181</b>
Corporate income tax	5.9	- 34	- 56
<b>Net income</b>		<b>80</b>	<b>125</b>
Earnings per share			
- Basic (EUR)		8	12
- Diluted (EUR)		8	12

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

EUR millions	9/30/2008	12/31/2008	9/30/2009
<b>I. Net income</b>	<b>80</b>	<b>113</b>	<b>125</b>
<b>II. Translation adjustments</b>	-	-	-
<b>III. Unrealised or deferred gains and losses of financial assets available for sale</b>	- 259	- 358	- 258
<b>IV. Unrealised or deferred gains and losses of cash flow hedges</b>	- 223	- 162	- 73
<b>VII. Unrealised or deferred gains and losses of associates</b>	-	-	-
<b>VIII. Taxes</b>	151	163	101
<b>IX. Total of unrealised or deferred gains and losses through shareholders' equity</b>	- 331	- 357	- 230
<b>X. Net income and unrealised or deferred gains and losses through shareholders' equity</b>	- 251	- 244	- 105

## Shareholders' equity

	Core shareholders' equity			Unrealised or deferred gains and losses			Shareholders' equity
	Capital stock, Additional paid-in capital	Retained earnings and net income for the period	Total	Net change in fair value of available for sale financial assets, after tax	Net change in fair value of hedging derivatives, after tax	Total	
<b>EUR millions</b>							
<b>As of December 31, 2008, IFRS</b>	<b>946</b>	<b>125</b>	<b>1,071</b>	<b>(252)</b>	<b>(105)</b>	<b>(357)</b>	<b>714</b>
<i>Movements during the period</i>							
- Capital stock	114	-	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	-	-	70	0	70	70
- Changes in fair value of hedging derivatives through shareholders' equity	0	-	-	0	57	57	57
- Changes in fair value of available for sale financial assets through profit and loss	0	-	-	0	0	0	0
- Changes in fair value of hedging derivatives through profit and loss	0	-	-	0	0	0	0
- Net income for the period	0	125	125	0	0	0	125
- Other movements	0	0	0	0	0	0	0
<b>As of September 30, 2009, IFRS</b>	<b>1,060</b>	<b>136</b>	<b>1,196</b>	<b>(182)</b>	<b>(48)</b>	<b>(230)</b>	<b>966</b>

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 allocation to legal reserve;
- (ii) to distribute a dividend of EUR 113.5 million



# Cash Flow Statement

EUR millions	9/30/2008	9/30/2009
<b>Net income before taxes</b>	<b>114</b>	<b>181</b>
+/- Amortisation and depreciation and other impairment on fixed and intangible assets	0	0
+/- Depreciation and write-downs	1	2
+/- Expense/income from operating activities	(190)	306
+/- Expense/income from financing activities	171	(139)
+/- Other non-cash items	(18)	(171)
<b>= Non-monetary elements included in net income before tax and other adjustments</b>	<b>(36)</b>	<b>(2)</b>
+/- Cash from interbank operations (Dexia Credit Local and Banque de France)	3,600	(7,126)
+/- Cash from interbank operations (client loans)	(926)	1,912
+/- Cash from client operations (loans)	(956)	(22)
+/- Cash from financing assets	(2,525)	(3,731)
+/- Cash from hedging financial instruments	(218)	1,050
- Income tax paid	(75)	(45)
<b>= Decrease/(increase) in cash from operating activities</b>	<b>(1,100)</b>	<b>(7,962)</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES (A)</b>	<b>(1,022)</b>	<b>(7,783)</b>
<b>+/- Cash from financing assets and long-term investments</b>	<b>0</b>	<b>0</b>
<b>+/- Cash from investment property</b>	<b>0</b>	<b>0</b>
<b>+/- Cash from property and intangible assets</b>	<b>0</b>	<b>0</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES (B)</b>	<b>0</b>	<b>0</b>
<b>+/- Cash from or for shareholders</b>	<b>0</b>	<b>1</b>
<b>+/- Other cash from financing activities</b>	<b>5,733</b>	<b>159</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES (C)</b>	<b>5,733</b>	<b>160</b>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH (D)</b>	<b>0</b>	<b>0</b>
<b>Increase/(decrease) in cash equivalents (A + B + C + D)</b>	<b>4,711</b>	<b>(7,623)</b>
Cash flow from operating activities (A)	(1,022)	(7,783)
Cash flow from investing activities (B)	0	0
Cash flow from financing activities (C)	5,733	160
Effect of exchange rates on cash (D)	0	0
<b>Cash and cash equivalents at the beginning of the period</b>	<b>(7,484)</b>	<b>(1,162)</b>
Cash, central banks and postal checking accounts (assets & liabilities)	15	(334)
Interbank accounts (assets & liabilities) and loans/deposits at sight	(7,499)	(828)
<b>Cash and cash equivalents at the end of the period</b>	<b>(2,773)</b>	<b>(8,785)</b>
Cash, central banks and postal checking accounts (assets & liabilities)	(988)	16
Interbank accounts (assets & liabilities) and loans/deposits at sight	(1,785)	(8,801)
<b>Net cash</b>	<b>4,711</b>	<b>(7,623)</b>

