DEXIA
MUNICIPAL
AGENCY

FINANCIAL REPORT

Half year 2012

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MANAGEMENT REPORT

Half year 2012

(1. HIGHLIGHTS IN THE FIRST HALF 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 represented no more than a good half of the market as of June 30, 2012, and certain covered bonds were 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, contributed to market segmentation by favoring the most highly rated bonds. In addition to these ratings, a covered bond label will soon be awarded to issuers who meet a certain number of requirements and are recognized for their transparent communication.
Issues of benchmark covered bonds in the primary market in the second quarter of 2012 totaled EUR 18 billion (the lowest quarterly volume of issues since the year 2000), compared with EUR 52 billion in the first quarter, for a total of EUR 70 billion for the first half of the year. Such small volumes were primarily attributable to the massive amount of cash the ECB supplied to banks through LTROs, thereby reducing the need of banks for covered bond financing.

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, average spreads for covered bonds in all countries, which had declined sharply during the first quarter, again widened, before stabilizing in June.

The spread of Dexia MA bonds in the secondary market, which had tightened significantly in the first quarter, widened, like the market, in the second quarter with the announcement of the takeover project of the French State, CDC and La Banque Postale (by approximately 15 basis points).

Dexia Municipal Agency issued no bonds in the first half, 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.

1.2 DEXIA MUNICIPAL AGENCY'S RATING

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 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 Dexia Credit Local's rating; the application of this new criterion does not allow Dexia MA to attain a triple A level; Standard & Poor's in-depth analysis of the impact of the application of the new criterion is in process.

As of July 31, 2012, Dexia MA was rated:

- AAA by Fitch,
- AA+ / CreditWatch negative by Standard &Poor's and
- Aa2 / on review for downgrade by Moody's.

1.3 FINANCIAL SITUATION OF THE DEXIA GROUP

In the first half of 2012, the implementation of the Dexia Group's orderly resolution was pursued in an economic and financial environment that remained marked by significant pressure on southern European countries, and a severely downgraded economic climate in general. The Belgian, French and Luxembourg States had notified the European Commission of the Group's orderly resolution plan on March 21, 2012. This plan specifies the Group's strategy, outlines its business plan and presents a road map with details about the sale of operating entities and which includes a definitive financing guarantee in the amount of EUR 90 billion.

The Dexia Group's financing programme for 2012 will be based primarily on guaranteed financing, issued within the framework of the temporary guarantee agreement validated by the European Commission on December 21, 2011, and extended as of May 30 to the end of September 2012 with a ceiling at EUR 55 billion, as well as on central bank financing.

In the first half of 2012, the Dexia Group had to face significantly degraded market conditions due to ongoing pressure on sovereign debt in the Euro zone. In addition, in the second quarter, Dexia lost the benefit of the structural reduction of its balance sheet because of the increase in the collateral to deposit with its derivative counterparties. Within this context, the extension and the raising of the ceiling of the temporary guarantee mechanism to EUR 55 billion authorized for a time by the European Commission enabled the Group to increase outstanding new guaranteed financing to

EUR 46.7 billion as of June 30, 2012, and to EUR 48.3 billion as of July 12, 2012, while it totaled EUR 21.6 billion at the end of 2011.

For the period ending June 30, 2012, Dexia published intermediary consolidated financial statements, based on accounting principles applicable in a going concern situation, implying a certain number of hypotheses that are strictly identical to those used within the framework of the Group's 2011 annual financial statements. There was a net loss, Group share, of EUR -1,166 million for the first half of 2012, of which EUR -1,062 million for continuing operations, and a net loss from discontinued operations activities in the amount of EUR – 104 million.
In addition to an impairment of EUR 184 million on participation capital issued by Kommunalkredit Austria, income was also impacted by the rise in the cost of Group financing from one quarter to the next, by the cost of the temporary liquidity guarantee, and by the increase in the cost of the collateral posted to the Group's derivatives counterparties. Finally, sales of assets also affected income for the first half of the year. Thus the Group reported a loss of EUR - 283 million on the disposal of EUR 3 billion in non-strategic securities and loans.

As of June 30, 2012, the Tier I ratio stood at 6.6% (versus 7.6% at the end of December 2011), and the Core Tier I ratio at 6.2% (compared with 6.4% at the end of December 2011).

The situation of the liquidity of Dexia Credit Local, the parent company of Dexia MA, remains unsettled and still requires the emergency measures applied by central banks, in addition to the resources negotiated through State guarantees.

This situation has no impact on Dexia MA's ability to reimburse its *obligations foncières* or to maintain its level of over-collateralization. Dexia MA has at its disposal surplus cash in the cover pool, and the cash flows foreseen for 2012-2013 do not require negotiating new financing through Dexia Credit Local.

1.4 PRELIMINARY AGREEMENT ON THE FUTURE FINANCING OF THE FRENCH LOCAL PUBLIC SECTOR

Dexia, Caisse des Dépôts and La Banque Postale, with the representatives of the French State, continue to implement this project, which has been submitted for approval to the European Commission and the competent regulatory authorities, and presented for an opinion to the representatives of the employees concerned.

The basic principles of this agreement and its impact on Dexia MA are presented in Dexia MA's 2011 annual report.

1.5 STRUCTURED LOANS

Certain French loans in Dexia MA's cover pool may be qualified as structured loans.

To define this notion, 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. To this end, the charter is a document that creates obligations for Dexia Credit Local.

Therefore, 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 16.5 billion as of June 30, 2012.

The total number of customers having filed claims against Dexia Credit Local for structured loans was 33 at the end of June 2012. Thirty of these cases corresponded to loans on Dexia MA's balance sheet.

The protocol signed by Caisse des Dépôts, La Banque Postale, the French State and Dexia stipulates that Dexia provide Dexia Municipal Agency with a guarantee of performance and legal risk for the most structured loans signed with French local governments, i.e. a portfolio of approximately EUR 10 billion, and that its commitment will be counter-guaranteed by the French State for up to 70% of losses exceeding EUR 500 million. This counter-guarantee is subordinated to approval by the European Commission.

2. CHANGES IN MAIN BALANCE SHEET ITEMS

EUR billions		6/30/2011	12/31/2011	6/30/2012	Change June 2012 / Dec. 2011
Cover pool		**77.5**	**77.0**	**72.3**	**(6.1)%**
Central bank		-	2.2	0.5	(77.3)%
Loans		54.3	55.9	54.1	(3.2)%
Securities		23.2	18.9	17.7	(6.3)%
Assets assigned in guarantee to Banque de France		**-**	**3.2**	**1.4**	**(56.2)%**
Privileged debt	*Swapped value***	**64.8**	**65.6**	**61.5**	**(6.3)%**
Obligations foncières and RCB*	*Balance sheet value*	63.6	64.4	59.3	(7.9)%
Cash collateral received		1.4	2.5	3.2	28.0%
Non-privileged debt		**10.5**	**12.2**	**9.4**	**(23.3)%**
Dexia Credit Local		10.5	9.5	8.2	(14.1)%
Banque de France		-	2.7	1.2	(55.6)%
Equity IFRS (excluding unrealized gains and losses)		**1.3**	**1.3**	**1.5**	**15.4%**

** Registered covered bonds*

*** including cash collateral received*

As of June 30, 2012, Dexia Municipal Agency's cover pool, composed of loans and debt securities, totaled EUR 72.3 billion, excluding accrued interest not yet due. As of December 31, 2011, the total was EUR 77.0 billion, representing a decrease of EUR 4.7 billion (-6.1%).

Assets assigned in guarantee to the Banque de France, excluding the cover pool, declined significantly.

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 6.3% from December 2011.

A decrease in privileged debt (EUR -4.1 billion) less than the decline in the cover pool resulted in lower over-collateralization, which stood at 115.4% as of June 30 2012 (see 5. Changes in the over-collateralization ratio).

Debt vis-à-vis Dexia Credit Local, which does not benefit from the legal privilege, totaled EUR 8.2 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 1.4 billion at the end of June 2012.

(3 CHANGES IN ASSETS IN THE FIRST HALF OF 2012

3.1 ASSET PRODUCTION

The net change in assets since the beginning of the year was a decrease of EUR 4.7 billion. The change can be analyzed as follows.

	2011			First half 2012		
EUR billions	Loans	Debt securites	Total	Loans	Debt securites	Total
France	6.4	2.4	8.8	0.4	-	0.4
Outside of France	2.4	2.6	5.0	0.1	-	0.1
Total new assets	**8.8**	**5.0**	**13.8**	**0.5**	**-**	**0.5**
Amortization	(6.0)	(6.1)	(12.1)	(3.8)	(2.2)	(6.0)
Early reimbursements	(0.6)	(0.4)	(1.0)	(0.4)	(0.1)	(0.5)
Divestments	-	-	-	-	(0.6)	(0.6)
including assets assigned in guarantee to Banque de France				0.1	1.7	1.8
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)**	**(3.6)**	**(1.2)**	**(4.8)**
Foreign exchange adjustments*	0.0	0.0	0.0	0.1	(0.0)	0.1
Net change*	**2.0**	**(4.6)**	**(2.6)**	**(3.5)**	**(1.2)**	**(4.7)**

** 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 0.5 billion.

EUR billions	2011		First half 2012	
Loans		**8.8**		**0.5**
Canada	0.2		0.1	
Spain - *cedulas territoriales* *	0.3			
France				
- commercial loans	2.6		0.4	
- loans granted by Dexia Crédit 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 - *cedulas territoriales* *	2.0		-	
France - *certificats de dépôt* Dexia Credit Local *	2.4		-	
Italy	0.2		-	
Luxembourg - *lettres de gage publiques* *	-			
United Kingdom			-	
TOTAL		**13.8**		**0.5**

* 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 0.4 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 bonds and to the sale of Greek and Icelandic bonds.

3.2 OUTSTANDING ASSETS AS OF JUNE 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; French assets remained predominant, with significant geographic diversification.
Spanish *cedulas territoriales*, assigned in guarantee for central bank financings, are excluded from the pool and thus from the following breakdown.

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

%	12/31/2011	6/30/2012
France	66.0%	65.8%
Belgium	9.4%	9.4%
Italy	9.8%	10.3%
Switzerland	5.4%	5.6%
Spain	0.7%	0.7%
United Kingdom	3.3%	3.4%
Luxembourg	1.7%	1.6%
Subtotal	**96.3%**	**96.8%**
Other countries	3.7%	3.2%
TOTAL	**100.0%**	**100.0%**

As of June 30, 2012, exposures on "Other countries" could be broken down as follows.

Other countries (%)	12/31/2011	6/30/2012
Germany	1.3%	1.4%
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%	0.0%
TOTAL	**3.7%**	**3.2%**

b. Replacement assets

As of June 30, 2012, replacement assets represented a total of EUR 1.2 billion, down 13.4% from December 31, 2011. This decrease was due to the arrival at maturity of a *lettre de gage* for EUR 175 million in the first half.
Replacement assets are solely composed of *lettres de gage* (Dexia Group covered bonds rated AA / CreditWatch negative by S&P as of June 30, 2012). Replacement assets, excluding the balance of current bank accounts, accounted for 2.1% of outstanding *obligations foncières* and registered covered bonds, totaling EUR 58.3 billion in swapped value. Current legislation limits their amount to 15%.

Replacement assets	Country	Issuer	EUR millions	
			12/31/2011	6/30/2012
Step 1 credit rating				
Lettres de gage publiques	Luxembourg	Dexia LdG Banque	1,350	1,175
Total			**1,350**	**1,175**
Bank account balances			**22**	**49**
TOTAL			**1,372**	**1,224**
Removed from the cover pool	Spain	Dexia Sabadell	3,000	1,300

c. Assets removed from the cover pool

As of June 30, 2012, Dexia MA assigned some assets to borrow EUR 1.2 billion from the Banque de France within the framework of its weekly tenders.

As of June 30, 2012, Dexia MA assigned its *cedulas territoriales* (EUR 1,300 million) in guarantee to the Banque de France, as well as several French loans (to cover fluctuations in the market value of the *cedulas territoriales*). These assets contribute neither to the cover pool nor to the calculation of the over-collateralization ratio.

Moody's downgraded these *cedulas* to Ba1 on June 27, 2012, with the result that as of July 2, they were withdrawn from the list of assets eligible for refinancing by the Banque de France. Since then, these assets have been replaced in the account pledged to the Banque de France; they returned to the cover pool, but because of their rating, do not contribute to the calculation of Dexia MA's regulatory over-collateralization. These *cedulas* are close to their maturity date, i.e. August 2012 for EUR 800 million and January 2013 for EUR 500 million.

Assets pledged to the Banque de France	Country	Issuer	ISIN code	Maturity	EUR millions 6/30/2012
Cedulas territoriales	Spain	Dexia Sabadell	ES0426396174	3/1/2013	500
Cedulas territoriales	Spain	Dexia Sabadell	ES0426396166	8/28/2012	800
Other public sector loans	France				103
TOTAL					**1,403**

d. Concentration by borrower

As of June 30, 2012, the 20 largest exposures (excluding replacement assets) represented 16.8% of the cover pool.
The balance of the Banque de France account represented the largest exposure, i.e. 1.8% of the cover pool, while the twentieth exposure only represented 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 June 30, 2012.

EUR millions	Ratings as of 6/30/2012 ***	12/31/2011	6/30/2012
France*	AAA/Aaa/AA+	211	218
United Kingdom	AAA/Aaa/AAA	672	639
Germany	AAA/Aaa/AAA	12	12
Italy	A-/Baa2/BBB+	552	541
Greece**	CCC/C/SD	414	-
Iceland**	BBB-/Baa3/BBB-	145	-
TOTAL		**2,006**	**1,410**

**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 for the first half of 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.

EUR millions	12/31/2011	6/30/2012
Specific impairment	3.2	2.8
Collective impairment	17.7	21.8
Total	**20.9**	**24.6**

Non-performing loans amounted to EUR 34.9 million at the end of June 2012, representing less than 0.05% of the total cover pool (EUR 72.3 billion). The minor amounts of impairment and non-performing loans that the Company reported testify to the very low level of risk and the overall high quality of the portfolio.
Non-performing loans can be mainly broken down between municipalities and public-sector entities, for very small unit amounts.

France (EUR millions)	**12/31/2011**		**6/30/2012**	
	Non-performing loans	Litigious loans	Non-performing loans	Litigious loans
Municipalities	15.4	-	11.9	3.8
Departments	-	-	-	6.9
Group of municipalities	1.2	-	1.3	1.9
Public sector entities	11.7	-	9.1	-
Total	**28.3**	**-**	**22.3**	**12.6**

Non-performing and compromised non-performing loans are carried by a limited number of counterparties and turnover is frequent. In the first half of 2012, three files were resolved and 3 new cases were identified.

Non-performing loans (number of files)	**12/31/2011**		**6/30/2012**	
	Non-performing loans	Litigious loans	Non-performing loans	Litigious loans
Beginning of the year	17	-	25	-
New	17	-	3	10
Outgoing	9	-	3	-
End of the year	**25**	**-**	**25**	**10**

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

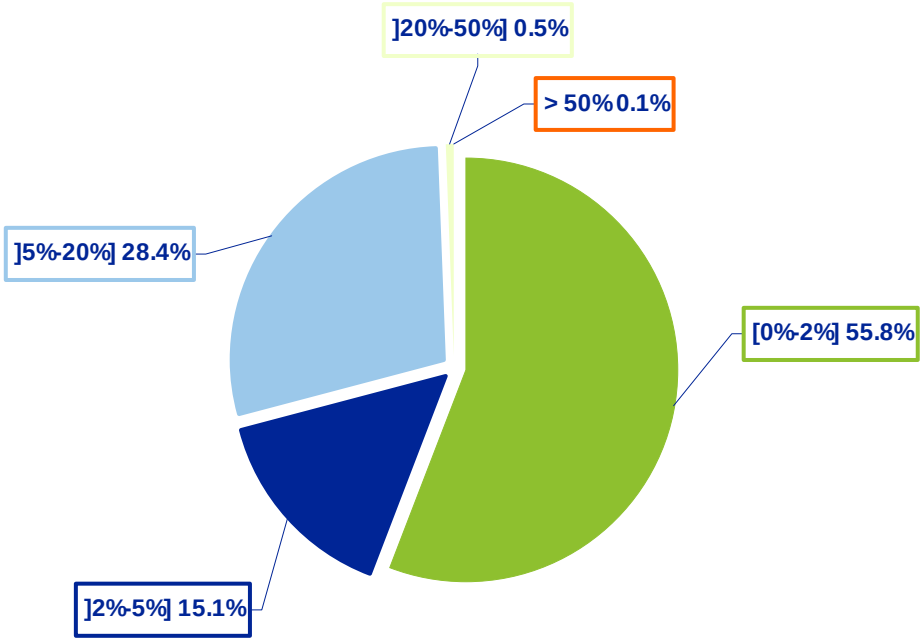
MA acquired these assets with the intention of holding them to maturity.

As of June 30, 2012, the overall AFS reserve, before taxes, was EUR -361 million, versus EUR -398 million as of December 31, 2011. For the most part, this change corresponded for EUR ++16 million to the improvement in value of Italian sovereign issues. The amount of the AFS reserve for Italian sovereign securities was EUR -244 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 June 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 25% as of June 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	6/30/2012 EUR millions	Monoline Insurer
Communauté urbaine de Lille	France	US203403AB67	9.1	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			**68.6**	

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 June 2012, Dexia MA had a limited number of exposures in the form of amortizable securitization units, totaling EUR 9.9 billion, down 3.9% from December 31, 2011. These exposures are listed below.

