



**Municipal Agency**

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## **Dexia Municipal Agency, a reference for asset quality**

**Dexia Municipal Agency wishes to remind the market that 100% of its assets are bonds and loans to public sector entities or fully and unconditionally guaranteed by such entities, and covered bonds backed by public sector assets.**

As per the company's by-laws and the authorisation granted by the CECEI, Dexia Municipal Agency has no mortgage in its cover pool assets and consequently no exposure to subprime mortgages (either direct or indirect). Dexia Municipal Agency is only allowed to invest in public sector assets or assets fully and unconditionally guaranteed by public sector entities. The public sector assets backing the covered bonds mentioned above have been originated by Dexia according to its strict underwriting principles.

**Dexia Municipal Agency informs that only 0.12% of its cover assets benefit from the credit enhancement of monoline insurers, of which 71% relates to FSA.**

These assets consist in seven transactions in bond format, of which six are issued by French local authorities, and one by a Spanish institution guaranteed by a local authority. This portfolio has a total amount of EUR 82.0 millions, which represent approximately 0.12% of the EUR 69.3 billion cover assets of the company, as of December 31, 2007. Financial Security Assurance (FSA) insured EUR 58.0 millions of these wrapped assets, the remaining EUR 24.0 millions are split between MBIA (16%) and AMBAC (13%). It must be stressed that these bonds would have been eligible to Dexia Municipal Agency cover assets without credit enhancement. Therefore credit enhancement did not play any role in the decision to include them in Dexia Municipal Agency's balance sheet.

This underlines the very high quality of Dexia Municipal Agency's issues, DMA being the only Obligations Foncières issuer exclusively backed by public sector assets.