

DEXIA

Bank
Nederland

30 JUNI 2005

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KAMER VAN KOOPHANDEL EN FABRIEKEN

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OMVANG: J

BOEKJAAR: 2004

SOORT: G

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Amsterdam, 28 juni 2005

Mijne dames en heren,

Ter deponering doen wij u hierbij de volgende bescheiden toekomen:

- het jaarverslag 2004 van Dexia Bank Nederland N.V., dossiernummer 33 19 46 26. Dit jaarverslag werd goedgekeurd door de Algemene Vergadering van Aandeelhouders gehouden op 24 maart 2005;
- een opgave van deelnemingen van Dexia Bank Nederland welke niet met naam zijn genoemd in de jaarrekening 2004.

Wij verzoeken u vriendelijk ons een bewijs van deponering te doen toekomen.

Met vriendelijke groet,

Dexia Bank Nederland

Gegevens verwijderd door KvK

A.S.H. Sloot-Meinders

Secretaris

Bijlagen: 2.

Dexia Bank Nederland

Annual Report 2004

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Five year summary

In millions of euros, unless otherwise stated

	2004	2003	2002	2001	2000
Interest	217	252	222	177	143
Commission	- 2	6	117	173	194
Other income	- 99	- 23	- 40	103	164
Total income	116	235	299	453	501
Operating expenses	51	89	266	274	223
Result before tax	- 108	132	- 406	165	273
Net result	- 60	87	- 265	116	187
Shareholders' equity	294	355	335	541	517
Total assets	4 781	5 623	7 205	7 290	6 800
Cost/income ratio (%)	44.0	37.9	88.9	60.4	44.6
Return on shareholders' equity (%)	- 16.8	32.6	- 64.2	21.9	40.9
Average number of employees (FTE)	268	368	1 115	1 327	962
Income per employee (in thousands €)	433	638	268	342	520
Net result per employee (in thousands €)	- 224	237	- 238	87	195

Please note that 2001 and 2002 include figures of Kempen & Co during the merger period and that 2000 figures of Kempen & Co were pro forma consolidated.

Annual Report

Profile Dexia Bank Nederland

Dexia Bank Nederland NV was formed at the end of 2001 through the merger of Kempen & Co NV and Labouchere NV. In 2003 Kempen & Co demerged from Dexia Bank Nederland NV. Dexia Bank Nederland NV is part of the Dexia Group, a fast-growing international financial institution with core activities in France, the Benelux and the United States.

Dexia Bank Nederland NV has a limited focus: it continues to service the existing shareleasing contracts, handles claims and performs all financial services linked to the share leasing portfolio.

Report of the Supervisory Board

We hereby present the Annual Accounts of Dexia Bank Nederland NV for the financial year 2004, as prepared by the Management Board. PricewaterhouseCoopers Accountants NV has audited the accounts and has attended the Audit Committee meeting of the Supervisory Board where these accounts have been discussed.

We propose that you approve the annual accounts for 2004 as presented. The Supervisory Board has no objections to the proposal for the treatment of the result as stated in the annual accounts.

As of November 1, 2004 E.C. Lekkerkerker stepped down as member of the Management Board. As of December 31, the Management Board consisted of D.G.M. Bruneel (chairman), J.S.E. Brumagne and L.A.J. van Thielen.

At the end of 2004, the Supervisory Board consisted of P.M. van der Laan (chairman), P.E. Klönhammer, S.L.G. Decraene, O. van Herstraeten and F.J.A. Moes.

We wish to extend our gratitude to the member of the Management Board who left this year for his efforts and commitment.

In 2004 the Supervisory Board had seven meetings, whereas the Audit Committee met twice.

The year under review was characterised primarily by taking the necessary actions to ensure the legal defence of the Bank. Due to the continuing negative media attention and its impact on the reputation of the Bank, the Bank had to decide to stop its sales and marketing activities, despite the rapid set-up of a competitive product range.

We would like to express our appreciation for the manner in which the Management Board and all members of the staff have continued to give their best efforts under very difficult internal and external conditions in order to make a positive contribution to the result of the year under review.

Amsterdam, March 17, 2005

On behalf of the Supervisory Board

P.M. van der Laan, chairman

Report of the Management Board

Key facts 2004

The focus throughout the year has been on effectively managing the sharelease portfolio, and exploring ways to effectively defend and/or settle a large number of legal disputes that have arisen with regard to the existing share leasing portfolio.

A lot of attention has gone to the legal organization of the Bank, as well by expanding and reorganizing it, as by investing in automation and datamanagement thereof. This culminated in appointing a chief legal officer, Ben Knüppe, who as a renowned lawyer had 25 years of relevant experience in August 2004. The reorganization of the legal department took place in order to defend the banks' legal position.

With regard to the status of different disputes we refer to the relevant section of this report.

The efforts in exploring ways to settle certain disputes have been huge. In this respect, most media attention has gone to the 'Commissie Geschillen Aandelenlease', presided over by M. Oosting. The Bank has actively cooperated, and has been disappointed to be asked to step in a timing which did not take into account major preliminary concerns of the Bank. The Bank was further surprised that in its report the commission went a lot further than the tasks agreed upon beforehand, by giving detailed personal opinions on legal issues.

Management has continued to explore other ways of settling certain legal disputes, but also ways of settlement for clients confronted with financial difficulties.