	ISIN code	12/31/2010	6/30/2012
Dexia Secured Funding Belgium SIC (DSFB 1)	BE0933050073	1,412.1	1,376.6
Dexia Secured Funding Belgium SIC (DSFB 2)	BE0934330268	1,376.0	1,314.1
Dexia Secured Funding Belgium SIC (DSFB 4)	BE6000495752	3,924.6	3,708.5
Dexia Crediop per la Cartolarizzazione SRL (DCC 1)	IT0003674691	743.8	716.1
Dexia Crediop per la Cartolarizzazione SRL (DCC 2)	IT0003941124	677.7	646.0
Dexia Crediop per la Cartolarizzazione SRL (DCC 3)	IT0004349665	2,110.0	2,083.8
Subtotal		**10,244.2**	**9,845.0**
Blue Danube Loan Funding GmbH	XS0140097873	77.7	75.9
Colombo SRL	IT0003156939	5.6	4.3
Societa veicolo Astrea SRL	IT0003331292	0.5	0.2
Subtotal		**83.9**	**80.5**
TOTAL		**10,328.1**	**9,925.4**

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 Banque et Assurances (formerly Dexia Bank Belgium).
DCC securities benefit from the guarantee of Dexia Crediop, and were rated A / watch negative by Fitch, BB- by S&P, and Ba2 / on review for downgrade by Moody's as of June 30, 2012.

The securities issued by DSFB 1 and 2 benefit from the guarantee of Belfius Banque et Assurances (formerly Dexia Bank Belgium), and are therefore rated A- / outlook stable by Fitch, A– / watch negative by S&P and Baa1 / on review for downgrade by Moody's. The securities issued by DSFB 4 are not guaranteed by Belfius Banque et Assurances (formerly Dexia Bank Belgium), but are rated AA- / watch 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 A3 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 four types of exposure to banks:
- *lettres de gage* issued by Dexia LdG Bank (covered bonds), classified as replacement assets – see above 3.2.b;
- *cedulas territoriales,* issued by Dexia Sabadell, assigned in guarantee to the Banque de France, removed from the cover pool;
- 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 constraints set by rating agencies for *sociétés de crédit foncier* (and other issuers of covered bonds). These interest rate and currency swaps all benefit from the same legal privilege as *obligations foncières*. For this reason, Dexia MA does not pay its derivative counterparties any collateral, whereas they have to pay Dexia MA unless they benefit from the agencies' highest short-term rating.
As of June 30, 2012, Dexia MA was exposed (positive fair value of the swaps) to twelve banking counterparties. Eleven of these paid collateral for EUR 3.2 billion, offsetting total exposure, and one paid none because of its very good short-term ratings. This counterparty represented an exposure of EUR 7 million. All long term derivative exposures as of June 30, 2012, are listed below.

EUR millions	Notional amounts	%	Mark to Market -	Mark to Market +	Collateral received	Number of counterparties
Dexia Credit Local	18.4	16.7%	(3,229)	-	-	1
Dexia Crediop	1.4	1.2%	(702)	-	-	1
Other counterparties	90.0	82.0%	(4,382)	3,107	3,207	28
including Belfius	5.4	4.9%				1
Total	**109.8**	**100.0%**	**(8,313)**	**3,107**	**3,207**	**30**

Derivatives signed with external counterparties represented a total of 82.0% of outstanding long-term swaps and those signed with the Dexia Group 18%.
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 IN THE FIRST HALF OF 2012

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

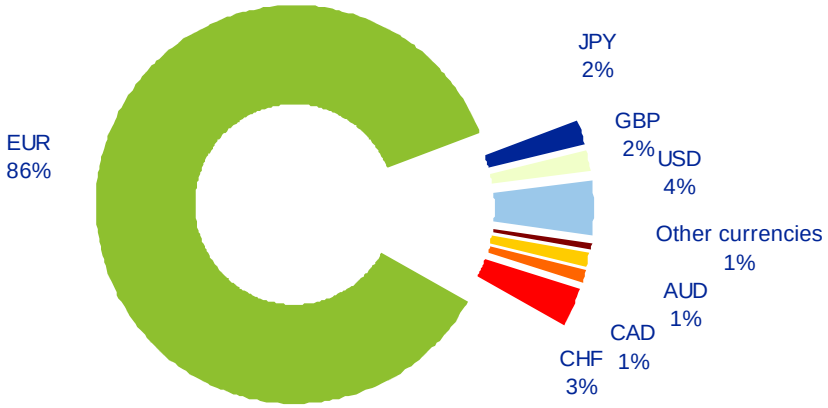
After the amortization of issues in the amount of EUR 3.7 billion and buy back of EUR 1.2 billion, outstanding *obligations foncières* and registered covered bonds totaled EUR 58.3 billion in swapped value at the end of June 2012.

EUR millions	12/31/2011	First half 2012
Beginning of the year	63,565	63,152
Issues	6,101	-
Amortizations	(6,514)	(3,700)
Buy back		(1,188)
TOTAL	**63,152**	**58,264**

(swapped value)

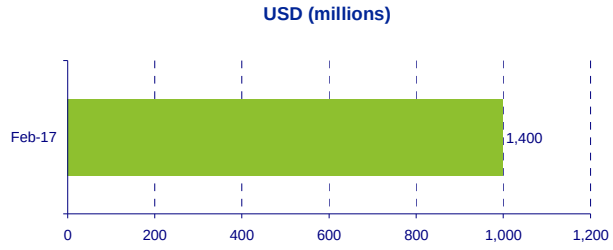
The breakdown of outstanding debt by currency as of June 30, 2012, can be analyzed as follows.

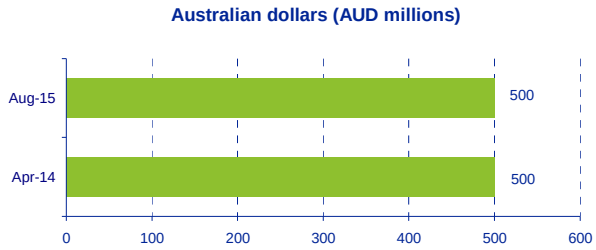
Outstanding debt by currency

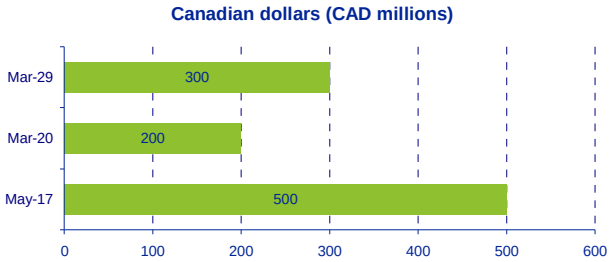


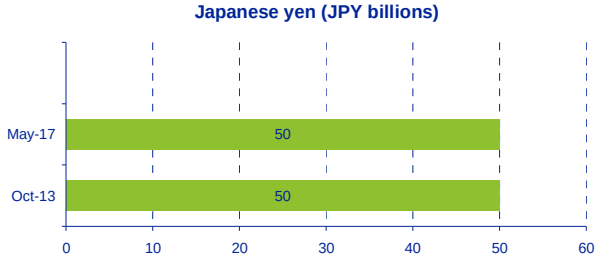
Analysis of benchmarks in EUR

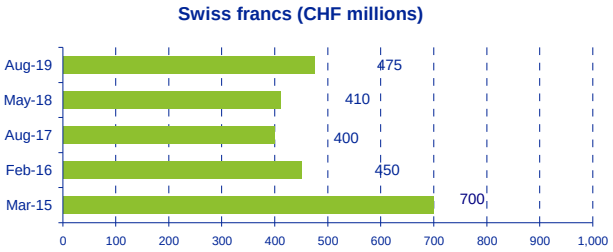
Main curves in non-euro currencies

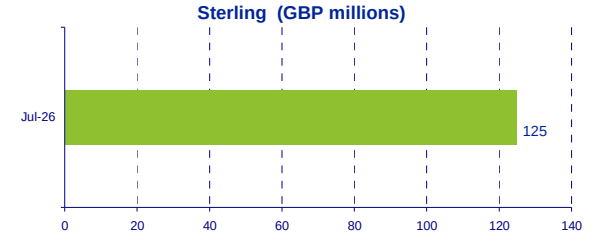












Issues prior to 2012

Issues 2012

(5 CHANGES IN THE OVER-COLLATERALIZATION RATIO

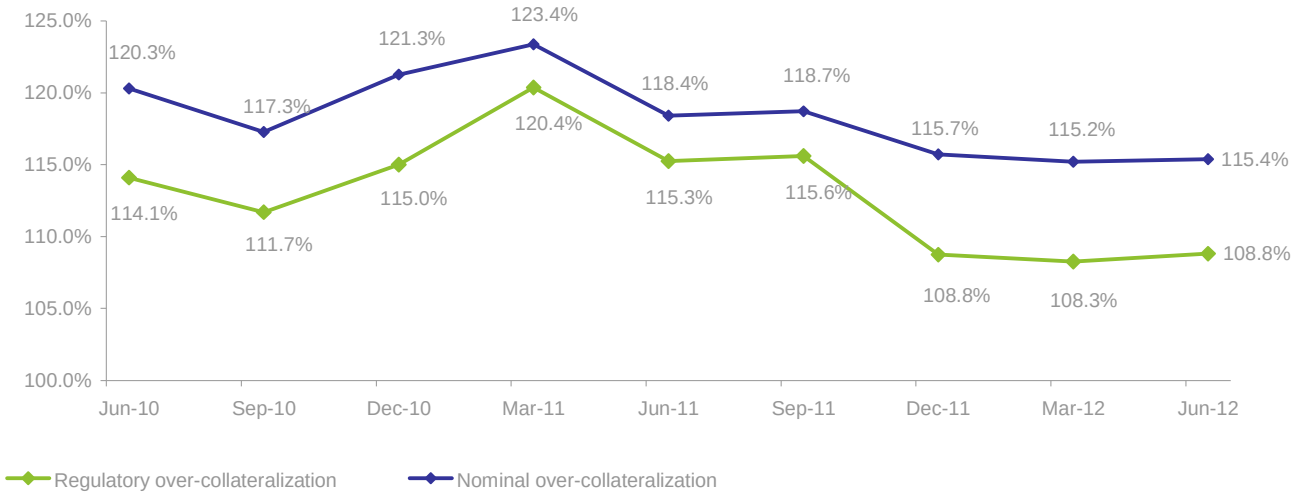
The over-collateralization ratio, which is calculated on the basis of regulatory standards governing *sociétés de crédit foncier*, is the ratio between the assets and the resources benefiting from the legal privilege.

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 Banque et Assurances (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.

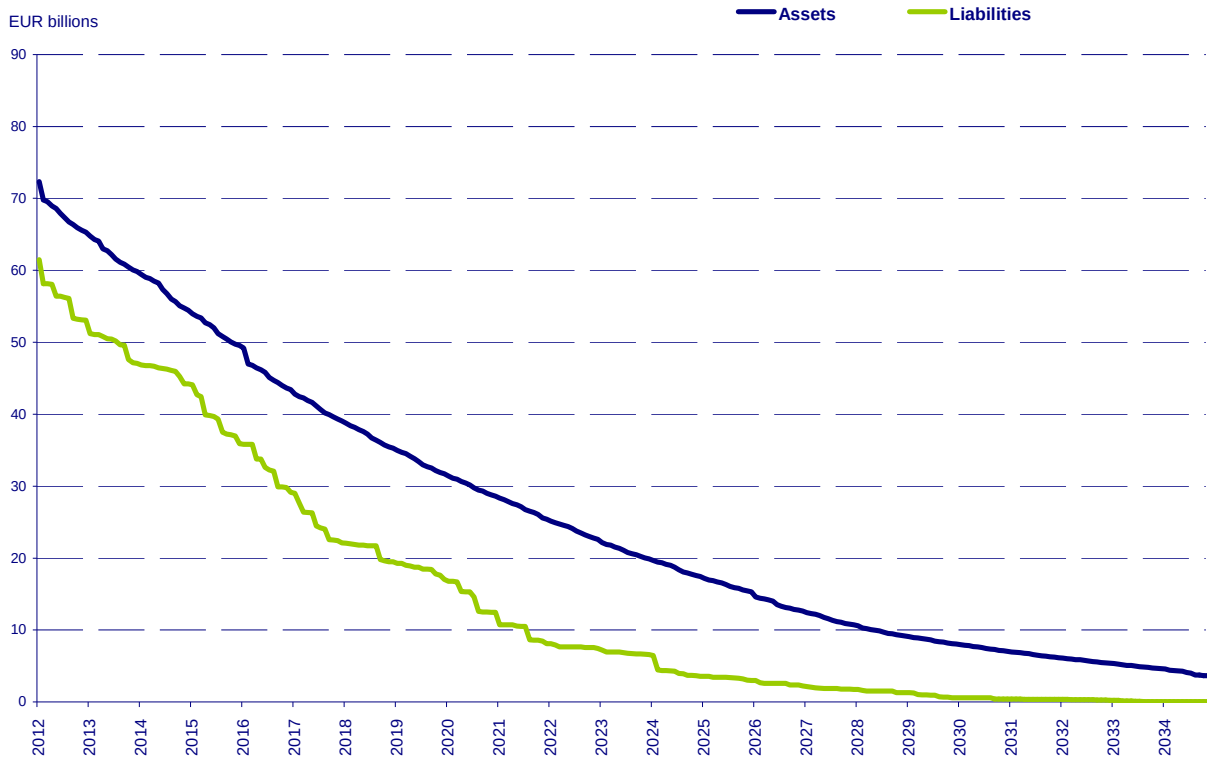
Since December 2011, the DCC securitization units no longer benefit from a Step 2 rating (cf. 3.3.d Exposure to subprimes, monolines, ABS and banks). They are therefore now weighted at 0% in the calculation of the ratio of regulatory over-collateralization versus 80% in the past. The impact of this change 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 June 30, 2012.

Amortization of assets and liabilities as of June 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 June 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;
- since October 2011, to finance *cedulas territoriales*, classified as replacement assets, subsequent to a rating downgrade.

As of June 30, 2012, Dexia MA had borrowed EUR 1.2 billion from the Banque de France, and its debt vis-à-vis Dexia Credit Local stood at EUR 8.2 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 5.1 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	6/30/2012
Dexia Credit Local	12.5	9.5	**8.2**
Banque de France	-	2.7	**1.2**
Total	12.5	12.2	**9.4**

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 June 30, 2012.

Breakdown of outstanding swaps	**Notional *** (EUR billions)	**Dexia Group (%)**	**Other counterparties (%)**
Euribor against Eonia			
Macro-hedges	**89.5**	**100.0%**	**0.0%**
Total short-term swaps	**89.5**	**100.0%**	**0.0%**
Fixed rate swaps against Euribor			
Micro-hedges on *obligations foncières*	50.7	3.3%	96.7%
Micro-hedges on loans and debt securities	26.1	10.4%	89.6%
Macro-hedges on loans	20.2	45.1%	54.9%
Subtotal	**97.0**	**13.9%**	**86.1%**
Currency swaps			
Micro-hedges on *obligations foncières*	7.9	43.3%	56.7%
Micro-hedges on loans	3.6	56.9%	43.1%
Micro-hedges on debt securities	1.3	61.4%	38.6%
Subtotal	**12.8**	**48.9%**	**51.1%**
Total long-term swaps	**109.8**	**18.0%**	**82.0%**

** Absolute value*

Belfius Banque et Assurances (formerly Dexia Bank Belgium) was classified among external counterparties and accounted for EUR 5,427 million of the notional amount, i.e. 4.9% 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	**3Q 2011**	17.3	20.7	14.0	**31.0**
	4Q 2011	19.2	24.5	14.9	**31.0**
	1Q2012	15.0	16.2	12.9	**31.0**
	2Q2012	15.0	17.9	12.5	**31.0**
Monetary	**3Q 2011**	(0.4)	1.5	(6.0)	**9.0**
	4Q 2011	0.9	4.1	0.4	**9.0**
	1Q2012	0.3	0.7	0.2	**9.0**
	2Q2012	(0.0)	1.0	(1.1)	**9.0**
Total	**3Q 2011**	16.8	21.1	12.2	**40.0**
	4Q 2011	20.8	25.5	16.3	**40.0**
	1Q2012	15.4	16.4	13.4	**40.0**
	2Q2012	14.9	18.4	12.9	**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)".

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

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	6/30/11	9/30/11	12/31/2011	3/31/2012	6/30/2012
Cover pool	6.93	7.25	7.47	7.39	**7.62**
Privileged liabilities	5.63	5.47910443	5.29	5.21	**5.19**
Gap in asset-liability duration	**1.30**	**1.77**	**1.25**	**2.18**	**2.43**
Duration gap limit	*3*	*3*	*3*	*3*	*3*

The duration gap between the assets and the liabilities is closely monitored since it is sensitive to 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.

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)	6/30/2011	9/30/2011	12/31/2011	3/31/2012	6/30/2012
Cover pool	8.85	8.66	8.82	0.00	**8.78**
Privileged liabilities	6.30	5.98	5.76	0.00	**5.58**
Gap in asset-liability weighted average life	**2.55**	**2.68**	**3.06**	**0.00**	**3.20**

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.