# NOTES TO THE FINANCIAL STATEMENTS AS OF SEPTEMBER 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 financial statements as of September 30, 2009 were examined by the Executive Board on November 30, 2009.

## 1. 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.

## • 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.

- Amendment to IAS 39 Financial instruments : “Recognition and Measurement : Eligible Hedged Items” which is effective as from July 1, 2009. This amendment has no impact on the financial statements of Dexia Municipal Agency.

- Amendment to IAS 39 “Reclassification of Financial Assets : Effective Date and Transition”, which clarifies the effective date and transition requirements of the amendment to IAS 39 on reclassification of financial assets issued in October 2008. This amendment has 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 is applicable as of July 1, 2009, and has no impact on Dexia Municipal Agency.

- IFRIC 15 “Agreements for the construction of Real Estate”, which is effective for annual periods beginning on or after January 1, 2009.

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

In the financial statements as of September 30, 2009, Dexia Municipal Agency applies the revised IAS 1 and as a result, discloses a 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 from January 1, 2009 has no impact on the quarterly financial statements as of September 30, 2009.

## **c. Texts not yet adopted by the European Commission**

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

- *Amendments to standards*

IASB published four series of amendments to existing standards.

- Amendment to IFRS 7 “Financial Instruments: Disclosures” entitled “Improving Disclosures about Financial Instruments”. This amendment, 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. This amendment has 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”. This amendment 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.

- Amendments to IFRS 1 “Additional exemptions for first time adopters”, applicable for annual periods beginning on or after January 1, 2009. These amendments have no impact on Dexia Municipal Agency, which is not a first-time adopter anymore.

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.

## **2. ACCOUNTING PRINCIPLES APPLIED TO THE FINANCIAL STATEMENTS**

### **2.1 - OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

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

### **2.2 - 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.

### **2.3 - 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.

### **2.4 - 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 September 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 client's solvency deteriorates to the point that it induces a doubt about whether the loan's capital and related interest will be repaid.

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

- **Specific loss allowance.** The amount of the provision on specifically identified assets is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, net of guarantees and collateral discounted using the effective interest rate at the time of the test of impairment. Impairment and reversal of impairment are recognized on a case-by-case basis in accordance with the standard.  
Financial assets with small balances that share similar risk characteristics are generally aggregated in this measurement.
- **Collective allowance.** Loss impairments cover incurred losses not covered by specific impairment where there is objective evidence that probable losses are present in segments of the portfolio or other lending commitments at the balance-sheet date. These have been estimated on the basis of past performance and historical patterns of losses in each segment, the credit ratings allocated to the borrowers, and the current economic environment in which the borrowers operate. For that purpose, Dexia MA uses the credit risk model developed by Dexia Credit Local, which is based on an approach that combines appropriate default probabilities and losses in the event of default that are subject to regular back testing and are based on Basel II data and risk models.

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

The country risk is included within collective and specific impairment.

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

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

Impairment on financial assets held to maturity (HTM) and financial assets available for sale (AFS) is reported in "Cost of risk". Impairment of variable income financial assets available for sale is recorded as "Net gains and losses on financial assets available for sale".

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

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

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

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

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

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

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

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

## **2.5 - 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 September 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 3.2).

## 2) Registered covered bonds.

The 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.

## 2.6 - 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.

## **2.7 - FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

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

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

Therefore, for financial instruments where no market price is available, the fair values have been estimated using the present value of cash flows or other estimation and valuation techniques based on market conditions existing at

balance-sheet dates. The values derived from applying these techniques are significantly affected by the underlying assumptions made concerning both the amounts and timing of future cash flows and the discount rates.

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

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

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

- the fair value of fixed rate loans and mortgages 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.

