DEXIA
MUNICIPAL
AGENCY

FINANCIAL REPORT

As of March 31, 2012

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1 MANAGEMENT REPORT

For the period January 1 to March 31, 2012

(1. FIRST QUARTER HIGHLIGHTS

1.1 SITUATION OF THE COVERED BOND MARKET

Issues of euro-denominated covered bonds in the primary market in the first quarter of 2012 totaled EUR 46 billion for jumbo varieties (versus a record of EUR 88 billion in the first quarter of 2011) and EUR 6 billion for sub-jumbo issues (between EUR 500 million and 1,000 million). These small volumes primarily reflelcted the significant amount of cash the ECB made available to banks through long-term refinancing operations (LTRO), which reduced the banks' need for covered bond refinancing.
French issuers remained the most active and accounted for more than 36% of the volume issued, while German and Austrian investors maintained their lead with 44% of the total. Central banks were more active than in the same period of 2011, within the framework of their covered bond purchasing programme (CBPP2), and they accounted for approximately 12% of total purchases. Maturities were comparable with those reported in the previous year, i.e. 57% of total issues had maturities of five years or less, versus 59% in the first quarter of 2011, and 37% of the issues were at ten years or more, compared with 33% in the first quarter of 2011. Although new issue premiums (in relation to spreads in the secondary market) were high at the beginning of the year, they tightened significantly during the quarter. In the secondary market, average spreads for covered bonds declined sharply during the reporting period.
Dexia Municipal Agency issued no bonds in the first quarter, in light of the absence of new assets to finance and the project under way to change its shareholding structure and its supplier of assets.
The spread of Dexia MA bonds tightened significantly during the quarter, from the launch of a takeover project by the French State, CDC and La Banque Postale.

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*.

1.3 FINANCIAL SITUATION OF THE DEXIA GROUP

In a still difficult economic environment and a financial context that continues to be marked by sharp volatility, Dexia pursues its restructuring efforts in line with the Group's objectives. The Belgian, French and Luxembourg States submitted an orderly plan to the European Commission on March 21, 2012, to enable the Group to find a solution. This plan provides details on the Group's strategy, business plan, and perspectives, with particular focus on the disposal of its operating entities and on the setting up of a definitive funding guarantee in the amount of EUR 90 billion.

The 2012 funding programme of the Dexia Group will be mainly based on guaranteed funding issued within the framework of the temporary guarantee agreement validated by the European Commission on December 21, 2011, as well as on funding by the central bank.

The funding profile of the Dexia Group has evolved in a favorable manner since the end of December 2011. As of March 31, 2012, the Group's short-term funding needs totaled EUR 61 billion, compared with EUR 88 billion at the end of December 2011. The plan the States presented to the European Commission provides for a guarantee of EUR 90 billion, calibrated to cover the Group's long-term funding needs. The implementation of this definitive guarantee remains subject to the validation of the plan the States submitted to the European Commission. A temporary agreement on the guarantee, in force until May 31, 2012, authorized the issue of a maximum of EUR 45 billion of this guarantee. Discussions with the European Commission concerning the plan are being pursued and have led to a request to extend the temporary agreement on the guarantee. On June 6, 2012, the European Commission approved a EUR 10 billion increase in the ceiling of the temporary guarantee granted to Dexia by France, Belgium and Luxembourg. The ceiling has thus been raised to EUR 55 billion. This measure has been extended until September 30, 2012.

For the period ended March 31, 2012, Dexia published interim financial statements. This disclosure presents the most significant recent transactions and events, as well as their impact on the Group's financial situation. This document is based on non-audited figures as of March 31, 2012. The Dexia Group reported a net loss, Group share, of EUR -431 million for the first quarter of 2012, of which EUR -416 million were linked to ongoing operations and EUR -15 million to discontinued activities.
The quarter's result was mainly impacted by non-recurring items in a pre-tax total of EUR -286 million and by the cost of the guaranteed funding issued as of December 2011 within the framework of the temporary guarantee agreement. The fees paid over the quarter to the Belgian, French and Luxembourg States, based on outstanding guaranteed debt, amounted to EUR -128 million before taxes, of which EUR -79 million for the guaranteed debt issued under the 2011 temporary guarantee agreement.

As of March 31, 2012, the Tier I ratio stood at 7.0% (compared with 7.6% at the end of December 2011), and the Core Tier I ratio was 6.7% (compared with 6.4% at the end of December 2011).

The liquidity situation of Dexia Credit Local, Dexia MA's parent company, remains difficult and still requires emergency facilities drawn from central banks, in addition to the funding issued through the States' guarantees.

This situation had no impact on the capacity of Dexia MA to redeem its *obligations foncières* at maturity or to maintain its level of over-collateralization. Dexia MA, in fact, has a cash surplus in the cover pool and the projected cash flows for 2012-2013 do not require calling on Dexia Credit Local for further funding.

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

Dexia, Caisse des Dépôts and La Banque Postale, with representatives of the French State, continue to work on the implementation of this project, which has been submitted for approval to the European Commission and to the competent regulatory authorities, and presented to employee representatives for their opinion.

The main tenets of this agreement are presented below.

Dexia, Caisse des Dépôts, La Banque Postale and the French State signed a preliminary agreement on February 10, 2012, which was complemented by a protocol of intention validated on March 15, 2012, and signed by all the parties in order to ensure continued financing for the local public sector in France.
The arrangement, which the parties defined in common, is built around two main themes:
• the creation of a joint venture, as planned in the initial agreement, held respectively for 65% and 35% by La Banque Postale and Caisse des Dépôts, which will market new loans to French local governments;
• the creation of a new credit institution held for 68.3% by a public sector holding company and for 31.7% by Dexia Credit Local. This new credit institution will be the parent company of Dexia Municipal Agency, which it will fully own and manage. It will also manage the industrial platform that serves Dexia Municipal Agency and certain activities of the joint venture and the Dexia Group.
Eligible loans granted by the joint venture will be refinanced by Dexia Municipal Agency.

The public-sector holding company will be held by the French State (46.35%), Caisse des Dépôts (46.35%) and La Banque Postale (7.3%).

This preliminary agreement was approved on February 10, 2012, by the Board of Directors of Dexia SA, and on February 13 by the Board of Directors of Dexia Credit Local. The Supervisory Board of Dexia Municipal Agency enacted the terms of this negotiation at its meeting on February 15, 2012, and in principle, gave its approval to the projected disposal of its shares to the benefit of the new structure.

No other disposal of assets on Dexia Municipal Agency's balance sheet is required prior to the sale of the entity. Dexia is to provide Dexia Municipal Agency with, on the one hand, guarantees concerning a portfolio of EUR 10 billion in structured loans signed with

French local governments and, on the other hand, a guarantee in the event of annual losses of more than ten basis points on the total outstanding amount, i.e. more than ten times the level of the historical loss of Dexia Municipal Agency. In addition, Dexia will benefit from a counter-guarantee of the French State on this portfolio of structured loans for 70% of the losses exceeding EUR 500 million.

The preliminary agreement signed on February 10, 2012, stipulates that La Banque Postale will benefit from call options on the total percentage held by Dexia Credit Local in the new credit institution, which can be exercised in function of the development of the joint venture's business, until 2020.

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 defines 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 sold to Dexia MA represented EUR 16. 9 billion as of the end of March, 2012.

The total number of customers who assigned Dexia Credit Local for structured loans was 24 at the end of May 2012. Twenty-three 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 will 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.

(2. CHANGES IN MAIN BALANCE SHEET ITEMS

EUR billions		12/31/2010	12/31/2011	3/31/2012	Change Mar. 2012 / Dec. 2011
Cover pool		**79.6**	**77.0**	**74.7**	**(3.0)%**
Central bank		-	2.2	1.9	(13.6)%
Loans		56.1	58.1	54.9	(5.5)%
Securities		23.5	18.9	17.9	(5.3)%
Assets assigned in guarantee to Banque de France		**-**	**3.2**	**1.4**	**(56.3)%**
Privileged debt	*Swapped value***	**64.9**	**65.6**	**64.1**	**(2.3)%**
Obligations foncières and RCB*	*Balance sheet value*	64.3	64.4	62.4	(3.1)%
Cash collateral received		1.3	2.5	2.6	4.0%
Non-privileged debt		**12.5**	**12.2**	**9.7**	**(20.5)%**
Dexia Credit Local		12.5	9.5	8.5	(10.5)%
Banque de France		-	2.7	1.2	(55.6)%
Equity IFRS (excluding unrealized gains and losses)		**1.3**	**1.3**	**1.4**	**7.7%**

** Registered covered bonds*

*** including cash collateral received*

As of March 31, 2012, Dexia Municipal Agency's cover pool, composed of loans and debt securities, totaled EUR 74.7 billion, excluding accrued interest not yet due. As of December 31, 2011, the total was EUR 77.0 billion, representing a decrease of EUR 2.3 billion (-3.0%).

Assets assigned in guarantee to the Banque de France, excluding the cover pool, declined significantly as certain *cedulas territoriales* reached maturity.

Outstanding debt benefiting from the legal privilege, translated if required at the currency swap rate (swapped value), was EUR 64.1 billion, including cash collateral received, down 2.3% from December 2011.

A decrease in privileged debt (EUR -1.5 billion) combined with a decline in the cover pool resulted in lower over-collateralization, which stood at 115.2% as of March 31, 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 8.5 billion. This amount corresponds to the financing of over-collateralization both structurally (commitment of Dexia MA and requirements of the rating agencies) and on a temporary basis (assets waiting to be refinanced by *obligations foncières*).

Equity, according to IFRS, but excluding reserves for unrealized gains and losses, totaled EUR 1.4 billion at the end of March 2012.

(3. CHANGES IN ASSETS IN THE FIRST QUARTER OF 2012

3.1 ASSET PRODUCTION

The net change in assets since the beginning of the year was a decrease of EUR 2.3 billion. The change can be analyzed as follows.

EUR billions	2011			1st quarter 2012		
	Loans	Debt securities	Total	Loans	Debt securities	Total
France	6.4	2.4	8.8	0.2	-	0.2
Outside of France	2.4	2.6	5.0	0.1	-	0.1
Total new assets	**8.8**	**5.0**	**13.8**	**0.3**	**-**	**0.3**
Amortization	(6.0)	(6.1)	(12.1)	(1.4)	(2.1)	(3.5)
Early reimbursements	(0.6)	(0.4)	(1.0)	(0.3)	-	(0.3)
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)**	**(1.3)**	**(1.0)**	**(2.3)**
Foreign exchange adjustments*	0.0	0.0	0.0	0.0	(0.0)	0.0
Net change*	**2.0**	**(4.6)**	**(2.6)**	**(1.3)**	**(1.0)**	**(2.3)**

** 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 0.3 billion.

EUR billions	2011		1st quarter 2012	
Loans		**8.8**		**0.3**
Canada	0.2		0.1	
Spain - cedulas territoriales *	0.3			
France				
- commercial loans	2.6		0.2	
- 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**		**0.3**

* 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 0.2 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 MARCH 31, 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*, pledged to the central bank, 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	3/31/2012
France	66.0	66.3
Belgium	9.4	9.4
Italy	9.8	10.0
Switzerland	5.4	5.5
Spain	0.7	0.7
United Kingdom	3.3	3.4
Luxembourg	1.7	1.6
Subtotal	**96.3**	**96.9**
Other countries	3.7	3.1
TOTAL	**100.0**	**100.0**

As of March 31, 2012, exposures on "Other countries" could be broken down as follows.

