

SECURED ASSET FUNDING EUROPE B.V.
(Amsterdam)

ANNUAL REPORT
December 31, 2006

1028852



SRNER/CNC

SECURED ASSET FUNDING EUROPE B.V.
(Amsterdam)

Table of contents

	Page
- Managing Director	2
- Managing Director's Report	3
- Financial Statements	
Balance Sheet	6
Statement of Income and Expenses	7
Cash Flow Statement	8
Notes to the Financial Statements	9
- Other information	18
Appendix	
Auditor's report	

SECURED ASSET FUNDING EUROPE B.V.
(Amsterdam)

Managing Director:

TMF Management B.V.

SECURED ASSET FUNDING EUROPE B.V.
(Amsterdam)

Managing Director's Report

The management herewith submits the Financial Statements of Secured Asset Funding Europe B.V. (the Company) for the period from January 1, 2006 until December 31, 2006. The information disclosed in the statements should be read in conjunction with the full text and definitions of the programme memorandum and pricing supplements regarding the Notes issued by the Company.

Transactions

On April 3, 2003 the Company issued DKK 536,790,000 Secured Fixed Rate Credit-Linked Notes due 2008. The Notes are secured, limited recourse obligations. The proceeds of the issue were applied in acquiring DKK 536,785,000 Dexia Municipal due 2008 to secure the Notes and a cash amount of DKK 5,000 (together Collateral Assets). Payments in respect of the Notes are made solely from the assets securing the Notes. On December 31, 2006 the Aggregate Outstanding Principal of the Notes amounted to DKK 531,440,000. The Notes of the Company are listed on the Irish Stock Exchange. The Notes were rated on issue AAA by Fitch Ratings Ltd.

On April 3, 2003 the Company issued DKK 716,360,000 Secured Step-Down Coupon Credit-Linked Notes due 2008. The Notes are secured, limited recourse obligations. The proceeds of the issue were applied in acquiring DKK 716,357,000 Dexia Municipal due 2008 to secure the Notes and a cash amount of DKK 3,000 (together Collateral Assets). Payments in respect of the Notes are made solely from the assets securing the Notes. On December 31, 2006 the Aggregate Outstanding Principal of the Notes amounted to DKK 663,070,000. The Notes of the Company are listed on the Irish Stock Exchange. The Notes were rated on issue AAA by Fitch Ratings Ltd.

On April 14, 2003 the Company issued NOK 92,470,000 Secured Fixed Rate Credit-Linked Notes due 2008. The Notes are secured, limited recourse obligations. The proceeds of the issue were applied in acquiring NOK 92,470,000 Magnolia Finance I (Collateral Asset). Payments in respect of the Notes are made solely from the assets securing the Notes. The Notes of the Company are listed on the Irish Stock Exchange. The Notes were rated on issue AAA by Fitch Ratings Ltd.

On July 30, 2003 the Company issued NOK 98,020,000 Secured Fixed Rate Credit-Linked Notes due 2008. The Notes are secured, limited recourse obligations. The proceeds of the issue were applied in acquiring NOK 98,020,000 Magnolia Finance I (Collateral Asset). Payments in respect of the Notes are made solely from the assets securing the Notes. The Notes of the Company are listed on the Irish Stock Exchange. The Notes were rated on issue AAA by Fitch Ratings Ltd.

On October 8, 2003 the Company issued EUR 112,077,000 Secured Fixed Rate Credit-Linked Notes due 2008. The Notes are secured, limited recourse obligations. The proceeds of the issue were applied in acquiring EUR 112,077,000 Branford II Funding B.V. Secured Credit-Linked Notes due 2008 to secure the Notes (Collateral Asset). Payments in respect of the Notes are made solely from the assets securing the Notes.

On September 27, 2004 the Aggregate Outstanding Principal Amount of the Notes was reduced as partial repayment of Branford II, amounting to EUR 111,867,000.

On Jun 30, 2006 the Aggregate Outstanding Principal Amount of the Notes was reduced as partial repayment of Branford II, amounting EUR 93,738,000.

On December 31, 2006 the Aggregate Outstanding Principal Amount of the Notes was reduced as partial repayment of Branford II, amounting EUR 37,366,000.