## **2.8 - 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.

## **2.9 - 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.

## **2.10 - 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.

## **2.11 - 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.

## **2.12 - 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.

## **2.13 - 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.

## **2.14 - 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.

## **2.15 - 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.

## **2.16 - 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	9/30/2008	9/30/2009
Mandatory reserve deposits with central banks	8	16
Other central bank deposits	0	0
<b>Total</b>	<b>8</b>	<b>16</b>

### 2.2 - FINANCIAL ASSETS AVAILABLE FOR SALE

#### a. Analysis by nature

EUR millions	9/30/2008	9/30/2009
Loans	0	0
Bonds (1)	19,583	5,434
<b>Total</b>	<b>19,583</b>	<b>5,434</b>

(1) Please remind that, on October 1st, 2008, Dexia Municipal Agency used amended IAS 39 in order to reclassify AFS securities into loans and receivables.

#### b. Breakdown by counterparty

EUR millions	9/30/2008	9/30/2009
Public sector	5,352	3,620
Credit institutions guaranteed by the public sector	331	1,814
Other - guaranteed by a State or local government	1,293	0
Other - ABS made up solely of public commitments	7,340	0
<b>Total public sector</b>	<b>14,316</b>	<b>5,434</b>
Replacement assets	5,267	0
<b>Total</b>	<b>19,583</b>	<b>5,434</b>
<i>of which eligible for central bank refinancing</i>	9,455	0

#### c. Impairment

EUR millions	9/30/2008	9/30/2009
Public sector bonds or bonds guaranteed by the public sector	14,316	5,434
Replacement assets	5,267	0
<b>Total performing assets</b>	<b>19,583</b>	<b>5,434</b>
Public sector bonds or bonds guaranteed by the public sector	0	0
Replacement assets	0	0
<b>Total impaired assets</b>	<b>0</b>	<b>0</b>
Specific impairment	0	0
<b>Total assets after impairment</b>	<b>19,583</b>	<b>5,434</b>

#### d. Replacement assets

EUR millions	Rating	9/30/2008	9/30/2009
Dexia Sabadell - <i>Cedulas</i>	Moody's Aaa	2,660	0
Dexia LdG Banque - Lettres de Gage	S&P AAA	2,607	0
<b>Total</b>		<b>5,267</b>	<b>0</b>

#### e. ABS from public sector

EUR millions	Rating	9/30/2008	9/30/2009
Colombo	Aaa Moody's, AAA S&P	13	0
Astrea	AA- Fitch, Aa2 Mody's	4	0
Blue Danube	AA+ S&P	82	0
DCC - Dexia Crediop per la cartolarizzazione	A+ Fitch, A2 Moody's, A S&P	4,037	0
DSFB - Dexia Secured Funding Belgium	A+ Fitch, A1 Moody's, A S&P	3,205	0
<b>Total</b>		<b>7,341</b>	<b>0</b>

f. Analysis by residual maturity: see note 7.3

## 2.3 INTERBANK LOANS AND ADVANCES

### a. Analysis by nature

EUR millions	9/30/2008	9/30/2009
Nostro accounts	0	0
Other interbank loans and advances	4,167	8,180
<b>Performing assets</b>	<b>4,167</b>	<b>8,180</b>
Impaired loans and advances	0	0
<b>Impaired assets</b>	<b>0</b>	<b>0</b>
<b>Total assets before impairment</b>	<b>4,167</b>	<b>8,180</b>
Specific impairment	0	0
Collective impairment	0	0
<b>Total</b>	<b>4,167</b>	<b>8,180</b>

### b. Breakdown by counterparty

EUR millions	9/30/2008	9/30/2009
Swiss cantonal banks benefiting from their canton's legal guarantee	2,057	1,975
Banks guaranteed by a local government, <i>crédits municipaux</i>	145	215
Credit institutions belonging to the Dexia Group: loans benefiting from the assignment in guarantee of refinanced public debt	1,965	187
Credit institutions guaranteed by the State	0	10
Replacement assets	0	5,793
<b>Total</b>	<b>4,167</b>	<b>8,180</b>

### c. Replacement assets

EUR millions	Rating	9/30/2008	9/30/2009
Dexia Sabadell - <i>Cedulas</i>	Moody's Aaa	0	3,193
Dexia LdG Banque - Lettres de gage	S&P AAA	0	2,600
Dexia Crédit Local Dublin - sight account		0	0
<b>Total</b>		<b>0</b>	<b>5,793</b>

d. Analysis by residual maturity: see note 7.3

## 2.4 - CUSTOMER LOANS AND ADVANCES

### a. Analysis by counterparty

EUR millions	9/30/2008	9/30/2009
Public sector	48,278	57,378
Other * - guaranteed by a State or local government	3,588	4,279
Other - ABS made up solely of public commitments	0	7,096
<b>Performing assets</b>	<b>51,866</b>	<b>68,753</b>
Impaired loans and advances	7	12
<b>Impaired assets</b>	<b>7</b>	<b>12</b>
<b>Total assets before impairment</b>	<b>51,873</b>	<b>68,765</b>
Specific impairment	0	(1)
Collective impairment	(8)	(11)
<b>Total</b>	<b>51,865</b>	<b>68,753</b>

