



FINANCIAL REPORT

Half-year 2010

As of June 30, 2010

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MANAGEMENT REPORT as of June 30, 2010

I - Highlights of the first half of 2010

Situation of the covered bond market

The primary covered bond market was extremely active at the beginning of the year, with a record volume of jumbo issues (EUR 103 billion in the first half of 2010 versus EUR 47 billion in the same period of 2009). The market was sustained by the large volume of reimbursements of covered bonds scheduled to mature this year (reimbursements totaled EUR 89 billion as compared with EUR 60 billion in the first half of 2009), and by the continued programme of European Central Banks to buy covered bonds (EUR 60 billion in a year; of which roughly a quarter was negotiated in the primary market). French issuers accounted for almost a third of these issues. The trend in 2010 was a decrease in the average size of benchmark issues and a decline in the number of taps. The average maturity of issues remained slightly greater than six years, as was the case in the previous year, but very few issuers ventured beyond maturities of seven years (23% of all issues). The first half of 2010 was also characterized by a decrease in issue spreads of 10 to 20 basis points and by a more marked differentiation by issuer and by country.

Against this background, Dexia MA issued three benchmarks (12 years, 8 years and 5 years), each for one billion euros.

Financial situation of the Dexia Group

The Dexia Group continued to implement its transformation strategy and confirmed its ability to generate a profit as a result of good operating performance in its main business lines and of a decrease in the cost of risk for these activities. Net income, Group share, stood at EUR 464 million in the first half of 2010, compared with EUR 534 million in the first half of 2009 and EUR 476 million in the second half of 2009.

This ability to generate a profit and its high solvency ratios (a Tier I ratio of 12.2% and a core Tier I ratio of 11.3%) enabled the Group to continue to reduce its balance sheet at a rapid pace (more than EUR 20 billion in non-strategic loans to the public sector and bonds from the run-off bond portfolio sold since the beginning of the year with losses limited to EUR 122 million), and thus to improve its liquidity. The application of the long-term annual financing programme, which exceeds the objective that had been set for the whole year 2010 (EUR 37.9 billion in medium- and long-term financing has already been issued since the beginning of the year, up to July 23) enabled the Dexia Group to exit the States guarantee system completely as of June 30, 2010, four months before the formal deadline.

II - Changes in main balance sheet items

EUR billions	6/30/2009	12/31/2009	6/30/2010	Change June 10 / Dec. 09
Cover pool	73.4	77.9	81.2	4.2%
<i>Loans</i>	53.6	55.8	56.3	0.8%
<i>Securities</i>	20.7	22.1	24.9	12.7%
<i>- Assets temporarily removed from cover pool (guarantee for Banque de France refinancing)</i>	(0.9)			N.A.
Privileged debt <i>Swapped value</i>	64.1	66.2	67.0	1.2%
<i>Obligations foncières & RCB*</i> <i>Balance sheet value</i>	62.0	63.9	66.3	3.7%
<i>Cash collateral received</i>	1.1	1.4	1.8	24.3%
Non-privileged debt	9.2	10.4	12.3	18.8%
<i>Dexia Credit Local</i>	8.6	10.4	12.3	18.8%
<i>Banque de France</i>	0.6			N.A.
Shareholders' equity <i>(IFRS, excluding unrealized gains and losses)</i>	1.1	1.2	1.3	5.5%

* RCB = Registered covered bonds

As of June 30, 2010, Dexia Municipal Agency's cover pool, composed of bonds and loans to public sector, totaled EUR 81.2 billion, excluding accrued interest not yet due. As of December 31, 2009, the total was EUR 77.9 billion, and the increase stood at EUR 3.3 billion (+4.2%).

As was the case at the end of 2009, the cover pool corresponded to all the assets on the balance sheet, i.e. no asset had been temporarily pledged in guarantee to the Banque de France and excluded from the cover pool.

Outstanding debt benefiting from the legal privilege, translated if required at the currency swap rate (swapped value), was EUR 67.6 billion, up 1.2% from December 2009.

Debt vis-à-vis Dexia Credit Local, which does not benefit from the legal privilege, totaled EUR 12.3 billion. This amount corresponds to the financing of over-collateralization at both a structural (Dexia MA commitment) and a temporary (Rating agencies requirements) level. Financing provided by the Central Bank, which does not benefit from the privilege of the law on *sociétés de crédit foncier* but is guaranteed by assets excluded from the cover pool, has stood at zero since July 2009.

Shareholders' equity, according to IFRS, but excluding reserves for unrealized gains and losses, totaled EUR 1.3 billion at the end of June 2010.

III - Change in assets in the first half of 2010

1. Asset production in 2010

The net change in assets since the beginning of the year is an increase of EUR 3.4 billion.

The change can be analyzed as follows.

EUR billions	2009			1H 2010		
	Loans	Debt securities	Total	Loans	Debt securities	Total
France	4.9	1.4	6.3	2.5	-	2.5
Outside of France	0.1	4.2	4.3	0.0	7.0	7.0
Total new assets	5.0	5.6	10.6	2.5	7.0	9.5
Amortization	(3.8)	(3.4)	(7.2)	(2.4)	(4.2)	(6.6)
Early reimbursements	(2.1)	-	(2.1)	(0.2)	-	(0.2)
Sales	(0.1)	-	(0.1)	(0.0)	-	(0.0)
Changes in provisions	-	(0.0)	(0.0)	-	-	-
Net change (excl. FX adjustments)	(1.0)	2.2	1.2	(0.1)	2.8	2.7
Foreign exchange adjustments *	0.1	0.0	0.1	0.6	0.2	0.7
Net change	(0.9)	2.2	1.3	0.5	3.0	3.4

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

Gross asset production and purchase in the period represented EUR 9.5 billion.

These long-term assets included the following items:

- EUR 0.9 billion in public sector loans originated by Dexia Credit Local within the framework of its commercial activity in France;
- EUR 4.2 billion in debt securities issued by DSFB (Dexia Secured Funding Belgium—compartment 4); this securitization vehicle was created by Dexia Bank Belgium to enable Dexia MA to refinance loans to the Belgian public sector;
- EUR 1.7 billion in *cedulas territoriales* issued by Dexia Sabadell, of which EUR 1.1 billion correspond to the replacement of *cedulas* held by Dexia MA that had matured, and EUR 0.6 billion corresponding to a new investment;
- EUR 0.2 billion in *lettres de gage* issued by Dexia LdG Bank corresponding to an equivalent amount of *lettres de gage* held by Dexia MA and subject to early reimbursement.

Shorter-term investments were also decided, corresponding to the investment of cash collateral received from swap counterparties:

- EUR 1.6 billion deposited with the Banque de France;
- EUR 0.9 billion in Belgian sovereign issues, with maturity of less than one year, reimbursed during the first six months of the year.

EUR billions	2009	1H 2010
Loans:	5.0	2.5
France	4.9	2.5
Switzerland	0.1	0.0
Bonds:	5.6	7.0
Belgium - DSFB 4 securitization	0.3	4.2
Belgium - other bonds	2.1	0.9
Italy	0.7	-
Spain - <i>cedulas territoriales</i>	0.5	1.7
Luxembourg - <i>lettres de gage publiques</i>	-	0.2
France	1.4	-
Ireland	0.2	-
Netherlands	0.4	-
Total	10.6	9.5

Among the amortizations of securities during the period, note should be taken of the maturing of the EUR 1.4 billion certificate of deposit (CD) issued by Dexia Credit Local and benefiting from the guarantee of the French, Belgian and Luxembourg governments. This CD corresponded in amount and maturity to the investment of the cash collateral received from swap counterparties. Since this reimbursement, the sums have been invested in short-term sovereign securities or deposited with the Central Bank. The other main amortizations concern Belgian short-term debt securities for EUR 1.1 billion, *cedulas* issued by Dexia Sabadell for EUR 1.1 billion, and *lettres de gage* for EUR 0.2 billion.

2. Outstanding assets as of June 30, 2010

a – Geographic breakdown of assets

The breakdown of assets by country varied significantly following the purchase of DSFB4 issues for EUR 4.2 billion, which resulted in an increase in the proportion of Belgian assets and the dilution of the share of the other countries, including France, which continued to represent the greatest volume of assets with more than 62% of the total. The five other main countries accounted for a total of more than 33% of outstanding assets versus 29% as of December 31, 2009. Geographic diversification remained significant.

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

	12/31/2009	6/30/2010
France	65.9	62.3
Italy	10.0	9.5
Switzerland	5.7	5.8
Belgium	5.8	10.2
Spain	4.4	5.0
Luxembourg	3.1	3.0
Sub-total	94.9	95.8
Other countries	5.1	4.2
Total %	100.0	100.0

b – Replacement assets

As of June 30, 2010, replacement assets represented a total of EUR 6.2 billion, entirely comprised of covered bonds issued by Dexia Group entities. These assets are analyzed in the following table. They represented 9.3% of outstanding *obligations foncières* and registered covered bonds, which totaled EUR 67.0 billion in swapped value. Their amount is limited by law to 15%.

Replacement assets	Country	Issuer	EUR millions	
			12/31/2009	6/30/2010
<i>Cedulas Territoriales</i>	Spain	Dexia Sabadell	3,200	3,800
<i>Lettres de gage</i>	Luxembourg	Dexia LdG Banque	2,350	2,350
Total			5,550	6,150

3. Asset quality and financial crisis

Dexia Municipal Agency's pool of assets is exclusively composed of exposures on public sector entities or guaranteed by the same. It is therefore of excellent quality, with minor sensitivity to the current financial crisis.

a. Quality of the assets in the portfolio

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

Debt securities: most of the bonds held by Dexia MA are classified in the "Loans and advances" portfolio according to IFRS and in the "*Investissement*" portfolio according to French GAAP, corresponding to an intention to hold the bonds until maturity. They are valued at their historical cost.

Certain securities, particularly because of their liquidity, remain classified as available for sale (AFS), according to IFRS, and as "*Placement*" according to French GAAP, and are valued for accounting purposes on the basis of their fair value, with the difference between this valuation and their accounting value giving rise to an AFS reserve according to IFRS or to a provision (if there is a decline in value) according to French GAAP. These reserves would only represent losses if Dexia MA were to sell these securities. However, Dexia MA acquired these assets with the intention of holding them to maturity.

In the last quarter of 2008, most of the securities in the portfolio, which were previously classified as AFS, were restated for accounting purposes as "Loans and advances", and are now subject to the accounting treatment used for loans. The AFS reserve related to these securities as of September 30, 2008, the date the restatement occurred, was frozen and amortized over the residual life of the securities, as a discount. A breakdown follows. This point is presented in the Notes to the financial statements.

The AFS reserve related to Greek and Italian sovereign bonds deteriorated since the beginning of the year, following the crisis of confidence that hit these countries and decreased the market value of their bonds.

EUR millions

Portfolio IFRS / French GAAP	Capital Balance	AFS reserve		Provisions French GAAP	
	6/30/2010	12/31/2009	6/30/2010	12/31/2009	6/30/2010
Loans and Advances / Investissement	21,635	(156.1)	(147.0)	N.A.	N.A.
<i>Securities issued by Dexia subsidiaries</i>					
Italy - Dexia Crediop per la Cartolarizzazione	3,758	(2.4)	(2.2)		
Belgium - Dexia Secured Funding Belgium	7,426	1.4	1.2		
Spain - Dexia Sabadell	3,800	(8.6)	(3.9)		
Luxembourg - Dexia LdG Banque	2,350	(0.4)	(0.3)		
<i>Other securities</i>					
Germany	12	-	-		
Austria	82	(6.6)	(6.0)		
Belgium	93	-	(0.2)		
Spain	50	(2.0)	(2.0)		
France	398	7.2	6.8		
Greece	100	(1.4)	(1.3)		
Iceland	180	(10.3)	(9.9)		
Italy	3,234	(126.3)	(123.1)		
Japan	25	-	-		
Luxembourg	79	(0.5)	(0.3)		
Portugal	48	(6.2)	(5.8)		
Loans and Advances / Placement	1,723	(14.3)	(14.6)	(53.5)	(57.4)
Germany	515	(1.5)	(1.4)	(11.9)	(12.0)
Spain	182	(1.2)	(1.2)	(4.1)	(3.9)
France	-	-	-	-	-
United Kingdom	717	(0.3)	(0.2)	(28.5)	(26.7)
Italy	201	(6.6)	(6.4)	(9.0)	(14.8)
USA	108	(4.7)	(5.4)	-	-
AFS / Placement	617	(3.5)	(5.2)	(3.7)	(5.3)
Germany	295	(3.7)	(5.0)	(3.7)	(5.0)
Belgium	152	0.1	0.1		
Ireland	170	0.1	(0.3)		(0.3)
AFS / Investissement	995	(92.1)	(208.7)	-	-
Canada	23	0.8	1.7		
Greece	321	(51.5)	(102.0)		
Italy	506	(43.1)	(111.3)		
USA	145	1.7	2.9		
Accounting adjustments (not broken down) (foreign exchange fluctuations, premiums/discounts, basis swaps, etc.)	- 69	(0.3)	(0.4)		
General total:	24,901	(266.3)	(375.9)	(57.2)	(62.7)

Loans to the public sector are downgraded to “Non-performing loans” if they are overdue, and the risk of non-recovery is covered by a provision. These provisions represented a very low amount (EUR 0.9 million) as of June 30, 2010.

In addition to these provisions for specific risks, general provisions are recorded in the IFRS financial statements. These collective provisions cover the risk of a loss in value on the different portfolios (including the securities classified for accounting purposes 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

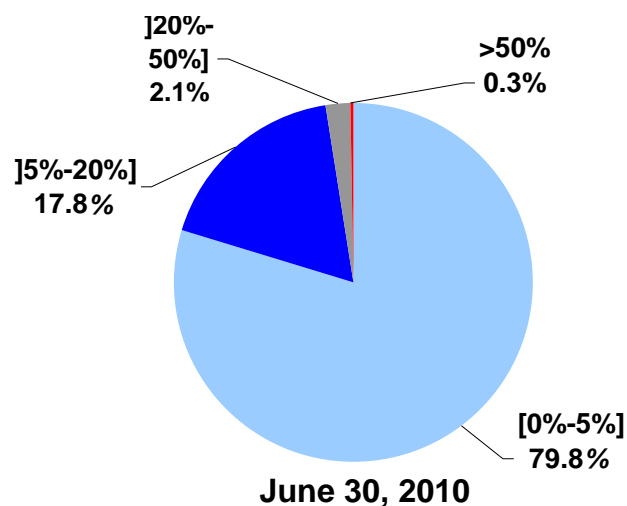
of default (PD) and loss given default (LGD) based on credit risk models designed by Dexia within the framework of Basel II (on this point, see note 7.2.b to the financial statements). The low amounts in question demonstrate the portfolio's overall high quality.

EUR millions

Portfolio IFRS / French GAAP	Capital balance	Non-performing loans		Specific Impairment	
	6/30/2010	12/31/2009	6/30/2010	12/31/2009	6/30/2010
Loans granted to Dexia subsidiaries, secured by exposures on public sector entities	183	-	-	-	-
France - Flobail	183				
Other loans	56,079	5.7	6.6	0.9	0.9
Austria	207				
Belgium	584				
Finland	93				
France	50,011	5.7	6.6	0.9	0.9
Greece	-				
Italy	15				
Portugal	111				
Sweden	375				
Switzerland	4,683				
Collective provisions				14.4	16.6
General total	56,262	5.7	6.6	15.3	17.5

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 Banking Commission in France and the CBFA in Belgium) authorized the Group to use advanced internal models for the calculation and reporting of equity requirements for credit risk as of January 1, 2008.

Risk weighting (Basel II) of Dexia MA's portfolio as of June 30, 2010



This enables Dexia MA to present in the accompanying table an analysis of its exposures, broken down by buckets of risk weighting, such as used for the calculation of equity requirements for credit risk; these weightings are primarily calculated on the basis 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 98% of the portfolio assets have a weighting that is less than or equal to 20%.

b. Exposure to subprimes, monolines, ABS and banks

Exposure to subprimes and other mortgage loans

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

Exposure to monoline insurers

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

Issuer	Country	ISIN code	Monoline insurer	Amount EUR millions
Communauté urbaine de LILLE	France	US203403AB67	AMBAC	10.6
Ville de MARSEILLE	France	FR0000481608	FSA	5.0
Ville de TOURS	France	FR0000495517	MBIA	1.0
Ville de TOURS	France	FR0000495632	MBIA	8.5
Feria internacional de VALENCIA	Spain	ES0236395036	FSA	50.0
Total				75.1

They represent less than 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 asset-backed securities (ABS)

Dexia MA has a limited number of exposures in the form of ABS.

