

DEXIA
MUNICIPAL
AGENCY

FINANCIAL REPORT
as of September 30, 2012

FINANCIAL REPORT

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CONTENTS

1. MANAGEMENT REPORT	3
2. FINANCIAL STATEMENTS FOR THE FIRST NINE MONTHS OF 2012 (<i>IFRS</i>)	35
3. STATUTORY AUDITORS' REPORT (<i>IFRS</i>)	73

MANAGEMENT REPORT

For the period January 1 to September 30, 2012

(1. HIGHLIGHTS OF THE FIRST NINE MONTHS OF 2012

1.1 SITUATION OF THE COVERED BOND MARKET

The multiple downgrades in the rating of sovereign countries and banks, as well as the impact of new regulations, have progressively transformed the covered bond market. Triple A-rated covered bonds today represent no more than a good half of the market, and certain covered bonds are now rated triple B. The new restrictions imposed by Basel III and Solvency 2, together with the current rules governing eligibility with the European Central Bank, contribute to market segmentation by favoring the most highly rated bonds. In addition to ratings, a covered bond label will be awarded, beginning in 2013, to issuers who meet a certain number of requirements and are recognized for their transparent communication. Dexia MA has asked to benefit from this label.

Issues of benchmark covered bonds in the primary market in the third quarter of 2012 totaled EUR 20 billion (nearly half of the issues in September 2012), compared with EUR 52 billion in the first quarter and EUR 17 billion in the second quarter, for a total of EUR 89 billion in the first nine months of 2012 compared with more than EUR 150 billion at the end of September 2011.

Market conditions improved considerably beginning in September subsequent to ECB announcements concerning the modalities of Outright Monetary Transactions (OMT), which will be conducted on sovereign debt secondary markets in the euro zone. These transactions are accompanied by added flexibility in the minimum credit rating threshold required for eligibility of assets accepted in guarantee for credit transactions in the Eurosystem.

The ECB's CBPP2 covered bond buyback program came to an end on October 1, 2012. It represented a volume of EUR 16.4 billion, i.e. 40% of the maximum volume expected of EUR 40 billion. The good market conditions obviated the need for ECB support.

French issuers remained the most active, ahead of the Germans and the Scandinavians. New issue premiums (in relation to secondary market spreads), which were high at the beginning of the year, continued to tighten. In the secondary market, whatever the country, average spreads for covered bonds, which had widened in the second quarter, narrowed significantly during the summer.

The spread of Dexia MA bonds in the secondary market, which had widened, like the market, in the second quarter, has narrowed significantly since the end of June by approximately 15 bp. This trend has continued into the fourth quarter.

Dexia Municipal Agency issued no bonds in the first nine months of 2012, because of the absence of new assets to finance and of the project under way to change its shareholding structure and its assets acquisition scheme.

1.2 DEXIA MUNICIPAL AGENCY'S RATINGS

The issuance programme of Dexia MA is rated by the three main rating agencies: Standard & Poor's, Fitch and Moody's.

As of December 31, 2011, Dexia MA was rated:

- AAA by Fitch,
- AAA / CreditWatch negative by S&P and
- Aa1 / on review for downgrade by Moody's.

Since the beginning of the year 2012, the situation has evolved in the following manner:

- in January, Standard & Poor's confirmed that Dexia MA's rating was maintained in CreditWatch for further review, following the downgrade of its parent company Dexia Credit Local's rating to A2;
- in April, Moody's announced the downgrade of Dexia MA's rating to Aa2, following the downgrade of its parent company's rating from Baa1 to Baa2 / on review for downgrade;
- in June, Fitch confirmed Dexia MA's triple A rating in its annual review;
- in July, Standard & Poor's announced that it was lowering Dexia MA's rating to AA+ when it introduced its new methodological criterion for counterparty risk; given the rating of Dexia Credit Local, the application of this new criterion does not allow Dexia MA's *obligations foncières* to be rated triple A; Standard & Poor's in-depth analysis of the impact of the application of the new criterion is in process;
- in September, Fitch introduced its new rating methodology for covered bonds; the agency assigned a D-Cap indicator to Dexia MA of 3 (moderate high), in line with its triple-A rating and the current level of over-collateralization; but Fitch also considered DMA's present situation as a non-active programme (change of shareholder, servicer and supplier of assets in process – cf. 1.4), and in keeping with its new criteria, was not able to take into account the effective over-collateralization, but only DMA's public commitment to maintain minimal over-collateralization of 5% on a regulatory basis, equivalent to nominal over-collateralization of 11.6%. For this reason, Fitch put DMA's rating under watch negative.

As of September 30, 2012, Dexia MA's ratings were under review or watch by two of its rating agencies, given the current situation in which it finds itself (cf. 1.4), and/or the application of new rating criteria by these agencies:

- AAA Watch negative by Fitch,
- AA+ / CreditWatch negative by Standard & Poor's and
- Aa2 by Moody's.

1.3 FINANCIAL SITUATION OF THE DEXIA GROUP

Active discussions between the French and Belgian States and the European Commission continued in the third quarter of 2012 with a view to finalizing a plan for the

orderly resolution of the Dexia Group.

A certain number of hypotheses underlying the plan have been revised, leading, in accounting terms, to a negative asset position of Dexia SA. In order to remedy this situation and to allow the pursuit of the orderly resolution of the Group, the Belgian and French States have publicly stated their commitment to subscribe to a capital increase of Dexia SA in the amount of EUR 5.5 billion via the issuance of preference shares reserved for the States involved.

At the end of November, the States submitted a revised plan to the European Commission, containing the following major changes, subject to the Commission's approval.

- The funding plan underlying the initial business plan has been adapted to reflect a lesser dependency on central bank funding. As the resolution plan proceeds, the Group anticipates that it will rely to a greater extent on short- and medium-term market funding, for example through issues guaranteed by the Belgian, French and Luxembourg States, and covered (repo) or other market funding.
- The ceiling of the definitive liquidity guarantee granted to Dexia SA and Dexia Credit Local by the Belgian, French and Luxembourg States has been reduced to EUR 85 billion, compared with the EUR 90 billion originally proposed, to take into account the recapitalization commitments of the Belgian and French States. The breakdown among the States was amended as follows: 51.41% for Belgium, 45.59% for France, and 3% for Luxembourg. Under the definitive guarantee agreement, Dexia will pay a monthly guarantee fee based on the outstanding guaranteed debt issued under the 2011 agreement, calculated on an annual rate of 5 bp, versus 90 bp under the temporary guarantee.
- The plan for the sale of Dexia Municipal Agency (DMA) as part of the new organization of local public sector finance in France has been amended (cf. 1.4 Creation of a new local government bank).

Throughout the third quarter of 2012, Dexia actively continued to implement its plan to dispose of its main operating entities, with the following results: the sale of the 50% holding of Banque Internationale à Luxembourg in RBC Dexia Investor Services (RBC-D) to the Royal Bank of Canada, the finalization of the sale of Denizbank to Sberbank, and the sale of Banque Internationale à Luxembourg to Precision Capital and the Grand Duchy of Luxembourg.

The interim non-audited financial statements of the Dexia Group as of September 30, 2012, were significantly affected by the implementation of the orderly resolution plan. The net loss, Group share, totaled EUR -2,391 million, of which EUR -1,034 million related to discontinued activities.

The net result was thus mainly affected by the high cost of funding, given the reliance on the temporary liquidity guarantee granted by the Belgian, French and Luxembourg States, and emergency liquidity assistance (ELA). The sum of guarantee costs paid to the States and of ELA expenses amounted to EUR 725 million pre-tax.

As of September 30, 2012, the Tier 1 ratio stood at 9.0% (compared with 7.6% at the end of December 2011) and the Core Tier 1 ratio at 8.5% (compared with 6.4% as of December 31,

2011).

At Dexia Credit Local, the parent company of Dexia MA, the liquidity situation remained a subject of preoccupation, requiring the use of the emergency measures taken by central banks, in addition to the resources obtained through the guarantee of the States.

Nonetheless, this situation had no impact on Dexia MA's capacity to reimburse its issues of *obligations foncières* at maturity or to maintain its level of over-collateralization. In fact, Dexia MA has a cash surplus in its cover pool and the cash flows forecast for 2012-2013 do not require it to seek new funding from Dexia Credit Local.

1.4 CREATION OF A NEW BANK SPECIALIZED IN LENDING TO FRENCH LOCAL GOVERNMENT

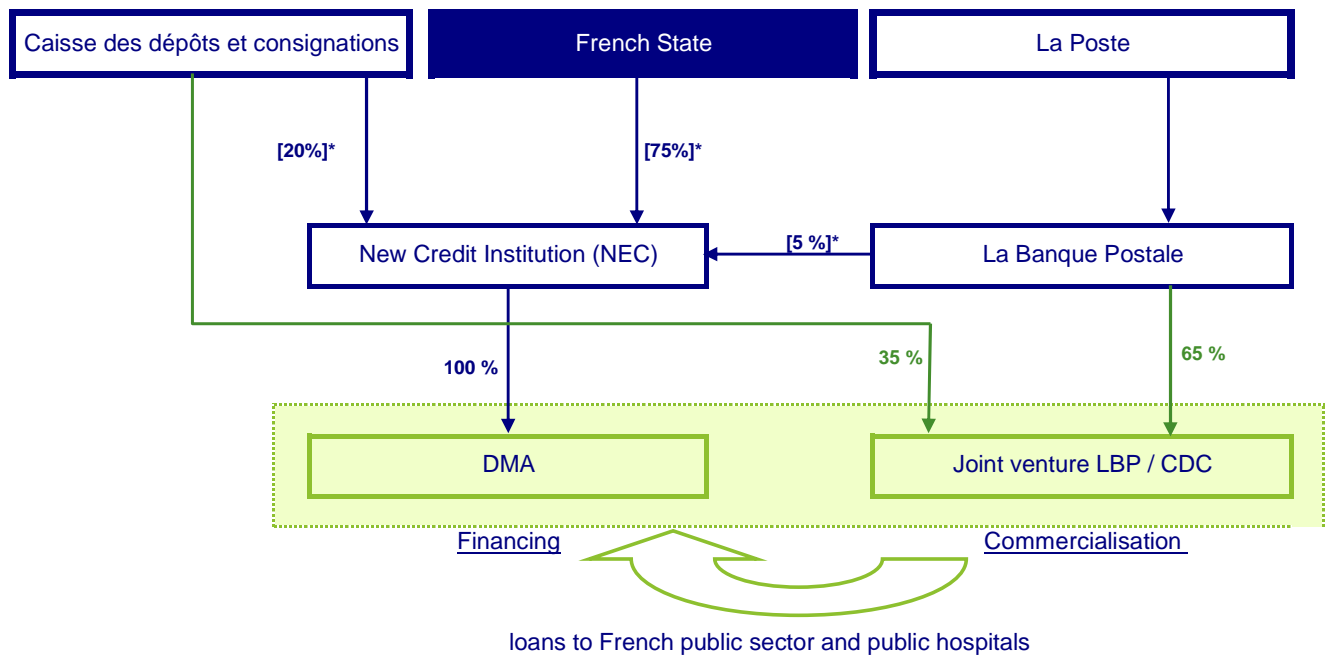
Following the March 15, 2012, signing of a preliminary agreement on the future financing of the French local public sector, the French State, Caisse des Dépôts and La Banque Postale pursued their discussions with Dexia and the European Commission.

Subject to the definitive agreement of the European Commission, which is expected by the end of the year, a new bank specialized in lending to French local government will be created. This credit institution :

- will be mainly hold by the French State and will buy 100% of the shares of Dexia Municipal Agency ;
- and will work closely with a consortium made up of La Banque Postale and Caisse des Dépôts et Consignations, which will offer loans to French local governments and to French public hospitals.

Dexia MA will refinance by *obligations foncières* its existing exposures in the balance sheet, and the new eligible loans marketed by the consortium Banque Postale / Caisse des Dépôts, for a loan volume of approximately EUR 5 billion per year.

A 100% public shareholding and the French state as main shareholder and sponsor



* Project of ownership of NEC's equity, as foreseen at the date of publication of this report.

The sale price of Dexia MA and of the resources and tools required for the operation of the new bank was set at 1 euro as compared with the EUR 380 million, initially planned, in order to take into account the fact that the Dexia Group would not provide Dexia MA with the guarantees initially listed (guarantees limiting the cost of risk and a guarantee on a portfolio of structured loans).

1.5 STRUCTURED LOANS

To define the notion of structured loans, Dexia MA uses the charter of good conduct signed by banks and local governments (referred to as the Gissler charter), which can be consulted on the Internet site of Dexia Credit Local. This document, drawn up at the request of an *inspecteur général des finances* named Eric Gissler, was signed on December 7, 2009, by several organizations that represent local governments (Association des maires de France, Fédération des maires des villes moyennes, Association des petites villes de France, Association des maires de grandes villes de France and Assemblée des communautés de France), as well as by four banks, including the Dexia Group. The charter is a document that creates obligations for Dexia Credit Local. In its 2011 annual report, Dexia Credit Local defined structured loans as:

- all loans with structures in categories B to E in the Gissler charter;
- all loans that the charter does not allow to be marketed, whatever their structure (i.e. leverage > 5, etc.), underlying index(es) (i.e. foreign exchange, commodities, etc.), or currency of exposure (loans denominated in CHF, JPY, etc.);
- to the exclusion of all loans the structured phase of which is terminated and of which the rate is a fixed rate or a definitive simple variable rate.

According to this definition, outstanding structured loans marketed by Dexia Credit Local and booked on Dexia MA's balance sheet to Dexia MA represented EUR 16.1 billion as of September 30, 2012.

For some of these structured loans, borrowers have sued Dexia Credit Local. The number of these assignments was 57 as of 30 September 2012, of which 52 correspond to loans booked on Dexia MA's balance sheet. As of December 31, 2011, there were 14 for Dexia Credit Local, including 12 for Dexia MA.

At the end of November 2012, the French State announced several measures to resolve the situation of certain local governments with financial difficulties resulting from the trend in interest rates on the structured loans they had subscribed with banks, including Dexia. Resolution measures will be taken for local governments that wish to undo their structured loans through the creation of a national assistance unit specialized in risk assessment and management, and the organization of mediation and a specific solidarity procedure to assist local governments willing to participate in the financial effort to come back to a simple and lower interest rate.

(2. CHANGES IN MAIN BALANCE SHEET ITEMS

EUR billions	9/30/2011	12/31/2011	9/30/2012	Change Sept. 2012 / Dec. 2011
Cover pool	79.0	77.0	72.1	(6.4)%
Central bank	-	2.2	3.4	54.5%
Loans	56.3	55.9	53.5	(4.3)%
Securities	22.7	18.9	15.2	(19.6)%
Assets assigned in guarantee to Banque de France	-	3.2	-	(100.0)%
Privileged debt	<i>Swapped value**</i> 65.9	65.6	61.5	(6.2)%
<i>Obligations foncières and RCB*</i>	<i>Balance sheet value</i> 64.3	64.4	59.1	(8.2)%
Cash collateral received	2.5	2.5	3.4	36.0%
Non-privileged debt	11.0	12.2	8.0	(34.5)%
Dexia Credit Local	11.0	9.5	8.0	(15.9)%
Banque de France	-	2.7	-	(100.0)%
Equity IFRS (excluding unrealized gains and losses)	1.3	1.3	1.5	15.4%

* Registered covered bonds

** including cash collateral received

The slowdown in Dexia MA's activity since mid-2011 (no new issues, few new assets), and the disposals and early reimbursement of assets and liabilities as a result of its programmed separation from the Dexia Group (cf. 1.4) led to a reduction in the same proportions of the cover pool and privileged debt in 2012. The level of over-collateralization was maintained.

As of September 30, 2012, Dexia Municipal Agency's cover pool, composed of loans and debt securities, totaled EUR 72.1 billion, excluding accrued interest not yet due. As of December 31, 2011, the total was EUR 77.0 billion, representing a decrease of EUR 4.9 billion (-6.4%).

As of September 30, 2012, no asset has been assigned in guarantee to the Banque de France.

Outstanding debt benefiting from the legal privilege, translated if required at the currency swap rate (swapped value), was EUR 61.5 billion, including cash collateral received, down 6.2% from December 2011.

Debt vis-à-vis Dexia Credit Local, which does not benefit from the legal privilege, totaled EUR 8.0 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 1.5 billion at the end of September 2012.

