



FINANCIAL REPORT

As of March 31, 2011

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MANAGEMENT REPORT

For the period January 1 to March 31, 2011

(1. FIRST QUARTER HIGHLIGHTS

1.1 SITUATION OF THE COVERED BOND MARKET

The first quarter of 2011 was characterized by a record volume of euro-denominated benchmark issues in the primary covered bond market with more than EUR 85 billion, a total that was significantly greater than in the previous year, which nevertheless benefited from the European Central Bank's purchase programme.

New covered bonds included a growing percentage of new issues of less than EUR 1 billion and of taps. The maturities of the new transactions were, for the most part, less than or equal to 5 years. The geographic origin of issuers was marked by increased diversification, but the bulk of new issues remained concentrated in the hands of French, Spanish and German issuers. On the investors' side, Germany (together with Austria) and France accounted for more than half of the market.

The American covered bond market denominated in USD also broke existing records. This market, in which American issuers are not yet allowed to participate (the law is expected to be passed at the end of the year), enables European (French and Northern European) and Canadian issuers to broaden their investor base. Issue maturities were short (only 3 or 5 years).

Dexia MA's business in the quarter reflected these trends, with a benchmark issue of EUR 1 billion and taps totaling EUR 1.2 billion. These different transactions concerned issues maturing between 2020 and 2022. It should also be noted that a U.S. MTN issue programme was set up, which will enable Dexia MA to do business in the rapidly growing American covered bond market.

1.2 FINANCIAL SITUATION OF THE DEXIA GROUP

In the first quarter of 2011, Dexia pursued the implementation of its transformation plan at a sustained pace. The Group was ahead of schedule with regard to its annual and multi-year (2008-2014) divestment programme and the reduction of its liquidity needs. The acceleration of the transformation plan affected the results of the Legacy division, whereas the Core division reported improved results, owing to its commercial business activities. There was a pre-tax loss of EUR 247 million for Legacy, while pre-tax income in Core activities stood at EUR 421 million, representing total pre-tax income of EUR 174 million and net income of EUR 69 million.

The Group is ahead of schedule with regard to its 2011 long-term financing programme: at the end of April, more than half of the annual programme had been accomplished, representing EUR 8.7 billion, of which 4.8 billion attributable to covered bond issuers in the Group.

The Group's Tier One solvency ratio rose during the quarter and stood at a high level (13.4%) at the end of March.

On May 27, 2011, Dexia announced its decision to accelerate its financial restructuring programme. This decision will translate into anticipated asset disposals, the financial impact of which (EUR 3.6 billion) will be booked in the 2Q 2011 financial statements of Dexia SA. That programme has the three-fold advantage of lightening the burden of the Legacy Division, improving liquidity and increasing the Group's ability to achieve recurring profits. The Group's Tier 1 ratio will remain above 12% at the end of 2011.

(2. CHANGES IN MAIN BALANCE SHEET ITEMS

EUR billions	12/31/2009	12/31/2010	3/31/2011	Change Mar 11 / Dec 10
Cover pool	77.9	79.6	78.1	(1.9)%
Loans	55.8	56.1	55.0	(2.0)%
Securities	22.1	23.5	23.1	(1.7)%
Assets assigned in guarantee to Banque de France	-	-	-	N.A
Privileged debt	66.2	64.9	62.7	(3.3)%
Swapped value				
Obligations foncières*	63.9	64.3	62.2	(3.3)%
Cash collateral received	1.4	1.3	0.8	(39.1)%
Non-privileged debt	10.4	12.5	13.5	8.0%
Dexia Credit Local	10.4	12.5	13.5	8.0%
French Central Bank	-	-	-	N.A
Equity IFRS (excluding unrealized gains and losses)	1.2	1.3	1.3	0.1%

* including registered covered bonds (RCB)

** including cash collateral received

As of March 31, 2011, Dexia Municipal Agency's cover pool, composed of loans and debt securities, totaled EUR 78.1 billion, excluding accrued interest not yet due. As of December 31, 2010, the total was EUR 79.6 billion; the decrease was therefore EUR 1.5 billion (-1.9%).

The cover pool corresponded to all the assets on the balance sheet.

Outstanding debt benefiting from the legal privilege, translated if required at the currency swap rate (swapped value), was EUR 62.7 billion, including cash collateral received, down 3.3% from December 2010.

The decrease in privileged debt (EUR -2.2 billion) was greater than the decline in the cover pool (EUR -1.5 billion). The result was an increase in over-collateralization (see 5. Changes in the over-collateralization ratio), financed by the current account with Dexia Credit Local. In the first quarter of 2011, the increase in over-collateralization provided a reserve of assets sufficient to carry out the issue programme for the first half of 2011.

Debt *vis-à-vis* Dexia Credit Local, which does not benefit from the legal privilege, totaled EUR 13.5 billion. This amount corresponds to the financing of over-collateralization both structurally (commitment of Dexia MA and requirements of the rating agencies) and on a temporary basis (assets waiting to be refinanced by *obligations foncières*).

Equity, according to IFRS, but excluding reserves for unrealized gains and losses, totaled EUR 1.3 billion at the end of March 2011.

(3. CHANGE IN ASSETS IN THE FIRST QUARTER OF 2011

3.1 ASSET PRODUCTION

The net change in assets in the first quarter of 2011 was a decrease of EUR 1.5 billion. The change can be analyzed as follows.

Eur billions	2010			1st quarter 2011		
	Loans	Debt securites	Total	Loans	Debt securites	Total
France	5.8	0.6	6.4	1.0	0.6	1.6
Outside of France	0.0	7.1	7.1	-	0.8	0.8
Total new assets	5.8	7.7	13.5	1.0	1.4	2.4
Amortization	(6.1)	(6.5)	(12.6)	(1.9)	(1.7)	(3.6)
Early reimbursements	(0.3)	-	(0.3)	(0.1)	-	(0.1)
Divestments	(0.0)	-	(0.0)	(0.0)	-	(0.0)
Changes in provisions	(0.0)	0.1	0.1	(0.0)	0.0	0.0
Net change (excl. FX adjustments)	(0.6)	1.3	0.7	(1.0)	(0.3)	(1.3)
Foreign exchange adjustments*	0.9	0.1	1.0	(0.2)	(0.0)	(0.2)
Net change	0.3	1.4	1.7	(1.2)	(0.3)	(1.5)

* 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 acquisitions in the period totaled EUR 2.4 billion.

Eur billions	2010	1st quarter 2011
Loans	5.8	1.0
France	5.8	1.0
Switzerland	0.0	-
Bonds	7.7	1.4
Belgium - DSFB 4 securitization	4.2	-
Belgium - other bonds	0.9	-
Italy	0.1	-
Spain - <i>cedulas territoriales</i>	1.7	0.8
Luxembourg - <i>lettres de gage publiques</i>	0.2	-
France	0.6	0.6
Ireland	-	-
Netherlands	-	-
TOTAL	13.5	2.4

These assets included the following items:

- new long-term assets:
 - EUR 0.7 billion in public sector loans originated by Dexia Credit Local within the framework of its commercial activity in France;
- renewal of shorter-term assets that reached maturity (replacement assets):
 - EUR 0.3 billion in loans to Dexia Credit Local guaranteed by public sector securities, renewed quarterly, considered as replacement assets in the cover pool;
 - EUR 0.6 billion in certificates of deposit (CD) issued by Dexia Credit Local, renewed quarterly, considered as replacement assets in the cover pool;
 - EUR 0.8 billion in *cedulas territoriales* issued by Dexia Sabadell, with a maturity of 18 months, considered as replacement assets in the cover pool.

In addition to the arrival at maturity of the above-mentioned replacement assets, which were renewed, the decrease in assets mainly corresponded to the natural amortization

of the portfolio of loans and bonds (in particular, shares in the Belgian (for EUR 0.2 billion) and Italian (for EUR 0.1 billion) securitization vehicles.

3.2 OUTSTANDING ASSETS AS OF MARCH 31, 2011

a. Geographic breakdown of assets (including replacement assets)

The breakdown of assets by country was stable in comparison with December 31, 2010. French assets remained predominant, with significant geographic diversification.

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

%	12/31/2010	3/31/2011
France	64.3	64.9
Belgium	9.9	9.7
Italy	9.6	9.7
Switzerland	5.8	5.2
Spain	4.1	4.1
Luxembourg	2.5	2.4
Sub-total	96.2	96.0
Other countries	3.8	4.0
TOTAL	100.0	100.0

As of March 31, 2011, exposures on “Other countries” could be broken down as follows.

Other countries (%)	3/31/2011
Germany	0.9
United Kingdom	0.8
Sweden/Finland	0.5
Greece	0.5
Austria	0.4
USA	0.3
Portugal	0.2
Iceland	0.2
Japan	0.0
Canada	0.0
TOTAL	4.0

b. Replacement assets

As of March 31, 2011, replacement assets represented a total of EUR 5.8 billion, mainly comprised of covered bonds issued by Dexia Group entities (analyzed in the table below) as well as of exposures with a maturity of less than 100 days on Dexia Credit Local. The latter take the form of certificates of deposit or loans guaranteed by public sector securities. Replacement assets represented 9.4% of outstanding *obligations foncières* and registered covered bonds, which totaled EUR 61.9 billion in swapped value. The law limits their amount to 15%.

Replacement assets	Country	Issuer	EUR millions	
			12/31/10	3/31/11
<i>Cedulas territoriales</i>	Spain	Dexia Sabadell	3,000	3,000
<i>Lettres de gage</i>	Luxemburg	Dexia LdG Banque	1,850	1,850
<i>Certificats de dépôt</i>	France	Dexia Credit Local	600	600
Secured loans	France	Dexia Credit Local	350	350
TOTAL			5,800	5,800

c. Concentration by borrower

As of March 31, 2011, the 20 largest exposures (except replacement assets) amounted to 16.0% of the cover pool. The largest was 1.98% and the twentieth was 0.45%.

3.3 ASSET QUALITY

Dexia Municipal Agency's pool of assets is exclusively composed of exposures on public sector entities or issues guaranteed by the same. The current financial crisis had no significant impact on the Company's portfolio in 2011.

a. Quality of the assets in the portfolio

Dexia MA's portfolio of assets is composed of loans and debt securities.

Loans and advances. Loans and most of the bonds held by Dexia MA are classified in the "Loans and advances" portfolio according to IFRS, corresponding to an intention to hold them until maturity. They are valued at their historical cost and, if necessary, are covered by provisions for impairment when there is a risk of non-payment.

In addition, collective provisions are calculated to cover the risk of loss in value on the different "Loans and advances" portfolios. They are estimated on the basis of each portfolio's past performance and trends, and on the borrower's economic environment. Their calculation combines probabilities of default (PD) and loss given default (LGD) on the different assets based on credit risk models designed by Dexia within the framework of Basel II (on this point, see note 5.6 to the IFRS financial statements).

These collective provisions are, however, much greater than the real risk, for the method applied does not take into account the guarantees received.

EUR millions	12/31/2010	3/31/2011
Specific impairment	0.7	1.6
Collective impairment	18.2	18.6

Non-performing loans amounted to EUR 14.6 million at the end of March 2011, representing less than 0.02% of the total cover pool (EUR 78.1 billion). The minor amounts of impairment and non-performing loans that the Company reported testify to the very low level of risk and the overall high quality of the portfolio.

AFS securities. In particular because of their liquidity, certain securities remain classified as available for sale (AFS), and are valued for accounting purposes on the basis of their fair value. The difference between this valuation and their ac-

counting value gives rise to an AFS reserve that can be positive or negative. These reserves would only represent gains or losses if Dexia MA were to sell these securities, but Dexia MA acquired these assets with the intention of holding them to maturity.

The negative AFS reserve related to Greek sovereign issues deteriorated by 12 million in the first quarter of 2011 owing to the ongoing lack of confidence in the country, which affected the market value of these debt securities. The reserve for these bonds now amounts to EUR -95 million. The AFS reserve for Italian sovereign issues improved by EUR +6 million.

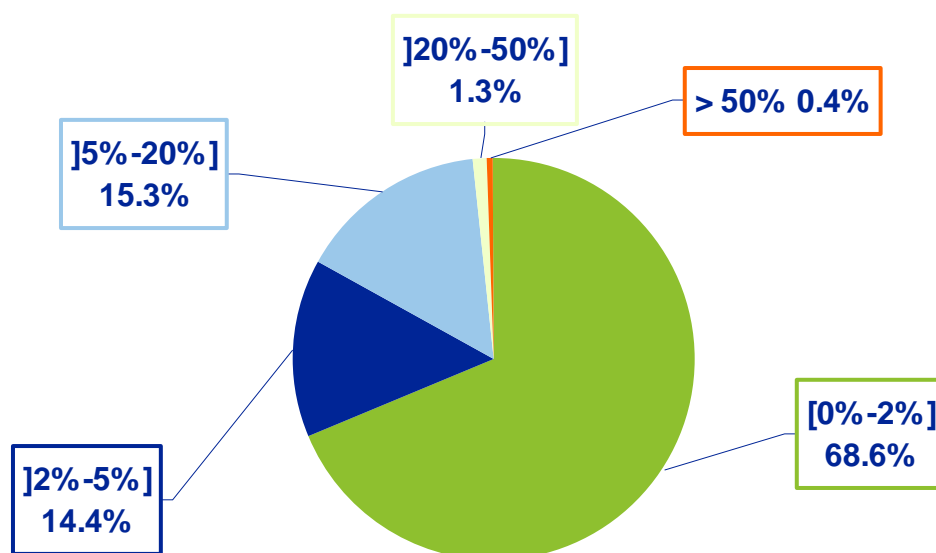
The overall AFS reserve at the end of March 2011, before taxes, was EUR -326 million (see below note 4.4 to the IFRS financial statements).

b. Breakdown of exposure according to Basel II risk weighting

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 ACP 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.