Other countries (%)	12/31/2011	3/31/2012
Germany	1.3	1.3
Greece	0.5	-
Austria	0.4	0.4
Sweden/Finland	0.4	0.4
United States	0.3	0.3
Canada	0.3	0.5
Portugal	0.2	0.2
Iceland	0.2	-
Japan	0.1	-
TOTAL	**3.7**	**3.1**

b. Replacement assets

As of March 31, 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 *Lettres de gage* for EUR 175 millions in the first quarter.
Replacement assets are solely composed of *lettres de gage* (Dexia Group covered bonds rated AAA by S&P as of March 31, 2012). Replacement assets, excluding the balance of current bank accounts, accounted for 1.9% of oustanding *obligations foncières* and registered covered bonds, totaling EUR 61.5 billion in swapped value. Current legislation limits their amount to 15%.

Replacement assets	**Country**	**Issuer**	EUR millions	
			12/31/2011	**3/31/2012**
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**	**13**
TOTAL			**1,372**	**1,188**
Removed from the cover pool *Cedulas territoriales*	Spain	Dexia Sabadell	3,000	1,300

c. Assets removed from the cover pool

As of December 31, 2011, Dexia MA decided to assign in guarantee to the Banque de France, until maturity, all its *cedulas territoriales*, rated Baa2 / on review for downgrade by Moody's.
In addition, several French loans were assigned to the Banque de France to cover the fluctuations in the market value of the *cedulas territoriales*. These assets were removed from the cover pool and from the calculation of the over-collateralization ratio.

Assets pledged to the Banque de France	**Country**	**Issuer**	**ISIN code**	**Maturity**	EUR millions **3/31/2012**
Cedulas territoriales	Spain	Dexia Sabadell	ES0426396166	8/28/2012	800
Cedulas territoriales	Spain	Dexia Sabadell	ES0426396174	1/3/2013	500
Other public sector loans	France				117
TOTAL					**1,417**

As of March 31, 2012, the pledge of these assets allowed Dexia MA to borrow EUR 1.2 billion from the Banque de France within the framework of its weekly tenders.

d. Concentration by borrower

As of March 31, 2012, the 20 largest exposures (excluding replacement assets) represented 18.2% of the cover pool.
The balance of the Banque de France account represented the largest exposure, i.e. 2.5% 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 in 2011, 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 March 31, 2012.
[Pas de trait-d'union dans "United Kiingdom".]

EUR millions	Ratings as of 3/31/2012 ***	12/31/2011	3/31/2012
France*	AAA/Aaa/AA+	211	211
United Kingdom	AAA/Aaa/AAA	672	654
Germany	AAA/Aaa/AAA	12	12
Italy	A-/A3/BBB+	552	552
Greece**	B-/C/SD	414	-
Iceland**	BBB-/Baa3/BBB-	145	-
TOTAL		**2,006**	**1,429**

**Excluding the Banque de France sight account*
*** Exposures sold in January 2012*
**** Fitch, Moody's, S&P*

In its financial statements as of June 30, 2011, Dexia MA recorded a depreciation of EUR 7 million on its direct exposures to Greece in order to respect Dexia's commitments in the assistance program of the IIF (Institute of International Finance).

Since then, to avoid larger losses at its subsidiary, Dexia Credit Local committed to purchase all of Dexia MA's Greek and Icelandic exposures, with no additional loss compared with the first-half accounts. This commitment was materialized in 2011 by a transfer agreement whereby Dexia MA sold the portfolio to Dexia Credit Local, executed in January 2012.

In Dexia MA's quarterly IRFS financial statements, 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 was recorded in cost of risk (out of the net banking income). The overall impact of the operation on net income was therefore nil.

Exposures on 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 between Dexia MA and its parent.

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	3/31/2012
Specific impairment	3.2	2.8
Collective impairment	17.7	18.8
Total	**20.9**	**21.6**

Non-performing loans amounted to EUR 34.2 million at the end of March 2012, representing less than 0.05% of the total cover pool (EUR 74.7 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.

The non-performing and compromised non-performing loans concern customers that represent a definite credit risk (non-performing loans: EUR 22.6 million) and customers with unpaid loans corresponding to disagreement on the amount due (compromised non-performing loans: EUR 11.6 million). For compromised non-performing loans, no provision was recorded in Dexia MA's financial statements for these unpaid amounts resulting from litigation about the marketing of loans by Dexia Credit Local.

France (EUR millions)	12/31/2011		3/31/2012	
	Non-performing loans	Compromised non-performing loans	Non-performing loans	Compromised non-performing loans
Municipalities	15.4	-	11.7	2.8
Departments	-	-	-	6.9
Group of municipalities	1.2	-	1.3	1.9
Public sector entities	11.7	-	9.6	-
Total	**28.3**	**-**	**22.6**	**11.6**

Non-performing and compromised non-performing loans are carried by a limited number of counterparties and turnover is frequent. In the first quarter of 2012, three files were resolved and 11 new cases were identified.

Non-performing loans (number of files)	12/31/2011		3/31/2012	
	Non-performing loans	Compromised non-performing loans	Non-performing loans	Compromised non-performing loans
Beginning of the year	17	-	25	-
New	17	-	1	10
Outgoing	9	-	3	-
End of the year	**25**	**-**	**23**	**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.

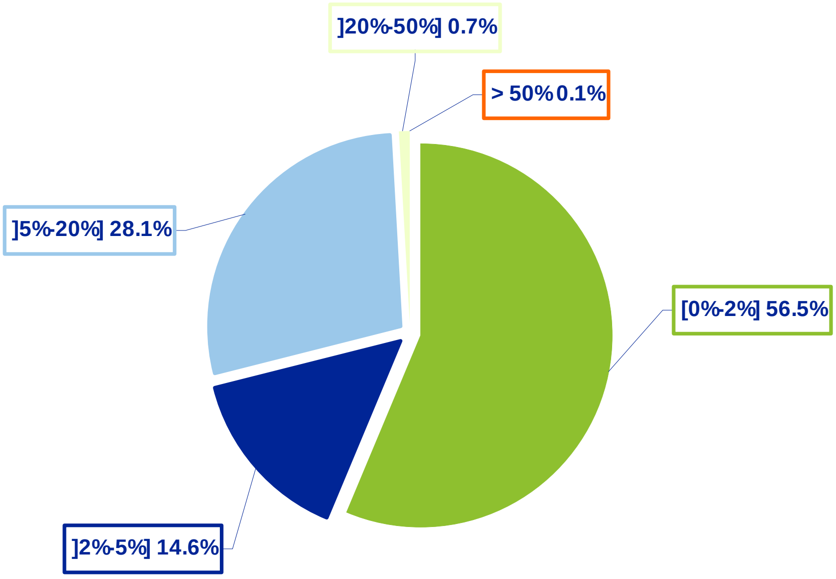
As of March 31, 2012, the overall AFS reserve, before taxes, was EUR -303 million, versus EUR -398 million as of December 31, 2011. For the most part, this change corresponded for EUR -82 million to the improvement in value of Italian sovereign issues.

The amount of the AFS reserve for Italian sovereign issues was EUR -178 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 March 31, 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 more than 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 has a solvency ratio of more than 25% as of March 31, 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	3/31/2012 EUR millions	Monoline Insurer
Communauté urbaine de Lille	France	US203403AB67	8.6	AMBAC
Ville de Tours	France	FR0000495517	1.0	MBIA
Ville de Tours	France	FR0000495632	8.5	MBIA
Feria internacional de Valencia	Spain	ES0236395036	50.0	FSA
TOTAL			**68.1**	

They represent less than 0.1% of the assets of Dexia MA. Credit enhancement was not a factor in the decision to invest in these bonds given the quality of the issuers.

Exposure in the form of asset-backed securities (ABS)

At the end of March 2012, Dexia MA had a limited number of exposures in the form of amortizable securitization units, totaling EUR 10.0 billion, down 2.9% from December 31, 2011. These exposures are listed below.

	ISIN code	12/31/2010	3/31/2012
Dexia Secured Funding Belgium SIC (DSFB 1)	BE0933050073	1,412.1	1,383.4
Dexia Secured Funding Belgium SIC (DSFB 2)	BE0934330268	1,376.0	1,340.4
Dexia Secured Funding Belgium SIC (DSFB 4)	BE6000495752	3,924.6	3,780.1
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	2,091.1
Subtotal		**10,244.2**	**9,956.9**
Blue Danube Loan Funding GmbH	XS0140097873	77.7	77.7
Colombo SRL	IT0003156939	5.6	4.3
Societa veicolo Astrea SRL	IT0003331292	0.5	0.2
Subtotal		**83.9**	**82.3**
TOTAL		**10,328.1**	**10,039.2**

Most of these exposures are asset-backed securities especially designed by Dexia to transfer to Dexia MA exposures on Italian and Belgian local governments originated by 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 Baa3 / on review for downgrade by Moody's as of March 31, 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 A3 / 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, pledged 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 standards set by rating agencies for *sociétés de crédit foncier* (and other issuers of covered bonds). These interest rate and currency swaps all benefit from the same legal privilege as *obligations foncières*. For this reason, Dexia MA does not pay its derivative counterparties any collateral, whereas they have to pay Dexia MA unless they benefit from the agencies' highest short-term rating.

As of March 31, 2012, Dexia MA was exposed (positive fair value of the swaps) to fourteen banking counterparties. Ten of these paid collateral for EUR 2.6 billion, offsetting total exposure, and four paid none because of their very good short-term ratings. These four counterparties represented an exposure of EUR 191 million. All derivative exposures as of March 31, 2012, are listed below.

EUR millions	Notional amounts	%	Mark to Market -	Mark to Market +	Collateral received	Number of counterparties
Dexia Credit Local	18,264	16.2%	(3,243)	-	-	1
Dexia Crediop	1,397	1.3%	(585)	-	-	1
Other counterparties	92,973	82.5%	(4,300)	2,821	2,577	28
including Belfius	5,871	5.2%				1
Total	**112,634**	**100.0%**	**(8,128)**	**2,821**	**2,577**	**30**

Derivatives signed with external counterparties represented a total of 78.5% of outstanding long-term swaps.

Derivatives signed with the five largest external counterparties together represented 35.7% of the notional amounts and those signed with the Dexia Group 17.5%.

Short-term swaps (Eonia) are exclusively negotiated with Dexia Credit Local.