Issuer	ISIN code	Amount in EUR millions
DSFB - Dexia Secured Funding Belgium SIC (DSFB 1)	BE0933050073	1,468.7
DSFB - Dexia Secured Funding Belgium SIC (DSFB 2)	BE0934330268	1,458.7
DSFB - Dexia Secured Funding Belgium SIC (DSFB 4)	BE6000495752	4,497.8
DCC - Dexia Crediop per la Cartolarizzazione SRL 1	IT0003674691	810.8
DCC - Dexia Crediop per la Cartolarizzazione SRL 2	IT0003941124	754.5
DCC - Dexia Crediop per la Cartolarizzazione SRL 3	IT0004349665	2,192.6
<i>Sub-total</i>		<i>11,183.1</i>
Blue Danube Loan Funding GmbH	XS0140097873	82.4
Colombo SRL	IT0003156939	9.0
Società veicolo Astrea SRL	IT0003331292	1.7
<i>Sub-total</i>		<i>93.1</i>
Total		11,276.2

Most of these exposures are asset-backed securities especially designed by Dexia to transfer to Dexia MA exposures on Italian and Belgian local governments originated by its commercial network.

Dexia MA thus holds almost all of the debt issued by DCC and DSFB, with the remainder held by the Dexia Group entity that originated the assets (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 irrevocably guaranteed by the Land of Lower Austria;
- Colombo SRL (rated AAA by S&P and Aaa by Moody's) and Societa veicolo Astrea SRL (rated AA- by Fitch and Aa2 by Moody's) are both Italian companies with assets that are exclusively loans to the Italian public sector (regions, municipalities, etc).

Exposure to banks

Dexia MA holds two types of exposure to banks:

- its replacement assets, solely made up of covered bonds issued by Dexia Group entities (*cedulas territoriales* of Dexia Sabadell and *lettres de gage* issued by Dexia LdG Banque – see above III.2.b);
- the value of its derivative contracts entered into within the framework of its management of interest rate and foreign exchange risks.

All of Dexia MA's derivative operations are conducted within the framework of standard ISDA or AFB contracts with major international banks (33 counterparties, excluding the Dexia Group). These contracts have particular characteristics, since they must meet the standards set by rating agencies for *sociétés de crédit foncier* (and other issuers of covered bonds). These interest rate and currency swaps all benefit from the same legal privilege as *obligations foncières*. For this reason, Dexia MA does not pay its derivative counterparties any collateral, whereas they have to pay Dexia MA unless they benefit from the agencies' highest short-term rating.

As of June 30, 2010, Dexia MA was exposed (positive fair value of the swaps) on 14 banking counterparties. Nine of these paid collateral, which offset the exposure, and five paid none since they had a very good rating. These five counterparties represented an exposure of EUR 853 million.

Long-term derivatives signed with the five largest external counterparties represented a total of 34.6% of the notional amounts and those signed with the Dexia Group 22.7%.

IV - Changes in debt benefiting from the legal privilege in the first half of 2010

Dexia Municipal Agency issued the equivalent of EUR 5.4 billion since the beginning of the year 2010, versus EUR 4.6 billion for the same period in 2009 and EUR 8.0 billion for the year 2009.

The pace of issues in the last quarters was as follows.

EUR millions	2009	2010
1st quarter	305	3,134
2nd quarter	4,258	2,227
3rd quarter	2,310	
4th quarter	1,087	
Total	7,960	5,361

This table illustrates the fact that the primary market, which had been closed since the middle of 2008, was again operating as of the beginning of May 2009, after the European Central Bank announced a programme to buy back covered bonds from the Euro zone for EUR 60 billion. Within this context, Dexia MA's credit quality enabled it to launch three benchmark issues with long maturities in May, June and September, and to accelerate its private placements, in particular in the form of German registered covered bonds.

In the first half of 2010, three benchmark issues were launched, with the following characteristics:

- EUR 1.0 billion, maturity January 2022 (12 years),
- EUR 1.0 billion, maturity February 2018 (8 years).
- EUR 1.0 billion, maturity July 2015 (5 years).

The other public issues represented a tap of the Swiss franc *souche* with maturity in May 2018 (CHF 160 million) and taps of euro benchmark *souches* with maturity in September 2016 (EUR 250 million), June 2021 (EUR 150 million), July 2015 (EUR 200 million), and January 2022 (EUR 500 million), bringing the respective totals to EUR 2.0 billion, EUR 1.65 billion, EUR 1.2 billion and EUR 1.5 billion.

In the first half, private placements partly took the form of registered covered bonds, a private placement format designed for German investors. These issues make it possible to meet the specific needs of certain investors with alacrity and flexibility.

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

EUR millions	2009	1H 2010
Public issues	5,719	4,209
Private placements	2,241	1,152
<i>including: RCB</i>	<i>1,838</i>	<i>467</i>
<i>Less than 2 years</i>	<i>150</i>	
Total	7,960	5,361

As in 2009, the average maturity of new issues was long in order to maintain at a low level the average gap in maturity between commercial assets, which are traditionally long in the public sector, and issues of *obligations foncières*. The average maturity of new issues was

thus 9.8 years in the first half of 2010 and 12.4 years for the full year 2009, whereas it had been only 5.7 years in 2008, as a result of the financial crisis.

Dexia MA's issues in 2010 were primarily in euros.

EUR millions	2009	1H 2010
EUR	7,696	5,182
CHF	264	179
Total	7,960	5,361

After reimbursement of EUR 4.9 billion, outstanding *obligations foncières* and registered covered bonds at the end of June 2010 totaled EUR 65.2 billion in swapped value.

EUR millions	2009	1H 2010
Beginning of the year	63,591	64,785
Issues	7,960	5,361
Reimbursements	-6,766	-4,897
End of the year	64,785	65,249

(swapped value)

V - Changes in the coverage ratio

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

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

The following table analyzes the trend in over-collateralization at the end of the last 12 months.

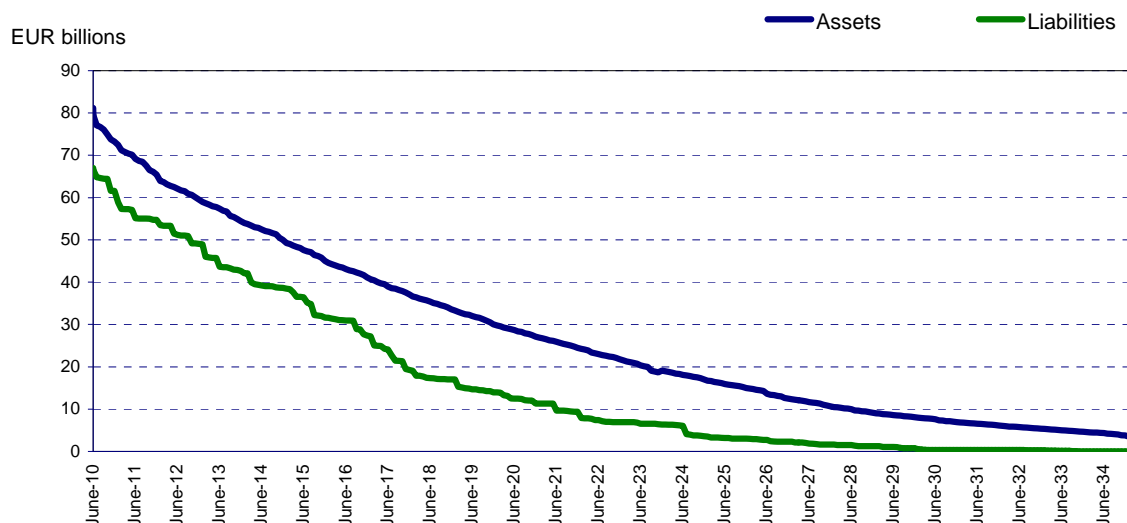
3rd quarter 2009		4th quarter 2009		1st quarter 2010		2nd quarter 2010	
Jul-09	108.0%	Oct-09	110.7%	Jan-10	113.4%	Apr-10	116.6%
Aug-09	107.4%	Nov-09	108.4%	Feb-10	110.8%	May-10	115.3%
Sep-09	113.7%	Dec-09	111.6%	Mar-10	112.1%	Jun-10	114.1%

This table shows that Dexia MA's asset production is ahead of its budget at the end of June; these assets in excess, currently financed by a debt with Dexia Credit Local that does not

benefit from the legal privilege, will permit Dexia MA to launch new issues in the second half of the year.

If any, the assets Dexia MA may have given in guarantee to obtain financing from the Banque de France are excluded from the calculation of over-collateralization.

The following graph on over-collateralization presents amortization curves of the assets and of issues benefiting from the legal privilege as of June 30, 2010.



VI - Changes in debt that does not benefit from the legal privilege

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

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

- to finance structural over-collateralization in the medium term;
- to finance temporary over-collateralization in the short term, using the current account.

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

Temporary financing may also be obtained from the Banque de France. These funds do not benefit from the privilege stipulated in the law on *sociétés de crédit foncier*, but are guaranteed by loans and securities deposited in guarantee in the account of Dexia MA at the Central Bank.

As of June 30, 2010, Dexia MA had no debt vis-à-vis the Banque de France, and its debt vis-à-vis Dexia Credit Local totaled 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 structural 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	<i>Dexia Credit Local</i>	<i>Banque de France</i>	Total
12/31/2007	10.4		10.4
12/31/2008	4.4	7.5	11.9
12/31/2009	10.4		10.4
6/30/2010	12.3		12.3

Dexia MA participated in the tenders launched by the Banque de France in the final quarter of 2008 and the first six months of 2009, in order to finance its new commercial production when the primary market was for all practical purposes closed.

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 June 30, 2010.

<u>Breakdown of outstanding swaps as of June 30, 2010</u>	Notional* (EUR billions)	Dexia Group (%)	Other counterparties (%)
<u>Euribor against Eonia</u>			
Macro-hedges	141.7	100.0%	0.0%
<u>Total short-term swaps</u>	141.7	100.0%	0.0%
<u>Fixed rate swaps against Euribor</u>			
Micro-hedges on <i>obligations foncières</i>	50.9	3.1%	96.9%
Micro-hedges on loans and debt securities	29.2	23.4%	76.6%
Macro-hedges on loans	20.2	63.4%	36.6%
<i>Sub-total</i>	100.3	21.1%	78.9%
<u>Currency swaps</u>			
Micro-hedges on <i>obligations foncières</i>	12.8	17.6%	82.4%
Micro-hedges on loans	5.1	56.0%	44.0%
Micro-hedges on debt securities	1.4	58.6%	41.4%
<i>Sub-total</i>	19.3	30.7%	69.3%
<u>Total long-term swaps</u>	119.6	22.7%	77.3%

* Absolute value

- Interest rate risk

The management of interest rate risk involves two steps.

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

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

The sensitivity limits for the fixed rate gap and the monetary gap mentioned above are defined as the change in the gaps' net present value (NPV) under the impact of a parallel 1% (100 basis points) shift in the yield curve. The aggregate of these two limits for the fixed rate gap and the monetary gap is set at 3% of shareholders' equity, and this figure is reviewed every year at the end of the first quarter. The total sensitivity level was EUR 30.5 million until the first quarter of 2010 and was adjusted to EUR 35.0 million as of the second quarter of 2010, including EUR 9.0 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	3Q 2009	11.4	20.5	3.7	26.0
	4Q 2009	9.7	15.2	6.5	26.0
	1Q 2010	13.8	18.3	11.0	26.0
	2Q 2010	18.1	22.6	15.6	26.0
Monetary	3Q 2009	1.0	3.2	- 4.0	4.5
	4Q 2009	0.5	4.7	- 1.2	4.5
	1Q 2010	2.0	4.4	- 3.1	4.5
	2Q 2010	0.6	4.6	- 1.1	9.0
Total	3Q 2009	8.5	16.7	- 1.9	30.5
	4Q 2009	10.3	15.0	6.7	30.5
	1Q 2010	15.5	20.0	10.1	30.5
	2Q 2010	18.9	23.1	14.6	35.0

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

- Foreign exchange risk

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

- Transformation risk

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

Duration in years	6/30/2009	9/30/2009	12/31/2009	3/31/2010	6/30/2010
Assets	6.99	6.62	6.88	6.81	6.95
Privileged liabilities	4.95	5.13	4.95	5.23	5.35
Gap in asset-liability duration	2.04	1.49	1.93	1.58	1.60
Duration gap limit	3	3	3	3	3

The duration gap between the assets and the liabilities is closely monitored since it is sensitive to interest rates (actualization effect) and to significant changes in assets and liabilities. The new issues, which are longer, help reduce this gap and keep it under two years on a regular basis.

- Liquidity risk

The liquidity risk can be defined as the risk that Dexia MA may not be able to settle its privileged debt commitments at the due date owing to the fact that there is too great a gap between the reimbursement of the assets and the mobilization of its privileged resources. To manage this risk, Dexia MA has put a ceiling on its transformation capacity by limiting to three years the maximum duration gap between the assets and the resources benefiting from the privilege. This rule enables it to limit the volume of its liquidity needs. From a structural point of view, Dexia MA has therefore little exposure to the liquidity risk.

In order to meet its liquidity needs, Dexia MA may first of all make use of the backing of its parent company Dexia Credit Local, which has committed in its “declaration of support” (the full text is incorporated into the EMTN programme and Dexia MA’s annual report) so that Dexia MA “has the financial resources it needs to meet its obligations.”

This support takes the following forms:

- a current account, of an unlimited amount, with Dexia Credit Local;
- a firm and irrevocable commitment by Dexia Credit Local to make available to Dexia MA the funds it requires to reimburse *obligations foncières* of more than EUR 100 million that reach maturity in the coming 12 months on a sliding scale.

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

Because of the nature of the assets that make up its cover pool, Dexia MA has a large number of assets that are directly eligible for refinancing by the Central Bank, so that its cash needs are easily covered.

Since it is a credit institution, Dexia MA can mobilize these eligible assets:

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

In practice, Dexia MA first uses the financing made available by Dexia Credit Local, but it also managed to demonstrate its real capacity to obtain financing from the Banque de France when the primary covered bond market remained closed from September 2008 to June 2009. During this period, the funds borrowed by Dexia MA from the Central Bank totaled a maximum of EUR 7.5 billion at the end of 2008. This amount was much greater than the maximum cumulated liquidity needs that Dexia MA might have to face in the future in a run-off situation.

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

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

VIII - Income for the period (IFRS)

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

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

The income statement for the first half of 2010 is presented synthetically in the following table.

<i>EUR millions - IFRS</i>	1H 2009	2009 full year	1H 2010	Change 1H 2010/2009
Interest margin	180	300	135	
Net commissions	(3)	(5)	(3)	
Net result of hedge accounting	-	-	-	
Net result of financial assets available for sale	19	28	7	
Other income and expense	-	-	-	
Net banking income	196	323	139	-29%
General operating expenses	(43)	(87)	(46)	
Taxes	(4)	(5)	(3)	
Operating income before cost of risk	149	231	90	-40%
Cost of risk	(1)	(5)	(2)	
Pre-tax income	148	226	88	-41%
Income tax	(46)	(80)	(29)	
Net income	102	146	59	-43%

In the first half of 2010, Dexia MA's accounting team discovered an anomaly in the information system that generated an excessive amount of interest charges in the accounts of 2009 and of the beginning of 2010. In accordance with IAS 8-49, the Company restated its published financial statements and the notes to its financial statements for the periods prior to June 30, 2010.

The restatements are specified in the notes to the financial statements, which set down the rules of presentation and evaluation. They have a positive impact on the interest margin for the first half of 2009 and the year 2009, respectively, of EUR 5 million and EUR 18 million, i.e. a positive impact on net income (after taxes) of respectively EUR 3 million and EUR 12 million.

Net banking income was down 29%, i.e. EUR 57 million, from the same period in 2009, declining from EUR 196 million to EUR 139 million. It should nevertheless be noted that net banking income for the first half of 2009 was particularly high and atypical in comparison with the two previous half-years (2008) and the half-year that followed (second half of 2009), which were, respectively, EUR 125 million, EUR 129 million and EUR 127 million.

The decrease was principally due to the interest margin, down EUR 45 million, while the net result on financial assets available for sale decreased by EUR 12 million.