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

### b. Public sector ABS

en EUR millions	Rating	9/30/2008	9/30/2009
Colombo	Aaa Moody's, AAA S&P	0	10
Astrea	AA- Fitch, Aa2 Mody's	0	2
Blue Danube	AA+ S&P	0	79
DCC - Dexia Crediop per la cartolarizzazione	A+ Fitch, A2 Moody's, A S&P	0	3,920
DSFB - Dexia Secured Funding Belgium	A+ Fitch, A1 Moody's, A S&P	0	3,085
<b>Total</b>		<b>0</b>	<b>7,096</b>

c. Analysis by residual maturity: see note 7.3

## 2.5 - TAX ASSETS

EUR millions	9/30/2008	9/30/2009
Current income tax	17	2
Other-taxes	0	0
<b>Current tax assets</b>	<b>17</b>	<b>2</b>
Deferred tax assets (see note 4.2)	220	154

## 2.6 - ACCRUALS AND OTHER ASSETS

Analysis by nature (EUR millions)	9/30/2008	9/30/2009
Cash collateral	0	0
Other accounts receivable	0	0
Prepaid charges	32	0
Other assets	10	0
<b>Total accruals and other assets</b>	<b>42</b>	<b>0</b>

### 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.

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

EUR millions	9/30/2008	9/30/2009
Overnight borrowing	997	0
Time borrowing, maturity second quarter 2009	3,000	0
Accrued interests	0	0
<b>Total Banque de France funding</b>	<b>3,997</b>	<b>0</b>

#### 3.2 - INTERBANK LOANS AND DEPOSITS

a. Analysis by nature

EUR millions	9/30/2008	9/30/2009
Demand deposits	1,800	8,804
Time deposits	3,584	3,524
<b>Total</b>	<b>5,384</b>	<b>12,328</b>

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

Sub-accounts make it possible to distinguish within the master-account among types of financing (over-collateralization, stock of assets prior to issuance and other). The master-account totaled EUR 12,301 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 8,801 million;
- sub-account comprised of various borrowings earmarked to finance the structural over-collateralization of 5%.

Dexia MA's policy is to maintain minimum structural over-collateralization of 5%, i.e. 105% of outstanding obligations foncières and registered covered bonds. These borrowings totaled EUR 3,500 million as of September 30, 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.

EUR millions	9/30/2008	9/30/2009
Balance of current account	1,779	8,801
Accrued interest not yet due on the current account	21	3
Balance of the ancillary account – maturity 2010	200	0
Balance of the ancillary account – maturity 2011	700	0
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	84	24
<b>TOTAL Dexia Crédit Local</b>	<b>5,384</b>	<b>12,328</b>

b. Analysis by residual maturity : see note 7.3

#### 3.3 DEBT SECURITIES

a. Analysis by nature

EUR millions	9/30/2008	9/30/2009
<i>Obligations foncières</i>	61,741	61,012
Registered covered bonds	1,627	3,654
<b>Total</b>	<b>63,368</b>	<b>64,666</b>

b. Analysis by residual maturity : see note 7.3

#### 3.4 - TAX LIABILITIES

EUR millions	9/30/2008	9/30/2009
Current income tax	3	7
Other taxes	6	4
<b>Current tax liabilities</b>	<b>9</b>	<b>11</b>
<b>Deferred tax liabilities (see note 4.2)</b>	<b>0</b>	<b>0</b>

#### 3.5 - ACCRUALS AND OTHER LIABILITIES

EUR millions	9/30/2008	9/30/2009
Cash received as collateral	0	1,364
Other accrued charges	44	27
Deferred income	0	0
Other accounts payable and other liabilities	45	1
<b>Total</b>	<b>89</b>	<b>1,392</b>

## 4. OTHER NOTES ON THE BALANCE SHEET

### 4.1 DERIVATIVES

#### a. Analysis by nature

EUR millions	9/30/2008		9/30/2009	
	Assets	Liabilities	Assets	Liabilities
<b>Derivatives at fair value through profit or loss</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Derivatives designated as fair value hedges	1,346	3,550	1,111	4,398
Derivatives designated as cash flow hedges	13	369	3	151
Derivatives designated as portfolio hedges	1,793	1,880	1,920	937
<b>Hedging derivatives</b>	<b>3,152</b>	<b>5,799</b>	<b>3,034</b>	<b>5,486</b>
<b>Total derivatives</b>	<b>3,152</b>	<b>5,799</b>	<b>3,034</b>	<b>5,486</b>

