

**REPORT ON ASSET QUALITY**

as of June 30, 2012

(Instruction n°2011-I-07 of June 15, 2011)

**REPORT ON ASSET QUALITY  
DEXIA MUNICIPAL AGENCY**

The report on cover pool quality, consistent with Instruction No. 2011-I-07, June 15, 2011, aims at presenting all of the assets comprising the cover pool of Dexia Municipal Agency. As of June 30, 2012, Dexia Municipal Agency's cover pool is made of EUR 54.6 billion of loans and EUR 17.7 billion of bonds, that correspond to the following exposures :

EUR thousands, as of 6/30/2012	Amount	Assets temporarily removed from the cover pool	TOTAL
Exposures on public sector	61,260,815	-	70,589
Asset-backed securities	9,925,446		9,925,446
Replacement assets	2,523,909	-	1,300,000
<b>TOTAL</b>	<b>73,710,170</b>	<b>-</b>	<b>1,370,589</b>

As a *société de crédit foncier*, Dexia Municipal Agency can access the refinancing possibilities offered by the Banque de France to banks. Within the framework of the management of its cover pool and over-collateralization level, Dexia Municipal Agency can thus remove some assets from its cover pool and pledge them to the central bank to obtain funding from tenders organized by the Banque de France.

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

Moody's downgraded these *cedulas* to Ba1 on June 27, 2012, with the result that as of July 2, they were withdrawn from the list of assets eligible for refinancing by the Banque de France.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

As of June 30, 2012, the allocation of these assets allowed Dexia Municipal Agency to borrow EUR 1.2 billion from the Banque de France within the framework of its weekly tenders.

## ( 1. MORTGAGE LOANS

Dexia Municipal Agency has no mortgage loans.

## ( 2. EXPOSURES ON PUBLIC SECTOR

### 2.1 BREAKDOWN BY COUNTERPART

Direct exposures refer to exposures on public sector entities and indirect exposures to exposures fully guaranteed by public sector entities.

EUR thousands	Direct Exposure		Indirect Exposure		Total	Of which non-performing loans	Of which past due	Of which specific impairment (2)
	Loans	Bonds (1)	Loans	Bonds (1)				
<b>France</b>								
State (3)	83,498		135,434		218,932			
Banque de France (4)	500,158				500,158			
Regions	1,837,282	133,185	298,843		2,269,310			
Departments	5,985,607		344,676		6,330,283	6,941	6,945	
Municipalities (5)	17,150,095	106,923	893,924		18,150,942	15,706	7,405	1,215
Groups of municipalities (6)	9,947,514	117,654	271,187		10,336,355	3,202	7,357	731
Public sector entities :								
- health	6,606,866				6,606,866	5,433	798	436
- social housing	1,999,703				1,999,703			
- others	1,077,801		14,232		1,092,033	3,652	698	393
<b>Sub total</b>	<b>45,188,524</b>	<b>357,762</b>	<b>1,958,296</b>	<b>-</b>	<b>47,504,582</b>	<b>34,934</b>	<b>23,203</b>	<b>2,775</b>
<b>Germany</b>								
State				11,580	11,580			
Länder		504,167		498,453	1,002,620			14,880
<b>Sub total</b>	<b>-</b>	<b>504,167</b>	<b>-</b>	<b>510,033</b>	<b>1,014,200</b>	<b>-</b>	<b>-</b>	<b>14,880</b>
<b>Austria</b>								
Länder	202,833				202,833			
<b>Sub total</b>	<b>202,833</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>202,833</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Belgium</b>								
Regions	198,762		79,477		278,239			
Communities		50,000			50,000			
Public sector entities	79,163				79,163			
<b>Sub total</b>	<b>277,925</b>	<b>50,000</b>	<b>79,477</b>	<b>-</b>	<b>407,402</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Canada</b>								
Provinces		22,371			22,371			
Municipalities	229,508				229,508			
Public sector entities	135,299				135,299			
<b>Sub total</b>	<b>364,807</b>	<b>22,371</b>	<b>-</b>	<b>-</b>	<b>387,178</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Spain</b>								
Municipalities	286,411				286,411			
Regions		227,276			227,276			5,077
<b>Sub total</b>	<b>286,411</b>	<b>227,276</b>	<b>-</b>	<b>-</b>	<b>513,687</b>	<b>-</b>	<b>-</b>	<b>5,077</b>
<b>United States</b>								
Federated States		252,943			252,943			
<b>Sub total</b>	<b>-</b>	<b>252,943</b>	<b>-</b>	<b>-</b>	<b>252,943</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Finland</b>								
Municipalities	15,450				15,450			
Public sector entities	45,980				45,980			
<b>Sub total</b>	<b>61,430</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>61,430</b>	<b>-</b>	<b>-</b>	<b>-</b>