(3. CHANGES IN ASSETS IN THE FIRST NINE MONTHS OF 2012

3.1 ASSET PRODUCTION

The net change in assets since the beginning of the year was a decrease of EUR 4.9 billion. The change can be analyzed as follows.

EUR billions	2011			9/30/2012		
	Loans	Debt securites	Total	Loans	Debt securites	Total
France	6.4	2.4	8.8	0.6	-	0.6
Outside of France	2.4	2.6	5.0	0.1	-	0.1
Total new assets	8.8	5.0	13.8	0.7	-	0.7
Amortization	(6.0)	(6.1)	(12.1)	(1.7)	(3.4)	(5.1)
Early reimbursements	(0.6)	(0.4)	(1.0)	(0.4)	(1.3)	(1.7)
Divestments	-	-	-	-	(2.0)	(2.0)
including assets assigned in guarantee to Banque de France				0.2	3.0	3.2
Changes in provisions	(0.0)	(0.1)	(0.1)	(0.0)	0.0	(0.0)
Net change (excl. FX adjustments)	2.0	(4.6)	(2.6)	(1.2)	(3.7)	(4.9)
Foreign exchange adjustments*	0.0	0.0	0.0	0.0	0.0	0.0
Net change*	2.0	(4.6)	(2.6)	(1.2)	(3.7)	(4.9)

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

Gross asset production and acquisitions in the period totaled EUR 0.7 billion.

EUR billions	2011	9/30/2012
Loans	8.8	0.7
Canada	0.2	0.1
Spain - <i>cedulas territoriales</i> *	0.3	
France		
- commercial loans	2.6	0.6
- loans granted by Dexia Credit Local guaranteed by public sector bonds *	1.6	-
- Banque de France deposit	2.2	-
United Kingdom (loan granted by Dexia Crédit Local guaranteed by commitments on UK public entities)	1.9	-
Bonds	5.0	-
Germany	0.3	-
Belgium - other bonds	0.0	-
Spain - <i>cedulas territoriales</i> *	2.0	-
France - <i>certificats de dépôt</i> Dexia Credit Local *	2.4	-
Italy	0.2	-
Luxembourg - <i>lettres de gage publiques</i> *	-	-
United Kingdom		-
TOTAL	13.8	0.7

* Replacement assets

These assets corresponded to new long-term loans originated by Dexia Credit Local within the framework of its long-term commercial activity, including EUR 0.6 billion in French public sector loans and EUR 0.1 billion in loans to the Canadian public sector.

The decrease in assets mainly corresponded to the natural amortization of the portfolio of loans and securities, in particular EUR 2.5 billion in *cedulas territoriales* in the first nine months of 2012.

In the first nine months of 2012, EUR 3.2 billion in securities were subject to early reimbursement or divestment, in particular as follows:

- EUR 0.6 billion in Greek and Icelandic securities sold to Dexia;
- EUR 1.4 billion in DSFB1 Belgian securitization units acquired by Belfius;
- EUR 1.2 billion in *lettres de gage* bought back by their issuer, Dexia LdG Banque.

3.2 OUTSTANDING ASSETS AS OF SEPTEMBER 30, 2012

a. Geographic breakdown of the cover pool (including replacement assets)

The breakdown of assets by country was relatively stable in comparison with December 31, 2011. The slight increase in most countries was due to the disappearance of Greek and Icelandic commitments from the pool, and also to the disappearance of *lettres de gage* (Luxembourg) and a Belgian ABS. French assets remained predominant, with significant geographic diversification.

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

%	12/31/2011	9/30/2012
France	66.0%	69.2%
Belgium	9.4%	7.4%
Italy	9.8%	10.2%
Switzerland	5.4%	5.5%
Spain	0.7%	1.4%
United Kingdom	3.3%	3.4%
Luxembourg	1.7%	0.0%
Subtotal	96.3%	97.1%
Other countries	3.7%	2.9%
TOTAL	100.0%	100.0%

As of September 30, 2012, exposures on “Other countries” could be broken down as follows.

Other countries (%)	12/31/2011	9/30/2012
Germany	1.3%	1.2%
Greece	0.5%	0.0%
Austria	0.4%	0.4%
Sweden/Finland	0.4%	0.3%
United States	0.3%	0.3%
Canada	0.3%	0.5%
Portugal	0.2%	0.1%
Iceland	0.2%	0.0%
Japan	0.1%	0.1%
TOTAL	3.7%	2.9%

b. Replacement assets

As of September 30, 2012, replacement assets represented a total of EUR 0.5 billion, down 83.3% from December 31, 2011. This decrease was due to the early reimbursement of *lettres de gage* for EUR 1.175 billion and also to the arrival at maturity of *cedulas territoriales* for EUR 2.5 billion since the beginning of the year.

Replacement assets are solely composed of *cedulas territoriales*, the rating of which was downgraded by Moody's on June 27, 2012, to Ba1. Because of their rating, these assets do not contribute to the calculation of Dexia MA's regulatory over-collateralization.

Replacement assets, excluding the balance of current bank accounts, accounted for 0.8% of outstanding *obligations foncières* and registered covered bonds, totaling EUR 58.1 billion in swapped value. Current legislation limits their amount to 15%.

Replacement assets	Country	Issuer	EUR millions	
			12/31/2011	9/30/2012
Step 1 credit rating				
Lettres de gage publiques	Luxembourg	Dexia LdG Banque	1,350	-
Step 2 credit rating				
Bank account balances			22	17
Other assets				
Cedulas territoriales	Spain	Dexia Sabadell	-	500
TOTAL			1,372	517

c. Assets removed from the cover pool

As of September 30, 2012, no asset has been assigned by Dexia MA in guarantee to the Banque de France.

d. Concentration by borrower

As of September 30, 2012, the 20 largest exposures (excluding replacement assets) represented 19.5% of the cover pool.

The concentration observed is mainly due to the presence among the 20 largest exposures of the balance of the Banque de France current account, which represented 4.7% of the cover pool. Besides this exposure, the largest exposure accounted for only 1.8% of the cover pool and the twentieth exposure less than 0.5%.

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 quality of this portfolio, except for certain sovereign exposures.

a. Exposures on sovereign countries

Dexia MA has limited exposure on sovereign countries. Most of these exposures are concentrated on countries benefiting from very good ratings as of September 30, 2012.

EUR millions	Ratings as of 9/30/2012 ***	12/31/2011	9/30/2012
France*	AAA/Aaa/AA+	211	222
United Kingdom	AAA/Aaa/AAA	672	623
Germany	AAA/Aaa/AAA	12	12
Italy	A-/Baa2/BBB+	552	549
Greece**	CCC/C/CCC	414	-
Iceland**	BBB-/Baa3/BBB-	145	-
TOTAL		2,006	1,406

*Excluding the Banque de France sight account

** Exposures sold in January 2012

*** Fitch, Moody's, S&P

Exposures to Greece and Iceland were completely transferred to Dexia Credit Local at the beginning of 2012 in accordance with the transfer agreement signed in December 2011 by Dexia MA and its parent.

In Dexia MA's IRFS financial statements as of September 30, 2012, a capital loss was reported on the sale of the portfolio of Greek and Icelandic securities in the amount of EUR 7 million, offset by a reversal of provisions for EUR -7 million. The capital loss and the reversal of provisions were recorded in cost of risk (not included in net banking income). The overall impact of the operation on net income was therefore nil in 2012.

b. 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 impairment is calculated on the different portfolios of loans and advances. It covers the risk of loss in value in the absence of specific depreciation, but when there is an objective indication of the probability of loss in certain segments of the portfolio or in other commitments involving outstanding loans at the end of the reporting period. These losses are estimated on the basis of each segment's past performance and trends, each borrower's rating, and the borrower's economic environment. To this end, Dexia Credit Local has designed a credit risk model using an approach that combines probabilities of default (PD) and loss given default (LGD). This model, which is also used for Dexia MA's transactions, is regularly tested *a posteriori*.

It is based on Basel II data and risk models in line with the model of incurred losses.

The small amount of non-performing loans observed indicates the low risk profile and the portfolio's overall high quality.

Non-performing loans & litigious loans EUR millions	12/31/2011		9/30/2012	
	Non-performing loans	Litigious loans	Non-performing loans	Litigious loans
FRANCE				
Municipalities	15.4	-	25.2	7.1
Departments	-	-	-	6.9
Group of municipalities	1.2	-	45.2	4.9
Public sector entities	11.7	-	3.1	0.5
Total	28.3	-	73.5	19.4

Non-performing and litigious loans as of September 30, 2012, amounted to EUR 92.9 million, i.e. less than 0.13% of the total cover pool (EUR 72.1 billion).

They can be broken down into EUR 73.5 million of non-performing loans, which for the most part can be divided between municipalities and groups of municipalities for small unit amounts, and EUR 19.4 million of litigious loans related to structured loans subject to litigation.

Non-performing loans & litigious loans (number of files)	12/31/2011		9/30/2012	
	Non-performing loans	Litigious loans	Non-performing loans	Litigious loans
Beginning of the year	17	-	25	-
New	17	-	9	16
Outgoing	9	-	6	-
End of the year	25	-	28	16

Non-performing loans involve a limited number of counterparties and have a regular turnover. Since the beginning of 2012, six files were resolved, and nine new cases were identified.

No file was resolved in 2012 given the long delays in procedures.

Additional specific and collective impairment were recorded in the third quarter of 2012 to cover the risk of the overall portfolio. The amounts of non-performing and litigious loans, as provisions are relatively small, indicating the portfolio's good quality and the low risk profile.

EUR millions	12/31/2011	9/30/2012
Specific impairment	3.2	8.1
Collective impairment	17.7	34.3
Total	20.9	42.5

AFS securities

Because of their liquidity, in particular, certain securities remain classified for accounting purposes as available for sale according to IFRS and are valued for accounting purposes on the basis of their fair value.

To determine the fair value of these securities, the reference is the market price when

such data is available. When no price is listed in a market, the fair value is obtained by estimating the value using price valuation models or the discounted cash flow method, including observable and non-observable market data.

When there is no price listed for these instruments, the valuation model attempts to apprehend as best 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 market liquidity. The methods that have served to determine the fair value of AFS securities are indicated in the notes to the financial statements according to IFRS. The difference with the accounting value gives rise to a positive or negative AFS reserve. 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.

As of September 30, 2012, the overall AFS reserve, before taxes, was EUR -334 million, versus EUR -398 million as of December 31, 2011. For the most part, this change mainly corresponded, for EUR +47 million, to the improvement in value of Italian sovereign issues. The amount of the AFS reserve for Italian sovereign securities was EUR -213 million.

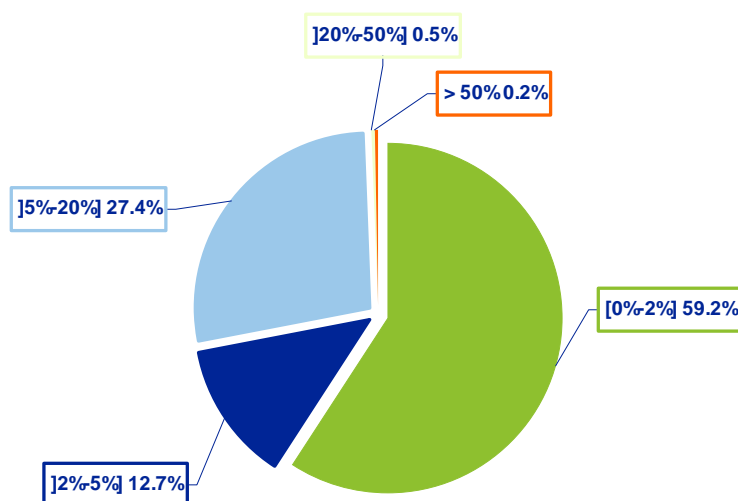
c. Breakdown of exposures according to Basel II risk weighting

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 Municipal Agency 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 September 30, 2012



These weightings are primarily calculated on the basis of the probability of default (PD) and loss given default (LGD) of the counterparty. This analysis confirms the excellent quality of the assets in Dexia MA's portfolio, since about 71% of the portfolio assets have a weighting that is less than or equal to 5%, and more than 99% of the portfolio assets have a weighting that is less than or equal to 20%.

Dexia MA had a solvency ratio of more than **30%** as of September 30, 2012, by reason of the size of its equity and the credit quality of its assets.

d. 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	9/30/2012 EUR millions	Monoline Insurer
Communauté urbaine de Lille	France	US203403AB67	8.9	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			68.4	

They represent less than 0.1% of the assets of Dexia MA. 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 September 2012, Dexia MA had a limited number of exposures in the form of amortizable securitization units, totaling EUR 8.4 billion, down 19.1% from December 31, 2011. This decrease was mainly the result of the acquisition of the DSFB1 securitization vehicle by Belfius Bank and Insurances for EUR 1.4 billion.

These exposures are listed below.

EUR millions	ISIN code	12/31/2010	9/30/2012
Dexia Secured Funding Belgium SIC (DSFB 1)	BE0933050073	1,412.1	-
Dexia Secured Funding Belgium SIC (DSFB 2)	BE0934330268	1,376.0	1,310.8
Dexia Secured Funding Belgium SIC (DSFB 4)	BE6000495752	3,924.6	3,601.4
Dexia Crediop per la Cartolarizzazione SRL (DCC 1)	IT0003674691	743.8	690.7
Dexia Crediop per la Cartolarizzazione SRL (DCC 2)	IT0003941124	677.7	614.5
Dexia Crediop per la Cartolarizzazione SRL (DCC 3)	IT0004349665	2,110.0	2,063.0
Subtotal		10,244.2	8,280.4
Blue Danube Loan Funding GmbH	XS0140097873	77.7	75.9
Colombo SRL	IT0003156939	5.6	3.2
Societa veicolo Astrea SRL	IT0003331292	0.5	0.0
Subtotal		83.9	79.2
TOTAL		10,328.1	8,359.6

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 remainder held by the entity that originated the assets – Dexia Crediop and Belfius Bank and Insurances (formerly Dexia Bank Belgium).

DCC securities benefit from the guarantee of Dexia Crediop, and were rated BBB+ / watch negative by Fitch, B+ by S&P, and Ba2 / on review for downgrade by Moody's as of September 30, 2012.

The securities issued by DSFB 2 benefit from the guarantee of Belfius Bank and Insurances (formerly Dexia Bank Belgium), and are therefore rated A- / outlook stable by Fitch, A- by S&P and Baa1 / on review for downgrade by Moody's. The securities issued by DSFB 4 are not guaranteed by Belfius Bank and Insurances (formerly Dexia Bank Belgium), but are rated AA- / outlook negative by Fitch.

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 and is rated AA+ by S&P; its debt is unconditionally and irrevocably guaranteed by the Land of Lower Austria;
- Colombo SRL (rated A / watch negative by S&P) and Societa veicolo Astrea SRL (rated A- / outlook negative by Fitch and Baa2 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 three types of exposure to banks:

- a *cedula territoriale*, issued by Dexia Sabadell;
- bank account balances in euros and other currencies;
- 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. 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 September 30, 2012, Dexia MA was exposed (positive fair value of the swaps) to twelve banking counterparties. Eleven of these paid collateral for EUR 3.4 billion, offsetting total exposure, and one paid none because of its very good short-term ratings. This counterparty represented an exposure of EUR 10 million. All long-term derivative exposures as of September 30, 2012, are listed below.

EUR millions	Notional amounts	%	Mark to Market		Collateral received	Number of counterparties
			-	+		
Dexia Credit Local	18.2	16.7%	(3,114)	-	-	1
Dexia Crediop	1.4	1.2%	(665)	-	-	1
Other counterparties	89.5	82.1%	(3,891)	3,399	3,402	28
<i>including Belfius</i>	5.7	5.2%	(826)	-	-	1
Total	109.0	100.0%	(7,671)	3,399	3,402	30

Derivatives signed with external counterparties represented a total of 82.1% of outstanding long-term swaps and those signed with the Dexia Group 17.9%.

Derivatives signed with the five largest external counterparties together represented 35.4% of the notional amounts. Short-term swaps (Eonia) are exclusively negotiated with Dexia Credit Local.

(4. CHANGES IN DEBT BENEFITING FROM THE LEGAL PRIVILEGE AS OF SEPTEMBER 30, 2012

Dexia Municipal Agency issued no bonds in the first nine months of 2012.

