Dexia Funding Netherlands N.V.
Amsterdam

Report on the annual accounts 2006

Vastgesteld door de Algemene
Verga[illegible] aandeelhouders
op 6 maart 2007

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Management board's report

Description and principal activity of the Company

Dexia Funding Netherlands N.V. was incorporated for an unlimited duration under the laws of The Netherlands on July 7, 1987. Its registered office is at "Atrium" 7th Floor, Strawinskylaan 3105, Amsterdam.

According to Article 3 of its Articles of Association, the objective of the company is to enter into and to grant loans, to conduct all other acts of a financial nature as well as to participate in, to manage and to finance other enterprises and companies.

Dexia Funding Netherlands N.V. is registered in the Commercial Register of the Chamber of Commerce in Amsterdam under file number 33.194.789.

Operating Results

The operating profit for 2006 is EUR 2,437,000 (2005 EUR 5,350,000). The main reason for the lower profitability in 2006 is that an Advance Pricing Agreement was obtained from the Dutch Tax Authorities by which the taxable interest spread was reduced with 50 % compared to previous years and that for new finance activities as from 1 January 2006 an even lower contribution to the interest income was agreed than for the finance activities which commenced before 1 January 2006.

Liquidity, Funding and Capital Resources

The Company issues bonds and onlends the proceeds to its parent company in Belgium. The balance sheet of Dexia Funding Netherlands is composed of issues on the liability side, which are matched with the on-lending to Dexia Bank on the asset side. The liquidity risk is extremely limited, as Dexia Funding Netherlands can obtain liquidity facilities with Dexia Bank. The issues of Dexia Funding Netherlands are guaranteed by Dexia Bank, and the credit risk of those loans is limited to EUR 2 million, which is set as the minimum amount of own funds in the balance sheet of Dexia Funding Netherlands.

The capital amounts to EUR 113.000 and is entirely subscribed by Dexia Bank. The retained earnings amount to EUR 6.757.000.

Risks and Uncertainties

The bonds issued are guaranteed by the Company's parent. No exchange or collection risk exists and the Company's parent has a good credit rating. The financial and market risks are limited considering that the issues of Dexia Funding Netherlands are hedged by the on-lending to Dexia Bank. As a result of this, the risk is concentrated in the fact that Dexia Bank is the sole counter party of Dexia Funding Netherlands. The quality and transparency of Dexia Bank mitigate this risk: Dexia Bank is part of the Dexia Group which is listed on the Brussels and Paris stock exchange and is a part of the most important banking groups in Europe.

Future Outlook

The Company has no immediate intention to change its business and it is anticipated that the Company will remain at its present finance volume and will enter into new finance agreements in the future, subject to developments in the capital market.

New issues 2006

During 2006, the company issued the following notes on the basis of its EMTN program:

USD	100,000,000	Floating Rate Note series 151
EUR	58,150,000	Euro 50 Dynamixx series 150
EUR	7,500,000	CMS Spread Target 38 series 152
EUR	10,000,000	Callable Accreting series 154
EUR	5,000,000	Callable Range Accrual series 155
EUR	80,250,000	Privates Notes 1 series 161
EUR	56,400,000	Business Notes 1 series 162
EUR	81,000,000	4,35% Step Up Notes series 163
NZD	50,000,000	NZD 7% series 166
EUR	10,000,000	Index Linked Notes series 168
EUR	21,623,000	4.05% Step Up Notes series 165
EUR	79,162,000	3.33% Step Up Notes series 167
EUR	5,000,000	Bearish ranger 8NC1 Notes series 171
EUR	50,000,000	Floating Rate Note series 173
EUR	134,100,000	Private Notes 2 series 174
EUR	50,000,000	4.10% Step Up Notes series 172
EUR	4,300,000	Snow Ranger Notes series 176

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EUR	67,250,000	Business Notes 2 series 170
EUR	176,652,000	3.80% Step Up Notes series 179
NOK	250,000,000	NOK 4.25% Note series 180
AUD	50,000,000	AUD 6.125 Notes series 181

Dexia Funding Netherlands N.V. has launched 3 new tranches under the Euro Multi-Callable Notes Program:

EUR	90,399,000	EMCN tranche 16 due August 2011
EUR	96,879,000	EMCN tranche 17 due September 2011
EUR	76,893,000	EMCN tranche 18 due October 2012

Furthermore the company issued the following notes outside its EMTN program:

EUR	108,912,000	Multiple Capital Repayment 5 series A due January 2018
EUR	21,293,000	Multiple Capital Repayment 5 series B due January 2018
EUR	46,344,000	Multiple Capital Repayment 6 due February 2016
EUR	8,419,000	Digicoupon series A due February 2012
EUR	2,495,000	Digicoupon series B due February 2012
EUR	43,071,000	Goal 50 series A due March 2008
EUR	6,071,000	Goal 50 series B due March 2008
EUR	8,539,000	Caracas due March 2016
EUR	30,464,000	Target 15 II series A due April 2016
EUR	6,794,000	Target 15 II series B due April 2016

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EUR	4,157,000	Double Markets due April 2016
EUR	5,692,000	Coupon and Repayment due May 2014
EUR	9,596,000	Natural Resources series A due May 2012
EUR	2,146,000	Natural Resources series B due May 2012
EUR	34,629,000	Belgian Stars 1 due June 2011
EUR	10,155,000	Interest Notes 1 due July 2009
EUR	49,764,000	Equity Notes 1 A due January 2008
EUR	3,477,000	Equity Notes 1 B due January 2008
EUR	300,036,000	Interest Notes 2 series A due August 2012
EUR	36,759,000	Interest Notes 2 series B due August 2012
EUR	41,139,000	Short Term Notes 1 due September 2008
EUR	228,750,000	Interest Notes 3 series A due October 2012
EUR	21,250,000	Interest Notes 3 series B due October 2012
EUR	91,500,000	Interest Notes 4 series A due November 2012
EUR	8,500,000	Interest Notes 4 series B due November 2012
EUR	40,832,000	Equity Notes 2 due November 2012
EUR	2,847,000	Equity Notes 3 series A due December 2012
EUR	25,031,000	Equity Notes 3 series B due December 2012

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EUR	41,108,000	Short Term Notes 2 due December 2008

In the future, the company will launch new issues if market conditions are favorable.

Appointment and resignation of board members

On the 22nd of December 2006 V. Sneyers and S. Prins resigned from the board of directors as a direct result from a sale of their Dexia group entity to third parties.
L. Thiry and J. Brumagne were appointed as new board members.

Amsterdam, 23 February 2007

The Board of Managing Directors:

L. Thiry J. van Burg Dexia Bank Belgium S.A.

J. Brumagne Equity Trust Co N.V.

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Financial statements

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(before appropriation of result)	Notes	31 December 2006 EUR '000	31 December 2005 EUR '000
ASSETS			
FIXED ASSETS			
Subordinated loans to shareholder	1	227,514	243,297
Non-subordinated loans to shareholder	2	5,987,343	5,621,550
		6,214,857	**5,864,847**
CURRENT ASSETS			
Short-term portion of Non-subordinated loans		1,111,569	628,184
Prepaid corporate income tax		28	14
Other amounts receivable	3	107,072	142,224
Cash	4	7,493	9,256
		1,226,162	**779,678**
		7,441,019	**6,644,525**
SHAREHOLDER'S EQUITY AND LIABILITIES			
SHAREHOLDERS EQUITY	5		
Share capital		113	113
Retained earnings		6,757	7,784
Result for the year		1,705	3,473
		8,575	**11,370**
LONG-TERM LIABILITIES			
Issued subordinated notes	6	227,514	243,297
Issued non-subordinated notes	7	5,987,343	5,621,550
		6,214,857	**5,864,847**
CURRENT LIABILITIES			
Short-term portion long-term liabilities		1,111,569	628,154
Corporate income tax		0	0
Other liabilities and accrued expenses	8	106,018	140,154
		1,217,587	**768,308**
		7,441,019	**6,644,525**

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PROFIT AND LOSS ACCOUNT 2006

	Notes	2006	2005
		EUR '000	EUR '000
Interest income group		234,081	287,868
Other income		207	103
Interest expense notes		(231,544)	(282,621)
INTEREST MARGIN		2,744	5,350
Realized capital gains and losses	9	0	0
Unrealized capital gains and losses	10	0	0
CAPTAL GAINS AND LOSSES		0	0
OPERATING RESULT		2,744	5,350
General expenses		(308)	(282)
RESULT BEFORE TAXATION		2,436	5,068
Taxation on result of ordinary acvtivities		(731)	(1,595)
RESULT AFTER TAXATION		1,705	3,473

Notes to the financial statements

General

Activities

The Company is a 100% subsidiary of Dexia Bank Belgium S.A., Brussels ("Dexia Bank") and was incorporated in Amsterdam on 7 July 1987. Its registered office is at "Atrium" 7th Floor, Strawinskylaan, 3105, Amsterdam.