This enables Dexia MA to present in the following table an analysis of its exposures, broken down by risk weighting, such as used for the calculation of equity requirements for credit risk.

Risk weighting (Basel II) of Dexia MA's portfolio as of March 31, 2011



These weightings are primarily calculated on the basis of the probability of the counterparty's default (PD) and loss given default (LGD). This analysis confirms the excellent quality of the assets in DMA's portfolio, since 83% of the portfolio assets have a weighting that is equal to or less than 5%, and more than 98% of the portfolio assets have a weighting that is less than or equal to 20%.

c. 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 four 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	Amount EUR millions	Monoline Insurer
Communauté urbaine de Lille	France	US203403AB67	8.6	AMBAC
Ville de Tours	France	FR0000495517	1.0	MBIA
Ville de Tours	France	FR0000495632	8.5	MBIA
Feria internacional de Valencia	Spain	ES0236395036	50.0	FSA
TOTAL			68.1	

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)

At the end of March 2011, Dexia MA had a limited number of exposures in the form of ABS.

Issuer	ISIN code	Amount EUR millions
DSFB - Dexia Secured Funding Belgium SIC (DSFB 1)	BE0933050073	1,427.5
DSFB - Dexia Secured Funding Belgium SIC (DSFB 2)	BE0934330268	1,412.0
DSFB - Dexia Secured Funding Belgium SIC (DSFB 4)	BE6000495752	4,175.6
DCC - Dexia Crediop per la Cartolarizzazione SRL (DCC 1)	IT0003674691	763.9
DCC - Dexia Crediop per la Cartolarizzazione SRL (DCC 2)	IT0003941124	703.7
DCC - Dexia Crediop per la Cartolarizzazione SRL (DCC 3)	IT0004349665	2,142.4
Sub-total		10,625.1
Blue Danube Loan Funding GmbH	XS0140097873	81.0
Colombo SRL	IT0003156939	6.7
Societa veicolo Astrea SRL	IT0003331292	0.8
Sub-total		88.5
TOTAL		10,713.6

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 Dexia's commercial network.

Dexia MA thus holds almost all of the debt issued by DCC and DSFB, with the remain-

der 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 unconditionally and irrevocably guaranteed by the Land of Lower Austria;
- Colombo SRL (rated A+ by S&P and Aa2 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, made up of covered bonds issued by Dexia Group entities (*cedulas territoriales* of Dexia Sabadell and *lettres de gage* issued by Dexia LdG Banque), certificates of deposit issued by Dexia Credit Local and loans to Dexia Credit Local guaranteed by public sector securities (see above 3.2.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 (37 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 March 31, 2011, Dexia MA was exposed (positive fair value of the swaps) on 11 banking counterparties. Six of these paid collateral, which offset the exposure, and five paid none because of their very high ratings. These five counterparties represented an exposure of EUR 341 million.

Long-term derivatives signed with the five largest external counterparties represented a total of 34.1% of the notional amounts and those signed with the Dexia Group 22.0%.

(4. CHANGE IN DEBT BENEFITING FROM THE LEGAL PRIVILEGE IN THE FIRST QUARTER OF 2011

Dexia Municipal Agency issued the equivalent of EUR 2.6 billion in the first quarter of 2011, versus EUR 7.6 billion for the year 2010.

The pace of issues in recent quarters was as follows.

EUR millions	2010	2011
1Q	3,134	2,618
2Q	2,227	
3Q	2,244	
4Q	43	
TOTAL	7,648	2,618

In the first quarter of 2011, a new issue was launched, with the following characteristics:

- EUR 1.0 billion, maturity January 2021 (10 years),

The year's other public issues mainly represented taps of existing Swiss-franc issues with maturity in February 2016 (CHF 250 million) bringing the total to CHF 450 million, and taps of euro benchmarks with maturity in

- January 2021 (EUR 300 million) bringing the total to EUR 1.3 billion,
- January 2022 (EUR 200 million) bringing the total to EUR 1.7 billion,
- September 2020 (EUR 500 million) bringing the total to EUR 1.25 billion.

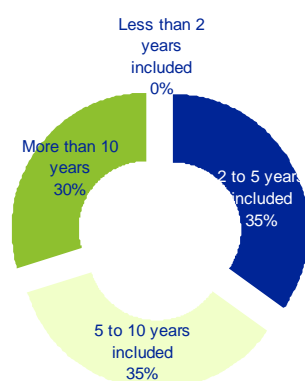
The quarter's private placements partially took the form of registered covered bonds, a private placement format designed for German investors. These issues make it possible to meet the specific needs of certain investors rapidly and flexibly.

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

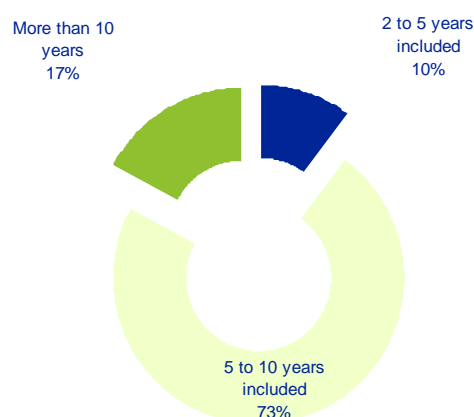
EUR millions	2010	1st quarter 2011
Public issues	6,209	2,192
Private placements	1,439	426
<i>including:</i>		
<i>RCB</i>	487	211
<i>Less than 2 years</i>	0	0
TOTAL	7,648	2,618

As in 2010, 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 10.2 years in the first quarter of 2011 and 9.0 years in 2010.

Breakdown of amount issued in 2010
by maturity



Breakdown of amount issued in the first
quarter of 2011 by maturity

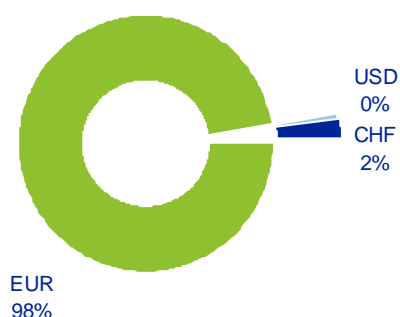


Dexia MA's issues in 2011 were primarily in euros.

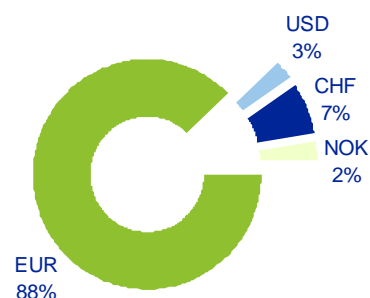
EUR millions	2010	1st quarter 2011
EUR	7,447	2,290
CHF	179	192
NOK	0	64
USD	22	72
TOTAL	7,626	2,618

Dexia MA's issuance policy involves a strong presence in the main euro markets and, to a lesser degree, the eurodollar market, building a consistent curve and monitoring the good performance of its benchmarks in the secondary market, as well as active diversification in certain selected markets.

**Breakdown of amount issued in 2010
by currency**



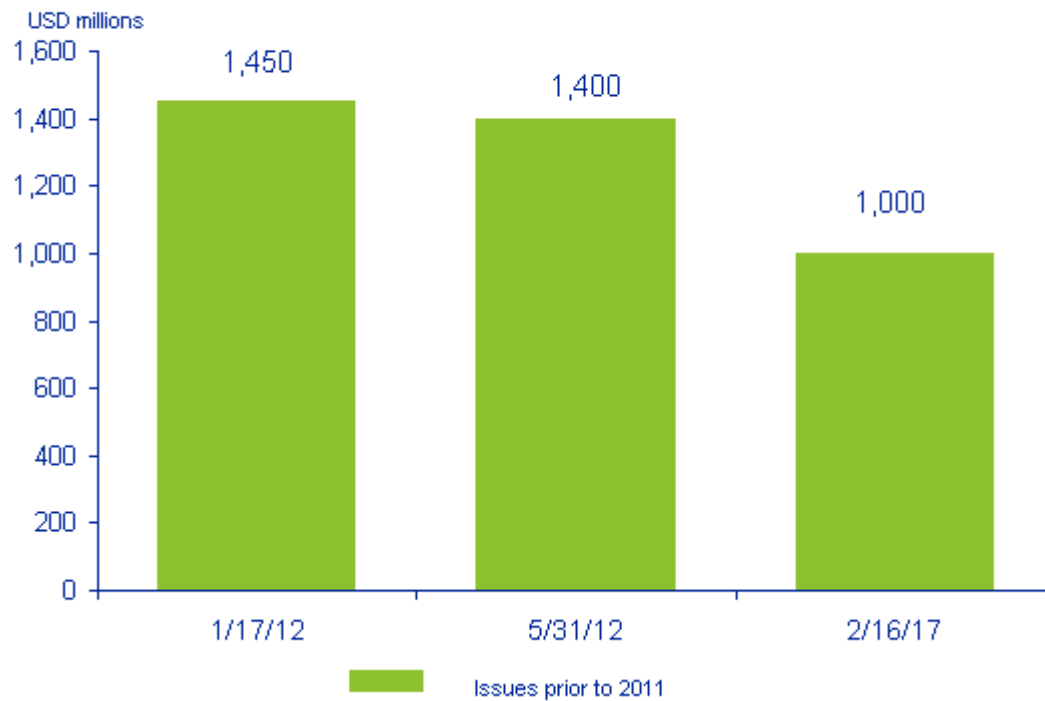
**Breakdown of amount issued in the first
quarter of 2011 by currency**



Analysis of benchmarks in EUR

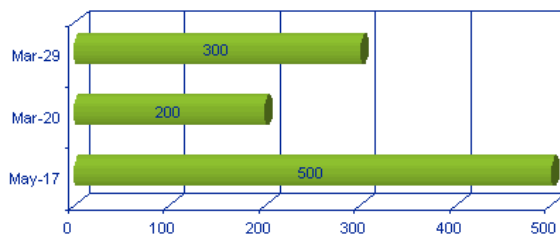


Analysis of benchmarks in USD

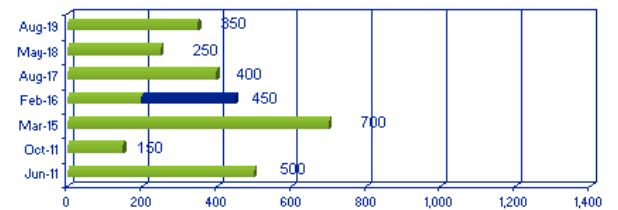


Main curves in non-euro currencies (excluding USD)

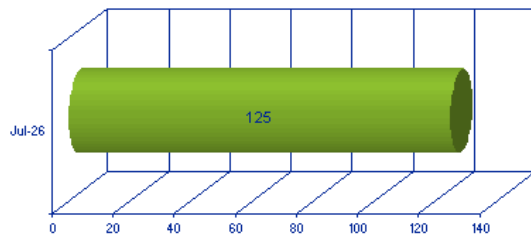
Canadian dollars (CAD millions)



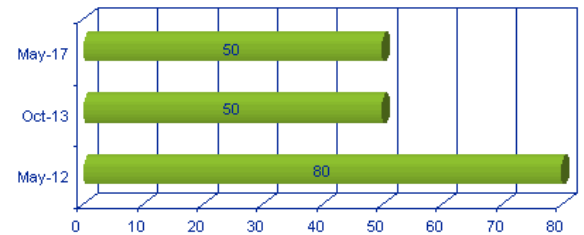
Swiss francs (CHF millions)



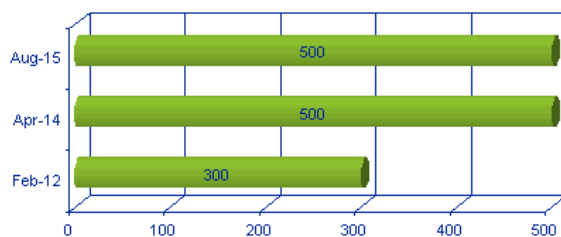
Sterling (GBP millions)



Japanese yen (JPY billions)



Australian dollars (AUD millions)



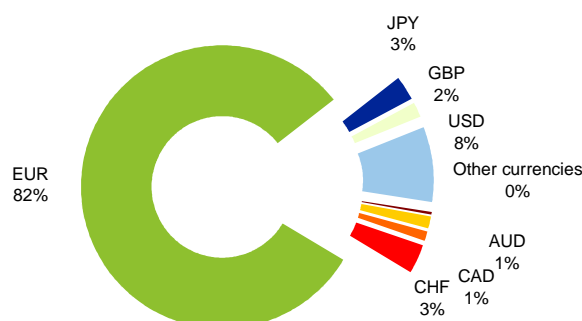
Issues prior to 2011
Issues 2011

After reimbursement of EUR 4.2 billion, outstanding *obligations foncières* and registered covered bonds at the end of March 2011 totaled EUR 61.9 billion in swapped value.