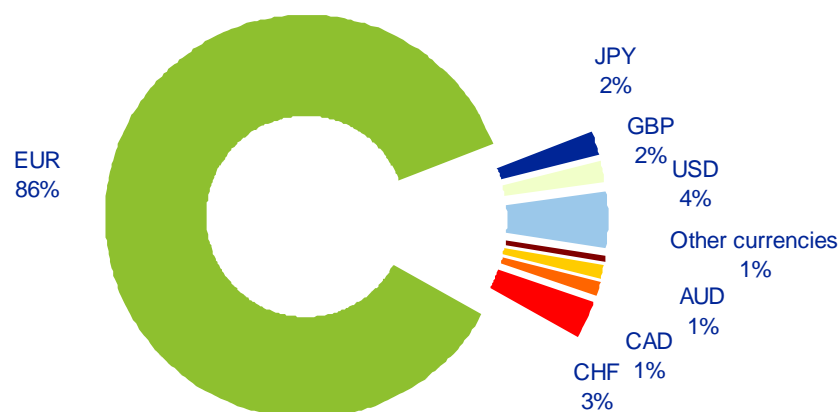
After the amortization of issues in the amount of EUR 3.9 billion and buy back of EUR 1.2 billion, outstanding *obligations foncières* and registered covered bonds totaled EUR 58.1 billion in swapped value at the end of September 2012.

EUR millions	12/31/2011	9/30/2012
Beginning of the year	63,565	63,152
Issues	6,101	-
Amortizations	(6,514)	(3,911)
Buy back		(1,188)
TOTAL	63,152	58,053

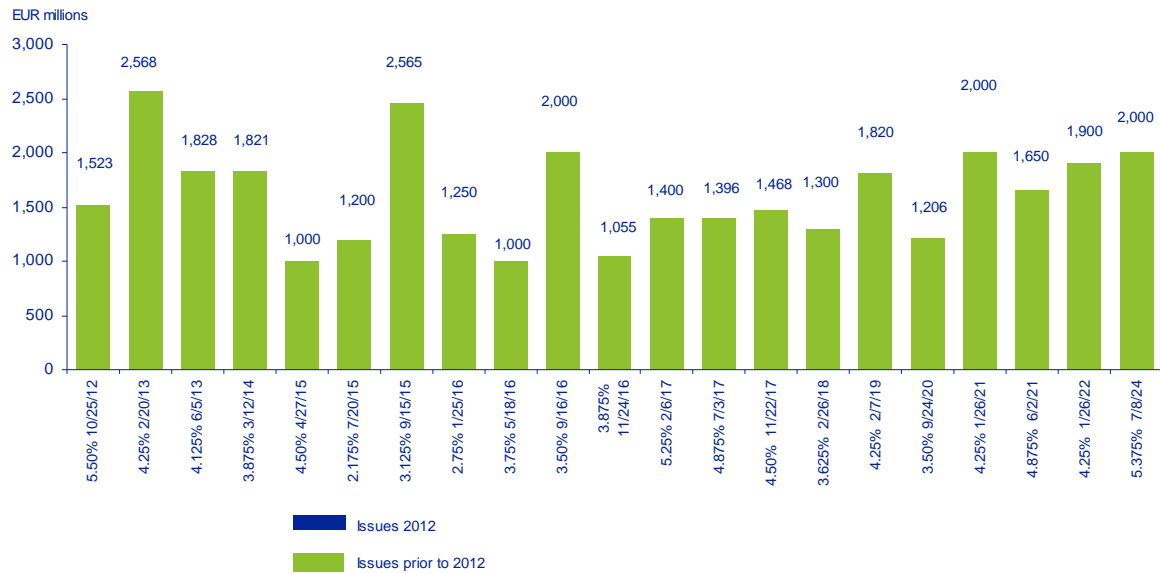
(swapped value)

The breakdown of outstanding debt by currency as of September 30, 2012, can be analyzed as follows.

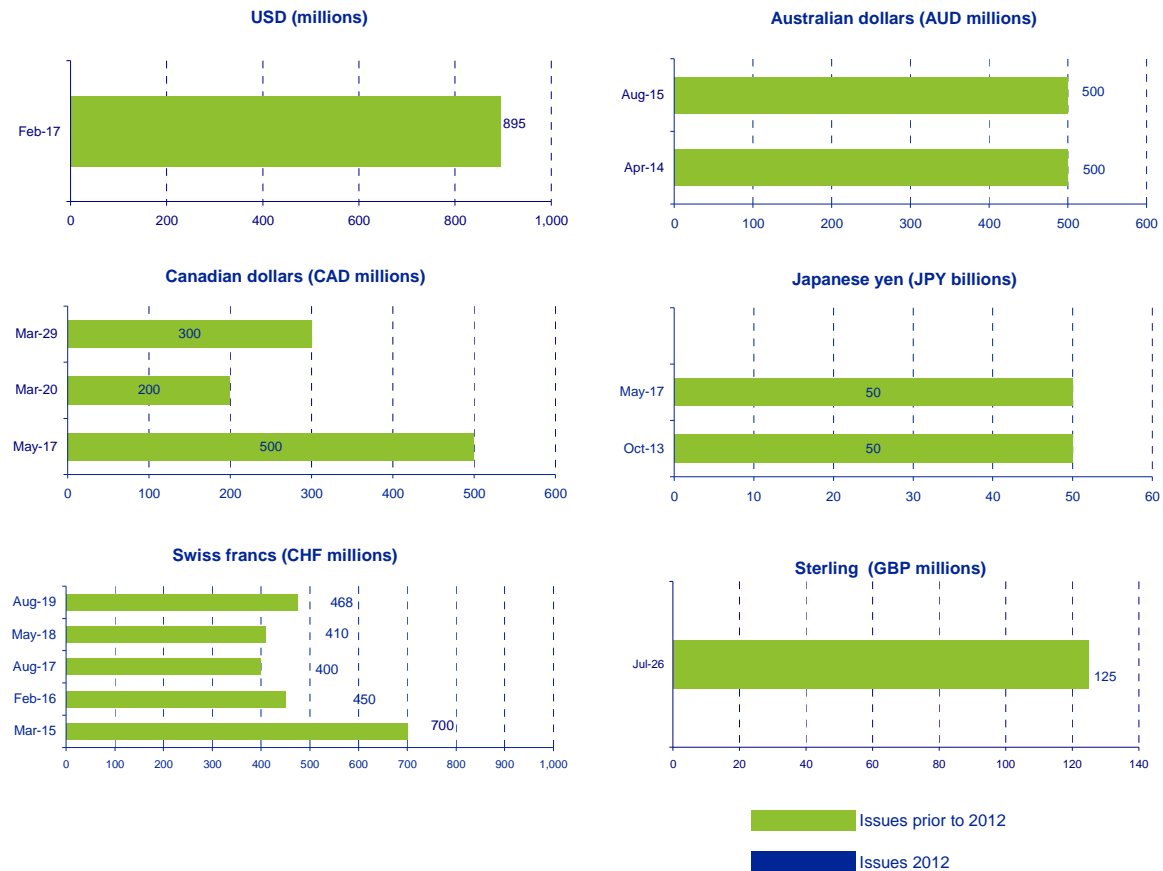
Outstanding debt by currency



Analysis of benchmarks in EUR



Main curves in non-euro currencies



5. CHANGES IN THE OVER-COLLATERALIZATION RATIO AS OF SEPTEMBER 30, 2012

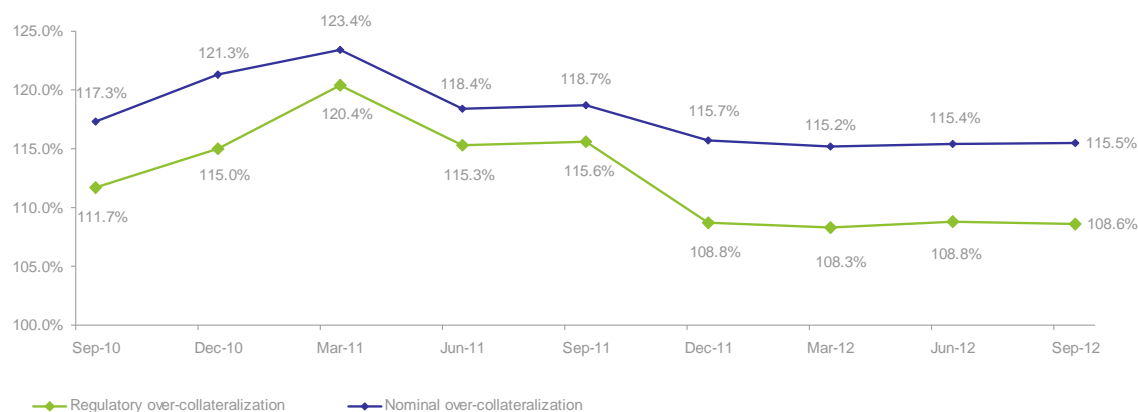
The over-collateralization ratio, which is calculated on the basis of regulatory standards governing *sociétés de crédit foncier*, is the ratio between the assets and the resources benefiting from the legal privilege.

Dexia Municipal Agency decided to maintain a minimum regulatory 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 method 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.

Any assets that Dexia may have assigned in guarantee to borrow funds from the Banque de France are excluded from the calculation of over-collateralization.

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

Quarterly over-collateralization



Regulatory over-collateralization is less than nominal over-collateralization because it is calculated on the basis of the rules determined by the Autorité de contrôle prudentiel (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 securitization units, made up of assets originated by the Dexia Group and issued by Dexia subsidiaries, benefiting from a rating at the same level as that of the company

which guarantees them, either Dexia Crediop for DCC or Belfius Bank and Insurances (formerly Dexia Bank Belgium) for DSFB 1 and DSFB 2.

As long as the securitization units benefit from a Step 2 rating granted by the rating agencies, they are weighted at 80% in the calculation of the ratio of regulatory over-collateralization.

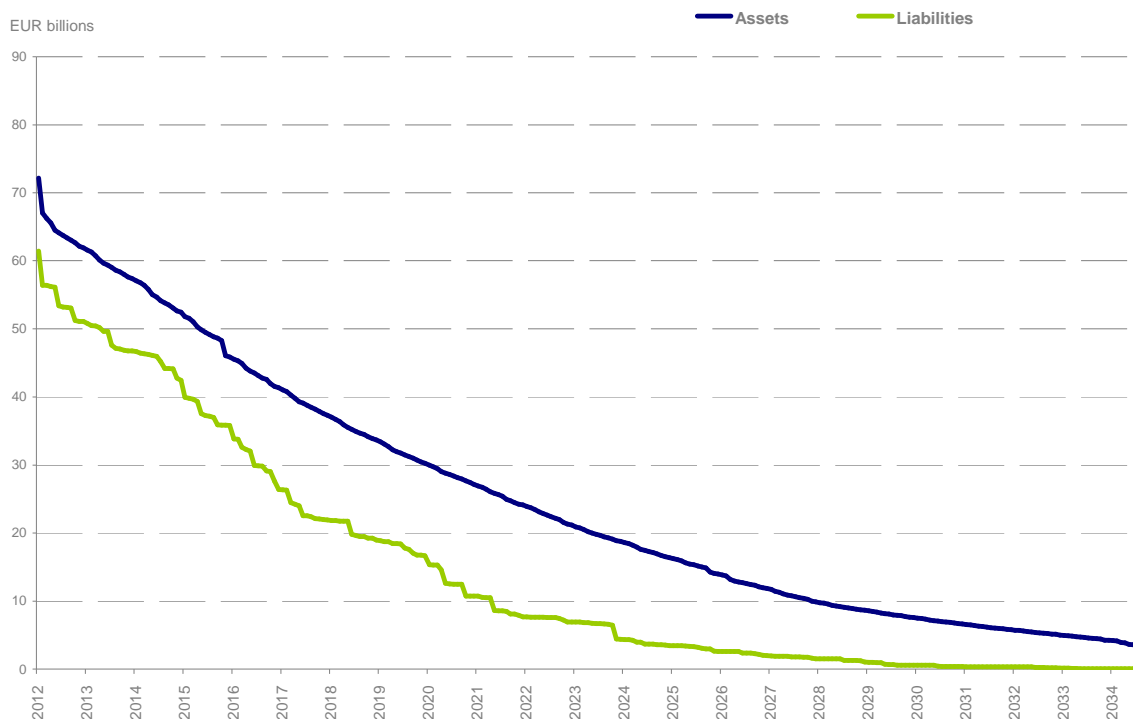
Since December 2011, the DCC securitization units no longer benefit from a Step 2 rating (cf. 3.3.d Exposure to subprimes, monolines, ABS and banks). They are therefore now weighted at 0% in the calculation of the ratio of regulatory over-collateralization versus 80% in the past. The impact of this change in weighting on Dexia MA's over-collateralization ratio since December 2011 was a decline of 3.5%.

These particular weightings are the primary reason for the gap that exists between regulatory over-collateralization and nominal over-collateralization.

Finally, the reduction of the cover pool discussed above (parts 2 and 3.1) explains the change in nominal over-collateralization.

The following graph on over-collateralization presents amortization curves of the assets and the issues benefiting from the legal privilege as of September 30, 2012.

Amortization of assets and liabilities as of September 30, 2012



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

The asset surplus (assets exceeding *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. There are two types of financing:

- the funding of structural over-collateralization of 5% via a long-term loan;
- the funding of temporary over-collateralization in the short term, using the current account itself.

In addition, Dexia MA holds at any time 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 September 30, 2012, the commitments received from Dexia Credit Local totaled EUR 7.0 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 assigned for this purpose in Dexia MA's account at the central bank. Dexia Municipal Agency used Banque de France financing:

- from September 2008 to July 2009 in order to fund commercial production when the covered bond primary market was closed;
- from October 2011 to August 2012 to finance replacement assets (*cedulas territoriales* then *lettres de gage*).

As of September 30, 2012, Dexia MA had no debt vis-à-vis the Banque de France, and its debt vis-à-vis Dexia Credit Local stood at EUR 8.0 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 3.1 billion*;
- to finance surplus over-collateralization, using the current account: EUR 4.9 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 assigned 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).*

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

EUR billions	12/31/2010	12/31/2011	9/30/2012
Dexia Credit Local	12.5	9.5	8.0
Banque de France	-	2.7	-
Total	12.5	12.2	8.0

(7. MANAGEMENT OF BALANCE SHEET RISKS

The strategies implemented to hedge interest rate and foreign exchange risks are reflected in the outstanding swaps notional analyzed in the table below between external and Dexia Group counterparties as of September 30, 2012.

Breakdown of outstanding swaps	Notional * (EUR billions)	Dexia Group (%)	Other counterparties (%)
Euribor against Eonia			
Macro-hedges	86.9	100.0%	0.0%
Total short-term swaps	86.9	100.0%	0.0%
Fixed rate swaps against Euribor			
Micro-hedges on <i>obligations foncières</i>	50.5	3.3%	96.7%
Micro-hedges on loans and debt securities	25.9	10.8%	89.2%
Macro-hedges on loans	19.9	44.5%	55.5%
Subtotal	96.3	13.8%	86.2%
Currency swaps			
Micro-hedges on <i>obligations foncières</i>	7.9	43.3%	56.7%
Micro-hedges on loans	3.5	57.2%	42.8%
Micro-hedges on debt securities	1.3	60.3%	39.7%
Subtotal	12.7	48.8%	51.2%
Total long-term swaps	109.0	17.9%	82.1%

* Absolute value

Belfius Bank and Insurances (formerly Dexia Bank Belgium) was classified among external counterparties and accounted for EUR 5.7 billion of the notional amount, i.e. 5.3% of outstanding long-term swaps.

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. Any debt vis-à-vis the Banque de France, which is short-term and at a fixed rate, is not hedged, but finances assets that also have a fixed rate.

The 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 is unchanged at EUR 40.0 million, including EUR 9.0 million for the monetary gap and EUR 31.0 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	4Q 2011	19.2	24.5	14.9	31.0
	1Q 2012	15.0	16.2	12.9	31.0
	2Q 2012	15.0	17.9	12.5	31.0
	3Q 2012	15.2	16.6	13.2	31.0
Monetary	4Q 2011	0.9	4.1	0.4	9.0
	1Q 2012	0.3	0.7	0.2	9.0
	2Q 2012	(0.0)	1.0	(1.1)	9.0
	3Q 2012	0.9	1.2	0.6	9.0
Total	4Q 2011	20.8	25.5	16.3	40.0
	1Q 2012	15.4	16.4	13.4	40.0
	2Q 2012	14.9	18.4	12.9	40.0
	3Q 2012	16.1	17.2	14.1	40.0

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 appears to indicate that there is 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 in the cover pool 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	9/30/11	12/31/2011	3/31/2012	6/30/2012	9/30/2012
Cover pool	7.25	7.47	7.39	7.62	7.21
Privileged liabilities	5.48	5.29	5.21	5.19	4.99
Gap in asset-liability duration	1.77	1.25	2.18	2.43	2.22
<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.