The Notes of the Company are listed on the Irish Stock Exchange. The Notes were rated on issue AAA by Fitch Ratings Ltd.

On February 10, 2004 the Company issued NOK 92,120,000 Secured Fixed Rate Credit-Linked Notes due 2009. The Notes are secured, limited recourse obligations. The proceeds of the issue were applied in acquiring NOK 92,120,000 Magnolia Finance I (Collateral Asset). Payments in respect of the Notes are made solely from the assets securing the Notes.

The Notes of the Company are listed on the Irish Stock Exchange. The Notes were rated on issue AAA by Fitch Ratings Ltd.

SECURED ASSET FUNDING EUROPE B.V.
(Amsterdam)

On April 30, 2004 the Company issued NOK 88,505,000 Secured Fixed Rate Credit-Linked Notes due 2009. The Notes are secured, limited recourse obligations. The proceeds of the issue were deposited in the Company's Norwegian Account at Bank of New York (together Collateral Assets). Payments in respect of the Notes are made solely from the assets securing the Notes. The Notes of the Company are listed on the Irish Stock Exchange. The Notes were rated on issue AAA by Standard & Poor's Rating Services.

On September 30, 2004 the Company issued NOK 91,437,500 Secured Fixed Rate Credit-Linked Notes due 2009. The Notes are secured, limited recourse obligations. The proceeds of the issue were deposited in the Company's Norwegian Account at Bank of New York (Collateral Assets). Payments in respect of the Notes are made solely from the assets securing the Notes. The Notes of the Company are listed on the Irish Stock Exchange. The Notes were rated on issue AAA by Standard & Poor's Rating Services.

Key activities

Financial income is determined by the interest on the charged assets and deposits, defaults in reference portfolios, results on sales of assets and swap interest paid or received.

Financial instruments and derivatives

The Company uses various derivatives to hedge interest rate risk and currency rate risk.

Main Risk

The main risks of the Company and the way these risks are managed are set out below.

Foreign Exchange Risk

Investments in non-EUR denominated charged assets are restricted as set out in the transaction documentation. The Company might enter into cross-currency swaps to minimise or eliminate currency exposure.

Credit Risk

There can be no assurance that the charged assets and/or other instruments in which the Company invests will not be subject to credit difficulties, leading to the loss of some or all the sums invested in such security. The Company may also be exposed to a credit risk on parties with whom it trades and may also bear the risk of settlement default.

Counterparty Risk

Some of the assets or derivatives will expose the Company to risk of counterparty default. Credit ratings are used to assess/minimise this risk.

Interest Rate Risk

The Company will be required from time to time to enter into interest rate hedge transactions, which may be interest cap and/or swap transactions in order to hedge its interest rate exposure under the charged assets and the Notes.

Limited Recourse

The Notes are limited recourse obligations of the Company and are payable solely out of amounts received by or on behalf of the Company in respect of the collateral. Payments on the Notes, both prior to and following the enforcement of the security over the collateral are subordinated to the prior payment of certain fees and expenses of the Company.

The net proceeds of the realisation of the security over the collateral following an event of default may be insufficient to pay all amounts due to the Noteholders. In this event, the Company will not be obliged to make any further payments to the Note holders and all claims against the Company will be extinguished.

Result

During the period under review, the Company recorded a profit of EUR NIL - (2005: EUR NIL -), which is set out in detail in the attached Statement of Income and Expenses.

SECURED ASSET FUNDING EUROPE B.V.
(Amsterdam)

Subsequent events

Significant weaknesses have been revealed in the financial markets by the recent financial turbulence due to the uncertainty following the 2007 mid-year emergence of the sub-prime debt in the U.S. The recent events have also created a "crisis of confidence" in the ratings of structured products produced by the credit rating agencies.

The Company is itself not directly affected since the Company is a cash flow based transaction and not a market value transaction. It can be characterised as a "buy and hold" investor and is not forced to sell into a declining market and thereby "realizing" capital losses.

At present we have not experienced any defaults nor have we identified impairment triggers as of yet on any of our credits in the portfolio.

In 2008 the Notes up to the amount of EUR 221,202,907 have been repaid at par in accordance with the scheduled maturity date. The remainder of the outstanding Notes will mature in 2009.