4. CHANGES IN DEBT BENEFITING FROM THE LEGAL PRIVILEGE IN THE FIRST QUARTER OF 2012

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

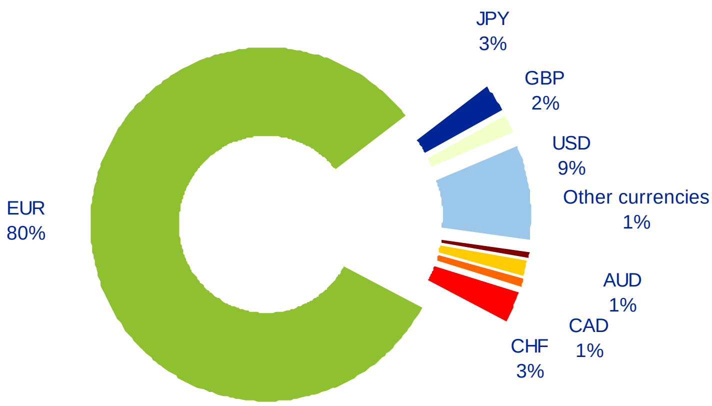
After the amortization of issues in the amount of EUR 1.4 billion and reimbursements of EUR 0.3 billion, outstanding *obligations foncières* and registered covered bonds totaled EUR 61.5 billion in swapped value at the end of March 2012.

EUR millions	**2011**	**1st quarter 2012**
Beginning of the year	63,565	63,152
Issues	6,101	-
Amortizations		(1,422)
Reimbursements	(6,514)	(261)
TOTAL	**63,152**	**61,469**

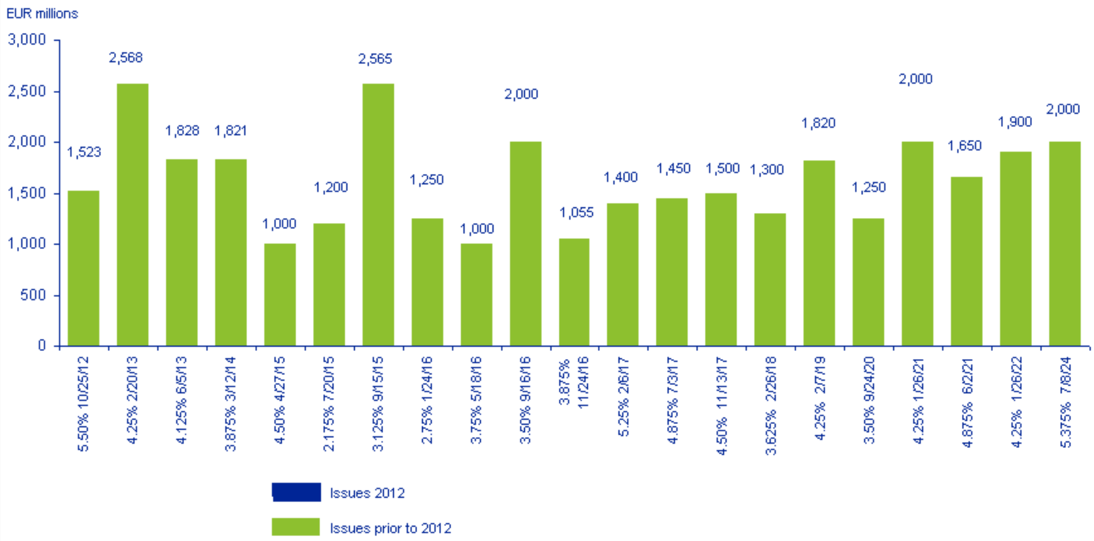
(swapped value)

The breakdown of outstanding debt by currency as of March 31, 2012, can be analyzed as follows.

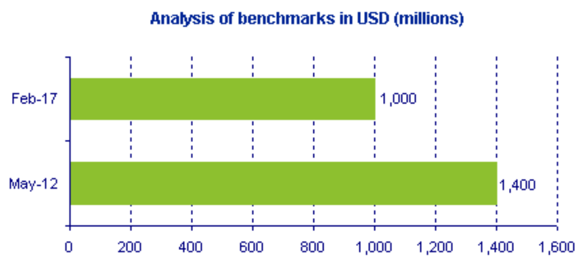
Outstanding debt by currency

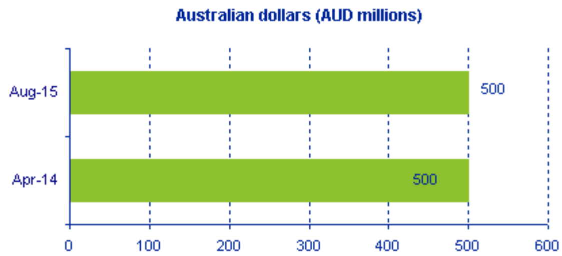


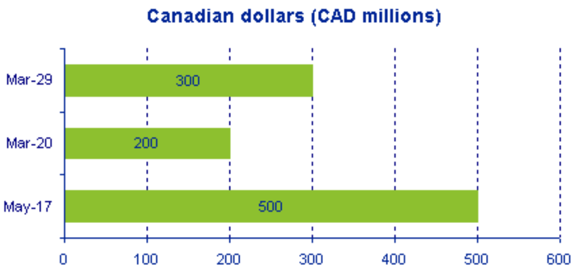
Analysis of benchmarks in EUR

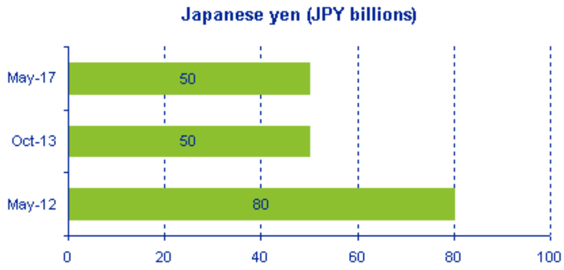


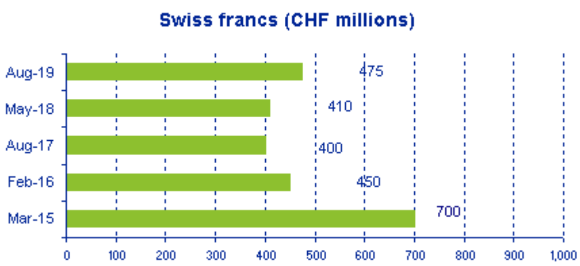
Main curves in non-euro currencies

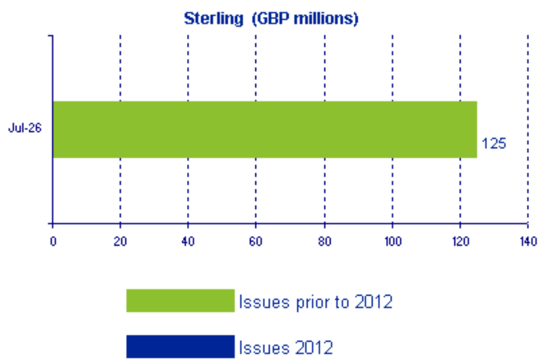












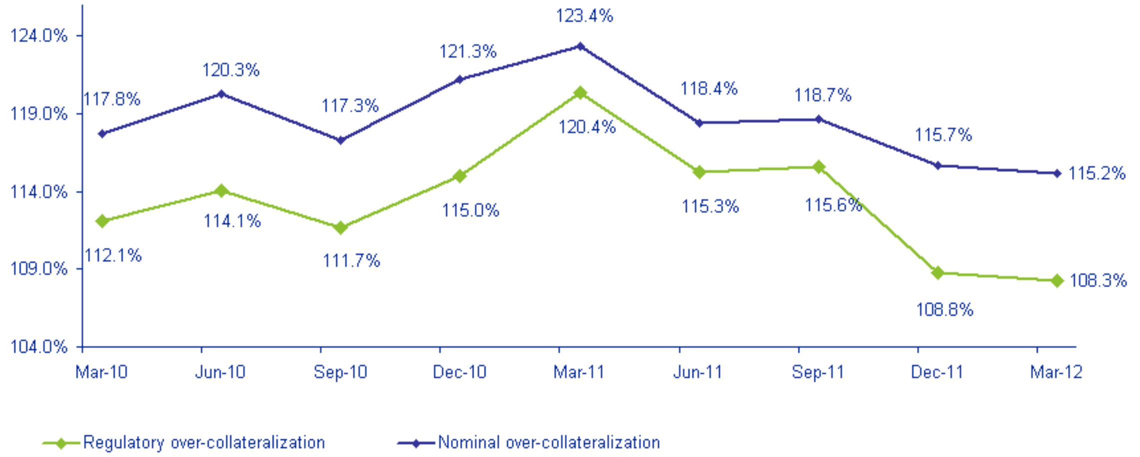
5. CHANGES IN THE OVER-COLLATERALIZATION RATIO

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.

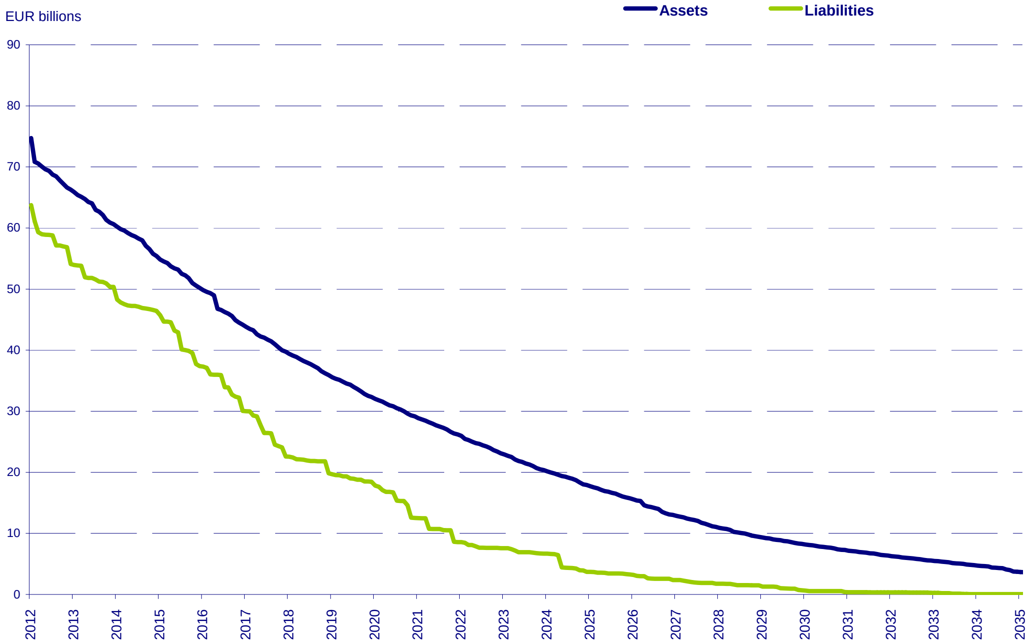
Since December 2011, the DCC securitization units no longer benefit from a Step 2 rating (cf. 3.3.d Exposure to subprimes, monolines, ABS and banks). They are therefore now weighted at 0% in the calculation of the ratio of regulatory over-collateralization versus 80% in the past. The impact of this change 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 March 31, 2012.