EUR millions	2010	1st quarter 2011
Beginning of the year	64,785	63,565
Issues	7,648	2,618
Reimbursements	(8,868)	(4,245)
TOTAL	63,565	61,938

(swapped value)

The breakdown of outstanding debt by currency as of March 31, 2011 can be analyzed as follows.

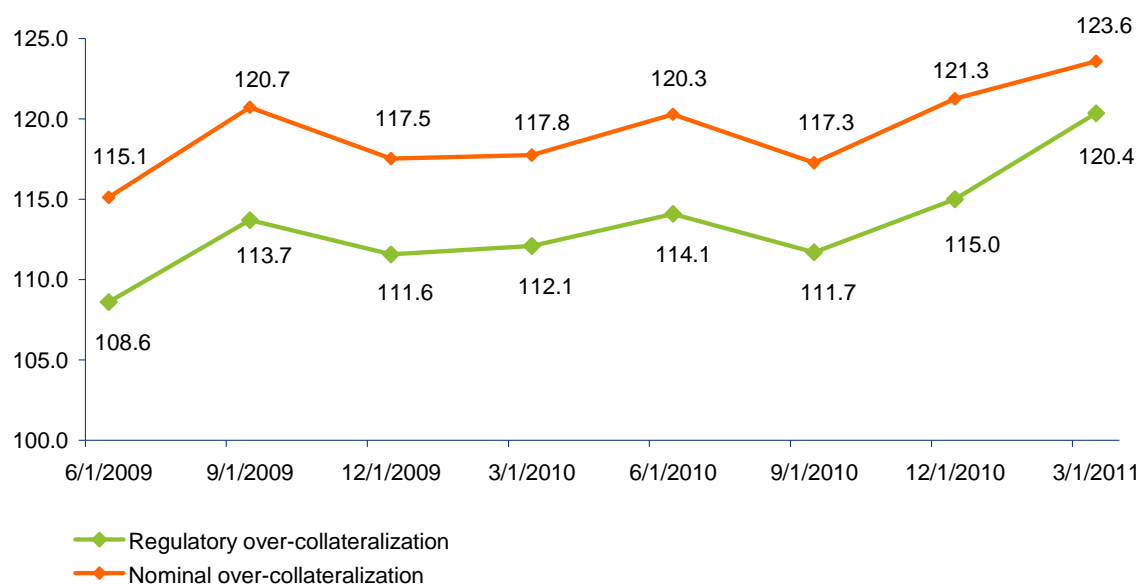


(5. CHANGES IN THE OVER-COLLATERALIZATION RATIO

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

Dexia Municipal Agency decided to maintain a minimum regulatory over-collateralization 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 over-collateralization 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 applied 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 constantly met.

The following graph analyzes the trend in over-collateralization at the end of each quarter.



Regulatory over-collateralization is less than nominal over-collateralization because it is calculated on the basis of the rules determined by the prudential control authority (ACP). In particular, these rules require different weighting levels according to the assets. The assets in Dexia MA's cover pool are generally weighted at 100%, except for certain shares in securitization vehicles made up of assets originated by the Dexia Group and issued by Dexia subsidiaries, with agency ratings at the same level as that of the company which guaranteed them, either Dexia Crediop for DDC shares or Dexia Bank Belgium for DSFB 1 and DSFB 2 shares.

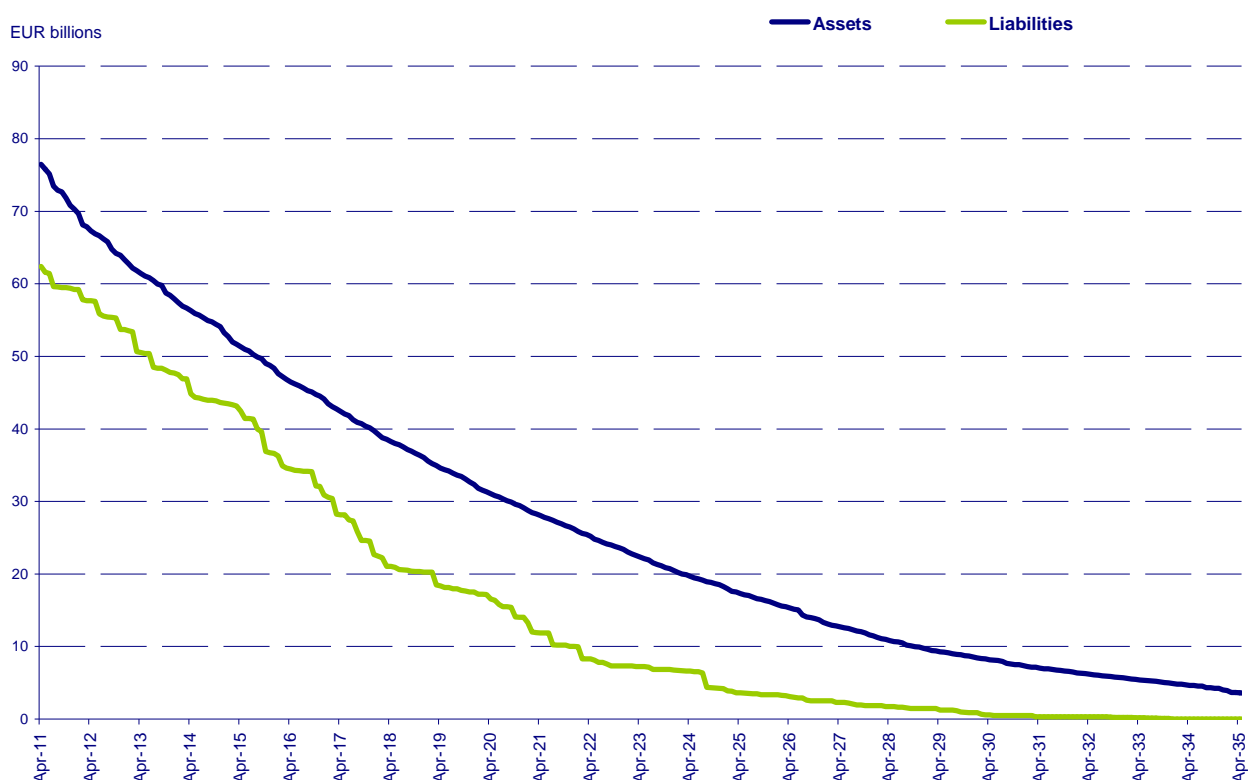
The weightings specified for securitization shares by the law governing *sociétés de crédit foncier* were modified in the first quarter of 2011. The internal DCC and DSFB securitization vehicles, benefiting from the second best credit quality rating granted by the rating agencies, are now weighted at 80% in the calculation of the ratio of regulatory over-collateralization instead of 50%, as was previously the case. The impact of this change in weighting on Dexia MA's over-collateralization ratio at the end of March 2011 was an improvement of 3%.

This particular weighting is the primary reason for the gap that exists between regulatory over-collateralization and nominal over-collateralization.

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 March 31, 2011.

Amortization of assets and liabilities as of March 31, 2011



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

The asset surplus (in reference to *obligations foncières* and registered covered bonds) and miscellaneous needs are financed by equity and 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 of 5% in the long term;
- to finance temporary over-collateralization in the short term, using the current account itself.

In addition, Dexia MA always holds irrevocable and on first demand financing commitments from Dexia Credit Local covering the reimbursements of *obligations foncières* in the next 12 months. If put to use, such financing would be operative for a period of two years. As of March 31, 2011, the commitments received from Dexia Credit Local totaled EUR 3.9 billion.

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 they are guaranteed by loans and securities deposited for this purpose in Dexia MA's account at the Central Bank. 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 nearly closed.

As of March 31, 2011, Dexia MA had no debt *vis-à-vis* the Banque de France, and its debt *vis-à-vis* Dexia Credit Local stood at EUR 13.5 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 10 billion.

** The amortization profile of this long-term loan was designed to finance, at any time, an amount equal to 5% of outstanding obligations foncières as well as the haircut that the Banque de France would administer to assets temporarily deposited in guarantee to meet future funding needs (in a stress scenario in which these needs could not be met by the covered bond market or by advances granted by Dexia Credit Local).*

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

EUR billions	Dexia Credit Local	Banque de France	TOTAL
12/31/2008	4.4	7.5	11.9
12/31/2009	10.4	-	10.4
12/31/2010	12.5	-	12.5
3/31/2011	13.5	-	13.5

(7. 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 March 31, 2011.

Breakdown of outstanding swaps	Notional * (EUR billions)	Dexia Group (%)	Other counterparties (%)
Euribor against Eonia			
Macro-hedges	132.6	100.0%	0.0%
Fixed rate swaps against Euribor			
Micro-hedges on <i>obligations foncières</i>	48.3	2.6%	97.4%
Micro-hedges on loans and debt securities	27.8	22.9%	77.1%
Macro-hedges on loans	21.1	59.7%	40.3%
Sub-total	97.1	20.8%	79.2%
Currency swaps			
Micro-hedges on <i>obligations foncières</i>	11.7	16.8%	83.2%
Micro-hedges on loans	3.7	57.9%	42.1%
Micro-hedges on debt securities	1.3	60.4%	39.6%
Sub-total	16.7	29.3%	70.7%
Total long-term swaps	113.9	22.0%	78.0%

7.1 MANAGEMENT OF THE INTEREST RATE RISK

The management of the interest rate risk involves two steps.

- In the first stage, all the assets and the liabilities benefiting from the privilege 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 it finances assets that also have a fixed rate.

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.

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 equity, and this figure is reviewed every year at the end of the first quarter. This general sensitivity limit 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	2Q 2010	18.1	22.6	15.6	26.0
	3Q 2010	19.4	29.9	12.2	26.0
	4Q 2010	17.9	22.2	13.9	26.0
	1Q 2011	13.1	20.8	5.2	26.0
Monetary	2Q 2010	0.6	4.6	(1.1)	9.0
	3Q 2010	1.0	2.8	0.1	9.0
	4Q 2010	(0.0)	3.0	(2.5)	9.0
	1Q 2011	1.6	2.6	0.4	9.0
Total	2Q 2010	18.9	23.1	14.6	35.0
	3Q 2010	20.3	31.7	12.6	35.0
	4Q 2010	18.1	22.8	14.0	35.0
	1Q 2011	14.6	22.7	5.7	35.0

The maximum fixed rate sensitivity limit was exceeded at the beginning of August 2010. This incident was linked to the purchase by Dexia MA of EUR 1 billion in French loans originated by Dexia Credit Local, which briefly disrupted the calculation of the sensitivity of Dexia MA. It should be noted that on this occasion, the general sensitivity

limit was not exceeded. It reached a maximum of EUR 31.7 million in the period, i.e. under the general sensitivity limit of EUR 35 million.

7.2 MANAGEMENT OF THE 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 are recognized on Dexia MA's balance sheet and until their complete extinguishment.

7.3 MANAGEMENT OF THE TRANSFORMATION RISK

With the interest rate risk under control, as presented above, Dexia Municipal Agency manages the congruence of maturities between the assets and the liabilities by maintaining the duration gap between the assets and the liabilities within a maximum limit of three years.

From the point of view of the method, since both the assets and the resources benefiting from the privilege have a floating rate after swaps, Dexia MA's balance sheet looks as if there were only a single loan *vis-à-vis* a single borrowing. Duration (D) is calculated as follows: "sum of the periods weighted by the cash flows and discounted at the interest rate of the zero coupon curve for period (t) / sum of the cash flows discounted at the interest rate of the zero coupon curve for period (t)".

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

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	3/31/2010	6/30/2010	9/30/2010	12/31/10	3/31/11
Assets	6.81	6.95	7.25	6.98	6.85
Privileged liabilities	5.23	5.35	5.29	5.23	5.6
Gap in asset-liability duration	1.58	1.60	1.96	1.75	1.25
<i>Duration gap limit</i>	3	3	3	3	3

The duration gap between the assets and the liabilities is closely monitored since it is sensitive to fluctuations in interest rates (net present value) and to significant changes in assets and liabilities. The average maturity of new issues is long in order to maintain the duration gap under two years on a regular basis.

7.4 MANAGEMENT OF THE 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 redemption of its privileged resources.

By limiting the duration gap between assets and resources to three years, Dexia manages to control its future need for liquidity.