Mid 2004, these adverse circumstances have forced management to make the decision to stop all sales and marketing activities, as the reputation of the brand name for retail investment products did not permit to realise the business plan, and no longer any prospect of positive return in the medium term for the product range existed.

Management has kept focus on strengthening of internal controls, risk awareness and documenting all actions throughout the organization and compliance issues. Major projects included the interfacing of accounting systems, the preparation for IFRS and Basle II requirements and the introduction of an exhaustive compliance manual.

In its relevant market, the AEX index gradually went up, whereas the yield curve lowered and flattened.

Organisation and Personnel

Due to the continuing negative media attention and the worsening reputation of Dexia Bank Nederland the new products Beurslift and Rendementslift were not successful. Mid 2004 the Management Board was forced to stop the development and introduction of new products. As a result of this decision the Sales & Marketing department had to be shut down. All forced lay-off, 21 FTE, were carried out in line with the Social Plan 2001–2004.

Furthermore the organisation has been restructured. The new organisational structure is now structured into four divisions. The first division is the legal organisation. It was the objective to form a consistent legal organisation, which was flexible enough to meet the unpredictable extent of legal proceedings. The legal organisation consists of four separate departments: Legal, Legal Support, Legal Services and Legal Administration. A Chief Legal Officer, who is directly responsible for the legal department, has been appointed as of August 1, 2004. The second division is a possible business-opportunity in credit management. At this moment this opportunity is being analysed and a business plan will be drawn up. The third division is the management of the share leasing portfolio. The last division is the support and controlling staff. The closing of the Sales & Marketing department and the growth of the legal organisation, led to a total staff at the end of 2004 of 256 FTE.

The management wishes to express its gratitude to all employees of Dexia Bank Nederland. At the end of 2004 a survey, examining the opinion of personnel on issues like working conditions, Social Plan, communication etc, was conducted. The results were satisfying. The staff was involved and satisfied with most conditions of employment. Compared to the market, Dexia Bank Nederland did better than expected, as figures were in line with the average. Human Resources Management has proposed changes on this survey resulting in measures to be implemented in 2005.

In 2004 the average absenteeism was almost 8%. This level of absenteeism is again higher than normal and higher than the average of the industry (5%). An explanation for the increasing absenteeism can be found in the pressure on employees stemming from the working environment. Several actions have been implemented to bring the companies' ratio in line with the industries average.

The Works Council is highly appreciated for their realistic advice on the reorganisation plans.

Financial Developments in 2004

Results general

Total income dropped by 51%, from € 235 million in 2003 to € 116 million in 2004, whereas operational expenses decreased by 43% to € 51 million in 2004. As result of a provision for settlements the profit & loss account was affected with an amount of € 83 million. In addition, an adjustment to the provision for loan losses was recorded for an amount of € 90 million compared to € 14 million in 2003. On balance, the operating result before taxes and additions to provisions decreased by € 81 million to € 65 million (decrease of 56%). In 2004, Dexia Bank Nederland recorded a loss after tax of € 60 million (2003: profit € 87 million).

In the fourth quarter of 2004 an additional provision was taken into account for an amount of € 207 million as result of expected further settlements with share lease clients. This provision is classified in the profit & loss account in the following items:

<i>In millions of euros</i>	2004
Provision for loan losses	98
Other expenses (impairment related capitalised expenses)	25
Addition to the provision for settlements	84
Total provision	207

Income

<i>In millions of euros</i>	2004	2003
Result from interest	217	252
Result from securities and participating interests	-	2
Result from commission	- 1	6
Result from financial transactions	- 3	8
Other income and expense	- 97	- 33
Total income	116	235

The ratio interest expense on interest income increased from 54.4% in 2003 to 58.8% in 2004, mainly as result of unwinding the discounting adjustment on zero interest loans and other loans at concessional rates. In amounts the interest margin decreased to € 217 million as result of the lower number of outstanding share lease contracts.

Other income and expense includes items, which are closely related to the operating results of the share lease products, and consist mainly of amortisation of capitalised expenses of which € 25 million were accelerated to be consistent with the new provision.

Operating expenses

<i>In millions of euros</i>	2004	2003
Personnel expense	26	30
Other administrative expense	21	48
Depreciation	4	11
Total operating expenses	51	89

Operating expenses decreased by € 38 million to € 51 million, compared to 2003, which corresponds to 43%. The average number of employees (FTE) decreased from 339 in 2003 to 268 in 2004.

Dexia Bank Nederland remains focused on reducing and rationalising expenditures.

The efficiency ratio, i.e. the operating expenses as a percentage of total income, amounted to 44% in 2004, compared to 38% in 2003.

Capital and ratios

Qualifying capital

Qualifying capital at 2004 year-end amounted to € 544 million. Shareholders' equity included in this amount consisted of € 11 million share capital, € 400 million share premium reserve and € 117 million negative other reserves. In addition, € 250 million in subordinated loans were included.

Solvency

Based on the guidelines of De Nederlandsche Bank (The Dutch Central Bank), the capital of the Bank must be set off against loans on and off the balance sheet items, which are weighed by the risks attached. Capital must also be maintained for the market risk attached to the trading activities of the Bank. The standard for the total qualifying capital (the "BIS-ratio") amounts to 8%. For Dexia Bank Nederland, the BIS-ratio at year-end 2004 amounted to 18.6%.