Amortization of assets and liabilities as of March 31, 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 March 31, 2012, the commitments received from Dexia Credit Local totaled EUR 7.1 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 pledged 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 March 31, 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 8.5 billion, excluding accrued interest not yet due.

The latter debt could be analyzed according to the above-mentioned categories as follows:
• to finance structural over-collateralization of 5%: EUR 3.5 billion*;
• to finance surplus over-collateralization, using the current account: EUR 5.0 billion.

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

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	3/31/2012
Dexia Credit Local	12.5	9.5	**8.5**
Banque de France	-	2.7	**1.2**
Total	12.5	12.2	**9.7**

(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 March 31, 2012.

Breakdown of outstanding swaps	**Notional *** (EUR billions)	**Dexia Group (%)**	**Other counterparties (%)**
Euribor against Eonia			
Macro-hedges	**96.3**	**100.0%**	**0.0%**
Total short-term swaps	**96.3**	**100.0%**	**0.0%**
Fixed rate swaps against Euribor			
Micro-hedges on *obligations foncières*	51.1	2.3%	97.7%
Micro-hedges on loans and debt securities	26.0	10.5%	89.5%
Macro-hedges on loans	20.4	45.0%	55.0%
Subtotal	**97.5**	**13.4%**	**86.6%**
Currency swaps			
Micro-hedges on *obligations foncières*	10.1	36.6%	63.4%
Micro-hedges on loans	3.7	56.9%	43.1%
Micro-hedges on debt securities	1.3	60.7%	39.3%
Subtotal	**15.1**	**43.6%**	**56.4%**
Total long-term swaps	**112.6**	**17.5%**	**82.5%**

** Absolute value*

Belfius Banque et Assurances (formerly Dexia Bank Belgium) was classified among external counterparties and accounted for EUR 5,871 million of the notional amount, i.e. 5.1% 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	2Q 2011	12.9	13.4	12.2	**31.0**
	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**
Monetary	2Q 2011	0.3	2.8	(3.0)	**9.0**
	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**
Total	2Q 2011	13.1	15.6	12.2	**40.0**
	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**

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	3/31/11	6/30/11	9/30/11	12/31/2011	3/31/2012
Cover pool	6.85	6.93	7.25	7.47	**7.39**
Privileged liabilities	5.6	5.63	5.48	5.29	**5.21**
Gap in asset-liability duration	**1.25**	**1.30**	**1.25**	**2.18**	**2.18**
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)	3/31/2011	6/30/2011	9/30/2011	12/31/2011	3/31/2012
Cover pool	8.84	8.85	8.66	8.82	**8.69**
Privileged liabilities	6.33	6.30	5.98	5.76	**5.65**
Gap in asset-liability weighted average life	**2.51**	**2.55**	**2.68**	**3.06**	**3.04**

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.

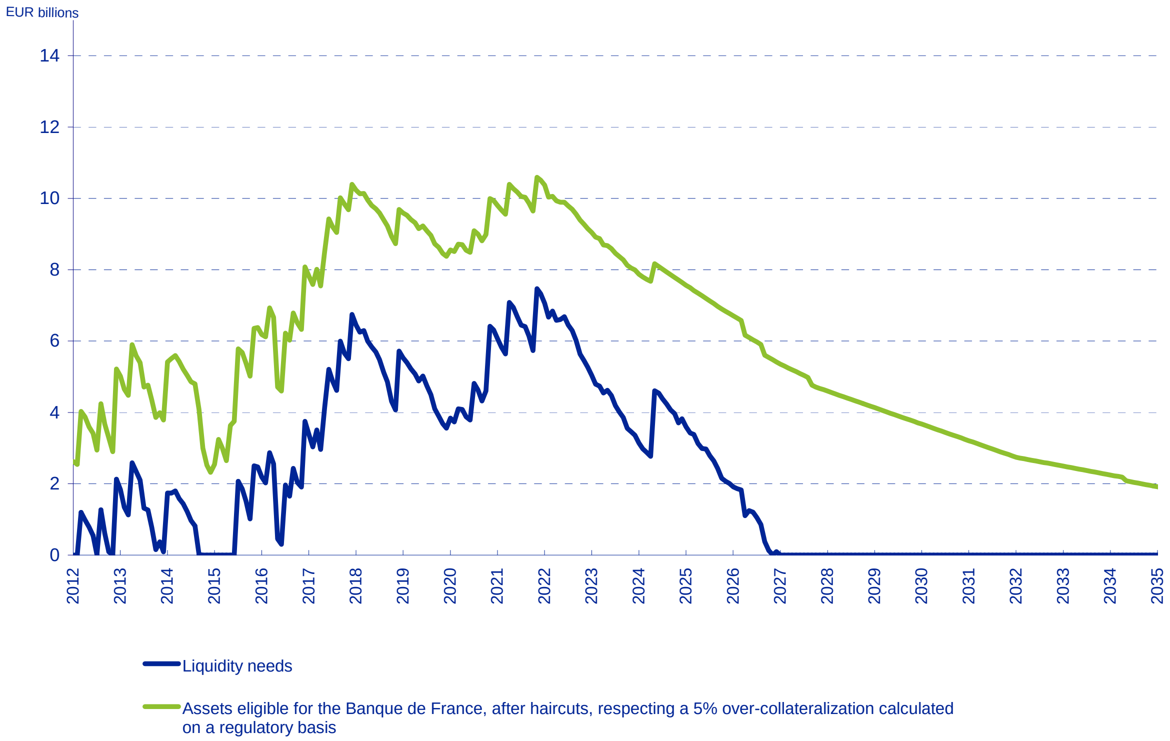
If the situation in the covered bond market does not make it possible to launch new issues, Dexia MA may first make use of the backing of its parent company Dexia Credit Local, which has committed in its "declaration of support" (the full text is incorporated into the EMTN program and Dexia MA's annual 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.

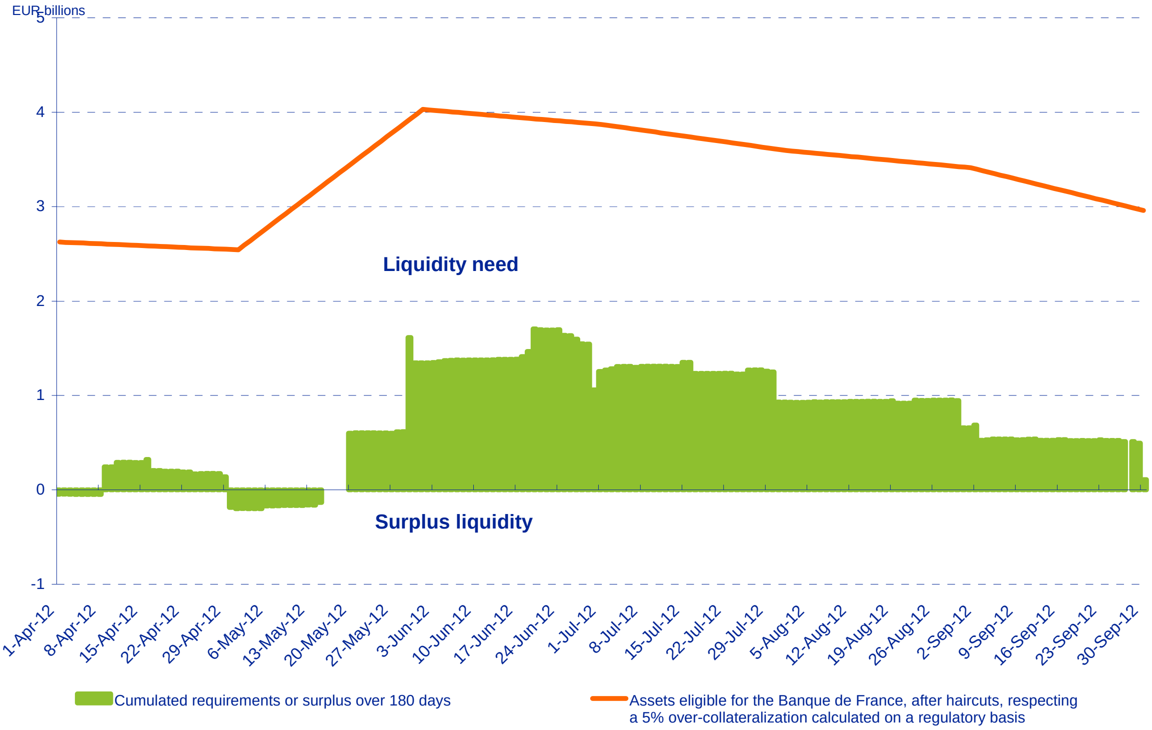


Dexia MA manages its liquidity risk by means of the following three indicators:

- 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 March 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 2.6 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 quarter 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 was recorded in cost of risk (out of the 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 March 31, 2012 is presented synthetically in the following table.

EUR millions - **IFRS**	**1st quarter 2011**	**2011**	**1st quarter 2012**	**Change 1st half 2011/2012**
Interest margin	60	208	67	**12%**
Net commissions	(1)	(5)	(1)	
Net result of hedge accounting	-	-	-	
Net result of financial assets available for sale	1	2	15	
Other income and expense	-	-	-	
NET BANKING INCOME	**60**	**205**	**81**	**35%**
General operating expenses	(22)	(89)	(22)	
Taxes	(2)	(3)	(2)	
OPERATING INCOME BEFORE COST OF RISK	**36**	**113**	**57**	**58%**
Cost of risk	(1)	(8)	(1)	
PRE-TAX INCOME	**35**	**105**	**56**	**60%**
Income tax	(11)	(37)	(14)	
NET INCOME	**24**	**68**	**42**	**75%**

Net banking income increased by 35%, i.e. EUR 21 million, in comparison with the same period in 2011, up from EUR 60 million to EUR 81 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 three issues (EUR +12.6 million);

- “Interest margin” increased by 12% (EUR 7 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 18 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 strucutre and its organization.