To meet its liquidity needs, Dexia MA will issue new *obligations foncières* to replace those that arrive at maturity and the reimbursement of which creates the need for liquidity. If the situation in the covered bond market does not make it possible to launch new issues, Dexia MA may first 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:

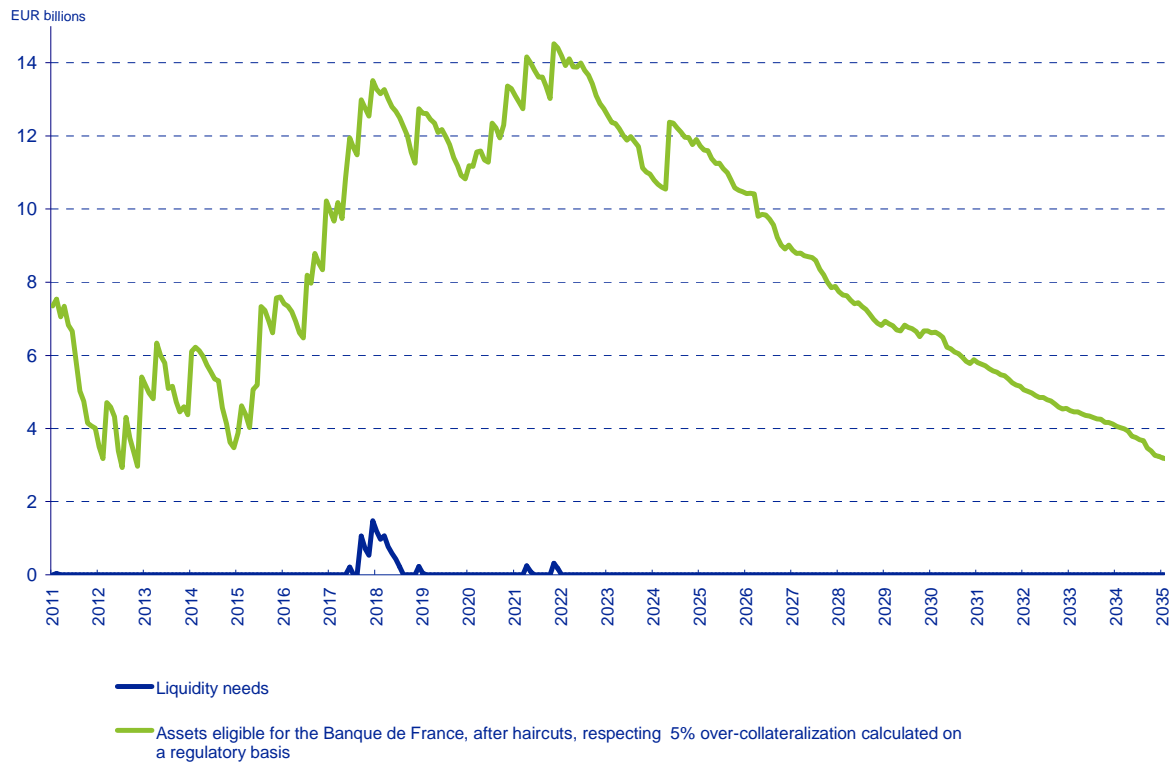
- an unlimited current account facility, with Dexia Credit Local;
- a firm and irrevocable commitment by Dexia Credit Local to make available to Dexia MA the funds it requires to reimburse *obligations foncières* that reach maturity in the coming 12 months on a sliding scale.

In addition, Dexia MA 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 need for cash can be easily covered.

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

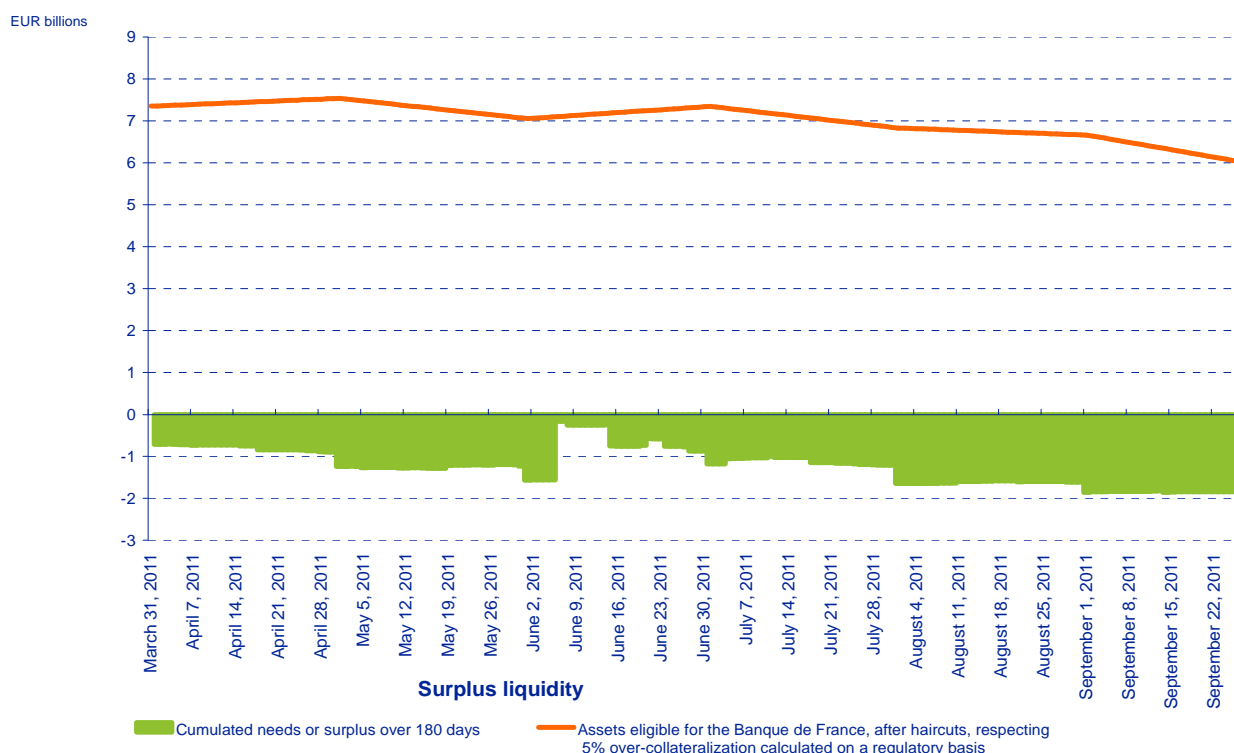
- either by using, in its own name, the refinancing possibilities offered by the European Central Bank *via* the Banque de France;
- or by using interbank financing in the form of repurchase agreements.

In practice, Dexia MA first uses new issues of *obligations foncières* or financing made available by Dexia Credit Local, but it has also demonstrated 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. The maximum cumulated liquidity needs that Dexia MA might have to face in the future, in a run-off situation, is less than this amount. Future liquidity needs are presented below.



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

- the liquidity ratio for one month (regulatory reporting to the prudential control authority - ACP);
- the duration gap between the assets and the resources benefiting from the legal privilege (limited to three years), which is published quarterly;
- cash needs over the next 180 days: Dexia MA's management makes it possible 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. Moreover, Dexia MA ensures that at any time, its cash needs over a period of 180 days are covered by replacement assets, assets eligible for credit operations with the Banque de France, or by refinancing agreements signed with credit institutions with the best short-term credit rating. At the end of March 2011, Dexia MA had no cumulated net need for cash over the next 180 days, but rather reported a liquidity surplus, as shown in the following graph.



(8. INCOME FOR THE PERIOD IN 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 in compliance with IFRS, as adopted by the European Commission.

The income statement is presented synthetically in the following table.

EUR millions - IFRS	1st quarter 2010	2010	1st quarter 2011	Change 1Q 2010/2011
Interest margin	59	256	60	
Net commissions	(2)	(5)	(1)	
Net result of hedge accounting	-	-	-	
Net result of financial assets available for sale	7	12	1	
Other income and expense	-	-	-	
NET BANKING INCOME	64	263	60	(6)%
General operating expenses	(22)	(88)	(22)	
Taxes	(1)	(8)	(2)	
OPERATING INCOME BEFORE COST OF RISK	41	167	36	(12)%
Cost of risk	(1)	(4)	(1)	
PRE-TAX INCOME	40	163	35	(13)%
Income tax	(13)	(54)	(11)	
NET INCOME	27	109	24	(11)%

Net banking income decreased by 6%, i.e. EUR 4 million, in comparison with the first quarter of 2010, down from EUR 64 million to EUR 60 million.

The decrease was principally due to a EUR 6 million decline in the net result on financial assets available for sale, while the interest margin rose slightly, up EUR 1 million.

The interest margin corresponds to the difference between income from the assets and the expense of the liabilities (hedged against interest rate and foreign exchange risks). It basically increases in function of changes in the volume and margin of new operations.

The item “Net result on financial assets available for sale” mainly involved the result of early reimbursements and divestments of assets ((EUR 0.8 million) and net gains reported on early reimbursement of debt (EUR 0.2 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 were stable in comparison with the previous year.

The cost of risk was at an extremely low level, reflecting the excellent quality of the assets. It primarily corresponds to allowances for collective impairment (EUR 0.4 million) calculated according to criteria based on the probability of default and of loss given default applied within the framework of Basel II. The surplus is made up of allowances for specific impairment.

The average income tax rate (including deferred taxes) varied slightly. It corresponded to a mix of French and Irish tax rates.

Net income for the period was down EUR 3 million from the first quarter of 2010.

(9. OUTLOOK FOR 2011

The total volume of issues that Dexia MA plans to launch in 2011 is estimated at approximately EUR 7.0 billion, a sum comparable to the total amount issued in 2010 and in line with the volume of issues that will arrive at maturity during the year. It will mainly be comprised of public issues in euros, making it possible to complement Dexia MA's euro benchmark curve. It may nonetheless include greater currency diversification than in the last few years. A programme has been drawn up for the acquisition of assets from the Dexia Group to carry out the planned volume of issues while meeting the over-collateralization requirements that apply to Dexia MA.

Belgian and French assets will continue to account for three-quarters of the cover pool.

**Loans to local governments and bonds as of 3/31/2011
(EUR millions)**

	3/31/2011			12/31/2010		
France	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
State	207.0	-	207.0	208.5	-	208.5
Regions	2,085.9	147.7	2,233.6	1,963.9	152.3	2,116.2
Departments	6,240.6	-	6,240.6	6,438.3	-	6,438.3
Municipalities	18,279.7	110.0	18,389.7	18,730.9	110.0	18,840.9
Groups of municipalities	10,317.5	122.6	10,440.1	10,524.9	123.3	10,648.2
Public sector entities	10,376.0	-	10,376.0	10,176.3	-	10,176.3
Loans guaranteed by the state or by the local governments	2,191.6	-	2,191.6	2,144.3	-	2,144.3
Credit institution	-	599.8	599.8	-	599.8	599.8
TOTAL	49,698.3	980.1	50,678.4	50,187.1	985.4	51,172.5
Austria	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
Länder	205.4	-	205.4	206.2	-	206.2
ABS	-	81.0	81.0	-	81.0	81.0
TOTAL	205.4	81.0	286.4	206.2	81.0	287.2
Portugal	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
Regions	-	-	-	-	-	-
Municipalities	95.8	-	95.8	90.0	-	90.0
Public sector entities	10.3	-	10.3	10.7	-	10.7
Securities guaranteed by the State or by local governments	-	47.5	47.5	-	47.5	47.5
TOTAL	106.1	47.5	153.6	100.7	47.5	148.2
Iceland	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
Securities guaranteed by the State or by local governments	-	180.4	180.4	-	180.4	180.4
TOTAL	-	180.4	180.4	-	180.4	180.4
Finland	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
State	-	-	-	-	-	-
Municipalities	31.0	-	31.0	32.4	-	32.4
Public sector entities	53.1	-	53.1	53.1	-	53.1
TOTAL	84.1	-	84.1	85.5	-	85.5
Greece	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
State	-	321.2	321.2	-	321.2	321.2
Loans guaranteed by the State or by local governments	-	-	-	-	-	-
Securities guaranteed by the State or by local governments	-	100.0	100.0	-	100.0	100.0
TOTAL	-	421.2	421.2	-	421.2	421.2
Italy	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
State	-	506.3	506.3	-	506.3	506.3
Regions	-	1,511.5	1,511.5	-	1,512.1	1,512.1
Provinces	-	244.9	244.9	-	246.2	246.2
Municipalities	14.2	1,556.5	1,570.7	14.7	1,567.3	1,582.0
ABS	-	7.5	7.5	-	9.1	9.1
Securities issued by DCC (see note 1 below)	-	3,610.0	3,610.0	-	3,681.1	3,681.1
Securities guaranteed by the State or by local governments	-	103.3	103.3	-	103.9	103.9
Securities guaranteed by the State or by local governments	-	50.4	50.4	-	-	-
TOTAL	14.2	7,590.4	7,604.6	14.7	7,626.0	7,640.7
Spain	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
<i>Cedulas territoriales</i>	-	3,000.0	3,000.0	-	3,000.0	3,000.0
Region	-	179.2	179.2	-	178.8	178.8
Securities guaranteed by the State or by local governments	-	50.0	50.0	-	50.0	50.0
TOTAL	-	3,229.2	3,229.2	-	3,228.8	3,228.8
Switzerland	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
Cantons	1,593.6	-	1,593.6	1,656.3	-	1,656.3
Municipalities	1,264.7	-	1,264.7	1,321.9	-	1,321.9
Public sector entities	115.6	-	115.6	120.1	-	120.1
Loans guaranteed by local governments	1,085.2	-	1,085.2	1,507.8	-	1,507.8
TOTAL	4,059.1	-	4,059.1	4,606.1	-	4,606.1
Belgium	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
Regions	316.0	65.8	381.8	316.0	65.8	381.8
Communities	-	-	-	74.4	-	74.4
Public sector entities	84.7	-	84.7	86.9	-	86.9
State	-	-	-	-	-	-
Securities guaranteed by the State or by local governments	-	-	-	-	-	-
Securities issued by DSFB (see note 2 below)	-	7,015.1	7,015.1	-	7,235.5	7,235.5
Loans guaranteed by the State or by local governments	90.2	-	90.2	94.9	-	94.9
TOTAL	490.9	7,080.9	7,571.8	572.2	7,301.3	7,873.5