Future developments

The directors of the Company cannot make any statement on future sentiments in the financial markets due to the "crisis of confidence" and cannot make any statement of the impact of these sentiments on the valuation of the assets of the Company, although the assets of the Company are not directly affected by the "crisis of confidence". However, based on the current insight in the markets, no substantial changes in the strategy of investments and financing of the Company are foreseen.

Amsterdam, November 19, 2008

TMF Management B.V.

SECURED ASSET FUNDING EUROPE B.V.
(Amsterdam).

BALANCE SHEET
December 31, 2006
(before appropriation of the result)

ASSETS		<u>12/31/06</u>	<u>12/31/05</u>
FIXED ASSETS:			
Financial fixed assets:	(1)		
Portfolio of collateral assets	(2)	<u>253,707,825</u>	<u>310,461,281</u>
		253,707,825	310,461,281
CURRENT ASSETS:			
Other receivables		20,013	19,007
Interest receivable		2,510,542	911,355
Cash at bank	(3)	<u>6,848,194</u>	<u>6,923,339</u>
		9,378,749	7,853,701
		<u>263,086,574</u>	<u>318,314,982</u>
SHAREHOLDER'S EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY:			
Issued share capital	(4)	20,000	20,000
Retained earnings		<u>399</u>	<u>399</u>
		20,399	20,399
LONG TERM LIABILITIES:			
Notes payable	(5)	253,708,898	310,462,359
Deferred income	(6)	<u>5,426,600</u>	<u>5,406,755</u>
		259,135,498	315,869,114
CURRENT LIABILITIES:			
Interest payable		3,924,497	2,425,469
Other payables		<u>6,180</u>	<u>-</u>
		3,930,677	2,425,469
		<u>263,086,574</u>	<u>318,314,982</u>

SECURED ASSET FUNDING EUROPE B.V.
(Amsterdam)

STATEMENT OF INCOME AND EXPENSES
for the year ended December 31, 2006

		<u>01/01/06 - 12/31/06</u>	<u>01/01/05 - 12/31/05</u>
FINANCIAL INCOME AND EXPENSES:			
Interest income	(7)	9,709,211	14,551,485
Interest expenses	(8)	(9,728,477)	(14,551,485)
Currency exchange result - net		<u>19,266</u>	<u>-</u>
Interest income and expenses		-	-
OPERATIONAL INCOME AND EXPENSES:			
Net result		<u>-</u>	<u>-</u>

SECURED ASSET FUNDING EUROPE B.V.
(Amsterdam)

CASH FLOW STATEMENT
for the year ended December 31, 2006

	<u>01/01/06 - 12/31/06</u>	<u>01/01/05 - 12/31/05</u>
CASH FLOW FROM OPERATIONAL ACTIVITIES		
<i>Changes/modifications for:</i>		
<i>Movements in working capital:</i>		
Current assets	(1,600,193)	(712,676)
Current liabilities (exclusive of bank overdrafts)	<u>1,505,208</u>	<u>58,268</u>
	(94,985)	(654,408)
Cash flow from operating activities	<u>(94,985)</u>	<u>(654,408)</u>
Income from result of financial income and expenses	(9,728,477)	(14,551,485)
Income from fixed asset receivables and from securities	<u>9,709,212</u>	<u>14,551,485</u>
	(19,266)	-
Total cash provided by operating activities	<u>(114,251)</u>	<u>(654,408)</u>
CASH FLOW FROM INVESTMENT ACTIVITIES		
Decrease of financial fixed assets	<u>56,753,456</u>	<u>25,603,789</u>
Total cash used in investing activities	<u>56,753,456</u>	<u>25,603,789</u>
CASH FLOW FROM FUNDING ACTIVITIES		
Decrease of long term liabilities	<u>(56,733,616)</u>	<u>(31,580,780)</u>
Total cash provided by / used in financing activities	<u>(56,733,616)</u>	<u>(31,580,780)</u>
Net cash flow	(94,411)	(6,631,399)
Exchange rate differences and translation differences on funds	<u>19,266</u>	<u>-</u>
Decrease in cash funds	<u>(75,145)</u>	<u>(6,631,399)</u>
The movement of funds is as follows:		
Balance as at 1 January	6,923,339	13,600,065
Movement for the year	<u>(75,145)</u>	<u>(6,676,726)</u>
Balance as at 31 December	<u>6,848,194</u>	<u>6,923,339</u>

SECURED ASSET FUNDING EUROPE B.V.
(Amsterdam)

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2006

General

The Company was incorporated on February 18, 2003 and is wholly owned by Stichting Secured Asset Funding Europe.