EUR thousands	Direct Exposure		Indirect Exposure		Global	Of which non performing loans	Of which past due	Specific impairment
	Loans	Bonds (1)	Loans	Bonds (1)				
<b>Italy</b>								
State		506,270		34,836	541,106			75,164
Regions		1,562,759			1,562,759			4,004
Provinces		289,797			289,797			
Municipalities	13,054	1,566,198			1,579,252			
<b>Sub total</b>	<b>13,054</b>	<b>3,925,024</b>	<b>-</b>	<b>34,836</b>	<b>3,972,914</b>	<b>-</b>	<b>-</b>	<b>79,168</b>
<b>Japon</b>								
Municipalities		25,000			25,000			
<b>Sub total</b>	<b>-</b>	<b>25,000</b>	<b>-</b>	<b>-</b>	<b>25,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Portugal</b>								
Regions								
Municipalities	84,612				84,612			
Public sector entities	9,453				9,453			
<b>Sub total</b>	<b>94,065</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>94,065</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>United Kingdom</b>								
State				638,657	638,657			18,948
County (7)			398,124		398,124			
District (7)			27,973		27,973			
Communes (7)			1,367,720		1,367,720			
Public sector entities (7)			56,183		56,183			
<b>Sub total</b>	<b>-</b>	<b>-</b>	<b>1,850,000</b>	<b>638,657</b>	<b>2,488,657</b>	<b>-</b>	<b>-</b>	<b>18,948</b>
<b>Sweden</b>								
Municipalities	85,114		74,921		160,035			
Public sector entities	20,565				20,565			
<b>Sub total</b>	<b>105,679</b>	<b>-</b>	<b>74,921</b>	<b>-</b>	<b>180,600</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Switzerland</b>								
Cantons	1,622,797		982,218		2,605,015			
Municipalities	1,306,959				1,306,959			
Public sector entities	124,808				124,808			
<b>Sub total</b>	<b>3,054,564</b>	<b>-</b>	<b>982,218</b>	<b>-</b>	<b>4,036,782</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Supranational</b>								
International organizations	47,953				47,953			
<b>Sub total</b>	<b>47,953</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>47,953</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL</b>	<b>49,697,245</b>	<b>5,364,543</b>	<b>4,944,912</b>	<b>1,183,526</b>	<b>61,190,226</b>	<b>34,934</b>	<b>23,203</b>	<b>120,848</b>
PREMIUMS AND DISCOUNTS					(12,344)			
TRANSLATION ADJUSTMENTS					(19,172)			
<b>GLOBAL</b>					<b>61,158,710</b>			

(1) Non-euros bonds are translated in euros after swaps.

(2) Specific impairments on loans and bonds are composed as followed:

- specific impairment on non performing loans : EUR 2,775 thousand
- provisions for unrealised losses on placement portfolio bonds : EUR 118,073 thousand

(3) Of which EUR 19,960 thousand on operations linked to partnership agreement (PPP)

(4) Dexia MA's Banque de France account as of June 30, 2012

(5) Of which EUR 18,627 thousand on operations linked to partnership agreement (PPP)

(6) Of which EUR 17,549 thousand on operations linked to partnership agreement (PPP)

(7) This concerns a loan granted to Dexia Credit Local for EUR 1,850 million guaranteed by United Kingdom's public entities

## 2.2 RATINGS

Dexia Municipal Agency has no exposure (except replacement assets or asset-backed securities, as described below) requiring a minimal rating from a rating agency recognized by the prudential control authority (ACP).