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

EUR millions	9/30/2008				9/30/2009			
	Notional amount		Assets	Liabilities	Notional amount		Assets	Liabilities
	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	20,900	22,000	696	1,399	17,802	18,582	684	946
Interest rate derivatives	41,413	41,413	650	2,151	42,511	42,511	427	3,453
<b>Total</b>	<b>62,313</b>	<b>63,413</b>	<b>1,346</b>	<b>3,550</b>	<b>60,313</b>	<b>61,093</b>	<b>1,111</b>	<b>4,398</b>

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

EUR millions	9/30/2008				9/30/2009			
	Notional amount		Assets	Liabilities	Notional amount		Assets	Liabilities
	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	2,547	2,677	13	369	2,295	2,369	3	151
Interest rate derivatives	0	0	0	0	0	0	0	0
<b>Total</b>	<b>2,547</b>	<b>2,677</b>	<b>13</b>	<b>369</b>	<b>2,295</b>	<b>2,369</b>	<b>3</b>	<b>151</b>

EUR millions	9/30/2008	9/30/2009
Recycled amount of the fair value reserve cash flow hedges in the acquisition cost of non-financial assets (cash flow hedge of a highly probable transaction)	0	0

#### d. Detail of derivatives designated as portfolio hedges

EUR millions	9/30/2008				9/30/2009			
	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	166,933	166,933	1,793	1,880	179,592	179,592	1,920	937
<b>Total</b>	<b>166,933</b>	<b>166,933</b>	<b>1,793</b>	<b>1,880</b>	<b>179,592</b>	<b>179,592</b>	<b>1,920</b>	<b>937</b>



## 4.2 - DEFERRED TAXES

### a. Analysis by nature

EUR millions	9/30/2008	9/30/2009
Deferred tax assets before impairment	220	154
Impairment on deferred tax assets	0	0
<b>Deferred tax assets (1)</b>	<b>220</b>	<b>154</b>
<b>Deferred tax liabilities (1)</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>220</b>	<b>154</b>

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

The significant change in net deferred taxes was mainly due to the recognition of deferred tax assets on the fair value reserve on securities available for sale as of September 30, 2009.

### b. Movements

EUR millions	9/30/2008	9/30/2009
<b>As of January 1</b>	<b>55</b>	<b>223</b>
- Charge/credit recognized in the income statement	11	(7)
- Effect of change in tax rates - impact on the income statement	0	0
- Movements directly recognized in shareholders' equity	154	(62)
- Effect of change in tax rates - impact on shareholders' equity	0	0
- Translation adjustment	0	0
- Other movements	0	0
<b>As of September 30</b>	<b>220</b>	<b>154</b>

### c. Deferred taxes from assets on the balance sheet

EUR millions	9/30/2008	9/30/2009
Loans (and loan loss provisions)	64	56
Securities	77	79
Derivatives	78	23
Accruals and other assets	18	16
<b>Total</b>	<b>237</b>	<b>174</b>

### d. Deferred taxes from liabilities on the balance sheet

EUR millions	9/30/2008	9/30/2009
Derivatives	0	0
Borrowings, deposits and issues of debt securities	0	0
Provisions	0	0
Regulatory provisions	(17)	(20)
Accruals and other liabilities	0	0
<b>Total</b>	<b>(17)</b>	<b>(20)</b>

## 4.3 RELATED-PARTY TRANSACTIONS

Analysis by nature EUR millions	Parent company (Dexia Credit Local)		Other related parties (1)	
	9/30/2008	9/30/2009	9/30/2008	9/30/2009
<b>Assets</b>				
Loans and advances (2)	1,965	7,299	0	5,685
Bonds (2)	6,697	1,350	5,812	0
<b>Liabilities</b>				
Balance of current account	0	8,804	0	0
Interbank loans	3,585	3,524	0	0
<b>Income statement</b>				
Interest income on loans	59	142	0	83
Interest income on bonds	215	5	188	0
Interest expense on loans	(112)	(34)	0	0
Fee and commission expense	(3)	0	0	0
<b>Off-balance sheet</b>				
Interest rate derivatives	109,988	141,389	3,646	3,617
Guarantees issued by the Group	4,010	3,916	3,204	3,083

