

REPORT ON ASSET QUALITY

as of December 31, 2011

(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 December 31, 2011, Dexia MA exposures are presented as followed :

EUR thousands, as of 12/31/2011	Amount	Assets temporarily removed from the cover pool		TOTAL
Exposures on public sector	65,457,545	-	189,561	65,267,984
Asset-backed securities	10,328,053			10,328,053
Replacement assets	4,371,617	-	3,000,000	1,371,617
TOTAL	80,157,215	-	3,189,561	76,967,654

As of December 31, 2011, Dexia Municipal Agency's cover pool is made of EUR 58.1 billion of loans and EUR 18.9 billion of bonds.

Further to the downgrade of the *Cedulas territoriales* by Moody's to Baa2 on November 3rd, 2011, Dexia MA decided to pledge them to the Banque de France, until their maturity.

In addition some French loans were pledged to the Banque de France to cover the variations of the market value of the *Cedulas territoriales*. These assets were removed from the cover pool and from the calculation of the overcollateralization ratio.

(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)				
France								
State	83,498		127,637		211,135			
Banque de France (3)	2,197,686				2,197,686			
Regions	2,006,846	142,730	304,423		2,453,999			
Departments	6,225,457		356,643		6,582,100		7,027	
Municipalities (4)	17,747,035	106,923	886,862		18,740,820	15,389	4,702	1,412
Groups of municipalities (5)	10,249,908	118,288	276,041		10,644,237	1,207	4,342	688
Public sector entities :								
- health	6,717,934				6,717,934	8,431	301	723
- social housing	2,053,587				2,053,587		10	
- others	1,150,217		15,969		1,166,186	3,243	614	391
Sub total	48,432,168	367,941	1,967,575	-	50,767,684	28,270	16,996	3,214
Germany								
State				11,580	11,580			
Länder		503,767		495,695	999,462			18,038
Sub total	-	503,767	-	507,275	1,011,042	-	-	18,038
Austria								
Länder	203,949				203,949			
Sub total	203,949	-	-	-	203,949	-	-	-
Belgium								
Regions	280,067		79,477		359,544			
Communities		50,000			50,000			
Public sector entities	82,786				82,786			
Sub total	362,853	50,000	79,477	-	492,330	-	-	-
Canada								
Provinces		22,371			22,371			
Municipalities	105,900				105,900			
Public sector entities	132,375				132,375			
Sub total	238,275	22,371	-	-	260,646	-	-	-
Spain								
Municipalities	293,327				293,327			
Regions		226,935			226,935			5,418
Sub total	293,327	226,935	-	-	520,262	-	-	5,418
United States								
Federated States		252,943			252,943			
Sub total	-	252,943	-	-	252,943	-	-	-
Finland								
Municipalities	18,775				18,775			
Public sector entities	48,265				48,265			
Sub total	67,040	-	-	-	67,040	-	-	-

EUR thousands	Direct Exposure		Indirect Exposure		Global	Of which non performing loans	Of which past due	Specific impairment
	Loans	Bonds (1)	Loans	Bonds (1)				
Iceland								
State				144,500	144,500			
Sub total	-	-	-	144,500	144,500	-	-	-
Italy								
State		506,270		46,207	552,477			63,793
Regions		1,580,251			1,580,251			3,845
Provinces		296,974			296,974			
Municipalities	13,942	1,592,782			1,606,724			
Sub total	13,942	3,976,277	-	46,207	4,036,426	-	-	67,638
Japon								
Municipalities		25,000			25,000			
Sub total	-	25,000	-	-	25,000	-	-	-
Portugal								
Regions				47,500	47,500			
Municipalities	88,094				88,094			
Public sector entities	9,883				9,883			
Sub total	97,977	-	-	47,500	145,477	-	-	-
United Kingdom								
State				671,877	671,877			18,020
County (6)			398,124		398,124			
District (6)			27,973		27,973			
Communes (6)			1,367,720		1,367,720			
Public sector entities (6)			56,183		56,183			
Sub total	-	-	1,850,000	671,877	2,521,877	-	-	18,020
Sweden								
Municipalities	87,079		97,393		184,472			
Public sector entities	26,011				26,011			
Sub total	113,090	-	97,393	-	210,483	-	-	-
Switzerland								
Cantons	1,683,604		1,007,219		2,690,823			
Municipalities	1,330,491				1,330,491			
Public sector entities	123,269				123,269			
Sub total	3,137,364	-	1,007,219	-	4,144,583	-	-	-
Greece								
State		314,174		100,000	414,174			7,036
Sub total	-	314,174	-	100,000	414,174	-	-	7,036
Supranational								
International organizations	49,568				49,568			
Sub total	49,568	-	-	-	49,568			
TOTAL	53,009,553	5,739,408	5,001,664	1,517,359	65,267,984	28,270	16,996	119,364
PREMIUMS AND DISCOUNTS					(42,937)			
TRANSLATION ADJUSTMENTS					(50,028)			
GLOBAL					65,175,019			