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

Bonds and public sector loans as of 3/31/2012

EUR millions	3/31/2012					12/31/2011
	Direct exposure		Indirect exposure			
Country	Loans	Bonds	Loans	Bonds	Total	Total
France						
State	83		128		211	211
Banque de France	1,900				1,900	2,198
Regions	1,864	138	300		2,302	2,454
Departements	6,064		347		6,411	6,582
Municipalities*	17,372	107	912		18,391	18,741
- 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	10,039	118	281		10,437	10,644
Public sector entities* :						
- health	6,676				6,676	6,718
- social housing	2,028				2,028	2,054
- other	1,105		15		1,121	1,166
Credits institutions	13				13	22
Subtotal	**47,144**	**363**	**1,983**		**49,490**	**50,789**
Germany						
State				12	12	12
Länder		504		500	1,004	999
Subtotal		**504**		**512**	**1,016**	**1,011**
Austria						
Länder	203				203	204
ABS		78			78	78
Subtotal	**203**	**78**			**281**	**282**
Belgium						
Regions	280		79		360	360
Communities		50			50	50
Public sector entities	81				81	83
Securities issued by DSFB (cf. Infra note 2.)		6,504			6,504	6,713
Subtotal	**361**	**6,554**	**79**		**6,994**	**7,205**
Canada						
Provinces		22			22	22
Communities	241				241	106
Public sector entities	132				132	132
Subtotal	**373**	**22**			**395**	**261**
Spain						
Regions		227			227	227
Municipalities	293				293	293
Subtotal	**293**	**227**			**520**	**520**
United States						
Federated States		253			253	253
Subtotal		**253**			**253**	**253**
Finland						
Municipalities	18				18	19
Public sector entities	48				48	48
Subtotal	**66**				**66**	**67**

EUR millions	3/31/2012					12/31/2011
	Direct exposure		Indirect exposure			
Country	Loans	Bonds	Loans	Bonds	Total	Total
Iceland						
State						145
Subtotal						**145**
Italy						
State		506		46	552	552
Regions		1,579			1,579	1,580
Provinces		296			296	297
Municipalities	13	1,582			1,595	1,607
ABS		5			5	6
Securities issued by DCC (cf infra note 1.)		3,453			3,453	3,531
Subtotal	**13**	**7,421**		**46**	**7,480**	**7,574**
Luxembourg						
Lettres de gage publiques		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	48	48
Municipalities	87				87	88
Public sector entities	9				9	10
Subtotal	**96**			**48**	**144**	**145**
United Kingdom						
State				654	654	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**	**654**	**2,504**	**2,522**
Sweden						
Municipalities	88		88		176	184
Public sector entities	26				26	26
Subtotal	**114**		**88**		**202**	**210**
Switzerland						
Cantons	1,620		989		2,609	2,691
Municipalities	1,335				1,335	1,330
Public sector entities	125				125	123
Subtotal	**3,080**		**989**		**4,069**	**4,145**
Greece						
State						415
Subtotal						**415**
Supranational						
International organizations	48				48	50
Subtotal	**48**				**48**	**50**
TOTAL COVER POOL	**51,791**	**16,622**	**4,989**	**1,260**	**74,662**	**76,967**

Loans and securities are 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 3,505.5 million as of March 31, 2012, were suscribed by Dexia MA for EUR 3,453.16 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 Baa3 / on review for downgrade by Moody's as at March 31, 2012. These rating are linked to Dexia Crediop.

As of March 31, 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 6,754.7 million as of March 31, 2012, were suscribed by Dexia MA for EUR 6,503.78 million. The purpose of this securitization vehicle created by Dexia Bank Belgium is to allow refinancing by other Dexia Group entities of assets generated by Belfius Banque et Assurances (Formerly Dexia Bank Belgium).

The securities issued by DSFB 1 and 2 held by Dexia MA benefit from the guarantee of Belfius Banque et Assurances (Formerly Dexia Bank Belgium), and are rated A- / outlook stable by Fitch, A- / watch negative by Standard & Poor's and A3 / on review for downgrade by Moody's for DSFB1 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 Assurance (Formerly Dexia Bank Belgium) and are rated AA / watch negative by Fitch.

As of March 31, 2012, the assets held by DSFB (compartments 1, 2 and 4) could be broken down as follows.

(EUR millions)	Italian assets
State	
Regions	1,906.9
Provinces	607.2
Municipalities	980.1
DCC bank account with Belfius Banque et Assurances (formerly Dexia Bank Belgium)	11.3
TOTAL	**3,505.5**

(EUR millions)	Belgian assets
State	
Regions	548.9
Communities	3,137.9
Public sector entities	2,290.5
Group of public sector entities	73.3
Loans guaranted by local governments	704.1
TOTAL	**6,754.7**

DEXIA
MUNICIPAL
AGENCY

2

FINANCIAL STATEMENTS

As of March 31, 2012

(IFRS)

BALANCE SHEET

Assets as of March 31, 2012

EUR millions	Note	3/31/2011	12/31/2011	3/31/2012
Central banks	2.1	-	2,198	1,900
Financial assets at fair value through profit or loss		-	-	-
Hedging derivatives	4.1	4,089	8,874	8,094
Financial assets available for sale	2.2	1,825	1,254	1,252
Loans and advances due from banks	2.3	6,686	7,781	5,877
Loans and advances to customers	2.4	75,371	77,836	76,110
Fair value revaluation of portfolio hedge		589	2,203	2,327
Financial assets held to maturity		-	-	-
Current tax assets	2.5	9	47	13
Deferred tax assets	2.5	117	199	153
Accruals and other assets	2.6	6	17	8
TOTAL ASSETS		**88,692**	**100,409**	**95,734**

Liabilities as of March 31, 2012

EUR millions	Note	3/31/2011	12/31/2011	3/31/2012
Central banks	3.1	-	2,700	1,200
Financial liabilities at fair value through profit or loss		-	-	-
Hedging derivatives	4.1	8,712	13,703	13,421
Due to banks	3.2	13,477	9,517	8,501
Customer borrowings and deposits		-	-	-
Debt securities	3.3	63,744	68,536	66,348
Fair value revaluation of portfolio hedge		860	2,340	2,453
Current tax liabilities	3.4	11	2	4
Deferred tax liabilities	3.4	0	34	17
Accruals and other liabilities	3.5	791	2,533	2,607
Provisions		-	-	-
Subordinated debt		-	-	-
Equity		**1,097**	**1,044**	**1,183**
Share capital and additional paid-in capital		1,190	1,300	1,300
Reserves and retained earnings		133	24	90
Unrealised or deferred gains and losses	4.4	(250)	(348)	(249)
Net income		24	68	42
TOTAL LIABILITIES		**88,692**	**100,409**	**95,734**

Income statement

EUR millions	Note	1Q2011	2011	1Q2012
Interest income	5.1	1,695	6,963	1,645
Interest expense	5.1	(1,635)	(6,755)	(1,578)
Fee and commission income	5.2	-	-	-
Fee and commission expense	5.2	(1)	(5)	(1)
Net gains (losses) on financial instruments at fair value though profit or loss	5.3	-	0	0
Net gains (losses) on financial assets available for sale	5.4	1	2	15
Net result of hedge accounting and fair value option		-	-	-
Other income		-	-	-
Other expense		-	-	-
Net banking income		**60**	**205**	**81**
Operating expense	5.5	(24)	(92)	(24)
Cost of risk	5.6	(1)	(8)	(1)
Operating income		**35**	**105**	**56**
Net gains (losses) on other assets		-	-	-
Income before tax		**35**	**105**	**56**
Income tax	5.7	(11)	(37)	(14)
NET INCOME		**24**	**68**	**42**
Earnings per share (EUR)				
- Basic		2	5	3
- Diluted		2	5	3

Net income and unrealised or deferred gains and losses through equity

EUR millions	1Q2011	1Q2012
Net income	**24**	**42**
Translation adjustments	-	-
Unrealised or deferred gains and losses of financial assets available for sale	(4)	94
Unrealised or deferred gains and losses of cash flow hedges	18	56
Taxes	(10)	(53)
Total of unrealised or deferred gains and losses through equity	**4**	**97**
NET INCOME AND UNREALISED OR DEFERRED GAINS AND LOSSES TROUGH EQUITY	**28**	**139**

Equity

	Core equity			Unrealised or deferred gains and losses			
EUR millions	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	Equity
AS OF DECEMBER 31, 2012, IFRS	**1,300**	**91**	**1,391**	**(266)**	**(81)**	**(348)**	**1,044**
Movements during the period							
Share capital	-	-	-	-	-	-	-
Dividends	-	-	-		-	-	-
Changes in fair value of available for sale financial assets through equity	-	-	-	64	-	64	64
Changes in fair value of hedging derivatives through equity	-	-	-	-	33	33	33
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	-	42	42	-	-	-	42
Other movements	-	-	-	-	-	-	-
AS OF MARCH 31, 2012, IFRS	**1,300**	**133**	**1,433**	**(202)**	**(48)**	**(251)**	**1,183**

Dexia Municipal Agency has share capital of EUR 1,300 million that is made up of 13,000,000 shares with a par value of EUR 100.

Cash flow statement

EUR millions	3/31/2011	12/31/2011	3/31/2012
NET INCOME BEFORE TAXES	**35**	**105**	**56**
+/- Depreciation and write-downs	0	1	1
+/- Expense/income from operating activities	187	(38)	202
+/- Expense/income from financing activities	(258)	50	(343)
+/- Other non-cash items	(115)	(976)	(68)
= Non-monetary items included in net income before tax and other adjustments	***(186)***	***(963)***	***(208)***
+/- Cash from interbank operations (Dexia Credit Local and Banque de France)	-	2,700	(1,500)
+/- Cash from interbank operations (customer loans)	414	(1,096)	46
+/- Cash from customer operations (loans)	500	1,202	1,007
+/- Cash from financing assets	344	1,541	2,691
+/- Cash from hedging financial instruments	(307)	2,306	265
- Income tax paid	(14)	(50)	(4)
= Decrease/(increase) in cash from operating activities	***937***	***6,603***	***2,505***
CASH FLOW FROM OPERATING ACTIVITIES (A)	**786**	**5,745**	**2,353**
CASH FLOW FROM INVESTING ACTIVITIES (B)	**-**	**-**	**-**
+/- Cash from or for shareholders	-	***0***	***0***
+/- Other cash from financing activities	***(1,720)***	***(502)***	***(1,644)***
CASH FLOW FROM FINANCING ACTIVITIES (C)	**(1,720)**	**(502)**	**(1,644)**
EFFECT OF CHANGES IN EXCHANGE RATES ON CASH (D)	**-**	**-**	**-**
Increase/(decrease) in cash equivalents (A + B+ C + D)	**(934)**	**5,243**	**709**
Cash flow from operating activities (A)	786	5,745	2,353
Cash flow from investing activities (B)	-	-	-
Cash flow from financing activities (C)	(1,720)	(502)	(1,644)
Effect of changes in exchange rates on cash (D)	-	-	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**(9,029)**	**(9,030)**	**(3,788)**
Central banks (assets & liabilities)	2	2	2,197
Interbank accounts (assets & liabilities) and loans/deposits at sight	(9,031)	(9,032)	(5,985)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**(9,963)**	**(3,787)**	**(3,079)**
Central banks (assets & liabilities)	0	2,198	1,901
Interbank accounts (assets & liabilities) and loans/deposits at sight	(9,963)	(5,985)	(4,980)
NET CASH	**(934)**	**5,243**	**709**

NOTES

(1 NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2011

1.1 CONTEXT OF PUBLICATION

Dexia Municipal Agency decided to publish a set of individual financial statements according to IFRS.
This publication is voluntary and the reference for the preparation of the financial statements is consistently, in compliance with legislation applicable in France, French generally accepted accounting principles (French GAAP).
Dexia Municipal Agency presented its first annual financial statements prepared according to IFRS to report the fiscal year 2008. The financial statements as of March 31, 2012 were examined by the Executive Board on March 26, 2012.