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

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

## 5. NOTES ON THE INCOME STATEMENT

### 5.1 - INTEREST INCOME - INTEREST EXPENSE

EUR millions	9/30/2008	9/30/2009
<b>Interest income</b>	<b>9,357</b>	<b>5,725</b>
Central banks	0	0
Interbank loans and advances (1)	107	147
Customer loans and advances (2)	1 603	1 648
Financial assets available for sale	687	51
Financial assets held to maturity	0	0
Derivatives used for hedging	6 960	3 879
Impaired assets	0	0
Other	0	0
<b>Interest expense</b>	<b>(9,173)</b>	<b>(5,492)</b>
Central banks	0	0
Interbank loans and deposits	(278)	(103)
Customer borrowings and deposits	0	0
Debt securities	(1 962)	(1 954)
Subordinated debt	0	0
Derivatives used for hedging	(6 933)	(3 435)
Other	0	0
<b>Interest margin</b>	<b>184</b>	<b>233</b>

### 5.2 FEES AND COMMISSIONS

EUR millions	9/30/2008			9/30/2009		
	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	(3)	(3)	0	(4)	(4)
Custodial services	0	0	0	0	0	0
Issuance and underwriters of securities	0	0	0	0	0	0
Other	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>(3)</b>	<b>(3)</b>	<b>0</b>	<b>(4)</b>	<b>(4)</b>

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

EUR millions	9/30/2008	9/30/2009
Net result of hedge accounting	0	0
Net result of foreign exchange transactions	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

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

#### Analysis of net result of hedge accounting

EUR millions	9/30/2008	9/30/2009
<b>Fair value hedges</b>	<b>0</b>	<b>0</b>
Fair value changes of the hedged item attributable to the hedged risk	1,254	(80)
Fair value changes of the hedging derivatives	(1,254)	80
<b>Cash flow hedges</b>	<b>0</b>	<b>0</b>
Fair value changes of the hedging derivatives – ineffective portion	0	0
Discontinuation of cash flow hedge accounting (Cash flows no longer expected to occur)	0	0
<b>Hedges of net investments in a foreign operation</b>	<b>0</b>	<b>0</b>
Fair value changes of the hedging derivatives – ineffective portion	0	0
<b>Portfolio hedge</b>	<b>0</b>	<b>0</b>
Fair value changes of the hedged item	143	(533)
Fair value changes of the hedging derivatives	(143)	533
<b>Total</b>	<b>0</b>	<b>0</b>

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

EUR millions	9/30/2008	9/30/2009
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	6
Net gain (loss) on the sale or cancellation of loans and advances	4	16
<b>Total</b>	<b>3</b>	<b>22</b>

### 5.5 OPERATING EXPENSE

EUR millions	9/30/2008	9/30/2009
Payroll costs	0	0
General and administrative expense	(63)	(65)
Taxes	(6)	(4)
<b>Total</b>	<b>(69)</b>	<b>(69)</b>

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

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

## 5.6 - COST OF RISK

EUR millions	9/30/2008			9/30/2009		
	Collective impairment	Specific impairment	Total	Collective impairment	Specific impairment (1)	Total
Loans and advances	(1)	0	(1)	(1)	0	(1)
Fixed income securities available for sale	0	0	0	0	0	0
<b>Total</b>	<b>(1)</b>	<b>0</b>	<b>(1)</b>	<b>(1)</b>	<b>0</b>	<b>(1)</b>

### Detail of collective and specific impairments

Collective impairment EUR millions	9/30/2008			9/30/2009		
	Charges	Recoveries	Total	Charges	Recoveries	Total
Loans and securities held to maturity	(1)	0	(1)	(1)	0	(1)
Off-balance sheet commitments	0	0	0	0	0	0
<b>Total</b>	<b>(1)</b>	<b>0</b>	<b>(1)</b>	<b>(1)</b>	<b>0</b>	<b>(1)</b>

Specific impairment EUR millions	9/30/2008				Total
	Charges	Recoveries	Losses	Collections	
Interbank loans and advances	0	0	0	0	0
Customer loans and advances	0	0	0	0	0
Financial assets held to maturity	0	0	0	0	0
Off-balance sheet commitments	0	0	0	0	0
<b>Total credit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fixed income securities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Specific impairment EUR millions	9/30/2009				Total
	Charges (1)	Recoveries	Losses	Collections	
Interbank loans and advances	0	0	0	0	0
Customer loans and advances	0	0	0	0	0
Financial assets held to maturity	0	0	0	0	0
Off-balance sheet commitments	0	0	0	0	0
<b>Total credit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fixed income securities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

(1) The charge of the period is EUR 0.3 Million, rounded to 0 in the table, whereas the balance sheet stock become EUR 0.6 Million rounded to EUR 1 Million.