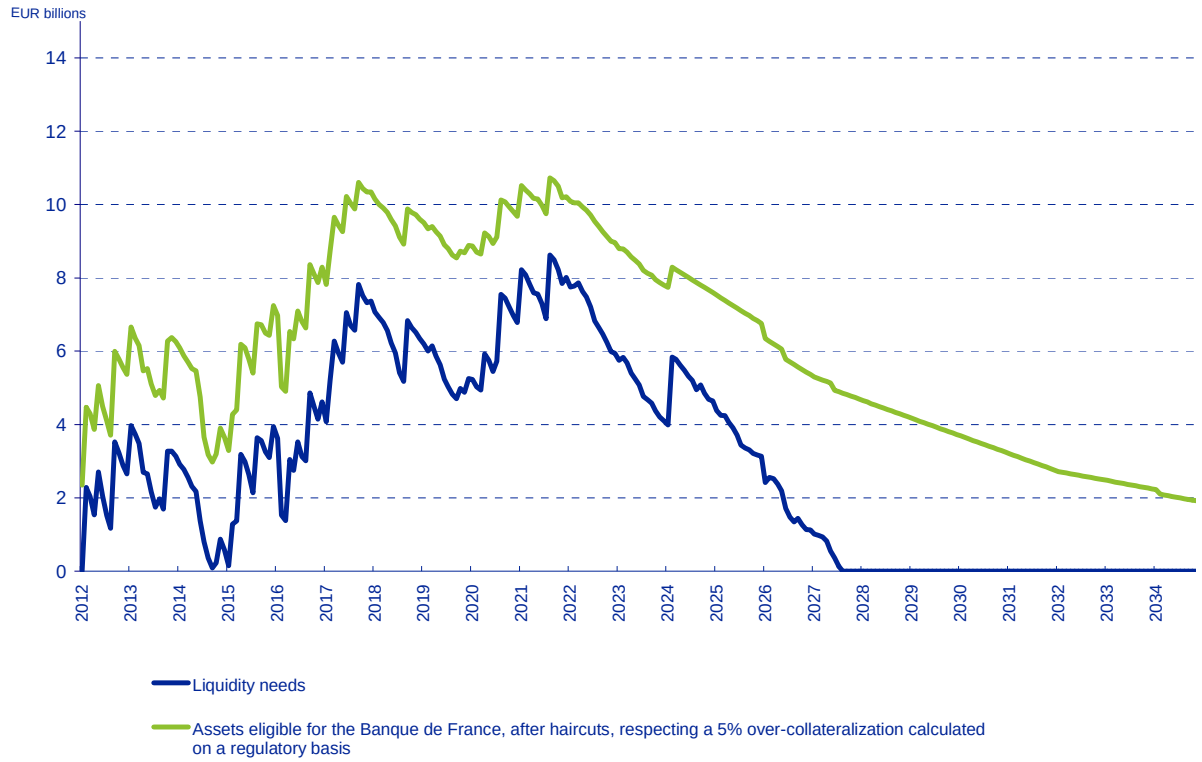
In addition, Dexia MA has its own solid resources that enable it to cover its temporary liquidity needs, even in the event of the default of its parent company, since any legal proceedings engaged for the bankruptcy or liquidation of its parent company cannot be extended to Dexia MA (article L.515-21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

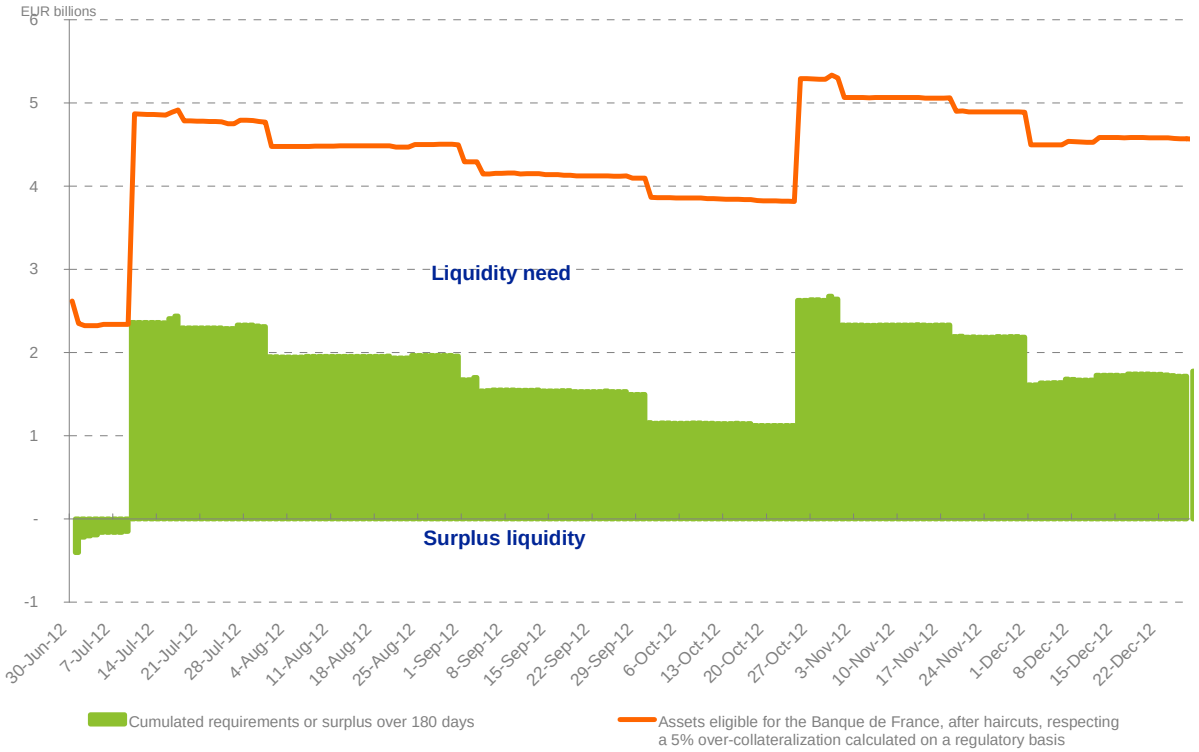


Dexia MA manages its liquidity risk by means of the following three indicators:

- 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 June 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 3.2 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 for the first half of 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 June 30, 2012 is presented synthetically in the following table.

EUR millions - **IFRS**	**First half 2011**	**2011**	**First half 2012**	**Change 1st half 2011/2012**
Interest margin	100	208	126	**26%**
Net commissions	(4)	(5)	(4)	
Net result of hedge accounting	(1)	-	-	
Net result of financial assets available for sale	1	2	51	
Other income and expense	-	-	-	
NET BANKING INCOME	**96**	**205**	**174**	**81%**
General operating expenses	(45)	(89)	(44)	
Taxes	(4)	(3)	(4)	
OPERATING INCOME BEFORE COST OF RISK	**47**	**113**	**126**	**168%**
Cost of risk	(6)	(8)	(4)	
PRE-TAX INCOME	**41**	**105**	**122**	**198%**
Income tax	(13)	(37)	(43)	
NET INCOME	**28**	**68**	**79**	**182%**

Net banking income increased by 81%, i.e. EUR 78 million, in comparison with the same period in 2011, up from EUR 96 million to EUR 174 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 +2.6 million)

- "Interest margin" increased by 26% (EUR 26 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.

Net income for the period was up EUR 51 million from the same period in 2011.

8.3 INCOME FOR THE PERIOD IN FRENCH GAAP

The income statement as of June 30, 2012, is presented synthetically in the following table.

EUR millions - French GAAP	First half 2012	2011	First half 2012	Change 1st half 2011/2012
Interest margin (1)	121	188	181	**50%**
Net commissions	(4)	(5)	(4)	
Provisions and income on securities	(3)	(57)	(8)	
Other income and expense	-	-	-	
NET BANKING INCOME	**114**	**126**	**169**	**48%**
General operating expenses	(45)	(93)	(44)	
Taxes	(4)	-	(4)	
OPERATING INCOME BEFORE COST OF RISK	**65**	**33**	**121**	**86%**
Cost of risk	(1)	(8)	(5)	
OPERATING INCOME	**64**	**25**	116	**81%**
Income tax	(24)	(19)	(47)	
Regulated provision on long- and medium- term loans	(2)	(1)	2	
NET INCOME	**38**	**5**	**71**	**87%**

Net banking income increased by 48%, i.e. EUR 55 million, in comparison with the same period in 2011, up from EUR 114 million to EUR 169 million.

This trend was principally due to the following items:

- "Interest margin" increased by 50% (EUR 60 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.

Net income for the period was up EUR 33 million from the same period in 2011.

(9 OUTLOOK FOR 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 6/30/2012

	6/30/2012					12/31/2011
EUR millions	**Direct exposure**		**Indirect exposure**			
Country	**Loans**	**Bonds**	**Loans**	**Bonds**	**Total**	**Total**
France						
State	83		135		218	211
Banque de France	500				500	2,198
Regions	1,837	133	299		2,269	2,454
Departements	5,986		345		6,331	6,582
Municipalities*	17,150	107	894		18,151	18,739
- from 0 to 2,000 inhabitants						
- from 2,000 to 5,000 inhabitants						
- from 5,000 to 10,000 inhabitants						
- from 10,000 to 20,000 inhabitants						
- from 20,000 to 50,000 inhabitants						
- from 50,000 to 100,000 inhabitants						
- more than 100,000 inhabitants						
Groups of municipalities	9,948	118	271		10,337	10,644
Public sector entities* :						
- health	6,607				6,607	6,718
- social housing	2,000				2,000	2,054
- other	1,078		14		1,092	1,166
Credits institutions	49				49	22
Subtotal	**45,238**	**358**	**1,958**		**47,554**	**50,788**
Germany						
State				12	12	12
Länder		504		498	1,003	999
Subtotal		**504**		**510**	**1,014**	**1,011**
Austria						
Länder	203				203	204
ABS		76			76	78
Subtotal	**203**	**76**			**279**	**282**
Belgium						
Regions	199		79		278	360
Communities		50			50	50
Public sector entities	79				79	83
Securities issued by DSFB (cf. infra note 2.)		6,399			6,399	6,713
Subtotal	**278**	**6,449**	**79**		**6,806**	**7,205**
Canada						
Provinces		22			22	22
Communities	230				230	106
Public sector entities	135				135	132
Subtotal	**365**	**22**			**387**	**261**
Spain						
Regions		227			227	227
Municipalities	286				286	293
Subtotal	**286**	**227**			**513**	**520**
United States						
Federated States		253			253	253
Subtotal		**253**			**253**	**253**
Finland						
Municipalities	15				15	19
Public sector entities	46				46	48
Subtotal	**61**				**61**	**67**

EUR millions	6/30/2012					12/31/2011
	Direct exposure		Indirect exposure			
Country	**Loans**	**Bonds**	**Loans**	**Bonds**	**Total**	**Total**
Iceland						
State						145
Subtotal						**145**
Italy						
State		506		35	541	552
Regions		1,563			1,563	1,580
Provinces		290			290	297
Municipalities	13	1,566			1,579	1,607
ABS		5			5	6
Securities issued by DCC (cf infra note 1.)		3,446			3,446	3,531
Subtotal	**13**	**7,376**		**35**	**7,424**	**7,574**
Luxembourg						
Lettres de gage		1,175			1,175	1,350
Public sector entities						
Subtotal		**1,175**			**1,175**	**1,350**
Japan						
Municipalities		25			25	25
Subtotal		**25**			**25**	**25**
Portugal						
Regions						48
Municipalities	85				85	88
Public sector entities	9				9	10
Subtotal	**94**				**94**	**145**
United Kingdom						
State				639	639	672
County			398		398	398
District			28		28	28
Municipalities			1,368		1,368	1,368
Public sector entities			56		56	56
Subtotal			**1,850**	**639**	**2,489**	**2,522**
Sweden						
Municipalities	85		75		160	184
Public sector entities	21				21	26
Subtotal	**106**		**75**		**181**	**210**
Switzerland						
Cantons	1,623		982		2,605	2,691
Municipalities	1,307				1,307	1,330
Public sector entities	125				125	123
Subtotal	**3,055**		**982**		**4,037**	**4,145**
Greece						
State						415
Subtotal						**415**
Supranational						
International organizations	48				48	50
Subtotal	**48**				**48**	**50**
TOTAL COVER POOL	**49,747**	**16,466**	**4,944**	**1,184**	**72,340**	**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 3,493.2 million as of June 30, 2012, were suscribed by Dexia MA for EUR 3,445.89 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, witch was rated, A / watch negative by Fitch, BB- by Standard and Poor's and Ba2 / on review for downgrade by Moody's as at June 30, 2012. These rating are linked to Dexia Crediop.

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

NOTE 2 :

The DSFB securities, in the amount of EUR 6,709.9 million as of June 30, 2012, were suscribed by Dexia MA for EUR 6,399.11 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 1 and 2 held by Dexia MA benefit from the guarantee of Belfius Banque et Assurances, and are rated A- / outlook stable by Fitch, A- / watch negative by Standard & Poor's and Baa1 / on review for downgrade by Moody's for DSFB 1 and A- / outlook stable by Fitch, A- / watch negative by Standard and Poor's 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 June 30, 2012, the assets held by DSFB (compartments 1, 2 and 4) could be broken down as follows.

(EUR millions)	Italian assets
State	
Regions	1,888.2
Provinces	590.7
Municipalities	966.5
DCC bank account with Dexia Bank Belgium	47.8
TOTAL	**3,493.2**

(EUR millions)	Belgian assets
State	
Regions	546.5
Communities	3,117.6
Public sector entities	2,278.0
Group of public sector entities	72.0
Loans guaranted by local governments	695.8
TOTAL	**6,709.9**

DEXIA
MUNICIPAL
AGENCY

2

FINANCIAL STATEMENTS

Half year 2012
(*IFRS)*

BALANCE SHEET

Assets as of June 30, 2012

EUR millions	Note	6/30/2011	12/31/2011	6/30/2012
Central banks	2.1	-	2,198	500
Financial assets at fair value through profit or loss		-	-	-
Hedging derivatives	4.1	4,352	8,874	8,958
Financial assets available for sale	2.2	2,038	1,254	1,221
Loans and advances due from banks	2.3	6,711	7,781	5,892
Loans and advances to customers	2.4	75,594	77,836	75,492
Fair value revaluation of portfolio hedge		999	2,203	2,693
Financial assets held to maturity		-	-	-
Current tax assets	2.5	12	47	0
Deferred tax assets	2.5	131	199	160
Accruals and other assets	2.6	17	17	13
TOTAL ASSETS		**89,854**	**100,409**	**94,929**

Liabilities as of June 30, 2012

EUR millions	Note	6/30/2011	12/31/2011	6/30/2012
Central banks	3.1	-	2,700	1,200
Financial liabilities at fair value through profit or loss		-	-	-
Hedging derivatives	4.1	10,053	13,703	14,244
Due to banks	3.2	10,492	9,517	8,168
Customer borrowings and deposits		-	-	-
Debt securities	3.3	65,651	68,536	64,197
Fair value revaluation of portfolio hedge		1,172	2,340	2,646
Current tax liabilities	3.4	3	2	25
Deferred tax liabilities	3.4	-	34	17
Accruals and other liabilities	3.5	1,403	2,533	3,266
Provisions		-	-	-
Subordinated debt		-	-	-
Equity	**3.6**	**1,080**	**1,044**	**1,166**
Share capital and additional paid-in capital		1,300	1,300	1,315
Reserves and retained earnings		23	24	76
Unrealised or deferred gains and losses		(271)	(348)	(304)
Net income		28	68	79
TOTAL LIABILITIES		**89,854**	**100,409**	**94,929**

Income statement

EUR millions	Note	1H 2011	2011	1H 2012
Interest income	5.1	3,437	6,963	3,096
Interest expense	5.1	(3,337)	(6,755)	(2,970)
Fee and commission income	5.2	-		
Fee and commission expense	5.2	(4)	(5)	(4)
Net gains (losses) on financial instruments at fair value though profit or loss	5.3	1-	0	1
Net gains (losses) on financial assets available for sale	5.4	1	2	51
Net result of hedge accounting and fair value option		-	-	-
Other income		-	-	-
Other expense		-	-	-
Net banking income		**96**	**205**	**174**
Operating expense	5.5	(49)	(92)	(48)
Cost of risk	5.6	(6)	(8)	(4)
Operating income		**41**	**105**	**122**
Net gains (losses) on other assets		-	-	-
Income before tax		**41**	**105**	**122**
Income tax	5.7	(13)	(37)	(43)
NET INCOME		**28**	**68**	**79**
Earnings per share (in EUR)				
- Basic		2	5	6
- Diluted		2	5	6

Net income and unrealised or deferred gains and losses through equity

EUR millions	1H 2011	1H 2012
Net income	**28**	**79**
Translation adjustments	-	-
Unrealised or deferred gains and losses of financial assets available for sale	(25)	38
Unrealised or deferred gains and losses of cash flow hedges	13	32
Taxes	(6)	(26)
Total of unrealised or deferred gains and losses through equity	**(18)**	**44**
NET INCOME AND UNREALISED OR DEFERRED GAINS AND LOSSES THROUGH EQUITY	**10**	**123**

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)**	**(347)**	**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	-	-	-	27	-	27	**27**
Changes in fair value of hedging derivatives through equity	-	-	-	-	17	17	**17**
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	-	79	79	-	-	-	**79**
Other movements	-	-	-	-	-	-	**-**
As of June 30, 2012, IFRS	**1,315**	**155**	**1,470**	**(239)**	**(64)**	**(303)**	**1,167**

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	6/30/2011	12/31/2011	6/30/2012
NET INCOME BEFORE TAXES	**41**	**105**	**122**
+/- Depreciation and write-downs	(2)	1	15
+/- Expense/income from operating activities	224	(38)	(15)
+/- Expense/income from financing activities	(195)	50	(296)
+/- Other non-cash items	(445)	(976)	(259)
= Non-monetary items included in net income before tax and other adjustments	***(417)***	***(963)***	***(555)***
+/- Cash from interbank operations (Dexia Credit Local and Banque de France)	-	2,700	1,900-
+/- Cash from interbank operations (customer loans)	393	(1,096)	(1,096)
+/- Cash from customer operations (loans)	1,406	1,202	1,841
+/- Cash from financing assets	313	1,541	2,911
+/- Cash from hedging financial instruments	601	2,306	1,336
- Income tax paid	(34)	(50)	20
= Decrease/(increase) in cash from operating activities	***2,679***	***6,603***	***3,112***
CASH FLOW FROM OPERATING ACTIVITIES (A)	**2,303**	**5,745**	**2,679**
CASH FLOW FROM INVESTING ACTIVITIES (B)	**-**	**-**	**-**
+/- Cash from or for shareholders	***0***	***0***	
+/- Other cash from financing activities	***(252)***	***(502)***	***(4,858)***
CASH FLOW FROM FINANCING ACTIVITIES (C)	**(252)**	**(502)**	**(4,858)**
EFFECT OF CHANGES IN EXCHANGE RATES ON CASH (D)	**-**	**-**	**-**
Increase/(decrease) in cash equivalents (A + B+ C + D)	**2,051**	**5,243**	**(725)**
Cash flow from operating activities (A)	2,302	5,745	4,132
Cash flow from investing activities (B)	-	-	-
Cash flow from financing activities (C)	(252)	(502)	(4,858)
Effect of changes in exchange rates on cash (D)	-	-	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**(9,030)**	**(9,030)**	**(3,788)**
Central banks (assets & liabilities)	2	2	2,197
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	**(6,979)**	**(3,787)**	**(4,513)**
Central banks (assets & liabilities)	0	2,198	501
Interbank accounts (assets & liabilities) and loans/deposits at sight	(6,979)	(5,985)	(5,014)
NET CASH	**2,051**	**5,243**	**(726)**

NOTES

(1 APPLICABLE ACCOUNTING PRINCIPLES

1.1 CONTEXT OF PUBLICATION

Dexia Municipal Agency decided to publish a set of individual financial statements according to IFRS.
This publication is voluntary and the reference for the preparation of the financial statements is consistently, in compliance with legislation applicable in France, French generally accepted accounting principles (French GAAP).
Dexia Municipal Agency presented its first annual financial statements prepared according to IFRS to report the fiscal year 2008. The financial statements as of June 30, 2012 were examined by the Executive Board on August 30, 2012.