Qualifying Capital and BIS

	2004	2003
BIS-ratio	18.6%	17.0%
Share capital	11	11
Share premium reserve	400	400
Other reserves	-117	-58
Tier 1 Capital	294	353
Subordinated loans (for purposes of qualifying capital):		
- Upper Tier 2	125	125
- Lower Tier 2	125	125
Tier 2 Capital	250	250
Total Qualifying Capital	544	603
Risk Weighted assets	2 924	3 556
BIS-ratio	18.6%	17.0%

Risk Management and Compliance

Risk Management and Compliance are key focal areas for Dexia Bank Nederland, in which the requirements of De Nederlandsche Bank in its Organisation and Control Regulation (ROB) and the rules and regulations set by the Autoriteit Financiële Markten (Nadere Regeling) serve as guidelines. In addition thereto the relevant circulars of the Luxembourg supervisor CSSF have to be observed as well.

Several Risk Committees report to the Management Board and each committee chairman is a member of the Management Board.

Daily Risk Management at Dexia Bank Nederland is in the hands of the Risk Management & Compliance department. Three sub-groups operate within the Department: Risk Management (covering market & credit risk), Operational Risk Management and Compliance. The department's main duties are to manage market, credit and operational risks, to monitor compliance with supervisory rules and regulations as well as monitoring the limits set by the Risk Committees and to report on its monitoring to the responsible management and relevant Risk Committees.

Due to the Board decision to dissolve all new products and services activities, the Committee New Products has been dismantled. The Credit, Legal & Acceptance Committee has been split up for the same reason. A special Legal Committee has been set up. The Management Team directly decides remaining credit issues.

Operational Risk Management Committee (ORMC)

The ORMC supervises, in a co-ordinating and policy-making capacity, all the risks Dexia Bank Nederland should control with regard to the operational risks and the compliance with all relevant supervisory rules and regulations. The operational risk comprises current and future threats to capital, results and continuity of the institution as a consequence of (1) inadequate performance in the daily processing of transactions with clients or other interested parties, the settlement of such transactions as well as inadequate procedures and measures for the timely detection of failures, (2) quantitative and qualitative shortcomings or limitations in human capacity, (3) faulty decision-making as a consequence of inadequate management information.

The IT risk, which is monitored by the ORMC and a special Information Security Platform, comprises current and future threats to capital and results of the institution as a consequence of an inadequate strategy and policy or of shortcomings in the technology applied and/or the applications in regard to information processing and communication, which are translated into strategy, control, exclusivity, integrity, verifiability, continuity and user risks.

Asset & Liability Committee (ALCO)

The Asset & Liability Committee assesses the liquidity and solvency risks, which relate to current and future threats to capital and results of the Bank as a consequence of the possibility that it may not at any given time be able to meet its short and long term payment obligations without incurring unacceptable costs or losses. Focal areas are balance sheet structure, resource management, funding, interest rate mismatch and interest rate policy.

Also included in the ALCO mandate is the monitoring of market risks, the current and future threats to capital and results of the institution as a consequence of market price volatility with a special focus on derivative positions. Due to reduced market activities, a separate market risk committee was considered not applicable anymore.

Legal committee

Since the sharp increase in number and complexity of the legal cases the Bank is involved in, a special Legal Committee has been set up. This committee, chaired by the Chief Legal Officer, is responsible for day-to-day management of the legal situation and to monitor developments in the legal arena. The legal situation is described in the notes to the annual accounts.

Compliance and Codes of Conduct Dexia Group

Further to local rules and regulations, Dexia Group wishes its separate, national entities to comply with the Group Codes of Conduct. In this respect, Dexia Group has clearly described what conduct is expected from her subsidiaries. Dexia Bank Nederland had already implemented a code of conduct, a compliance charter and a new set of regulations on private investment transactions by Dexia Bank Nederland employees in 2003. In 2004 numerous additional internal rules and regulations have been implemented and brought to the attention of the Dexia Bank Nederland staff.

In line with Dexia Group principles a designated Compliance Officer has been appointed at Dexia Bank Nederland. His main responsibilities are the monitoring and managing of compliance rules and regulations, which include: private investments by personnel, integrity and behaviour of staff according to the code of conduct.

Outlook

Dexia Bank Nederland NV will focus entirely on leading the share lease activities for the clients and shareholders to the best possible end. At the moment of writing of this report, several initiatives and contracts seem to indicate that for certain of its products or client groups, the Bank will be able to reach agreement on settlements.

In the current situation, referring to the share leasing issues and the related developments in litigation and possible settlements, management has no full visibility on future investments or developments in staff.

It is the intention that the shares of Dexia Nederland Holding NV, the immediate holding company will be sold by Dexia Financiere SA and held directly by Dexia SA. This change of ownership is subject to the approval of regulatory authorities.

Amsterdam, March 17, 2005

**Management Board
Dexia Bank Nederland NV**

D.G.M. Bruneel, chairman

J.S.E. Brumagne

L.A.J. van Thielen

Annual Accounts

Consolidated Balance Sheet

As at December 31, 2004 after appropriation of result

<i>In thousands of euros</i>	2004	2003
Assets		
Cash	3 007	1
Short-dated government paper	150 000	550 000
Banks	1 184 945	667 939
<i>Loans and advances to the public sector</i>	33 055	41 576
<i>Loans and advances to the private sector</i>	2 227 520	3 080 452
Loans and advances	2 260 575	3 122 028
Interest-bearing securities	372 686	162 318
Shares	525 599	615 688
Equipment	8 428	17 082
Other assets, prepayments and accrued income	275 385	488 291
	4 780 625	5 623 347
Liabilities		
Banks	3 189 529	3 613 704
Funds entrusted	122 169	67 233
Debt securities	398 983	707 570
Other liabilities (including short positions)	182 239	206 912
Accruals and deferred income	230 351	366 158
Provisions	113 704	56 617
	4 236 975	5 018 194
Subordinated liabilities	250 000	250 000
Shareholders' equity	293 650	355 153
	4 780 625	5 623 347
Contingent liabilities		
Commitments arising from guarantees	108 020	116 504
Commitments arising to extent credit	-	8 091

Further details on contingent liabilities, including litigation risk, are set forth on page 36.