## 5.7 - CORPORATE INCOME TAX

### a. Detail of tax expense

EUR millions	9/30/2008	9/30/2009
Current taxes	(45)	(49)
Deferred taxes	11	(7)
Tax on prior years' income	0	0
Deferred taxes on prior years	0	0
Provisions for tax litigations	0	0
<b>Total</b>	<b>(34)</b>	<b>(56)</b>

### b. Effective tax expense as of September 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 September 30, 2009, amounted to 30.91%

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

(EUR millions)	9/30/2008	9/30/2009
<b>Income before income taxes</b>	<b>114</b>	<b>181</b>
Net income from associates	0	0
<b>Tax base</b>	<b>114</b>	<b>181</b>
Applicable tax rate at the end of the period	34.43%	34.43%
Theoretical corporate income tax at the standard rate	39	62
Impact of differences between foreign tax rates and the standard French tax rate	(5)	(6)
Tax effect of non-deductible expenses	0	0
Tax effect of non-taxable income	0	0
Impact of items taxed at a reduced rate	0	0
Other additional taxes or tax savings	0	0
Liability method	0	0
Provision for tax litigations	0	0
<b>Corporate income tax recorded in the income statement</b>	<b>34</b>	<b>56</b>
<b>Effective tax rate</b>	<b>29.69%</b>	<b>30.91%</b>

### c. Tax consolidation group

Dexia Municipal Agency applies the tax consolidation system.

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

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

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

## 6. NOTES ON OFF-BALANCE SHEET ITEMS

### 6.1 - REGULAR WAY TRADE

EUR millions	9/30/2008 (2)	9/30/2009
Assets to be delivered	212	1,881
Liabilities to be received	165	776

### 6.2 GUARANTEES

EUR millions	9/30/2008 (2)	9/30/2009
Guarantees given to credit institutions	7,214	3,916
Guarantees received from customers	5,482	6,111

### 6.3 - LOAN COMMITMENTS

EUR millions	9/30/2008	9/30/2009
Loan commitments given to credit institutions	17	33
Loan commitments given to customers	5,493	2,903
Loan commitments received from credit institutions	6,814	5,120
Loan commitments received from customers	0	0

### 6.4 - OTHER COMMITMENTS

EUR millions	9/30/2008 (2)	9/30/2009
Banking activity - Commitments given (1)	4,451	608
Banking activity - Commitments received	2,057	445

(1) The amounts account for the book value of financial assets given in guarantee of liabilities.

(2) Figures as of 30, september 2008 had been reclassified according to the same presentation as of 30, september 2009 and updated with the transactions accounted in the regular way trade.

Version published as of september 30, 2008

en EUR millions	30/09/2008
6.1 Assets to be delivered	0
6.1 Liabilities to be received	0
6.2 Guarantees given to credit institutions	4,451
6.2 Guarantees received from customers	7,539
6.4 Banking activity - Commitments given	0
6.4 Banking activity - Commitments received	7,214

## 7. NOTES ON RISK EXPOSURE AS OF SEPTEMBER 30,2009

### 7.1 EXPOSURE TO CREDIT RISKS

Exposure to credit risks includes:

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

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

#### a. Breakdown of exposure to credit risks

##### Analysis of exposure by geographic region

EUR millions	Amount as of 9/30/2009
Belgium	7,923
France	53,636
Germany	887
Italy	7,270
Luxembourg	2,682
Other European Union countries	6,637
Rest of Europe	4,768
United States and Canada	409
Japan	26
Other European Union countries	67
<b>Total exposure</b>	<b>84,305</b>

##### Analysis of exposure by category of counterparty

EUR millions	Amount as of 9/30/2009
States	8,358
Local public sector	67,442
ABS	92
Financial institutions	8,414
<b>Total exposure</b>	<b>84,306</b>

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

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 9/30/2009
Debt securities	5,434
Loans and advances	73,783
Financing commitments on loans	4,286
Hedging derivatives	802
<b>Total exposure</b>	<b>84,305</b>

#### b. Evaluation of asset credit quality

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

This enables Dexia Municipal Agency to present below an analysis of its exposures, broken down by risk weighting, as used for calculating equity requirements for credit risk; such weighting is mainly calculated on the basis of the probability of default of the counterparty and of the loss incurred in the event of default.