The interest margin corresponds to the difference between income from the assets and the cost of the liabilities (hedged against interest rate and foreign exchange risks). It basically increases in function of changes in the volume and margins of new operations. The decrease in this margin observed in 2010 corresponded:

- to an exceptionally high margin in the first half of 2009, under the favorable impact of changes in the cash-swap spread on the structure of Dexia MA's balance sheet (over-collateralization assets in Euribor financed by resources naturally in Eonia through the Dexia Credit Local current account);
- to the worsening of funding conditions on issues launched in the last 12 months.

The item "Net result on financial assets available for sale" included penalties received for early reimbursement of customer loans (EUR 2 million) and gains reported on early reimbursement of debt (EUR 5 million). In the first half of 2009, these gains were respectively EUR 3 million and EUR 7 million, to which should be added capital gains on disposals of EUR 9 million.

Operating expenses are mainly comprised of commissions paid to Dexia Credit Local for the operational management of the Company within the framework of the contract described in article L.515-22 of the Monetary and Financial Code. They increased compared with the previous year. In fact, the amount of operating expenses is closely linked to the volume of loans managed, which grew in the last 12 months. Taxes (*Organic, taxe professionnelle*) are lower as a result of the decrease in interest rates that reduces the tax bases.

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

The average corporate tax rate (including deferred taxes) was rather stable. It corresponded to French and Irish tax rates.

Net income for the period was down 43%, i.e. EUR 43 million, declining from EUR 102 million to EUR 59 million.

IX - Income for the period (French GAAP)

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

In the first half of 2010, Dexia MA's accounting team discovered an anomaly in the information system that generated an excessive amount of interest charges in the accounts of 2009 and of the beginning of 2010. In accordance with French GAAP, the Company corrected this error in its financial statements for the first half of 2010.

The restatements are specified in the notes to the financial statements (Significant accounting policies). They have a positive impact on the interest margin for the first half of 2010 in the amount of EUR 23 million and an impact on net income (after taxes) of EUR 15 million.

The income statement is presented below.

<i>EUR millions - French GAAP</i>	1H 2009	2009 full year	1H 2010	Change 1H 2010/2009
Interest margin	194	296	132	
Net commissions	(3)	(6)	(3)	
Provisions and income on available for sale securities	(7)	(38)	(5)	
Other income and expense	-	-	-	
Net banking income	184	252	124	-33%
General operating expenses	(43)	(87)	(45)	
Taxes	(4)	(5)	(4)	
Operating income before cost of risk	137	160	75	-45%
Cost of risk	-	-	-	
Operating income	137	160	75	-45%
Income tax	(44)	(54)	(27)	
Regulated provision on long- and medium- term loans	(6)	(8)	(4)	
Net income	87	98	44	-49%

The results for this half-year according to French GAAP are rather close to the results according to IFRS, except for the correction of the error related to the 2009 financial statements, which is included 2010 according to French GAAP and in the net income 2009 according to IFRS.

X - Outlook for 2010

Dexia MA has aimed to achieve a volume of new issues close to the total reported in the last two years (EUR 8 billion to EUR 10 billion) with relatively long average maturity. The accomplishment of this programme will depend on the situation in the financial markets in general, and that of covered bonds in particular, and especially of the capacity of investors to absorb the very large volumes issued since the beginning of the year, and to pick up where the Central Bank left off now that its programme to buy back covered bonds has ended.

The planning and volume of the acquisition of assets originated by the Dexia Group, in addition to French commercial production, will be calibrated according to the advancement of the issue programme.

* * * *

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

France	6/30/2010			12/31/2009		
	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
State	1,828.1	0.0	1,828.1	228.1	0.0	228.1
Regions	1,987.3	152.3	2,139.6	2,005.6	161.8	2,167.4
Departments	6,393.8	0.0	6,393.8	6,504.4	0.0	6,504.4
Municipalities	18,530.8	117.9	18,648.7	18,899.7	117.9	19,017.6
Groups of municipalities	10,107.4	127.4	10,234.8	10,358.3	128.1	10,486.4
Public sector entities	9,768.9	0.0	9,768.9	9,868.2	0.0	9,868.2
Loans guaranteed by local governments	1,577.2	0.0	1,577.2	1,664.5	0.0	1,664.5
Credit institution (certificate of deposit)	0.0	0.0	0.0	0.0	1,400.0	1,400.0
Total	50,193.5	397.6	50,591.1	49,528.8	1,807.8	51,336.6

Austria	6/30/2010			12/31/2009		
	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
<i>Länder</i>	207.3	0.0	207.3	210.0	0.0	210.0
ABS	0.0	82.4	82.4	0.0	83.8	83.8
Total	207.3	82.4	289.7	210.0	83.8	293.8

Portugal	6/30/2010			12/31/2009		
	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	99.9	0.0	99.9	105.1	0.0	105.1
Public sector entities	11.2	0.0	11.2	11.6	0.0	11.6
Securities guaranteed by the State or by local governments	0.0	47.5	47.5	0.0	47.5	47.5
Total	111.1	47.5	158.6	116.7	47.5	164.2

Iceland	6/30/2010			12/31/2009		
	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
Total	0.0	180.4	180.4	0.0	180.4	180.4

Finland	6/30/2010			12/31/2009		
	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	37.4	0.0	37.4	41.0	0.0	41.0
Public sector entities	55.6	0.0	55.6	58.0	0.0	58.0
Total	93.0	0.0	93.0	99.0	0.0	99.0

Greece	6/30/2010			12/31/2009		
	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
State	0.0	321.2	321.2	300.0	321.2	621.2
Loans guaranteed by the State or by local governments	0.0	0.0	0.0	0.0	0.0	0.0
Securities guaranteed by the State or by local governments	0.0	100.0	100.0	0.0	100.0	100.0
Total	0.0	421.2	421.2	300.0	421.2	721.2

Italy	6/30/2010			12/31/2009		
	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	1,523.1	1,523.1	0.0	1,533.2	1,533.2
Provinces	0.0	199.4	199.4	0.0	203.6	203.6
Municipalities	15.0	1,587.2	1,602.2	15.0	1,609.6	1,624.6
ABS	0.0	10.6	10.6	0.0	12.8	12.8
Securities issued by DCC (see note 1 below)	0.0	3,757.8	3,757.8	0.0	3,835.8	3,835.8
Securities guaranteed by the State or by local governments	0.0	100.0	100.0	0.0	106.0	106.0
Total	15.0	7,684.4	7,699.4	15.0	7,807.3	7,822.3

Spain	6/30/2010			12/31/2009		
	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
<i>Cedulas territoriales</i>	0.0	3,800.0	3,800.0	0.0	3,200.0	3,200.0
Region	0.0	178.4	178.4	0.0	178.9	178.9
Securities guaranteed by the State or by local governments	0.0	50.0	50.0	0.0	49.4	49.4
Total	0.0	4,028.4	4,028.4	0.0	3,428.3	3,428.3

	6/30/2010			12/31/2009		
Switzerland	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
Cantons	1,566.9	0.0	1,566.9	1,391.4	0.0	1,391.4
Municipalities	1,247.4	0.0	1,247.4	1,134.3	0.0	1,134.3
Public sector entities	113.1	0.0	113.1	101.1	0.0	101.1
Loans guaranteed by local governments	1,755.7	0.0	1,755.7	1,837.8	0.0	1,837.8
Total	4,683.1	0.0	4,683.1	4,464.6	0.0	4,464.6
Belgium	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
Regions	316.0	93.4	409.4	382.2	93.3	475.5
Communities	74.4	0.0	74.4	74.4	125.0	199.4
Public sector entities	88.3	0.0	88.3	91.6	0.0	91.6
Etat	0.0	152.0	152.0	0.0	374.0	374.0
Securities guaranteed by the State or by local governments	0.0	0.0	0.0	0.0	15.0	15.0
Securities issued by DSFB (see note 2 below)	0.0	7,425.2	7,425.2	0.0	3,271.7	3,271.7
Loans guaranteed by the State or by local governments	105.6	0.0	105.6	112.5	0.0	112.5
Total	584.3	7,670.6	8,254.9	660.7	3,879.0	4,539.7
Germany	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
<i>Länder</i>	0.0	503.0	503.0	0.0	503.1	503.1
<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	301.6	301.6	0.0	302.9	302.9
Total	0.0	804.6	804.6	0.0	806.0	806.0
United States	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
States	0.0	252.9	252.9	0.0	252.9	252.9
Municipalities	0.0	0.0	0.0	0.0	0.0	0.0
Total	0.0	252.9	252.9	0.0	252.9	252.9
Sweden	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
Municipalities	127.8	0.0	127.8	137.8	0.0	137.8
Loans guaranteed by local governments	247.4	0.0	247.4	262.7	0.0	262.7
Total	375.2	0.0	375.2	400.5	0.0	400.5
Canada	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
Provinces	0.0	22.4	22.4	0.0	22.4	22.4
Municipalities	0.0	0.0	0.0	0.0	0.0	0.0
Total	0.0	22.4	22.4	0.0	22.4	22.4
United Kingdom	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
Securities guaranteed by the State or by local governments	0.0	690.3	690.3	0.0	725.3	725.3
Total	0.0	690.3	690.3	0.0	725.3	725.3
Luxembourg	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
<i>Lettres de gage</i>	0.0	2,350.0	2,350.0	0.0	0.0	0.0
Securities guaranteed by the State or by local governments	0.0	79.4	79.4	0.0	2,443.8	2,443.8
Total	0.0	2,429.4	2,429.4	0.0	2,443.8	2,443.8
Japan	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
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

Ireland	6/30/2010			12/31/2009		
	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
Securities guaranteed by the State	0.0	169.8	169.8	0.0	170.0	170.0
Total	0.0	169.8	169.8	0.0	170.0	170.0
General total *	56,262.5	24,906.9	81,169.4	55,795.3	22,100.7	77,896.0

* Excluding premiums and discounts

Premiums and discounts on securities	-15.7	-17.3
Translation adjustments on securities	-53.2	-217.2
Value of securities on the balance sheet (French accounting standards)	24,838.0	21,866.2

Premiums and discounts are recorded in accruals.

NOTE 1:

The DCC securities, in the amount of EUR 3,803.2 million as of June 30, 2010, were subscribed by Dexia MA for EUR 3,757.8 million. The purpose of this securitization vehicle created by Dexia Crediop is to allow refinancing by Dexia MA of Italian public sector assets transferred by Dexia Crediop to DCC. The securities held by Dexia MA benefit from the guarantee of Dexia Crediop and are consequently rated A by Fitch, A by Standard & Poor's and A2 by Moody's. As of June 30, 2010, 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 7,714.1 million as of June 30, 2010, were subscribed by Dexia MA for EUR 7,425.2 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 issued by DSFB 1 and 2 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. DSFB 4 does not benefit from the guarantee of Dexia Bank Belgium but is rated AA by Fitch. As of June 30, 2010, the assets held by DSFB (Compartment 1, 2 and 4) were Belgian public-sector assets that could be broken down as follows:

Assets held as of June 30, 2010, by DCC - Dexia Crediop per la Cartolarizzazione

Italian assets	EUR millions
State	0.0
Regions	1,982.7
Provinces	676.3
Municipalities	1,086.1
DCC bank account with Dexia Bank Belgium	58.1
	0.0
Total	3,803.2

Assets held as of June 30, 2010, by DSFB - Dexia Secured Funding Belgium

Belgian assets	EUR millions
State	0.0
Regions	615.4
Provinces	3,801.1
Public sector entities	2,409.0
Groups of public sector entities	83.9
Loans guaranteed by local governments	804.7
Total	7,714.1



FINANCIAL STATEMENTS

1st HALF 2010

(IFRS)

Assets

EUR millions	Note	6/30/2009	12/31/2009	6/30/2010
Central banks	2.1	16	4	3
Financial assets at fair value through profit or loss		0	0	0
Hedging derivatives	4.1	2,949	2,814	4,226
Financial assets available for sale	2.2	2,323	3,304	1,723
Interbank loans and advances	2.3	8,126	7,810	10,101
Customer loans and advances*	2.4	67,251	71,078	76,443
Fair value revaluation of portfolio hedge		627	692	1,605
Financial assets held to maturity		0	0	0
Current tax assets	2.5	0	4	11
Deferred tax assets	2.5	188	132	120
Accruals and other assets	2.6	28	10	11
Total Assets		81,508	85,848	94,243

* Figures as of June 30 and December 31, 2009 have been modified. Cf. Notes to the financial statements as of June 30, 2010 - Part Significant events

Liabilities

EUR millions	Note	6/30/2009	12/31/2009	6/30/2010
Central banks	3.1	600	0	0
Financial liabilities at fair value through profit or loss		0	0	0
Hedging derivatives	4.1	5,236	5,806	7,565
Interbank loans and deposits	3.2	8,626	10,352	12,295
Customer borrowings and deposits		0	0	0
Debt securities	3.3	63,769	65,933	69,229
Fair value revaluation of portfolio hedge		1,264	1,256	2,299
Current tax liabilities	3.4	15	3	1
Deferred tax liabilities*	3.4	2	15	13
Accruals and other liabilities	3.5	1,118	1,481	1,810
Provisions		0	0	0
Subordinated debt		0	0	0
Shareholders' equity	3.6	878	1,002	1,031
Capital stock and additional paid-in capital		1,060	1,060	1,190
Reserves and retained earnings		11	12	24
Unrealised or deferred gains and losses		(295)	(216)	(242)
Net income		102	146	59
Total Liabilities		81,508	85,848	94,243

* Figures as of June 30 and December 31, 2009 have been modified. Cf. Notes to the financial statements as of June 30, 2010 - Part Significant events

Income statement

EUR millions	Note	1H 2008	1H 2009	1H 2010
Interest income*	5.1	6,125	4,050	3,114
Interest expense	5.1	(5,998)	(3,870)	(2,979)
Fee and commission income	5.2	0	0	0
Fee and commission expense	5.2	(2)	(3)	(3)
Net gains (losses) on financial instruments at fair value through profit or loss	5.3	0	0	0
Net gains (losses) on financial assets available for sale	5.4	0	19	7
Other income		0	0	0
Other expense		0	0	0
Net banking income		125	196	139
Operating expense	5.5	(45)	(47)	(49)
Cost of risk	5.6	(1)	0	(2)
Operating income		79	149	88
Net gains (losses) on other assets		0	(1)	0
Income before tax		79	148	88
Income tax*	5.7	(24)	(46)	(29)
Net income		55	102	59
<i>Earnings per share (in EUR)*</i>				
- Basic		6	10	5
- Diluted		6	10	5

* Figures as of June 30 and December 31, 2009 have been modified. Cf. Notes to the financial statements as of June 30, 2010 - Part Significant events

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

EUR millions	1H 2009	1H 2010
Net income	102	59
Translation adjustments	0	0
Unrealised or deferred gains and losses of financial assets available for sale	53	(110)
Unrealised or deferred gains and losses of cash flow hedges	40	81
Taxes	(32)	3
Total of unrealised or deferred gains and losses through shareholders' equity	62	(26)
Net income and unrealised or deferred gains and losses through shareholders' equity	164	33

Shareholders' equity

	Core shareholders' equity			Unrealised or deferred gains and losses			Shareholders' equity
	Capital stock, Additional paid-in capital	Retained earnings and net income for the period	Total	Net change in fair value of available for sale financial assets, after tax	Net change in fair value of hedging derivatives, after tax	Total	
EUR millions							
As of December 31, 2009, IFRS	1,060	158	1,218	(190)	(26)	(216)	1,002
<i>Movements during the period</i>							
- Capital stock	130	0	130	0	0	0	130
- Dividends	0	(134)	(134)	0	0	0	(134)
- Changes in fair value of available for sale financial assets through shareholders' equity	0	0	0	(81)	0	(81)	(81)
- Changes in fair value of hedging derivatives through shareholders' equity	0	0	0	0	55	55	55
- Changes in fair value of available for sale financial assets through profit and loss	0	0	0	0	0	0	0
- Changes in fair value of hedging derivatives through profit and loss	0	0	0	0	0	0	0
- Net income for the period	0	59	59	0	0	0	59
- Other movements	0	0	0	0	0	0	0
As of June 30, 2010, IFRS	1,190	83	1,273	(271)	29	(242)	1,031

Dexia MA has capital stock of EUR 1,190 million that is made up of 11,900,000 shares with a par value of EUR 100.