The Company has its registered office at Parnassustoren, Locatellikade 1, 1076 AZ Amsterdam, The Netherlands.

The authorized share capital of the Company consists of 20 shares with a par value of EUR 1,000 each (EUR 20,000). At December 31, 2006 all shares were issued and fully paid.

The information disclosed under the notes to the financial statements is partly derived from and should be read in conjunction with full text and definitions of the programme memorandum and the pricing supplements regarding the Notes issued. Any decision to buy, sell or hold Notes issued by the Company should not be based solely on the information in these financial statements (including the notes thereto). Investors should also refer to the programme memorandum and the pricing supplements which, amongst other, gives a more thorough and detailed description of the risks involved with investing in the Notes issued by the Company.

Accounting policies in respect of the valuation of assets and liabilities

General

The financial statements were prepared in accordance with the statutory provisions of Part 9, Book 2, of the Dutch Civil Code and the firm pronouncements in the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board. The financial statements are prepared in EUR. Assets and liabilities are stated at their historical cost, unless indicated otherwise.

Foreign currencies

Assets and liabilities, denominated in foreign currencies are translated into the reporting currency at exchange rates prevailing at the Balance Sheet date. Any resulting exchange differences are recorded in the Statement of Income and Expenses.

Revenues and expenses in the year under review, which are denominated in foreign currencies, are translated into the reporting currency at exchange rates in effect on the transaction date.

Exceptions to the above mentioned rule are made when the Company enters into a Cross-Currency Asset Swap Transaction (or any similar transaction). In this case all amounts are translated into Euro as described in the swap-transaction documents.

Comparison with prior year

The principles of valuation and determination of result remain unchanged compared to the prior year. However, the financial statement for the year 2005 are unaudited. The amounts included for comparative purposes in the profit and loss account have therefore not been audited.

SECURED ASSET FUNDING EUROPE B.V.
(Amsterdam)

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2006

Financial fixed assets

Charged assets

Charged assets are valued using the amortised cost method. Under this method, the Company's portfolio is valued at its acquisition cost as adjusted for the amortisation of premium paid or the accretion of discounts received, rather than the current market value. The premium and discounts are amortized on a straight-line basis over the life of the charged asset and recognised in the statement of income and expenses.

On the balance sheet date, the Company tests whether there are any indications of an asset which could be subject to impairment. If there are such indications, the recoverable amount of the asset concerned is estimated. An asset is subject to impairment if its book value is higher than its recoverable value. Impairment is recognised as an expense in the profit and loss account.

Deposits

Deposits are valued at nominal value.

Derivatives

Financial instruments recognised in the balance sheet are valued at cost, which is the consideration paid or received.

Initially, derivatives such as cross currency swaps and interest rate swaps are neither recognised in the balance sheet nor valued. The financial effects of such instruments are recognised at expiry date of the contract, or at realisation of the hedged position.

The main risks relating to financial instruments, such as derivatives, are set out below. The portfolio of collateral assets and the Notes are described in note 1,2 and 5.

Foreign Exchange Risks

Investments in non-EUR denominated CDOs are restricted as set out in the transaction documentation. The Company might enter into cross-currency swaps to minimise or eliminate currency exposure.

Credit Risk

There can be no assurance that the charged assets and/or other instruments in which the Company invests will not be subject to credit difficulties, leading to the loss of some or all the sums invested in such security. The Company may also be exposed to a credit risk on parties with whom it trades and may also bear the risk of settlement default.

Counterparty Risk

Some of the assets or derivatives will expose the Company to risk of counterparty default. Credit ratings are used to assess/minimise this risk.

Interest Rate Risk

The Company will be required from time to time to enter into interest rate hedge transactions, which may be interest cap and/or swap transactions in order to hedge its interest rate exposure under the portfolio of collateral assets and the Notes.

Current assets

Debtors are stated at face value net of provisions for doubtful debts, where necessary.