Consolidated Profit & Loss Account

For 2004

<i>In thousands of euros</i>	2004	2003
Income		
Interest income	369 372	463 851
Interest expense	- 152 062	- 211 437
	217 310	252 414
Income from securities and participating interests	28	1 691
Commission income	380	12 697
Commission expense	- 1 999	- 7 095
	- 1 619	5 602
Result from financial transactions	- 2 851	8 127
Other income and expense	- 97 244	- 32 952
Total income	115 624	234 882
Expenses		
Personnel expense	25 632	29 633
Other administrative expense	20 990	47 835
Depreciation	3 998	11 152
Operating expenses	50 620	88 620
Provision for settlements	82 935	-
Provision for loan losses	89 973	14 278
Total expenses	223 528	102 898
Result before tax	- 107 904	131 984
Tax	48 401	- 44 661
Net result	- 59 503	87 323

Consolidated Cash Flow Statement

For 2004

<i>In thousand of euros</i>	2004	2003
Net result	- 59 503	87 323
Depreciation	3 998	11 152
Revaluation investment portfolio	31	53
Provisions (charged through the result)	80 353	16 575
Provision for loan losses	89 973	14 278
Equipment	4 647	-
Other assets, prepayments and accrued income	212 906	205 124
Accruals and deferred income	- 135 807	- 164 489
Equity investment	-	- 2 210
Income from participating interests	-	519
Net cash flow from net result	196 598	168 325
Short-dated government paper	400 000	- 171 335
Banks (assets)	- 517 006	- 210 404
Banks (liabilities)	- 424 175	214 691
Loans and advances	771 480	895 525
Funds entrusted	54 936	- 1 338 161
Equity investment	-	28 077
Interest bearing securities –other-	- 233 872	- 65 224
Trading portfolio	- 23 590	-
Hedge portfolio (shares)	90 058	48 766
Provisions (use)	- 23 266	- 38 273
Other liabilities	- 24 673	63 313
Debt securities	- 308 587	49 552
Net cash flow from banking activities	- 238 695	- 523 473
Net cash flow from operating activities	- 42 097	- 355 148
Participating interests	-	- 784
Equipment	9	- 1 013
Investment portfolio		
<i>Investments</i>	- 2 000	- 22 538
<i>Divestments</i>	49 094	244 820
Net cash flow from investment activities	47 103	220 485
Subordinated liabilities		
<i>Repayments</i>	-	- 49 916
Equity		
<i>Dividend paid</i>	- 2 000	-
Net cash flow from financing activities	- 2 000	- 49 916
Net cash flow	3 006	- 184 579
Cash flow as result of split-off Kempen & Co	-	- 8
Cash balance at start of year	1	184 588
Cash balance at end of year	3 007	1

Notes

General

These notes refer to both the company and the consolidated balance sheet and profit and loss account, unless otherwise stated in the notes under the heading concerned.

The Bank has, as a registered credit institution, drawn up its annual accounts in accordance with the stipulations laid down on March 17, 1993 in Title 9, Book 2 of the Netherlands Civil Code (*Burgerlijk Wetboek*) and the recommendations and resolutions associated with it.

The issued and paid-up capital of Dexia Bank Nederland NV (the Bank) is indirectly wholly owned by Dexia SA in Brussels, being the ultimate holding company of the group to which the Bank belongs for the year ended December 31, 2004. The immediate holding company is Dexia Nederland Holding NV.

Interest only strips have been classified as interest bearing securities. In prior years these interest only strips were classified as shares. The reclassification was made to bring the accounting treatment in line with general practice in the Netherlands. Comparative figures have been restated accordingly.

Sale of E-Brokerage activities

On March 28, 2003, the E-Brokerage activities of Dexia Bank Nederland NV were sold to a third party. In the comparative figures of the profit and loss account, the results of the E-Brokerage activities are included until March 28, 2003.

Principles of consolidation

Dexia Bank Nederland NV and its subsidiaries are hereinafter referred to as the Group.

Subsidiaries, which are those companies and other entities in which the Group, directly or indirectly, has power to govern the financial and operating policies, are consolidated. Subsidiaries are consolidated from the date control is transferred to the Group and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition, plus costs directly attributable to the acquisition. Intercompany transactions, balances and unrealised gains on transactions between

group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, the accounting principles of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Principles for valuation and determination of results

Assets and liabilities

Assets and liabilities are included at face value, unless otherwise indicated. Where necessary, downward valuations have been made, which are described in the note to the item involved.

Foreign currencies

Assets and liabilities in foreign currencies are stated at the exchange rates prevailing at the balance sheet date. Exchange rate differences are taken to the profit and loss account and are included in result from financial transactions.