Cash Flow Statement

EUR millions	1H 2008	1H 2009	1H 2010
Net income before taxes	79	148	88
+/- Amortization and depreciation and other impairment on fixed and intangible assets	0	0	0
+/- Depreciation and write-downs	0	1	3
+/- Expense/income from operating activities	(1)	575	325
+/- Expense/income from financing activities	2	(349)	(305)
+/- Other non-cash items	(19)	(173)	(65)
= Non-monetary items included in net income before tax and other adjustments	(18)	54	(42)
+/- Cash from interbank operations (Dexia Credit Local and Banque de France)	600	(5,976)	0
+/- Cash from interbank operations (client loans)	(964)	1,982	(1,486)
+/- Cash from client operations (loans)	(490)	1,082	1,542
+/- Cash from financing assets	(2,641)	(779)	(2,802)
+/- Cash from hedging financial instruments	(236)	739	290
- Income tax paid	(55)	(29)	(29)
= Decrease/(increase) in cash from operating activities	(3,786)	(2,981)	(2,485)
CASH FLOW FROM OPERATING ACTIVITIES (A)	(3,725)	(2,779)	(2,439)
+/- Cash from financing assets and long-term investments	0	0	0
+/- Cash from investment property	0	0	0
+/- Cash from property and intangible assets	0	0	0
CASH FLOW FROM INVESTING ACTIVITIES (B)	0	0	0
+/- Cash from or for shareholders	0	0	(4)
+/- Other cash from financing activities	7,744	(568)	479
CASH FLOW FROM FINANCING ACTIVITIES (C)	7,744	(568)	475
EFFECT OF CHANGES IN EXCHANGE RATES ON CASH (D)	0	0	0
Increase/(decrease) in cash equivalents (A + B+ C + D)	4,018	(3,347)	(1,964)
Cash flow from operating activities (A)	(3,725)	(2,779)	(2,439)
Cash flow from investing activities (B)	0	0	0
Cash flow from financing activities (C)	7,743	(568)	475
Effect of changes in exchange rates on cash (D)	0	0	0
Cash and cash equivalents at the beginning of the period	(7,484)	(1,162)	(6,817)
Cash, central banks and postal checking accounts (assets & liabilities)	15	(334)	4
Interbank accounts (assets & liabilities) and loans/deposits at sight	(7,499)	(828)	(6,821)
Cash and cash equivalents at the end of the period	(3,466)	(4,509)	(8,779)
Cash, central banks and postal checking accounts (assets & liabilities)	15	16	3
Interbank accounts (assets & liabilities) and loans/deposits at sight	(3,481)	(4,525)	(8,782)
Net cash	4,018	(3,347)	(1,962)

NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2010

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 June 30, 2010 have been examined by the Executive Board on August 25th, 2010.

SIGNIFICANT EVENTS

Dexia Municipal Agency has detected a system calculation error which has over amortized expenses on Customer loans and advances in 2009. According to the IAS 8-49 rules, the Company has corrected figures published previously.

Impacts on financial statements are the following :

Assets							
en EUR millions	Note	06/30/2009 published version	Correction	06/30/2009 corrected version	12/31/2009 published version	Correction	12/31/2009 corrected version
Customer loans and advances	2.4	67 246	5	67 251	71 060	18	71 078
Total Assets		81 503	5	81 508	85 830	18	85 848

Liabilities							
en EUR millions	Note	06/30/2009 published version	Correction	06/30/2009 corrected version	12/31/2009 published version	Correction	12/31/2009 corrected version
Deferred tax liabilities	3.4	0	2	2	9	6	15
Shareholders' equity	3.6	875	3	878	990	12	1 002
Net income		99	3	102	134	12	146
Total Liabilities		81 503	5	81 508	85 830	18	85 848

Income Statement

en EUR millions	Note	2nd Q 2009 published version	Correction	2nd Q 2009 corrected version
Interest income	5.1	4 045	5	4 050
Net banking income		191	5	196
Income before tax		143	5	148
Income tax	5.7	(44)	(2)	(46)
Net income		99	3	102
<i>Earnings per share (in EUR)</i>				
- Basic		9	0	10
- Diluted		9	0	10

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 issued on July 2, 2009.

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.

Judgments and estimates are principally made in the following areas:

- Estimation of the recoverable amount of impaired assets
- Determination of fair values of non-quoted financial instruments
- Estimation of present obligations resulting from past events in the recognition of provisions
- Estimate of future taxable profit for the recognition and measurement of deferred tax assets
- Judgment on impairment of financial assets

• CHANGES IN ACCOUNTING POLICIES SINCE THE PREVIOUS ANNUAL PUBLICATION THAT MAY IMPACT DEXIA MUNICIPAL AGENCY

The overview below is made until the reporting date of June 30, 2010.

a. IASB and IFRIC texts endorsed by the European Commission and applied as from January 1, 2010

The following standards, interpretations or amendments have been endorsed by the European Commission and are applied as from January 1, 2010 :

- Improvements made in 2009 to IFRS and IAS, a series of amendments to IFRS applied as from January 1, 2010, with no impact on the financial statements of Dexia Municipal Agency,
- Amendments to IFRS 2 "Share-based Payment" "Group Cash-settled Share-based Payment Transactions", applied as from January 1, 2010. These amendments aim to clarify the scope of IFRS 2. There is no impact on Dexia Municipal Agency financial statements, as Dexia Municipal Agency does not offer cash-settled share-based payments.

- Revised IFRS 1 “First-Time adoption of International Financial Reporting Standards”, which replaces the standard as issued in June 2003. This text is applied as from January 1, 2010. The revision of this standard has no impact on Dexia Municipal Agency financial statements, which is not a first-time adopter anymore.
- Amendments to IFRS 1 “Additional Exemptions for First-time Adopters”, applied as from January 1, 2010. The revision of this standard has no impact on Dexia Municipal Agency financial statements, which is not a first-time adopter anymore.
- Revised IFRS 3 “Business combinations”, which is applied as from January 1, 2010. The revision of this standard has no impact on the financial statements of Dexia Municipal Agency.
- Revised IAS 27 “Consolidated and separate financial statements”, applied as from January 1, 2010. This amendment should be seen in relation with the revised IFRS 3 “Business combinations”. The revision of this standard has no impact on the financial statements of Dexia Municipal Agency.
- Amendment to IAS 39 “Financial instruments: Recognition and Measurement: Eligible Hedged Items” which is applied as from January 1, 2010. This amendment has no impact on the financial statements of Dexia Municipal Agency.
- Amendments to “IFRS 5 Non-current Assets held for Sale and Discontinued Operations” within the improvements made in 2008 to IFRS and IAS, which is applied as from January 1, 2010. There is no impact for Dexia Municipal Agency.
- IFRIC 12 “Service Concession Arrangements”, which is applied as from January 1, 2010, 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 applied as from January 1, 2010, and has no impact on Dexia Municipal Agency financial statements.
- IFRIC 15 “Agreements for the construction of Real Estate”, applied as from January 1, 2010. This interpretation has no impact on Dexia Municipal Agency financial statements.
- IFRIC 17 “Distributions of non-cash assets to owners”, applied as from January 1, 2010. This interpretation has no impact on Dexia Municipal Agency.
- IFRIC 18 “Transfers of assets from customers”, applied as from January 1, 2010. This interpretation has no impact on Dexia Municipal Agency.

b. IASB and IFRIC texts endorsed by the European Commission during the current year but not yet applicable as from 1 January 2010

There is no text endorsed by the European Commission during the current year that is applicable for reporting periods beginning on or after January 1, 2010.

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

- Amendment to IFRS 1 “Limited Exemption from Comparative IFRS 7 Disclosures for first time adopters”, applicable as from January 1, 2011. This amendment has no impact on Dexia Municipal Agency financial statements, which is not a first-time adopter anymore.
- “Improvements to IFRSs” (issued by IASB in May 2010), which are a collection of amendments to existing International Financial Reporting Standards applicable for reporting periods beginning on or after January 1, 2011. The impact of this amendments on Dexia Municipal Agency is currently being assessed.

3. ACCOUNTING PRINCIPLES APPLIED TO THE FINANCIAL STATEMENTS

3.1 - 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.

3.2 - 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.

3.3 - 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 Municipal Agency 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.

3.4 - 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 Municipal Agency’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 December 31, 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 based on the “first in, first out” approach (FIFO method) on a portfolio basis.

When a financial asset available for sale is sold, the total of gains or losses previously recognized in equity is reclassified in income.

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 Municipal Agency considers that the conditions are substantially different when the net present value of the cash flows under the new conditions, including any fees paid net of any fees received, is 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 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.

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 Municipal Agency uses the credit risk model developed by Dexia Credit Local, which is based on an approach that combines appropriate default probabilities and losses in the event of default 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 reclassified, the impairment amount is equal to the difference between the carrying amount and the expected value of the cash flows discounted using the effective interest rate recalculated at the transfer date.

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

Impairment on fixed income financial assets held to maturity (HTM) and fixed income financial assets available for sale (AFS) is reported in "Cost of risk". For fixed income financial assets, if the amount of the impairment subsequently decreases due to an event occurring after the write-down of the initial impairment, the reversal of the provision is credited to the "Cost of risk".

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.

3.5 - 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.

This chapter includes *obligations foncières* and other resources benefiting from the privilege defined in article L.515-19 of the Monetary and Financial Code, as of December 31, 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

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

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

3.6 - DERIVATIVES

a. Derivatives used in a hedging relationship

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 abovementioned 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 Municipal Agency 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 Municipal Agency 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, or
- 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.

3.7 - FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

Financial investments classified as trading, available for sale, or designated at fair value through profit or loss, derivatives and other transactions undertaken for trading purposes are measured at fair value by reference to quoted

market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows, including observable and non-observable market data.

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

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

- 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.

3.8 - 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.

3.9 - 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.

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

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

3.11 - 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.

3.12 - 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.

3.13 - 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.

3.14 - 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.

3.15 - 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 issue of *obligations foncières*. This sole business is part of the operational business line Public and Wholesale Banking (PWB) of the Dexia Group.

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.

3.16 - 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	6/30/2009	12/31/2009	6/30/2010
Mandatory reserve deposits with central banks	16	4	3
Other central bank deposits	0	0	0
Total	16	4	3

2-2 Financial assets available for sale

a. Analysis by nature

EUR millions	6/30/2009	12/31/2009	6/30/2010
Loans	0	0	0
Bonds	2,323	3,304	1,723
Total	2,323	3,304	1,723

b. Analysis by counterparty

EUR millions	6/30/2009	12/31/2009	6/30/2010
Public sector	1,033	1,437	1,257
Credit institutions guaranteed by the public sector	1,290	1,867	466
Other - guaranteed by a State or local government	0	0	0
Other - ABS made up solely of public commitments	0	0	0
Total public sector	2,323	3,304	1,723
Replacement assets	0	0	0
Total	2,323	3,304	1,723
<i>of which eligible for central bank refinancing</i>	0	3,026	1,390

c. Impairment

EUR millions	6/30/2009	12/31/2009	6/30/2010
Public sector bonds or bonds guaranteed by the public sector	2,323	3,304	1,723
Replacement assets	0	0	0
Total performing assets	2,323	3,304	1,723
Public sector bonds or bonds guaranteed by the public sector	0	0	0
Replacement assets	0	0	0
Total impaired assets	0	0	0
Specific impairment	0	0	0
Total assets after impairment	2,323	3,304	1,723

d. Transfers between portfolios

EUR millions	6/30/2009	12/31/2009	6/30/2010
Accounting value as of December 31, 2008, of available for sale securities transferred to loans and advances as of September 30, 2008: see note 2.7	0	0	0

e. Analysis by residual maturity : see note 7.2

2-3 Interbank loans and advances

a. Analysis by nature

EUR millions	6/30/2009	12/31/2009	6/30/2010
Sight accounts	27	0	0
Other interbank loans and advances	8,099	7,810	10,101
Performing assets	8,126	7,810	10,101
Impaired loans and advances	0	0	0
Impaired assets	0	0	0
Total assets before impairment	8,126	7,810	10,101
Specific impairment	0	0	0
Collective impairment	0	0	0
Total	8,126	7,810	10,101

b. Breakdown by counterparty

EUR millions	6/30/2009	12/31/2009	6/30/2010
Central Bank	0	0	1,600
Swiss cantonal banks benefiting from their canton's legal guarantee	1,969	1,899	1,974
Banks guaranteed by a local government, <i>Crédits municipaux</i>	140	170	182
Credit institutions belonging to the Dexia Group: loans benefiting from the assignment in guarantee of refinanced public debt	189	186	183
Credit institutions guaranteed by the State	9	10	12
Replacement assets	5,819	5,545	6,150
Total	8,126	7,810	10,101
of which eligible for central bank refinancing	*	5,545	6,150

* Data not available

c. Replacement assets

EUR millions	Notation	6/30/2009	12/31/2009	6/30/2010
Dexia Sabadell - <i>Cedulas territoriales</i>	Moody's Aa2	2,601	3,195	3,800
Dexia LdG Banque - <i>Lettres de gage</i>	S&P AAA	3,191	2,350	2,350
Dexia CL - Dublin branch sight account		27	0	0
Total		5,819	5,545	6,150

d. Analysis by residual maturity : see note 7.2**2-4 Customer loans and advances****a. Analysis by counterparty**

EUR millions	6/30/2009	12/31/2009	6/30/2010
Public sector**	56,686	59,737	61,031
Other- guaranteed by a State or local government	3,398	4,125	4,127
Other - ABS made up solely of public commitments	7,167	7,208	11,296
Performing assets	67,251	71,070	76,454
Impaired loans and advances	10	5	6
Impaired assets	10	5	6
Total assets before impairment	67,261	71,075	76,460
Specific impairment	0	(1)	(1)
Collective impairment	(10)	(14)	(16)
Total	67,251	71,060	76,443
of which eligible for central bank refinancing	*	45,057	47,722

* Data not available

** Figures as of June 30 and December 31, 2009 have been modified. Cf. Notes to the financial statements as of June 30, 2010 - Part Significant events

b. Public sector ABS

EUR millions	Rating	6/30/2009	12/31/2009	6/30/2010
Colombo	Aaa Moody's, AAA S&P	12	10	9
Astrea	AA- Fitch, Aa2 Moody's	3	2	2
Blue Danube	AA+ S&P	78	77	83
DCC - Dexia Crediop per la cartolarizzazione	A Fitch, A2 Moody's, A S&P	3,976	3,843	3,765
DSFB - Dexia Secured Funding Belgium 1 et 2	A+ Fitch, A1 Moody's, A S&P	3,098	3,026	2,929
DSFB - Dexia Secured Funding Belgium 4	AA Fitch,	0	250	4,508
Total		7,167	7,208	11,296

c. Analysis by residual maturity : see note 7.2**2-5 Tax assets**

EUR millions	6/30/2009	12/31/2009	6/30/2010
Current income tax	0	4	11
Other-taxes	0	0	0
Current tax assets	0	4	11
Deferred tax assets (see note 4.2)	188	132	120

2-6 Accruals and other assets

EUR millions	6/30/2009	12/31/2009	6/30/2010
Cash collateral	0	0	0
Other accounts receivable	0	0	0
Prepaid charges	0	0	0
Other assets	28	10	11
Total accruals and other assets	28	10	11

3 Notes to the liabilities

3-1 Central banks

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

Dexia Municipal Agency has not used Banque de France financing since July 2009.

EUR millions	6/30/2009	12/31/2009	6/30/2010
Overnight borrowing	0	0	0
Time borrowing	600	0	0
Accrued interest	0	0	0
Total funding from Banque de France	600	0	0

3-2 Inter-bank loans and deposits

a. Analysis by nature

EUR millions	6/30/2009	12/31/2009	6/30/2010
Demand deposits	4,557	6,823	8,786
Time Deposits	4,069	3,529	3,509
Total	8,626	10,352	12,295

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.

The master-account totaled EUR 12,282 million, broken down as follows (excluding accrued interest):

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 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 8,782 million;

- sub-account comprised of various borrowings earmarked to finance the structural over-collateralization of 5%. Dexia MA's policy is to maintain minimum structural over-collateralization of 5%, i.e. 105% of outstanding *obligations foncières* and registered covered bonds. These borrowings totaled EUR 3,500 million as of June 30, 2010; they are indexed on the annual money market rate (TAM).

The current account agreement between Dexia Credit Local and Dexia MA will exist as long as Dexia MA is authorized to operate as a *société de crédit foncier* and acquires or grants loans to public sector entities.