	3/31/2011			12/31/2010		
Germany	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
Länder	-	504.1	504.1	-	503.7	503.7
Pfandbriefe	-	-	-	-	-	-
Securities guaranteed by the State or by local governments	-	212.6	212.6	-	211.9	211.9
TOTAL	-	716.7	716.7	-	715.6	715.6
United States	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
States	-	252.9	252.9	-	252.9	252.9
Municipalities	-	-	-	-	-	-
TOTAL	-	252.9	252.9	-	252.9	252.9
Sweden	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
Municipalities	118.0	-	118.0	128.3	-	128.3
Loans guaranteed by local governments	201.0	-	201.0	219.2	-	219.2
TOTAL	319.0	-	319.0	347.5	-	347.5
Canada	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
Provinces	-	22.4	22.4	-	22.4	22.4
Municipalities	-	-	-	-	-	-
TOTAL	-	22.4	22.4	-	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	-	651.7	651.7	-	664.6	664.6
TOTAL	-	651.7	651.7	-	664.6	664.6
Luxembourg	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
Lettres de gage	-	1,850.0	1,850.0	-	1,850.0	1,850.0
Securities guaranteed by the State or by local governments	-	-	-	-	64.9	64.9
TOTAL	-	1,850.0	1,850.0	-	1,914.9	1,914.9
Japan	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
Municipalities	-	25.0	25.0	-	25.0	25.0
TOTAL	-	25.0	25.0	-	25.0	25.0
Ireland	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
Securities guaranteed by the State	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-
GENERAL TOTAL *	54,977.1	23,129.4	78,106.5	56,120.0	23,467.0	79,587.0
* Excluding premiums and discounts						
Premiums and discounts on securities		(25.2)			(17.3)	
Translation adjustments on securities		(173.8)			(217.2)	
Value of securities on the balance sheet (French accounting standards)		22,930.4			23,232.5	
<i>Premiums and discounts are recorded in accruals.</i>						

NOTE 1:

The DCC securities, in the amount of EUR 3,662.3 million as of March 31, 2011, were subscribed by Dexia MA for EUR 3,610.0 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 March 31, 2011, 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 7,311.0 million as of March 31, 2011, were subscribed by Dexia MA for EUR 7,015.1 million. The purpose of this securitization vehicle created by Dexia Bank Belgium is to allow refinancing by other Dexia Group entities of assets generated by Dexia Bank Belgium. The securities held by Dexia MA benefit from the guarantee of Dexia Bank Belgium, and are consequently rated, regarding the compartment, A+ by Fitch, A or unrated by Standard and Poor's and A1 by Moody's. The securities issued by DSFB IV are not guaranteed by Dexia Bank Belgium and are rated AA by Fitch. As of March 31, 2011, the assets held by DSFB (Compartment I, II and IV) were Belgian public-sector assets that could be broken down as follows:

Assets held as of March 31, 2011, by DCC - Dexia Crediop per la Cartolarizzazione

Italian assets	EUR millions
State	-
Regions	1,957.6
Provinces	653.4
Municipalities	1,043.6
DCC bank account with Dexia Bank Belgium	7.7
TOTAL	3,662.3

Assets held as of March 31, 2011, by DSFB - Dexia Secured Funding Belgium

Belgian assets	EUR millions
State	-
Regions	579.1
Provinces	3,507.1
Public sector entities	2,391.2
Groups of public sector entities	77.4
Loans guaranteed by local governments	756.2
Total	7,311.0



FINANCIAL STATEMENTS

As of March 31, 2011
(IFRS)

BALANCE SHEET

Assets as of March 31, 2010

EUR millions	Note	3/31/2010	12/31/2010	3/31/2011
Central banks	2.1	3	2	-
Financial assets at fair value through profit or loss		-	-	-
Hedging derivatives	4.1	3,364	5,906	4,089
Financial assets available for sale	2.2	2,827	1,865	1,825
Loans and advances due from banks	2.3	8,336	7,171	6,686
Loans and advances to customers	2.4	73,445	78,025	75,371
Fair value revaluation of portfolio hedge		934	1,114	589
Financial assets held to maturity		-	-	-
Current tax assets	2.5	4	7	9
Deferred tax assets	2.5	137	131	117
Accruals and other assets	2.6	6	9	6
TOTAL ASSETS		89,056	94,230	88,692

Liabilities as of March 31, 2010

EUR millions	Note	3/31/2010	12/31/2010	3/31/2011
Central banks	3.1	-	-	-
Financial liabilities at fair value through profit or loss		-	-	-
Hedging derivatives	4.1	5,896	10,887	8,712
Due to banks	3.2	10,793	12,541	13,477
Customer borrowings and deposits		-	-	-
Debt securities	3.3	68,180	66,819	63,744
Fair value revaluation of portfolio hedge		1,695	1,557	860
Current tax liabilities	3.4	5	9	11
Deferred tax liabilities	3.4	10	4	0
Accruals and other liabilities	3.5	1,469	1,344	791
Provisions		-	-	-
Subordinated debt		-	-	-
Equity	3.6	1,008	1,069	1,097
Share capital and additional paid-in capital		1,060	1,190	1,190
Reserves and retained earnings		145	24	133
Unrealised or deferred gains and losses		(224)	(254)	(250)
Net income		27	109	24
TOTAL LIABILITIES		89,056	94,230	88,692

Income statement

EUR millions	Note	1Q2010	2010	1Q2011
Interest income	5.1	1,541	6,486	1,695
Interest expense	5.1	(1,482)	(6,230)	(1,635)
Fee and commission income	5.2	-	-	-
Fee and commission expense	5.2	(2)	(5)	(1)
Net gains (losses) on financial instruments at fair value through profit or loss	5.3	-	-	-
Net gains (losses) on financial assets available for sale	5.4	7	12	1
Net result of hedge accounting and fair value option		-	-	-
Other income		-	-	-
Other expense		-	-	-
Net banking income		64	263	60
Operating expense	5.5	(23)	(96)	(24)
Cost of risk	5.6	(1)	(4)	(1)
Operating income		40	163	35
Net gains (losses) on other assets		-	-	-
Income before tax		40	163	35
Income tax	5.7	(13)	(54)	(11)
NET INCOME		27	109	24
<i>Earnings per share (in EUR)</i>				
- Basic		3	9	2
- Diluted		3	9	2

Net income and unrealised or deferred gains and losses through equity

EUR millions	1Q2010	1Q2011
Net income	27	24
Translation adjustments	-	-
Unrealised or deferred gains and losses of financial assets available for sale	(9)	(4)
Unrealised or deferred gains and losses of cash flow hedges	(2)	18
Taxes	3	(10)
Total of unrealised or deferred gains and losses through equity	(8)	4
NET INCOME AND UNREALISED OR DEFERRED GAINS AND LOSSES THROUGH EQUITY	19	28

Equity

EUR millions	Core equity			Unrealised or deferred gains and losses			Equity
	Share capital, 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	
As of December 31, 2010, IFRS	1,190	133	1,323	(232)	(22)	(254)	1,069
Movements during the period							
Share capital	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-
Changes in fair value of available for sale financial assets through equity	-	-	-	(6)	-	(6)	(6)
Changes in fair value of hedging derivatives through equity	-	-	-	-	10	10	10
Changes in fair value of available for sale financial assets through profit and loss	-	-	-	-	-	-	-
Changes in fair value of hedging derivatives through profit and loss	-	-	-	-	-	-	-
Net income for the period	-	24	24	-	-	-	24
Other movements	-	-	-	-	-	-	0
As of March 31, 2011, IFRS	1,190	157	1,347	(238)	(12)	(250)	1,097

Dexia MA has share capital 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	3/31/2010	12/31/2010	3/31/2011
NET INCOME BEFORE TAXES	40	109	35
+/- Depreciation and write-downs	1	5	0
+/- Expense/income from operating activities	152	125	187
+/- Expense/income from financing activities	(202)	(84)	(258)
+/- Other non-cash items	(153)	(372)	(115)
= Non-monetary items included in net income before tax and other adjustments	(202)	(326)	(186)
+/- Cash from interbank operations (Dexia Credit Local and Banque de France)	500	-	-
+/- Cash from interbank operations (customer loans)	(53)	28	414
+/- Cash from customer operations (loans)	1,015	414	500
+/- Cash from financing assets	(2,217)	(1,344)	344
+/- Cash from hedging financial instruments	(20)	159	(307)
- Income tax paid	(13)	(44)	(14)
= Decrease/(increase) in cash from operating activities	(788)	(787)	937
CASH FLOW FROM OPERATING ACTIVITIES (A)	(950)	(1,004)	786
+/- Cash from financing assets and long-term investments	-	-	-
+/- Cash from investment property	-	-	-
+/- Cash from property and intangible assets	-	-	-
CASH FLOW FROM INVESTING ACTIVITIES (B)	-	-	-
+/- Cash from or for shareholders	-	4	-
+/- Other cash from financing activities	1,684	(1,205)	(1,720)
CASH FLOW FROM FINANCING ACTIVITIES (C)	1,684	(1,209)	(1,720)
EFFECT OF CHANGES IN EXCHANGE RATES ON CASH (D)	-	-	-
Increase/(decrease) in cash equivalents (A + B+ C + D)	733	(2,213)	(934)
Cash flow from operating activities (A)	(950)	(1,004)	786
Cash flow from investing activities (B)	-	-	-
Cash flow from financing activities (C)	1,684	(1,209)	(1,720)
Effect of changes in exchange rates on cash (D)	-	-	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	(6,817)	(6,817)	(9,029)
Central banks (assets & liabilities)	4	4	2
Interbank accounts (assets & liabilities) and loans/deposits at sight	(6,821)	(6,821)	(9,031)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	(6,082)	(9,030)	(9,963)
Central banks (assets & liabilities)	703	2	0
Interbank accounts (assets & liabilities) and loans/deposits at sight	(6,785)	(9,032)	(9,963)
NET CASH	735	(2,213)	(934)

Notes to the IFRS Financial Statements as of March 31, 2011

(1 APPLICABLE ACCOUNTING PRINCIPLES

1.1 CONTEXT OF PUBLICATION

Dexia Municipal Agency decided to publish a set of individual financial statements according to IFRS. This publication is voluntary and the reference for the preparation of the financial statements is consistently, in compliance with legislation applicable in France, French generally accepted accounting principles (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 March 31, 2011 were examined by the Executive Board on June 6, 2011.

1.2 APPLICABLE ACCOUNTING PRINCIPLES

a. 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.

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, regulation EC 1606/2002 has been updated several times. Dexia Municipal Agency's financial statements have therefore been prepared in accordance with IFRS regulations and interpretations published and endorsed by the European Commission up to the accounting closing on March 31, 2011, including the conditions for the application of an interest rate portfolio hedging and the possibility of hedging deposits.

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

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the amounts reported. In order to make assumptions and estimates, management uses information available at the date of preparation of the financial statements and exercises its judgment. 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 were principally made in the following areas:

- classification of financial instruments,
- determination of whether or not the market is active,
- hedge accounting,
- existence of a present obligation with probable outflows in the event of litigation,
- identification of impairment triggers.

These judgments are developed in the corresponding sections of these applicable accounting principles.

Estimates were principally made in the following areas:

- determination of the recoverable amount of impaired financial assets,
- estimate of future taxable profit for the recognition and measurement of deferred tax assets.

b. Changes in accounting policies since the previous annual report that may impact Dexia Municipal Agency

The following review of changes in accounting policies is based on the situation at closing on March 31, 2011.

1. New IFRS, IFRIC and amendments adopted by the European Commission and applied since January 1, 2011

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

- “Improvements to IFRS” (issued by IASB in May 2010), which are a collection of amendments to existing International Financial Reporting Standards. The impact of these amendments on Dexia Municipal Agency mainly relates to disclosures.
- IAS 24 “Related Party Disclosures”. This standard supersedes IAS 24 “Related Party Disclosures” (as revised in 2003) and has no impact on Dexia Municipal Agency.
- Amendment to IFRIC 14 “Prepayments of a Minimum Funding Requirements”. This amendment has no impact on Dexia Municipal Agency.
- Amendment to IFRS 1 “Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters”. This amendment has no impact on Dexia Municipal Agency, which is not a first-time adopter anymore.
- IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments”. This interpretation has no impact on Dexia Municipal Agency.
- Amendment to IAS 32 “Financial instruments: presentation: classification of rights issue”. This amendment has no impact on Dexia Municipal Agency.