Since the second half of 2011, the increase in cash collateral received reduced the duration of the privileged liabilities, and the reimbursement of short maturity intra-group replacement assets resulted in a rise in the duration of the assets. In the third quarter, the reimbursement of long assets and the increase in the balance of the Banque de France account made it possible to reduce the duration of the cover pool.

The gap in weighted average life changed less than duration over the same period because the rise in the duration gap was partly the result of movements on the interest rate curve.

The weighted average life of the cover pool and of the liabilities benefiting from the legal privilege is presented below.

Weighted Average life (in years)	9/30/2011	12/31/2011	3/31/2012	6/30/2012	9/30/2012
Cover pool	8.66	8.82	8.69	8.78	8.33
Privileged liabilities	5.98	5.76	5.65	5.58	5.34
Gap in asset-liability weighted average	2.68	3.06	3.04	3.20	2.99

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 MA maintains control over its future needs 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 program 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).

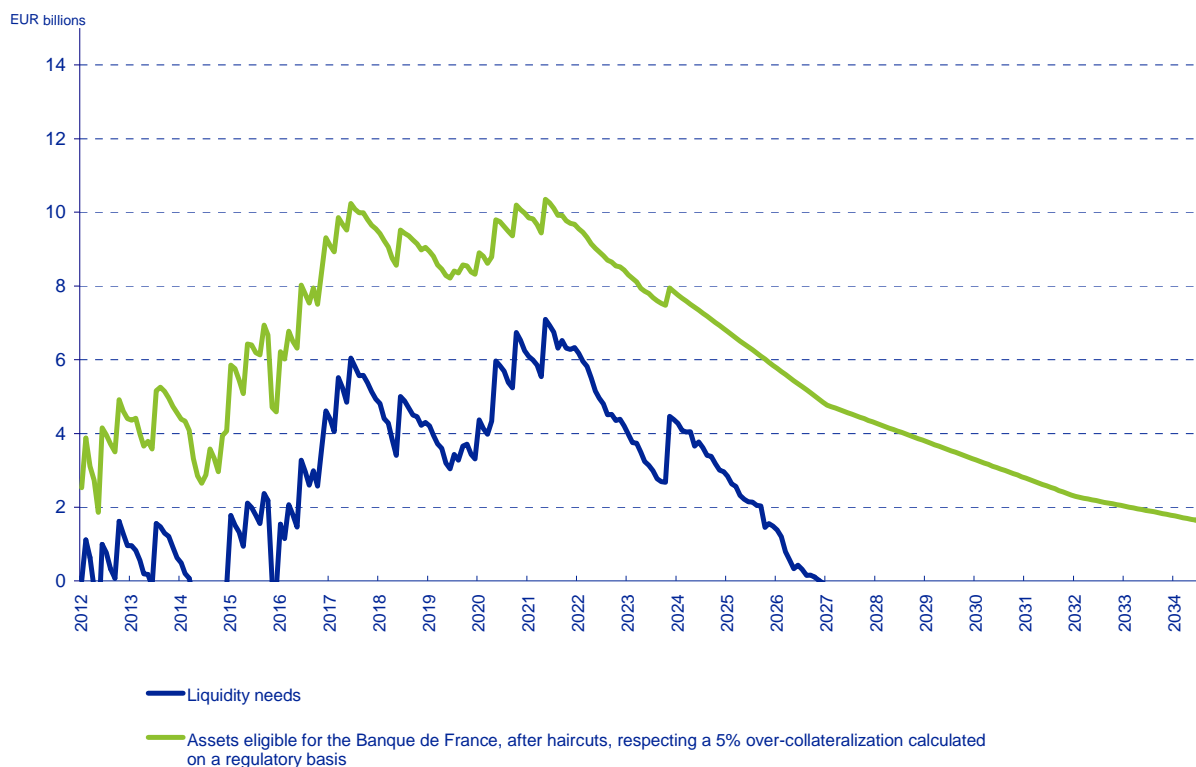
Because of the nature of the assets that make up its cover pool, Dexia MA has a large number of assets that are directly eligible for refinancing by the central bank, so that its need for cash can be easily covered.

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.

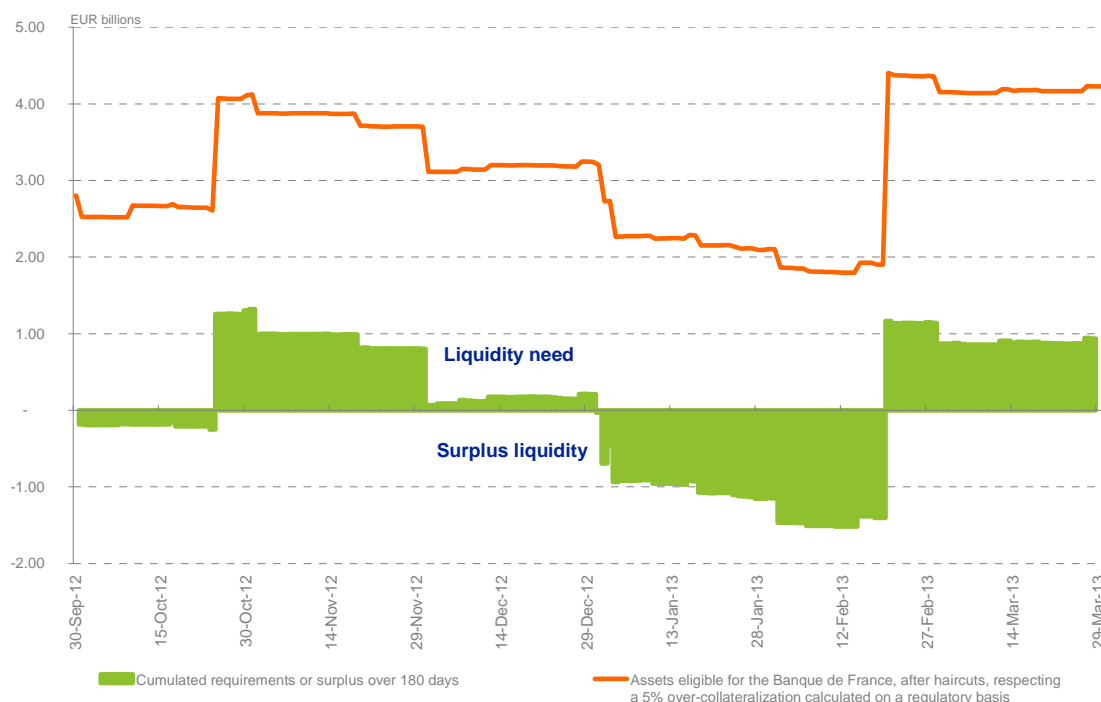
The maximum cumulated liquidity that Dexia MA might need in the future, in a run-off situation, is less than this amount. Future liquidity needs are presented below.



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

- the liquidity ratio for one month (regulatory reporting to the Autorité de contrôle prudentiel – 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 September 2012, Dexia MA's cumulated need for cash mainly corresponded to reimbursements of *obligations foncières* arriving at maturity, as shown in the following graph.



This graph is set with the assumption that the cash collateral received must be reimbursed at the end of the first week (next calculation date), for approximately EUR 3.4 billion.

(8. INCOME FOR THE PERIOD

8.1 TREATMENT OF GREEK AND ICELANDIC SECURITIES

To avoid larger losses for its subsidiary, Dexia Credit Local committed in 2011 to purchase all of Dexia MA's Greek and Icelandic exposures, with no additional loss compared with first-half 2011 accounts. The transfer agreement, whereby Dexia MA sold the portfolio to Dexia Credit Local, was executed in January 2012.

In Dexia MA's IFRS financial statements as of September 30, 2012, a capital loss was reported on the sale of the portfolio of Greek and Icelandic securities in the amount of EUR 7 million, offset by a reversal of provisions for EUR -7 million. The capital loss and the reversal of provisions were recorded in cost of risk (not included in net banking income). The overall impact of the operation on net income was therefore nil.

8.2 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 as of September 30, 2012, is presented synthetically in the following table.

EUR millions - IFRS	9/30/2011	2011	9/30/2012	Change Sept. 2011/ Sept. 2012
Interest margin	135	208	185	37%
Net commissions	(5)	(5)	(5)	
Net result of hedge accounting	-	-	-	
Net result of financial assets available for sale	2	2	22	
Other income and expense	-	-	-	
NET BANKING INCOME	132	205	202	53%
General operating expenses	(67)	(89)	(66)	
Taxes	(6)	(3)	(3)	
OPERATING INCOME BEFORE COST OF RISK	59	113	133	125%
Cost of risk	(7)	(8)	(18)	
PRE-TAX INCOME	52	105	115	121%
Income tax	(19)	(37)	(39)	
NET INCOME	33	68	76	130%

Net banking income increased by 53%, i.e. EUR 70 million, in comparison with the same period in 2011, up from EUR 132 million to EUR 202 million.

This trend was principally due to the following items:

- "Net result of financial assets available for sale" mainly involved net gains on the early reimbursement of issues (EUR +48.2 million) and of loans (EUR +3.0 million) but also losses on the sale of *lettres de gage* (EUR -26.3 million);
- "Interest margin" increased by 37% (EUR 50 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).

Operating expenses were mainly comprised of commissions paid to Dexia Credit Local for the operational management of the Company within the framework of the contract described in article L.515-22 of the Monetary and Financial Code.

The increase in the cost of risk is due to a strengthening of collective impairment which contribute for EUR 17 million to this post.

Net income for the period was up EUR 53 million from the same period in 2011.

(9. OUTLOOK FOR THE FOURTH QUARTER OF 2012

For Dexia MA, 2012 will be a year of transition, focused in particular on the application of the projected changes in its shareholding structure and its organization.

In this context, Dexia MA does not plan to issue any new covered bonds in 2012.

Bonds and loans to Public sector as of 9/30/2012

EUR millions	9/30/2012				12/31/2011	
	Direct exposure		Indirect exposure		Total	Total
	Loans	Bonds	Loans	Bonds		
Country						
France						
State	83		139		222	211
<i>Banque de France</i>	3,400				3,400	2,198
Regions	1,813	133	298		2,244	2,454
Departements	5,985		339		6,324	6,582
Municipalities	16,880	106	877		17,864	18,739
Groups of municipalities	9,826	118	271		10,215	10,644
Public sector entities* :						
- health	6,575				6,575	6,718
- social housing	1,966				1,966	2,054
- other	1,050		14		1,064	1,166
Credits institutions	17				17	22
Subtotal	47,595	357	1,938		49,890	50,788
Germany						
State				12	12	12
<i>Länder</i>		505		342	847	999
Subtotal		505		354	858	1,011
Austria						
<i>Länder</i>	202				202	204
ABS		76			76	78
Subtotal	202	76			278	282
Belgium						
Regions	199		72		271	360
Communities		50			50	50
Public sector entities	79				79	83
Securities issued by DSFB (cf. infra note 2.)		4,912			4,912	6,713
Subtotal	278	4,962	72		5,312	7,205
Canada						
Provinces		22			22	22
Communities	235				235	106
Public sector entities	138				138	132
Subtotal	373	22			395	261
Spain						
<i>Cedulas territoriales</i>		500			500	
Regions		228			228	227
Municipalities	286				286	293
Subtotal	286	728			1,014	520
United States						
Federated States		253			253	253
Subtotal		253			253	253
Finland						
Municipalities	14				14	19
Public sector entities	45				45	48
Subtotal	59				59	67

		9/30/2012		12/31/2011	
EUR millions	Direct exposure		Indirect exposure		
Country	Loans	Bonds	Loans	Bonds	Total
Iceland					
State					145
Subtotal					145
Italy					
State		506		43	549
Regions		1,562			1,562
Provinces		287			287
Municipalities	13	1,553			1,566
ABS		3			3
Securities issued by DCC (cf infra note 1.)		3,368			3,368
Subtotal	13	7,279		43	7,335
Luxembourg					
<i>Lettres de gage</i>					1,350
Public sector entities					
Subtotal					1,350
Japan					
Municipalities		25			25
Subtotal		25			25
Portugal					
Regions					48
Municipalities	82				82
Public sector entities	9				9
Subtotal	91				145
United Kingdom					
State				623	623
County			398		398
District			28		28
Municipalities			1,368		1,368
Public sector entities			56		56
Subtotal			1,850	623	2,473
Sweden					
Municipalities	86		56		142
Public sector entities	18				18
Subtotal	104		56		210
Switzerland					
Cantons	1,604		910		2,514
Municipalities	1,294				1,294
Public sector entities	124				124
Subtotal	3,022		910		3,932
Greece					
State					415
Subtotal					415
Supranational					
International organizations	46				46
Subtotal	46				50
TOTAL COVER POOL	52,069	14,207	4,826	1,020	72,122
					76,967

Loans and securities is off premiums / discounts.

Securities denominated in foreign currencies are recorded at their euros swapped value

NOTE 1 :

The DCC securities, in the amount of EUR 3,420.3 million as of September 30, 2012, were subscribed by Dexia MA for EUR 3,368.2 million. The purpose of this securitization vehicle created by Dexia Crediop is to allow refinancing by Dexia MA of Italian public sector assets transferred by Dexia Crediop to DCC.

DCC Securities held by Dexia MA benefit from the guarantee of Dexia Crediop, which was rated, BBB+ / watch negative by Fitch, B+ by Standard and Poor's and Ba2 / on review for downgrade by Moody's as at September 30, 2012. These ratings are linked to Dexia Crediop.

As of September 30, 2012 the assets held by DCC (series 1-2-3) could be broken down as follows.

NOTE 2 :

The DSFB securities 2 & 4, in the amount of EUR 5,223.3 million as of September 30, 2012, were subscribed by Dexia MA for EUR 4,912.2 million. The purpose of this securitization vehicle created by Belfius Banque et Assurances (former Dexia Bank Belgium) is to allow refinancing by other Dexia Group entities of assets generated by Belfius Banque et Assurances.

The securities issued by DSFB 2 held by Dexia MA benefit from the guarantee of Belfius Banque et Assurances, and are rated A- / outlook stable by Fitch, A- by Standard and Poor's and Baa1 / on review for downgrade for DSFB 2. The securities issued by DSFB 4 are not guaranteed by Belfius Banque et Assurances and are rated AA- / watch negative by Fitch.

As of September 30, 2012, the assets held by DSFB (compartments 2 and 4) could be broken down as follows.