(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 3,214 thousand
- specific impairment on investment bonds (Greece) : EUR 7,036 thousand
- provisions for unrealised losses on placement portfolio bonds : EUR 109,114 thousand

(3) Dexia MA's Banque de France account as of December 31, 2011

(4) Of which EUR 19,190 thousand on operations linked to partnership agreement (PPP)

(5) Of which EUR 17,953 thousand on operations linked to partnership agreement (PPP)

(6) 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 12/31/2011

Residual maturity		Term to maturity					TOTAL
Maturity date in years	Number of deals ⁽¹⁾	Less than 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	More than 5 years	
0	4,461	2,371,612	212,983	-	-	-	2,584,595
1	4,689	66,027	31,838	654,290	507,739	-	1,259,894
2	3,633	52,117	56,516	110,189	1,052,822	-	1,271,644
3	3,716	48,713	39,421	76,655	1,492,919	-	1,657,707
4	3,317	43,803	35,389	76,236	1,604,497	-	1,759,925
5	3,164	42,171	23,172	73,450	2,867,702	648,470	3,654,966
6	3,932	49,800	43,031	81,709	747,554	1,248,097	2,170,191
7	3,597	53,735	43,480	94,314	816,394	982,786	1,990,708
8	3,416	59,671	41,627	99,953	859,727	1,831,551	2,892,529
9	2,719	39,194	32,552	87,101	712,234	1,030,981	1,902,062
10	2,594	53,478	32,963	80,636	717,988	1,421,906	2,306,971
11	2,609	41,004	27,989	73,453	610,063	1,687,482	2,439,991
12	2,053	45,070	30,876	76,507	656,259	1,509,419	2,318,130
13	2,230	48,183	64,747	58,671	675,988	1,568,481	2,416,070
14	3,871	47,573	33,527	86,854	723,360	2,592,556	3,483,869
15	2,092	31,417	32,264	88,317	653,111	2,576,171	3,381,280
16	1,741	45,559	22,174	61,046	548,597	2,480,840	3,158,216
17	1,443	29,916	20,081	65,963	518,178	2,016,218	2,650,356
18	1,254	19,212	17,427	51,096	381,672	1,544,405	2,013,811
19	1,609	21,867	15,505	30,998	296,644	1,817,501	2,182,515
20	812	11,002	12,599	31,649	238,809	1,300,473	1,594,533
21	909	16,040	12,020	38,144	286,904	1,559,178	1,912,286
22	731	8,908	9,617	24,594	183,663	1,009,142	1,235,924
23	683	9,916	13,378	17,584	170,620	1,730,452	1,941,949
24	702	10,201	8,186	26,875	195,615	1,429,552	1,670,428
25	627	13,031	10,683	23,526	202,098	1,688,173	1,937,511
26	548	10,032	8,390	22,076	173,448	1,345,650	1,559,596
27	495	10,467	5,752	27,920	184,489	1,399,207	1,627,834
28	294	8,555	5,751	11,025	106,889	856,979	989,199
29	172	3,472	2,726	7,554	57,933	553,741	625,425
30	82	2,687	983	4,334	32,418	281,535	321,958
31	77	919	1,020	3,567	23,182	227,889	256,578
32	70	2,423	775	516	15,458	96,136	115,309
33	50	493	367	1,074	9,162	107,191	118,287
34	50	411	518	744	7,954	127,353	136,979
35	55	390	921	895	9,381	114,523	126,110
36	43	589	568	1,451	11,600	805,323	819,530
37	33	41,295	216	997	10,451	183,237	236,197
38	15	182	137	655	4,095	55,901	60,970
39	4	92	92	184	1,472	12,999	14,839
40	6	39	444	56	2,175	22,895	25,609
41	30	128	34	188	1,474	25,380	27,204
42	17	457	22	241	3,185	74,352	78,257
43	16	178	410	295	3,878	101,162	105,924
44	28	164	165	490	3,469	48,893	53,181
45	17	70	100	64	1,053	25,298	26,585
46	9	112	38	235	1,692	28,346	30,423
47	8	181	67	195	1,870	35,169	37,481
48	2	92	75	168	1,355	17,794	19,484
49	1	33	-	34	298	9,570	9,935
50	1	22	-	23	200	6,755	7,000
Total	64,727	3,362,704	953,614	2,274,790	18,389,737	40,237,111	65,217,956
PREMIUMS AND DISCOUNTS							(42,937)
GLOBAL							65,175,019