Banks, loans and advances

Receivables are stated at face value net of provision for losses, if any.

Loans that are extended by the Bank at a zero interest rate or at concessional rates of interest are reported at their present value. The loan present value is determined by discounting the future expected cash flows on the loan at the average original effective interest rate on the Bank's share lease portfolio.

Investment, trading and hedge portfolios

The investment portfolio is comprised of interest-bearing securities as well as shares and other non interest-bearing securities that are held for investment purposes.

The trading portfolio is comprised of interest-bearing securities as well as shares and other non-interest-bearing securities that are held for trading purposes.

The hedge portfolio is comprised of shares and derivative financial instruments hedging derivative positions embedded within share lease products.

Interest-bearing securities

The interest-bearing securities included in the investment portfolio are stated at redemption value, net of any unamortised discount or premium arising on acquisition. This discount or premium, which has the character of interest, is recognised as interest income over the period to maturity. Profits arising on disposals are accounted for in the result in proportion to the weighted average term of the portfolio; losses on disposals are charged directly to the result. The interest-bearing securities included in the trading portfolio are stated at market value. Revaluation gains and losses are reported in the profit and loss account under 'Results from financial transactions'. Certificates of Deposit are valued at cost, or lower market value.

Shares

The shares included in the investment portfolio are stated at market value, which for listed companies is the stock exchange price at the balance sheet date and for unlisted companies, the estimated net realisable value. Valuation adjustments, net of deferred taxation, are reflected in the revaluation reserve. To the extent that this reserve is insufficient to cover negative changes in value, such changes are reported in the profit and loss account.

The shares included in the trading portfolio and hedge portfolio are stated at market value, which for listed companies is the stock exchange price at the balance sheet date and for unlisted companies, the estimated net realisable value. Revaluation gains and losses are reported in the profit and loss account under 'Results from financial transactions'.

Derivative financial instruments

Derivative financial instruments include derivatives embedded in share lease products, share options, interest rate swaptions, interest rate swaps and interest rate options. Share lease embedded derivatives and derivatives that hedge the interest rate risk and market risk arising from these embedded derivatives are reported in the balance sheet at fair value, and associated gains and losses are reported in the profit and loss account, under 'Result from financial transactions'. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate. Such derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Other derivatives entered into by the Bank for interest rate management purposes are accounted for using the accruals method. If instruments are no longer meant to hedge interest rate risks, these instruments are transferred to the trading portfolio.

Participating interests

The participating interests in which the Bank has significant influence are valued using the equity method. The income generated by these interests is included in the item 'Income from securities and participating interests'.

The participating interests, over which the Bank does not have a significant influence, are valued at net realisable value. Changes in value are reflected in shareholders' equity. To the extent that the reserve is insufficient to cover negative changes in value, such changes are charged to the result. Dividends received from these companies are included in the item 'Income from securities and participating interests'.

Equipment

Equipment is valued at cost less accumulated depreciation, calculated on a straight-line basis over its estimated useful life, taking into account any residual value.

Debt securities

Debt certificates arising from share lease contracts are valued at market value, which is based on the underlying baskets of shares. The market value of these underlying assets is the stock exchange price at the balance sheet date for listed companies and for unlisted companies, the estimated net realisable value.

Provisions

- Provision for deferred taxation

Deferred tax assets and liabilities are recognised for temporary differences between the carrying amounts of assets and liabilities used for financial reporting purposes and the corresponding fiscal valuation.

- Pension provisions

Under this item is included a provision for early retirement. This provision is made to cover the present value of future commitments for payments arising from early retirement. Allocations to the provision, calculated with due regard to staff attribution rates and mortality risks, are made annually and charged in the profit and loss account.

- **Reorganisation provision**

A provision for reorganisation costs is recognised when there is a demonstrable legal or constructive commitment to reorganise and a reliable estimate of the amount of the liability can be made.

- **Provisions for settlements**

Provisions for settlements are considered whenever damages to be awarded to the plaintiff are probable or likely. No provisions are considered when damages to be awarded to the plaintiff are remote or possible. No provisions for settlements are booked whenever the amounts involved cannot be estimated with a reasonable degree of certainty. No provision for settlements is provided if a provision of another nature (like a credit risk provision) is covering the same risk.

- **Other provisions**

Provisions are recognised when the Bank has a present constructive obligation as a result of past events and if a reliable estimate of the amount can be made.

Results

Income and expenditure are recognised in the financial year to which they relate, regardless of whether they produce cash flows. As the consolidated profit and loss account includes the profit and loss account of Dexia Bank Nederland NV, only an abridged parent entity profit and loss account is reported, in accordance with Article 402, Book 2 of the Netherlands Civil code.

Interest income

Interest income is accrued based on the nominal interest rate of the loan. Interest income is not recognised on loans that are more than ninety days past due.

With respect to zero interest loans or loans extended by the Bank at concessionary rates of interest, interest income is recognised based on the discount rate used to determine the present value of the loan; see above under 'Banks, loans and advances'.

Amortisation of capitalised distribution expenses and option premiums

Distribution expenses and option premiums included under other assets, prepayments and accrued income are related to share lease contracts, and are reported at original cost net of impairment, if any. They are taken into the profit and loss account over the minimum term of these contracts.

Pensions

At Dexia Bank Nederland NV, the pension plan can be characterised as a defined benefit plan (an indexed career average pension plan with a final pay test for transition and guarantee regulation). Pension contributions charged by the pension fund on the basis of a capital contract with an insurance company are included as expenses in the annual accounts of the Bank on an accrual basis.