Dexia Funding Netherlands N.V. is registered in the Commercial Register of the Chamber of Commerce in Amsterdam under file number 33.194.789.

The Company acts as a finance company. The Company issues notes in the market, whereby the proceeds of the issued notes are fully on-lent to the parent company.

Financial risk management

The Company's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. However, all financial liabilities are on-lent to the Company's parent company and therefore these financial risks are completely mitigated.

Market risk:

The Company takes on exposure to market risks arising from positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. However, the risks are mitigated by the abovementioned on-lending of the obtained funds to its parent company at comparable interest rate, currency and equity conditions.

Credit risk:

The Company has significant concentrations of credit risk as almost all assets are placed with its parent company. Taking into consideration the objective and activities of the Company and the fact that the parent company is a high credit quality financial institution under the supervision of the Belgian regulator, management considers this risk as acceptable.

Liquidity risk:

The Company has no significant liquidity risk as it has a liquidity facility with its parent company and almost all assets and liabilities are matched in time.

Accounting principles

General

The financial statements have been prepared in accordance with the Title 9 book 2 of the Netherlands Civil Code, and with Dutch GAAP.

Valuation of assets and liabilities and determination of the result take place under the historical cost convention. Unless stated otherwise at the relevant principle for the specific balance sheet item, assets and liabilities are stated at face value.

Income and expenses are accounted for on an accrual basis. Profit is only included when realized on balance sheet date. Losses originated before the end of the financial year are taken into account if they have become known before preparation of the financial statements.

Translation of foreign currency

Receivables, liabilities and obligations denominated in foreign currency are translated at the exchange rates prevailing at balance sheet date. Transactions in foreign currency during the financial year are recognized in the financial statements at the exchange rates prevailing at transaction date. The exchange differences resulting from the translation as of balance sheet date, taking into account possible hedge transactions, are taken to the profit and loss account.

Cash flow statement

No cash flow statement was prepared as the ultimate parent company prepared a consolidated cash flow statement, which includes the cash flows of the Company.

Principles of valuation of assets and liabilities

Financial instruments

All notes and loans, except for the index-linked, equity-linked, inflation-linked, funds-linked and reverse exchangeable notes for which the redemption price is linked to the evolution of an underlying instrument, are valued at their face value. The index-linked, equity-linked, inflation-linked, funds-linked and reverse exchangeable notes and loans for which the redemption price is linked to the underlying instrument are valued at market value as described in the following paragraphs.

The index-linked, equity-linked, inflation-linked, reverse exchangeable and funds-linked notes and loans for which the redemption price is linked to the evolution of an underlying instrument can be redeemed at par or at a certain percentage of the nominal amount taking into account the evolution of the underlying basket of shares or "share indexes" of certain stock exchanges or a basket of indexes, or inflation index or funds, according to a special formula.

The market value is calculated on the basis of financial models and implied market data.

Taking into account the condition that the redemption amount shall not be less than the nominal amount when applicable, the applicable market value is the highest of the calculated market value and the nominal amount for all issues of notes and loans which are capital guaranteed. In some cases, the redemption value can be less than the nominal amount and then the applicable market value is the calculated market value.

Principles for the determination of the result

Taxation

Corporate income tax is calculated at the applicable rate on the result for the financial year, taking into account permanent differences between profit calculated according to the financial statements and profit calculated for taxation purposes.

Notes to the specific items of the balance sheet

1. Subordinated loans to shareholder

The subordinated loans rank after all non-subordinated creditors of the shareholder. These loans are all repayable at face value.

The loans are denominated in euros (EUR 100 million), Japanese yen (JPY 20 billion) and carry fixed interest at an average rate of 6.195%.

The Japanese yen loans mature in more than 5 years. The Euro loan matures in February 2011.

The movement in the subordinated loans to shareholder is as follows:

	EUR '000
Balance as of January 1, 2006	243,297
Revaluation	736
Translation differences	(16,519)
Balance as of December 31, 2006	227,514

2.Non-subordinated loans to shareholder

The non-subordinated loans to shareholder consist of loans that are repayable at face value (approximately EUR 3.9 billion) and loans for which the redemption price is linked to the evolution of an underlying instrument (index-linked, equity-linked, inflation-linked, funds-linked and reverse exchangeable).