## 2.3 BREAKDOWN BY MATURITY DATE

EUR thousands, as of 6/30/2012

Residual maturity		Term to maturity					TOTAL
Maturity date in years	Number of deals <sup>(1)</sup>	Less than 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	More than 5 years	
0	1,930	788,217	293,020	-	-	-	1,081,237
1	4,265	31,932	76,901	443,975	499,018	-	1,051,827
2	3,561	32,176	42,194	104,532	562,821	-	741,723
3	3,476	39,774	37,520	88,257	2,176,525	-	2,342,075
4	3,187	28,428	46,455	89,341	3,012,649	-	3,176,873
5	3,600	28,868	34,649	81,509	1,208,732	-	1,353,758
6	3,996	53,684	39,768	114,500	861,430	1,902,827	2,972,208
7	3,320	47,433	48,243	113,657	884,754	1,577,041	2,671,128
8	3,259	32,873	56,075	99,627	834,571	928,608	1,951,753
9	2,544	31,898	48,831	78,020	676,024	907,409	1,742,182
10	2,649	31,995	36,738	85,028	658,220	1,352,490	2,164,471
11	2,643	35,511	41,986	81,281	680,451	1,788,900	2,628,130
12	1,888	29,396	33,490	72,137	579,356	1,268,399	1,982,778
13	3,975	42,142	42,285	121,207	823,680	1,908,220	2,937,534
14	2,406	36,899	58,007	85,167	763,307	3,084,267	4,027,646
15	1,754	30,282	27,789	58,199	504,746	1,997,483	2,618,499
16	1,797	36,182	31,637	74,859	634,446	2,480,854	3,257,978
17	1,251	23,697	26,487	50,568	432,871	1,621,361	2,154,983
18	1,723	18,394	17,263	40,716	327,769	1,614,190	2,018,332
19	958	12,022	20,778	33,377	281,907	1,249,628	1,597,712
20	872	16,051	21,897	29,834	297,149	1,612,906	1,977,838
21	918	8,867	17,064	28,310	230,232	1,209,758	1,494,231
22	616	8,244	8,015	18,094	143,429	1,327,844	1,505,626
23	807	10,039	18,882	26,947	235,334	1,646,258	1,937,460
24	579	7,792	16,145	17,039	177,773	1,501,554	1,720,303
25	655	6,421	12,124	26,439	193,516	1,411,050	1,649,550
26	570	16,073	11,989	18,920	202,423	1,522,680	1,772,085
27	354	7,000	5,757	14,024	107,718	821,732	956,231
28	262	3,870	4,366	11,842	90,501	696,887	807,467
29	107	4,319	3,191	5,319	53,422	414,123	480,374
30	80	1,877	920	3,544	26,813	234,752	267,907
31	68	814	1,042	1,874	15,261	147,750	166,740
32	62	510	560	3,291	17,965	108,434	130,760
33	61	284	620	1,067	9,375	121,721	133,067
34	44	558	400	1,071	9,658	137,469	149,156
35	50	938	319	1,169	10,513	162,332	175,271
36	46	607	446	1,155	9,901	812,557	824,666
37	26	332	385	1,540	9,188	90,796	102,241
38	5	72	59	167	1,286	21,639	23,223
39	3	91	91	181	1,450	12,319	14,131
40	9	125	6	428	2,266	24,464	27,290
41	36	52	246	118	1,813	31,467	33,695
42	9	70	51	561	2,974	69,567	73,223
43	24	141	242	515	4,093	107,017	112,009
44	20	163	162	357	2,771	34,545	37,997
45	23	82	88	212	1,789	37,519	39,691
46	7	107	66	164	1,396	24,105	25,837
47	5	85	41	195	1,378	27,180	28,880
48	2	109	75	185	1,504	22,430	24,302
49	1	23	-	23	204	6,727	6,978
<b>Total</b>	<b>60,503</b>	<b>1,507,518</b>	<b>1,185,366</b>	<b>2,130,541</b>	<b>18,266,372</b>	<b>38,081,258</b>	<b>61,171,054</b>
PREMIUMS AND DISCOUNTS							(12,344)
<b>GLOBAL</b>							<b>61,158,710</b>