(EUR millions)	Italian assets
State	-
Regions	1,880.7
Provinces	578.9
Municipalities	947.4
DCC bank account with Dexia Bank Belgium	13.3
TOTAL	3,420.3

(EUR millions)	Belgian assets
State	-
Regions	214.6
Communities	3,059.9
Public sector entities	1,470.6
Group of public sector entities	-
Loans guaranteed by local governments	478.2
TOTAL	5,223.3

FINANCIAL STATEMENTS
as of September 30, 2012
(*IFRS*)

BALANCE SHEET

Assets as of September 30, 2012

EUR millions	Note	9/30/2011	12/31/2011	9/30/2012
Central banks	2.1	-	2,198	3,400
Financial assets at fair value through profit or loss		-	-	-
Hedging derivatives	4.1	7,978	8,874	9,755
Financial assets available for sale	2.2	1,942	1,254	1,111
Loans and advances due from banks	2.3	8,574	7,781	3,783
Loans and advances to customers	2.4	77,286	77,836	73,155
Fair value revaluation of portfolio hedge		2,077	2,203	2,914
Financial assets held to maturity		-	-	-
Current tax assets	2.5	42	47	0
Deferred tax assets	2.5	182	199	159
Accruals and other assets	2.6	9	17	5
TOTAL ASSETS		98,090	100,409	94,282

Liabilities as of September 30, 2012

EUR millions	Note	9/30/2011	12/31/2011	9/30/2012
Central banks	3.1	-	2,700	-
Financial liabilities at fair value through profit or loss		-	-	-
Hedging derivatives	4.1	13,212	13,703	14,314
Due to banks	3.2	11,000	9,517	8,003
Customer borrowings and deposits		-	-	-
Debt securities	3.3	68,012	68,536	64,530
Fair value revaluation of portfolio hedge		2,225	2,340	2,836
Current tax liabilities	3.4	4	2	13
Deferred tax liabilities	3.4	34	34	-
Accruals and other liabilities	3.5	2,511	2,533	3,430
Provisions		-	-	-
Subordinated debt		-	-	-
Equity	3.6	1,092	1,044	1,156
Share capital and additional paid-in capital		1,300	1,300	1,315
Reserves and retained earnings		24	24	76
Unrealised or deferred gains and losses		(265)	(348)	(311)
Net income		33	68	76
TOTAL LIABILITIES		98,090	100,409	94,282

Income statement

EUR millions	Note	3Q2011	4Q2011	3Q2012
Interest income	5.1	5,196	6,963	4,468
Interest expense	5.1	(5,061)	(6,755)	(4,283)
Fee and commission income	5.2	-	-	-
Fee and commission expense	5.2	(5)	(5)	(5)
Net gains (losses) on financial instruments at fair value through profit or loss	5.3	-	0	0
Net gains (losses) on financial assets available for sale	5.4	2	2	22
Net result of hedge accounting and fair value option		-	-	-
Other income		-	-	-
Other expense		-	-	-
Net banking income		132	205	202
Operating expense	5.5	(73)	(92)	(69)
Cost of risk	5.6	(7)	(8)	(18)
Operating income		52	105	115
Net gains (losses) on other assets		-	-	-
Income before tax		52	105	115
Income tax	5.7	(19)	(37)	(39)
NET INCOME		33	68	76
<i>Earnings per share (in EUR)</i>				
- Basic		3	5	6
- Diluted		3	5	6

Net income and unrealised or deferred gains and losses through equity

EUR millions	3Q2011	3Q2012
Net income	33	76
Translation adjustments	-	-
Unrealised or deferred gains and losses of financial assets available for sale	(27)	64
Unrealised or deferred gains and losses of cash flow hedges	(18)	(4)
Taxes	35	(24)
Total of unrealised or deferred gains and losses through equity	(10)	36
NET INCOME AND UNREALISED OR DEFERRED GAINS AND LOSSES THROUGH EQUITY	23	112

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, 2011, IFRS	1,300	91	1,391	(266)	(81)	(348)	1,044
Movements during the period							
Share capital	15	-	15	-	-	-	15
Dividends	-	(15)	(15)	-	-	-	(15)
Changes in fair value of available for sale financial assets through equity	-	-	-	45	-	45	45
Changes in fair value of hedging derivatives through equity	-	-	-	-	9-	(9)	(9)
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	-	76	76	-	-	-	76
Other movements	-	-	-	-	-	-	-
As of September 30, 2012, IFRS	1,315	152	1,467	(221)	(90)	(312)	1,156

Dexia MA has share capital of EUR 1,315 million that is made up of 13,150,000 shares with a par value of EUR 100.

Cash flow statement

EUR millions	9/30/2011	12/31/2011	9/30/2012
NET INCOME BEFORE TAXES	52	105	115
+/- Depreciation and write-downs	0	1	37
+/- Expense/income from operating activities	107	(38)	337
+/- Expense/income from financing activities	(196)	50	(347)
+/- Other non-cash items	(663)	(976)	(475)
= Non-monetary items included in net income before tax and other adjustments	(752)	(963)	(448)
+/- Cash from interbank operations (Dexia Credit Local and Banque de France)	-	2,700	(3,100)
+/- Cash from interbank operations (customer loans)	(1,718)	(1,096)	62
+/- Cash from customer operations (loans)	1,725	1,202	2,462
+/- Cash from financing assets	741	1,541	6,646
+/- Cash from hedging financial instruments	1,975	2,306	1,627
- Income tax paid	(50)	(50)	16
= Decrease/(increase) in cash from operating activities	2,673	6,603	7,713
CASH FLOW FROM OPERATING ACTIVITIES (A)	1,973	5,745	7,380
CASH FLOW FROM INVESTING ACTIVITIES (B)	-	-	-
+/- Cash from or for shareholders	-	-	-
+/- Other cash from financing activities	(209)	(502)	(5,069)
CASH FLOW FROM FINANCING ACTIVITIES (C)	(209)	(502)	(5,069)
EFFECT OF CHANGES IN EXCHANGE RATES ON CASH (D)	-	-	-
Increase/(decrease) in cash equivalents (A + B+ C + D)	1,764	5,243	2,311
Cash flow from operating activities (A)	1,973	5,745	7,380
Cash flow from investing activities (B)	-	-	-
Cash flow from financing activities (C)	(209)	(502)	(5,069)
Effect of changes in exchange rates on cash (D)	-	-	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	(9,030)	(9,030)	(3,787)
Central banks (assets & liabilities)	2	2	2,198
Interbank accounts (assets & liabilities) and loans/deposits at sight	(9,032)	(9,032)	(5,985)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	(7,266)	(3,787)	(1,476)
Central banks (assets & liabilities)	0	2,198	3,401
Interbank accounts (assets & liabilities) and loans/deposits at sight	(7,266)	(5,985)	(4,877)
NET CASH	1,764	5,243	2,311

NOTES

(1 NOTES TO THE FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2012

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 September 30, 2012 were examined by the Executive Board on December 4, 2012.

1.2 HIGHLIGHTS IN THE FIRST NINE MONTHS OF 2012

A. SITUATION OF THE COVERED BOND MARKET

The multiple downgrades in the rating of sovereign countries and banks, as well as the impact of new regulations, have progressively transformed the covered bond market. Triple A-rated covered bonds today represent no more than a good half of the market, and certain covered bonds are now rated triple B. The new restrictions imposed by Basel III and Solvency 2, together with the current rules governing eligibility with the European Central Bank, contribute to market segmentation by favoring the most highly rated bonds. In addition to these ratings, a covered bond label will be awarded, beginning in 2013, to issuers who meet a certain number of requirements and are recognized for their transparent communication. Dexia MA has asked to benefit from this label.

Issues of benchmark covered bonds in the primary market in the third quarter of 2012 totaled EUR 20 billion (nearly half of the issues in September 2012), compared with EUR 52 billion in the first quarter and EUR 17 billion in the second quarter, for a total of EUR 89 billion in the first nine months of 2012 compared with more than EUR 150 billion at the end of September 2011.

Market conditions improved considerably beginning in September subsequent to ECB announcements concerning the modalities of Outright Monetary Transactions (OMT), which will be conducted on sovereign debt secondary markets in the euro zone. These transactions are accompanied by added flexibility in the minimum credit rating threshold required for eligibility of assets accepted in guarantee for credit transactions in the Eurosystem.

The ECB's CBPP2 covered bond buyback program came to an end on October 1, 2012. It represented a volume of EUR 16.4 billion, i.e. 40% of the maximum volume expected of EUR 40 billion. The good market conditions obviated the need for ECB support.

French issuers remained the most active, ahead of the Germans and the Scandinavians. New issue premiums (in relation to secondary market spreads), which were high at the beginning of the year, continued to tighten. In the secondary market, whatever the country, average spreads for covered bonds, which had widened in the second quarter, narrowed during the summer.

The spread of Dexia MA bonds in the secondary market, which had widened, like the market, in the second quarter, has narrowed significantly since the end of June by approximately 15 bp. This trend has continued into the fourth quarter.

Dexia Municipal Agency issued no bonds in the first nine months of 2012, because of the absence of new assets to finance and of the project under way to change its shareholding structure and its supplier of assets.

B. DEXIA MUNICIPAL AGENCY'S RATINGS

The issuance programme of Dexia MA is rated by the three main rating agencies: Standard & Poor's, Fitch and Moody's.

As of December 31, 2011, Dexia MA was rated:

- AAA by Fitch,
- AAA / CreditWatch negative by S&P and
- Aa1 / on review for downgrade by Moody's.

Since the beginning of the year 2012, the situation has evolved in the following manner:

- in January, Standard & Poor's confirmed that Dexia MA's rating was maintained in CreditWatch for further review, following the downgrade of its parent company Dexia Credit Local's rating to A2;
- in April, Moody's announced the downgrade of Dexia MA's rating to Aa2, following the downgrade of its parent company's rating from Baa1 to Baa2 / on review for downgrade;
- in June, Fitch confirmed Dexia MA's triple A rating in its annual review;
- in July, Standard & Poor's announced that it was lowering Dexia MA's rating to AA+ when it introduced its new methodological criterion for counterparty risk; given the rating of Dexia Credit Local, the application of this new criterion does not allow Dexia MA's *obligations foncières* to be rated triple A; Standard & Poor's in-depth analysis of the impact of the application of the new criterion is in process;
- in September, Fitch introduced its new rating methodology for covered bonds; the agency assigned a D-Cap indicator to Dexia MA of 3 (moderate high), in line with its triple-A rating and the current level of over-collateralization; but Fitch also considered DMA's present situation as a non-active programme (change of shareholder, servicer and supplier of assets in process – cf. 1.4), and in keeping with its new criteria, was not able to take into account the effective over-collateralization, but only DMA's public commitment to maintain minimal over-collateralization of 5% on a regulatory basis, equivalent to nominal over-collateralization of 11.6%. For this reason, Fitch put DMA's rating under watch negative.

As of September 30, 2012, Dexia MA's ratings were under review or watch by two of its agencies, given the current situation in which it finds itself (cf. 1.4), and/or the application of new rating criteria by these agencies:

- AAA Watch negative by Fitch,
- AA+ / CreditWatch negative by Standard & Poor's and
- Aa2 by Moody's.

C. FINANCIAL SITUATION OF THE DEXIA GROUP

Active discussions between the French and Belgian States and the European Commission continued in the third quarter of 2012 with a view to finalizing a plan for the orderly resolution of the Dexia Group.

A certain number of hypotheses underlying the plan have been revised, leading, in accounting terms, to a negative asset position of Dexia SA. In order to remedy this situation and to allow the pursuit of the orderly resolution of the Group, the Belgian and French States have publicly stated their commitment to subscribe to a capital increase of Dexia SA in the amount of EUR 5.5 billion via the issuance of preference shares reserved for the States involved.

At the end of November, the States submitted a revised plan to the European Commission, containing the following major changes, subject to the Commission's approval.

- The funding plan underlying the initial business plan has been adapted to reflect a lesser dependency on central bank funding. As the resolution plan proceeds, the Group anticipates that it will rely to a greater extent on short- and medium-term market funding, for example through issues guaranteed by the Belgian, French and Luxembourg States, and covered (repo) or other market funding.

- The ceiling of the definitive liquidity guarantee granted to Dexia SA and Dexia Credit Local by the Belgian, French and Luxembourg States has been reduced to EUR 85 billion, compared with the EUR 90 billion originally proposed, to take into account the recapitalization commitments of the Belgian and French States. The breakdown among the States was amended as follows: 51.41% for Belgium, 45.59% for France, and 3% for Luxembourg. Under the definitive guarantee agreement, Dexia will pay a monthly guarantee fee based on the outstanding guaranteed debt issued under the 2011 agreement, calculated on an annual rate of 5 bp, versus 90 bp under the temporary guarantee.
- The plan for the sale of Dexia Municipal Agency (DMA) as part of the new organization of local public sector finance in France has been amended (cf. 1.2.D Creation of a new local government bank).

Throughout the third quarter of 2012, Dexia actively continued to implement its plan to dispose of its main operating entities, with the following results: the sale of the 50% holding of Banque Internationale à Luxembourg in RBC Dexia Investor Services (RBC-D) to the Royal Bank of Canada, the finalization of the sale of Denizbank to Sberbank, and the sale of Banque Internationale à Luxembourg to Precision Capital and the Grand Duchy of Luxembourg.

The interim non-audited financial statements of the Dexia Group as of September 30, 2012, were significantly affected by the implementation of the orderly resolution plan. The net loss, Group share, totaled EUR -2,391 million, of which EUR -1,034 million related to discontinued activities.

The net result was thus mainly affected by the high cost of funding, given the reliance on the temporary liquidity guarantee granted by the Belgian, French and Luxembourg States, and emergency liquidity assistance (ELA). The sum of guarantee costs paid to the States and of ELA expenses amounted to EUR 725 million pre-tax.

As of September 30, 2012, the Tier 1 ratio stood at 9.0% (compared with 7.6% at the end of December 2011) and the Core Tier 1 ratio at 8.5% (compared with 6.4% as of December 31, 2011).

At Dexia Credit Local, the parent company of Dexia MA, the liquidity situation remained a subject of preoccupation, requiring the use of the emergency measures taken by central banks, in addition to the resources obtained through the guarantee of the States.

Nonetheless, this situation had no impact on Dexia MA's capacity to reimburse its issues of *obligations foncières* at maturity or to maintain its level of over-collateralization. In fact, Dexia MA has a cash surplus in its cover pool and the cash flows forecast for 2012-2013 do not require it to seek new funding from Dexia Credit Local.

D. CREATION OF A NEW BANK SPECIALIZED IN LENDING TO FRENCH LOCAL GOVERNMENT

Following the March 15, 2012, signing of a preliminary agreement on the future financing of the French local public sector, the French State, Caisse des Dépôts and La Banque Postale pursued their discussions with Dexia and the European Commission.

Subject to the definitive agreement of the European Commission, which is expected by the end of the year, a new bank specialized in lending to French local government will be created. This credit institution :

- will be mainly held by the French State and will buy 100% of the shares of Dexia Municipal Agency ;
- will work closely with a consortium made up of La Banque Postale and Caisse des Dépôts et Consignations, which will offer loans to French local governments and to French public hospitals.

Dexia MA will refinance by obligations foncières its existing exposures in the balance sheet, and the new eligible loans marketed by the consortium Banque Postale / Caisse des Dépôts, for a loan volume of approximately EUR 5 billion per year.

The sale price of Dexia MA and of the resources and tools required for the operation of the new bank was set at 1 euro as compared with the EUR 380 million, initially planned, in order to take into account the fact that the Dexia Group would not provide Dexia MA with the guarantees initially listed (guarantees limiting

the cost of risk and a guarantee on a portfolio of structured loans).

E. STRUCTURED LOANS

As of September 30, 2012, there were 57 structured loans, of which 52 were booked on Dexia MA's balance sheet. As of December 31, 2011, there were 14 for Dexia Credit Local, including 12 for Dexia MA.

To define the notion of structured loans, Dexia MA uses the charter of good conduct signed by banks and local governments (referred to as the Gissler charter), which can be consulted on the Internet site of Dexia Credit Local. This document, drawn up at the request of an *inspecteur général des finances* named Eric Gissler, was signed on December 7, 2009, by several organizations that represent local governments (Association des maires de France, Fédération des maires des villes moyennes, Association des petites villes de France, Association des maires de grandes villes de France and Assemblée des communautés de France), as well as by four banks, including the Dexia Group. The charter is a document that creates obligations for Dexia Credit Local.

In its 2011 annual report, Dexia Credit Local defined structured loans as:

- all loans with structures in categories B to E in the Gissler charter;
- all loans that the charter does not allow to be marketed, whatever their structure (i.e. leverage > 5, etc.), underlying index(es) (i.e. foreign exchange, commodities, etc.), or currency of exposure (loans denominated in CHF, JPY, etc.);
- to the exclusion of all loans the structured phase of which is terminated and of which the rate is a fixed rate or a definitive simple variable rate.

According to this definition, outstanding structured loans marketed by Dexia Credit Local and booked on Dexia MA's balance sheet to Dexia MA represented EUR 16.1 billion as of September 30, 2012.

For some of these structured loans, borrowers have sued Dexia Credit Local. The number of these assignments was 57 as of 30 September 2012, of which 52 correspond to loans booked on Dexia MA's balance sheet. As of December 31, 2011, there were 14 for Dexia Credit Local, including 12 for Dexia MA.

At the end of November 2012, the French State announced several measures to resolve the situation of certain local governments with financial difficulties resulting from the trend in interest rates on the structured loans they had subscribed with banks, including Dexia. Resolution measures will be taken for local governments that wish to undo their structured loans through the creation of a national assistance unit specialized in risk assessment and management, and the organization of mediation and a specific solidarity procedure to assist local governments willing to participate in the financial effort to come back to a simple and lower interest rate.

1.3 APPLICABLE ACCOUNTING STANDARDS

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 from January 1, 2005. Dexia has thus applied these standards since that date. Dexia Municipal Agency decided to apply as from January 1, 2007, all the IAS, IFRS, SIC and IFRIC adopted by the European Commission.