EUR millions	6/30/2009	12/31/2009	6/30/2010
Sub-account - pre-financing of assets	4,554	6,820	8,782
Interest accrued not yet due	3	3	4
Sub-account - financing of over collateralization	4,050	3,500	3,500
Interest accrued not yet due	19	29	9
TOTAL Dexia Credit Local	8,626	10,352	12,295

b. Analysis by residual maturity : see note 7.2

3-3 Debt securities

a. Analysis by nature

EUR millions	6/30/2009	12/31/2009	6/30/2010
<i>Obligations foncières</i>	61,157	62,218	64,725
Registered covered bonds	2,612	3,715	4,504
Total	63,769	65,933	69,229

b. Analysis by residual maturity : see note 7.2

3-4 Tax liabilities

EUR millions	6/30/2009	12/31/2009	6/30/2010
Current income tax	12	0	0
Other taxes	3	3	1
Current tax liabilities	15	3	1
Deferred tax liabilities (see note 4.2)	2	15	13

3-5 Accruals and other liabilities

EUR millions	6/30/2009	12/31/2009	6/30/2010
Cash received as collateral	1,064	1,427	1,774
Other accrued charges	54	50	30
Deferred income	0	0	0
Other accounts payable and other liabilities	0	4	6
Total	1,118	1,481	1,810

4 Other notes on the balance sheet

4-1 Instrument dérivés de couverture

a. Analysis by nature

EUR millions	6/30/2009		12/31/2009		6/30/2010	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Derivatives at fair value through profit or loss	0	0	0	0	0	0
Derivatives designated as fair value hedges	1,162	3,920	1,015	4,703	2,375	6,603
Derivatives designated as cash flow hedges	3	230	1	125	116	35
Derivatives designated as portfolio hedges	1,784	1,086	1,798	978	1,735	927
Hedging derivatives	2,949	5,236	2,814	5,806	4,226	7,565
Total derivatives	2,949	5,236	2,814	5,806	4,226	7,565

b. Detail of derivatives designated as fair value hedges

EUR millions	6/30/2009			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Foreign exchange derivatives	18,064	18,635	732	746
Interest rate derivatives	41,277	41,277	430	3,174
Total	59,341	59,912	1,162	3,920

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

EUR millions	6/30/2010			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Foreign exchange derivatives	17,901	17,401	1,865	1,110
Interest rate derivatives	47,612	47,613	510	5,493
Total	65,513	65,014	2,375	6,603

c. Detail of derivatives designated as cash flow hedges

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

EUR millions	12/31/2009			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Foreign exchange derivatives	2,223	2,307	1	125
Interest rate derivatives	0	0	0	0
Total	2,223	2,307	1	125

EUR millions	6/30/2010			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Foreign exchange derivatives	2,218	2,249	116	35
Interest rate derivatives	0	0	0	0
Total	2,218	2,249	116	35

EUR millions	6/30/2009	12/31/2009	6/30/2010
Amount removed from equity and included in the carrying amount of a non-financial instrument, in case of a CFH on forecast transaction	0	0	0

d. Detail of derivatives designated as portfolio hedges

EUR millions	6/30/2009			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Foreign exchange derivatives	0	0	0	0
Interest rate derivatives	177,738	177,738	1,784	1,086
Total	177,738	177,738	1,784	1,086

EUR millions	12/31/2009			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Foreign exchange derivatives	0	0	0	0
Interest rate derivatives	167,734	167,729	1,798	978
Total	167,734	167,729	1,798	978

EUR millions	6/30/2010			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Foreign exchange derivatives	0	0	0	0
Interest rate derivatives	193,815	193,889	1,735	927
Total	193,815	193,889	1,735	927

4-2 Deferred taxes

a. Analysis by nature

EUR millions	6/30/2009	12/31/2009	6/30/2010
Deferred tax assets before impairment	188	132	120
Impairment on deferred tax assets	0	0	0
Deferred tax assets (1)	188	132	120
Deferred tax liabilities (1)*	(2)	(15)	(13)
Total	186	117	107

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

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

*Figures as of June 30 and December 31, 2009 have been modified. Cf. Notes to the financial statements as of June 30, 2010 - Part Significant events

b. Changes

EUR millions	6/30/2009	12/31/2009	6/30/2010
As of January 1	223	223	123
- Charge/credit recognized in the income statement *	(5)	(31)	(19)
- Effect of change in tax rates - impact on the income statement	0	0	0
- Movements directly recognized in shareholders' equity	(32)	(75)	3
- Effect of change in tax rates - impact on shareholders' equity	0	0	0
- Translation adjustment	0	0	0
- Other movements	0	0	0
As of June 30	186	117	107

*Figures as of June 30 and December 31, 2009 have been modified. Cf. Notes to the financial statements as of June 30, 2010 - Part Significant events

c. Deferred taxes coming from assets on the balance sheet

EUR millions	6/30/2009	12/31/2009	6/30/2010
Loans (and loan loss provisions)	60	51	27
Securities	84	67	96
Derivatives	42	12	(15)
Accruals and other assets	17	14	14
Total	202	144	122

d. Deferred taxes coming from liabilities on the balance sheet

EUR millions	6/30/2009	12/31/2009	6/30/2010
Derivatives	0	0	0
Borrowings, deposits and issues of debt securities	4	0	7
Provisions	0	0	0
Regulatory provisions	(20)	(21)	(22)
Accruals and other liabilities	0	0	0
Total	(16)	(21)	(15)

4-3 Related-party transactions

Analysis by nature

EUR millions	Parent company and entities consolidated by Dexia Credit Local			Other related parties (1)		
	6/30/2009	12/31/2009	6/30/2010	6/30/2009	12/31/2009	6/30/2010
Assets						
Loans and advances	7,355	7,224	7,613	5,699	5,376	9,789
Bonds	0	1,401	0	0	0	0

Liabilities

Interbank loans - sight accounts	4,556	6,823	8,785	0	0	0
Interbank loans - term loans	4,069	3,529	3,509	0	0	0

Income statement

Interest income on loans and advances	107	163	33	67	95	(38)
Interest income on bonds	0	6	0	0	0	0
Interest expense on borrowings	(28)	(39)	(34)	0	0	0
Fees and commissions	0	0	(2)	0	0	0

Off-balance sheet

Foreign exchange derivatives	5,597	5,514	5,571	650	573	559
Interest rate derivatives	135,446	128,588	156,165	2,874	6,472	6,226
Guarantees issued by the Group	11,835	11,434	12,910	3,092	3,274	2,959

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

5 Notes to the income statement

5-1 Interest income - Interest expense

EUR millions	1H 2009	1H 2010
Interest income	4,050	3,114
Central banks	0	0
Interbank loans and advances	115	55
Customer loans and advances*	1,133	1,071
Financial assets available for sale	30	31
Financial assets held to maturity	0	0
Derivatives used for hedging	2,772	1,957
Impaired assets	0	0
Other	0	0
Interest expense	(3,870)	(2,979)
Accounts with central banks	0	0
Interbank loans and deposits	(87)	(36)
Customer borrowings and deposits	0	0
Debt securities	(1,275)	(1,292)
Subordinated debt	0	0
Derivatives used for hedging	(2,508)	(1,651)
Other	0	0
Interest margin	180	135

*Figures as of June 30 and December 31, 2009 have been modified. Cf. Notes to the financial statements as of June 30, 2010 - Part Significant

events

5-2 Fees and Commissions

EUR millions	1H 2009			1H 2010		
	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 custodian services	0	(3)	(3)	0	(3)	(3)
Custodial services	0	0	0	0	0	0
Issuance and underwriters of securities	0	0	0	0	0	0
Other	0	0	0	0	0	0
Total	0	(3)	(3)	0	(3)	(3)

5-3 Net gains (losses) on financial instruments at fair value through profit or loss

EUR millions	1H 2009	1H 2010
Net result of hedge accounting	0	0
Net result of foreign exchange transactions	0	0
Total	0	0

All interest received and paid on assets, liabilities and derivatives is recorded in net interest income, as required by IFRS.

Thus, net gains (losses) on trading transactions and net gains (losses) on hedging transactions include only the change in the clean value of derivatives, the revaluation of assets and liabilities qualified as hedges and the revaluation of the portfolio held for trading.

Analysis of net result of hedge accounting

EUR millions	1H 2009	1H 2010
Fair value hedges	0	0
Fair value changes in the hedged item attributable to the hedged risk	(233)	2,752
Fair value changes in the hedging derivatives	233	(2,752)
Cash flow hedges	0	0
Fair value changes in the hedging derivatives – ineffective portion	0	0
Discontinuation of cash flow hedge accounting (Cash flows no longer expected to occur)	0	0
Portfolio hedge	0	0
Fair value changes in the hedged item	(447)	(132)
Fair value changes in the hedging derivatives	447	132
Total	0	0

5-4 Net gains (losses) on financial assets available for sale

EUR millions	1H 2009	1H 2010
Net gain (loss) on disposals of loans and securities available for sale	0	0
Net gain (loss) on disposals of debt securities	12	5
Net gain (loss) on the sale or cancellation of loans and advances	7	2
Total	19	7

5-5 Operating expense

EUR millions	1H 2009	1H 2010
Payroll costs	0	0
Other general and administrative expense	(43)	(45)
Taxes	(4)	(4)
Total	(47)	(49)

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). The agreement with Dexia Public Finance Norden was cancelled at the end of 2009.

5-6 Cost of risk

The methodology used to calculate provisions, defined for the whole Dexia Group, is expected to change in the future, and thus better reflect the risk quality of Dexia MA's exposures that are guaranteed by public sector entities.

EUR millions	1H 2009			1H 2010		
	Collective impairment	Specific impairment and losses	Total	Collective impairment	Specific impairment and losses	Total
Credit (loans, commitments and securities held to maturity)	0	(1)	(1)	(2)	0	(2)
Fixed income securities available for sale	0	0	0	0	0	0
Total	0	(1)	(1)	(2)	0	(2)

Detail of collective and specific impairments

Collective impairment

EUR millions	1H 2009			1H 2010		
	Charges	Recoveries and uses	Total	Charges	Recoveries and uses	Total
Loans and securities held to maturity	0	0	0	(2)	0	(2)
Off-balance sheet commitments	0	0	0	0	0	0
Total	0	0	0	(2)	0	(2)

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

Specific impairment

EUR millions	1H 2009				Total
	Allocations	Reversals	Losses	Recoveries	
Interbank loans and advances	0	0	0	0	0
Customer loans and advances	(1)	0	0	0	(1)
Financial assets held to maturity	0	0	0	0	0
Off-balance sheet commitments	0	0	0	0	0
Total credit	(1)	0	0	0	(1)
Fixed income securities	0	0	0	0	0
Total	(1)	0	0	0	(1)

EUR millions	1H 2010				Total
	Allocations	Reversals	Losses	Recoveries	
Interbank loans and advances	0	0	0	0	0
Customer loans and advances	0	0	0	0	0
Financial assets held to maturity	0	0	0	0	0
Off-balance sheet commitments	0	0	0	0	0
Total credit	0	0	0	0	0
Fixed income securities	0	0	0	0	0
Total	0	0	0	0	0

5-7 Corporate income tax

a. Detail of tax expense

EUR millions	1H 2009	1H 2010
Current taxes	(41)	(16)
Deferred taxes*	(5)	(13)
Tax on prior years' income	0	0
Deferred taxes on prior years	0	0
Provisions for tax litigation	0	0
Total	(46)	(29)

*Figures as of June 30, 2009 have been modified. Cf. Notes to the financial statements as of June 30, 2010 - Part Significant events

b. Effective tax expense as of June 30, 2010

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.

The effective tax rate observed for the second quarter of 2010 amounted to 32.9%.

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

EUR millions	1H 2009	1H 2010
Income before income taxes*	148	88
Net income from associates	0	0
Tax base	148	88
Applicable tax rate at end of the period	34.43%	34.43%
Theoretical corporate income tax at the standard rate	51	30
Impact of differences between foreign tax rates and the standard French tax rate	(5)	(1)
Tax effect of non-deductible expenses	0	0
Tax effect of non-taxable income	0	0
Impact of items taxed at a reduced rate	0	0
Other additional taxes or tax savings	0	0
Liability method	0	0
Provisions for tax litigation	0	0
Corporate income tax recorded in the income statement	46	29
Effective tax rate	30.8%	32.9%

*Figures as of June 30, 2009 have been modified. Cf. Notes to the financial statements as of June 30, 2010 - Part Significant events

c. Tax consolidation group

Dexia Municipal Agency applies the tax consolidation system.

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

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

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

6 Note on off-balance sheet items

6-1 Regular way trade

EUR millions	6/30/2009*	12/31/2009	6/30/2010
Assets to be delivered	205	216	205
Liabilities to be received	147	151	152

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

6-2 Guarantees

EUR millions	6/30/2009*	12/31/2009	6/30/2010
Guarantees received from credit institutions (1)	7,057	7,110	6,687
Guarantees received from customers (2)	3,946	5,812	5,566

(1) The guarantees received from credit institutions corresponded to the guarantees provided by Dexia Crediop per la Cartolarizzazione pour EUR 3,758 millions and the guarantee provided by Dexia Banque Belgium on DSFB1 and DSB2 securities in the amount of EUR 2,929 millions.

(2) Guarantees received from customers are generally granted by local governments.

6-3 Loan commitments

EUR millions	6/30/2009*	12/31/2009	6/30/2010
Loan commitments given to credit institutions	41	6	6
Loan commitments given to customers (1)	2,778	1,630	1,958
Loan commitments received from credit institutions (2)	7,907	7,412	8,970
Loan commitments received from customers	0	0	0

(1) The financing commitments on loans and lines of credit corresponded to contracts issued but not paid out as of June 30, 2010.

(2) This item concerned a firm and irrevocable commitment by Dexia Credit Local to make available to Dexia MA the funds required to reimburse the obligations foncières that will mature in the next 12 months.

6-4 Other commitments

EUR millions	6/30/2009*	12/31/2009	6/30/2010
Commitments given (1)	886	0	0
Commitments received	420	421	416

(1) Accounting value of the financial assets pledged to the Banque de France.

* The amounts as of June 30, 2009 were reclassified to match the presentation as of June 30, 2010, and updated to include regular way trade.

Version published as of June 30, 2009 :

EUR millions	6/30/2009
6.1 Regular way trade: assets to deliver	0
6.1 Regular way trade: liabilities to receive	0
6.2 Guarantees given to the Banque de France	886
6.2 Guarantees received from customers	5,672
6.4 Commitments given	0
6.4 Commitments received	7,053

7 Notes on risk exposure as of June 30, 2010

7-1 Exposure to credit risk

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

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

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

Breakdown of exposure to credit risks

- Analysis of exposure by geographic region

EUR millions	Amount as of 6/30/10
Belgium	8,341
France	53,992
Germany	1,119
Italy	7,798
Luxembourg	2,350
Other European Union countries	6,266
Rest of Europe	4,974
United States and Canada	346
Japon	26
Other European Union countries	11
Total exposure	85,223

- Analysis of exposure by category of counterparty

EUR millions	Amount as of 6/30/10
States	4,792
Local public sector	71,288
ABS	87
Financial institutions	9,056
Total exposure	85,223

The exposures on financial institutions are primarily comprised of counterparties in hedging derivatives and the covered bonds classified as replacement assets.

Exposures on ABS correspond to the three ABS that are 100% guaranteed by a public sector entity or have a pool of 100% public sector assets: Blue Danube Loan Funding GmbH, Colombo SrL, Societa veicolo Astrea SrL.

- Analysis of exposure by category of instrument

EUR millions	Amount as of 6/30/10
Debt securities	1,761
Loans and advances	80,498
Financing commitments on loans	1,964
Hedging derivatives	1,000
Total exposure	85,223

Evaluation of asset credit quality

The Dexia Group decided to use the advanced method recommended by the regulators in relation to the Basel 2 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 97% of the portfolio has a weighting that is less than or equal to 20%.

EUR millions	Risk weighting (Basel 2)				Total
	from 0 to 5%	from 5% to 20%	from 20% to 50%	more than 50%	
Debt securities	1,406	0	355	0	1,761
Loans and advances	65,060	14,950	232	256	80,498
Financing commitments on loans	1,770	188	4	2	1,964
Hedging derivatives	(231)	33	1,158	40	1,000
Total exposure	68,005	15,171	1,749	298	85,223

Share	79.8%	17.8%	2.1%	0.3%	100.0%
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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.