2. IASB and IFRIC adopted by the European Commission during the year but not applicable as of January 1, 2011

None

3. New IFRS, IFRIC and amendments issued during the year but not yet adopted by the European Commission

None

1.3 ACCOUNTING PRINCIPLES APPLIED TO THE FINANCIAL STATEMENTS

a. 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.

b. Foreign currency transactions

Foreign currency transactions are accounted for using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are recognized at closing rates. Non-monetary assets and liabilities recognised at fair value and denominated in foreign currencies existing at closing date are recorded at closing rates, whereas non-monetary assets and liabilities recognized at discounted cost are recorded at their historical rates. The resulting exchange differences from monetary assets and liabilities are recognized in income, except for the foreign exchange impact of fair value

adjustments to bonds available for sale. The exchange differences from non-monetary assets and liabilities recognized at fair value are recorded as fair value adjustments.

c. Trade 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 received or delivered by Dexia Municipal Agency.

Dexia Municipal Agency's 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.

d. Financial assets

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.

1. Loans and advances to banks and customers

The relevant IFRS defines loans as non-derivative financial assets with determined or determinable payments, which are not quoted on an active market, except for:

- those that the entity intends to sell immediately or in the near future, which should be classified as held for trading and those that the entity, at the time of initial recognition, designates as being at their fair value through profit or loss;
- those that the entity, at the time of initial recognition, designates as available for sale;
- those for which the bearer may not be able to recover almost of his initial investment for reasons other than the deterioration of credit, which should be classified as available for sale.

At initial recognition, Dexia Municipal Agency records the loans and advances at fair value, to which transaction costs are added. Later estimates are made at amortized cost, less any allowance for impairment. Interest, which is calculated by the effective interest rate method, is recognized within the interest margin.

The effective interest rate is the rate that updates with precision future expected cash flows over the expected life of the financial instrument, or when more appropriate, over a shorter period so as to obtain the financial asset's net carrying amount.

2. Financial assets available for sale and held to maturity

Financial assets held to maturity

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.

Assets held to maturity are initially recognized at fair value (including transaction costs) and they are subsequently carried at amortized cost, less any allowance for impairment. Interest is recognized based on the effective interest rate method initially determined and is recognized within the interest margin.

Financial assets available for sale

Assets held for an indefinite period of time, which may be sold in response to a need for liquidity or changes in interest rates, foreign exchange rates or equity prices, are classified as "Financial assets available for sale" (AFS). Assets recognized by Dexia Municipal Agency as "Financial assets available for sale" are, except for certain cases, intended to be held to maturity.

Assets available for sale 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. When these assets are sold, the fair value accumulated in equity is recycled in the income statement as "Net income from financial instruments available for sale".

When financial assets available for sale are restated as loans and advances at a later date on the basis of the October 2008 amendment to IAS 39, the reserve representative of changes in the fair value of

financial assets available for sale as presented in the financial statements as of March 31, 2011, corresponds to the part of this reserve still to be amortized with regard to the securities restated as of October 1, 2008.

3. Financial assets held for trading

Dexia Municipal Agency holds no assets for trading.

4. Financial assets designated at fair value through profit or loss ("FV Option")

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

5. Realized gains and losses on sales of financial assets

For financial assets not revalued through profit or loss, 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 assets. The cost is systematically determined (FIFO) on a portfolio basis.

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

6. Accounting for early reimbursement penalties

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

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

Early reimbursement with refinancing

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

In line with the principles of AG 62, Dexia MA considers that the conditions are substantially different when the net present value of the cash flows under the new conditions, including any fees paid net of any fees received, is more than 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.

7. 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 as a result of one or several events occurring after initial recognition of the financial asset and that this loss-generating event, has an impact on the estimated future cash flows of the financial asset or group of financial assets, which may be reliably estimated, in accordance with IAS 39 (§58-70). The impairment represents the management's best estimates of losses at each balance-sheet date.

Financial assets at amortized cost

Dexia Municipal Agency first tries to determine whether there is objective evidence of impairment for a financial asset individually. If no proof exists, the financial asset is included in a group of financial assets presenting similar credit-risk characteristics, submitted collectively to an impairment test.

- Determination of impairment

- **Specific loss allowance.** If there is objective evidence that a loan or advance or a financial asset held until maturity is impaired, the amount of the loss allowance is the difference between the carrying amount and the recoverable value. The recoverable value of a financial asset is the present value of expected cash flows, net of guarantees and collateral, discounted using the interest rate in effect at origination of the financial asset (except for reclassified assets, see below). When an asset is impaired, it is excluded from the portfolio, on which a collective loss allowance is calculated.
- **Collective allowance.** Collective 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, consistently with the incurred loss model.

- Accounting for impairment

Changes in the amount of the impairment are recognized in income under “Cost of risk”. Once the asset is impaired, if the amount of the impairment decreases subsequent to an event that occurs after recognition of impairment, the reversal of impairment is credited with “Impairment of loans and provisions for loan commitments”.

When a financial asset is determined by management to be uncollectible, the residual specific loss allowance is reversed in income as “Cost of risk”, and the net loss is likewise so recognized. Subsequent recoveries are recognized in income as well, under “Cost of risk”.

Reclassified financial assets

Impairment of reclassified financial assets follows the same rules as for financial assets at amortized cost with regard to its calculation. If there is objective evidence that a reclassified financial asset is impaired, the amount of the impairment of the reclassified asset is calculated as the difference between the asset's net carrying amount (excluding fair value revaluations linked to the previous classification in AFS) and the present value of expected cash flows at the interest rate in effect at the date of reclassification. Any frozen unamortized AFS reserve is recycled in income and presented under the heading “Provisions on loans and provision for loan commitments”.

If there is a positive update of expected cash flows, the amount of impairment is reversed in the interest margin according to the new schedule for expected cash flows, and not by a reversal of impairment.

Available for sale assets

Impairment of an asset available for sale is recognized on an individual basis when there is objective evidence of loss, as a result of one or more events that occurred after the asset's initial recognition. Assets available for sale (AFS) are only subject to specific loss allowances.

- Determination of impairment

Interest-bearing financial assets are impaired according to the same criteria as the financial assets valued at amortized cost (see above).

- Accounting for impairment

When financial assets available for sale are impaired, Dexia Municipal Agency recycles the AFT reserve and presents impairment in the income statement under “Cost of risk” (when the financial asset available for sale has again become fixed) or under “Net income from financial instruments”.

If there is an increase in the fair value of an interest-bearing financial instrument linked objectively to an event after the date impairment was recognized, Dexia Municipal Agency records a reversal of impairment in income under “Net income from investments”.

Off-balance sheet commitments

Off-balance sheet commitments such as credit substitutes (e.g. guarantees and stand-by letters of credit) and loan commitments are converted into balance-sheet items when they are called. Nevertheless, under certain circumstances (in particular, uncertainty about a counterparty's solvency), the off-balance sheet commitment should be considered as impaired. Loan commitments are subject to impairment if a client's solvency deteriorates to the point that it induces a doubt about whether the loan's capital and related interest will be repaid.

8. Sale and repurchase agreements and lending of securities

Securities sold subject to a repurchase agreement (repos) remain recognized in the financial statements in their original categories. The corresponding liability is included in “Due to banks” or “Customer borrowings and deposits” as appropriate. The asset is reported as pledged in the notes to the financial statements.

Securities purchased under agreements to resell (reverse repos) are recorded off-balance sheet and the corresponding loans are recognized as “Loans and advances due from banks” or “Loans and advances to customers”, 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 measured at fair value through profit or loss”, and the gain or loss is included in “Net income from financial instruments at fair value through profit or loss”.

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

e. Financial liabilities

1. Liabilities designated at fair value through profit or loss

Dexia Municipal Agency does not use this option.

2. 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 the initial carrying amount 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 March 31, 2011. It is sub-divided into two parts.

Obligations foncières

Obligations foncières are recorded at nominal value.

Reimbursement premiums and issue premiums are amortized according to the straight line method over the life of the securities concerned, as of the first year, *prorata temporis*. They are recorded on the balance sheet in items corresponding to the type of debt concerned. The amortization of these premiums is recorded in the income statement as interest income and charge on bonds and fixed income securities. In the case of bonds issued above par, the spread of issue premiums is deducted from related interest income and charge on bonds and fixed income securities.

Interest related to bonds is accounted for as banking operating charges for accrued amounts, due and not yet due, calculated *prorata temporis* on the basis of contractual rates.

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

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

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 CRBF 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.

f. Derivatives

1. Derivatives not used for hedging

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

2. Hedging derivatives

Hedging derivatives may be classified in one of following two categories:

- a hedge of the fair value of a recognized asset or liability or a firm commitment (fair value hedge);
- 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:

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

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged interest-bearing financial instrument is amortized to income over the period to maturity through an adjustment of the yield of the hedged item.

Changes in the fair value of derivatives that are measured 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.

3. Hedging of the interest rate risk of a portfolio

Dexia Municipal Agency decided to apply IAS 39 as adopted by the European Commission (“IAS 39 carve-out”), since the version adopted better reflects the way Dexia Municipal Agency manages its activities.

The objective of hedge accounting 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. This 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 applies the same method to select the financial assets and liabilities in 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.

The Company chose to put together homogeneous portfolios of loans and portfolios of bond issues.

Using this differential analysis, conducted on a net basis, Dexia Municipal Agency 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.

Hedging is conducted using portfolios of 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, relative revaluations of the hedged risk are recognized (as assets or liabilities depending on whether the revaluation is positive or negative) as “Fair-value revaluation of interest-rate hedged portfolios”.

g. 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.

1. Fair value of financial instruments (available for sale, derivatives)

Financial investments classified as available for sale and derivatives are recognized 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.

When there are no quoted prices for the financial instruments classified as available for sale, the valuation model strives to take into account as much as possible the market conditions at the date of the valuation as well as any changes in the quality of the credit risk of these financial instruments and the liquidity of the market.

2. Amortized cost of financial instruments (evaluation for IFRS notes on fair value)

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

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

h. Interest income and expense

Interest income and expense are 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.

i. 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.

j. Deferred taxes

Deferred taxes are recognized using the liability method to account for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

The rates enacted or substantively enacted at the balance-sheet date are used to determine deferred taxes. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

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

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

k. Provision for risks and charges

Provisions for risks and charges mainly include provisions for litigation, restructuring and off-balance sheet commitments.

Provisions are valued based on the discounted value of the expenditure that would cover the anticipated expense. The interest rate applied is the pre-tax rate that reflects current market assessments of the time value of money.

Provisions are recognized 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.

Provisions on loan commitments are recognized according to the same method as the financial assets valued at their amortized cost.

l. 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.

m. 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.

n. 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.

o. 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 single-focus business is conducted in the Dexia Group's Public & Wholesale Banking operational business line.

Dexia Municipal Agency conducts its business from Paris or its branch in Dublin. The Company has no direct activity in other countries and is unable to present a relevant breakdown of its results by geographic region. Geographic breakdown of assets by country of residence of the counterparty is presented quarterly at the end of the Management Report.

p. Cash and cash equivalents

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

2 NOTES TO THE ASSETS

2-1 CENTRAL BANKS

EUR millions	3/31/2010	12/31/2010	3/31/2011
Mandatory reserve deposits with central banks	3	2	0
Other deposits	-	-	-
TOTAL	3	2	0

2-2 FINANCIAL ASSETS AVAILABLE FOR SALE

a. Analysis by nature

EUR millions	3/31/2010	12/31/2010	3/31/2011
Loans	-	-	-
Bonds	2,827	1,865	1,825
TOTAL	2,827	1,865	1,825

b. Analysis by counterparty

EUR millions	3/31/2010	12/31/2010	3/31/2011
Public sector	2,361	1,064	1,023
Credit institutions guaranteed by the public sector	466	201	202
Total public sector	2,827	1,265	1,225
Replacement assets	-	600	600
TOTAL	2,827	1,865	1,825
<i>of which eligible for Central Bank refinancing</i>	<i>2,530</i>	<i>1,355</i>	<i>1,331</i>

c. Impairment

EUR millions	3/31/2010	12/31/2010	3/31/2011
Public sector	2,827	1,265	1,225
Replacement assets	-	600	600
Total performing assets	2,827	1,865	1,825
Public sector	-	-	-
Replacement assets	-	-	-
Total impaired assets	-	-	-
Specific impairment	-	-	-
TOTAL ASSETS AFTER IMPAIRMENT	2,827	1,865	1,825

d. Analysis by residual maturity

See note 7.2

e. Unrealised gains and losses breakdown by country

See note 4.4

2-3 LOANS AND ADVANCES DUE FROM BANKS

a. Analysis by nature

EUR millions	3/31/2010	12/31/2010	3/31/2011
Sight accounts	0	0	0
Other loans and advances due from banks	8,336	7,171	6,686
Performing assets	8,336	7,171	6,686
Impaired loans and advances	-	-	-
Impaired assets	-	-	-
Total assets before impairment	8,336	7,171	6,686
Specific impairment	-	-	-
Collective impairment	-	-	-
TOTAL	8,336	7,171	6,686

b. Breakdown by counterparty

EUR millions	3/31/2010	12/31/2010	3/31/2011
Central Bank	700	-	-
Swiss cantonal banks benefiting from their canton's legal guarantee	1,969	1,593	1,127
Banks guaranteed by a local government, <i>Crédits municipaux</i>	176	180	168
Credit institutions belonging to the Dexia Group: loans benefiting from the assignment in guarantee of refinanced public debt	184	181	178
Credit institutions guaranteed by the State	11	13	13
Replacement assets	5,296	5,204	5,200
TOTAL	8,336	7,171	6,686
<i>of which eligible for Central Bank refinancing</i>	<i>5,296</i>	<i>4,850</i>	<i>4,857</i>