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 September 30, 2012, 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-R.04 published on

July 2, 2009.

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect amounts reported. In order to make these assumptions and estimates, management uses the information available at the date of preparation of the financial statements and exercises its judgment. While management believes it has considered all available information when making these assumptions, actual results may differ from such estimates and the differences may have a material impact on the consolidated financial statements.

Judgments were principally made in the following areas:

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

These judgments are set out in the corresponding sections of these applicable accounting standards.

Estimates were principally made in the following areas:

- determination of fair value for financial instruments measured at fair value;
- 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 STANDARDS SINCE THE PREVIOUS ANNUAL REPORT THAT MAY IMPACT DEXIA MUNICIPAL AGENCY

The following review of changes in accounting standards is based on the situation at closing on September 30, 2012.

a. IASB and IFRIC texts endorsed by the European Commission and applied as from January 1, 2012

The following standards, interpretations or amendments have been endorsed by the European Commission and are applied as from January 1, 2012:

- Amendment to IFRS 7 Financial instruments: Disclosures on transferred financial assets. The impact of this amendment on the financial statements of Dexia Municipal Agency relates to disclosures.

b. IASB and IFRIC texts endorsed by the European Commission during the current year but not yet applicable as from January 1, 2012

- Amendments to IAS 19 “Employee Benefits” principally changes the recognition and measurement of post employment defined benefit plans (e.g. removal of corridor mechanism) and enhances the disclosure requirements for these plans. This amendment is effective as from 1 January 2013. This amendment will not impact the financial statements of Dexia Municipal Agency .
- Amendments to IAS 1 “Presentation of Items of Other Comprehensive Income” clarifies the requirements on the presentation of the statement of comprehensive income and introduces a presentation of items in other comprehensive income (OCI) on the basis of recyclability. This amendment is effective as from 1 January 2013 and will impact Dexia Municipal Agency's presentation of other comprehensive income.

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

- Amendment to IFRS 1 “Government Loans” (issued by IASB in March 2012). This amendment is effective as from 1 January 2013 and will not impact the financial statements of Dexia Municipal Agency, which is no longer a first-time adopter.
- “Annual Improvements 2009-2011 cycle” (issued by IASB in May 2012), which are a collection of amendments to existing International Financial Reporting Standards. These amendments are effective as from 1 January 2013. Dexia Municipal Agency does not expect these amendments to have a material impact on its financial statements.
- Amendments to IFRS 10, IFRS 11 and IFRS 12 “Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance” (issued by IASB in June 2012). These amendments are effective as from 1 January 2013 and the impact on Dexia Municipal Agency's financial statements is currently being assessed.

1.4 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 may 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 on the transaction date. Monetary assets and liabilities denominated in foreign currencies are recognized at closing rates. Non-monetary assets and liabilities recognized at fair value and denominated in foreign currencies existing at the closing date are recorded at closing rates, whereas non-monetary assets and liabilities recognized at amortized 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 which are recognized in equity. Foreign exchange differences from non-monetary assets and liabilities recognized at fair value are recorded as fair value adjustments.

C. TRADE DATE AND SETTLEMENT DATE ACCOUNTING

All purchases and sales of financial assets are recognized on the settlement date, which is the date that a financial asset is received or delivered by Dexia Municipal Agency.

Dexia Municipal Agency's hedging instruments are recognized at fair value on the transaction date.

D. FINANCIAL ASSETS

Management determines the appropriate classification of its investments at initial recognition. However, under certain conditions financial assets may be subsequently reclassified.

a. Loans and advances to banks and customers

IFRS define loans as non-derivative financial assets with fixed or determinable payments that are not quoted on an active market, other than:

- those that the entity intends to sell immediately or in the near term, which are classified as held for trading, and those that the entity, upon initial recognition, designates as being at fair value through profit or loss;
- those that the entity, upon initial recognition, designates as available for sale; and
- those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which shall be classified as available for sale.

Dexia Municipal Agency recognizes loans and advances initially at fair value plus transaction costs and subsequently at amortized cost, less any allowance for impairment. Interest are measured based on the effective interest rate method and recognized in net interest income.

The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset.

b. Financial assets held to maturity and available for sale

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 subsequently at amortized cost, less any allowance for impairment. Interest is recognized based on the effective interest rate method, using the rate determined at initial recognition and is recognized in net interest income.

Financial assets available for sale

Assets intended to be held for an indefinite period of time and which may be sold in response to a need for liquidity or changes in interest rates, 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 in net interest income. Unrealized gains and losses arising from changes in the fair value of financial assets available for sale are recognized in equity. When assets are disposed of, the related accumulated fair value adjustments are reversed in the income statement in “Net gains (losses) on financial assets 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 September 30, 2012, corresponds to the part of this reserve still to be amortized with regard to the securities restated as of October 1, 2008.

c. Financial assets held for trading

Dexia Municipal Agency holds no assets for trading.

d. 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.

e. 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 based on the “first in, first out” approach (FIFO method) on a portfolio basis.

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

f. Accounting for early reimbursement penalties

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

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

Early reimbursement with refinancing

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

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

g. Impairment of financial assets

Dexia Municipal Agency records allowances for impairment losses when there is objective evidence that a financial asset or group of financial assets is impaired, as a result of one or more events occurring since initial recognition and when that loss event has an impact on the estimated future cash flows that can be reliably estimated, in accordance with IAS 39 (§58-70). The impairment represents the management's best estimate of losses in the value of assets at each balance-sheet date.

Financial assets at amortized cost

Dexia Municipal Agency first assesses whether objective evidence of impairment exists for a financial asset when taken individually. If no such evidence exists, the financial asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment

- Determination of the impairment
- Specific loss allowance: if there is objective evidence that loans or other receivables, or financial assets classified as Held-to-maturity are impaired, the amount of the provision is calculated as the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, net of any guarantees and collateral, discounted at the financial instrument's original effective interest rate (except for reclassified assets, see below).
When an asset is assessed as being impaired, it will be excluded from the portfolio on which a collective impairment is calculated.
- Collective allowance: collective impairment covers the risk of loss in value not covered by specific impairment where there is objective evidence that probable losses are present in certain segments of the portfolio or other lending commitments at the balance-sheet date. These losses are 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 this purpose, Dexia Municipal Agency uses the credit risk model developed by Dexia Credit Local, which is based on an approach that combines default probabilities and losses in the event of default.

These models are subject to regular back-testing and are based on Basel II data and risk models, consistent with the incurred loss model.

- Accounting treatment of the impairment

Changes in the amount of impairment losses are recognized in the income statement in “Cost of risk”. Once an asset has been written down, if the amount of the impairment subsequently decreases due to an event occurring after recognition of the impairment, the write-back of the impairment is credited to the “Cost of risk”.

When an asset is determined by management as being irrecoverable, the outstanding specific impairment is reversed via the income statement, in “Cost of risk” and the net loss is recorded in the same heading. Subsequent recoveries are also accounted for in this heading.

Reclassified financial assets

Regarding impairment, reclassified financial assets follow the rules as financial assets initially valued at amortized cost for calculation of the impairment. If there is objective evidence that reclassified financial assets are impaired, the amount of the impairment on reclassified assets is calculated as the difference between the net carrying amount of the asset, excluding the amount of revaluations at fair value due to former classification in AFS, and the net present value of the expected cash-flows discounted at the effective interest rate at the time of reclassification. Any existing unamortized AFS reserve will be taken to profit or loss account in “Cost of risk”.

In the event of a positive update to expected cash flows, the impairment amount is reversed through net interest income over the new schedule of expected cash flows, not by a reversal of impairment.

Available for sale financial assets

Impairment of available for sale assets is recognized on an individual basis if there is objective evidence of impairment as a result of one or more events occurring since initial recognition of the asset. Financial assets available for sale (AFS) are subject only to specific impairment.

- Determination of the impairment

In the case of interest bearing debt instruments, impairment is triggered based on the same criteria as those applied to financial assets valued at amortized cost (see above).

- Accounting treatment of the impairment

When financial assets available for sale are impaired, the total AFS reserve is recycled into profit or loss and Dexia Municipal Agency reports these impairment losses in the income statement in “Cost of risk” (for financial asset available for sale with fixed income) or “Net gains (losses) on financial assets available for sale” (for financial assets available for sale with variable income). Any subsequent decline in fair value constitutes an additional impairment loss, recognized in the income statement.

In the event of an increase in the fair value of an interest-bearing financial instrument that relates objectively to an event occurring after the last impairment was recognized, Dexia Municipal Agency recognizes a reversal of the impairment loss in the income statement in “Cost of risk” (for financial assets available for sale with fixed income).

Off-balance sheet commitments

Off-balance sheet commitments such as credit substitutes (e.g.: guarantees and standby letters of credit) and loan commitments are converted into on-balance sheet items when called. However, under certain circumstances such as uncertainty about the counterparty's creditworthiness, the off-balance sheet commitment should be classified as impaired if the credit worthiness has deteriorated to an extent that makes repayment of any loan and associated interest payments doubtful.

h. Sale and repurchase agreements and lending of securities

Securities sold subject to a linked repurchase agreement (repos) are not derecognized and remain on the balance-sheet in their original category. The corresponding liability is included in “customer borrowings and deposits” or “due to banks” as appropriate. The asset is reported as pledged in the notes.

Securities purchased under an agreement to resell (reverse repos) are recorded as off-balance sheet items and the corresponding loans are recorded in “loans and advances to customers” or “loans and advances due from banks” as appropriate.

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

Securities lent to third parties are retained in the financial statements.

Securities borrowed are not recognized in the financial statements. If these borrowed securities are sold to third parties, the obligation to return them is recorded at fair value in “Financial liabilities at fair value through profit or loss”, and the gain or loss is included in “Net gains (losses) on financial instruments at fair value through profit or loss”.

E. FINANCIAL LIABILITIES

a. Liabilities designated at fair value through profit or loss

Dexia Municipal Agency does not use this option.

b. Borrowings

Borrowings are recognized initially at fair value, being their issue proceeds net of transaction costs incurred. They are subsequently stated at amortized cost and any difference between their initial carrying amount and the redemption value is recognized in the income statement 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 September 30, 2012. It is sub-divided into two parts.

1) Obligations foncières

Obligations foncières are recorded at nominal value.

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

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

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

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

2) Registered covered bonds

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

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

a. Derivatives not used in a hedging relationship

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

b. Hedging derivatives

Hedging derivatives can be categorized as either:

- a hedge of the fair value of a recognized asset or liability or a firm commitment (fair value hedge); or
- a hedge of a future cash flow attributable to a recognized asset or liability or a forecast 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 both prospectively and retrospectively in offsetting changes in fair value or cash flows attributable to the hedged risk on the hedged item throughout the reporting period;
- the hedge shall be effective at inception and on a going concern basis.

Changes in the fair value of derivatives that are designated and documented in a fair value hedging relationship, and that respect the criteria set out above, are recorded in the income statement, along with the corresponding change in fair value of the hedged assets or liabilities that are attributable to that specific hedged risk.

If at any time 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 profit or loss over the residual maturity of the hedged item by adjusting the yield on the hedged item.

The effective portion of the changes in the fair value of derivatives that are designated in a cash-flow hedging relationship, that respect the criteria set out above, and that prove to be effective in relation to the hedged risk, is recognized in equity as “Unrealized or deferred gains and losses of cash-flow hedges”.

The non-effective portion of the changes in the fair value of the derivatives is recognized in the income statement. Amounts deferred in equity are transferred to the income statement and classified as income or expense in the periods during which the hedged firm commitment or forecast transaction affect the income statement.

c. Hedging of the interest rate risk of a portfolio

Dexia Municipal Agency makes use of the provisions of IAS 39 as adopted by the European Union (“IAS 39 carve-out”) because it better reflects the way Dexia Municipal Agency manages its financial instruments.

The objective of hedging relationships is to reduce the interest rate risk exposure stemming from certain categories of assets or liabilities designated as the qualifying hedged items.

The entity performs a comprehensive analysis of its interest rate risk exposure. It consists in assessing fixed-rate exposure generated by all fixed-rates balance sheet items.

Dexia Municipal Agency selects financial assets and liabilities to be included in the hedge of the portfolio's interest rate risk exposure. The entity constantly applies the same methodology for selecting financial assets and liabilities to be included in the portfolio. The financial assets and liabilities are classified by time bands. Hence, when they are removed from the portfolio, they must be removed from all the time bands on which they have an impact.

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

Based on this gap analysis, which is realized on a net basis, Dexia Municipal Agency defines at inception the risk exposure to be hedged, the length of the time bands and the manner and the frequency of testing.

The hedging instruments are a portfolio of derivative, whose positions may be offsetting. The hedging items are recognized at their fair value (including accrued interest expense or income) with adjustments recorded in the income statement.

Revaluation related to the hedged risk is recognized in the balance sheet (in asset or liability depending on positive or negative revaluation) as "Fair value revaluation of portfolio hedge".

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 these are the best estimate 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 financial instrument is not traded on an active market, valuation techniques are used. Valuation techniques include the use of data from recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, and valuation models. A valuation model reflects what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations, i.e. the price that would be received by the holder of the financial asset in an orderly transaction that is not a liquidation or a forced transaction.

The valuation model should take into account all the factors that market participants would consider when pricing the asset. Within this framework, Dexia Municipal Agency uses its own valuation models and market assumptions, i.e present value of cash-flows or any other techniques based on market conditions existing at the closing date.

Financial instrument measured at fair-value (available for sale, derivatives)

Financial investments classified as available for sale and derivatives are measured at fair value by reference to quoted market prices when available. When quoted market prices are not available, fair values are estimated on the basis of pricing models or discounted cash flows, using observable or non-observable market data.

For financial assets classified as available for sale, when quoted prices are not available, the pricing models attempt to reflect as accurately as possible the market conditions on the valuation date as well as any changes in the credit quality of these financial instruments and the market liquidity.

Financial instruments measured at amortized cost (valuations in IFRS notes on fair value)

The following remarks are applicable to the fair value of loans and advances presented in the notes:

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

H. INTEREST INCOME AND EXPENSE

For all interest-bearing instruments not valued at fair value, interest income and expense are recognized in the income statement using the effective interest rate method (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 recognized on the balance sheet in the same item as the related financial asset or liability.

Once an interest bearing 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 commissions are recognized as part of the effective interest rate if the loan is granted. They are recorded as commission income on expiry date of the commitment if no loan is granted.

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

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

Deferred taxes related to fair value re-measurement of assets available for sale and cash flow hedges, and other operations which are charged or credited directly to equity, are also credited or charged directly to equity.

K. PROVISION FOR RISKS AND CHARGES

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

A provision is measured at the present value of the expenditures expected to be required to settle the obligation. The discount rate used 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; and
- a reliable estimate of the amount of the obligation can be made.

Provisions on loan commitments are recognized using the same methodology as that applied for the impairment of financial assets measured at amortized cost.

L. DIVIDENDS ON ORDINARY SHARES

Dividends on ordinary shares are recognized in liabilities 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 when making financial or operational 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 sole business is part of the operational business line Public and Wholesale Banking (PWB) of the Dexia Group.

Dexia Municipal Agency conducts its business solely from Paris (or its branch in Dublin). The Company has no direct activity in other countries and is unable to present a relevant breakdown of its results by geographic region. 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 interbank deposits at sight.