Long term liabilities

Long term liabilities are valued at cost, being the amount received taking into account premium or discount, less transaction cost. The difference between the book value determined and the ultimate redemption value, including the interest payable are determined by recognising the effective interest in the profit and loss account during the term of the liabilities.

Discounts on Notes are amortized on a straight line basis over the term of the Notes.

SECURED ASSET FUNDING EUROPE B.V.
(Amsterdam)

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2006

Current liabilities

Creditors are stated at face value.

Accounting policies in respect of result determination

Result

Profits on transactions are recognized in the year they relate to. Losses are recognized when foreseen.

Administrative expenses

Expenses are based on the historical cost convention and attributed to the financial year to which they pertain.

Other income

Other income represents the amounts invoiced or to be invoiced to third parties in respect of services rendered in the financial year net of discounts and turnover taxes.

Total financial income and expenses

Income arising on the underlying portfolio of deposits and charged assets, together with bank interest and/or swap interest is recognized on an accrual basis. All income and expenditures from the deposits and the portfolio of collateral assets, swaps, notes issued and other borrowing and/or lending that have the character of interest payments are recognized as interest income or interest expense respectively.

Interest income and expenses are time apportioned, taking into account the effective interest rate for the relating assets and liabilities. The treatment of interest expenses for loans received takes account of any transaction costs.

Taxation

Taxation is calculated on the reported pre-tax result, at the prevailing tax rates, taking account of any losses carried forward from previous financial years and tax-exempt items and non-deductible expenses and using tax facilities.

Corporate income tax

A tax ruling has been agreed with the Dutch tax authorities. This ruling mentions the minimum pre-tax result for a number of years. The pre-tax result for this year is calculated in line with this ruling, which has been reported upfront in the first financial year and paid to the tax authorities.

VAT

The Company is not considered to be an entrepreneur for VAT purposes.

Principles of the cash flow summary

The Cash flow statement is prepared in accordance with the indirect method. The liquidities in the cash flow statements comprise of cash at banks and in hand and bank overdrafts. Cash flows in foreign currencies are translated at estimated average rates. Currency differences, receipts and payments, in connection with interest and taxation on profits, are taken up under cash flow from operational activities.

SECURED ASSET FUNDING EUROPE B.V.
(Amsterdam)

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2006

(1) Financial fixed assets

The movements in financial fixed assets are comprised as follows:

	Portfolio of collateral assets
Balance as at January 1, 2006	310,461,281
Disposals	(56,753,456)
Balance as at December 31, 2006	<u>253,707,825</u>

The disposals of EUR 56,372,000 is the scheduled partial repayment of Branford II.

(2) Portfolio of collateral assets

The portfolio of collateral assets is comprised as follows:

	<u>12/31/06</u>	<u>12/31/05</u>
Dexia Municipal	160,206,813	160,775,683
Branford II Funding B.V.	37,366,000	93,738,000
Magnolia (XS019276031-1)	34,297,330	55,947,598
Magnolia (XS019268870-2, XS020160543-2)	21,837,682	-
	<u>253,707,825</u>	<u>310,461,281</u>

Under the Credit Swaps, the Company will be obliged to deliver collateral assets to the swap counterparty if a credit event with respect to the reference portfolio or other event as described in the swap agreement occurs. The aggregate outstanding principal amount of the Notes shall be reduced with the same amount. The Company agreed to pay any non-principal payment paid on the collateral assets and the fixed coupon pool deposit to the swap counterparty.

During the period under review no credit events occurred.

As per December 31, 2006, the aggregate market value of the collateral assets in respect is estimated as follows:

Magnolia Finance I, NOK (ISIN: XS0192688702)	90.07%
Dexia Municipal, DKK (ISIN: FR0000473605)	99.98%
Branford II Funding B.V., EUR (ISIN: XS0178421029)	101.73%

Within reasonable time and cost limits, it is not possible to estimate the fair value of the assets Magnolia Finance (ISIN: XS0192760311) and Magnolia Finance (ISIN: XS0201605432). However in 2008 these assets are converted into cash at 100% of the value of the credit linked notes.