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

2.4 EARLY REPAYMENTS

EUR thousands, as of 12/31/2011

State	Early repayments during the year	Rate of early repayments
France		
Regions	99,351	4.97%
Départements	110,704	1.87%
Municipalities	118,330	0.65%
Group of municipalities	156,980	1.57%
Public sector entities :		
- health	45,715	0.56%
- social housing	37,469	1.48%
- others	31,006	2.15%
Sub total	599,555	1.24%
Italy		
Municipalities	4,318	0.27%
Sub total	4,318	0.27%
GLOBAL	603,873	1.21%

The rate of early repayments corresponds to the volume of early repayments occurred during 2011 divided by the average of daily outstanding amount.

(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 12/31/2011	Maturity date	
Colombo SRL	No	2001	55,000	1,000	5,627	2,026	
Astrea SRL	No	2002	21,000	1,000	532	2,012	
Blue Danube Loan Funding GmbH	No	2002	1,000	100,000	77,694	2,049	
Dexia Crediop per la Cartolarizzazione	DCC1	Yes	2004	1,128,851	1,000	743,766	2,039
	DCC2	Yes	2005	1	1,005,965,000	677,749	2,041
	DCC3	Yes	2008	23,000	100,000	2,109,951	2,050
	Sub Total					3,531,466	
Dexia Secured Funding Belgium	DSFB1	Yes	2007	6,721	250,000	1,412,139	2,058
	DSFB2	Yes	2008	6,356	250,000	1,376,024	2,040
	DSFB4	Yes	2009/2010	18,800	250,000	3,924,571	2,047
Sub Total					6,712,734		
TOTAL					10,328,053		
PREMIUMS AND DISCOUNTS					51		
GLOBAL					10,328,104		

* 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 held by Dexia Municipal Agency represent public sector exposures.

3.2 RATINGS

As of December 31, 2011, 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 A2 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 MA benefit from the guarantee of Dexia Crediop, and are rated, A / watch negative by Fitch, BBB+ / watch negative by Standard and Poor's and Baa3 / on review for downgrade by Moody's.
- The securities issued by DSFB 1 et 2 held by Dexia MA benefit from the guarantee of Dexia Bank Belgium (DBB), and are rated, A by Fitch, A- by S&P and A3 by Moody's. The securities issued by DSFB 4 are not guaranteed by Dexia Bank Belgium but are rated AA by Fitch.