7-2 Liquidity risk : analysis by term to maturity

a. Analysis of assets

EUR millions	As of June 30, 2010						Total broken down
	Sight	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No fixed maturity	
Central banks	3	0	0	0	0	0	3
Derivatives							
Financial assets available for sale	0	328	0	205	1,074	0	1,607
Interbank loans and advances	0	1,833	3,445	5,031	(434)	0	9,875
Customer loans and advances	0	2,066	6,114	26,452	35,136	0	69,768
Fair value revaluation of portfolio hedge							
Financial assets held to maturity	0	0	0	0	0	0	0
Tax assets						131	131
Accruals and other assets	0	11	0	0	0	0	11
Total	3	4,238	9,559	31,688	35,776	131	81,395

EUR millions	As of June 30, 2010					Total on the balance sheet
	Total broken down	Accrued interest	Fair value adjustment	Impairment		
Central banks	3	0				3
Derivatives		1,384	2,842			4,226
Financial assets available for sale	1,607	21	95	0		1,723
Interbank loans and advances	9,875	34	192	0		10,101
Customer loans and advances	69,768	872	5,820	(17)		76,443
Fair value revaluation of portfolio hedge			1,605			1,605
Financial assets held to maturity	0	0	0	0		0
Tax assets	131			0		131
Accruals and other assets	11	0	0	0		11
Total	81,395	2,311	10,554	(17)		94,243

b. Analysis of liabilities, excluding shareholders' equity

EUR millions	As of June 30, 2010						
	Sight	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No fixed maturity	Total broken down
Central banks	0	0	0	0	0	0	0
Hedging derivatives							
Interbak loans and deposits	8,795		0	0	3,500	0	12,295
Customer borrowings and deposits	0	0	0	0	0	0	0
Debt securities	0	(76)	8,911	20,713	36,363	0	65,911
Fair value revaluation of portfolio hedge							
Tax liabilities						14	14
Accruals and other liabilities	0	1,810	0	0	0	0	1,810
Provisions							
Subordinated debt	0	0	0	0	0	0	0
Total	8,795	1,734	8,911	20,713	39,863	14	80,030

EUR millions	As of June 30, 2010			
	Total broken down	Accrued interest	Fair value adjustment	Total
Central banks	0	0	0	0
Hedging derivatives		1,258	6,307	7,565
Interbak loans and deposits	12,295	0	0	12,295
Customer borrowings and deposits	0	0	0	0
Debt securities	65,911	1,113	2,205	69,229
Fair value revaluation of portfolio hedge			2,299	2,299
Tax liabilities	14			14
Accruals and other liabilities	1,810	0		1,810
Provisions				0
Subordinated debt	0	0	0	0
Total	80,030	2,371	10,811	93,212

c. Net liquidity gap

EUR millions	As of June 30, 2010						
	Sight	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No fixed maturity	Total not broken down
Amount	(8,792)	2,504	648	10,975	(4,087)	117	(334)
							1,031

This table presents the balance sheet at the closing date; it does not take into account the management decisions that will make it possible to manage differences in maturity or the future production of assets and liabilities. Dexia MA's liquidity is provided by its refinancing agreement with Dexia Credit Local. In addition, the Company may obtain funding from the Banque de France, by giving certain of these assets in guarantee (this process was tested in 2008, and the great majority of Dexia MA's assets are eligible for refinancing by the central bank). Dexia MA can thus obtain funding from the Banque de France enabling it to reimburse *obligations foncières* when they arrive at maturity; the assets given in guarantee are therefore excluded (as well as the matured bonds) from the calculation of the solvency ratio, which remains practically unchanged. The sight debt of EUR 8,795 million corresponds to the current account with Dexia Credit Local; this debt does not benefit from privilege of the law on *sociétés de crédit foncier*.

7-3 Currency risk
Classification by original currency

EUR millions	As of June 30, 2009				
	EUR	Other EU currencies	U.S. dollars	Other currencies	Total
Total assets	67,048	4,086	6,840	3,534	81,508
Total liabilities and shareholders' equity	67,048	4,086	6,840	3,534	81,508
Net balance sheet position	0	0	0	0	0

Classification by original currency

EUR millions	As of December 31, 2009				
	EUR	Other EU currencies	U.S. dollars	Other currencies	Total
Total assets	71,713	4,284	6,292	3,559	85,848
Total liabilities and shareholders' equity	71,713	4,284	6,292	3,559	85,848
Net balance sheet position	0	0	0	0	0

Classification by original currency	As of June 30, 2010				
	EUR	Other EU currencies	U.S. dollars	Other currencies	Total
EUR millions					
Total assets	78,812	4,709	6,419	4,303	94,243
Total liabilities and shareholders' equity	78,812	4,709	6,419	4,303	94,243
Net balance sheet position	0	0	0	0	0

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

7-4 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 35 million, of which EUR 9 million for the monetary gap and EUR 26.0 million for the fixed rate gap. Real sensitivity is maintained well under this limit.

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

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

Sensitivity of the gap		Average	Maximum	Minimum	Limit
Fixed rate	3Q 2009	11.4	20.5	3.7	26.0
	4Q 2009	9.7	15.2	6.5	26.0
	1Q 2010	13.8	18.3	11.0	26.0
	2Q 2010	18.1	22.6	15.6	26.0
Monetary	3Q 2009	1.0	3.2	(4.0)	4.5
	4Q 2009	0.5	4.7	(1.2)	4.5
	1Q 2010	2.0	4.4	(3.1)	4.5
	2Q 2010	0.6	4.6	(1.1)	9.0
Total	3Q 2009	8.5	16.7	(1.9)	30.5
	4Q 2009	10.3	15.0	6.7	30.5
	1Q 2010	15.5	20.0	10.1	30.5
	2Q 2010	18.9	23.1	14.6	35.0

* The monetary sensitivity limit was exceeded for a period of three days in December 2009. This can be explained by the recognition of Italian debt securities acquired in December 2009. This operation was carried out before the settlement date, but after the date on which interest rates were set, making it impossible to hedge the interest risk at 100%. This excess was, nevertheless, very limited in its amount (EUR 0.2 million) and in the length of time it occurred (three days). The overall sensitivity limit was never exceeded; total sensitivity reached a maximum of EUR 15.0 million, well under the limit of EUR 30.5 million.

**Statutory Auditors' Review Report
of the intermediate financial statements under IFRS Gaap
for the period from January 1, 2010 to June, 2010**

(Free translation of the French language original)

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

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

In our capacity of statutory auditors of **Dexia Municipal Agency** and following the request made to us, in the context of the objective of the entity to enhance the financial information provided to investors, we have reviewed the accompanying intermediate financial statements for the six-month period ended June 30, 2010.

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

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

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

Based on our review, nothing has come to our attention that causes us to believe that the accompanying intermediate financial statements do not present fairly, in all material respects, the results of operations for the six months ended June 30, 2010 and the financial position of **Dexia Municipal Agency** and its assets at that date, in accordance with IFRSs as adopted by the EU.

Without qualifying our opinion, we draw your attention to the matter set out in paragraph II "Significant Events" to the interim financial statements regarding the correction of error relative to costs of customer loans and advances.

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

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

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

Neuilly-sur-Seine and Courbevoie, August 26 2010

The statutory auditors
French original signed by

**Deloitte & Associés
Mazars**

**José-luis GARCIA
Hervé HELIAS
Virginie CHAUVIN**



FINANCIAL STATEMENTS

1st HALF 2010

(French GAAP)

Assets as of June 30, 2010

Eur millions	Notes	6/30/2009	31/12/2009	6/30/2010
Central banks	2.1	16	4	3
Government and public securities, eligible for central bank financing	2.2	3,647	4,593	4,403
Interbank loans and advances	2.3	2,261	2,229	3,752
Customer loans and advances	2.4	52,152	54,386	53,328
Bonds and other fixed income securities	2.5	16,962	17,425	20,574
Equities and other variable income securities		0	0	0
Investments in non-consolidated companies and other long-term investments		0	0	0
Investments in consolidated companies		0	0	0
Intangible assets		0	0	0
Property and equipment		0	0	0
Unpaid capital		0	0	0
Treasury stock		0	0	0
Other assets	2.6	0	4	11
Accruals and other assets	2.7	2,641	2,831	3,661
Total assets	2.8	77,679	81,472	85,731

Liabilities as of June 30, 2010

Eur millions	Notes	6/30/2009	31/12/2009	6/30/2010
Central banks	3.1	600	0	0
Interbank loans	3.2	8,624	10,352	12,301
Customer loans		0	0	0
Debt securities	3.3	63,039	65,298	67,407
Other liabilities	3.4	1,075	1,433	1,775
Accruals and other liabilities	3.5	3,045	3,073	2,865
Provisions for risks and charges	3.6	6	16	24
Deferred tax liabilities	3.6	4	0	15
Regulated provisions	3.6	57	60	63
General banking risks reserve		0	0	0
Subordinated debt		0	0	0
Shareholders' equity		1,229	1,240	1,281
Capital stock	3.7	1,060	1,060	1,190
Additional paid-in capital	3.7	0	0	0
Reserves and retained earnings	3.7	82	82	47
Net income	3.7	87	98	44
Total liabilities	3.8	77,679	81,472	85,731

Off-balance as of June 30, 2010

Eur millions	Notes	6/30/2009	31/12/2009	6/30/2010
COMMITMENTS GRANTED	4.1	3,720	1,636	1,964
Financing commitments		2,834	1,636	1,964
Guarantees granted		0	0	0
Other commitments granted		886	0	0
COMMITMENTS RECEIVED	4.2	16,179	20,771	21,689
Financing commitments		10,507	7,412	8,970
Guarantees received		5,672	13,359	12,719
Other commitments received		0	0	0
Foreign currency transactions	4.3	41,692	40,556	39,300
Interest rate derivatives	4.4	219,599	212,111	240,600
Commitments related to securities transactions	4.5	0	0	0

Income statement 1st half 2010

Eur millions	Notes	1H 2009	2009	1H 2010
Interest income (1)	5.0	2,227	3,728	1,300
Interest expense	5.0	(2,033)	(3,432)	(1,168)
Income from variable income securities		0	0	0
Commission income	5.2	0	0	0
Commission expense	5.2	(3)	(6)	(3)
Net gains (losses) on held for trading portfolio	5.3	0	0	0
Net gains (losses) on portfolio transactions available for sale	5.3	(7)	(38)	(5)
Other banking income		0	0	0
Other banking expense		0	0	0
NET BANKING INCOME		184	252	124
General operating expense	5.1	(47)	(92)	(49)
Depreciation and amortization		0	0	0
OPERATING INCOME BEFORE COST OF RISK		137	160	75
Cost of risk		0	0	0
INCOME FROM OPERATIONS		137	160	75
Income (loss) on fixed assets		0	0	0
INCOME BEFORE NON-RECURRING ITEMS AND TAXES		137	160	75
Non-recurring items		0	0	0
Corporate income tax	5.4	(44)	(54)	(27)
Net allocation to general banking risks reserve and regulated provisions		(6)	(8)	(4)
NET INCOME		87	98	44
Basic earnings per share		8.18	9.25	3.72
Diluted earnings per share		8.18	9.25	3.72

(1) Amount as of June 30, 2010 includes the impact of the system calculation erreur in relation with the year 2009 for Eur 22.9 million (cf. notes to the financial statements as of June 30, 2010 - Part: Significant events).

Dexia Municipal Agency

Cash Flow Statement

As of June 30,2010

	1H 2008	1H 2009
Net income before taxes	72	136
+/- Amortisation and depreciation and other impairment on fixed and intangible assets	0	0
+/- Depreciation and write-downs	0	1
+/- Expense/income from operating activities	(2)	581
+/- Expense/income from financing activities	16	(349)
+/- Other non cash items	(25)	(169)
= <i>Non monetary elements included in net income before tax and other adjustments</i>	<i>(11)</i>	<i>64</i>
- Cash from interbank operations (Dexia Crédit Local)	600	(5,976)
+ Cash from interbank operations (client loans)	(964)	1,982
+/- Cash from client operations (loans)	(490)	1,082
+/- Cash from financing assets	(2,641)	(779)
+/- Cash from hedging financial instruments	(236)	739
- Income tax paid	(55)	(27)
= <i>Decrease/(increase) in cash from operating activities</i>	<i>(3,786)</i>	<i>(2,979)</i>
CASH FLOW FROM OPERATING ACTIVITIES (A)	(3,725)	(2,779)
+/- <i>Cash from financing assets and long-term investments</i>	<i>0</i>	<i>0</i>
+/- <i>Cash from investment property</i>	<i>0</i>	<i>0</i>
+/- <i>Cash from property and intangible assets</i>	<i>0</i>	<i>0</i>
CASH FLOW FROM INVESTING ACTIVITIES (B)	0	0
+/- <i>Cash from or for shareholders</i>	<i>0</i>	<i>0</i>
+/- <i>Other cash from financing activities</i>	<i>7,744</i>	<i>(568)</i>
CASH FLOW FROM FINANCING ACTIVITIES (C)	7,744	(568)
EFFECT OF EXCHANGE RATES CHANGES ON CASH (D)	0	0
Increase/(decrease) in cash equivalents (A + B+ C + D)	4,018	(3,347)
Cash flow from operating activities (A)	(3,725)	(2,779)
Cash flow from investing activities (B)	0	0
Cash flow from financing activities (C)	7,743	(568)
Effect of exchange rates on cash (D)	0	0
Cash and cash equivalents at the beginning of the period	(7,484)	(1,162)
Cash, central banks and postal checking accounts (assets & liabilities)	15	(334)
Interbank accounts (assets & liabilities) and loans/deposits at sight	(7,499)	(828)
Cash and cash equivalents at the end of the period	(3,467)	(4,510)
Cash, central banks and postal checking accounts (assets & liabilities)	15	16
Interbank accounts (assets & liabilities) and loans/deposits at sight	(3,481)	(4,525)
Net cash	4,018	(3,347)

Shareholders' equity

EUR millions	Montant
As of 12/31/2009	
Capital stock	1 060
Additional paid-in capital (APIC)	0
Commitments to increase capital stock and APIC	0
Reserves and retained earnings	82
Net income for the year	98
Interim dividends	0
Shareholders' equity as of 12/31/2009	1 240
Movements for the period	
Changes in capital stock	130
Changes in APIC	0
Changes in commitments to increase capital stock and APIC	0
Changes in reserves and retained earnings*	1
dividends paid (-)	(134)
Net income for the period	44
Other movements	0
As of 6/30/2010	
Capital stock	1,190
Additional paid-in capital (APIC)	0
Commitments to increase capital stock and APIC	0
Reserves and retained earnings	47
Net income for the period	44
Shareholders' equity as of 6/30/2009	1,281

* Rounded off

1. SIGNIFICANT ACCOUNTING POLICIES

Accounting principles

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

The financial statements as of June 30, 2010, were drawn up using the same accounting principles as those used in the financial statements as of December 31, 2009.

Dexia Municipal Agency detected a system calculation error which led to over amortize expenses on customer “loans and advances” in 2009 for EUR 22,9 millions. This impact has been accounted for in the financial statements of June 30, 2010.

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

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

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

Customer loans

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

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

Dexia Municipal Agency applies CRC standard 2002-03, modified by CRC standard 2005-03. This standard stipulates that a loan is considered as non-performing when it presents one of the following characteristics:

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

In addition, this standard introduces a new category of bad debt: compromised non-performing loans. Loans unpaid for more than one year are recorded in this category. Interest on these loans no longer contributes to the interest margin once they have been transferred to the category of compromised non-performing loans. This standard also requires the identification of outstanding loans that have been restructured under non-market conditions; Dexia Municipal Agency had no outstanding loans in this category as of June 30, 2010.

Article 13 of this standard recommends recognizing in discounted value the provisions covering the losses expected on the non-performing and compromised non-performing loans. With respect to the level of nonperforming loans and of the corresponding provisions, the introduction of discounted provisions in the financial statements of Dexia Municipal Agency as of June 30, 2010, would not have been significant.

The rate of depreciation applied to bad debt is proportional to the risk involved. The amount of interest is depreciated for 100% in compliance with current banking practice. Because of the low risk of loss in the local government sector, the depreciation allotted covers 3% of the capital.

Commissions received and transaction costs related to the granting or the acquisition of a loan, if they are significant, are spread over the life of the loan. Other commission income is recorded in the income statement on a cash basis.

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

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

Securities transactions

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

- government and public entity securities eligible for central bank refinancing;
- bonds and other fixed income securities.

They are recognized for accounting purposes as:

- investment securities (held to maturity);
- securities available for sale.