1.2 HIGHLIGHTS IN THE FIRST HALF 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 represented no more than a good half of the market as of June 30, 2012, and certain covered bonds were 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, contributed to market segmentation by favoring the most highly rated bonds. In addition to these ratings, a covered bond label will soon be awarded to issuers who meet a certain number of requirements and are recognized for their transparent communication.
Issues of benchmark covered bonds in the primary market in the second quarter of 2012 totaled EUR 18 billion (the lowest quarterly volume of issues since the year 2000), compared with EUR 52 billion in the first quarter, for a total of EUR 70 billion for the first half of the year. Such small volumes were primarily attributable to the massive amount of cash the ECB supplied to banks through LTROs, thereby reducing the need of banks for covered bond financing.

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, average spreads for covered bonds in all countries, which had declined sharply during the first quarter, again widened, before stabilizing in June.

The spread of Dexia MA bonds in the secondary market, which had tightened significantly in the first quarter with the announcement of the takeover project of the French State, CDC and La Banque Postale, widened, like the market, in the second quarter (by approximately 15 basis points).

Dexia Municipal Agency issued no bonds in the first half, 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 RATING

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 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 Dexia Credit Local's rating; the application of this new criterion does not allow Dexia MA to reach a triple A level; Standard & Poor's in-depth analysis of the impact of the application of the new criterion is in process.

As of July 31, 2012, Dexia MA was rated:

- AAA by Fitch,
- AA+ / CreditWatch negative by Standard &Poor's and
- Aa2 / on review for downgrade by Moody's.

C. FINANCIAL SITUATION OF THE DEXIA GROUP

In the first half of 2012, the implementation of the Dexia Group's plan for an organized solution was pursued in an economic and financial environment that remained marked by significant pressure on southern European countries, and a severely downgraded economic climate in general. The Belgian, French and Luxembourg States had notified the European Commission of the Group's orderly resolution plan on March 21, 2012. This plan specifies the Group's strategy, outlines its business plan and presents a road map with details about the sale of operating entities and which includes a definitive financing guarantee in the amount of EUR 90 billion.

The Dexia Group's financing programme for 2012 will be based primarily on guaranteed financing, issued within the framework of the temporary guarantee agreement validated by the European Commission on December 21, 2011, and extended as of May 30 to the end of September 2012, as well as on central bank financing.

In the first half of 2012, the Dexia Group had to face significantly degraded market conditions due to ongoing pressure on sovereign debt in the Euro zone. In addition, in the second quarter, Dexia lost the benefit of the structural reduction of its balance sheet because of the increase in the collateral to deposit with its derivative counterparties. Within this context, the extension and the raising of the ceiling of the temporary guarantee mechanism to EUR 55 billion authorized for a time by the European Commission enabled the Group to increase outstanding new guaranteed financing to EUR 46.7 billion as of June 30, 2012, and to EUR 48.3 billion as of July 12, 2012, while it totaled EUR 21.6 billion at the end of 2011.

For the period ending June 30, 2012, Dexia published intermediary consolidated financial statements, based on accounting principles applicable in a going concern situation, implying a certain number of hypotheses that are strictly identical to those used within the framework of the Group's 2011 annual financial statements. There was a net loss, Group share, of EUR -1,166 million for the first half of 2012, of which EUR -1,062 million for continuing operations, and a net loss from discontinued operations activities in the amount of EUR – 104 million.
In addition to an impairment of EUR 184 million on participation capital issued by Kommunalkredit Austria, income was also impacted by the rise in the cost of Group financing from one quarter to the next, by the cost of the temporary liquidity guarantee, and by the increase in the cost of the collateral posted to the Group's derivatives counterparties. Finally, sales of assets also affected income for the first half of the year. Thus the Group reported a loss of EUR - 283 million on the disposal of EUR 3 billion in non-strategic securities and loans.

As of June 30, 2012, the Tier I ratio stood at 6.6% (versus 7.6% at the end of December 2011), and the Core Tier I ratio at 6.2% (compared with 6.4% at the end of December 2011).

The situation of the liquidity of Dexia Credit Local, the parent company of Dexia MA, remains unsettled and still requires the emergency measures applied by central banks, in addition to the resources

negotiated through State guarantees.

This situation has no impact on Dexia MA's ability to reimburse its *obligations foncières* or to maintain its level of over-collateralization. Dexia MA has at its disposal surplus cash in the cover pool, and the cash flows foreseen for 2012-2013 do not require negotiating new financing through Dexia Credit Local.

D. PRELIMINARY AGREEMENT ON THE FUTURE FINANCING OF THE FRENCH LOCAL PUBLIC SECTOR

Dexia, Caisse des Dépôts and La Banque Postale, with the representatives of the French State, continue to implement this project, which has been submitted for approval to the European Commission and the competent regulatory authorities, and presented for an opinion to the representatives of the employees concerned.

The basic principles of this agreement and its impact on Dexia MA are presented in Dexia MA's 2011 annual report.

E. STRUCTURED LOANS

Certain French loans in Dexia MA's cover pool may be qualified as structured loans.
To define this notion, 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. To this end, the charter is a document that creates obligations for Dexia Credit Local.

Therefore, 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 represented EUR 16.5 billion as of June 30, 2012.

The total number of customers who having filed claims against Dexia Credit Local for structured loans was 33 at the end of June 2012. Thirty of these cases corresponded to loans on Dexia MA's balance sheet.

The protocol signed by Caisse des Dépôts, La Banque Postale, the French State and Dexia stipulates that Dexia provide Dexia Municipal Agency with guarantees of performance and legal risk for the most structured loans signed with French local governments, i.e. a portfolio of approximately EUR 10 billion, and that its commitment will be counter-guaranteed by the French State for up to 70% of losses exceeding EUR 500 million. This counter-guarantee is subordinated to approval by the European Commission.

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 March 31, 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 June 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

- Amendment to IAS 19 “Employee Benefits” mainly modifies the accounting and estimation of defined pension and post-retirement plans (in particular with the elimination of the use of the “corridor approach”) and enhances disclosures in the notes to the financial statements related to such plans. This amendment will be applicable as of January 1, 2013. Dexia Municipal Agency is not affected by this change.
- Amendment to IAS 1 “Presentation of Items of Comprehensive Income” clarifies the terminology concerning the presentation of comprehensive income by distinguishing recyclable and non-recyclable items. This amendment will be applicable as of January 1, 2013, and will impact the presentation of latent or deferred profit or loss.

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 January 1, 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” (published by the ASB in May 2012), which constitute a series of amendments to existing IFRS. These amendments will be applicable as of January 1, 2013. Dexia Municipal Agency does not foresee any significant impact of these amendments on the 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” (published by the ASB in June 2012). These amendments will be applicable as of January 1, 2013, and their impact on the financial statements of Dexia Municipal Agency is currently being analyzed.

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 December 31, 2011, 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 certains 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 March 31, 2012. It is sub-divided into two parts.

1) Obligations foncières

*Obligations foncière*s 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	6/30/2011	12/31/2011	6/30/2012
Mandatory reserve deposits with central banks	-	-	-
Other deposits	-	2,198	500
TOTAL	**-**	**2,198**	**500**

2-2 - FINANCIAL ASSETS AVAILABLE FOR SALE

a. Analysis by nature

EUR millions	6/30/2011	12/31/2011	6/30/2012
Loans	-	-	-
Bonds	2,038	1,254	1,221
TOTAL	**2,038**	**1,254**	**1,221**

b. Analysis by counterparty

EUR millions	6/30/2011	12/31/2011	6/30/2012
Public sector	999	760	724
Credit institutions guaranteed by the public sector	439	494	497
Total public sector	**1,438**	**1,254**	**1,221**
Replacement assets	600	-	-
TOTAL	**2,038**	**1,254**	**1,221**
of which eligible for central bank refinancing	*1140*	*840*	*907*

c. Impairment

EUR millions	6/30/2011	12/31/2011	6/30/2012
Public sector	1,413	1,222	1,221
Replacement assets	600	-	-
Total performing assets	**2,013**	**1,222**	**1,221**
Public sector	32	39	-
Replacement assets	-	-	-
Total impaired assets	**32**	**39**	**-**
Specific impairment	(7)	(7)	-
TOTAL ASSETS AFTER IMPAIRMENT	**2,038**	**1,254**	**1,221**

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	6/30/2011	12/31/2011	6/30/2012
Sight accounts	-	22	49
Other loans and advances due from banks	6,711	7,759	5,843
Performing assets	**6,711**	**7,781**	**5,892**
Impaired loans and advances	-	-	-
Impaired assets	**-**	**-**	**-**
Total assets before impairment	**6,711**	**7,781**	**5,892**
Specific impairment	-	-	-
Collective impairment	-	0	-
TOTAL	**6,711**	**7,781**	**5,892**

b. Breakdown by counterparty

EUR millions	6/30/2011	12/31/2011	6/30/2012
Credit institutions	-	22	49
Swiss cantonal banks benefiting from their cantons' legal guarantee	1,121	1,129	1,046
Banks guaranteed by a local government, *crédits municipaux*	166	132	192
Credit institutions belonging to the Dexia Group: loans benefiting from the assignment in guarantee of refinanced public debt	176	2,121	2,113
Credit institutions guaranteed by the State	13	14	15
Assets assigned in guarantee to the central bank*	-	3,012	1,302
Replacement assets	5,235	1,351	1,175
TOTAL	**6,711**	**7,781**	**5,892**
of which eligible for central bank refinancing	*4,859*	*4,363*	*2,477*

* Cedulas 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	6/30/2011	12/31/2011	6/30/2012
Dexia Sabadell - *cedulas territoriales*	Ba1 Moody's	3,008	-	-
Dexia LdG Banque - *lettres de gage publiques*	AA S&P	1,851	1,351	1,175
Dexia Credit Local - loans secured by public sector assets	A+ Fitch, Baa2 Moody's, BBB S&P	376	-	-
Credit institutions - sight accounts		-	22	49
TOTAL		**5,235**	**1,373**	**1,224**

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	6/30/2011	12/31/2011	6/30/2012
Public sector	60,687	63,325	61,502
Other- guaranteed by a State or local government	4,265	4,139	4,033
Other - ABS made up solely of public commitments	10,637	10,364	9,946
Performing assets	**75,589**	**77,828**	**75,481**
Impaired loans and advances*	25	29	35
Impaired assets	**25**	**29**	**35**
Total assets before impairment	**75,614**	**77,857**	**75,517**
Specific impairment	(3)	(3)	(3)
Collective impairment	(17)	(18)	(21)
TOTAL	**75,594**	**77,836**	**75,492**
of which eligible for central bank refinancing	*40,500*	*40,067*	*38,018*
Assets assigned in guarantee to the central bank	-	*189*	*71*

* The impaired loans are made of either loans that represent a definite credit risk (non-performing loans: EUR 23 million) or loans with partially unpaid past due amounts corresponding to litigation on the amount due (litigious non-performing loan: EUR 12 million). For litigious non-performing loans, no provision was recorded in Dexia MA's financial statements for these unpaid amounts resulting from litigation about loans sold by Dexia Credit Local.

b. Public sector ABS

EUR millions	Rating	6/30/2011	12/31/2011	6/30/2012
Colombo	A S&P	7	6	4
Astrea	A- Fitch, A3 Moody's	1	1	0
Blue Danube	AA+ S&P	80	78	76
DCC - Dexia Crediop per la Cartolarizzazione	A Fitch, Ba2 Moody's, BB- S&P	3,619	3,546	3,455
DSFB - Dexia Secured Funding Belgium 1 et 2	A- Fitch, A- S&P, Baa1 Moody's	2,812	2,792	2,693
DSFB - Dexia Secured Funding Belgium 4	AA- Fitch	4,118	3,941	3,718
Total		**10,637**	**10,364**	**9,946**

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	6/30/2011	12/31/2011	6/30/2012
Current income tax	12	45	0
Other taxes	0	2	0
Current tax assets	**12**	**47**	**0**
Deferred tax assets (see note 4.2)	**131**	**199**	**160**
TOTAL TAX ASSETS	**143**	**246**	**160**

2-6 - ACCRUALS AND OTHER ASSETS

EUR millions	6/30/2011	12/31/2011	6/30/2012
Cash collateral paid	-	-	-
Other accounts receivable	-	-	-
Prepaid charges	-	-	-
Other assets	17	17	13
TOTAL ACCRUALS AND OTHER ASSETS	**17**	**17**	**13**

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	6/30/2011	12/31/2011	6/30/2012
Overnight borrowing	-	-	-
Term borrowing	-	2,700	1,200
Accrued interest	-	0	0
TOTAL FUNDING FROM BANQUE DE France	**-**	**2,700**	**1,200**

3-2 - DUE TO BANKS

a. Analysis by nature

EUR millions	6/30/2011	12/31/2011	6/30/2012
Demand deposits	6,975	6,004	5,059
Term deposits	3,517	3,513	3,109
TOTAL	**10,492**	**9,517**	**8,168**

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 8,159 million (excluding accrued interest), composed of:

- the current account, indexed on Eonia, with a balance of EUR 5,055 million;

- bank account - sight accounts, which a balance of EUR 4 million;

- a long-term borrowings earmarked to finance the structural over-collateralization of 5%. This borrowing totaled EUR 3,100 million as of June 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	6/30/2011	12/31/2011	6/30/2012
Current account	6,968	5,999	5,055
Interest accrued not yet due	7	5	-
Long-term borrowing	3,500	3,500	3,100
Interest accrued not yet due	17	13	9
Credit institutions - sight accounts	-	-	4
TOTAL DEXIA CREDIT LOCAL	**10,492**	**9,517**	**8,168**

b. Analysis by residual maturity : see note 7.2

3-3 - DEBT SECURITIES

a. Analysis by nature

EUR millions	6/30/2011	12/31/2011	6/30/2012
Obligations foncières	61,094	63,518	59,012
Registered covered bonds	4,557	5,018	5,185
TOTAL	**65,651**	**68,536**	**64,197**

b. Analysis by residual maturity : see note 7.2

3-4 - TAX LIABILITIES

EUR millions	6/30/2011	12/31/2011	6/30/2012
Current income tax	-	-	22
Other taxes	3	2	3
Current tax liabilities	**3**	**2**	**25**
Deferred tax liabilities (see note 4.2)	-	**34**	**17**
TOTAL TAX LIABILITIES	**3**	**36**	**42**

3-5 - ACCRUALS AND OTHER LIABILITIES

EUR millions	6/30/2011	12/31/2011	6/30/2012
Cash collateral received	1,364	2,498	3,210
Other accrued charges	28	27	28
Deferred income	-	-	-
Other accounts payable and other liabilities	11	8	28
TOTAL	**1,403**	**2,533**	**3,266**

4. OTHER NOTES ON THE BALANCE SHEET

4-1 - HEDGING DERIVATIVES

a. Analysis by nature

EUR millions	6/30/2011		12/31/2011		6/30/2012	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Derivatives at fair value through profit or loss	-	-	-	-	-	-
Derivatives designated as fair value hedges	2,294	7,941	5,492	10,252	5,194	10,283
Derivatives designated as cash flow hedges	10	254	35	255	9	221
Derivatives designated as portfolio hedges	2,048	1,858	3,347	3,196	3,755	3,740
Hedging derivatives	**4,352**	**10,053**	**8,874**	**13,703**	**8,958**	**14,244**
TOTAL DERIVATIVES	**4,352**	**10,053**	**8,874**	**13,703**	**8,958**	**14,244**

b. Detail of derivatives designated as fair value hedges

EUR millions	6/30/2011			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Foreign exchange derivatives	15,001	15,332	929	1,106
Interest rate derivatives	53,930	53,933	1,364	6,835
TOTAL	**68,931**	**69,265**	**2,293**	**7,941**