1.2 HIGHLIGHTS

A. FINANCIAL SITUATION OF THE DEXIA GROUP

In a still difficult economic environment and a financial context that continues to be marked by sharp volatility, Dexia pursues its restructuring efforts in line with the Group's objectives. The Belgian, French and Luxembourg States submitted an orderly plan to the European Commission on March 21, 2012, to enable the Group to find a solution. This plan provides details on the Group's strategy, business plan, and perspectives, with particular focus on the disposal of its operating entities and on the setting up of a definitive funding guarantee in the amount of EUR 90 billion.

The 2012 funding programme of the Dexia Group will be mainly based on guaranteed funding issued within the framework of the temporary guarantee agreement validated by the European Commission on December 21, 2011, as well as on funding by the central bank.

The funding profile of the Dexia Group has evolved in a favorable manner since the end of December 2011. As of March 31, 2012, the Group's short-term funding needs totaled EUR 61 billion, compared with EUR 88 billion at the end of December 2011. The plan the States presented to the European Commission provides for a guarantee of EUR 90 billion, calibrated to cover the Group's long-term funding needs. The implementation of this definitive guarantee remains subject to the validation of the plan the States submitted to the European Commission. A temporary agreement on the guarantee, in force until May 31, 2012, authorized the issue of a maximum of EUR 45 billion of this guarantee. Discussions with the European Commission concerning the plan are being pursued and have led to a request to extend the temporary agreement on the guarantee. On June 6, 2012, the European Commission approved a EUR 10 billion increase in the ceiling of the temporary guarantee granted to Dexia by France, Belgium and Luxembourg. The ceiling has thus been raised to EUR 55 billion. This measure has been extended until September 30, 2012.

For the period ended March 31, 2012, Dexia published interim financial statements. This disclosure presents the most significant recent transactions and events, as well as their impact on the Group's financial situation. This document is based on non-audited figures as of March 31, 2012. The Dexia Group reported a net loss, Group share, of EUR -431 million for the first quarter of 2012, of which EUR -416 million were linked to ongoing operations and EUR -15 million to discontinued activities.
The quarter's result was mainly impacted by non-recurring items in a pre-tax total of EUR -286 million and by the cost of the guaranteed funding issued as of December 2011 within the framework of the temporary guarantee agreement. The fees paid over the quarter to the Belgian, French and Luxembourg States, based on outstanding guaranteed debt, amounted to EUR -128 million before taxes, of which EUR -79 million for the guaranteed debt issued under the 2011 temporary guarantee agreement.

As of March 31, 2012, the Tier I ratio stood at 7.0% (compared with 7.6% at the end of December 2011), and the Core Tier I ratio was 6.7% (compared with 6.4% at the end of December 2011).

The liquidity situation of Dexia Credit Local, Dexia MA's parent company, remains difficult and still requires emergency facilities drawn from central banks, in addition to the funding issued through the States' guarantees.

This situation had no impact on the capacity of Dexia MA to redeem its *obligations foncières* at maturity or to maintain its level of over-collateralization. Dexia MA, in fact, has a cash surplus in the cover pool and the projected cash flows for 2012-2013 do not require calling on Dexia Credit Local for further funding.

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*.

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

Dexia, Caisse des Dépôts and La Banque Postale, with representatives of the French State, continue to work on the implementation of this project, which has been submitted for approval to the European Commission and to the competent regulatory authorities, and presented to employee representatives for their opinion.

The main tenets of this agreement are presented below.

Dexia, Caisse des Dépôts, La Banque Postale and the French State signed a preliminary agreement on February 10, 2012, which was complemented by a protocol of intention validated on March 15, 2012, and signed by all the parties in order to ensure continued financing for the local public sector in France.
The arrangement, which the parties defined in common, is built around two main themes:
• the creation of a joint venture, as planned in the initial agreement, held respectively for 65% and 35% by La Banque Postale and Caisse des Dépôts, which will market new loans to French local governments;
• the creation of a new credit institution held for 68.3% by a public sector holding company and for 31.7% by Dexia Credit Local. This new credit institution will be the parent company of Dexia Municipal Agency, which it will fully own and manage. It will also manage the industrial platform that serves Dexia Municipal Agency and certain activities of the joint venture and the Dexia Group.
Eligible loans granted by the joint venture will be refinanced by Dexia Municipal Agency.

The public-sector holding company will be held by the French State (46.35%), Caisse des Dépôts (46.35%) and La Banque Postale (7.3%).

This preliminary agreement was approved on February 10, 2012, by the Board of Directors of Dexia SA, and on February 13 by the Board of Directors of Dexia Credit Local. The Supervisory Board of Dexia

Municipal Agency enacted the terms of this negotiation at its meeting on February 15, 2012, and in principle, gave its approval to the projected disposal of its shares to the benefit of the new structure.

No other disposal of assets on Dexia Municipal Agency's balance sheet is required prior to the sale of the entity. Dexia is to provide Dexia Municipal Agency with, on the one hand, guarantees concerning a portfolio of EUR 10 billion in structured loans signed with French local governments and, on the other hand, a guarantee in the event of annual losses of more than ten basis points on the total outstanding amount, i.e. more than ten times the level of the historical loss of Dexia Municipal Agency. In addition, Dexia will benefit from a counter-guarantee of the French State on this portfolio of structured loans for 70% of the losses exceeding EUR 500 million.

The preliminary agreement signed on February 10, 2012, stipulates that La Banque Postale will benefit from call options on the total percentage held by Dexia Credit Local in the new credit institution, which can be exercised in function of the development of the joint venture's business, until 2020.

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 March 31, 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

None

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.

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	3/31/2011	12/31/2011	3/31/2012
Mandatory reserve deposits with central banks	-	-	-
Other deposits	-	2,198	1,900
TOTAL	**-**	**2,198**	**1,900**

2-2 - FINANCIAL ASSETS AVAILABLE FOR SALE

a. Analysis by nature

EUR millions	3/31/2011	12/31/2011	3/31/2012
Loans	-	-	-
Bonds	1,825	1,254	1,252
TOTAL	**1,825**	**1,254**	**1,252**

b. Analysis by counterparty

EUR millions	3/31/2011	12/31/2011	3/31/2012
Public sector	1,023	760	754
Credit institutions guaranteed by the public sector	202	494	498
Total public sector	**1,225**	**1,254**	**1,252**
Replacement assets	600	-	-
TOTAL	**1,825**	**1,254**	**1,252**
of which eligible for central bank refinancing	*1331*	*840*	*957*

c. Impairment

EUR millions	3/31/2011	12/31/2011	3/31/2012
Public sector	1,225	1,222	1,252
Replacement assets	600	-	-
Total performing assets	**1,825**	**1,222**	**1,252**
Public sector	-	39	-
Replacement assets	-	-	-
Total impaired assets	**-**	**39**	**-**
Specific impairment	-	(7)	-
TOTAL ASSETS AFTER IMPAIRMENT	**1,825**	**1,254**	**1,252**

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	3/31/2011	12/31/2011	3/31/2012
Sight accounts	-	22	13
Other loans and advances due from banks	6,686	7,759	5,864
Performing assets	**6,686**	**7,781**	**5,877**
Impaired loans and advances	-	-	-
Impaired assets	**-**	**-**	**-**
Total assets before impairment	**6,686**	**7,781**	**5,877**
Specific impairment	-	-	-
Collective impairment	-	0	(0)
TOTAL	**6,686**	**7,781**	**5,877**

b. Breakdown by counterparty

EUR millions	3/31/2011	12/31/2011	3/31/2012
Credit institutions	-	22	13
Swiss cantonal banks benefiting from their cantons' legal guarantee	1,127	1,129	1,058
Banks guaranteed by a local government, *crédits municipaux*	168	132	198
Credit institutions belonging to the Dexia Group: loans benefiting from the assignment in guarantee of refinanced public debt	178	2,121	2,116
Credit institutions guaranteed by the State	13	14	14
Assets assigned in guarantee to the central bank*	-	3,012	1,302
Replacement assets	5,200	1,351	1,176
TOTAL	**6,686**	**7,781**	**5,877**
of which eligible for central bank refinancing	*4,857*	*4,363*	*2,478*

* 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	3/31/2011	12/31/2011	3/31/2012
Dexia Sabadell - *cedulas territoriales*	Baa2 Moody's	3,007	-	-
Dexia LdG Banque - *Lettres de gage publiques*	AAA S&P	1,850	1,351	1,176
Dexia Credit Local - Loans secured by public sector assets	A+ Fitch, Baa2 Moody's, BBB S&P	343	-	-
Credit institutions - sight accounts		-	22	13
TOTAL		**5,200**	**1,373**	**1,189**

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	3/31/2011	12/31/2011	3/31/2012
Public sector	60,349	63,325	61,958
Other- guaranteed by a State or local government	4,292	4,139	4,077
Other - ABS made up solely of public commitments	10,735	10,364	10,062
Performing assets	**75,376**	**77,828**	**76,097**
Impaired loans and advances*	15	29	35
Impaired assets	**15**	**29**	**35**
Total assets before impairment	**75,391**	**77,857**	**76,132**
Specific impairment	(2)	(3)	(3)
Collective impairment	(18)	(18)	(19)
TOTAL	**75,371**	**77,836**	**76,110**
of which eligible for central bank refinancing	*44,669*	*40,067*	*38,522*
Assets assigned in guarantee to the central bank	-	*189*	*117*

* The loans depreciated concern customers that represent a definite credit risk (non-performing loans: EUR 23 million) and customers with unpaid loans corresponding to disagreement on the amount due (compromised non-performing loans: EUR 12 million). For compromised non-performing loans, no provision was recorded in Dexia MA's financial statements for these unpaid amounts resulting from litigation about the marketing of loans by Dexia Credit Local.

b. Public sector ABS

EUR millions	Rating	3/31/2011	12/31/2011	3/31/2012
Colombo	WR Moody's, A S&P	7	6	4
Astrea	A- Fitch, A3 Moody's	1	1	0
Blue Danube	AA+ S&P	81	78	78
DCC - Dexia Crediop per la Cartolarizzazione	A Fitch, Baa3 Moody's, BB- S&P	3,616	3,546	3,460
DSFB - Dexia Secured Funding Belgium 1 et 2	A Fitch, A- S&P, A3 Moody's for DSFB1 and A- Fitch, A- S&P for DSFB2	2,843	2,792	2,727
DSFB - Dexia Secured Funding Belgium 4	AA Fitch	4,187	3,941	3,793
Total		**10,735**	**10,364**	**10,062**

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	3/31/2011	12/31/2011	3/31/2012
Current income tax	9	45	12
Other taxes	0	2	1
Current tax assets	**9**	**47**	**13**
Deferred tax assets (see note 4.2)	**117**	**199**	**153**
TOTAL TAX ASSETS	**126**	**246**	**166**

2-6 - ACCRUALS AND OTHER ASSETS

EUR millions	3/31/2011	12/31/2011	3/31/2012
Cash collateral paid	-	-	-
Other accounts receivable	-	-	-
Prepaid charges	-	-	-
Other assets	6	17	8
TOTAL ACCRUALS AND OTHER ASSETS	**6**	**17**	**8**