Cash flow statement

The cash flow statement shows the origin of the cash that became available during the year, and the way funds were allocated. The cash flow statement conforms to the Directives of the Council for Annual Reporting, which require that the cash flows be split into operational, investment and financing activities. Cash includes bank notes and coins in foreign currencies, as well as demand deposits held with De Nederlandsche Bank NV.

The cash flow statement has been drawn up using the indirect method, whereby net profits are translated into cash flows after making adjustments to these profits. Changes in assets and liabilities arising from the acquisition of group companies for consolidation are excluded from the determination of cash flow.

Risk and uncertainties

The preparation of the annual accounts requires management to make estimates and assumptions that affect amounts reported in the annual accounts. Changes in such estimates and assumptions may affect the amounts reported in future periods, and such affects could be material.

Annual Accounts 2004 Dexia Bank Nederland NV

Notes to the Consolidated Balance Sheet

In thousands of euros, unless otherwise stated

2004

2003

Assets

Cash

3 007

1

This covers cash, including bank notes and coins in foreign currencies as well as the demand deposits held with De Nederlandsche Bank NV.

Short-dated government paper

150 000

550 000

This item includes interest-bearing securities issued by public authorities, such as treasury paper with original terms of two years or less, provided they can be refinanced with the central bank.

The short-dated government paper consists of Dutch Treasury Certificates bearing fixed short-term rates of 2.0% (2003: between 2.0% and 2.1%).

Banks

1 184 945

667 939

This relates to receivables from domestic and foreign credit institutions, including overnight loans, balances on demand and receivables arising from unsettled securities transactions not payable on demand.

This item comprises:

Current accounts

300 354

643 051

Receivables, with a remaining term of:

- three months or less

759 468

5 591

- three months to one year

125 123

19 174

- one year to five years

-

123

1 184 945

667 939

The receivables, payable on demand, bear a floating rate of interest on a daily basis. The receivables with a remaining term consist mainly of deposits bearing fixed short-term rates of between 1.3% and 2.3% (2003: between 1.1% and 2.2%).

Amounts receivable from the Bank's parent entities and other related parties

44

105 200

Loans and advances

2 260 575

3 122 028

This relates to receivables from domestic and foreign, public and private sector clients, including overnight loans, balances on demand, advances in current accounts against collateral in the form of securities, receivables arising on share lease transactions and loans and receivables arising from unsettled securities transactions with a fixed term.

Annual Accounts 2004 Dexia Bank Nederland NV

<i>In thousands of euros, unless otherwise stated</i>	2004	2003
This item comprises:		
Current accounts	160 236	197 938
Receivables with a remaining term of:		
- three months or less	45 054	148 446
- three months to one year	261 752	229 505
- one year to five years	731 587	930 315
- more than five years	1 563 478	2 078 517
	2 762 107	3 584 721
Less: provision for loan losses	- 501 532	- 462 693
	2 260 575	3 122 028

Current accounts bear a floating rate of interest on a daily basis. The receivables with a remaining term consist mainly of share lease contracts with a fixed interest rate of between 0% and 16.2% (2003: between 0% and 16.2%).

The Bank has determined a provision for loan losses on the basis of estimations of collateral shortfall, default rates and recovery rates. These estimations have been made in the light of the level of acceptances under the offer to share leaseholders referred to below. Although these elements vary over time, the Bank's approach aims, on the basis of available historical experience, to determine a prudent estimate of loan losses. As described above under Risk and Uncertainties (under the paragraph 'general notes'), changes in these elements reflecting emerging experience that may affect amounts reported in future periods.

The provision for loan losses includes the discounting adjustment described under 'Notes- Bank, Loans and advances'.

In December 2002, the Bank made an offer ("the Dexia Offer") to share leaseholders in cases where a residual debt to the Bank might arise upon maturity of the lease. Under the terms of the offer, if a residual debt arises upon maturity of a lease, the leaseholder can choose between: repaying the debt under a zero interest rate facility; extending the lease contract at a concessional rate of interest; or settling the amount due (in which case the leaseholder is eligible to receive a prescribed number of stock index options for a nil premium).

Annual Accounts 2004 Dexia Bank Nederland NV

<i>In thousands of euros, unless otherwise stated</i>	2004	2003
Loans and advances include zero interest rate loans and other concessional rate loans as follows.		
Zero interest rate loans arising under the Dexia Offer	92 275	78 054
Lease extensions at concessional rates under the Dexia Offer	348 364	366 683
Other concessional rate loans	240 506	263 365
	681 145	708 102
Less: discounting adjustment	- 51 441	- 70 871
Present value reported under loans and advances	629 704	637 231
Movements in the provision for loan losses:		
Balance at start of year	462 693	490 094
Addition charged through the profit & loss account	89 973	14 278
Use of the provision	- 51 134	- 33 435
Transferred to other provisions	-	- 4 357
Movements as result of split-off of Kempen & Co and sale of E-Brokerage activities	-	- 3 887
Balance at end of year	501 532	462 693
Loans and advances have practically all been granted to private individuals resident in the Netherlands.		
Interest-bearing securities	372 686	162 318
This item comprises:		
Bonds issued by public corporate bodies		
- listed	50 000	54 538
Other bonds and interest-bearing securities		
- listed	-	42 556
- unlisted	322 686	65 224
	372 686	162 318
Maturing within one year	250 000	22 094
The breakdown into portfolios is as follows:		
Investment portfolio	50 000	97 094
Trading portfolio	23 590	-
Hedge portfolio:		
- Hedge portfolio of derivatives acquired to hedge the embedded derivatives in share lease products	49 096	65 224
Other (Certificates of Deposit)	250 000	-
	372 686	162 318

The hedge portfolio includes strips, paying out a fixed interest amount corresponding with the interest discount that clients receive based on the embedded derivatives in some share lease products.