(1) Numbers of loans and bonds arrived at maturity during the period

## 2.4 EARLY REPAYMENTS

EUR thousands, as of 6/30/2012

State	Early repayments during the year	Rate of early repayments
<b>France</b>		
Regions	97,534	5.13%
Departments	130,017	2.24%
Municipalities	80,348	0.46%
Group of municipalities	26,826	0.27%
Public sector entities :		
- health	20,811	0.26%
- social housing	16,593	0.68%
- others	1,951	0.15%
<b>Sub total</b>	<b>374,080</b>	<b>0.79%</b>
<b>Italy</b>		
Provinces	1,360	0.47%
<b>Sub total</b>	<b>1,360</b>	<b>0.47%</b>
<b>Portugal</b>		
Regions	47,500	100.00%
<b>Sous Total</b>	<b>47,500</b>	<b>100.00%</b>
<b>GLOBAL</b>	<b>422,940</b>	<b>0.89%</b>

The rate of early repayments corresponds to the volume of early repayments occurred during the first half of 2012 divided by the average of daily outstanding amount. It is not annualized.

As a reminder, the rate of early repayments in 2011 was 1.21% for EUR 604 millions of repayments occurred in:

1Q :	137
2Q :	262
3Q :	171
4Q :	34
	<u>604</u>

### ( 3. ASSET-BACKED SECURITIES AND SIMILAR STRUCTURES

#### 3.1 BREAKDOWN BY COUNTERPART

Name	Group*	Date of the acquisition	Number of bonds	Face value in EUR	Amount in EUR thousands as of 6/30/2012	Maturity date	
Colombo SRL	No	2001	55,000	1,000	4,337	2026	
Astrea SRL	No	2002	21,000	1,000	233	2013	
Blue Danube Loan Funding Gmbh	No	2002	1,000	100,000	75,899	2049	
Dexia Crediop per la Cartolarizzazione	DCC1	Yes	2004	1,128,851	1,000	716,053	2039
	DCC2	Yes	2005	1	1,005,965,000	645,970	2041
	DCC3	Yes	2008	23,000	100,000	2,083,846	2037
				<b>Sub Total</b>	<b>3,445,869</b>		
Dexia Secured Funding Belgium	DSFB1	Yes	2007	6,721	250,000	1,376,568	2058
	DSFB2	Yes	2008	6,356	250,000	1,314,068	2040
	DSFB4	Yes	2009/2010	18,800	250,000	3,708,472	2047
				<b>Sub Total</b>	<b>6,399,108</b>		
<b>TOTAL</b>					<b>9,925,446</b>		
PREMIUMS AND DISCOUNTS					48		
<b>GLOBAL</b>					<b>9,925,494</b>		

\* The seller of the securitized exposures is integrated in the scope of consolidation of Dexia Group at the acquisition date.

All asset-backed securities and similar structures hold by Dexia Municipal Agency represent public sector exposures.

#### 3.2 RATINGS

As of June 30, 2012, asset-backed securities and similar structures held by Dexia Municipal Agency get the following ratings:

- 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...).
- Blue Danube Loan Funding GmbH is governed by Austrian law, rated AA+ by S&P, and its debt is unconditionally and irrevocably guaranteed by the Land of Lower Austria.
- DCC Securities held by Dexia Municipal Agency benefit from the guarantee of Dexia Crediop, and are rated, A / watch negative by Fitch, BB- by Standard and Poor's and Ba2 / on review for downgrade by Moody's.
- The securities issued by DSFB 1 et 2 held by Dexia Municipal Agency benefit from the guarantee of Belfius Bank and Insurance (ex Dexia Bank Belgium), and are rated, A- / outlook negative by Fitch, A- / watch negative by S&P and Baa1 / by Moody's. The securities issued by DSFB 4 are not guaranteed by Belfius Bank and Insurance but are rated AA- / outlook negative by Fitch.