3.3 BREAKDOWN BY MATURITY DATE

EUR thousands, as of 12/31/2011

Residual maturity		Term to maturity					TOTAL
Maturity date in years	Number of deals ⁽¹⁾	Less than 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	More than 5 years	
0	2	6,159	-	-	-	-	6,159
17	1	173,771	70,541	171,611	1,364,771	2,143,877	3,924,571
25	1	18,814	7,291	29,394	246,928	1,807,524	2,109,951
27	1	23,830	-	20,500	179,623	519,813	743,766
28	2	60,951	26,284	37,228	506,718	1,422,591	2,053,772
37	1	-	1,795	1,880	18,545	55,474	77,694
44	1	52,441	5,999	14,664	214,396	1,124,640	1,412,140
Total	9	335,966	111,910	275,277	2,530,981	7,073,919	10,328,053
PREMIUMS AND DISCOUNTS							51
GLOBAL							10,328,104

⁽¹⁾ Number of ABS arrived at maturity during the period

3.4 EARLY REPAYMENTS

No early repayment occurred on asset backed securities until the December 31, 2011.

(4. REPLACEMENT ASSETS

4.1. BREAKDOWN BY COUNTERPART

EUR thousands, as of 12/31/2011	Amount
Replacement assets	4,371,617
Assets temporarily out of the Cover Pool	- 3,000,000
TOTAL	1,371,617

As of 31st December, 2011 Dexia MA decided to pledge to the Banque de France all the *Cedulas territoriales*, until their maturity date.

Replacement assets	Country	Issuer	Amount in EUR thousands as of 12/31/2011
Step 1 credit rating			
<i>Lettres de gage</i>	Luxembourg	Dexia LdG Banque	1,350,000
Total			1,350,000
Bank accounts	France		21,617
Total			21,617
TOTAL			1,371,617
PREMIUMS AND DISCOUNTS			(233)
GLOBAL			1,371,384
Removed from the cover pool <i>Cedulas Territoriales</i>	Espagne	Dexia Sabadell	3,000,000

4.2 RATINGS

As of December 31, 2011, replacement assets held by Dexia Municipal Agency get the following ratings:

- *Lettres de gage* issued by Dexia LdG Bank are rated AAA / watch negative by S&P.
- *Cedulas territoriales*, covered bonds issued by Dexia Sabadell are rated Baa2 / on review for downgrade by Moody's.

4.3 BREAKDOWN BY MATURITY DATE

EUR thousands, as of 12/31/2011

Residual maturity		Term to maturity					TOTAL
Maturity date in years	Number of deals ⁽¹⁾	Less than 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	More than 5 years	
0	1	196,617	-	-	-	-	196,617
2	1	-	-	-	675,000	-	675,000
3	1	-	-	-	500,000	-	500,000
Total	3	196,617	-	-	1,175,000	-	1,371,617
PREMIUMS AND DISCOUNTS							(233)
GLOBAL							1,371,384

(1) Excluding bank accounts

4.4 EARLY REPAYMENTS

EUR thousands, as of 12/31/2011

Replacement assets	Country	Issuer	Early repayment during the year
Certificates of deposit	France	Dexia Credit Local	400,000
Total			400,000

As of December 31, 2011, early repayments of replacement assets correspond to Dexia Credit Local exposures, which are no more eligible to the cover pool of Dexia MA. Furthermore they are totally reimbursed as of December 31, 2011.

(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 it 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 was adjusted to EUR 40.0 million as of the second quarter of 2011, 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)