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	3/31/2011	12/31/2011	3/31/2012
Overnight borrowing	-	-	-
Term borrowing	-	2,700	1,200
Accrued interest	-	0	-
TOTAL FUNDING FROM BANQUE DE France	-	**2,700**	**1,200**

3-2 - DUE TO BANKS

a. Analysis by nature

EUR millions	3/31/2011	12/31/2011	3/31/2012
Demand deposits	9,970	6,004	4,991
Term deposits	3,507	3,513	3,510
TOTAL	**13,477**	**9,517**	**8,501**

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 8,491 million (excluding accrued interest), composed of:

- the current account, indexed on Eonia, with a balance of EUR 4,991 million;

- a long-term borrowings earmarked to finance the structural over-collateralization of 5%. This borrowing totaled EUR 3,500 million as of March 31, 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	3/31/2011	12/31/2011	3/31/2012
Current account	9,963	5,999	4,991
Interest accrued not yet due	7	5	-
Long-term borrowing	3,500	3,500	3,500
Interest accrued not yet due	7	13	10
TOTAL DEXIA CREDIT LOCAL	**13,477**	**9,517**	**8,501**

b. Analysis by residual maturity : see note 7.2

3-3 - DEBT SECURITIES

a. Analysis by nature

EUR millions	3/31/2011	12/31/2011	3/31/2012
Obligations foncières	59,277	63,518	61,290
Registered covered bonds	4,467	5,018	5,058
TOTAL	**63,744**	**68,536**	**66,348**

b. Analysis by residual maturity : see note 7.2

3-4 - TAX LIABILITIES

EUR millions	3/31/2011	12/31/2011	3/31/2012
Current income tax	5	-	1
Other taxes	6	2	3
Current tax liabilities	**11**	**2**	**4**
Deferred tax liabilities (see note 4.2)	**0**	**34**	**17**
TOTAL TAX LIABILITIES	**11**	**36**	**21**

3-5 - ACCRUALS AND OTHER LIABILITIES

EUR millions	3/31/2011	12/31/2011	3/31/2012
Cash collateral received	763	2,498	2,577
Other accrued charges	27	27	28
Deferred income	-	-	-
Other accounts payable and other liabilities	1	8	2
TOTAL	**791**	**2,533**	**2,607**

4. OTHER NOTES ON THE BALANCE SHEET

4-1 - HEDGING DERIVATIVES

a. Analysis by nature

EUR millions	3/31/2011		12/31/2011		3/31/2012	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Derivatives at fair value through profit or loss	-	-	-	-	-	-
Derivatives designated as fair value hedges	2,056	7,106	5,492	10,252	4,627	9,970
Derivatives designated as cash flow hedges	200	141	35	255	12	205
Derivatives designated as portfolio hedges	1,833	1,465	3,347	3,196	3,455	3,246
Hedging derivatives	**4,089**	**8,712**	**8,874**	**13,703**	**8,094**	**13,421**
TOTAL DERIVATIVES	**4,089**	**8,712**	**8,874**	**13,703**	**8,094**	**13,421**

b. Detail of derivatives designated as fair value hedges

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

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	3/31/2012			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Foreign exchange derivatives	13,992	13,845	1,609	1,347
Interest rate derivatives	52,050	52,050	3,018	8,623
TOTAL	**66,042**	**65,895**	**4,627**	**9,970**

c. Detail of derivatives designated as cash flow hedges

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

EUR millions	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	3/31/2012			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Foreign exchange derivatives	2,158	2,208	12	205
Interest rate derivatives	-	-	-	-
TOTAL	**2,158**	**2,208**	**12**	**205**

EUR millions	3/31/2011	12/31/2011	3/31/2012
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	3/31/2011			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Foreign exchange derivatives	-	-	-	-
Interest rate derivatives	179,552	179,547	1,833	1,465
Total	**179,552**	**179,547**	**1,833**	**1,465**

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	3/31/2012			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Foreign exchange derivatives	-	-	-	-
Interest rate derivatives	141,336	141,331	3,455	3,246
Total	**141,336**	**141,331**	**3,455**	**3,246**

4-2 - DEFERRED TAXES

a. Analysis by nature

EUR millions	3/31/2011	12/31/2011	3/31/2012
Deferred tax assets before impairment	117	199	153
Impairment on deferred tax assets	-	-	-
Deferred tax assets (1)	117	199	153
Deferred tax liabilities (1)	0	(34)	(17)
TOTAL	**117**	**165**	**136**

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

b. Movements

EUR millions	3/31/2011	12/31/2011	3/31/2012
As of January 1	**127**	**127**	**165**
Charge/credit recognized in the income statement	0	(39)	24
Effect of change in tax rates - impact on the income statement	-	-	-
Movements directly recognized in equity	(10)	77	(53)
Effect of change in tax rates - impact on equity	-	-	-
Translation adjustment	-	-	-
Other movements	-	-	-
As of March 31	**117**	**165**	**136**

c. Deferred taxes coming from assets on the balance sheet

EUR millions	3/31/2011	12/31/2011	3/31/2012
Loans and loan loss provisions	37	14	21
Securities	80	123	93
Derivatives	1	22	16
Accruals and other assets	14	14	14
TOTAL	**132**	**173**	**144**

d. Deferred taxes coming from liabilities on the balance sheet

EUR millions	3/31/2011	12/31/2011	3/31/2012
Derivatives	-	-	-
Borrowings, deposits and issues of debt securities	9	16	17
Provisions	-	-	-
Regulatory provisions	(24)	(24)	(25)
Accruals and other liabilities	-	-	-
TOTAL	**(15)**	**(8)**	**(8)**

4-3 - RELATED-PARTY TRANSACTIONS

Analysis by nature

	Parent company and entities consolidated by Dexia Credit Local			Other related parties (1)		
EUR millions	3/31/2011	12/31/2011	3/31/2012	3/31/2011	12/31/2011	3/31/2012
ASSETS						
Loans and advances	7,142	8,677	6,876	8,882	1,351	1,176
Bonds	601	-	-	-	-	-
LIABILITIES						
Due to banks - sight accounts	9,966	6,004	4,991	-	-	-
Due to banks - term loans	3,507	3,513	3,510	-	-	-
INCOME STATEMENT						
Interest income on loans and advances	24	147	37	28	23	5
Interest income on bonds	1	7	0	-	-	-
Interest expense on borrowings	(51)	(142)	(19)	-	-	-
Fees and commissions	(1)	(4)	(1)	-	-	-
OFF-BALANCE SHEET						
Foreign exchange derivatives	4,916	7,130	7,134	496	-	-
Interest rate derivatives	147,368	119,937	109,321	5,375	-	-
Guarantees issued by the Group	7,496	12,016	13,469	2,843	-	-

(1) This item includes transactions with entities of Belgian and Luxembourg sub-groups consolidated by Dexia, the parent company of Dexia Credit Local in 2009 and 2010 while in 2011 and 2012 it concerned only entities of the Luxembourg sub-group.

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

4.4 UNREALIZED GAINS AND LOSSES BREAKDOWN BY COUNTRY

En EUR millions	3/31/2011	12/31/2011	3/31/2012
Unrealized gains and losses on available for sale securities	**(175)**	**(253)**	**(169)**
Belgium	-	-	-
Canada	2	2	2
Germany	(2)	(7)	(3)
France	-	0	-
Greece	(94)	-	-
Ireland	-	-	-
Italy	(79)	(260)	(177)
United States	(2)	12	9
Unrealized gains and losses on loans and receivable securities	**(151)**	**(145)**	**(134)**
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	(129)	(125)	(123)
Luxembourg	0	-	-
Portugal	(5)	(4)	(4)
United States	(5)	(5)	(5)
Unrealized gains and losses on derivatives designated as cash-flow hedges	**(14)**	**(127)**	**(70)**
TOTAL	**(340)**	**(525)**	**(373)**
Deferred taxes on gains and losses available for sale securities	41	86	58
Deferred taxes on gains ans losses loans ans receivable securities	48	46	44
Deferred taxes on gains ans losses-derivatives designated as cash-flow hedges	1	45	22
TOTAL	**(250)**	**(348)**	**(249)**

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**

	3/31/2012					
	Spain	**Ireland**	**Italy**	**Portugal**	**Greece**	**Total**
Government bonds	-	-	493	-	-	**493**
Securities guaranteed by the State	-	-	112	-	-	**112**
TOTAL	**-**	**-**	**605**	**-**	**-**	**605**

	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)**

	3/31/2012					
	Spain	Ireland	Italy	Portugal	Greece	Total
Financial assets available for sale	-	-	493	-	-	493
Financial assets held for trading	-	-	-	-	-	-
Held to maturity investments	-	-	-	-	-	-
Loans and advances	-	-	112	-	-	112
TOTAL	**-**	**-**	**605**	**-**	**-**	**605**
UNREALIZED GAINS AND LOSSES ON AVAILABLE FOR SALE SECURITIES	**-**	**-**	**(178)**	**-**	**-**	**(178)**
UNREALIZED GAINS AND LOSSES ON LOANS AND RECEIVABLE SECURITIES			**(3)**	**-**	**-**	**(3)**

b. Depreciation of Greek sovereign bonds

According to the securities transfer agreement, which was signed by Dexia Credit Local and Dexia MA on December 22, 2011, the Greek and Icelandic securities were sold in January 2012. The transfers were equal to the nominal value of the securities minus the provision of EUR 7 million recorded for the year 2010, to interest accrued and not yet due, and to the sums remaining after the cancellation of the corresponding hedges, i.e. to their value in the IFRS financial statements as of December 31, 2011. Consequently, these transfers had no impact on the income statement for 2012.