### 3.3 BREAKDOWN BY MATURITY DATE

EUR thousands, as of 6/30/2012

Residual maturity		Term to maturity					TOTAL
Maturity date in years	Number of deals <sup>(1)</sup>	Less than 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	More than 5 years	
1	1			233			233
14	1					4,337	4,337
25	1	20,815	8,579	28,842	249,573	1,776,037	2,083,846
26	1	20,466	-	23,841	176,417	495,329	716,053
27	1	3,267	7,514	63,857	288,261	951,169	1,314,068
28	1	19,948		25,743	215,699	384,580	645,970
35	1	135,059	64,765	209,155	1,314,100	1,985,393	3,708,472
36	1		1,880	1,955	19,378	52,686	75,899
46	1	35,328	2,205	40,117	212,011	1,086,907	1,376,568
<b>Total</b>	<b>9</b>	<b>234,883</b>	<b>84,943</b>	<b>393,743</b>	<b>2,475,439</b>	<b>6,736,438</b>	<b>9,925,446</b>
PREMIUMS AND DISCOUNTS							48
<b>GLOBAL</b>							<b>9,925,494</b>

<sup>(1)</sup> Number of ABS arrived at maturity during the period

### 3.4 EARLY REPAYMENTS

EUR thousands, as of 6/30/2012

PAYS	Early repayments during the year	Rate of early repayments
<b>Italy</b>		
Dexia Crediop per la Cartolarizzazione	3,892	0.11%
<b>GLOBAL</b>	<b>3,892</b>	<b>0.11%</b>

## ( 4. REPLACEMENT ASSETS

### 4.1. BREAKDOWN BY COUNTERPART

EUR thousands, as of 6/30/2012

	Amount
Replacement assets	2,523,909
Assets temporarily out of the Cover Pool	-1,300,000
<b>TOTAL</b>	<b>1,223,909</b>

Replacement assets	Country	Issuer	Amount in EUR thousands as of 6/30/2012	
<b>Step 1 credit rating</b>				
<i>Lettres de gage</i>	Luxemburg	Dexia LdG Banque	1,175,000	
<b>Total</b>			<b>1,175,000</b>	
<b>Bank accounts</b>	France		48,909	
<b>Total</b>			<b>48,909</b>	
<b>TOTAL</b>			<b>1,223,909</b>	
PREMIUMS AND DISCOUNTS			(192)	
<b>GLOBAL</b>			<b>1,223,717</b>	
<b>Removed from the cover pool</b>	<i>Cedulas Territoriales</i>	Spain	Dexia Sabadell	<b>1,300,000</b>



## 4.2 RATINGS

As of June 30, 2012, replacement assets held by Dexia Municipal Agency get the following ratings:

- *Lettres de gage* issued by Dexia LdG Bank are rated AA / Credit Watch negative by S&P.
- *Cedulas territoriales*, covered bonds issued by Dexia Sabadell are rated Ba1 / on review for downgrade by Moody's as of June 30, 2012.

## 4.3 BREAKDOWN BY MATURITY DATE

EUR thousands, as of 6/30/2012

Residual maturity		Term to maturity					TOTAL
Maturity date in years	Number of deals <sup>(1)</sup>	Less than 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	More than 5 years	
0	1	48,909	-	-	-	-	48,909
1	1	-	-	-	675,000	-	675,000
2	1	-	-	-	500,000	-	500,000
<b>Total</b>	<b>3</b>	<b>48,909</b>	<b>-</b>	<b>-</b>	<b>1,175,000</b>	<b>-</b>	<b>1,223,909</b>
PREMIUMS AND DISCOUNTS							(192)
<b>GLOBAL</b>							<b>1,223,717</b>

(1) Numbers of deals arrived at maturity during the period

## ( 5. MANAGEMENT OF THE INTEREST RATE RISK

The management of the interest rate risk involves two steps.

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

In addition, any debt contracted with Dexia Credit Local to finance over-collateralization is directly borrowed with a monetary index and does not have to be swapped. If such is the case, debt vis-à-vis the Banque de France, which is short-term and at a fixed rate, is not hedged, but 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 to EUR 40.0 million, including EUR 9.0 million for the monetary gap and EUR 31.0 million for the fixed rate gap. In practice, the real sensitivity is maintained significantly below this limit, as can be seen in the following table.

