



Municipal Agency

FINANCIAL REPORT

as of September 30, 2011

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INTRODUCTION

As of September 30, 2011, the Dexia Group decided not to publish financial statements, but simply to make an intermediary declaration in view of its ongoing restructuring. For the sake of consistency, Dexia MA chose not to publish audited account, only an unaudited management report.

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MANAGEMENT REPORT
For the period January 1 to September 30, 2011

(1. HIGHLIGHTS OF THE FIRST NINE MONTHS OF THE YEAR

1.1 SITUATION OF THE COVERED BOND MARKET

After the record volume of issues reported during the first half of the year, the third quarter experienced a significant slowdown. September represented the lowest volume of benchmark issues in the year, with a very hesitant primary market characterized by high volatility. However, the overall volume of euro-denominated benchmark issues exceeded EUR 150 billion for the first nine months of 2011.

Secondary spreads widened significantly since the beginning of the summer, with the worsening economic situation in Europe. The movement gained speed in September in all the countries that issue covered bonds.

To facilitate access to refinancing for covered bonds, by re-launching the primary market and prompting tighter spreads in the secondary market, the ECB decided to initiate a new program to purchase covered bonds (CBPP2) in the amount of EUR 40 billion, from November and for a period of 12 months; such purchases can be made in the primary and secondary markets. Since the announcement, spreads have strengthened significantly.

Dexia MA was not affected by the situation in the primary market because no issue was scheduled for the second half of 2011. On the other hand, however, its secondary spread was stretched compared with that of comparable entities owing to the financial position of Dexia Group (see below).

1.2 FINANCIAL SITUATION OF THE DEXIA GROUP

The worsening of the European sovereign debt crisis and the significant disruption in the financial markets since the summer of 2011 led to an increased refinancing risk for the Dexia Group, notwithstanding the substantial progress it had made in its financial restructuring over the past three years.

In this difficult environment, the financial situation of Dexia Group required action on the part of the States, which agreed to guarantee debt issued by the Group in the amount of up to EUR 90 billion in the following proportions: 60.5% by Belgium, 36.5% by France and 3% by Luxembourg.

Concomitantly, Belgium acquired Dexia's interest in Dexia Bank Belgium, given the systemic implications for the Belgium financial system.

Dexia Group's results (unaudited) in the third quarter of 2011 were largely affected by the current situation : the total impact is EUR - 10,513 million, mainly impacted by the sale of Dexia Bank Belgium, impairment on Greek sovereign bonds and the acceleration of its deleveraging program in the first half of 2011.

On a pro-forma basis, the Tier 1 ratio stood at 9.9% as of September 30, 2011. At this date, Tier 1 capital amounted to EUR 7.8 billion and weighted risks totaled EUR 78.8 billion.

1.3 DEXIA TO TRANSFER CONTROL OF DEXIA MUNICIPAL AGENCY

Dexia, La Caisse des Dépôts and La Banque Postale have finalized the terms of a negotiation agreement with respect to the financing of French local governments. It is subject to the approval of the European Commission.

The negotiation agreement contains two main features:

- The acquisition by La Caisse des Dépôts and La Banque Postale of respectively 65% and 5% of the capital of Dexia Municipal Agency. The backing provided by La Caisse des Dépôts would strengthen the solid base that underwrites Dexia Municipal Agency's rating. The operational management of Dexia Municipal Agency would be conducted, in particular, through a service agreement with Dexia Credit Local.
- A new commercial vehicle to serve local governments in France. A joint venture held by La Banque Postale (65%) and La Caisse des Dépôts (35%) would be created. This entity would design and originate loans to French local governments. These loans would be refinanced through Dexia Municipal Agency. By means of a service agreement, the new vehicle would make use of the combined know-how of Dexia Credit Local, La Caisse des Dépôts and La Banque Postale. The negotiation agreement would also provide for the acquisition by La Caisse des Dépôts and La Banque Postale of certain tools and management systems necessary to perform the above-mentioned activities.

Dexia Credit Local would be able to continue to lend to clients who were not part of the joint venture, under the terms to be specified in the agreement with the joint venture.

The agreement stipulates that Dexia/Dexia Credit Local extend to Dexia Municipal Agency, on the one hand, a guarantee with respect to the performance and the legal risks associated with a portfolio of EUR 10 billion of structured loans to French local governments and, on the other hand, an indemnity against losses in excess of 10 basis points on all outstanding loans, a sum which represents 10 times the losses ever reported by Dexia Municipal Agency. Dexia would, moreover, benefit from a counter-guarantee from the French State on this same portfolio of structured loans covering up to 70% of losses over and above EUR 500 million. This counter-guarantee is subject to the approval of the European Commission.

The implementation of this negotiation agreement will remain subject to the approval of the relevant supervisory and competition authorities.