SECURED ASSET FUNDING EUROPE B.V.
(Amsterdam)

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2006

(3) Cash at bank

The Cash at Bank is comprised as follows:

	<u>12/31/06</u>	<u>12/31/05</u>
Fixed Coupon Deposits Pool (HSBC, BONY)	6,841,628	6,921,947
F. van Lanschot Bankiers	<u>6,566</u>	<u>1,392</u>
	<u>6,848,194</u>	<u>6,923,339</u>

The Fixed Coupon Deposits Pool is credit linked with the Notes and is not freely disposable to the Company other than to pay interest on the Notes.

The carrying value of the Deposits Pool approximates its fair value.

(4) Shareholders' equity

The movements in the Shareholder's Equity are comprised as follows:

	Issued share capital	Retained earnings	Result for the period	Total
Balance as at January 1, 2005	20,000	(89,274)	89,673	20,399
Allocation of result	-	89,673	(89,673)	-
Result for the period	-	-	-	-
Balance as at December 31, 2005	<u>20,000</u>	<u>399</u>	<u>-</u>	<u>20,399</u>
Result for the period	-	-	-	-
Balance as at December 31, 2006	<u>20,000</u>	<u>399</u>	<u>-</u>	<u>20,399</u>

The authorized share capital of the Company consist of 20 shares with a par value of EUR 1,000 each (EUR 20,000). At December 31, 2006 all shares were issued and fully paid.

SECURED ASSET FUNDING EUROPE B.V.
(Amsterdam)

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2006

(5) Notes payable

The Notes payable are comprised as follows:

	<u>12/31/06</u>	<u>12/31/05</u>
XS0174988195 EUR Fixed Rate	37,366,000	93,738,000
XS0162925597 DKK Fixed Rate	71,276,824	71,527,469
XS0162948292 DKK Step-Down Coupon	88,931,062	89,249,291
XS0163249575 NOK Fixed Rate	11,222,087	11,779,618
XS0170336548 NOK Fixed Rate	11,895,631	11,929,654
XS0185070215 NOK Fixed Rate	11,179,612	10,533,779
XS0189103574 NOK Fixed Rate	10,740,898	10,753,949
XS0197106023 NOK Fixed Rate	11,096,784	10,950,599
	<u>253,708,898</u>	<u>310,462,359</u>

On April 3, 2003 the Company issued DKK 536,790,000 Secured Fixed Rate Credit-Linked Notes due 2008. The Notes are secured, limited recourse obligations. The proceeds of the issue were applied in acquiring DKK 536,785,000 Dexia Municipal due 2008 to secure the Notes and a cash amount of DKK 5,000 (together Collateral Assets). Payments in respect of the Notes are made solely from the assets securing the Notes. At the same date the Company entered into a Credit Protection Swap transaction with Credit Suisse First Boston International (the Swap Counterparty).

On April 3, 2003 the Company issued DKK 716,360,000 Secured Step-Down Coupon Credit-Linked Notes due 2008. The Notes are secured, limited recourse obligations. The proceeds of the issue were applied in acquiring DKK 716,357,000 Dexia Municipal due 2008 to secure the Notes and a cash amount of DKK 3,000 (together Collateral Assets). Payments in respect of the Notes are made solely from the assets securing the Notes. At the same date the Company entered into a Credit Protection Swap transaction with Credit Suisse First Boston International (the Swap Counterparty).

On April 14, 2003 the Company issued NOK 92,470,000 Secured Fixed Rate Credit-Linked Notes due 2008. The Notes are secured, limited recourse obligations. The proceeds of the issue were applied in acquiring NOK 92,470,000 Magnolia Finance I (Collateral Assets). Payments in respect of the Notes are made solely from the assets securing the Notes. At the same date the Company entered into a Credit Protection Swap transaction with Credit Suisse First Boston International (the Swap Counterparty).

On July 30, 2003 the Company issued NOK 98,020,000 Secured Fixed Rate Credit-Linked Notes due 2008. The Notes are secured, limited recourse obligations. The proceeds of the issue were applied in acquiring NOK 98,020,000 Magnolia Finance I (Collateral Assets). Payments in respect of the Notes are made solely from the assets securing the Notes. At the same date the Company entered into a Credit Protection Swap transaction with Credit Suisse First Boston International (the Swap Counterparty).