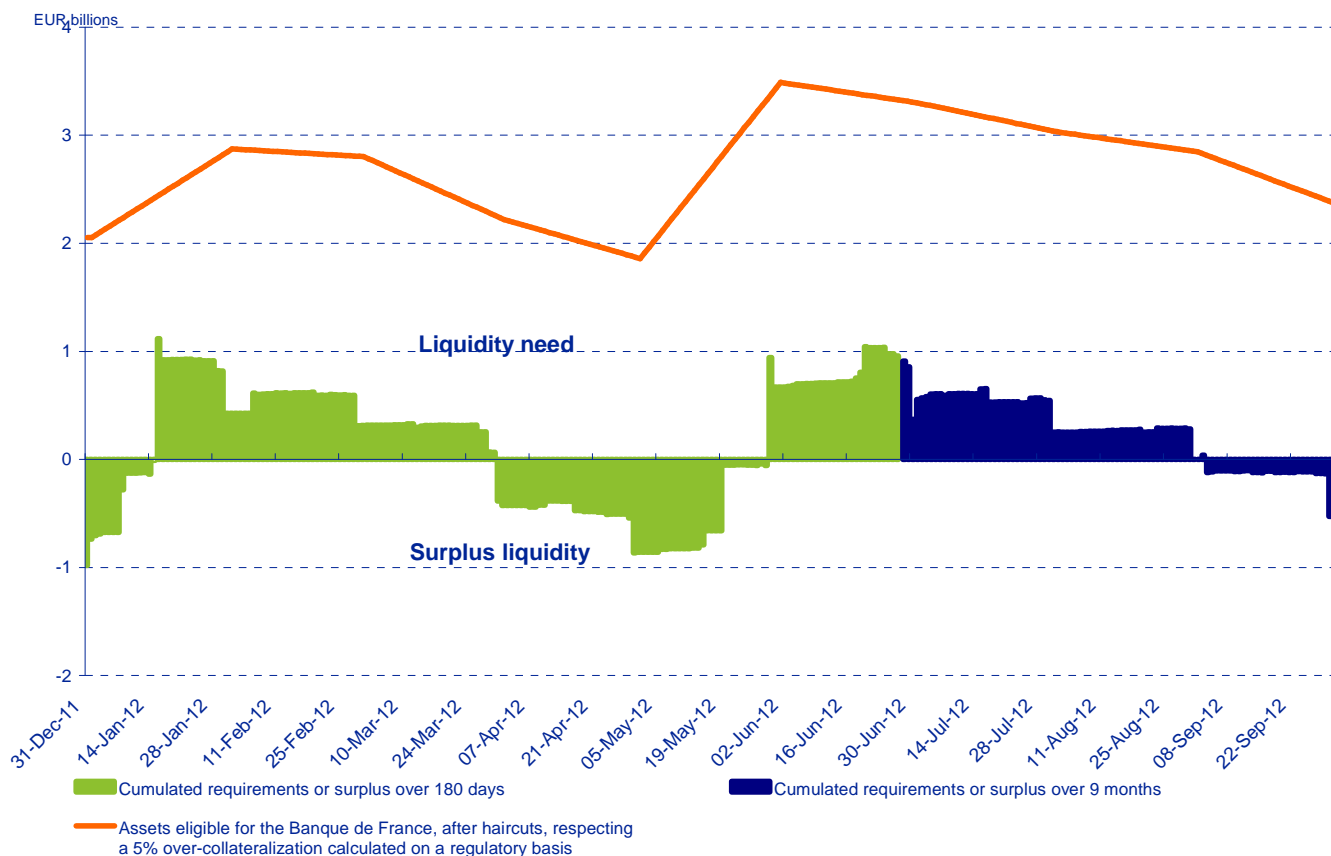
		Average	Maximum	Minimum	Limit
Fixed Rate	1Q 2011	13.1	20.8	5.2	26.0
	2Q 2011	12.9	13.4	12.2	31.0
	3Q 2011	17.3	20.7	14.0	31.0
	4Q 2011	19.2	24.5	14.9	31.0
Monetary	1Q 2011	1.6	2.6	0.4	9.0
	2Q 2011	0.3	2.8	(3.0)	9.0
	3Q 2011	(0.4)	1.5	(6.0)	9.0
	4Q 2011	0.9	4.1	0.4	9.0
Total	1Q 2011	14.6	22.7	5.7	35.0
	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

(6. MANAGEMENT OF THE LIQUIDITY RISK

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

- 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 December 2011, The cumulated need for cash of Dexia MA are mainly consisted of reimbursements on benchmarks of *obligations foncières*, 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 about EUR 2.5 billion.