Most of the loans are denominated in euros (92%), although there are also loans in Swedish Krones (3%), Norwegian Krones (2%), Japanese yen (<1%), Danish Krones (1%), US Dollar (1%), Australian Dollar (<1%), New Zealand Dollar (<1%) and British pound sterling (<1%).

Approximately EUR 1.1 billion loans mature within one year (presented as current assets), EUR 2.9 billion loans mature after one but before five years and EUR 3.1 billion loans mature after five years.

Most of the loans are structured notes with interest rates or redemptions linked to the evolution of an underlying contract (e.g. interest rates, equity, indices, exchange rates, commodities), often with callable features including automatic early redemptions as well as conditional early redemptions.

The movement in the non-subordinated loans to shareholder is as follows:

	EUR '000
Balance as of January 1, 2006	5,621,550
Additions	2,557,242
Early repayments	(1,109,123)
Reclassification to short term	(1,111,569)
Revaluation	28,176
Translation differences	1,067
Balance as of December 31, 2006	5,987,343

3. Other amounts receivable

The receivables and accrued income are specified as follows:

	31 December 2006 EUR '000	31 December 2005 EUR '000
Accrued interest receivable from shareholder	107,072	142,224
	107,072	142,224

4. Cash

The composition of the cash is as follows:

	31 December 2006 EUR '000	31 December 2005 EUR '000
Current account	873	1,574
Deposits	6,620	7,682
	7,493	9,256

Included in the cash are two deposits of EUR 5m and EUR 1.2m, both with a two months notice of withdrawal facility. The EUR 5m deposit must have a minimum balance of EUR 2,500,000. No other restrictions on the usage of cash exist.

5. Shareholder's equity

The authorized share capital amounts to EUR 2,268,900 comprising 5,000 shares of EUR 453.78 each. As of balance sheet date, 250 shares are called and paid up, amounting to EUR 113,445.The shares are wholly owned by Dexia Bank Belgium S.A., which is the ultimate parent company.

The movement in shareholder's equity is as follows:

	Share capital EUR '00	Retained earnings EUR '000	Result for the year EUR '000	Total EUR '000
Balance as of January 1, 2005	113	7,445	3,782	11,340
Effect of change in accounting policy	0	109	0	109
Correction of estimated variable interest	0	0	(52)	(52)
Restated balance as of January 1, 2005	113	7,554	3,730	11,397
Dividend 2004	0	0	(3,500)	(3,500)
Appropriation of result	0	230	(230)	0
Result for the year	0	0	3,473	3,473
	113	7,784	3,473	11,370
Balance as of January 1, 2006	113	7,784	3,473	11,370
Dividend 2005	0	0	(4,500)	(4,500)
Appropriation of result	0	(1,027)	1,027	0
Result for the year	0	0	1,705	1,705
Balance as of December 31, 2006	113	6,757	1,705	8,575

6. Issued subordinated notes

All issued subordinated notes are fully and irrevocably guaranteed by Dexia Bank.

The subordinated notes rank after all non-subordinated creditors of the Company. These notes are all repayable at face value.

The notes are denominated in euros (EUR 100 billion) and Japanese yen (JPY 20 billion) and carry fixed interest at an average rate of 5.925%.

Those JPY loans mature in more than 5 years, and the EUR loan matures in February 2011.

7. Issued non-subordinated notes

All issued non-subordinated notes are fully and irrevocably guaranteed by Dexia Bank.

The non-subordinated notes consist of notes that are repayable at face value (approximately EUR 3.9 billion) and notes for which the redemption price is linked to the evolution of an underlying instrument (index-linked, equity-linked, inflation-linked, funds-linked and reverse exchangeable).

Most of the notes are denominated in euros (92%), although there are also notes in Swedish Krones (3%), Norwegian Krones (2%), Japanese yen (<1%), Danish Krones (1%), US Dollar (<1%), Australian Dollar (<1%), New Zealand Dollar (<1%) and British pound sterling (<1%).

Approximately EUR 1.1 billion notes mature within one year (presented as current assets), EUR 2.9 billion notes mature after one but before five years and EUR 3.1 billion notes mature after five years.