On October 8, 2003 the Company issued EUR 112,077,000 Secured Fixed Rate Credit-Linked Notes due 2008. The Notes are secured, limited recourse obligations. The proceeds of the issue were applied in acquiring EUR 112,077,000 Branford II Funding B.V. Secured Credit-Linked Notes due 2008 to secure the Notes (Collateral Assets). Payments in respect of the Notes are made solely from the assets securing the Notes. At the same date the Company entered into a Credit Protection Swap transaction with Credit Suisse First Boston International (the Swap Counterparty).

On February 10, 2004 the Company issued NOK 92,120,000 Secured Fixed Rate Credit-Linked Notes due 2009. The Notes are secured, limited recourse obligations. The proceeds of the issue were applied in acquiring NOK 92,120,000 Magnolia Finance I (Collateral Assets). Payments in respect of the Notes are made solely from the assets securing the Notes. At the same date the Company entered into a Credit Protection Swap transaction with Credit Suisse First Boston International (the Swap Counterparty).

On April 30, 2004 the Company issued NOK 88,505,000 Secured Fixed Rate Credit-Linked Notes due 2009. The

SECURED ASSET FUNDING EUROPE B.V.
(Amsterdam)

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2006

Notes are secured, limited recourse obligations. The proceeds of the issue were deposited in the Company's Norwegian Account at Bank of New York (Collateral Assets). Payments in respect of the Notes are made solely from the assets securing the Notes. At the same date the Company entered into a Credit Protection Swap transaction with Credit Suisse First Boston International (the Swap Counterparty).

On September 30, 2004 the Company issued NOK 91,437,500 Secured Fixed Rate Credit-Linked Notes due 2009. The Notes are secured, limited recourse obligations. The proceeds of the issue were deposited in the Company's Norwegian Account at Bank of New York (Collateral Assets). Payments in respect of the Notes are made solely from the assets securing the Notes. At the same date the Company entered into a Credit Protection Swap transaction with Credit Suisse First Boston International (the Swap Counterparty).

Interest on the Notes is payable as follows:

XS0174988195 EUR Fixed Rate	0.20% p.a.
XS0162925597 DKK Fixed Rate	2.65% p.a.
XS0162948292 DKK Step-Down Coupon	2.65% p.a. first year; 1.15% p.a. further years
XS0163249575 NOK Fixed Rate	0.22% p.a.
XS0170336548 NOK Fixed Rate	0.28% p.a.
XS0185070215 NOK Fixed Rate	0.31% p.a.
XS0189103574 NOK Fixed Rate	0.30% p.a.
XS0197106023 NOK Fixed Rate	0.36% p.a.

Under the Credit Swaps, the Company will be obliged to deliver Collateral Assets to the Swap Counterparty if a Credit Event with respect to the Reference Portfolio or other event as described in the swap agreement occurs. The aggregate outstanding principal amount of the Notes shall be reduced with the same amount.

Under the Credit Swaps, the Swap Counterparty paid an Fixed Coupon Amount to the Company, which is deposited by the Company to cover interest payments on the Notes. The Company agreed to pay any non-principal payment paid on the Collateral Assets and the Fixed Coupon Pool Deposit to the Swap Counterparty.

(6) Deferred income

	<u>12/31/06</u>	<u>12/31/05</u>
Deferred income related to swaps	<u>5,426,600</u>	<u>5,406,755</u>

Under the Credit Protection Swaps, the Swap Counterparty paid an Fixed Coupon Amount to the Company, which is deposited (refer to note 3) by the Company to cover future interest payments on the Notes.

SECURED ASSET FUNDING EUROPE B.V.
(Amsterdam)

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2006

Off-balance sheet commitments

Credit default swaps

As per date of this report, the Company has entered into 8 Credit Protection Swaps with Credit Suisse First Boston International. Under the Credit Swaps, the Company will be obliged to deliver Collateral Assets to the Swap Counterparty if a Credit Event with respect to the Reference Portfolio or other event as described in the swap agreement occurs. The aggregate outstanding principal amount of the Notes shall be reduced with the same amount.