c. Replacement assets

EUR millions	Notation	3/31/2010	12/31/2010	3/31/2011
Dexia Sabadell - <i>Cedulas territoriales</i>	Aa2 Moody's	2,946	3,004	3,007
Dexia LdG Banque - <i>Lettres de gage</i>	AAA S&P	2,350	1,850	1,850
Dexia Credit Local - Loans secured by public sector assets	-	-	350	343
Dexia Credit local - Dublin branch sight account	-	-	-	-
TOTAL		5,296	5,204	5,200

d. Analysis by residual maturity

See note 7.2

e. Unrealised gains and losses breakdown by country

See note 4.4

2-4 LOANS AND ADVANCES TO CUSTOMERS**a. Analysis by counterparty**

EUR millions	3/31/2010	12/31/2010	3/31/2011
Public sector	58,984	62,578	60,349
Other - guaranteed by a State or local government	4,057	4,423	4,292
Other - ABS made up solely of public commitments	10,417	11,033	10,735
Performing assets	73,458	78,034	75,376
Impaired loans and advances	3	10	15
Impaired assets	3	10	15
Total assets before impairment	73,461	78,044	75,391
Specific impairment	(1)	(1)	(2)
Collective impairment	(15)	(18)	(18)
TOTAL	73,445	78,025	75,371
<i>of which eligible for Central Bank refinancing</i>	<i>48,608</i>	<i>41,518</i>	<i>44,669</i>

b. Public sector ABS

EUR millions	Rating	3/31/2010	12/31/2010	3/31/2011
Colombo	Aa2 Moody's, A+ S&P	9	8	7
Astrea	AA- Fitch, Aa2 Moody's	2	1	1
Blue Danube	AA+ S&P	78	81	81
DCC - Dexia Crediop per la Cartolarizzazione	A Fitch, A2 Moody's, A- S&P	3,763	3,691	3,616
DSFB - Dexia Secured Funding Belgium 1 et 2	A+ Fitch, A1 Moody's, A S&P	2,961	2,908	2,843
DSFB - Dexia Secured Funding Belgium 4	AA Fitch	3,604	4,344	4,187
Total		10,417	11,033	10,735

c. Analysis by residual maturity

See note 7.2

d. Unrealised gains and losses breakdown by country

See note 4.4

2-5 TAX ASSETS

EUR millions	3/31/2010	12/31/2010	3/31/2011
Current income tax	4	7	9
Other taxes	-	-	0
Current tax assets	4	7	9
Deferred tax assets (see note 4.2)	137	131	117
TOTAL TAX ASSETS	141	138	126

2-6 ACCRUALS AND OTHER ASSETS

EUR millions	3/31/2010	12/31/2010	3/31/2011
Cash collateral paid	-	-	-
Other accounts receivable	-	-	-
Prepaid charges	-	-	-
Other assets	6	9	6
TOTAL ACCRUALS AND OTHER ASSETS	6	9	6

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	3/31/2010	12/31/2010	3/31/2011
Overnight borrowing	-	-	-
Time borrowing	-	-	-
Accrued interest	-	-	-
TOTAL FUNDING FROM BANQUE DE FRANCE	-	-	-

3-2 DUE TO BANKS

a. Analysis by nature

EUR millions	3/31/2010	12/31/2010	3/31/2011
Demand deposits	6,789	9,034	9,970
Time deposits	4,004	3,507	3,507
TOTAL	10,793	12,541	13,477

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 the issue of *obligations foncières*.

The master-account totaled EUR 13,463 million (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 issue 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 9,963 million;

- sub-account comprised of various long-term borrowings earmarked to finance the structural over-collateralization of 5%. Dexia MA's policy is to maintain minimum structural over-collateralization of 5%, of outstanding *obligations foncières* and registered covered bonds. These borrowings totaled EUR 3,500 million as of March 31, 2011; 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	3/31/2010	12/31/2010	3/31/2011
Sub-account - pre-financing of assets	7,285	9,029	9,963
Interest accrued not yet due	4	5	7
Sub-account - financing of over collateralization	3,500	3,500	3,500
Interest accrued not yet due	4	7	7
TOTAL Dexia Credit Local	10,793	12,541	13,477

b. Analysis by residual maturity

See note 7.2

3-3 DEBT SECURITIES

a. Analysis by nature

EUR millions	3/31/2010	12/31/2010	3/31/2011
<i>Obligations foncières</i>	63,957	62,431	59,277
Registered covered bonds	4,223	4,388	4,467
TOTAL	68,180	66,819	63,744

b. Analysis by residual maturity

See note 7.2

3-4 TAX LIABILITIES

EUR millions	3/31/2010	12/31/2010	3/31/2011
Current income tax	2	5	5
Other taxes	3	4	6
Current tax liabilities	5	9	11
Deferred tax liabilities (see note 4.2)	10	4	0
TOTAL TAX LIABILITIES	15	13	11

3-5 ACCRUALS AND OTHER LIABILITIES

EUR millions	3/31/2010	12/31/2010	3/31/2011
Cash collateral received	1,442	1,314	763
Other accrued charges	27	27	27
Deferred income	-	-	-
Other accounts payable and other liabilities	-	3	1
TOTAL	1,469	1,344	791

4 OTHER NOTES ON THE BALANCE SHEET

4-1 HEDGING DERIVATIVES

a. Analysis by nature

EUR millions	3/31/2010		12/31/2010		3/31/2011	
	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	1,279	4,902	3,033	8,604	2,056	7,106
Derivatives designated as cash flow hedges	232	191	159	141	200	141
Derivatives designated as portfolio hedges	1,853	803	2,714	2,142	1,833	1,465
Hedging derivatives	3,364	5,896	5,906	10,887	4,089	8,712
TOTAL DERIVATIVES	3,364	5,896	5,906	10,887	4,089	8,712

b. Detail of derivatives designated as fair value hedges

EUR millions	3/31/2010			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Foreign exchange derivatives	16,921	17,180	781	781
Interest rate derivatives	45,847	45,847	498	4,121
TOTAL	62,768	63,027	1,279	4,902

EUR millions	12/31/2010			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Foreign exchange derivatives	17,285	17,222	1,698	1,394
Interest rate derivatives	48,060	48,060	1,335	7,210
TOTAL	65,345	65,282	3,032	8,604

EUR millions	3/31/2011			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Foreign exchange derivatives	15,644	15,792	1,133	1,121
Interest rate derivatives	49,662	49,662	923	5,985
TOTAL	65,306	65,454	2,056	7,106

c. Detail of derivatives designated as cash flow hedges

EUR millions	3/31/2010			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Foreign exchange derivatives	2,149	2,189	232	191
Interest rate derivatives	-	-	-	-
TOTAL	2,149	2,189	232	191

EUR millions	12/31/2010			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Foreign exchange derivatives	1,878	1,925	159	141
Interest rate derivatives	-	-	-	-
TOTAL	1,878	1,925	159	141

EUR millions	3/31/2011			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Foreign exchange derivatives	1,822	1,863	200	141
Interest rate derivatives	-	-	-	-
TOTAL	1,822	1,863	200	141

EUR millions	3/31/2010	12/31/2010	3/31/2011
Amount removed from equity and included in the carrying amount of a non-financial instrument (hedging of cash flows of a highly favorable transaction)	-	-	-

d. Detail of derivatives designated as portfolio hedges

EUR millions	3/31/2010			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Foreign exchange derivatives	-	-	-	-
Interest rate derivatives	205,414	205,409	1,853	803
Total	205,414	205,409	1,853	803

EUR millions	12/31/2010			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Foreign exchange derivatives	-	-	-	-
Interest rate derivatives	186,898	186,893	2,714	2,142
Total	186,898	186,893	2,714	2,142

EUR millions	3/31/2011			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Foreign exchange derivatives	-	-	-	-
Interest rate derivatives	179,552	179,547	1,833	1,465
Total	179,552	179,547	1,833	1,465

4-2 DEFERRED TAXES

a. Analysis by nature

EUR millions	3/31/2010	12/31/2010	3/31/2011
Deferred tax assets before impairment	137	131	117
Impairment on deferred tax assets	-	-	-
Deferred tax assets (1)	137	131	117
Deferred tax liabilities (1)	(11)	(4)	0
TOTAL	126	127	117

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

b. Movements

EUR millions	3/31/2010	12/31/2010	3/31/2011
As of January 1	123	117	127
Charge/credit recognized in the income statement	-	(3)	-
Effect of change in tax rates - impact on the income statement	-	-	-
Movements directly recognized in equity	3	13	(10)
Effect of change in tax rates - impact on equity	-	-	-
Translation adjustment	-	-	-
Other movements	-	-	-
As of March 31	126	127	117

c. Deferred taxes coming from assets on the balance sheet

EUR millions	3/31/2010	12/31/2010	3/31/2011
Loans (and loan loss provisions)	48	35	37
Securities	69	82	80
Derivatives	12	9	1
Accruals and other assets	14	14	14
TOTAL	143	140	132

d. Deferred taxes coming from liabilities on the balance sheet

EUR millions	3/31/2010	12/31/2010	3/31/2011
Derivatives	-	-	-
Borrowings, deposits and issues of debt securities	4	10	9
Provisions	-	-	-
Regulatory provisions	(21)	(23)	(24)
Accruals and other liabilities	-	-	-
TOTAL	(17)	(13)	(15)

4-3 RELATED-PARTY TRANSACTIONS

Analysis by nature

EUR millions	Parent company and entities consolidated by Dexia Credit Local			Other related parties (1)		
	3/31/2010	12/31/2010	3/31/2011	3/31/2010	12/31/2010	3/31/2011
ASSETS						
Loans and advances	6,894	5,096	7,142	8,915	9,087	8,882
Bonds	-	600	601	-	-	-
LIABILITIES						
Due to banks - sight accounts	6,788	9,034	9,966	-	-	-
Due to banks - term loans	4,004	3,507	3,507	-	-	-
INCOME STATEMENT						
Interest income on loans and advances	16	74	24	17	90	28
Interest income on bonds	-	2	1	-	-	-
Interest expense on borrowings	16	(124)	(51)	-	-	-
Fees and commissions	(1)	(3)	(1)	-	-	-
OFF-BALANCE SHEET						
Foreign exchange derivatives	5,599	5,221	4,916	559	559	496
Interest rate derivatives	165,223	151,740	147,368	6,243	6,077	5,375
Guarantees issued by the Group	14,209	2,843	7,496	2,959	2,908	2,843

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

4.4 UNREALIZED GAINS AND LOSSES BREAKDOWN BY COUNTRY

(En EUR millions)	3/31/2010	12/31/2010	3/31/2011
Unrealized gains and losses on available for sale securities	(110)	(168)	(175)
Belgium	-	-	-
Canada	1	2	2
Germany	(4)	(2)	(2)
France	-	-	-
Greece	(55)	(82)	(94)
Ireland	-	-	-
Italy	(53)	(85)	(79)
United States	1	(1)	(2)
Unrealized gains and losses on loans and receivable securities	(165)	(154)	(151)
Austria	(6)	(6)	(6)
Belgium	1	1	1
Germany	(2)	(1)	(1)
Spain	(9)	(4)	(3)
France	7	7	7
United Kingdom	-	-	-
Greece	(1)	(1)	(1)
Iceland	(10)	(9)	(9)
Italy	(133)	(130)	(129)
Luxembourg	(1)	(1)	0
Portugal	(6)	(5)	(5)
United States	(5)	(5)	(5)
Unrealized gains and losses on derivatives designated as cash-flow hedges	(40)	(32)	(14)
TOTAL	(315)	(354)	(340)
Deferred taxes on gains and losses - available for sale securities	26	42	41
Deferred taxes on gains and losses - loans and receivable securities	52	49	48
Deferred taxes on Unrealized gains and losses - derivatives designated as cash-flow hedges	13	9	1
TOTAL	(224)	(254)	(250)

5 NOTES TO THE INCOME STATEMENT

5-1 INTEREST INCOME - INTEREST EXPENSE

EUR millions	1Q2010	1Q2011
INTEREST INCOME	1,541	1,695
Central banks	-	0
Loans and advances due from banks	27	28
Loans and advances to customers	517	531
Financial assets available for sale	16	14
Financial assets held to maturity	-	-
Derivatives used for hedging	981	1,122
Impaired assets	-	-
Other	-	-
INTEREST EXPENSE	(1,482)	(1,635)
Accounts with central banks	-	-
Due to banks	(17)	(31)
Customer borrowings and deposits	-	-
Debt securities	(649)	(634)
Subordinated debt	-	-
Derivatives used for hedging	(816)	(970)
Other	-	-
INTEREST MARGIN	59	60

5-2 FEES AND COMMISSIONS

EUR millions	1Q2010			1Q2011		
	Income	Expense	Net	Income	Expense	Net
Lending activity	0	-	0	0	-	0
Purchase and sale of securities	-	-	-	-	0	0
Financial engineering	-	-	-	-	-	-
Services on securities other than custodian services	-	(2)	(2)	-	(1)	(1)
Custodial services	-	-	-	-	-	-
Issuance and underwriters of securities	-	-	-	-	0	0
Other	-	-	-	-	-	-
TOTAL	0	(2)	(2)	0	(1)	(1)

5-3 NET GAINS (LOSSES) ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

EUR millions	1Q2010	1Q2011
Net result of hedge accounting	-	-
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	1Q2010	1Q2011
Fair value hedges	0	0
Fair value changes in the hedged item attributable to the hedged risk	338	(1,456)
Fair value changes in the hedging derivatives	(338)	1,456
Cash flow hedges	-	-
Fair value changes in the hedging derivatives – ineffective portion	-	-
Discontinuation of cash flow hedge accounting (Cash flows no longer expected to occur)	-	-
Portfolio hedge	0	0
Fair value changes in the hedged item	(197)	172
Fair value changes in the hedging derivatives	197	(172)
TOTAL	-	-

5-4 NET GAINS (LOSSES) ON FINANCIAL ASSETS AVAILABLE FOR SALE

EUR millions	1Q2010	1Q2011
Net gain (loss) on disposals of loans and securities available for sale	-	-
Net gain (loss) on disposals of debt securities	6	0
Net gain (loss) on the sale or cancellation of loans and advances	1	1
TOTAL	7	1

5-5 OPERATING EXPENSE

EUR millions	1Q2010	1Q2011
Payroll costs	-	-
Other general and administrative expense	(22)	(22)
Taxes	(1)	(2)
TOTAL	(23)	(24)

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 the management of loans and securities in their respective countries (Kommunalkredit Austria, Dexia Crediop and Dexia Bank Belgium).