Most of the notes are structured notes with interest rates or redemptions linked to the evolution of an underlying contract (e.g. interest rates, equity, indices, exchange rates, commodities), often with callable features including automatic early redemptions as well as conditional early redemptions.

8. Other liabilities and accrued expenses

The other liabilities and accrued expenses can be detailed as follows:

	31 December 2006	31 December 2005
	EUR '000	EUR '000
Accrued interest payable	105,824	139,886
Accrued liabilities	194	268
	106,018	140,154

9. Realized capital gains and losses

The realized capital gains and losses can be detailed as follows:

	31 December 2006	31 December 2005
	EUR '000	EUR '000
Realized gains	169,259	5,772
Realized losses	(169,259)	(5,772)
	0	0

10. Unrealized capital gains and losses

The unrealized capital gains and losses can be detailed as follows:

	2006	2005
	EUR '000	EUR '000
Unrealized gains	28,176	75,973
Unrealized losses	(28,176)	(75,973)
	0	0

11. Taxation on result of ordinary activities

The corporate income tax charge is calculated at the statutory tax rate of 29.6% prevailing in the Netherlands.

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Subsequent events

During 2007, till February 23, the company issued the following notes on the basis of its EMTN program:

EUR	200,000,000	Step Up 2007-2009 due 2009 (Series 182)
GBP	150,000,000	Subordinate Callable Floating Rate Notes due 2017 (Series 187)
NOK	350,000,000	Senior Notes due 2012 (Series 183)
AUD	75,000,000	Senior Notes due 2012 (Series 184)
EUR	92,100,000	Private Notes 3 due 2013 (Series 178)

Furthermore the company issued the following notes outside its EMTN program:

EUR	19,291,000	Multiple Capital Repayment 7 due 2012
EUR	17,187,000	Multiple Capital Repayment 8 due 2012
EUR	58,118,000	Interest Notes 5 series A due 2013
EUR	4,813,000	Interest Notes 5 series B due 2013
EUR	37,234,000	Interest Notes 6 series A due 2013
EUR	3,481,000	Interest Notes 6 series B due 2013
EUR	24,093,000	Equity Notes 4 due 2012

Other notes and signing of the financial statements

Employees

The Company did not employ any personnel.

Signing of the financial statements

Amsterdam, February 23, 2007

Management board:

L Thiry J. Brumagne J. van Burg

Dexia Bank Belgium S.A. Equity Trust Co N.V.

Supervisory board:

B. Colla D. Vanderschrick K. Claessens

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Other information

Auditors' report

Reference is made to the auditors' report as included hereinafter.

Statutory rules concerning appropriation of the result

In Article 31 of the Company statutory regulations the following has been stated concerning the appropriation of result:

- Profits are at the disposition of the General Meeting of Shareholders;
- Distribution may only be made to an amount not exceeding the distributable reserves component of shareholders' equity;
- Distribution of profits is after adoption of the financial statements showing that such distribution is justified;
- If it is evident from an interim financial statement drawn up in accordance with the provisions of the law that the requirements of section 2 have not been met, the General Meeting of Shareholders may decide to pay an interim dividend;

Appropriation of the result for the financial year 2005

On June 29, 2006, the annual General Meeting of Shareholders decided to distribute a dividend of EUR 4.5 million. This dividend is composed partly of the profit of the year and partly of retained earnings.

Proposed appropriation of the result for the financial year 2006

The Board of directors proposes, with the approval of the supervisory board, that a dividend amounting to EUR 4.635 million should be paid to the shareholder, consisting of EUR 1.705 million from the result of the year and EUR 2.930 million from the retained earnings.

The financial statements do not yet reflect this proposal.

Subsequent events

During 2007, till February 23, the company issued notes to the value of EUR 766,855,229. The proceeds of the issued notes were fully on-lent to the parent company.

Deloitte.

Deloitte Accountants B.V.
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Date	From	Reference
February 23, 2007	G.J.W. Ros	3100207591/OP9997/ldw

Auditors' report

Report on the financial statements

We have audited the accompanying financial statements 2006 of Dexia Funding Netherlands N.V., Amsterdam, which comprise the balance sheet as at December 31, 2006, the profit and loss account and cash flow statement for the year then ended and the notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements and for the preparation of the management board 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.

Deloitte.

February 23, 2007
3100207591/OP9997/ldw

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 entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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 Dexia Funding Netherlands N.V. as at December 31, 2006, and of its results 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 management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Deloitte Accountants B.V.

G.J.W. Ros