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

EUR millions	Risk weighting (Basel II)				Total
	from 0 to 5%	from 5% to 20%	from 20% to 50%	more than 50%	
Debt securities	5,101	333	0	0	5,434
Loans and advances	58,842	14,462	178	300	73,783
Financing commitments on loans	3,881	399	0	6	4,286
Hedging derivatives	(152)	121	833	1	802
<b>Total exposure</b>	<b>67,672</b>	<b>15,314</b>	<b>1,012</b>	<b>307</b>	<b>84,305</b>
<b>Share</b>	<b>80.3%</b>	<b>18.1%</b>	<b>1.2%</b>	<b>0.4%</b>	<b>100.0%</b>

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

### 7.3 - LIQUIDITY RISK : ANALYSIS BY TERM TO MATURITY

#### a. Analysis of assets

EUR millions	As of September 30, 2009									
	Sight	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No fixed maturity	Accrued interest	Fair value adjustment	Impairment	Total
Central banks	16	0	0	0	0	0	0	0	0	16
Derivatives	0	0	0	0	0	0	1,869	1,165	0	3,034
Financial assets available for sale	0	3,500	542	175	1,059	0	16	142	0	5,434
Interbank loans and advances	0	363	2,067	4,389	1,255	0	33	72	0	8,180
Customer loans and advances	0	1,214	3,649	14,091	45,869	0	928	3,013	(11)	68,753
Fair value revaluation of portfolio hedge	0	0	0	0	0	0	0	804	0	804
Financial assets held to maturity	0	0	0	0	0	0	0	0	0	0
Tax assets	0	0	0	0	0	156	0	0	0	156
Accruals and other assets	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>16</b>	<b>5,077</b>	<b>6,258</b>	<b>18,655</b>	<b>48,184</b>	<b>156</b>	<b>2,846</b>	<b>5,196</b>	<b>(11)</b>	<b>86,377</b>

#### b. Analysis of liabilities, excluding shareholders' equity

EUR millions	As of September 30, 2009								
	Sight	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No fixed maturity	Accrued interest	Fair value adjustment	Total
Central banks	0	0	0	0	0	0	0	0	0
Hedging derivatives	0	0	0	0	0	0	2,028	3,458	5,486
Interbank loans and deposits	8,801	0	0	0	3,500	0	27	0	12,328
Customer borrowings and deposits	0	0	0	0	0	0	0	0	0
Debt securities	0	5	4,564	24,531	33,128	0	1,219	1,220	64,666
Fair value revaluation of portfolio hedge	0	0	0	0	0	0	0	1,528	1,528
Tax liabilities	0	0	0	0	0	11	0	0	11
Accruals and other liabilities	0	1,392	0	0	0	0	0	0	1,392
Provisions	0	0	0	0	0	0	0	0	0
Subordinated debts	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>8,801</b>	<b>1,397</b>	<b>4,564</b>	<b>24,531</b>	<b>36,628</b>	<b>11</b>	<b>3,274</b>	<b>6,206</b>	<b>85,411</b>

#### 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 September 30, 2009	(8,785)	3,679	1,695	(5,876)	11,556	145

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

### 7.5 - CURRENCY RISK

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

Classification by original currency	As of September 30, 2009				
	EUR	Other EU currencies	U.S. dollars	Other currencies	Total
(EUR millions)					
Total assets	72,491	3,910	6,424	3,594	86,418
Total liabilities and shareholders' equity	72,491	3,910	6,424	3,594	86,418
<b>Net balance sheet position</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

### 7.6 - SENSITIVITY TO INTEREST RATE RISK

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

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

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

The residual interest rate risk from macro-hedges has been contained within a limit set since 2005, with the approval of the rating agencies, at 3% of equity. This limit is reviewed yearly and is currently set at EUR 30.5 million, of which EUR 4.5 million for the monetary gap and the remainder for the fixed rate gap. Real sensitivity is maintained well under this limit.

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

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

Sensitivity of the gap		Average	Maximum	Minimum	Limit
Fixed rate	T4 2008	11.4	18.0	- 1.5	25.5
	T1 2009	11.9	20.2	- 5.4	25.5
	T2 2009	6.9	10.2	- 3.6	26.0
	T3 2009	11.4	20.5	- 3.7	26.0
Monetary	T4 2008	- 0.2	3.4	- 3.4	4.0
	T1 2009	- 0.4	1.2	- 3.6	4.0
	T2 2009	- 0.6	1.1	- 1.8	4.5
	T3 2009	1.0	3.2	- 4.0	4.5
Total	T4 2008	11.0	15.8	- 1.7	29.5
	T1 2009	11.2	19.9	- 5.1	29.5
	T2 2009	6.3	9.8	- 2.9	30.5
	T3 2009	8.5	16.7	- 1.9	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 September 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 nine months period ended September 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 nine months ended September 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, December 04, 2009

The statutory auditors  
French original signed by

Deloitte & Associés  
Mazars

José Luis GARCIA  
Hervé HELIAS

Virginie CHAUVIN