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	6/30/2012			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Foreign exchange derivatives	12,161	11,894	1,726	1,422
Interest rate derivatives	51,859	51,848	3,468	8,861
TOTAL	**64,020**	**63,742**	**5,194**	**10,283**

c. Detail of derivatives designated as cash flow hedges

EUR millions	6/30/2011			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Foreign exchange derivatives	2,269	2,372	10	254
Interest rate derivatives	-	-	-	-
TOTAL	**2,269**	**2,372**	**10**	**254**

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	6/30/2012			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Foreign exchange derivatives	1,870	1,933	9	221
Interest rate derivatives	-	-	-	-
TOTAL	**1,870**	**1,933**	**9**	**221**

EUR millions	6/30/2011	12/31/2011	6/30/2012
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	6/30/2011			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Foreign exchange derivatives	-	-	-	-
Interest rate derivatives	163,522	163,517	2,048	1,858
Total	**163,522**	**163,517**	**2,048**	**1,858**

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	6/30/2012			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Foreign exchange derivatives	-	-	-	-
Interest rate derivatives	134,199	134,194	3,755	3,740
Total	**134,199**	**134,194**	**3,755**	**3,740**

4-2 - DEFERRED TAXES

a. Analysis by nature

EUR millions	6/30/2011	12/31/2011	6/30/2012
Deferred tax assets before impairment	131	199	160
Impairment on deferred tax assets	-	-	-
Deferred tax assets (1)	131	199	160
Deferred tax liabilities (1)	0	(34)	(17)
TOTAL	**131**	**165**	**143**

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

b. Movements

EUR millions	6/30/2011	12/31/2011	6/30/2012
As of January 1	**127**	**127**	**165**
Charge/credit recognized in the income statement	10	(39)	4
Effect of change in tax rates - impact on the income statement	-	-	-
Movements directly recognized in equity	(6)	77	(26)
Effect of change in tax rates - impact on equity	-	-	-
Translation adjustment	-	-	-
Other movements	-	-	-
As of March 31	**131**	**165**	**143**

c. Deferred taxes coming from assets on the balance sheet

EUR millions	6/30/2011	12/31/2011	6/30/2012
Loans and loan loss provisions	44	14	1
Securities	84	123	113
Derivatives	3	22	22
Accruals and other assets	14	14	14
TOTAL	**145**	**173**	**150**

d. Deferred taxes coming from liabilities on the balance sheet

EUR millions	6/30/2011	12/31/2011	6/30/2012
Borrowings, deposits and issues of debt securities	-	-	-
Derivatives	10	16	18
Provisions	-	-	-
Regulatory provisions	(24)	(24)	(25)
Accruals and other liabilities	-	-	-
TOTAL	**(14)**	**(8)**	**(7)**

4-3 - RELATED-PARTY TRANSACTIONS

Analysis by nature

	Parent company and entities consolidated by Dexia Credit Local			Other related parties (1)		
EUR millions	6/30/2011	12/31/2011	6/30/2012	6/30/2011	12/31/2011	6/30/2012
ASSETS						
Loans and advances	7,177	8,677	6,868	8,783	1,351	1,175
Bonds	600	-	-	-	-	-
LIABILITIES						
Due to banks - sight accounts	6,975	6,004	5,055	-	-	-
Due to banks - term loans	3,517	3,513	3,109	-	-	-
INCOME STATEMENT						
Interest income on loans and advances	53	147	65	60	23	7
Interest income on bonds	3	7	0	-	-	-
Interest expense on borrowings	(73)	(142)	(53)	-	-	-
Fees and commissions	(3)	(4)	(3)	-	-	-
OFF-BALANCE SHEET						
Foreign exchange derivatives	6,949	7,130	6,834	361	-	-
Interest rate derivatives	131,628	119,937	102,946	5,457	-	-
Guarantees issued by the Group	8,013	12,016	13,388	2,812	-	-

(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	6/30/2011	12/31/2011	6/30/2012
Unrealized gains and losses on available for sale securities	**(199)**	**(253)**	**(233)**
Belgium	-	-	-
Canada	2	2	2
Germany	(2)	(7)	(4)
France	-	0	2
Greece	(109)	-	-
Ireland	-	-	-
Italy	(93)	(260)	(244)
United States	3	12	11
Unrealized gains and losses on loans and receivable securities	**(148)**	**(145)**	**(128)**
Austria	(6)	(5)	(5)
Belgium	1	1	1
Germany	(1)	(1)	(1)
Spain	(3)	(3)	(3)
France	7	6	6
United Kingdom	-	-	-
Greece	(1)	(1)	-
Iceland	(9)	(8)	-
Italy	(127)	(125)	(121)
Luxembourg	0	-	-
Portugal	(5)	(4)	-
United States	(4)	(5)	(5)
Unrealized gains and losses on derivatives designated as cash-flow hedges	**(18)**	**(127)**	**(94)**
TOTAL	**(365)**	**(525)**	**(455)**
Deferred taxes on gains and losses available for sale securities	44	86	79
Deferred taxes on gains ans losses loans ans receivable securities	47	46	42
Deferred taxes on gains ans losses-derivatives designated as cash-flow hedges	3	45	30
TOTAL	**(271)**	**(348)**	**(304)**

4.5 BREAKDOWN OF GOVERNMENT BONDS ON A SELECTION OF EUROPEAN COUNTRIES AND DEPRECIATION OF SOVEREIGN BONDS OF COUNTRIES BENEFITING FORM 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**

	6/30/2012					
	Spain	Ireland	Italy	Portugal	Greece	Total
Government bonds	-	-	500	-	-	**500**
Securities guaranteed by the State	-	-	115	-	-	**115**
TOTAL	**-**	**-**	**615**	**-**	**-**	**615**

	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)**
UNREALIZED GAINS AND LOSSES ON LOANS AND RECEIVABLE SECURITIES			**(3)**		**(1)**	**(4)**

	6/30/2012					
	Spain	Ireland	Italy	Portugal	Greece	Total
Financial assets available for sale	-	-	500	-	-	**500**
Financial assets held for trading	-	-	-	-	-	**-**
Held to maturity investments	-	-	-	-	-	**-**
Loans and advances	-	-	115	-	-	**115**
TOTAL	**-**	**-**	**615**	**-**	**-**	**615**
UNREALIZED GAINS AND LOSSES ON AVAILABLE FOR SALE SECURITIES	**-**	**-**	**(244)**	**-**	**-**	**(244)**
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	1H 2011	1H 2012
INTEREST INCOME	**3,437**	**3,096**
Central banks	-	-
Loans ans advances due from banks	63	70
Loans and advances to customers	1,096	1,053
Financial assets available for sale	29	23
Financial assets held to maturity	-	-
Derivatives used for hedging	2,249	1,950
Impaired assets	-	-
Other	-	-
INTEREST EXPENSE	**(3,337)**	**(2,970)**
Accounts with central banks	-	(7)
Due to banks	(79)	(44)
Customer borrowings and deposits	-	-
Debt securities	(1,239)	(1,201)
Subordinated debt	-	-
Derivatives used for hedging	(2,019)	(1,718)
Other	-	-
INTEREST MARGIN	**100**	**126**

5-2 - FEES AND COMMISSIONS

	1H 2011			1H 2012		
EUR millions	Income	Expense	Net	Income	Expense	Net
Lending activity	0	-	0	0	(0)	(0)
Purchase and sale of securities	-	-	-	-	(1)	(1)
Financial engineering	-	-	-	-	-	-
Services on securities other than custodian services	-	(4)	(4)	-	(3)	(3)
Custodian services	-	-	-	-	-	-
Issuance and underwriters of securities	-	-	-	-	0	0
Other	-	-	-	-	-	-
TOTAL	**0**	**(4)**	**(4)**	**0**	**(4)**	**(4)**

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

EUR millions	1H 2011	1H 2012
Net result of hedge accounting	(1)	1
Net result of foreign exchange transactions	0	0
TOTAL	(1)	1

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

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

Analysis of net result of hedge accounting

EUR millions	1H 2011	1H 2012
Fair value hedges	**(1)**	**1**
Fair value changes in the hedged item attributable to the hedged risk	(395)	609
Fair value changes in the hedging derivatives	394	(608)
Cash flow hedges	**-**	**-**
Fair value changes in the hedging derivatives – ineffective portion	-	-
Discontinuation of cash flow hedge accounting (Cash flows no longer expected to occur)	-	-
Portfolio hedge	**0**	**0**
Fair value changes in the hedged item	270	183
Fair value changes in the hedging derivatives	(270)	(183)
TOTAL	**(1)**	**1**

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

EUR millions	1H 2011	1H 2012
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	2	3
TOTAL	**1**	**51**

5-5 - OPERATING EXPENSE

EUR millions	1H 2011	1H 2012
Payroll costs	-	-
Other general and administrative expense	(45)	(44)
Taxes	(4)	(4)
TOTAL	**(49)**	**(48)**

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

In addition, specific management contracts grant different entities the management of loans and securities in their respective countries (Kommunalkredit Austria 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 entiites.

	1H 2011			1H 2012		
EUR millions	Collective impairment	Specific impairment and losses	Total	Collective impairment	Specific impairment and losses	Total
Credit (loans, commitments and securities held to maturity)	2	(1)	1	(4)	-	(4)
Fixed income securities available for sale	-	(7)	(7)	-	-	-
TOTAL	**2**	**(8)**	**(6)**	**(4)**	-	**(4)**

Detail of collective and specific impairments

Collective impairment EUR millions	1H 2011			1H 2012		
	Charges	Recoveries	Total	Charges	Recoveries	Total
Loans and borrowings	0	2	2	(4)	-	(4)
Off-balance sheet commitments	-	-	-	-	-	-
TOTAL	**0**	**2**	**2**	**(4)**	**-**	**(4)**

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

Specific Impairment EUR millions	1H 2011				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	1H 2012				TOTAL
	Allocations	Reversals	Losses	Recoveries	
Loans and advances due from banks	-	-	-	-	-
Loans and advances to customers	-	-	-	-	-
Financial assets held to maturity	-	-	-	-	-
Off-balance sheet commitments	-	-	-	-	-
Total credit	**-**	**-**	**-**	**-**	**-**
Fixed income securities	-	7	(7)	-	-
TOTAL	**-**	**7**	**(7)**	**-**	**-**

5-7 - CORPORATE INCOME TAX

a. Detail of tax expense

EUR millions	1H 2011	1H 2012
Current taxes	(23)	(47)
Deferred taxes	10	4
Tax on prior years' income	-	-
Deffered taxes on prior years	-	-
Provisions for tax litigation	-	-
TOTAL	**(13)**	**(43)**

b. Effective tax expense as of June 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 June 30, 2012 amounted to 35,0%.

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

EUR millions	1H 2011	1H 2012
INCOME BEFORE INCOME TAXES	**41**	**122**
Net income from associates	-	-
TAX BASE	**41**	**122**
Applicable tax rate at end of the period	34.43%	36.10%
THEORETICAL CORPORATE INCOME TAX AT THE STANDARD RATE	**14**	**44**
Impact of differences between foreign tax rates and the standard French tax rate	(1)	(4)
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
Liability method	-	-
Provisions for tax litigation	-	-
CORPORATE INCOME TAX RECORDED IN THE INCOME STATEMENT	**13**	**43**
EFFECTIVE TAX RATE	**32.8%**	**35.0%**

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	6/30/2011	12/31/2011	6/30/2012
Assets to be delivered	205	-	-
Liabilities to be received	138	-	-

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

6-2 - GUARANTEES

EUR millions	6/30/2011	12/31/2011	6/30/2012
Guarantees received from credit institutions (1)	6,451	6,360	6,255
Guarantees received from customers (2)	5,052	7,358	7,654

(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 3,455 million and the guarantee provided by Dexia Banque Belgium on DSFB1 and DSB2 securities in the amount of EUR 2,727 million.
(2) Guarantees received from customers are generally granted by local governments.

6-3 - FINANCING COMMITMENTS

EUR millions	6/30/2011	12/31/2011	6/30/2012
Loan commitments granted to credit institutions	4	0	(0)
Loan commitments granted to customers (1)	1,249	660	870
Loan commitments received from credit institutions (2)	4,374	5,755	7,078
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 June 30.
(2) This item concerned a firm and irrevocable commitment by Dexia Credit Local to make avalaible to Dexia MA the funds required to reimburse the obligations foncières *that will mature in the next 12 months.*

6-4 - OTHER COMMITMENTS

EUR millions	6/30/2011	12/31/2011	6/30/2012
Commitments granted (1)	-	3,037	103
Commitments received	794	1,017	288

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

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 6/30/2012
France	51,298
Italy	7,442
Belgium	6,835
United Kingdom	2,508
Spain	1,826
Luxembourg	1,191
Germany	1,040
Other European Union countries	661
Switzerland	4,087
United States and Canada	714
Japan	26
Other	16
TOTAL EXPOSURE	**77,645**

Analysis of exposure by category of counterparty

EUR millions	Amount as of 6/30/2012
States	2,257
Local public sector	64,398
ABS	6,487
Financial institutions	4,503
TOTAL EXPOSURE	**77,645**

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

Analysis of exposure by category of instrument

EUR millions	Amount as of 6/30/2012
Debt securities	1,220
Loans and advances	75,390
Financing commitments on loans	871
Hedging derivatives	164
TOTAL EXPOSURE	**77,645**

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 one 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%.

	Risk weighting (Basel II)				
EUR millions	from 0 to 5%	from 5% to 20%	from 20% to 50%	more than 50%	Total
Debt securities	703	517	0	0	1,220
Loans and advances	53,532	21,516	255	87	75,390
Financing commitments on loans	848	23	0	0	871
Hedging derivatives	0	0	164	0	164
TOTAL EXPOSURE	55,083	22,056	420	87	**77,645**
SHARE	**70.9%**	**28.4%**	**0.5%**	**0.1%**	**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

	6/30/2012						
EUR millions	Sight	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No fixed maturity	Total broken down
Central banks	500	-	-	-	-	-	500
Hedging derivatives	-	-	-	-	-	-	-
Financial assets available for sale	-	160	-	426	576	-	1,162
Loans and advances due from banks	49	875	689	3,841	338	-	5,792
Loans and advances to customers	3	1,150	3,849	18,351	44,771	-	68,124
Fair value revaluation of portfolio hedge	-	-	-	-	-	-	-
Financial assets held to maturity	-	-	-	-	-	-	-
Tax assets	-	-	-	-	-	160	160
Accruals and other assets	-	13	-	-	-	-	13
TOTAL	**552**	**2,198**	**4,538**	**22,619**	**45,686**	**160**	**75,752**

	6/30/2012				
EUR millions	Total broken down	Accrued interest	Fair value adjustment	Impairment	Total
Central banks	500	-	-	-	**500**
Hedging derivatives	-	919	8,039	-	**8,958**
Financial assets available for sale	1,162	7	51	-	**1,220**
Loans and advances due from banks	5,792	29	71	-	**5,892**
Loans and advances to customers	68,124	869	6,523	(24)	**75,491**
Fair value revaluation of portfolio hedge	-	-	2,693	-	**2,693**
Financial assets held to maturity	-	-	-	-	**-**
Tax assets	160	-	-	-	**160**
Accruals and other assets	13	-	-	-	**13**
TOTAL	**75,752**	**1,824**	**17,377**	**(24)**	**94,929**

b. Analysis of liabilities, excluding equity

EUR millions	6/30/2012						
	Sight	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No fixed maturity	Total broken down
Central banks	-	1,200	-	-	-	-	1,200
Hedging derivatives	-	-	-	-	-	-	-
Due to banks	5,059	-	300	920	1,880	-	8,159
Customer borrowings and deposits	-	-	-	-	-	-	-
Debt securities	-	195	6,828	22,573	29,719	-	59,314
Fair value revaluation of portfolio hedge	-	-	-	-	-	-	
Tax liabilities	-	-	-	-	-	42	42
Accruals and other liabilities	-	3,266	-	-	-	-	3,266
Provisions	-	-	-	-	-	-	
Subordinated debt	-	-	-	-	-	-	-
TOTAL	**5,059**	**4,661**	**7,128**	**23,493**	**31,599**	**42**	**71,982**

EUR millions	6/30/2012			
	Total broken down	Accrued interest	Fair value adjustment	Total
Central banks	1,200	0	-	**1,200**
Hedging derivatives	-	891	13,353	**14,244**
Due to banks	8,159	9	-	**8,168**
Customer borrowings and deposits	-	-	-	**-**
Debt securities	59,314	1,043	3,839	**64,197**
Fair value revaluation of portfolio hedge	-	-	2,646	**2,646**
Tax liabilities	42	-	-	**42**
Accruals and other liabilities	3,266	-	-	**3,266**
Provisions	-	-	-	**-**
Subordinated debt	-	-	-	**-**
TOTAL	**71,982**	**1,943**	**19,838**	**93,763**

c. Net liquidity gap

EUR millions	As of March 31, 2012							
	Sight	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No fixed maturity	Total not broken	Total
Amount	(4,508)	(2,463)	(2,590)	(874)	14,087	118	(2,604)	1,166

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 5,055 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	6/30/2011				
EUR millions	EUR	Other EU currencies	U.S. dollars	Other currencies	Total
Total assets	76,512	4,023	5,329	3,990	89,854
Total liabilities	76,512	4,023	5,329	3,990	89,854
NET BALANCE SHEET POSITION	**0**	**0**	**0**	**0**	**0**

Classification by original currency	12/31/2011				
EUR millions	EUR	Other EU currencies	U.S. dollars	Other currencies	Total
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 EUR millions	6/30/2012				
	EUR	Other EU currencies	U.S. dollars	Other currencies	Total
Total assets	83,954	4,257	3,160	3,558	94,929
Total liabilities	83,954	4,257	3,160	3,558	94,929
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	**Q3 2011**	17.3	20.7	14.0	31.0
	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
Monetary	**Q3 2011**	(0.4)	1.5	(6.0)	9.0
	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
Total	**Q3 2011**	16.8	21.1	12.2	40.0
	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

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3 STATUTORY AUDITORS' REPORT

(IFRS)

Statutory Auditors' review report
on the first half-year financial information for 2012

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

This is a free translation into English of the statutory auditors' review report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and 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 half-year financial statements for the six-month period ended June 30th, 2012, in accordance with IFRS as adopted by the European Union.