2. NOTES TO THE ASSETS

2-1 - CENTRAL BANKS

EUR millions	9/30/2011	12/31/2011	9/30/2012
Mandatory reserve deposits with central banks	-	-	-
Other deposits	-	2,198	3,400
TOTAL	-	2,198	3,400

2-2 - FINANCIAL ASSETS AVAILABLE FOR SALE

a. Analysis by nature

EUR millions	9/30/2011	12/31/2011	9/30/2012
Loans	-	-	-
Bonds	1,942	1,254	1,111
TOTAL	1,942	1,254	1,111

b. Analysis by counterparty

EUR millions	9/30/2011	12/31/2011	9/30/2012
Public sector	848	760	771
Credit institutions guaranteed by the public sector	494	494	340
Total public sector	1,342	1,254	1,111
Replacement assets	600	-	-
TOTAL	1,942	1,254	1,111
<i>of which eligible for central bank refinancing</i>	<i>1035</i>	<i>840</i>	<i>793</i>

c. Impairment

EUR millions	9/30/2011	12/31/2011	9/30/2012
Public sector	1,316	1,222	1,111
Replacement assets	600	-	-
Total performing assets	1,916	1,222	1,111
Public sector	33	39	-
Replacement assets	-	-	-
Total impaired assets	33	39	-
Specific impairment	(7)	(7)	-
TOTAL ASSETS AFTER IMPAIRMENT	1,942	1,254	1,111

d. Analysis by residual maturity : see note 7.2

e. Unrealised or deferred gains and losses, breakdown by country : see note 4.4

2-3 - LOANS AND ADVANCES DUE FROM BANKS

a. Analysis by nature

EUR millions	9/30/2011	12/31/2011	9/30/2012
Sight accounts	214	22	17
Other loans and advances due from banks	8,360	7,759	3,766
Performing assets	8,574	7,781	3,783
Impaired loans and advances	-	-	-
Impaired assets	-	-	-
Total assets before impairment	8,574	7,781	3,783
Specific impairment	-	-	-
Collective impairment	-	0	-
TOTAL	8,574	7,781	3,783

b. Breakdown by counterparty

EUR millions	9/30/2011	12/31/2011	9/30/2012
Credit institutions	214	22	17
Swiss cantonal banks benefiting from their cantons' legal guarantee	1,128	1,129	949
Banks guaranteed by a local government, <i>crédits municipaux</i>	148	132	191
Credit institutions belonging to the Dexia Group: loans benefiting from the assignment in guarantee of refinanced public debt	2,119	2,121	2,111
Credit institutions guaranteed by the State	13	14	15
Assets assigned in guarantee to the central bank*	-	3,012	0
Replacement assets	4,952	1,351	0
TOTAL	8,574	7,781	3,283
<i>of which eligible for central bank refinancing</i>	<i>4,360</i>	<i>4,363</i>	<i>-</i>

* Cédulas territoriales issued by Dexia Sabadell, assigned in guarantee to the Banque of France and removed from the cover pool.

c. Replacement assets

EUR millions	Rating	9/30/2011	12/31/2011	9/30/2012
Dexia Sabadell - <i>cedulas territoriales</i>	Ba1 Moody's	3,009	-	500
Dexia LdG Banque - <i>lettres de gage publiques</i>	A- S&P	1,351	1,351	-
Dexia Credit Local - loans secured by public sector assets	A+ Fitch, Baa2 Moody's, BBB S&P	592	-	-
Credit institutions - sight accounts		214	22	17
TOTAL		5,166	1,373	517

d. Analysis by residual maturity : see note 7.2**e. Unrealized or deferred gains and losses, breakdown by country : see note 4.4****2-4 - LOANS AND ADVANCES TO CUSTOMERS****a. Analysis by counterparty**

EUR millions	9/30/2011	12/31/2011	9/30/2012
Public sector	62,678	63,325	60,779
Other- guaranteed by a State or local government	4,160	4,139	3,952
Other - ABS made up solely of public commitments	10,442	10,364	8,371
Performing assets	77,280	77,828	73,102
Impaired loans and advances*	26	29	95
Impaired assets	26	29	95
Total assets before impairment	77,306	77,857	73,198
Specific impairment	(2)	(3)	(8)
Collective impairment	(18)	(18)	(34)
TOTAL	77,286	77,836	73,155
<i>of which eligible for central bank refinancing</i>	<i>39,832</i>	<i>40,067</i>	<i>37,672</i>
<i>Assets assigned in guarantee to the central bank</i>	<i>-</i>	<i>189</i>	<i>-</i>

* The loans depreciated concern customers that represent a definite credit risk (non-performing loans: EUR 32 million) and customers with unpaid loans corresponding to disagreement on the amount due (compromised non-performing loan: EUR 63 million). During the third quarter, Dexia MA has strengthened its hedging on its customers, by increasing the volume of collective impairments, which reach to EUR 34 millions.

b. Public sector ABS

EUR millions	Rating	9/30/2011	12/31/2011	9/30/2012
Colombo	A S&P	6	6	3
Astrea	A- Fitch, A3 Moody's	1	1	0
Blue Danube	AA+ S&P	80	78	76
DCC - Dexia Crediop per la Cartolarizzazione	BBB+ Fitch, Ba2 Moody's, B+ S&P	3,544	3,546	3,371
DSFB - Dexia Secured Funding Belgium 2	A- Fitch, A- S&P, Baa1 Moody's	2,802	2,792	1,312
DSFB - Dexia Secured Funding Belgium 4	AA- Fitch	4,009	3,941	3,609
Total		10,442	10,364	8,371

c. Analysis by residual maturity : see note 7.2**d. Unrealised or deferred gains and losses, breakdown by country : see note 4.4**

2-5 - TAX ASSETS

EUR millions	9/30/2011	12/31/2011	9/30/2012
Current income tax	41	45	-
Other taxes	1	2	0
Current tax assets	42	47	0
Deferred tax assets (see note 4.2)	182	199	159
TOTAL TAX ASSETS	224	246	159

2-6 - ACCRUALS AND OTHER ASSETS

EUR millions	9/30/2011	12/31/2011	9/30/2012
Cash collateral paid	-	-	-
Other accounts receivable	-	-	-
Prepaid charges	-	-	-
Other assets	9	17	5
TOTAL ACCRUALS AND OTHER ASSETS	9	17	5

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 used Banque de France financing :

- from September 2008 to July 2009 in order to finance commercial production when the covered bonds market was closed
- since October 2011, to finance *cedulas territoriales* subsequent to the rating downgrade.

EUR millions	9/30/2011	12/31/2011	9/30/2012
Overnight borrowing	-	-	-
Term borrowing	-	2,700	-
Accrued interest	-	0	-
TOTAL FUNDING FROM BANQUE DE France	-	2,700	-

3-2 - DUE TO BANKS

a. Analysis by nature

EUR millions	9/30/2011	12/31/2011	9/30/2012
Demand deposits	7,484	6,004	4,892
Term deposits	3,516	3,513	3,111
TOTAL	11,000	9,517	8,003

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

The account totaled EUR 7,992 million (excluding accrued interest), composed of:

- the current account, indexed on Eonia, with a balance of EUR 4,886 million;
- bank account - sight accounts, which a balance of EUR 6 million;
- a long-term borrowings earmarked to finance the structural over-collateralization of 5%. This borrowing totaled EUR 3,100 million as of September 30, 2012; it is 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*.

EUR millions	9/30/2011	12/31/2011	9/30/2012
Current account	7,477	5,999	4,886
Interest accrued not yet due	7	5	-
Long-term borrowing	3,500	3,500	3,100
Interest accrued not yet due	16	13	11
Credit institutions - sight accounts	-	-	6
TOTAL DEXIA CREDIT LOCAL	11,000	9,517	8,003

b. Analysis by residual maturity : see note 7.2

3-3 - DEBT SECURITIES

a. Analysis by nature

EUR millions	9/30/2011	12/31/2011	9/30/2012
<i>Obligations foncières</i>	63,050	63,518	59,223
Registered covered bonds	4,962	5,018	5,307
TOTAL	68,012	68,536	64,530

b. Analysis by residual maturity : see note 7.2

3-4 - TAX LIABILITIES

EUR millions	9/30/2011	12/31/2011	9/30/2012
Current income tax	-	-	11
Other taxes	4	2	2
Current tax liabilities	4	2	13
Deferred tax liabilities (see note 4.2)	34	34	-
TOTAL TAX LIABILITIES	38	36	13

3-5 - ACCRUALS AND OTHER LIABILITIES

EUR millions	9/30/2011	12/31/2011	9/30/2012
Cash collateral received	2,481	2,498	3,402
Other accrued charges	26	27	26
Deferred income	-	-	-
Other accounts payable and other liabilities	4	8	2
TOTAL	2,511	2,533	3,430

4. OTHER NOTES ON THE BALANCE SHEET

4-1 - HEDGING DERIVATIVES

a. Analysis by nature

EUR millions	9/30/2011		12/31/2011		9/30/2012	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Derivatives at fair value through profit or loss	-	-	-	-	-	-
Derivatives designated as fair value hedges	4,820	10,051	5,492	10,252	5,818	10,163
Derivatives designated as cash flow hedges	18	218	35	255	9	254
Derivatives designated as portfolio hedges	3,140	2,943	3,347	3,196	3,928	3,897
Hedging derivatives	7,978	13,212	8,874	13,703	9,755	14,314
TOTAL DERIVATIVES	7,978	13,212	8,874	13,703	9,755	14,314

b. Detail of derivatives designated as fair value hedges

EUR millions	9/30/2011			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Foreign exchange derivatives	15,214	15,028	1,694	1,378
Interest rate derivatives	54,359	53,769	3,126	8,673
TOTAL	69,573	68,797	4,820	10,051

EUR millions	12/31/2011			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Foreign exchange derivatives	15,601	15,139	2,068	1,430
Interest rate derivatives	53,122	53,122	3,424	8,822
TOTAL	68,723	68,261	5,492	10,252

EUR millions	9/30/2012			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Foreign exchange derivatives	12,072	11,769	1,800	1,386
Interest rate derivatives	51,529	51,517	4,018	8,777
TOTAL	63,601	63,286	5,818	10,163

c. Detail of derivatives designated as cash flow hedges

EUR millions	9/30/2011			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Foreign exchange derivatives	2,412	2,469	18	218
Interest rate derivatives	-	-	-	-
TOTAL	2,412	2,469	18	218

EUR millions	12/31/2011			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Foreign exchange derivatives	2,199	2,219	35	255
Interest rate derivatives	-	-	-	-
TOTAL	2,199	2,219	35	255

EUR millions	9/30/2012			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Foreign exchange derivatives	1,857	1,926	9	254
Interest rate derivatives	-	-	-	-
TOTAL	1,857	1,926	9	254

EUR millions	9/30/2011	12/31/2011	9/30/2012
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	9/30/2011			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Foreign exchange derivatives	-	-	-	-
Interest rate derivatives	150,561	150,556	3,140	2,943
Total	150,561	150,556	3,140	2,943

EUR millions	12/31/2011			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Foreign exchange derivatives	-	-	-	-
Interest rate derivatives	150,730	150,725	3,347	3,196
Total	150,730	150,725	3,347	3,196

EUR millions	9/30/2012			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Foreign exchange derivatives	-	-	-	-
Interest rate derivatives	131,169	131,164	3,928	3,897
Total	131,169	131,164	3,928	3,897

4-2 - DEFERRED TAXES

a. Analysis by nature

EUR millions	9/30/2011	12/31/2011	9/30/2012
Deferred tax assets before impairment	182	199	159
Impairment on deferred tax assets	-	-	-
Deferred tax assets (1)	182	199	159
Deferred tax liabilities (1)	(34)	(34)	0
TOTAL	148	165	159

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

b. Movements

EUR millions	9/30/2011	12/31/2011	9/30/2012
As of January 1	127	127	165
Charge/credit recognized in the income statement	(14)	(39)	(18)
Effect of change in tax rates - impact on the income statement	-	-	-
Movements directly recognized in equity	35	77	(24)
Effect of change in tax rates - impact on equity	-	-	-
Translation adjustment	-	-	-
Other movements (1)	-	-	36
As of September 30	148	165	159

(1) This amounts corresponds to the fiscal adjustment concerned intra-group deals between DCL Dublin / DMA Dublin booked in current tax according to the fiscal declaration.

c. Deferred taxes coming from assets on the balance sheet

EUR millions	9/30/2011	12/31/2011	9/30/2012
Loans and loan loss provisions	34	14	30
Securities	97	123	104
Derivatives	12	22	16
Accruals and other assets	14	14	14
TOTAL	157	173	164

d. Deferred taxes coming from liabilities on the balance sheet

EUR millions	9/30/2011	12/31/2011	9/30/2012
Borrowings, deposits and issues of debt securities	16	16	19
Derivatives	-	-	-
Provisions	-	-	-
Regulatory provisions	(25)	(24)	(24)
Accruals and other liabilities	-	-	-
TOTAL	(9)	(8)	(5)

4-3 - RELATED-PARTY TRANSACTIONS

Analysis by nature

EUR millions	Parent company and entities consolidated by Dexia Credit Local			Other related parties (1)		
	9/30/2011	12/31/2011	9/30/2012	9/30/2011	12/31/2011	9/30/2012
ASSETS						
Loans and advances	9,262	8,677	5,981	8,164	1,351	-
Bonds	600	-	-	-	-	-
LIABILITIES						
Due to banks - sight accounts	7,484	6,004	4,886	-	-	-
Due to banks - term loans	3,516	3,513	3,111	-	-	-
INCOME STATEMENT						
Interest income on loans and advances	96	147	96	102	23	-
Interest income on bonds	5	7	0	-	-	-
Interest expense on borrowings	(182)	(142)	(75)	-	-	-
Fees and commissions	(4)	(4)	(4)	-	-	-
OFF-BALANCE SHEET						
Foreign exchange derivatives	7,153	7,130	6,774	444	-	-
Interest rate derivatives	119,250	119,937	100,204	5,485	-	-
Guarantees issued by the Group	10,148	12,016	13,400	2,802	-	-

(1) This item includes for 2011 transactions with entities of Belgian and Luxembourg sub-groups consolidated by Dexia, the parent company of Dexia Credit Local.

In 2011, Dexia Bank Belgium was no longer consolidated by Dexia.

4.4 UNREALIZED GAINS AND LOSSES BREAKDOWN BY COUNTRY

En EUR millions	30/09/2011	12/31/2011	9/30/2012
Unrealized gains and losses on available for sale securities	(212)	(253)	(205)
Belgium	-	-	-
Canada	2	2	2
Germany	(7)	(7)	(1)
France	(1)	0	(3)
Greece	-	-	-
Ireland	-	-	-
Italy	(214)	(260)	(213)
United States	8	12	10
Unrealized gains and losses on loans and receivable securities	(137)	(145)	(128)
Austria	(6)	(5)	(5)
Belgium	1	1	(2)
Germany	(1)	(1)	(1)
Spain	(3)	(3)	(2)
France	6	6	6
United Kingdom	-	-	-
Greece	-	(1)	-
Iceland	-	(8)	-
Italy	(125)	(125)	(119)
Luxembourg	-	-	-
Portugal	(5)	(4)	-
United States	(4)	(5)	(5)
Unrealized gains and losses on derivatives designated as cash-flow hedges	(50)	(127)	(131)
TOTAL	(399)	(525)	(464)
Deferred taxes on gains and losses available for sale securities	72	86	71
Deferred taxes on gains and losses loans and receivable securities	45	46	42
Deferred taxes on gains and losses-derivatives designated as cash-flow hedges	18	45	40
TOTAL	(264)	(348)	(311)

4.5 BREAKDOWN OF GOVERNMENT BONDS ON A SELECTION OF EUROPEAN COUNTRIES AND DEPRECIATION OF SOVEREIGN BONDS OF COUNTRIES BENEFITING FROM THE EUROPEAN ASSISTANCE PROGRAM

a. Breakdown of government bonds on a selection of European countries

The credit risk exposure reported represent the accounting net carrying amount of exposures, being the notional amounts after deduction of specific impairments and AFS reserves, and taking into account accrued interests.

	12/31/2011					
	Spain	Ireland	Italy	Portugal	Greece	Total
Government bonds	-	-	499	-	326	825
Securities guaranteed by the State	-	-	113	-	100	213
TOTAL	-	-	612	-	426	1,038

	9/30/2012					
	Spain	Ireland	Italy	Portugal	Greece	Total
Government bonds	-	-	506	-	-	506
Securities guaranteed by the State	-	-	111	-	-	111
TOTAL	-	-	617	-	-	617

	12/31/2011					
	Spain	Ireland	Italy	Portugal	Greece	Total
Financial assets available for sale	-	-	499	-	326	825
Financial assets held for trading	-	-	-	-	-	-
Held to maturity investments	-	-	-	-	-	-
Loans and advances	-	-	113	-	100	213
TOTAL	-	-	612	-	426	1038

UNREALIZED GAINS AND LOSSES ON AVAILABLE FOR SALE SECURITIES	-	-	(260)	-	-	(260)
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UNREALIZED GAINS AND LOSSES ON LOANS AND RECEIVABLE SECURITIES			(3)		(1)	(4)
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	9/30/2012					
	Spain	Ireland	Italy	Portugal	Greece	Total
Financial assets available for sale	-	-	506	-	-	506
Financial assets held for trading	-	-	-	-	-	-
Held to maturity investments	-	-	-	-	-	-
Loans and advances	-	-	111	-	-	111
TOTAL	-	-	617	-	-	617
UNREALIZED GAINS AND LOSSES ON AVAILABLE FOR SALE SECURITIES	-	-	(213)	-	-	(213)
UNREALIZED GAINS AND LOSSES ON LOANS AND RECEIVABLE SECURITIES	-	-	(3)	-	-	(3)

b. Depreciation of Greek sovereign bonds

According to the transfert agreement signed on the December 22, 2011 between Dexia Credit Local and Dexia MA, Greek and Icelandic sovereign bonds were sold in January, 2012. Transfert prices correspond to the notional amounts after deduction of the impairment of EUR 7 million recorded in 2011, accrued interests and , which was considered as the fair value of bonds in the IFRS financial statements as of December 31, 2011. There is no impact in the profit and loss account of 2012.