(2. CHANGES IN MAIN BALANCE SHEET ITEMS

Non audited information

EUR billions	9/30/2010	12/31/2010	9/30/2011	Change Sept 11 / Dec 2010
Cover pool	80.4	79.6	79.0	(0.8)%
Loans	55.5	56.1	56.3	0.3%
Securities	24.9	23.5	22.7	(3.4)%
Assets assigned in guarantee to Banque de France	-	-	-	N.A.
Privileged debt	68.3	64.9	65.9	1.6%
<i>Swapped value**</i>				
<i>Obligations foncières*</i>	66.8	64.3	64.3	(0.0)%
Cash collateral received	1.7	1.3	2.5	90.3%
Non-privileged debt	10.5	12.5	11.0	(12.0)%
Dexia Credit Local	10.5	12.5	11.0	(12.0)%
Banque de France	-	-	-	N.A.
Equity IFRS (excluding unrealized gains and losses)	1.3	1.3	1.3	0.1%

* including registered covered bonds (RCB)

** including cash collateral received

As of September 30, 2011, Dexia Municipal Agency's cover pool, composed of loans and debt securities, totaled EUR 79.0 billion, excluding accrued interest not yet due. As of December 31, 2010, the total was EUR 79.6 billion; the decrease was therefore EUR 0.6 billion (-0.8%).

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

Outstanding debt benefiting from the legal privilege, translated if required at the currency swap rate (swapped value), was EUR 65.9 billion, including cash collateral received, up 1.6% from December 2010.

An increase in privileged debt (EUR +1 billion) combined with a decline in the cover pool resulted in a decrease in over-collateralization, which was 118.7% as of September 30, 2011 (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 11.0 billion. This amount corresponds to the financing of over-collateralization both structurally (commitment of Dexia MA and requirements of the rating agencies) and on a temporary basis (assets waiting to be refinanced by *obligations foncières*).

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

Non audited information

(3. CHANGE IN ASSETS IN THE FIRST NINE MONTHS OF 2011

3.1 ASSET PRODUCTION

The net change in assets since the beginning of the year, was a decrease of EUR 0.6 billion. The change can be analyzed as follows.

EUR billions	12/31/2010			9/30/2011		
	Loans	Debt securities	Total	Loans	Debt securities	Total
France	5.8	0.6	6.4	2.9	1.8	4.7
Outside of France	-	7.1	7.1	2.1	2.0	4.0
Total new assets	5.8	7.7	13.5	5.0	3.8	8.8
Amortization	(6.1)	(6.5)	(12.6)	(4.4)	(4.5)	(8.8)
Early reimbursements	(0.3)	-	(0.3)	(0.6)	(0.0)	(0.6)
Divestments	(0.0)	-	(0.0)	(0.0)	-	(0.0)
Changes in provisions	(0.0)	0.1	0.1	(0.0)	(0.1)	(0.1)
Net change (excl. FX adjustments)	(0.6)	1.3	0.7	0.1	(0.8)	(0.7)
Foreign exchange adjustments*	0.9	0.1	1.0	0.1	0.0	0.1
Net change*	0.3	1.4	1.7	0.2	(0.8)	(0.6)

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

Gross asset production and acquisitions in the period totaled EUR 8.8 billion.

EUR billions	12/31/2010	9/30/2011
Loans	5.8	5.0
Canada		0.2
France		
- commercial loans	3.9	1.4
- loans granted by DCL guaranteed by public sector bonds	0.3	1.3
- Banque de France account balance		0.2
- Bank accounts balance		
United Kingdom (loan granted by DCL guaranteed by UK public entities)		1.9
Bonds	7.7	3.8
Germany		0.3
Belgium - DSFB 4 securitization	4.2	
Belgium - other bonds	0.9	0.1
Spain - <i>cedulas territoriales</i>		1.3
France - <i>certificats de dépôts</i> DCL		1.8
Italy	0.1	0.2
Luxembourg - <i>lettres de gage publiques</i>		
United Kingdom		0.1
TOTAL	13.5	8.8

* replacement assets

Non audited information

These assets included the following items:

- new long-term assets:
 - *EUR 1.4 billion in public sector loans originated by Dexia Credit Local within the framework of its commercial activity in France;*
 - *EUR 0.2 billion in Canadian public sector loans, originated by Dexia Credit Local within the framework of its commercial activity in Canada;*
 - *EUR 1.9 billion representing a loan to Dexia Credit Local guaranteed by the transfer of commitments on local governments in the United Kingdom;*
 - *EUR 0.7 billion in bonds issued by the German, British, Belgian and Italian public sectors;*

- renewal of shorter-term assets that reached maturity (replacement assets):
 - *EUR 1.3 billion in cedulas territoriales issued by Dexia Sabadell, with a maturity of 18 months, considered as replacement assets in the cover pool;*
 - *EUR 0.6 billion in certificates of deposit (CD) issued by Dexia Credit Local, renewed quarterly, considered as replacement assets in the cover pool;*
 - *EUR 0.5 billion in loans to Dexia Credit Local guaranteed by public sector securities (repurchase agreements), renewed quarterly, considered as replacement assets in the cover pool;*

- Dexia MA's bank accounts had a balance of EUR 0.2 billion.

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

3.2 OUTSTANDING ASSETS AS OF SEPTEMBER 30, 2011

a. Geographic breakdown of assets (including replacement assets)

The breakdown of assets by country was relatively stable in comparison with December 31, 2010; the increase in British public sector commitments in a generally stable pool led to a slight decrease in the percentages of other countries. French assets remained predominant, with significant geographic diversification.

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

%	12/31/2010	9/30/2011
France	64.3	63.1
Belgium	9.9	9.3
Italy	9.6	9.7
Switzerland	5.8	5.3
Spain	4.1	4.1
United Kingdom	0.8	3.2
Luxembourg	2.4	1.7
Sub-total	96.9	96.4
Other countries	3.1	3.6
TOTAL	100.0	100.0

Non audited information