5-6 COST OF RISK

EUR millions	1Q2010			1Q2011		
	Collective impairment	Specific impairment and losses	Total	Collective impairment	Specific impairment and losses	Total
Credit (loans, commitments and securities held to maturity)	(1)	-	(1)	(1)	-	(1)
Fixed income securities available for sale	-	-	-	-	-	-
TOTAL	(1)	-	(1)	(1)	-	(1)

Detail of collective and specific impairments

Collective impairment EUR millions	1Q2010			1Q2011		
	Charges	Recoveries and uses	Total	Charges	Recoveries and uses	Total
Loans and securities held to maturity	(1)	0	(1)	(1)	-	(1)
Off-balance sheet commitments	-	-	-	-	-	-
TOTAL	(1)	0	(1)	(1)	-	(1)

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 totally guaranteed by public sector entities or direct exposures on these entities.

Specific impairment EUR millions	1Q2010				
	Allocations	Reversals	Losses	Recoveries	Total
Loans and advances due from banks	-	-	-	-	-
Loans and advances to customers	-	-	-	-	-
Financial assets held to maturity	-	-	-	-	-
Off-balance sheet commitments	-	-	-	-	-
Total credit	-	-	-	-	-
Fixed income securities	-	-	-	-	-
TOTAL	-	-	-	-	-

Specific impairment EUR millions	1Q2011				
	Allocations	Reversals	Losses	Recoveries	Total
Loans and advances due from banks	-	-	-	-	-
Loans and advances to customers	-	-	-	-	-
Financial assets held to maturity	-	-	-	-	-
Off-balance sheet commitments	-	-	-	-	-
Total credit	-	-	-	-	-
Fixed income securities	-	-	-	-	-
TOTAL	-	-	-	-	-

5-7 CORPORATE INCOME TAX

a. Detail of tax expense

EUR millions	1Q2010	1Q2011
Current taxes	(13)	(11)
Deferred taxes	-	-
Tax on prior years' income	-	-
Deferred taxes on prior years	-	-
Provisions for tax litigation	-	-
TOTAL	(13)	(11)

b. Effective tax expense as of March 31, 2011

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 as of March 31, 2011 amounted to 32.5%.

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

EUR millions	1Q2010	1Q2011
INCOME BEFORE INCOME TAXES	40	35
Net income from associates	-	-
TAX BASE	40	35
Applicable tax rate at end of the period	34.43%	34.43%
THEORETICAL CORPORATE INCOME TAX AT THE STANDARD RATE	14	12
Impact of differences between foreign tax rates and the standard French tax rate	(1)	(1)
Tax effect of non-deductible expenses	-	-
Tax effect of non-taxable income	-	-
Impact of items taxed at a reduced rate	-	-
Other additional taxes or tax savings	-	-
Liability method	-	-
Provisions for tax litigation	-	-
CORPORATE INCOME TAX RECORDED IN THE INCOME STATEMENT	13	11
EFFECTIVE TAX RATE	32.7%	32.5%

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	3/31/2010	12/31/2010	3/31/2011
Assets to be delivered	275	205	205
Liabilities to be received	320	146	141

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

6-2 GUARANTEES

EUR millions	3/31/2010	12/31/2010	3/31/2011
Guarantees received from credit institutions (1)	6,721	6,599	6,459
Guarantees received from customers (2)	5,753	5,508	5,134

(1) The guarantees received from credit institutions corresponded to the guarantees provided by Dexia Crediop per la Cartolarizzazione for EUR 3 616 millions and the guarantee provided by Dexia Banque Belgium on DSFB1 and DSB2 securities in the amount of EUR 2 843 millions.

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

6-3 FINANCING COMMITMENTS

EUR millions	3/31/2010	12/31/2010	3/31/2011
Loan commitments granted to credit institutions	5	1	0
Loan commitments granted to customers (1)	1,808	899	885
Loan commitments received from credit institutions (2)	10,263	6,626	3,880
Loan commitments received from customers	-	-	-

(1) The financing commitments on loans and lines of credit corresponded to contracts issued but not paid out as of March 31, 2011.

(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	3/31/2010	12/31/2010	3/31/2011
Commitments granted (1)	-	-	-
Commitments received	420	786	765

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

7 NOTES ON RIK EXPOSURE

7-1 EXPOSURE TO CREDIT RISK

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

- 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	3/31/2011
France	53,218
Belgium	7,999
Italy	7,669
Rest of Europe	4,320
Spain	3,240
Luxembourg	1,868
Other European Union countries	1,820
Germany	820
United States and Canada	280
Japan	26
Other	6
TOTAL EXPOSURE	81,266

Analysis of exposure by category of counterparty

EUR millions	3/31/2011
States	3,194
Local public sector	70,683
ABS	83
Financial institutions	7,306
TOTAL EXPOSURE	81,266

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 GmbH, Colombo Srl, Societa veicolo Astrea Srl.

Analysis of exposure by category of instrument

EUR millions	3/31/2011
Debt securities	1,824
Loans and advances	78,139
Financing commitments on loans	893
Hedging derivatives	410
TOTAL EXPOSURE	81,266

Evaluation of asset credit quality

The Dexia Group decided to use the advanced method recommended by the regulators in relation to the Basel II reforms on the capital adequacy ratio and capital adequacy requirements. This system is of paramount importance for Dexia and is under the exclusive responsibility of the Risk Management division, which has rating models covering the main client segments. Banking supervisors (the ACP in France and CBFA in Belgium) have 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 to calculate equity requirements. Credit 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-three percent of the portfolio has a weighting of less than 5% and 98% of the portfolio has a weighting that is less than or equal to 20%.

EUR millions	Risk weighting (Basel II)				Total
	from 0 to 5%	from 5% to 20%	from 20% to 50%	more than 50%	
Debt securities	1,532	0	292	0	1,824
Loans and advances	65,080	12,388	381	290	78,139
Financing commitments on loans	816	76	0	0	892
Hedging derivatives	0	5	356	50	411
TOTAL EXPOSURE	67,428	12,469	1,029	340	81,266
SHARE	83.0%	15.3%	1.3%	0.4%	100.0%

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

7-2 LIQUIDITY RISK : ANALYSIS BY TERM TO MATURITY

a. Analysis of assets

EUR millions	3/31/2011						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	-	-	-	-	-	-	-
Derivatives	-	-	-	-	-	-	-
Financial assets available for sale	-	600	-	244	913	-	1,757
Loans and advances due from banks	-	925	2,529	2,753	417	-	6,624
Loans and advances to customers	-	2,234	3,796	18,329	46,019	-	70,378
Fair value revaluation of portfolio hedge	-	-	-	-	-	-	-
Financial assets held to maturity	-	-	-	-	-	-	-
Tax assets	-	-	-	-	-	124	124
Accruals and other assets	-	6	-	-	-	-	6
TOTAL	0	3,765	6,325	21,326	47,349	124	78,889

EUR millions	3/31/2011					Total on the balance sheet
	Total broken down	Accrued interest	Fair value adjustment	Impairment		
Central banks	-	-	-	-	-	-
Derivatives	-	826	3,263	-	-	4,089
Financial assets available for sale	1,757	21	47	-	-	1,825
Loans and advances due from banks	6,624	23	39	-	-	6,686
Loans and advances to customers	70,378	852	4,161	(20)	-	75,371
Fair value revaluation of portfolio hedge	-	-	589	-	-	589
Financial assets held to maturity	-	-	-	-	-	-
Tax assets	124	-	-	-	-	124
Accruals and other assets	6	-	-	-	-	6
TOTAL	78,889	1,722	8,099	(20)		88,691

b. Analysis of liabilities, excluding equity

EUR millions	3/31/2011						
	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	-	-	-	-	-	-	-
Hedging derivatives	-	-	-	-	-	-	-
Due to banks	9963	400	200	1600	1300	-	13,463
Customer borrowings and deposits	-	-	-	-	-	-	-
Debt securities	-	1,815	1,924	23,017	35,077	-	61,834
Fair value revaluation of portfolio hedge	-	-	-	-	-	-	-
Tax liabilities	-	-	-	-	-	11	11
Accruals and other liabilities	-	791	-	-	-	-	791
Provisions	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-
TOTAL	9,963	3,006	2,124	24,617	36,377	11	76,098

EUR millions	3/31/2011			
	Total broken down	Accrued interest	Fair value adjustment	Total
Central banks	-	-	-	0
Hedging derivatives	-	665	8,047	8,712
Due to banks	13,463	14	-	13,477
Customer borrowings and deposits	-	-	-	-
Debt securities	61,834	1,050	861	63,744
Fair value revaluation of portfolio	-	-	860	860
Tax liabilities	11	-	-	11
Accruals and other liabilities	791	-	-	791
Provisions	-	-	-	-
Subordinated debt	-	-	-	-
TOTAL	76,098	1,728	9,768	87,595

c. Net liquidity gap

EUR millions	3/31/2011							
	Sight	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No fixed maturity	Total not broken	Total
Amount	(9,963)	758	4,202	(3,291)	10,972	113	(1,696)	1,095

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 9,963 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	3/31/2010				
	EUR	Other EU currencies	U.S. dollars	Other currencies	Total
EUR millions					
Total assets	75,314	4,140	5,726	3,876	89,056
Total liabilities and equity	75,314	4,140	5,726	3,876	89,056
NET BALANCE SHEET POSITION	0	0	0	0	0

Classification by original currency	12/31/2010				
	EUR	Other EU currencies	U.S. dollars	Other currencies	Total
EUR millions					
Total assets	79,310	4,847	5,692	4,381	94,230
Total liabilities and equity	79,310	4,847	5,692	4,381	94,230
NET BALANCE SHEET POSITION	0	0	0	0	0

Classification by original currency	3/31/2011				
	EUR	Other EU currencies	U.S. dollars	Other currencies	Total
EUR millions					
Total assets	75,362	4,008	5,368	3,954	88,692
Total liabilities and equity	75,362	4,008	5,368	3,954	88,692
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	2Q2010	18.1	22.6	15.6	26.0
	3Q2010	19.4	29.9	12.2	26.0
	4Q2010	17.9	22.2	13.9	26.0
	1Q2011	13.1	20.8	5.2	26.0
Monetary	2Q2010	0.6	4.6	(1.1)	9.0
	3Q2010	1.0	2.8	0.1	9.0
	4Q2010	0.0	3.0	2.5	9.0
	1Q2011	1.6	2.6	0.4	9.0
Total	2Q2010	18.9	23.1	14.6	35.0
	3Q2010	20.3	31.7	12.6	35.0
	4Q2010	18.1	22.8	14.0	35.0
	1Q2011	14.6	22.7	5.7	35.0

* The maximum fixed rate sensitivity limit was exceeded at the beginning of August 2010. This incident was linked to the August, 2010, recognition by Dexia MA of EUR 1 billion in French loans originated by Dexia Credit Local, which disrupted the calculation of the sensitivity of Dexia MA. It should be noted that this event did not cause the overall sensitivity limit to be exceeded, since it reached a maximum of EUR 31.7 million in this period, i.e. under the overall limit of EUR 35 million.



3

STATUTORY AUDITORS' REPORT (IFRS)

**Statutory Auditors' Review Report
of the intermediate financial statements under IFRS Gaap
for the period from January 1, 2011 to March 31, 2011**

(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 three months period ended March 31, 2011.

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 three months ended March 31, 2011 and the financial position of Dexia Municipal Agency and its assets at that date, in accordance with IFRSs as adopted by the EU.

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

We accept no responsibility towards any third party.

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

Neuilly-sur-Seine and Courbevoie, June 9, 2011

The statutory auditors
French original signed by
Deloitte & Associés José Luis GARCIA
Mazars Hervé HELIAS & Virginie CHAUVIN