5. NOTES TO THE STATEMENT OF INCOME

5-1 - INTEREST INCOME - INTEREST EXPENSE

EUR millions	3Q2011	3Q2012
INTEREST INCOME	5,196	4,468
Central banks	-	0
Loans and advances due from banks	109	96
Loans and advances to customers	1,646	1,536
Financial assets available for sale	45	34
Financial assets held to maturity	-	-
Derivatives used for hedging	3,396	2,802
Impaired assets	-	-
Other	-	-
INTEREST EXPENSE	(5,061)	(4,283)
Accounts with central banks	-	(8)
Due to banks	(123)	(62)
Customer borrowings and deposits	-	-
Debt securities	(1,874)	(1,792)
Subordinated debt	-	-
Derivatives used for hedging	(3,064)	(2,421)
Other	-	-
INTEREST MARGIN	135	185

5-2 - FEES AND COMMISSIONS

EUR millions	3Q2011			3Q2012		
	Income	Expense	Net	Income	Expense	Net
Lending activity	0	-	0	0	(0)	(0)
Purchase and sale of securities	-	(1)	(1)	-	(1)	(1)
Financial engineering	-	-	-	-	-	-
Services on securities other than custodian services	-	(4)	(4)	-	(4)	(4)
Custodian services	-	-	-	-	-	-
Issuance and underwriters of securities	-	(0)	(0)	-	(0)	(0)
Other	-	-	-	-	-	-
TOTAL	0	(5)	(5)	0	(5)	(5)

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

EUR millions	3Q2011	3Q2012
Net result of hedge accounting	(0)	0
Net result of foreign exchange transactions	(0)	0
TOTAL	(0)	0

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

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

Analysis of net result of hedge accounting

EUR millions	3Q2011	3Q2012
Fair value hedges	(0)	0
Fair value changes in the hedged item attributable to the hedged risk	1,422	588
Fair value changes in the hedging derivatives	(1422)	(588)
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)	-
Fair value changes in the hedged item	294	215
Fair value changes in the hedging derivatives	(294)	(215)
TOTAL	(0)	0

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

EUR millions	3Q2011	3Q2012
Net gain (loss) on disposals of loans and securities available for sale	-	-
Net gain (loss) on disposals of debt securities	(1)	48
Net gain (loss) on the sale or cancellation of loans and advances	3	(27)
TOTAL	2	22

5-5 - OPERATING EXPENSE

EUR millions	3Q2011	3Q2012
Payroll costs	-	-
Other general and administrative expense	(67)	(66)
Taxes	(6)	(3)
TOTAL	(73)	(69)

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 (Kommunikredit Austria and Dexia Bank Belgium, former subsidiaries of Dexia, as well as Dexia Crediop and Dexia Credit Local Canada Branch).

5-6 - COST OF RISK

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

EUR millions	3Q2011			3Q2012		
	Collective impairment	Specific impairment and losses	Total	Collective impairment	Specific impairment and losses	Total
Credit (loans, commitments and securities held to maturity)	1	(1)	0	(17)	(1)	(18)
Fixed income securities available for sale	-	(7)	(7)	-	-	-
TOTAL	1	(8)	(7)	(17)	(1)	(18)

Detail of collective and specific impairments

Collective impairment EUR millions	3Q2011			3Q2012		
	Charges	Recoveries	Total	Charges	Recoveries	Total
Loans and borrowings	(1)	2	1	(19)	2	(17)
Off-balance sheet commitments	-	-	-	-	-	-
TOTAL	(1)	2	1	(19)	2	(17)

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. During the first nine months of 2012, Dexia MA has strengthened its risk hedging on portfolio, in particular by adding volume of sectoral and collective impairments

Specific Impairment EUR millions	3Q2011				TOTAL
	Allocations	Reversals	Losses	Recoveries	
Loans and advances due from banks	-	-	-	-	-
Loans and advances to customers	(1)	-	-	-	(1)
Financial assets held to maturity	-	-	-	-	-
Off-balance sheet commitments	-	-	-	-	-
Total credit	(1)	-	-	-	(1)
Fixed income securities	(7)	-	-	-	(7)
TOTAL	(8)	-	-	-	(8)

EUR millions	3Q2012				TOTAL
	Allocations	Reversals	Losses	Recoveries	
Loans and advances due from banks	-	-	-	-	-
Loans and advances to customers	(2)	1	-	-	(1)
Financial assets held to maturity	-	-	-	-	-
Off-balance sheet commitments	-	-	-	-	-
Total credit	(2)	1	-	-	(2)
Fixed income securities	-	7	(7)	-	-
TOTAL	(2)	8	(7)	-	(1)

5-7 - CORPORATE INCOME TAX

a. Detail of tax expense

EUR millions	3Q2011	3Q2012
Current taxes	(5)	(22)
Deferred taxes	(14)	(17)
Tax on prior years' income	-	-
Deferred taxes on prior years	-	-
Provisions for tax litigation	-	-
TOTAL	(19)	(39)

b. Effective tax expense as of September 30, 2012

The standard corporate tax rate applicable in France is 36.10%. 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 September 30, 2012 amounted to 34.0%.

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

EUR millions	3Q2011	3Q2012
INCOME BEFORE INCOME TAXES	52	115
Net income from associates	-	-
TAX BASE	52	115
Applicable tax rate at end of the period	34.43%	36.10%
THEORETICAL CORPORATE INCOME TAX AT THE STANDARD RATE	18	42
Impact of differences between foreign tax rates and the standard French tax rate	(2)	(5)
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	3	2
Liability method	-	-
Provisions for tax litigation	-	-
CORPORATE INCOME TAX RECORDED IN THE INCOME STATEMENT	19	39
EFFECTIVE TAX RATE	35.9%	33.9%

c. Tax consolidation

Dexia Municipal Agency applies the tax consolidation system.

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

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

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

6. NOTE ON OFF-BALANCE SHEET ITEMS

6-1 - REGULAR WAY TRADE

EUR millions	9/30/2011	12/31/2011	9/30/2012
Assets to be delivered	0	-	-
Liabilities to be received	0	-	-

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

6-2 - GUARANTEES

EUR millions	9/30/2011	12/31/2011	9/30/2012
Guarantees received from credit institutions (1)	6,367	6,360	4,757
Guarantees received from customers (2)	7,386	7,358	7,501

(1) The guarantees received from credit institutions corresponded to the guarantees provided by Dexia Crediop on securities issued by Crediop per la Cartolarizzazione for EUR 3,371 million and the guarantee provided by Dexia Banque Belgium on DSFB 2 securities in the amount of EUR 1,312 million.

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

6-3 - FINANCING COMMITMENTS

EUR millions	9/30/2011	12/31/2011	9/30/2012
Loan commitments granted to credit institutions	0	0	(0)
Loan commitments granted to customers (1)	1,496	660	899
Loan commitments received from credit institutions (2)	4,110	5,755	7,047
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 September 30.

(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	9/30/2011	12/31/2011	9/30/2012
Commitments granted (1)	-	3,037	-
Commitments received	1,114	1,017	286

(1) Financing commitments on loans and advances correspond to contracts signed for loans not yet paid.

7 NOTES ON RISK 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.

a. Breakdown of exposure to credit risks

Analysis of exposure by geographic region

EUR millions	Amount as of 9/30/2012
France	53,674
Belgium	5,336
Italy	7,552
Spain	1,027
Luxembourg	9
Germany	897
United Kingdom	2,563
Switzerland	3,986
Other European Union countries	631
United States and Canada	724
Japan	26
Other	10
TOTAL EXPOSURE	76,435

Analysis of exposure by category of counterparty

EUR millions	Amount as of 9/30/2012
States	5,776
Local public sector	63,477
ABS	4,993
Financial institutions	2,189
TOTAL EXPOSURE	76,435

Exposure on financial institutions is primarily comprised of counterparties in hedging derivatives and the covered bonds classified as replacement assets.

Exposures on ABS correspond to the five ABS that are 100% guaranteed by a public sector entity or have a pool of 100% public sector assets: DSFB 2 and 4, Blue Danube Loan Funding GmbH, Colombo Srl, Societa veicolo Astrea Srl.

Analysis of exposure by category of instrument

EUR millions		Amount as of 9/30/2012
Debt securities		1,111
Loans and advances		74,174
Financing commitments on loans		899
Hedging derivatives		251
TOTAL EXPOSURE		76,435

b. Evaluation of asset credit quality

The Dexia Group decided to use the advanced method recommended by the regulators in relation to the Basel II reforms on the capital adequacy ratio and capital 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. Seventy eight percent of the portfolio has a weighting of less than 5% and 99% of the portfolio has a weighting that is less than or equal to 20%.

EUR millions	Risk weighting (Basel II)				Total
	from 0 to 5%	from 5% to 20%	from 20% to 50%	more than 50%	
Debt securities	547	564	-	-	1,111
Loans and advances	53,508	20,382	167	117	74,174
Financing commitments on loans	889	-	-	10	899
Hedging derivatives	-	6	245	-	251
TOTAL EXPOSURE	54,944	20,952	412	127	76,435
SHARE	71.9%	27.4%	0.5%	0.2%	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	9/30/2012						Total broken down
	Sight	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No fixed maturity	
Central banks	3,400	-	-	-	-	-	3,400
Hedging derivatives	-	-	-	-	-	-	-
Financial assets available for sale	-	-	-	427	573	-	1,000
Loans and advances due from banks	17	34	707	2,642	309	-	3,709
Loans and advances to customers	-	1,416	3,576	18,007	42,953	-	65,953
Fair value revaluation of portfolio hedge	-	-	-	-	-	-	-
Financial assets held to maturity	-	-	-	-	-	-	-
Tax assets	-	-	-	-	-	159	159
Accruals and other assets	-	5	-	-	-	-	5
TOTAL	3,417	1,455	4,283	21,076	43,835	154	74,226

EUR millions	9/30/2012				Total
	Total broken down	Accrued interest	Fair value adjustment	Impairment	
Central banks	3,400	-	-	-	3,400
Hedging derivatives	-	941	8,814	-	9,755
Financial assets available for sale	1,000	15	96	-	1,111
Loans and advances due from banks	3,709	26	48	-	3,783
Loans and advances to customers	65,953	892	6,353	(42)	73,155
Fair value revaluation of portfolio hedge	-	-	2,914	-	2,914
Financial assets held to maturity	-	-	-	-	-
Tax assets	159	-	-	-	159
Accruals and other assets	5	-	-	-	5
TOTAL	74,226	1,874	18,225	(42)	94,282

b. Analysis of liabilities, excluding equity

	9/30/2012						Total broken down
	Sight	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No fixed maturity	
EUR millions							
Central banks	-	-	-	-	-	-	-
Hedging derivatives	-	-	-	-	-	-	-
Due to banks	4,892	-	400	820	1,880	-	7,992
Customer borrowings and deposits	-	-	-	-	-	-	-
Debt securities	-	1,788	5,298	25,072	26,957	-	59,115
Fair value revaluation of portfolio hedge	-	-	-	-	-	-	-
Tax liabilities	-	-	-	-	-	13	13
Accruals and other liabilities	-	3,430	-	-	-	-	3,430
Provisions	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-
TOTAL	4,892	5,218	5,698	25,892	28,837	13	70,550

	9/30/2012			Total
	Total broken down	Accrued interest	Fair value adjustment	
EUR millions				
Central banks	-	-	-	-
Hedging derivatives	-	854	13,460	14,314
Due to banks	7,992	11	-	8,003
Customer borrowings and deposits	-	-	-	-
Debt securities	59,115	984	4,431	64,530
Fair value revaluation of portfolio hedge	-	-	2,836	2,836
Tax liabilities	13	-	-	13
Accruals and other liabilities	3,430	-	-	3,430
Provisions	-	-	-	-
Subordinated debt	-	-	-	-
TOTAL	70,550	1,849	20,727	93,126

c. Net liquidity gap

	As of September 30, 2012							Total
	Sight	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No fixed maturity	Total not broken	
EUR millions								
Amount	(1,476)	(3,763)	(1,415)	(4,816)	14,999	146	(2,518)	1,158

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 4,886 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	9/30/2011				
	EUR	Other EU currencies	U.S. dollars	Other currencies	Total
EUR millions					
Total assets	80,098	7,867	5,839	4,286	98,090
Total liabilities	80,098	7,867	5,839	4,286	98,090
NET BALANCE SHEET POSITION	0	0	0	0	0

Classification by original currency	12/31/2011				
	EUR	Other EU currencies	U.S. dollars	Other currencies	Total
EUR millions					
Total assets	85,809	4,208	5,854	4,538	100,409
Total liabilities	85,809	4,208	5,854	4,538	100,409
NET BALANCE SHEET POSITION	0	0	0	0	0

Classification by original currency	9/30/2012				
	EUR	Other EU currencies	U.S. dollars	Other currencies	Total
EUR millions					
Total assets	83,292	4,258	3,134	3,608	94,291
Total liabilities	83,292	4,258	3,134	3,608	94,291
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 40 million, of which EUR 9 million for the monetary gap and EUR 31 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	Q4 2011	19.2	24.5	14.9	31.0
	Q1 2012	15.0	16.2	12.9	31.0
	Q2 2012	15.0	17.9	12.5	31.0
	Q3 2012	15.2	16.6	13.2	31.0
Monetary	Q4 2011	0.9	4.1	0.4	9.0
	Q1 2012	0.3	0.7	0.2	9.0
	Q2 2012	(0.0)	1.0	(1.1)	9.0
	Q3 2012	0.9	1.2	0.6	9.0
Total	Q4 2011	20.8	25.5	16.3	40.0
	Q1 2012	15.4	16.4	13.4	40.0
	Q2 2012	14.9	18.4	12.9	40.0
	Q3 2012	16.1	17.2	14.1	40.0

STATUTORY AUDITORS' REPORT
(IFRS)

DEXIA MUNICIPAL AGENCY

Société Anonyme au capital de 1 315 000 000 €
N° Siret : 421 318 064 RCS Nanterre

Statutory Auditors' Review Report on the intermediate financial statements established under IFRS standards

Period from January 1st to September 30th, 2012

DELOITTE & ASSOCIÉS

MAZARS

Statutory Auditors' Review Report on the intermediate financial statements established under IFRS standards

Period from January 1st, 2012 to September 30th, 2012

This is a free translation into English of the Statutory Auditors' Review Report on the intermediate financial statements issued in the French language and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and is construed in accordance with French law and professional standards applicable in France.

Ladies and gentlemen,

In our capacity as Statutory Auditors of Dexia Municipal Agency (the "Company") and pursuant to your request, in the context of the wish of your Company to provide more extensive financial information to investors, we have reviewed the accompanying intermediate financial statements of Dexia Municipal Agency for the nine-month period ended September 30th, 2012, in accordance with IFRS as adopted by the European Union.

These intermediate financial statements were prepared under the responsibility of the Executive Board. Our role is to express a conclusion on these financial statements, based on our review.

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

Based on our review, nothing has come to our attention that causes us to believe that the accompanying intermediate financial statements do not present fairly, in all material respects, the results of operations for the nine-month period ended September 30th, 2012 and the financial position of Dexia Municipal Agency and its assets at that date, in accordance with IFRS as adopted by the European Union.

Without qualifying our conclusion, we draw your attention to the matter set out in note 1.2.C « Highlights » to the intermediate financial statements regarding the particular financial situation of the Dexia Group.

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

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

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

Courbevoie and Neuilly-sur-Seine, December 13th, 2012

The statutory auditors

French original signed by

MAZARS

DELOITTE & ASSOCIÉS

Hervé HELIAS Virginie CHAUVIN

José-Luis GARCIA Charlotte VANDEPUTTE