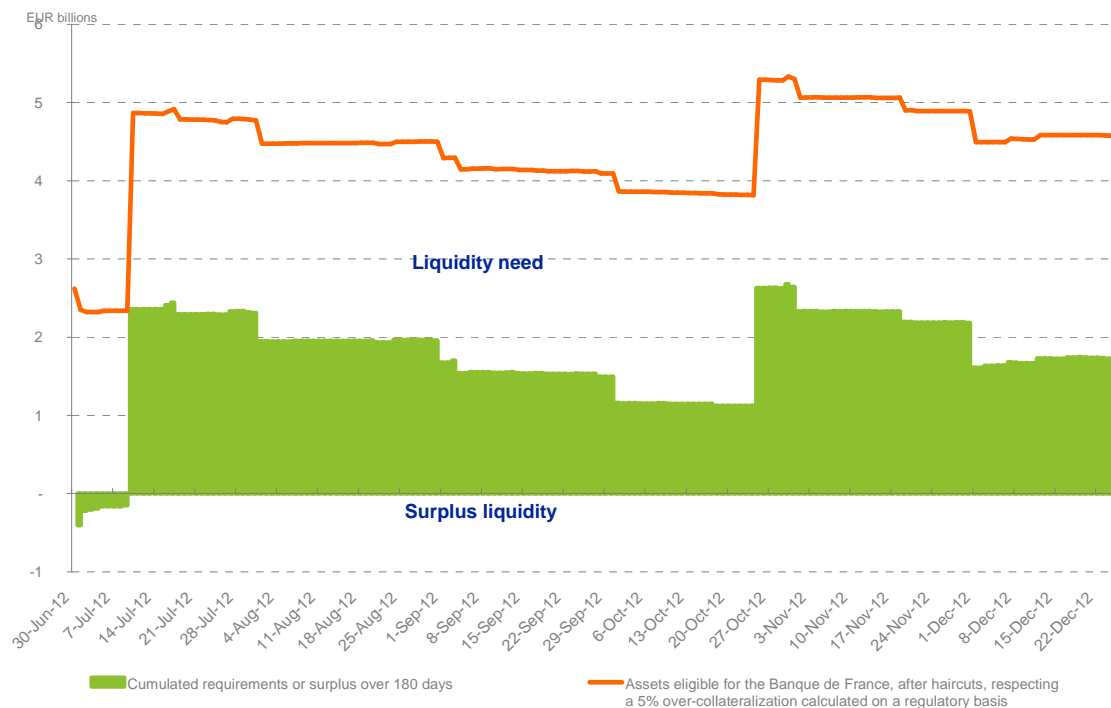
## Sensitivity of the interest rate gap (EUR millions)

		Average	Maximum	Minimum	Limit
Fixed Rate	3Q 2011	17.3	20.7	14.0	31.0
	4Q 2011	19.2	24.5	14.9	31.0
	1Q 2012	15.0	16.2	12.9	31.0
	2Q 2012	15.0	17.9	12.5	31.0
Monetary	3Q 2011	(0.4)	1.5	(6.0)	9.0
	4Q 2011	0.9	4.1	0.4	9.0
	1Q 2012	0.3	0.7	0.2	9.0
	2Q 2012	(0.0)	1.0	(1.1)	9.0
Total	3Q 2011	16.8	21.1	12.2	40.0
	4Q 2011	20.8	25.5	16.3	40.0
	1Q 2012	15.4	16.4	13.4	40.0
	2Q 2012	14.9	18.4	12.9	40.0

## ( 6. MANAGEMENT OF THE LIQUIDITY RISK

Cash needs over the next 180 days: Dexia Municipal Agency'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 Municipal Agency ensures that at any time, its cash needs over a period of 180 days are covered by replacement assets, assets eligible for credit operations with the Banque de France, or by refinancing agreements signed with credit institutions with the best short-term credit rating.

At the end of June 2012, Dexia Municipal Agency's cumulated need for cash mainly corresponded to reimbursements of *obligations foncières* arriving at maturity, as shown in the following graph.



This graph is set with the assumption that the cash collateral received must be reimbursed at the end of the first week (next calculation date), for approximately EUR 3.2 billion.