These interim 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 six-month period ended June 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 half-year financial statements regarding the particular financial situation of 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, August 31st, 2012

The statutory auditors

French original signed by

MAZARS DELOITTE & ASSOCIÉS

Hervé HELIAS Virginie CHAUVIN José-Luis GARCIA Charlotte VANDEPUTTE

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4

FINANCIAL STATEMENTS

Half year 2012
(*French Gaap)*

BALANCE SHEET

Assets as of June 30, 2012

(Eur millions)	Notes	6/30/2011	12/31/2011	6/30/2012
Central banks	*2.1*	0	2,198	500
Government and public securities, eligible for central bank financing	*2.2*	3,527	3,525	3,206
Loans ans advances due from banks	*2.3*	1,808	3,326	3,375
Loans and advances to customers	*2.4*	53,354	53,559	51,730
Bonds and other fixed income securities	*2.5*	19,595	18,511	15,838
Equities and other variable income securities		-	-	-
Investments in non-consolidated companies and other long-term investments		-	-	-
Investments in consolidated companies		-	-	-
Intangible assets		-	-	-
Property and equipment		-	-	-
Unpaid capital		-	-	-
Treasury stock		-	-	-
Other assets	2.6	13	47	18
Accruals and other assets	2.7	3,927	5,498	4,728
TOTAL ASSETS	**2.8**	**82,224**	**86,664**	**79,395**

Liabilities as of June 30, 2012

(Eur millions)	Notes	6/30/2011	12/31/2011	6/30/2012
Central banks	3.1	-	2,700	1,200
Due to banks	3.2	10,503	9,525	8,172
Customer borrowings and deposits		-	-	-
Debt securities	3.3	64,687	65,718	60,386
Other liabilities	3.4	1,368	2,500	3,252
Accruals and other liabilities	3.5	4,163	4,706	4,789
Provisions for risks and charges	3.6	19	44	52
Deferred tax liabilities	3.6	19	40	38
Regulated provisions	3.6	70	69	73
General banking risks reserve		-	-	-
Subordinated debt		-	-	-
Equity		**1,395**	**1,362**	**1,433**
Share capital	3.7	1,300	1,300	1,315
Additional paid-in capital	3.7	-	-	-
Reserves and retained earnings	3.7	57	57	47
Net income	3.7	38	5	71
TOTAL LIABILITIES	**3.8**	**82,224**	**86,664**	**79,395**

Off-balance sheet items as of June 30, 2012

(Eur millions)	Notes	6/30/2011	12/31/2011	6/30/2012
COMMITMENTS GRANTED	4.1	**1,253**	**3,697**	**973**
Financing commitments		1,253	660	870
Guarantees granted		-	3,037	-
Other commitments granted		-	-	103
COMMITMENTS RECEIVED	**4.2**	**16,295**	**17,745**	**21,240**
Financing commitments		4,374	5,755	7,078
Guarantees received		11,921	11,265	10,990
Forward commitments		-	725	-
Other commitments received		-	-	3,172
Foreign currency transactions	4.3	35,411	34,716	27,656
Interest rate derivatives	4.4	217,931	204,257	186,442
Commitments related to securities transactions	4.5	-	-	-

Income statement

(Eur millions)	Notes	1H 2011	2011	1H 2012
Interest income	5.0	2,794	5,265	1,826
Interest expense	5.0	(2,673)	(5,077)	(1,645)
Income from variable income securities		-	-	-
Commission income	5.2	-	-	-
Commission expense	5.2	(4)	(5)	(4)
Net gains (losses) on held for trading portfolio	5.3	-	-	(0)
Net gains (losses) on placement portfolio transactions	5.3	(3)	(57)	(8)
Other banking income		-	-	-
Other banking expense		-	-	-
NET BANKING INCOME		**114**	**126**	**169**
General operating expense	5.1	(49)	(93)	(48)
Depreciation and amortization		-	-	-
OPERATING INCOME BEFORE COST OF RISK		**65**	**33**	**121**
Cost of risk		(1)	(8)	(5)
INCOME FROM OPERATIONS		**64**	**25**	**116**
Income (loss) on fixed assets		-	0	0
INCOME BEFORE NON-RECURRING ITEMS AND TAXES		**64**	**25**	**116**
Non-recuring items		-	-	-
Income tax	5.4	(24)	(19)	(47)
Net allocation to general banking risks reserve and regulated provisions		(2)	(1)	2
NET INCOME		**38**	**5**	**71**
Basic earnings per share		2.90	0.42	5.40
Diluted earnings per share		2.90	0.42	5.40

Equity

(EUR millions)	Amount
AS OF 12/31/2011	
Share capital	1,300
Additional paid-in capital (APIC)	-
Commitments to increase share capital and APIC	-
Reserves and retained earnings	57
Net income for the year	5
Interim dividends	-
EQUITY AS OF 12/31/2011	**1,362**
MOVEMENTS FOR THE PERIOD	
Changes in share capital	15
Changes in APIC	-
Changes in commitments to increase share capital and APIC	-
Changes in reserves and retained earnings	-
Dividends paid (-)	(15)
Net income for the period	71
Other movements	-
AS OF 6/30/2012	
Share capital	1,315
Additional paid-in capital (APIC)	-
Commitments to increase share capital and APIC	-
Reserves and retained earnings	47
Net income for the period	71
EQUITY AS OF 6/30/2012	**1,433**

Cash flow statement

(EUR millions)	2Q2011	2010	2Q2012
NET INCOME BEFORE TAXES	**64**	**26**	**121**
+/- Depreciation and write-downs	1	2	0
+/- Expense/income from operating activities	211	18	387
+/- Expense/income from financing activities	(195)	50	(296)
+/- Other non cash items	(456)	(954)	(265)
= Non monetary elements included in net income before tax and other adjustments	***(439)***	***(884)***	***(174)***
+/- Cash from interbank operations (Dexia Crédit Local and Banque de France)	0	2,700	(1,900)
+/- Cash from interbank operations (customer loans)	393	(1,096)	(23)
+/- Cash from customer operations (loans)	1,406	1,202	1,841
+/- Cash from customer financing assets	313	1,541	2,911
+/- Cash from hedging financial instruments	601	2,306	1,336
- Income tax paid	(34)	(50)	20
= Decrease/(increase) in cash from operating activities	***2,679***	***6,603***	***4,185***
CASH FLOW FROM OPERATING ACTIVITIES (A)	**2,303**	**5,745**	**4,132**
CASH FLOW FROM INVESTING ACTIVITIES (B)	-	-	-
+/- Cash from or for shareholders	0	-	-
+/- Other cash from financing activities	***(252)***	***(502)***	***(4,858)***
CASH FLOW FROM FINANCING ACTIVITIES (C)	**(252)**	**(502)**	**(4,858)**
EFFECT OF EXCHANGE RATES CHANGES ON CASH (D)	-	-	-
Increase/(decrease) in cash equivalents (A + B+ C + D)	**2,051**	**5,243**	**(726)**
Cash flow from operating activities (A)	2,303	5,745	4,132
Cash flow from investing activities (B)	-	-	-
Cash flow from financing activities (C)	(252)	(502)	(4,858)
Effect of 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	**(6,979)**	**(3,787)**	**(4,513)**
Central banks (assets & liabilities)	0	2,198	500
Interbank accounts (assets & liabilities) and loans/deposits at sight	(6,979)	(5,985)	(5,013)
NET CASH	**2,051**	**5,243**	**(726)**

Notes to the French GAAP financial statements

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 - APPLICABLE ACCOUNTING POLICIES: RULES ADOPTED BY THE FRENCH ACCOUNTING STANDARDS BOARD (AUTORITÉ DES NORMES COMPTABLES - ANC)

Dexia Municipal Agency prepares its annual and semiannual financial statements in compliance with CRB n°91-01 and CRC n°2000-03 as modified.
The financial statements as of June 30, 2012, were drawn up using the same accounting principles as those used in the financial statements as of December 31, 2011.
The financial statements have been prepared in accordance with French generally accepted accounting principles, respecting the principle of prudence, on the basis of the following assumptions:
• going concern principle,
• segregation of accounting periods,
• consistency of methods.
The accounts are in accordance with the indications of directive 86/635/EEC of the Council of European Communities.

1.2 - HIGHLIGHTS IN THE FIRST HALF 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 represented no more than a good half of the market as of June 30, 2012, and certain covered bonds were 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, contributed to market segmentation by favoring the most highly rated bonds. In addition to these ratings, a covered bond label will soon be awarded to issuers who meet a certain number of requirements and are recognized for their transparent communication.
Issues of benchmark covered bonds in the primary market in the second quarter of 2012 totaled EUR 18 billion (the lowest quarterly volume of issues since the year 2000), compared with EUR 52 billion in the first quarter, for a total of EUR 70 billion for the first half of the year. Such small volumes were primarily attributable to the massive amount of cash the ECB supplied to banks through LTROs, thereby reducing the need of banks for covered bond financing.

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, average spreads for covered bonds in all countries, which had declined sharply during the first quarter, again widened, before stabilizing in June.

The spread of Dexia MA bonds in the secondary market, which had tightened significantly in the first quarter with the announcement of the takeover project of the French State, CDC and La Banque Postale, widened, like the market, in the second quarter (by approximately 15 basis points).

Dexia Municipal Agency issued no bonds in the first half, 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 RATING

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 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 Dexia Credit Local's rating; the application of this new criterion does not allow Dexia MA to reach a triple A level; Standard & Poor's in-depth analysis of the impact of the application of the new criterion is in process.

As of July 31, 2012, Dexia MA was rated:

- AAA by Fitch,
- AA+ / CreditWatch negative by Standard &Poor's and
- Aa2 / on review for downgrade by Moody's.

C. FINANCIAL SITUATION OF THE DEXIA GROUP

In the first half of 2012, the implementation of the Dexia Group's orderly resolution plan was pursued in an economic and financial environment that remained marked by significant pressure on southern European countries, and a severely downgraded economic climate in general. The Belgian, French and Luxembourg States had notified the European Commission of the Group's orderly resolution plan on March 21, 2012. This plan specifies the Group's strategy, outlines its business plan and presents a road map with details about the sale of operating entities and which includes a definitive financing guarantee in the amount of EUR 90 billion.

The Dexia Group's financing programme for 2012 will be based primarily on guaranteed financing, issued within the framework of the temporary guarantee agreement validated by the European Commission on December 21, 2011, and extended as of May 30 to the end of September 2012, as well as on central bank financing.

In the first half of 2012, the Dexia Group had to face significantly degraded market conditions due to ongoing pressure on sovereign debt in the Euro zone. In addition, in the second quarter, Dexia lost the benefit of the structural reduction of its balance sheet because of the increase in the collateral to deposit with its derivative counterparties. Within this context, the extension and the raising of the ceiling of the temporary guarantee mechanism to EUR 55 billion authorized for a time by the European Commission enabled the Group to increase outstanding new guaranteed financing to EUR 46.7 billion as of June 30, 2012, and to EUR 48.3 billion as of July 12, 2012, while it totaled EUR 21.6 billion at the end of 2011.

For the period ending June 30, 2012, Dexia published intermediary consolidated financial statements, based on accounting principles applicable in a going concern situation, implying a certain number of hypotheses that are strictly identical to those used within the framework of the Group's 2011 annual financial statements. There was a net loss, Group share, of EUR -1,166 million for the first half of 2012, of which EUR -1,062 million for continuing operations, and a net loss from discontinued operations activities in the amount of EUR - 100.
In addition to an impairment of EUR 184 million on participation capital issued by Kommunalkredit Austria, income was also impacted by the rise in the cost of Group financing from one quarter to the next, by the cost of the temporary liquidity guarantee, and by the increase in the cost of the collateral posted to the Group's derivatives counterparties. Finally, sales of assets also affected income for the first half of the year. Thus the Group reported a loss of EUR - 283 million on the disposal of EUR 3 billion in non-strategic securities and loans.

As of June 30, 2012, the Tier I ratio stood at 6.6% (versus 7.6% at the end of December 2011), and the Core Tier I ratio at 6.2% (compared with 6.4% at the end of December 2011).

The situation of the liquidity of Dexia Credit Local, the parent company of Dexia MA, remains unsettled and still requires the emergency measures applied by central banks, in addition to the resources negotiated through State guarantees.

This situation has no impact on Dexia MA's ability to reimburse its *obligations foncières* or to maintain its level of over-collateralization. Dexia MA has at its disposal surplus cash in the cover pool, and the cash flows foreseen for 2012-2013 do not require negotiating new financing through Dexia Credit Local.

D. PRELIMINARY AGREEMENT ON THE FUTURE FINANCING OF THE FRENCH LOCAL PUBLIC SECTOR

Dexia, Caisse des Dépôts and La Banque Postale, with the representatives of the French State, continue to implement this project, which has been submitted for approval to the European Commission and the competent regulatory authorities, and presented for an opinion to the representatives of the employees concerned.

The basic principles of this agreement and its impact on Dexia MA are presented in Dexia MA's 2011 annual report.

E. STRUCTURED LOANS

Certain French loans in Dexia MA's cover pool may be qualified as structured loans.
To define this notion, 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. To this end, the charter is a document that creates obligations for Dexia Credit Local.

Therefore, 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 represented EUR 16.5 billion as of June 30, 2012.

The total number of customers who having filed claims against Dexia Credit Local for structured loans was 33 at the end of June 2012. Thirty of these cases corresponded to loans on Dexia MA's balance sheet.

The protocol signed by Caisse des Dépôts, La Banque Postale, the French State and Dexia stipulates that Dexia provide Dexia Municipal Agency with guarantees of performance and legal risk for the most structured loans signed with French local governments, i.e. a portfolio of approximately EUR 10 billion, and that its commitment will be counter-guaranteed by the French State for up to 70% of losses exceeding EUR 500 million. This counter-guarantee is subordinated to approval by the European Commission

1.3 - ACCOUNTING PRINCIPLES

a. Customer loans

Customer loans are stated in the balance sheet net of depreciation for possible losses. The undrawn portion of signed loan agreements is recorded as an off-balance sheet item.
Interest on loans is recorded as banking income *prorata temporis* for accrued amounts due, as is interest on unpaid installments. Interest on doubtful loans recorded in net banking result is neutralized with a depreciation of an equivalent amount.
Dexia Municipal Agency applies CRC standard 2002-03, modified by CRC standard 2005-03. This standard stipulates that a loan is considered as non-performing when it presents one of the following characteristics:
• a probable or certain risk that it will not be repaid (unpaid for more than nine months for local government borrowers, and for more than three months for the others);
• a factual bad risk (worsening of the financial situation, alert procedures);
• the existence of litigation.

In addition, this standard introduces a new category of bad debt – compromised non-performing loans. Loans unpaid for more than one year are recorded in this category. Interest on these loans no longer contributes to the interest margin once they have been transferred to the category of compromised non-performing loans. This standard also requires the identification of outstanding loans that have been restructured under non-market conditions. Dexia MA has no outstanding recorded in this category as of June 30, 2011.
Article 13 of this standard recommends recognizing in discounted value the provisions covering the losses

expected on the non-performing and compromised non-performing loans.
The rate of depreciation applied to bad debt is proportional to the risk involved. The amount of interest is depreciated for 100% in compliance with current banking practice. Because of the low risk of loss in the local government sector, the depreciation allotted covers 3% of the capital.
Commissions received and transaction costs related to the granting or the acquisition of a loan, if they are significant, are spread over the life of the loan. Other commission income is recorded in the income statement on a cash basis.
Early loan reimbursement penalties recorded up to December 31, 2004, continue to be amortized, on a tax and accounting basis, over the residual life of the repaid loans, in function of the amount of interest that would have been paid on these loans. The remaining penalties to be spread over time are recorded in accruals and other liabilities.
Since January 1, 2005, early loan reimbursement penalties have been recorded in the income statement at the date they occur.

b. Securities transactions

The securities held by Dexia Municipal Agency are recorded in the assets as:
• government and public entity securities eligible for Central Bank refinancing;
• bonds and other fixed income securities.

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

The item «Bonds and other fixed income securities» includes the following categories of securities:
• debt securities issued by public sector entities that are not eligible for refinancing by central banks;
• debt securities guaranteed by public sector entities;
• debt securities issued by securitization structures;
• debt securities issued by subsidiaries of the Dexia Credit Local Group and by other Dexia Group entities for Dexia Municipal Agency, in order to facilitate asset transfers and refinancing.

They are recognized for accounting purposes as:
• investment securities (held to maturity);
• securities available for sale.

Investment securities (held to maturity)
Securities considered as investment securities are recorded on the date of purchase at acquisition clean price excluding fees.
Interest accrued at the date of acquisition is recorded in a separate account. The positive or negative difference between the redemption value and the market clean price (discount or premium) is amortized according to a quasi-actuarial method over the residual life of the security.
At the end of the accounting period, unrealized gains are not recorded and no depreciation is recorded except in the following cases:
• a doubt about the issuer's ability to meet his obligations;
• the probability that the company will not hold these securities until maturity owing to new circumstances.
It should be noted that the accounting classification as securities as available for sale previously implied the necessity to recognize any security so classified as a «replacement asset». The new formulation of articles L.515-15 and following of the Monetary and Financial Code (May 2007) enables the company to choose the accounting classification (investment or available for sale) it prefers for eligible debt securities.
The sole debt securities to be considered as «replacement assets» are now debt securities the debtors of which are credit institutions or investment firms benefiting from the highest level of credit quality determined by a rating agency recognized by prudential authorities (corresponding to a minimum rating of AA-/Aa3 /AA- by Fitch, Moody's and Standard and Poor's). The percentage of these replacement assets may not exceed 15% of the nominal amount of the *obligations foncières* and other resources benefiting from the privilege mentioned in §2 of part I of article L.515-13 of the Monetary and Financial Code.