The item "Government and public entity securities eligible for central bank refinancing" includes debt securities issued by public sector entities that may be refinanced through the European system of central banks.

The item "Bonds and other fixed income securities" includes the following categories of securities:

- debt securities issued by public sector entities that are not eligible for refinancing by central banks;
- debt securities guaranteed by public sector entities;
- debt securities issued by securitization structures for Italian public sector assets, Colombo and Astrea ;
- debt securities issued by an Austrian securitization structure, Blue Danube Loan Funding, guaranteed by the Land of Lower Austria;
- debt securities issued by subsidiaries of the Dexia Credit Local Group and by other Dexia Group entities for Dexia Municipal Agency, in order to facilitate asset transfers and refinancing. As of June 30, 2010, there were four types of such securities, which fell into two categories:

- 1) guaranteed bonds, which are debt securities issued within a national legal framework of covered bonds:
 - o *cedulas territoriales* issued by Dexia Sabadell Banco Local, the Spanish subsidiary of Dexia Credit Local. These covered bonds benefit from an Aa2 rating (Moody's);
 - o *lettres de gage* in Luxembourg, issued by Dexia LdG Banque, a fully-owned subsidiary of Dexia BIL in Luxembourg. These covered bonds benefit from a AAA rating (Standard and Poor's).
- 2) debt securities issued by a securitization vehicle within the Dexia Group, and which correspond to specialized operations whereby assets are transferred between Group entities, which generate these assets, and Dexia Municipal Agency, which refinances them:
 - o debt securities issued by DCC (Dexia Crediop per la Cartolarizzazione srl), the securitization vehicle of Dexia Crediop, the Italian subsidiary of Dexia Credit Local. This securitization vehicle is solely dedicated to the refinancing of Italian public sector assets by Dexia Municipal

Agency. In addition, the securities it issues for Dexia Municipal Agency benefit from a total guarantee by Dexia Crediop. The DCC securitization vehicle was introduced in the second quarter of 2004 with an issue for Dexia Municipal Agency of EUR 1.1 billion in securities representing the Italian public sector assets held by the vehicle. Since then, DCC has issued two other securities for Dexia Municipal Agency, the second in 2005 for EUR 1 billion and the third in March 2008 for EUR 2.3 billion;

- debt securities issued by Dexia Secured Funding Belgium NV (DSFB), a *société en investissement de créances* governed by Belgian law and a securitization vehicle created in June 2007 by Dexia Bank Belgium, a subsidiary of Dexia SA, to facilitate the refinancing of certain assets. In June 2007, through its compartment DSFB 1, which is entirely comprised of loans to the Belgian public sector, DSFB issued EUR 1,714,500,000, of which EUR 1,680,250,000 were acquired by Dexia Municipal Agency and the rest by Dexia Bank Belgium; DSFB issued other securities in April 2008, through its compartment DSFB 2, for an amount of EUR 1,621,250,000 of which EUR 1,589,000,000 were acquired by Dexia Municipal Agency and the rest by Dexia Bank Belgium. In December 2009, DSFB issued EUR 5,060,000,000 through its compartment DSFB 4, of which EUR 250,000,000 were acquired by Dexia Municipal Agency. Since, Municipal Agency Dexia acquired three other securities of the compartment DSFB 4 for a global amount of EUR 4 247 821 416: the first one in January, 2010 for an amount of EUR 2 665 814 600, the second in March, 2010 for an amount of EUR 680 356 740 and the third in April, 2010 for an amount of EUR 901 650 076.

Securities considered as investment securities are recorded on the date of purchase at acquisition clean price excluding fees.

Interest accrued at the date of acquisition is recorded in a separate account. The positive or negative difference between the redemption value and the market clean price (discount or premium) is amortized on a quasi actuarial basis over the residual life of the security.

At the end of the accounting period, unrealized gains are not recorded and no depreciation is recorded except in the following cases:

- a doubt about the issuer's ability to meet his obligations;
- the probability that the company will not hold these securities until maturity owing to new circumstances.

It should be noted that the accounting classification as securities as available for sale previously implied the necessity to recognize any security so classified as a "replacement asset". The new formulation of articles L.515-15 and following of the Monetary and Financial Code (May 2007) enables the company to choose the accounting classification (investment or available for sale) it prefers for eligible debt securities.

The sole debt securities to be considered as "replacement assets" are now debt securities the debtors of which are credit institutions or investment firms benefiting from the highest level of credit quality determined by a rating agency recognized by the Banking Commission (corresponding to a minimum rating of AA-/Aa3 /AA- by Fitch, Moody's and Standard and Poor's). The percentage of these replacement assets may not exceed 15% of the nominal amount of the *obligations foncières* and other resources benefiting from the privilege mentioned in §2 of part I of article L.515-13 of the Monetary and Financial Code

Securities available for sale are recorded on the date of purchase at acquisition clean cost excluding fees. Interest accrued at the date of acquisition is recorded in a separate account. The positive or negative difference between the redemption value and the acquisition clean cost (discount or premium) is amortized on a quasi-actuarial basis over the residual life of the security.

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

If the market for a financial instrument is not active, valuation techniques are used to calculate the selling price (or market value as defined in the notes to the financial statements). The valuation model should take into account all the factors that market players would consider to value the asset. Within this framework, Dexia

Municipal Agency relies on its own valuation models, making every effort to take into account the market conditions at the date of the valuation as well as any changes in the credit risk quality of these financial instruments and market liquidity.

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

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

Debt securities

This chapter includes *obligations foncières* and other resources benefiting from the privilege defined in article L 515-19 of the Monetary and Financial Code. As of June 30, 2010, it is subdivided into two categories:

1) Debt securities, for *obligations foncières*

These debt securities are recorded at face value.

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

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

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

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

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

2) Other debt securities, for registered covered bonds.

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

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

Provision for risks and charges

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

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

Derivative transactions

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

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

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

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

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

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

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

Micro-hedge transactions

Transactions are booked as micro-hedges when they are designed to hedge against the interest rate risk related to an item or set of homogeneous items identified from the start. They involve swaps used to hedge primary issues, securities in the investment bond portfolio and certain customer assets.

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

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

- (i) prior to January 1, 2005, the equalization payment is extended over the length of time remaining of the cancelled transaction;
- (ii) since January 1, 2005, the equalization payment is recorded in the income statement over the period of cancellation; however, the equalization payment paid by Dexia Municipal Agency is charged against income only for the portion that exceeds gains not yet recorded in income in the symmetric position.

In both cases, equalization payments remaining to be extended are recorded as accruals in the assets and/or liabilities.

Macro-hedge transactions

This category includes transactions designed to hedge and manage the Company's overall exposure to interest rate risk on assets, liabilities and off-balance sheet items, excluding micro-hedge transactions. They were authorized by a specific decision of the Executive Board of Dexia Municipal Agency on December 1, 1999, pursuant to article 14 of CRB standard 99-10.

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

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

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

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

Monitoring market risks

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

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

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

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

Foreign currency transactions

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

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

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

Foreign exchange transactions

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

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

Non-recurring income and expense

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

Furthermore, the income or expense involved does not depend on decisions taken within the framework of usual management of the Company's activities or assets, but results from external events of a completely exceptional

nature. Only items of this nature that have a significant impact on the period's net income are recorded as non-recurring income and expense.

Tax consolidation

Dexia Municipal Agency applies the tax consolidation system.

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

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

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

Establishment and activities in non cooperative states

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

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

Dexia Credit Local

Tour Dexia - La Défense 2

1, passerelle des Reflets

92 913 La Défense Cedex

France

2. NOTES TO THE ASSETS (EUR millions)

2.1 - Central banks

	Amount as of 6/30/2009	Amount as of 12/31/2009	Amount as of 6/30/2010
Mandatory reserves	16	4	3
TOTAL	16	4	3

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

a. Accrued interest included in this item : 43

b. Analysis by residual maturity excluding accrued interest :

	Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total
	188	99	256	3,817	4,360

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

	Amount as of 6/30/2009	Amount as of 12/31/2009	Amount as of 6/30/2010	Unrealised capital loss as of 6/30/2010
Listed securities (1)	3,082	2,946	3,744	(5)
Other securities	525	1,566	616	0
TOTAL	3,607	4,512	4,360	(5)

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

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

PORTFOLIO	Gross amount as of 6/30/2009	Gross amount as of 12/31/2009	Increases	Decreases	Other changes	Impairment as of 6/30/2010	Net amount as of 6/30/2010
Trading	0	0	0	0	0	0	0
Available for sale	736	1,108	889	(1111)	0	(5)	881
Investment (1)	2,876	3,409	205	(146)	11	0	3,479
	3,612	4,517	1,094	(1257)	11	(5)	4,360

(1) Investment : Amount in Increases concerns a bond transferred from 'Obligations et autres titres à revenu fixe' and is eligible to Central Banks.

2.3 - Interbank loans and advances :

2.3.1 - Sight interbank loans :

	Amount as of 6/30/2009	Amount as of 12/31/2009	Amount as of 6/30/2010
Current account Dublin		27	0
Accrued interest not yet due on the current account			0
Unallocated sums		0	0
TOTAL	27	0	5

2.3.2 - Time interbank loans :

This item is composed of loans to Swiss cantonal banks, which benefit from a legal guarantee of their cantons for an amount of 1,724 millions (excluding accrued interest).

As of June 30, 2010, Dexia Municipal Agency has also a loan to the France Central Bank for an amount of 1,600 million, corresponding of the cash received from cash collateral.

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

a. Accrued interest included in this item : 29

b. Analysis by residual maturity excluding accrued interest :

	Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total
	1,836	571	713	598	3,718

c. Analysis by initial maturity excluding accrued interest :

	Net amount as of 6/30/2009	Net amount as of 12/31/2009	Gross amount as of 6/30/2010	Decrease in value as of 6/30/2010	Net amount as of 6/30/2010
Loans of less than 1 year	0	0	1,600	0	1,600
Loans of more than 1 year	2,208	2,201	2,118	0	2,118
TOTAL	2,208	2,201	3,718	0	3,718

d. Breakdown by counterparty :

	Amount as of 6/30/2009	Amount as of 12/31/2009	Amount as of 6/30/2010
Central Banks		0	0
Swiss cantonal banks benefiting from their canton's legal guarantee	1,881	1,809	1,724
Banks guaranteed by a local government, <i>Crédits municipaux</i>	139	206	211
Credit institutions belonging to the Dexia Group: loans benefiting from the assignment in guarantee of refinanced public debt	188	186	183
TOTAL	2,208	2,201	3,718

2.4 - Customer loans and advances :

a. Accrued interest included in this item : 783

b. Analysis by residual maturity excluding accrued interest :

	Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total
	918	3,204	14,090	34,333	52,545

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

	Amount as of 6/30/2009	Amount as of 12/31/2009	Amount as of 6/30/2010
ECONOMIC SECTOR			
Public sector	48,114	49,637	48,692
Other sectors (1)	3,243	3,957	3,853
TOTAL	51,357	53,594	52,545
of which eligible for Central Bank refinancing	*	41,608	40,888

(1) Logement social : OPHLM et S.A. d'HLM and other loans guaranteed by local collectivity.

* data not available

d. Analysis by initial maturity excluding accrued interest :

	Net amount as of 6/30/2009	Net amount as of 12/31/2009	Gross amount as of 6/30/2010	Impairment as of 6/30/2010	Net amount as of 6/30/2010
Loans of less than 1 year	0	0	0	0	0
Loans of more than 1 year	51,355	53,593	52,545	0	52,545
TOTAL	51,355	53,593	52,545	0	52,545

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

	Net amount as of 6/30/2009	Net amount as of 12/31/2009	Gross amount as of 6/30/2010	Impairment as of 6/30/2010	Net amount as of 6/30/2010
Performing commitments	51,347	53,589	52,539	0	52,539
Restructured commitments	0	0	0	0	0
Non-performing loans	8	4	5	0	5
Compromised non-performing loans	0	0	1	0	1
TOTAL	51,355	53,593	52,545	(0)	52,545

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

	Amount as of 6/30/2009	Amount as of 12/31/2009	Allocations	Reversals	Transfers	Amount as of 6/30/2010
DEPRECIATION ON NON-PERFORMING LOANS						
For non-performing loans						
On loans	0	0	0	0	0	0
On interest	(1)	0	(1)	0	0	(1)
For compromised non-performing loans						
On loans	0	0	0	0	0	0
On interest	(1)	(1)	0	1	0	0
TOTAL	(2)	(1)	(1)	1	0	(1)

- Provisions on interest are recorded in Net banking income.

- Provisions on outstanding are recorded in Cost of risk.

2.5 - Bonds and other fixed income securities :

a. Accrued interest included in this item : 70

b. Analysis by residual maturity excluding accrued interest :

	Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total
	452	3,194	7,017	9,840	20,503

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

	Amount as of 6/30/2009	Amount as of 12/31/2009	Amount as of 6/30/2010
ISSUER'S ECONOMIC SECTOR			
Public sector	1,420	1,591	1,425
Other sectors (guaranteed by a State or local government)	1,521	3,025	1,652
Other sectors (ABS) (1)	100	97	93
Cedulas territoriales issued by Dexia Sabadell	3,200	3,200	3,800
DCC - Dexia Crediop per la Cartolarizzazione	3,961	3,836	3,758
DSFB - Dexia Secured Funding Belgium (2)	3,092	3,272	7,425
Lettres de Gage issued by Dexia LdG Banque	2,600	2,350	2,350
Credit institutions - securities less than 1 year (2)	1,000	0	0
TOTAL	16,894	17,370	20,503

- of which eligible for central bank refinancing:

- of which replacement assets:

(1) Asset-backed securities (ABS):

- Colombo : 8,95 (rated Aa2 Moody's, AAA S&P)

- ASTREA : 1,69 (rated AA- Fitch, Aa2 Moody's)

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

- Blue Danube Loan Funding : 82,44 (rated AA+ S&P - guaranteed by the Land of Lower Austria)

(2) The positive evolution is essentially due to additional acquisition of DSFB4 securities for Eur 4,247 million.

d. Replacement assets:

Covered bonds	Rating	Amount as of 6/30/2009	Amount as of 12/31/2009	Amount as of 6/30/2010
Dexia Sabadell	Moody's AA2	3,200	3,200	3,800
Dexia LdG Banque	S&P AAA	2,600	2,350	2,350
TOTAL		5,800	5,550	6,150

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

	Amount as of 6/30/2009	Amount as of 12/31/2009	Amount as of 6/30/2010	Unrealized capital loss as of 6/30/2010
Listed securities	7,650	7,710	8,131	34
Other securities	9,244	9,660	12,372	0
TOTAL	16,894	17,370	20,503	34

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

PORTFOLIO	Net amount as of 6/30/2009	Net amount as of 12/31/2009	Net amount as of 6/30/2010
Trading	0	0	0
Available for sale	2,236	2,751	1,396
Investment	14,658	14,619	19,107
TOTAL	16,894	17,370	20,503

PORTFOLIO	Gross amount as of 12/31/2009	Increases	Decreases or sales	Other changes	Gross amount as of 6/30/2010	Impairment as of 6/30/2010	Net amount as of 6/30/2010
Trading	0	0	0	0	0	0	0
Available for sale	2,788	0	(1433)	75	1,430	(34)	1,396
Investment	14,619	6,123	(1,497)	(138)	19,107	0	19,107
	17,407	6,123	(2,930)	(63)	20,537	(34)	20,503

2.6 - Other assets :

	Amount as of 6/30/2009	Amount as of 12/31/2009	Amount as of 6/30/2010
Other receivables			11
TOTAL	0	4	11

This item includes EUR 11 million in tax credit, the difference between the prepaid amounts based on the 2009 fiscal result and the real tax charge

2.7 - Accruals and other assets :

	Amount as of 6/30/2009	Amount as of 12/31/2009	Amount as of 6/30/2010
Deferred losses on hedging transactions	368	382	434
Premiums on acquisition of loans from Dexia Credit Local France	118	140	9
Premiums on acquisition of loans other than from Dexia Credit Local France	14	11	127
Other prepaid charges	0	0	0
Accrued interest not yet due on hedging transactions	1,510	1,690	1,406
FX adjustments	0	0	0
Accrued interest not yet due on hedging transactions	0	0	0
Other accruals	0	10	1,020
TOTAL	2,641	2,831	3,661

2.8 - Total assets :

Analysis by original currency	Amount in original currency as of 6/30/2009	Amount in euros as of 6/30/2009	Amount in original currency as of 12/31/2009	Amount in euros as of 12/31/2009	Amount in original currency as of 6/30/2010	Amount in euros as of 6/30/2010
EUR	63,317	63,317	67,399	67,399	71,131	71,131
AUD	1,732	994	1,626	1,015	1,626	1,122
CAD	1,013	622	1,012	670	1,012	779
CHF	3,187	2,090	3,617	2,439	3,141	2,368
DKK	256	35	262	35	256	34
GBP	1,437	1,686	1,344	1,514	1,336	1,629
HKD	206	19	201	18	206	22
JPY	243,219	1,802	240,738	1,804	239,280	2,200
NOK	0	0	244	29	237	30
NZD	237	26	0	0	0	0
PLN	59	13	59	14	59	14
SEK	1,396	128	1,378	134	1,370	144
SKK	0	0	0	0	0	0
TRY	0	0	0	0	0	0
USD	9,696	6,923	9,179	6,375	7,642	6,230
ZAR	261	24	270	26	259	28
TOTAL		77,679		81,472		85,731

3. NOTES TO THE LIABILITIES (EUR millions) :

3.1 - Central banks :

Dexia Municipal Agency has not made use of Banque de France financing since July 2009. The use of such tender-based financing is carried out by the transfer of eligible assets in guarantee within the framework of a general guarantee management. This source of financing does not benefit from the privilege defined in article L.515-19 of the Monetary and Financial Code.