Annual Accounts 2004 Dexia Bank Nederland NV

<i>In thousands of euros, unless otherwise stated</i>	2004	2003
Movements in the interest bearing securities investment portfolio:		
Balance at start of year	97 094	319 376
Purchases	2 000	22 538
Disposals	- 25 000	- 188 594
Redemptions	- 24 094	- 56 226
Balance at end of year	50 000	97 094

The unamortised portion of discounts and premiums on the investment portfolio amounted to a premium of € 1.0 million as at December 31, 2004 (2003: € 1.5 million discount).

Shares	525 599	615 688
---------------	----------------	----------------

This item relates to shares and other variable-yield securities, such as derivatives.

This item comprises:

Listed	490 990	535 191
Unlisted	34 609	80 497
	525 599	615 688

The breakdown by portfolios is as follows:

Investment portfolio	52	83
Hedge portfolio:		
- Hedge portfolio of listed shares acquired to hedge the embedded derivatives in share lease products	490 990	535 108
- Hedge portfolio of derivatives acquired to hedge the embedded derivatives in share lease products	34 557	80 497
	525 599	615 688

The hedge portfolio of listed shares is acquired to hedge the embedded derivatives in share lease products.

Movements in the investment portfolio:

Balance at start of year	83	20 764
Movement as result of split-off of Kempen & Co	-	- 20 627
Revaluation/disposal	- 31	- 54
Balance at end of year	52	83

Annual Accounts 2004 Dexia Bank Nederland NV

In thousands of euros, unless otherwise stated

2004

2003

Participating interests

This item concerns participating interests relating to unlisted non-credit institutions.

Movements in the participating interests:

Balance at start of year	-	1 410
Impairment expense	-	- 519
Disposals	-	- 10
Movement as result of split-off of Kempen & Co	-	- 881
Balance at end of year	-	-

The item 'participating interests' includes the following unlisted company, which is valued at nil.

Name of participating interest	Percentage of issued shares held by the Bank	Place of business
Independent Minds Ltd	27.0%	London

Equipment

8 428

17 082

This relates to office equipment and computer software.

Movements in equipment:

Balance at start of year	17 082	49 629
Transferred to prepayments	- 4 647	-
Investments	123	3 205
Disposals	- 132	- 2 192
Movement as result of split-off of Kempen & Co	-	- 22 408
Depreciation	- 3 998	- 11 152
Balance at end of year	8 428	17 082

This item is specified as follows:

	Depreciation	Purchase price	Cumulative Depreciation year-end 2003	Depreciation 2004	Book value
Office equipment	2-10 years	31 859	21 701	2 790	7 368
Computer software	2-3 years	10 955	8 687	1 208	1 060
		42 814	30 388	3 998	8 428

Other assets, prepayments and accrued income

275 385

488 291

Includes interest receivable, unamortised premiums on the investment portfolio and capitalised distribution expenses, capitalised option premiums related to lease products and other prepaid and accrued items.

Annual Accounts 2004 Dexia Bank Nederland NV

<i>In thousands of euros, unless otherwise stated</i>	2004	2003
This item can be broken down as follows:		
Interest receivable	46 248	70 895
Capitalised distribution expenses	32 078	88 642
Capitalised option premiums	102 938	161 272
Current tax receivable	75 450	109 882
Other	18 671	57 600
	275 385	488 291

The maturity table for the amortisation of the capitalised distribution expenses and option premiums is as follows:

- up till one year	39 914	70 998
- one year to five years	84 443	142 598
- more than five years	10 659	36 318
	135 016	249 914

All other amounts mature within one year.

Amounts receivable from the Bank's parent entities and other related parties	1 707	3 863
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Annual Accounts 2004 Dexia Bank Nederland NV

In thousands of euros, unless otherwise stated

2004

2003

Fiscal unity

As from April 11, 2003 Dexia Bank Nederland NV is part of a fiscal unity with Dexia Nederland Holding NV, as the parent company. Consequently, tax assets and liabilities are transferred to the parent company Dexia Nederland Holding NV.

As from November 2004, Kempen & Co is no longer part of the fiscal unity.

The Bank can be held liable for the corporate income tax and VAT obligations of all entities belonging to the fiscal unity.

Liabilities

Banks	3 189 529	3 613 704
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This relates to obligations to domestic and foreign credit institutions, overnight loans, payables on demand, deposits and obligations not payable on demand, and amounts arising out of unsettled securities transactions.

This item comprises:

Current accounts	7 936	250 317
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Liabilities with a remaining term of:

- three months or less	1 810 943	1 587 387
- three months to one year	1 250 650	1 606 000
- one to five years	70 000	120 000
- longer than five years	50 000	50 000

	3 189 529	3 613 704
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Amounts payable to the Bank's parent entities and other related parties

	3 060 413	3 393 454
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The liabilities payable on demand bear a floating rate of interest on a daily basis. The liabilities with a remaining term consist mainly of deposits from Dexia Group entities bearing fixed short-term rates of between 2.1% and 5.8% (2003: between 1.0% and 6.7%).