Under the Credit Swaps, the Swap Counterparty paid an Fixed Coupon Amount to the Company, which is deposited by the Company to cover interest payments on the Notes. The Company agreed to pay any non-principal payment paid on the Collateral Assets and the Fixed Coupon Pool Deposit to the Swap Counterparty (refer to note 2 and 3).

The fair value of the Credit Default Swaps are estimated at year end as follows :

NOK 88,505,000 Note to -0.92%;
NOK 98,020,000 Note to -1.18%;
NOK 92,120,000 Note to -2.24%;
NOK 92,470,000 Note to -0.31%;
DKK 663,070,000 Note to -7.31%;
DKK 531,440,000 Note to -6.13%;

SECURED ASSET FUNDING EUROPE B.V.
(Amsterdam)

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2006

(7) Interest income

	<u>01/01/06 - 12/31/06</u>	<u>01/01/05 - 12/31/05</u>
Interest income Collateral Assets	9,680,249	14,527,163
Interest Income on bank accounts	<u>28,962</u>	<u>24,322</u>
	<u>9,709,211</u>	<u>14,551,485</u>

(8) Interest expenses

	<u>01/01/06 - 12/31/06</u>	<u>01/01/05 - 12/31/05</u>
Interest expenses Notes	(3,213,042)	(520,997)
Interest expenses on swaps	<u>(6,515,435)</u>	<u>(14,030,488)</u>
	<u>(9,728,477)</u>	<u>(14,551,485)</u>

Other notes

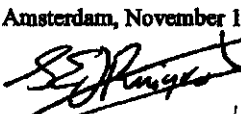
Average number of employees

During the period under review the Company did not employ any personnel and, consequently, no payments for wages, salaries or social securities were made.

Remuneration of directors and supervisory board

The Company has one Managing Director, who serves without remuneration.

Amsterdam, November 19, 2008


TMF Management B.V.

SECURED ASSET FUNDING EUROPE B.V.
(Amsterdam)

OTHER INFORMATION
December 31, 2006

Audit

The auditors opinion is included on the next page.

Statutory provision regarding appropriation of Result

In accordance with Article 14 of the articles of association, profit shall be at the disposal of the annual general meeting of shareholders. Profit distribution can only be made to the extent that shareholder's equity exceeds the issued and paid-up share capital and legal reserves.

Appropriation of Result

The management proposes to allocate the net profit for the year 2006 to retained earnings. This proposal of appropriation of profit has not been reelected in the company's balance sheet per 31 december 2006.

Subsequent events

Significant weaknesses have been revealed in the financial markets by the recent financial turbulence due to the uncertainty following the 2007 mid-year emergence of the sub-prime debt in the U.S. The recent events have also created a "crisis of confidence" in the ratings of structured products produced by the credit rating agencies.

The Company is itself not directly affected since the Company is a cash flow based transaction and not a market value transaction. It can be characterised as a "buy and hold" investor and is not forced to sell into a declining market and thereby "realizing" capital losses.

At present we have not experienced any defaults nor have we identified impairment triggers as of yet on any of our credits in the portfolio.

In 2008 the Notes up to the amount of EUR 221,202,907 have been repaid at par in accordance with the scheduled maturity date. The remainder of the outstanding Notes will mature in 2009.

To the Managing Director and Shareholder of
Secured Asset Funding Europe B.V.

PricewaterhouseCoopers
Accountants N.V.
Thomas R. Malthusestraat 5
1086 JR Amsterdam
P.O. Box 90357
1006 BJ Amsterdam
The Netherlands
Telephone +31 (20) 588 68 68
Facsimile +31 (20) 588 68 68
www.pwc.com/nl

Auditor's report

Report on the financial statements

We have audited the accompanying financial statements for the year ended 31 December 2008 of Secured Asset Funding Europe B.V., Amsterdam as set out on pages 6 to 17 which comprise the balance sheet as at 31 December 2008, the profit and loss account and cash flow statements for the year then ended and the notes.

The Managing Director's responsibility

The Managing Director of the company is responsible for the preparation and fair presentation of the financial statements and for the preparation of the Managing Director's report, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Managing Director, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Secured Asset Funding Europe B.V. as at 31 December 2008, and of its result and cash flows for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the Managing Director's report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amsterdam, 19 November 2008
PricewaterhouseCoopers Accountants N.V.



drs. P.F.J. Veuger RA