***Placement* securities**
Placement securities are recorded on the date of purchase at acquisition clean cost excluding fees. Interest accrued at the date of acquisition is recorded in a separate account. The positive or negative difference between the redemption value and the acquisition clean cost (discount or premium) is amortized according to a quasi-actuarial method over the residual life of the security.

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

If the market for a financial instrument is not active, valuation techniques are used to calculate the selling price (or market value as defined in the notes to the financial statements). The valuation model should take into account all the factors that market players would consider to valuate the asset. Within this framework, Dexia Municipal Agency relies on its own valuation models, making every effort to take into account the market conditions at the date of the valuation as well as any changes in the credit risk quality of these financial instruments and market liquidity.

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

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

c. Debt securities

This chapter includes *obligations foncières* and other resources benefiting from the privilege defined in article L.515-19 of the Monetary and Financial Code. It is subdivided into two categories.

Debt securities, for *obligations foncières*
These debt securities are recorded at face value.
From the first year, redemption and issue premiums are amortized on a straight-line basis over the life of the securities *prorata temporis*. They are recorded on the balance sheet under the same headings as the corresponding outstanding debt.
Amortization of these premiums is recorded in the income statement as «Interest expense on bonds and other fixed income securities». In the event bonds are issued above par, amortization of issue premiums is deducted from interest expense on bonds and other fixed income securities.
Interest on bonds is recorded as a banking expense for accrued amounts paid and not yet due calculated *prorata temporis* on the basis of contractual rates.
Bond issuance costs and commissions are amortized in equal parts on a straight-line basis over the life of the related loans.
Bonds denominated in foreign currencies are accounted for by the same method as foreign currency transactions (see below).

Other debt securities, for registered covered bonds
These private placements are recorded at their face value. Issue premiums are treated the same way as *obligations foncières* (see above).

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

d. Provisions for risks and charges

Provisions are recognized based on their discounted value when the three following conditions are met:
• Dexia Municipal Agency has a present legal or constructive obligation as a result of past events;
• it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
• a reliable estimate of the amount of the obligation can be made.

e. Derivative transactions

Dexia Municipal Agency engages in derivative transactions to hedge the interest rate and foreign exchange risks to which it is exposed in its activity.
Depending on their purpose, these transactions are assigned to micro-hedge or macro-hedge portfolios as defined by CRBF standards 90-15 and 92-04. Evaluation and accounting principles are determined according to the portfolio to which they are assigned.
Pursuant to article L.515-18 of the Monetary and Financial Code, these transactions benefit from the privilege

defined in article L.515-19 of the Monetary and Financial Code provided that their purpose is to hedge the assets or debt benefiting from the privilege and the overall risk on the assets, liabilities and off-balance sheet items.
The law stipulates that derivative transactions do not benefit from the privilege when related to sources of financing that do not themselves benefit from the privilege. For Dexia Municipal Agency, the only resources that do not benefit from the privilege comprise the debt with Dexia Credit Local, which is not hedged.
The notional amount of these hedging transactions is recorded as an off-balance sheet item over the life of the contract, i.e. from the date the contract is signed (including forward contracts) up to maturity. The amount recorded is adjusted to reflect any changes in notional amounts so as to represent the maximum current or future commitment.
Equalization payments at the inception of hedging derivatives are spread over their maturity for the time remaining according to a quasi-actuarial method.

Micro-hedge transactions
Transactions are booked as micro-hedges when they are designed to hedge against the interest rate risk related to an item or set of homogeneous items identified from the start. They involve swaps used to hedge issues of debt securities and certain customer assets.
Expense and income on these transactions are recorded in the income statement in the same way income and expense on the hedged item or set of homogeneous items are recorded.
In the event of early repayment, the sale of the hedged item, or early repayment within the framework of the renegotiation of the hedged item, the cancellation equalization payment received or paid because of the early interruption of the hedging instrument is recorded in the following manner, if the hedging instrument has been cancelled.

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

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

Macro-hedge transactions
This category includes transactions designed to hedge and manage the Company's overall exposure to interest rate risk on assets, liabilities and off-balance sheet items, excluding micro-hedge transactions. They were authorized by a specific decision of the Executive Board of Dexia Municipal Agency on December 1, 1999, pursuant to article 14 of CRBF standard 99-10.
Expense and income on these transactions are recorded in the income statement *prorata temporis* respectively as "Interest expense on macro-hedge transactions" and "Interest income from macro-hedge transactions". The contra entry is recorded in accruals until the date of payment of the funds.
If an early repayment transaction leads to the cancellation of macro-hedge swaps, the swap cancellation equalization payment is treated in the following way if the cancellation has taken place:

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

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

Monitoring market risks
Market risks refer to the risk of loss linked to fluctuations in market prices and interest rates, their interactions and levels of volatility.
Market risks linked to trading portfolios are not compatible with the activity of Dexia Municipal Agency. The Company cannot have a derivative instrument in an isolated open position. All derivatives used by Dexia Municipal Agency are part of a hedging strategy, either micro- or macro-hedges.
The policy of Dexia Municipal Agency is to avoid any foreign exchange risk. Market risks related to foreign exchange transactions are eliminated from the start by currency swaps when an asset or liability that is not denominated in euros is recorded on the balance sheet.
General accounting verifies that at each closing there is no foreign exchange risk.
The market back office and market accounting units regularly control the symmetry of micro-hedge swaps.

f. Foreign currency transactions

Pursuant to CRBF standard 89-01, amended by standard 90-01 of February 23, 1990, Dexia Municipal Agency records foreign currency transactions in accounts opened and denominated in each of the currencies used.
Specific foreign exchange position accounts and foreign exchange position equivalent accounts are opened in each currency.
At the end of each accounting period, the differences between the amounts resulting from a market price valuation of the foreign exchange position accounts at the date of closing and the amounts recorded in the foreign exchange position equivalent accounts are recorded in the income statement.

g. Foreign exchange transactions

In the course of systematic hedging of its foreign exchange risk, Dexia Municipal Agency enters into currency swaps. These currency swaps are initiated to eliminate the risk of foreign exchange rate fluctuations that might affect an asset or liability as soon as such a risk is recognized. They are mainly used to hedge certain bond issues and, in the assets, certain debt securities and customer loans.
Results of foreign exchange hedging transactions are accounted for by recording the difference between the hedging rate and the spot rate – contango or backwardation – *prorata temporis* in the income statement.

h. Non-recurring income and expense

Non-recurring income and expense result from events or transactions that do not relate to ordinary business operations or routine management of the Company's assets and liabilities.
Furthermore, the income or expense involved does not depend on decisions taken within the framework of usual management of the Company's activities or assets, but results from external events of a completely exceptional nature. Only items of this nature that have a significant impact on the period's net income are recorded as non-recurring income and expense.

i. Tax consolidation

Dexia Municipal Agency applies the tax consolidation system.
Dexia Municipal Agency and its parent company Dexia Credit Local are lodged in a tax consolidation structure. Since January 1, 2002, the consolidating company has been Dexia SA's permanent establishment in France.
This entity pays the total tax owed by the companies in the tax group and the minimum corporate income tax payment for the group. Dexia Municipal Agency records in its accounts the amount of tax for which it would be liable if it were not a member of the tax group.
Tax savings realized by the tax group are recorded in the accounts of Dexia SA's permanent establishment in France.

j. Offices and activities in uncooperative states and territories

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

Dexia Credit Local
Tour Dexia La Défense 2
1, passerelle des Reflets
92913 La Défense Cedex
France

2. NOTES TO THE ASSETS (EUR millions)

2.1 - CENTRAL BANKS

	6/30/2011	12/31/2011	6/30/2012
Mandatory reserves	-	-	-
Other deposits	-	2,198	500
TOTAL	**0**	**2,198**	**500**

2.2 - GOVERNMENT AND PUBLIC ENTITY SECURITIES ELIGIBLE FOR CENTRAL BANK REFINANCING

a. Accrued interest included in this item: 32

b. Analysis by residual maturity excluding accrued interest

Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total
0	0	594	2,580	3,174

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

	Amount as of 6/30/2011	Amount as of 12/31/2011	Amount as of 6/30/2012	Unrealised capital loss as of 6/30/2012
Listed securities (1)	3,488	3,456	3,174	(4)
Other securities	-	0	-	-
TOTAL	**3,488**	**3,456**	**3,174**	**(4)**

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

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

PORTFOLIO	Gross amount as of 6/30/2011	Gross amount as of 12/31/2011	Increases	Decreases	Other changes	Impairment as of 6/30/2012	Net amount as of 06/30/2012
Trading	-	-	-	-	-	-	-
Placement	732	731	0	(1)	0	(4)	726
Investment	2,760	2,729	0	(281)	0	0	2,448
TOTAL	**3,492**	**3,460**	**0**	**(282)**	**0**	**(4)**	**3,174**

e. Impairment breakdown by country
See note 2.9

2.3 - LOANS AND ADVANCES DUE FROM BANKS

a. Sight loans and advances due from banks

	6/30/2011	12/31/2011	6/30/2012
Sight accounts	-	22	49
Unallocated sums	12	12	11
TOTAL	**12**	**34**	**60**

b. Time loans and advances due from banks

This item is essentially composed by loan benefiting from the assignment in guarantee of refinanced public debt to Dexia Credit local.
This item have also loans to Swiss cantonal banks, which benefit from a legal guarantee of their cantons for an amount of 949 millions (excluding accrued interest).
The balance concerns loans guaranteed (i) by local governments (loans to *crédits municipaux*) or (ii) by the assignment in guarantee of refinanced public debt.

a. Accrued interest included in this item: 26

b. Analysis by residual maturity excluding accrued interest

Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total
75	189	2,651	374	3,289

c. Analysis by initial maturity excluding accrued interest

	Net amount as of 6/30/2011	Net amount as of 12/31/2011	Gross amount as of 6/30/2012	Decrease in value as of 6/30/2012	Net amount as of 6/30/2012
Loans of less than 1 year (1)	376	0	-	-	-
Loans of more than 1 year	1,401	3,264	3,289	-	3,289
TOTAL	**1,777**	**3,264**	**3,289**	**-**	**3,289**

(1) It is mainly a question of a repurchase transaction for a period of three months.

d. Breakdown by counterparty

	6/30/2011	12/31/2011	6/30/2012
Swiss cantonal banks benefiting from their canton's legal guarantee	1039	974	949
Banks guaranteed by a local government, *crédits municipaux*	186	148	204
Credit institutions in the Dexia Group: loans benefiting from the assignment in guarantee of refinanced public debt	176	2142	2,136
Credit institutions in the Dexia Group: loans secured by public sector assets	376	0	-
TOTAL	**1,777**	**3,264**	**3,289**
- of which replacement assets	*376*	-	-

2.4 - CUSTOMER LOANS AND ADVANCES

a. Accrued interest included in this item: 804

b. Analysis by residual maturity excluding accrued interest

Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total
830	3,150	14,447	32,499	50,926

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

ECONOMIC SECTOR	6/30/2011	12/31/2011	6/30/2012
Public sector	50,498	48,868	47,191
Other sectors (1)	2,031	3,879	3,735
TOTAL	**52,529**	**52,747**	**50,926**

(1) Social Housing : OPHLM et S.A. d'HLM and other loans guaranteed by local governments.

d. Analysis by initial maturity excluding accrued interest

	Net amount as of 6/30/2011	Net amount as of 12/31/2011	Gross amount as of 6/30/2012	Impairment as of 6/30/2012	Net amount as of 6/30/2012
Loans of less than 1 year	-	8	3	-	3
Loans of more than 1 year	52,529	52,739	50,926	(3)	50,923
TOTAL	**52,529**	**52,747**	**50,929**	**(3)**	**50,926**

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

	Net amount as of 6/30/2011	Net amount as of 12/31/2011	Gross amount as of 6/30/2012	Impairment as of 6/30/2012	Net amount as of 6/30/2012
Performing commitments	52,508	52,722	50,894	-	50,894
Restructured commitments	-	-	-	-	-
Non-performing loans	20	16	28	(2)	26
Compromised non-performing loans	1	9	7	(1)	6
TOTAL	**52,529**	**52,747**	**50,929**	**(3)**	**50,926**

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

	6/30/2011	12/31/2011	Allocations	Reversals	Transfers	6/30/2012
For non-performing loans						
On loans	(1)	(1)	(0)	0	-	(1)
On interest	(1)	(1)	(0)	0	-	(1)
For compromised non-performing loans						
On loans	0	0	0	0	-	0
On interest	(1)	(1)	0	0	-	(1)
TOTAL	**(3)**	**(3)**	**0**	**0**	**-**	**(3)**

- Provisions on interest are recorded in Net banking income.
- Provisions on outstanding are recorded in Cost of risk.

g. Impairment breakdown by country
See note 2.9

2.5 - BONDS AND OTHER FIXED INCOME SECURITIES

a. Accrued interest included in this item: 43

b. Analysis by residual maturity excluding accrued interest

Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total
960	503	1,786	12,546	15,795

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

	6/30/2011	12/31/2011	6/30/2012
Public sector	1,961	2,230	2,024
Other sectors (guaranteed by a State or by a local government)	1,497	1,522	1,371
Other sectors (ABS) (1)	87	84	80
DCC – Dexia Crediop per la Cartolarizzazione	3,606	3,532	3,446
DSFB – Dexia Secured Funding Belgium (2)	6,911	6,712	6,399
Cedulas territoriales issued by Dexia Sabadell	3,000	3,000	1,300
Lettres de gage issued by Dexia LdG Banque	1,850	1,350	1,175
Dexia Crédit Local - certificates of deposit	600	0	-
TOTAL	**19,512**	**18,430**	**15,795**
- of which eligible for Central Bank refinancing	*5,675*	*5,192*	*1,843*
- assets assigned in guarantee to the central bank and removed from the cover pool	-	*3,000*	-
- of which replacement assets	*5,450*	*1,350*	*1,175*

(1)Asset-backed securities (ABS):
- Colombo : 4,34 (rated A S&P)
- ASTREA : 0,23 (rated A- Fitch, A3 Moody's)

The ABS Colombo and Astrea are entirely composed of Italian public sector commitments.
- Blue Danube Loan Funding : 75,90 (rated AA+ S&P – guaranteed by the Land of Lower Austria)

d. Replacement assets

	Rating	6/30/2011	12/31/2011	6/30/2012
Dexia Sabadell	Ba1 Moody's	3,000	-	-
Dexia LdG Banque	AA S&P	1,850	1,350	1,175
Dexia Crédit Local - Certificates of deposit	A+ Fitch, Baa2 Moody's, BBB S&P	600	-	-
TOTAL		**5,450**	**1,350**	**1,175**

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

	6/30/2011	12/31/2011	6/30/2012	Unrealized capital loss as of 6/30/2012
Listed securities	6,741	6,415	4,356	(62)
Other securities	12,771	12,015	11,439	0
TOTAL	**19,512**	**18,430**	**15,795**	**(62)**

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

PORTFOLIO	Net amount as of 6/30/2011	Net amount as of 12/31/2011	Gross amount as of 12/31/2011	Increases	Decreases or sales	Other changes	Impairment as of 6/30/2012	Net amount as of 6/30/2012
Trading	-	-	-	-	-	-	-	-
Placement	2,007	1,696	1,757	0	(41)	27	(62)	1,681
Investment	17,505	16,734	16,741	0	(2,633)	6	0	14,114
	19,512	**18,430**	**18,498**	**0**	**(2,674)**	**33**	**(62)**	**15,795**

g. Impairment breakdown by country

See note 2.9

2.6 - OTHER ASSETS

	6/30/2011	12/31/2011	6/30/2012
Other receivables	13	47	18
TOTAL	**13**	**47**	**18**

This item includes EUR 18 million in tax credit that Irish tax administration owe the Dublin branch.

2.7 - ACCRUALS AND OTHER ASSETS

	6/30/2011	12/31/2011	6/30/2012
Deferred losses on hedging transactions	1,483	1,958	2,136
Deferred charges on bond issues	347	361	54
Deferred charges on hedging transactions	232	212	195
Premiums on acquisition of loans from Dexia Credit Local	144	123	114
Premiums on acquisition of loans other than from Dexia Credit Local	0	12	11
Other prepaid charges	-	-	-
Accrued interest not yet due on hedging transactions	1,504	1,684	1,293
Translation adjustments	176	1,115	920
Other deferred income	-	-	-
Other accruals	41	33	5
TOTAL	**3,927**	**5,498**	**4,728**

2.8 - TOTAL ASSETS

Analysis by original currency	Amount in original currency as of 6/30/2011	Amount in euros as of 6/30/2011	Amount in original currency as of 12/31/2011	Amount in euros as of 12/31/2011	Amount in original currency as of 6/30/2012	Amount in euros as of 6/30/2012
EUR	69,635	69,635	73,205	73,205	69,993	69,993
AUD	1,422	1,051	1,387	1,091	1,080	871
CAD	1,012	725	1,022	773	1,023	791
CHF	3,004	2,456	2,859	2,350	2,767	2,303
DKK	-	-	-	-	0	0
GBP	674	746	672	804	679	841
HKD	206	18	201	20	206	21
JPY	238,324	2,037	238,467	2,381	157,869	1,562
NOK	1,012	130	1,039	134	1,012	134
PLN	59	15	59	13	33	8
SEK	1,360	149	1,352	152	1,349	154
USD	7,625	5,262	7,450	5,741	3,447	2,717
TOTAL		**82,224**		**86,664**		**79,395**

2.9 - IMPAIRMENT BREAKDOWN BY COUNTRY

	Amount as of 6/30/2011	Amount as of 12/31/2011	Amount as of 6/30/2012
Government and public entity securities eligible for Central Bank refinancing - *placement* securities	**(4)**	**(4)**	**(4)**
Spain	-	0	0
Italy	(4)	(4)	(4)
Bonds and other fixed income securities - *placement* securities	**(25)**	**(61)**	**(62)**
Spain	(2)	(3)	(3)
France	-	0	0
Germany	(2)	(7)	(4)
Italy	(1)	(33)	(36)
United Kingdom	(20)	(18)	(19)
United States	-	-	-
Bonds and other fixed income securities - investment securities	**(7)**	**(7)**	**-**
Greece	(7)	(7)	-
Loans and advances to customers	**(3)**	**(3)**	**(3)**
France	(3)	(3)	(3)

2.10 BREAKDOWN OF GOVERNMENT BONDS ON A SELECTION OF EUROPEAN COUNTRIES ANS DEPRECIATION OF GREEK SOVEREIGN BONDS

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 taking into account accrued interests.