	Amount as of 6/30/2009	Amount as of 12/31/2009	Amount as of 6/30/2010
Overnight borrowing	0	0	0
Time borrowing, maturity third quarter 2010	600	0	0
Accrued interest	0	0	0
TOTAL Banque de France refinancing	600	0	0

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

Sub-accounts make it possible to distinguish between the financing of over-collateralization and the financing of assets prior to issue. The whole account totaled EUR 12,282 million, broken down as follows (excluding accrued interest):

- a sub-account indexed on Eonia, with no defined maturity, financing assets not yet included in the issue programme and miscellaneous needs with a balance of EUR 8,782 millions;
- a sub-account comprised of a borrowing 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. This borrowing totaled EUR 3,500 million as of June 30, 2010; it is indexed on the annual money market rate (TAM).
The current account agreement between Dexia Crédit Local and Dexia Municipal Agency will exist as long as Dexia Municipal Agency is authorized to operate as a *société de crédit foncier* and acquires or grants loans to public sector entities.

	Amount as of 6/30/2009	Amount as of 12/31/2009	Amount as of 6/30/2010
Sub-account - prefinancing of assets	4,550	6,820	8,782
- Interest accrued not yet due	3	3	4
Sub-account - financing of over-collateralization	4,050	3,500	3,500
- Interest accrued not yet due	19	29	9
Unallocated sums	2	0	6
TOTAL	8,624	10,352	12,301

	Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total
Sight	8,788	0	0	0	8,788
A terme	0	0	0	3,500	3,500
Total	8,788	0	0	3,500	12,288

3.3 - Debt securities :**3.3.1- Debt securities (obligations foncières) :**

a. Accrued interest included in this item: 1 022

b. Analysis by residual maturity excluding accrued interest:

TYPE OF SECURITIES	Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total
Obligations foncières	15	8,910	19,291	34,067	62,283
of which issue premiums (1)	0	(2)	(11)	(67)	(80)

(1) The gross amount, before amortization, of issue premiums totaled EUR 111,2 million.

c. Changes during the year excluding accrued interest :

Amount as of 12/31/2009	Increases	Decreases	Translation adjustments	Amount as of 6/30/2010
60,362	4,945	(5,119)	2,095	62,283

3.3.2- Other bonds (registered covered bonds) :

a. Accrued interest included in this item : 90

b. Analysis by residual maturity excluding accrued interest :

TYPE OF SECURITIES	Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total
Registered covered bonds	0	0	0	4,012	4,012
of which issue premiums (1)	0	0	0	(6)	(6)

(1) The gross amount, before amortization, of issue premiums totaled EUR 8,3 million.

c. Analysis by residual maturity excluding accrued interest :

Amount as of 6/30/2009	Amount as of 12/31/2009	Increases	Decreases	Translation adjustments	Amount as of 6/30/2010
2,514	3,547	465	0	0	4,012

3.4 – Other liabilities :

	Amount as of 6/30/2009	Amount as of 12/31/2009	Amount as of 6/30/2010
Cash received as collateral	1,063	1,427	1,774
Accrued interest not yet due on cash received as collateral	0	0	0
Taxes	12	6	1
Balances to pay on unwound hedging contracts	0	0	0
TOTAL	1,075	1,433	1,775

3.5 - Accruals and other liabilities :

	Amount as of 6/30/2009	Amount as of 12/31/2009	Amount as of 6/30/2010
Deferred gains on hedging transactions	0	0	0
Deferred income on hedging transactions	790	808	857
Deferred income on loans	115	31	28
Discounts on acquisition of loans from Dexia Crédit Local	67	96	89
Discounts on acquisition of loans from Other Group entities	0	76	74
Accrued interest not yet due on hedging transactions	1,369	1,252	1,258
Other accrued charges	26	50	30
Translation adjustments	677	760	529
Other accruals	1	0	0
TOTAL	3,045	3,073	2,865

3.6 - Regulated provisions :

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

Amount as of 6/30/2009	Amount as of 12/31/2009	Increases	Decreases	Amount as of 6/30/2010
57	60	3	0	63

b)Provision for risks on financial instruments :

Amount as of 6/30/2009	Amount as of 12/31/2009	Increases	Decreases	Amount as of 6/30/2010
6	16	8	0	24

3.7 - Equity :

	Amount as of 6/30/2009	Amount as of 12/31/2009	Amount as of 6/30/2010
Capital stock	1,060	1,060	1,190
Legal reserve	32	33	38
Retained earnings (+/-)	50	50	9
Net income (+/-)	87	98	44
TOTAL	1,229	1,240	1,281

On May 26, 2010, the Shareholders' Meeting both ordinary and extraordinary, decided :

- (i) to allocate the 2009 net income of EUR 98 million to retained earnings, constituting income for distribution of EUR EUR 142,7 million, after allocation to the legal reserve;
- (ii) to distribute a dividend of EUR 133,6 million ;
- (iii) to increase the capital in cash by EUR 114 million. This capital increase was subscribed by Dexia Credit Local and enacted on May 28, 2010.

Dexia MA's capital stock totaled EUR 1,190 million, comprising 11,900,000 shares with a face value of EUR 100.

3.8 – Total liabilities :

Analysis by original currency	Amount in original currency as of 6/30/2009	Amount in euros as of 6/30/2009	Amount in original currency as of 12/31/2009	Amount in euros as of 12/31/2009	Amount in original currency as of 6/30/2010	Amount in euros as of 6/30/2010
EUR	63,317	63,317	67,399	67,399	71,131	71,131
AUD	1,732	994	1,626	1,015	1,626	1,122
CAD	1,013	622	1,012	670	1,012	779
CHF	3,187	2,090	3,617	2,439	3,141	2,368
DKK	256	35	262	35	256	34
GBP	1,437	1,686	1,344	1,514	1,336	1,629
HKD	206	19	201	18	206	22
JPY	243,219	1,802	240,738	1,804	239,280	2,200
NOK	0	0	244	29	237	30
NZD	237	26	0	0	0	0
PLN	59	13	59	14	59	14
SEK	1,396	128	1,378	134	1,370	144
SKK	0	0	0	0	0	0
TRY	0	0	0	0	0	0
USD	9,696	6,923	9,179	6,375	7,642	6,230
ZAR	261	24	270	26	259	28
TOTAL		77,679		81,472		85,731

3.9 Transactions with related parties :

Analysis by nature
(EUR million)

	Parent company and entities consolidated by Dexia Crédit Local			Other related parties(1)		
	6/30/2009	12/31/2009	6/30/2010	6/30/2009	12/31/2009	6/30/2010
Assets						
Interbank commitments - sight	27	0	0	0	0	0
Interbank commitments - time	188	186	183	0	0	0
Bonds and other fixed income securities	7,184	7,048	7,570	5,698	5,375	9,788

Liabilities

Interbank commitments - sight	4,553	6,823	8,786	0	0	0
Interbank commitments - time	4,069	3,529	3,509	0	0	0

Income statement

Interest income on loans and advances	3	13	3	0	0	0
Interest income on debt securities	91	132	0	67	94	12
Interest expense on borrowings	(28)	(39)	(34)	0	0	0
Net commissions	(2)	0	(2)	0	0	0

Off-balance sheet

Interest rate derivatives	140,921	128,588	155,251	3,525	6,472	6,228
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(1) This item includes transactions with companies of the Belgian and Luxembourg sub-groups consolidated by Dexia SA, the parent company of Dexia Credit Local.

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

4.1- Commitments granted :

	Amount as of 6/30/2009	Amount as of 12/31/2009	Amount as of 6/30/2010
Financing commitments granted to credit institutions	44	6	6
Financing commitments granted to clients (1)			
Other commitments given, securities as collateral	2,790	1,630	1,958
TOTAL	886	0	0
TOTAL	3,720	1,636	1,964

(1) Financing commitments on loans and advances correspond to contracts signed for loans not yet paid out to customers as of June 30, 2010.

4.2 - Commitments received :

	Amount as of 6/30/2009	Amount as of 12/31/2009	Amount as of 6/30/2010
Financing commitments received from credit institutions (1)	10,507	7,412	8,970
Currencies borrowed	0	0	0
Guarantees received from credit institutions	0	0	6,721
Guarantees received from local governments and asset transfers as guarantees of commitments on local governments (2)	5,672	13,359	5,998
TOTAL	16,179	20,771	21,689

(1) This concerns the refinancing agreement within the framework of the current account agreement between Dexia Credit Local and Dexia Municipal Agency.

4.3 - Foreign currency transactions :

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

	Amount as of 6/30/2009	Amount as of 12/31/2009	Amount as of 6/30/2010	Fair value as of 6/30/2010
Currencies to receive	20,508	19,898	20,119	851
Currencies to deliver	21,184	20,658	19,650	(585)
TOTAL	41,692	40,556	39,769	266

4.4- Engagements sur instruments financiers à terme :

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

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

Type of transaction	Amount as of 12/31/2009	Less than 1 year (1)	1 year to 5 years (2)	More than 5 years (3)	Total as of 6/30/2010
Opérations fermes	212,111	134,973	32,571	73,056	240,600
(1) of which deferred start :	11,296				
(2) of which deferred start :	195				
(3) of which deferred start :	2,845				
Total	14,336				

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

b - Analysis of interest rate transactions by product type :

	Amount as of 6/30/2009	Amount as of 12/31/2009	Amount as of 6/30/2010
Interest rate swaps		219,599	212,111
Term contracts		0	0
Interest rate options		0	0
TOTAL	219,599	212,111	240,600

c - Analysis of interest rate swap transactions :

	Amount as of 6/30/2009	Amount as of 12/31/2009	Amount as of 6/30/2010	Fair value as of 6/30/2010
Micro-hedge	79,173	79,359	79,952	(1,542)
Macro-hedge	140,426	132,752	160,642	(2,112)
TOTAL	219,599	212,111	240,594	(3,654)

d - Analysis of interest rate transactions by counterparty :

	Amount as of 6/30/2009	Amount as of 12/31/2009	Amount as of 6/30/2010
Parent and other Dexia Group companies	144,446	127,366	161,479
Counterparties with equity interests	0	0	0
Other counterparties	75,153	84,745	79,121
TOTAL	219,599	212,111	240,600

4.5 - Commitments related to securities transactions :

	Amount as of 6/30/2009	Amount as of 12/31/2009	Amount as of 6/30/2010
Securities purchased:			
Spot	0	0	0
Forward	0	0	0
TOTAL	0	0	0

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

5.0.a - Interest and related income

In particular, this item comprise :

- EUR 78 million in interest due and interest accrued are not yet due on operations with credit institutions;
- EUR 687 million in interest due and interest accrued and not yet due on customer loans, payments for early reimbursement of loans and the result of micro-hedging operations;
- EUR 113 million in interest due and interest accrued and not yet due on bonds and other fixed income securities, income and expense from the spreading of discounts and premiums on investment and available-for-sale securities, and the result of micro-hedging operations;
- EUR 467 million in income from macro-hedging operations.

5.0.b -Interest and related expense

In particular, this item comprise :

- EUR 39 million in interest due and interest accrued and not yet due on refinancing operations;
- EUR 62 million in expense on customer loans;
- EUR 274 million in interest due, interest accrued and not yet due, income and expense from the spreading of debit and credit issue premiums for obligations foncières and registered covered bonds, and the result of micro-hedging operations.
- EUR 793 million in expense on macro-hedging operations.

5.1 – Frais généraux

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 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 and Dexia Bank Belgium).

General operating expense can be broken down as follows :

	1H 2009	1H 2010
Taxes	4	4
Other general operating expense	43	45
(This item mainly includes the management commissions billed by Dexia Credit Local and other Group companies to Dexia Municipal Agency		
TOTAL	47	49

5.2 – Analysis of commissions paid :

	1H 2009	1H 2010
Commission for business brokerage and securities portfolio management billed by	(2)	(2)
Commission paid on securities transactions	(1)	(1)
TOTAL	(3)	(3)

5.3 – Analysis of income from financial transactions :

	1H 2009	1H 2010
Transactions on available-for-sale securities (1)	(7)	(5)
Transactions on investment securities	0	0
Transactions on interest rate derivatives	0	0
Foreign exchange transactions	0	0
TOTAL	(7)	(5)

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

5.4 – Corporate income tax :

	1H 2009	1H 2010
Corporate income tax	(38)	(16)
Deferred tax	(6)	(11)
TOTAL	(44)	(27)

The tax rate used for 2009 is 34.43% for France.
The tax rate used for the Dublin branch is 12.50%

DEXIA MUNICIPAL AGENCY

STATUTORY AUDITOR'S REVIEW REPORT ON THE INTERIM FINANCIAL STATEMENTS

Period from January 1, 2010 to June 30, 2010

(Translated from French to English)

DELOITTE & ASSOCIES

MAZARS

DELOITTE & ASSOCIES

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DEXIA MUNICIPAL AGENCY

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Private company with share capital of EUR 1 190 000 000
Company registration number : 421 318 064 RCS Nanterre

STATUTORY AUDITOR'S REVIEW REPORT ON THE INTERIM FINANCIAL STATEMENTS

Period from January 1, 2010 to June 30, 2010

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DELOITTE & ASSOCIES

MAZARS

**DEXIA MUNICIPAL
AGENCY**

*Period from
January 1, 2010
to June 30, 2010*

**Statutory auditor's review report
on the interim financial statements
for the period from January 1, 2010 to June 30, 2010**

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

Mesdames, Messieurs,

To the shareholders,

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

- the review of the accompanying interim financial statements of Dexia Municipal Agency for the period from January 1, 2010 to June 30, 2010;
- the verification of the information provided in the interim management report.

These interim financial statements were prepared under the responsibility of the Executive Board in a context of economic and financial crisis which is still characterized by 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.

1. Conclusion on the Financial statements

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

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

**DEXIA MUNICIPAL
AGENCY**

*Period from
January 1, 2010
to June 30, 2010*

Based on our review, we did not identify any material misstatements that would cause us to believe that the interim financial statements do not present fairly, in all material aspects, the results of operations for the six months ended June 30, 2010 and the financial position of Dexia Municipal Agency and its assets at that date, in accordance with accounting rules and principles applicable in France.

Without qualifying our opinion, we draw your attention to the matter set out in Note 1.1 to the interim financial statements regarding the correction of error relative to costs of customer loans and advances.

2. Specific verification

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

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

Courbevoie and Neuilly-Sur-Seine, on August 26, 2010

The statutory auditors

French original signed by

MAZARS

DELOITTE & ASSOCIÉS

Hervé HELIAS

Virginie CHAUVIN

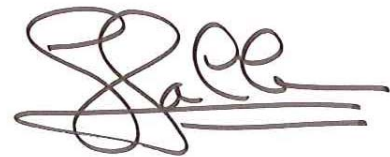
José Luis GARCIA

STATEMENT OF THE PERSON RESPONSIBLE FOR THE HALF-YEAR FINANCIAL REPORT

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

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

La Défense – August 26, 2010

A handwritten signature in dark ink, appearing to read 'G. Gallerne', with a stylized flourish at the end.

Gilles GALLERNE
Member of the executive board – Chief executive officer