(5. NOTES TO THE STATEMENT OF INCOME

5-1 - INTEREST INCOME - INTEREST EXPENSE

EUR millions	1Q2011	1Q2012
INTEREST INCOME	**1,695**	**1,645**
Central banks	0	-
Loans ans advances due from banks	28	38
Loans and advances to customers	531	542
Financial assets available for sale	14	12
Financial assets held to maturity	-	-
Derivatives used for hedging	1,122	1,053
Impaired assets	-	-
Other	-	-
INTEREST EXPENSE	**(1,635)**	**(1,578)**
Accounts with central banks	-	(4)
Due to banks	(31)	(22)
Customer borrowings and deposits	-	-
Debt securities	(634)	(642)
Subordinated debt	-	-
Derivatives used for hedging	(970)	(910)
Other	-	-
INTEREST MARGIN	**60**	**67**

5-2 - FEES AND COMMISSIONS

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

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

EUR millions	1Q2011	1Q2012
Net result of hedge accounting	-	0
Net result of foreign exchange transactions	0	0
TOTAL	0	0

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

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

Analysis of net result of hedge accounting

EUR millions	1Q2011	1Q2012
Fair value hedges	**0**	**0**
Fair value changes in the hedged item attributable to the hedged risk	(1456)	237
Fair value changes in the hedging derivatives	1,456	(237)
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	(172)	11
Fair value changes in the hedging derivatives	172	(11)
TOTAL	**0**	**0**

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

EUR millions	1Q2011	1Q2012
Net gain (loss) on disposals of loans and securities available for sale	-	(0)
Net gain (loss) on disposals of debt securities	0	13
Net gain (loss) on the sale or cancellation of loans and advances	1	2
TOTAL	**1**	**15**

5-5 - OPERATING EXPENSE

EUR millions	1Q2011	1Q2012
Payroll costs	-	-
Other general and administrative expense	(22)	(22)
Taxes	(2)	(2)
TOTAL	**(24)**	**(24)**

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

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

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

Detail of collective and specific impairments

Collective impairment	1Q2011			1Q2012		
EUR millions	Charges	Recoveries	Total	Charges	Recoveries	Total
Loans and borrowings	(1)	-	(1)	(1)	0	(1)
Off-balance sheet commitments	-	-	-	-	-	-
TOTAL	**(1)**	**-**	**(1)**	**(1)**	**0**	**(1)**

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

Specific Impairment	1Q2011				TOTAL
EUR millions	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	-	-	-	-	-
TOTAL	**-**	**-**	**-**	**-**	**-**

EUR millions	1Q2012				TOTAL
	Allocations	Reversals	Losses	Recoveries	
Loans and advances due from banks	-	-	-	-	-
Loans and advances to customers	(0)	-	(0)	-	(0)
Financial assets held to maturity	-	-	-	-	-
Off-balance sheet commitments	-	-	-	-	-
Total credit	**(0)**	**-**	**(0)**	**-**	**(0)**
Fixed income securities	-	7	(7)	-	-
TOTAL	**(0)**	**7**	**(7)**	**-**	**(0)**

5-7 - CORPORATE INCOME TAX

a. Detail of tax expense

EUR millions	1Q2011	1Q2012
Current taxes	(11)	(38)
Deferred taxes	0	24
Tax on prior years' income	-	-
Deffered taxes on prior years	-	-
Provisions for tax litigation	-	-
TOTAL	**(11)**	**(14)**

b. Effective tax expense as of March 31, 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 March 31, 2012 amounted to 24,6%.

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

EUR millions	1Q2011	1Q2012
INCOME BEFORE INCOME TAXES	**35**	**55**
Net income from associates	-	-
TAX BASE	**35**	**55**
Applicable tax rate at end of the period	34.43%	36.10%
THEORETICAL CORPORATE INCOME TAX AT THE STANDARD RATE	**12**	**20**
Impact of differences between foreign tax rates and the standard French tax rate	(1)	(3)
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	**11**	**14**
EFFECTIVE TAX RATE	**32.8%**	**24.6%**

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	3/31/2011	12/31/2011	3/31/2012
Assets to be delivered	205	-	-
Liabilities to be received	141	-	-

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

6-2 - GUARANTEES

EUR millions	3/31/2011	12/31/2011	3/31/2012
Guarantees received from credit institutions (1)	6,459	6,360	6,262
Guarantees received from customers (2)	5,134	7,358	7,642

(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 3,460 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	3/31/2011	12/31/2011	3/31/2012
Loan commitments granted to credit institutions	0	0	(0)
Loan commitments granted to customers (1)	885	660	788
Loan commitments received from credit institutions (2)	3,880	5,755	7,181
Loan commitments received from customers	-	-	-

(1) The financing commitments on loans and lines of credit corresponded to contracts issued but not paid out as of March 31.
(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	3/31/2011	12/31/2011	3/31/2012
Commitments granted (1)	-	3,037	1,351
Commitments received	765	1,017	288

(1)It is a question of financial assets assigned in guarantee to the Central Bank. These amounts are presented at their fair value, and their nominal value is EUR 1,300 million.

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 3/31/2012
France	53,111
Belgium	7,034
Italy	7,604
Rest of Europe	4,424
Spain	1,841
United Kingdom	2,488
Luxembourg	1,187
Germany	1,189
Other European Union countries	420
United States and Canada	707
Japan	26
Other	9
TOTAL EXPOSURE	**80,040**

Analysis of exposure by category of counterparty

EUR millions	Amount as of 3/31/2012
States	3,704
Local public sector	65,072
ABS	6,598
Financial institutions	4,666
TOTAL EXPOSURE	**80,040**

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 3/31/2012
Debt securities	1,252
Loans and advances	77,660
Financing commitments on loans	788
Hedging derivatives	340
TOTAL EXPOSURE	**80,040**

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	689	563	0	0	1,252
Loans and advances	55,439	21,881	266	73	77,659
Financing commitments on loans	769	20	0	0	789
Hedging derivatives	13	15	300	12	340
TOTAL EXPOSURE	56,910	22,479	566	85	**80,040**
SHARE	**71.1%**	**28.1%**	**0.7%**	**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

	3/31/2012						
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	1,900	-	-	-	-	-	1,900
Hedging derivatives	-	-	-	-	-	-	-
Financial assets available for sale	-	-	160	419	568	-	1,147
Loans and advances due from banks	13	16	1,551	3,848	342	-	5,770
Loans and advances to customers	0	1,286	3,881	18,146	45,682	-	68,995
Fair value revaluation of portfolio hedge	-	-	-	-	-	-	-
Financial assets held to maturity	-	-	-	-	-	-	-
Tax assets	-	-	-	-	-	166	166
Accruals and other assets	-	8	-	-	-	-	8
TOTAL	**1,913**	**1,310**	**5,592**	**22,413**	**46,592**	**166**	**77,986**

	3/31/2012				
EUR millions	Total broken down	Accrued interest	Fair value adjustment	Impairment	Total
Central banks	1,900	-	-	-	**1,900**
Hedging derivatives	-	832	7,262	-	**8,094**
Financial assets available for sale	1,147	15	90	-	**1,252**
Loans and advances due from banks	5,770	28	80	-	**5,878**
Loans and advances to customers	68,995	852	6,283	(21)	**76,109**
Fair value revaluation of portfolio hedge	-	-	2,327	-	**2,327**
Financial assets held to maturity	-	-	-	-	**-**
Tax assets	166	-	-	-	**166**
Accruals and other assets	8	-	-	-	**8**
TOTAL	**77,986**	**1,727**	**16,042**	**(21)**	**95,734**

b. Analysis of liabilities, excluding equity

	3/31/2012						
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	-	1,200	-	-	-	-	1,200
Hedging derivatives	-	-	-	-	-	-	-
Due to banks	4,991	-	720	900	1,880	-	8,491
Customer borrowings and deposits	-	-	-	-	-	-	-
Debt securities	-	2,234	4,996	23,989	30,848	-	62,067
Fair value revaluation of portfolio hedge							
Tax liabilities	-	-	-	-	-	21	21
Accruals and other liabilities	-	2,607	-	-	-	-	2,607
Provisions							
Subordinated debt	-	-	-	-	-	-	-
TOTAL	4991	6041	**5,716**	**24,889**	**32,728**	**21**	**74,386**

EUR millions	3/31/2012 Total broken down	Accrued interest	Fair value adjustment	Total
Central banks	1,200	0	-	**1,200**
Hedging derivatives	-	734	12,687	**13,421**
Due to banks	8,491	10	-	**8,501**
Customer borrowings and deposits	-	-	-	**-**
Debt securities	62,067	1,000	3,281	**66,348**
Fair value revaluation of portfolio hedge	-	-	2,453	**2,453**
Tax liabilities	21	-	-	**21**
Accruals and other liabilities	2,607	-	-	**2,607**
Provisions	-	-	-	**-**
Subordinated debt	-	-	-	**-**
TOTAL	**74,386**	**1,744**	**18,421**	**94,551**

c. Net liquidity gap

	As of March 31, 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 not broken	Total
Amount	(3,078)	(4,731)	(123)	(2,476)	13,864	145	(2,417)	1,183

This table presents the balance sheet at the closing date; it does not take into account the management decisions that will make it possible to manage differences in maturity or the future production of assets and liabilities. Dexia MA's liquidity is provided by its refinancing agreement with Dexia Credit Local. In addition, the Company may obtain funding from the Banque de France, by giving certain of these assets in guarantee (this process was tested in 2008, and the great majority of Dexia MA's assets are eligible for refinancing by the Central Bank). Dexia MA can thus obtain funding from the Banque de France enabling it to reimburse *obligations foncières* when they arrive at maturity; the assets given in guarantee are therefore excluded (as well as the matured bonds) from the calculation of the solvency ratio, which remains practically unchanged. The sight debt of EUR 4,991 million corresponds to the current account with Dexia Credit Local; this debt does not benefit from privilege of the law on *sociétés de crédit foncier.*

7-3 - CURRENCY RISK

Classification by original currency	3/31/2011				
EUR millions	EUR	Other EU currencies	U.S. dollars	Other currencies	Total
Total assets	75,362	4,008	5,368	3,954	88,692
Total liabilities	75,362	4,008	5,368	3,954	88,692
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	3/31/2012				
EUR millions	EUR	Other EU currencies	U.S. dollars	Other currencies	Total
Total assets	82,884	4,241	4,535	4,074	95,734
Total liabilities	82,884	4,241	4,535	4,074	95,734
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.

7-6 SENSITIVITY TO INTEREST RATE RISK

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

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

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

The residual interest rate risk from macro-hedges has been contained within a limit set since 2005, with the approval of the rating agencies, at 3% of equity. This limit is reviewed yearly and is currently set at EUR 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	Q2 2011	12.9	13.4	12.2	**31.0**
	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**
Monetary	Q2 2011	0.3	2.8	(3.0)	**9.0**
	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**
Total	Q2 2011	13.1	15.6	12.2	**40.0**
	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**

DEXIA
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3 STATUTORY AUDITORS' REPORT

(IFRS)

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

Period from January 1st, 2012 to March 31st, 2012

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

To the President,

In our capacity as Statutory Auditors of Dexia Municipal Agency (the "Company") and pursuant to your request, in the context of the wish of your Company to provide more extensive financial information to investors, we have reviewed the accompanying intermediate financial statements of Dexia Municipal Agency for the three-month period ended March 31st, 2012.

These intermediate financial statements were prepared under the responsibility of the Executive Board in a context of uncertainty, arising as a result of the sovereign debt crisis of some Eurozone countries. This crisis is accompanied by an economic crisis and also a liquidity crisis resulting in a lack of visibility concerning economic prospects. Our responsibility is to express our conclusion on these financial statements, based on our review.

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

Based on our review, nothing has come to our attention that causes us to believe that the accompanying intermediate financial statements do not present fairly, in all material respects, the results of operations for the three-month period ended March 31st, 2012 and the financial position of Dexia Municipal Agency and its assets at that date, in accordance with IFRS standards as adopted by the European Union.

Without qualifying our opinion, we draw your attention to the matter set out in note 1.2 "Highlights" to the intermediate financial statements regarding the particular financial situation of the Dexia Group (part A).

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, June 11th, 2012
The Statutory Auditors

French original signed by

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