	12/31/2011					
	Spain	Ireland	Italy	Portugal	Greece	Total

State securities	-	-	500		326	**826**
Securities guaranteed by State	-	-	79		100	**179**
TOTAL	**-**	**-**	**579**	**-**	**426**	**1,005**

	6/30/2012					
	Spain	**Ireland**	**Italy**	**Portugal**	**Greece**	**Total**
State securities	-	-	500	-	-	**500**
Securities guaranteed by State	-	-	79	-	-	**79**
TOTAL	**-**	**-**	**579**	**-**	**-**	**579**

	12/31/2011					
	Spain	**Ireland**	**Italy**	**Portugal**	**Greece**	**Total**
Investment securities	-	-	500	-	426	**926**
Placement securities	-	-	79	-	-	**79**
TOTAL	**-**	**-**	**579**	**-**	**426**	**1005**
IMPAIRMENT	**-**	**-**	**(33)**	**-**	**(7)**	**(40)**

	6/30/2012					
	Spain	**Ireland**	**Italy**	**Portugal**	**Greece**	**Total**
Investment securities	-	-	500	-	-	**500**
Placement securities	-	-	79	-	-	**79**
TOTAL	**-**	**-**	**579**	**-**	**-**	**579**
IMPAIRMENT	**-**	**-**	**(36)**	**-**	**-**	**(36)**

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 french financial statements as of December 31, 2011. There is no impact in the profit and loss account of 2012.

3. NOTES TO THE LIABILITIES (EUR millions) :

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 the commercial production when the covered bonds market was closed
- since October 2011, for the *Cedulas Territoriales* securities financing further the rating downgrading.

	6/30/2011	12/31/2011	6/30/2012
Overnight borrowing	-	-	-
Time borrowing	-	2,700	1,200
Accrued interest	-	0	0
TOTAL BANQUE DE FRANCE	**-**	**2,700**	**1,200**

3.2 DUE FROM BANKS

This item includes the balance of the account opened with Dexia Crédit Local. This account is intended to finance the needs of Dexia Municipal Agency related to its activity, in particular, to finance loans prior to the issue of *obligations foncières* as well as the structural over-collateralization of the assets.
Sub-accounts make it possible to distinguish between the financing of over-collateralization and the financing of assets prior to issue. The whole account totaled EUR 8,159 million (excluding accrued interest):
- the current account, indexed on Eonia, with a balance of EUR 5,055 million;
- bank account - sight accounts, which a balance of EUR 4 million;
- a long-term borrowings earmarked to finance the structural over-collateralization of 5%. This borrowing totaled EUR 3,100 million as of June 30, 2012; it is indexed on the annual money market rate (TAM).

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

	6/30/2011	12/31/2011	6/30/2012
Credit institutions - sight accounts	-	-	4
Current account	6,968	5,999	5,055
Interest accrued not yet due	7	5	-
Long-term borrowing	3,500	3,500	3,100
Interest accrued not yet due	17	13	9
Unallocated sums	11	8	4
TOTAL	**10,503**	**9,525**	**8,172**

Analysis by residual maturity excluding accrued interest

	Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total
Sight	5,063	-	-	-	5,063
Time	-	300	920	1,880	3,100
TOTAL	**5,063**	**300**	**920**	**1,880**	**8,163**

3.3 - DEBT SECURITIES

a. Debt securities (*obligations foncières*)

a. Accrued interest included in this item: 947

b. Analysis by residual maturity excluding accrued interest

Type of securities	Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total
Obligations foncières	195	6,828	22,467	25,607	55,097
of which issue premiums (1)	-	-	(32)	(84)	(116)

(1) The gross amount, before amortization, of issue premiums totaled EUR 194.9 million.

c. Changes during the year excluding accrued interest

12/31/2011	Increases	Decreases	Translation adjustments	6/30/2012
60,128	21	(5,266)	214	55,097

b. Other bonds (registered covered bonds)

a. Accrued interest included in this item: 97

b. Analysis by residual maturity excluding accrued interest

Type of securities	Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total
Registered covered bonds	-	-	122	4,123	4,245
of which issue premiums (1)	-	-	0	(5)	(5)

(1) The gross amount, before amortization, of issue premiums totaled EUR 6,8 million.

c. Analysis by residual maturity excluding accrued interest

12/31/2011	Increases	Decreases	Translation adjustments	6/30/2012
4,252	1	(8)	-	4,245

3.4 - OTHER LIABILITIES

	6/30/2011	12/31/2011	6/30/2012
Cash collateral received	1,364	2,498	3,209
Accrued interest not yet due on cash collateral received	-	0	0
Taxes	4	2	43
Balances to pay on unwound hedging contracts	-	0	-
TOTAL	**1,368**	**2,500**	**3,252**

3.5 - ACCRUALS AND OTHER LIABILITIES

	6/30/2011	12/31/2011	6/30/2012
Deferred gains on hedging transactions	0	-	-
Deferred income on hedging transactions	1,856	2,361	2,529
Deferred income on loans	229	19	20
Discounts on acquisition of loans from Dexia Credit Local	0	158	139
Discounts on acquisition of loans from Other Group entities	0	66	62
Accrued interest not yet due on hedging transactions	1,424	1,394	1,265
Other accrued charges	28	27	28
Translation adjustments	613	673	717
Other accruals	13	8	28
TOTAL	**4,163**	**4,706**	**4,789**

3.6 - PROVISIONS FOR RISKS AND CHARGES, DEFERRED TAX LIABILITIES AND REGULATED PROVISIONS

a. Provision for risks on financial instruments

Amount as of 6/30/2011	Amount as of 12/31/2011	Increases	Decreases	Translation adjustments	Amount as of 6/30/2012
19	44	9	(1)	0	**52**

b. Deferred tax liabilities

This item principally concerns the deferred tax on the Dublin Branch. On June 30, 2012, the amount of deferred tax is equal to EUR 38 millions.

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

Amount as of 6/30/2011	Amount as of 12/31/2011	Increases	Decreases	Translation adjustments	Amount as of 6/30/2012
70	69	4	-	-	73

3.7 EQUITY

	6/30/2011	12/31/2011	6/30/2012
Share capital	1,300	1,300	1,315
Legal reserve	44	44	44
Retained earnings (+/-)	13	13	3
Net income (+/-)	38	5	71
TOTAL	**1,395**	**1,362**	**1,433**

On May 24, 2012, the Ordinary and Extraordinary Shareholders' Meeting decided:

(i) to allocate the 2011 net income of EUR 5 million to retained earnings, constituing income for distribution of EUR EUR 18 million, after allocation to the legal reserve;

(ii) to distribute a dividend of EUR 15 million;

(iii) to increase the capital in cash by EUR 15 million. This capital increase was subscribed by Dexia Credit Local and enacted on May 30, 2012.

Dexia MA's share capital totaled EUR 1,315 million, comprising 13,150,000 shares with a face value of EUR 100.

3.8 - TOTAL LIABILITIES

Analysis by original currency	Amount in original currency as of 6/30/2011	Amount in euros as of 6/30/2011	Amount in original currency as of 12/31/2011	Amount in euros as of 12/31/2011	Amount in original currency as of 6/30/2012	Amount in euros as of 6/30/2012
EUR	69,635	69,635	73,205	73,205	69,993	69,993
AUD	1,422	1,051	1,387	1,091	1,080	871
CAD	1,012	725	1,022	773	1,023	791
CHF	3,004	2,456	2,859	2,350	2,767	2,303
DKK	0	0	0	0	0	0
GBP	674	746	672	804	679	841
HKD	206	18	201	20	206	21
JPY	238,324	2,037	238,467	2,381	157,869	1,562
NOK	1,012	130	1,039	134	1,012	134
PLN	59	15	59	13	33	8
SEK	1,360	149	1,352	152	1,349	154
USD	7,625	5,262	7,450	5,741	3,447	2,717
TOTAL		**82,224**		**86,664**		**79,395**

3.9 - TRANSACTIONS WITH RELATED PARTIES

Analysis by nature	Parent company and entities consolidated by Dexia Credit Local			Other related parties(1)		
	6/30/2011	12/31/2011	6/30/2012	6/30/2011	12/31/2011	6/30/2011
ASSETS						
Loans and advances due from banks - sight	-	-	-	-	-	-
Loans and advances due from banks - time	553	2,154	2,146	-	-	-
Bonds and other fixed income securities	7,227	6,557	4,757	8,782	1,351	1,175
LIABILITIES						
Due to banks - sight	6,975	6,004	5,055	-	-	-
Due to banks - time	3,517	3,513	3,109	-	-	-
INCOME STATEMENT						
Interest income on loans and advances	6	35	37	-	-	-
Interest income on debt securities	50	119	39	60	23	7
Interest expense on borrowings	(171)	(143)	(39)	-	-	-
Net commissions	(3)	(4)	(3)	-	-	-
OFF-BALANCE SHEET						
Interest rate derivatives	132,385	119,212	102,948	5,457	-	-

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

4.1 - COMMITMENTS GRANTED

	6/30/2011	12/31/2011	6/30/2012
Financing commitments granted to credit institutions	4	0	0
Financing commitments granted to customers (1)	1,249	660	870
Other commitments given, securities assigned in guarantee (2)	-	3,037	103
TOTAL	**1,253**	**3,697**	**973**

(1) Financing commitments on loans and advances correspond to contracts signed for loans not yet paid out to customers as of June 30.
(2) These commitments referred to assets assigned in guarantee to the Banque de France. The assets are presented at their fair value: their nominal value is EUR 103 millions.

4.2 - COMMITMENTS RECEIVED

	6/30/2011	12/31/2011	6/30/2012
Financing commitments received from credit institutions (1)	4,374	5,755	7,078
Currencies borrowed	-	-	-
Guarantees received from credit institutions	6,451	6,478	6,221
Guarantees received from local governments and asset transfers as guarantees of commitments on local governments	5,470	7,770	7,941
Forward commitments (2)	-	725	-
TOTAL	**16,295**	**20,728**	**21,240**

(1) This concerns the refinancing agreement within the framework of the current account agreement between Dexia Credit Local and Dexia Municipal Agency.
(2) It concerns the forward commitment of Dexia Credit Local regarding the purchase of Greek and Iceland securities.

4.3 - FOREIGN CURRENCY TRANSACTIONS

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

	Amount as of 6/30/2011	Amount as of 12/31/2011	Amount as of 6/30/2012	Fair value as of 6/30/2012
Currencies to receive	17,270	17,800	14,031	783
Currencies to deliver	17,704	17,358	13,828	(903)
TOTAL	**34,974**	**35,158**	**27,859**	**(120)**

4.4 - COMMITMENTS ON INTEREST RATE DERIVATIVES

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

a. Analysis of over-the-counter interest rate transactions by residual maturity

Type of transaction	Amount as of 12/31/2011	Less than 1 year (1)	1 year to 5 years (2)	More than 5 years (3)	Total
Unconditional transactions	204,257	62,310	60,001	64,131	186,442
(1) of which deferred start	*9,190*				
(2) of which deferred start	*91*				
(3) of which deferred start	*1,302*				
Total	*10,583*				

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

b. Analysis of interest rate transactions by product type

	6/30/2011	12/31/2011	6/30/2012
Interest rate swaps	217,929	204,257	186,442
Term contracts	-	-	-
Interest rate options	-	-	-
TOTAL	**217,929**	**204,257**	**186,442**

c. Analysis of interest rate swap transactions

	6/30/2011	12/31/2011	6/30/2012	Fair value as of 6/30/2012
Micro-hedge	79,175	78,245	76,765	(116)
Macro-hedge	138,754	126,012	109,677	(2,950)
TOTAL	**217,929**	**204,257**	**186,442**	**(3,066)**

d. Analysis of interest rate transactions by counterparty

	6/30/2011	12/31/2011	6/30/2012
Parent and other Dexia Group companies	151,740	119,212	102,948
Counterparties with equity interests	-	-	
Other counterparties	66,189	85,045	83,494
TOTAL	**217,929**	**204,257**	**186,442**

4.5 - COMMITMENTS RELATED TO SECURITIES TRANSACTIONS

	6/30/2011	12/31/2011	6/30/2012
Securities purchased:			
Spot	-	-	-
Forward	-	-	-
TOTAL	**-**	**-**	**-**

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

5.0. - INTEREST AND RELATED INCOME / EXPENSE

(En EUR millions)	Montant au 30/06/2011	Montant au 30/06/2012
INTEREST AND RELATED INCOME	**2,794**	**1,826**
Due from banks	28	56
Due from customers	1,764	1,123
Bonds and other fixed income securities	162	182
Macro-hedge transactions	840	465
Other commitments	-	-
INTEREST AND RELATED EXPENSE	**(2,673)**	**(1,645)**
Due to banks	(80)	(52)
Due to customers	(1,039)	(454)
Bonds and other fixed income securities	(451)	(410)
Macro-hedge transactions	(1,103)	(729)
Other commitments	-	-
INTEREST MARGIN	**121**	**181**

5.1 - GENERAL EXPENSES

Dexia Municipal Agency has no salaried employees in accordance with article L.515-22 of the Monetary and Financial Code. Within the framework of its management contract, Dexia Credit Local conducts all operations, transactions and functions of all types on behalf of Dexia MA.
In addition, specific management contracts grant different entities of the Dexia Group the management of loans and securities in their respective countries (Kommunalkredit Austria and Dexia Bank Belgium, former subsidiaries of Dexia, as well as Dexia Crediop and Dexia Credit Local Canada Branch).
General operating expense can be broken down as follows.

	1H 2011	1H 2012
Taxes	(4)	(4)
Other general operating expense*	(45)	(44)
TOTAL	**(49)**	**(48)**

**This item mainly includes the management commissions billed by Dexia Credit Local and other Group companies to Dexia Municipal Agency under the management contracts they have signed, i.e. EUR 43 million.*

5.2 - ANALYSIS OF COMMISSIONS PAID

	1H 2011	1H 2012
Commission for business brokerage and securities portfolio management billed by Dexia Crediop	(3)	(3)
Commission paid on securities transactions	(1)	(1)
TOTAL	**(4)**	**(4)**

5.3 - ANALYSIS OFGAINS AND LOSSES ON PORTFOLIO TRANSACTIONS

	1H 2011	1H 2012
Transactions on *placement* securities (1)	3	(8)
Transactions on investment securities	(6)	-
Transactions on interest rate derivatives	-	-
Foreign exchange transactions	-	-
TOTAL	**(3)**	**(8)**

(1) This item regroups capital gains and losses on sales and provisions/reversals on this portfolio. Amount are presented after swap.

5.4 - CORPORATE INCOME TAX

	1H 2011	1H 2012
Income tax for the year	(23)	(47)
Deffered tax	(1)	2
TOTAL	**(24)**	**(45)**

The tax rate used for 2011 is 36.10% for France.
The tax rate used for the Dublin branch is 12.50%

DEXIA
MUNICIPAL
AGENCY

5 STATUTORY AUDITORS' REPORT

(French Gaap)

Statutory auditors' review report on the first half-year financial information for 2012
Period from January 1st, 2012 to June 30th, 2012

This is a free translation into English of the statutory auditors' review report issued in French and is provided solely for the convenience of English speaking readers. This report includes information relating to the specific verification of information presented in the interim management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

In compliance with the assignment entrusted to us by the Shareholder's Meeting and in accordance with the requirements of article L. 451-1-2 III of the French Monetary and Financial Code (*"Code monétaire et financier"*), we completed:

- the review of the accompanying half-year financial statements of Dexia Municipal Agency, for the period from January 1st, 2012 to June 30th, 2012;
- the verification of the information contained in the interim management report.

These half-year financial statements have been prepared under the responsibility of the Board of Directors. Our role is to express our conclusion on these financial statements, based on our review.

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical 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, we did not identify any material misstatements that would cause us to believe that the interim financial statements do not present fairly, in all material aspects, the results of operations for the six-month period ended June 30th, 2012 and the financial position of Dexia Municipal Agency and its assets at that date, in accordance with accounting rules and principles applicable in France.
Without qualifying our conclusion, we draw your attention to note 1.2.C « Highlights » to the half-year financial statements regarding the particular financial situation of Dexia Group.

2. Specific verification

We have also verified the information presented in the interim management report commenting the half-year financial statements subject to our review.

We have no matters to report as to its fair presentation its and consistency with the half-year financial statements.

Courbevoie and Neuilly-sur-Seine, August 31st, 2012

The Statutory Auditors

French original signed by

MAZARS		DELOITTE & ASSOCIÉS	
Hervé HELIAS	Virginie CHAUVIN	José Luis GARCIA	Charlotte VANDEPUTTE