Funds entrusted

	122 169	67 233
--	----------------	---------------

This relates to liabilities to domestic and foreign private-sector clients, including deposits (not savings accounts), current accounts, overnight loans and liabilities arising from unsettled securities transactions with a fixed term.

Amounts payable to the Bank's parent entities and other related parties

	88 058	-
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Annual Accounts 2004 Dexia Bank Nederland NV

<i>In thousands of euros, unless otherwise stated</i>	2004	2003
This item comprises:		
Current accounts	93 476	20 021
Liabilities with a remaining term of:		
- three months or less	-	39 000
- three months to one year	241	500
- one year to five years	27 561	1 798
- longer than five years	891	5 914
	122 169	67 233

The current accounts bear a floating rate of interest on a daily basis. The liabilities with a remaining term consist mainly of deposits from municipalities bearing fixed short-term rates of between 5.0% and 6.6% (2003: between 2.1% and 6.6%).

Debt securities	398 983	707 570
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This item includes liabilities arising from debt certificates issued in connection with share leasing activities and bonds issued to investors.

This item comprises:		
Debt certificates relating to share lease products	398 983	437 570
Bonds	-	270 000
	398 983	707 570

This item comprises:		
Debts with a remaining term of:		
- three months to one year	-	270 000
- one year to five years	-	-
- longer than five years	398 983	437 570
	398 983	707 570

The debt certificates relating to share lease products are non-interest-bearing liabilities. The average interest on the bonds amounted to 4.5%.

Other liabilities	182 239	206 912
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This relates to short positions in derivative financial instruments of € 152 million (2003: € 203 million and taxes payable 2003: € 3 million).

In addition can be mentioned that in this item is included the trading portfolio of swaps for an amount of € 30 million (2003: nil).

Annual Accounts 2004 Dexia Bank Nederland NV

In thousands of euros, unless otherwise stated

2004

2003

Accruals and deferred income 230 351 366 158

Comprise discounts on bonds in the investment portfolio, interest payable and unearned interest, and other accrued and deferred items.

This item comprises:

Interest payable	110 092	140 408
Unearned interest	90 167	176 095
Other accruals and deferred income	30 092	49 655
	230 351	366 158

Amounts payable to the Bank's parent entities and other related parties

42 522

21 498

Provisions 113 704 56 617

This item comprises:

Provisions for deferred tax liabilities	11 425	30 919
Provisions for pension commitments	108	1 520
Provision for settlements	89 274	-
Other provisions	12 897	24 178
	113 704	56 617

Movements in the provisions:

	Deferred tax	Pensions	Settlements	Other	Total
Balance at start of year	30 919	1 520	-	24 178	56 617
Reclasses	-	-	7 419	- 7 419	-
Use of provision	- 18 712	- 95	- 1 080	- 3 379	- 23 266
Through the profit and loss account	- 782	- 1 317	82 935	- 483	80 353
Balance at end of year	11 425	108	89 274	12 897	113 704

Provisions include an amount of € 0.4 million that is expected to be settled after five years.

A provision for settlements is taken into account for an amount of € 89 million.

Subordinated liabilities 250 000 250 000

These liabilities, from Dexia Group entities, are subordinated to all present and future liabilities. Of these liabilities, € 125 million redeems in 2010 and € 125 million has no redemption date. The average interest rate for the subordinated liabilities amounts to 3.8%, total interest charge in 2004 amounts to € 9.4 million (2003: € 12.9 million).

Movements in the subordinated liabilities:

Balance at start of year	250 000	332 916
Repayments	-	- 49 916
Movements as result of split-off of Kempen & Co	-	- 33 000
Balance at end of year	250 000	250 000

Annual Accounts 2004 Dexia Bank Nederland NV

In thousands of euros, unless otherwise stated

2004

2003

Shareholders' equity **293 650** **355 153**

Movements in the shareholders' equity are as follows:

	Share capital	Premium reserve	Other reserves	Total
Balance at start of year	11 320	399 697	- 55 864	355 153
Dividend paid	-	-	- 2 000	- 2 000
Appropriation of result	-	-	- 59 503	- 59 503
Balance at end of year	11 320	399 697	- 117 367	293 650

Issued paid-up share capital **11 320** **11 320**

The authorised share capital of the Bank amounts to € 54 million, divided into 112.5 million shares with a nominal value of € 0.48 of which 23 584 466 shares were issued and fully paid up at year-end 2004.

BIS-ratio (in millions of euros) **18.6%** **17.0%**

Share capital	11	11
Share premium reserve	400	400
Other reserves	- 117	- 58
Tier 1 Capital	294	353

Subordinated loans (for purposes of qualifying capital):

- Upper Tier 2	125	125
- Lower Tier 2	125	125
Tier 2 Capital	250	250

Total Qualifying Capital **544** **603**

Risk Weighted assets **2 924** **3 556**

BIS-ratio **18.6%** **17.0%**

Derivatives

Derivatives are financial instruments in the form of contracts, whose value depends on one or more underlying assets, reference prices or indices. The underlying value is based on the asset on which the contract is derived or the reference amount on the basis of which cash flows are exchanged or price differences settled.

The following information provides an indication of the volume of the transactions the Bank has entered into, as well as the related risks.

The first table shows the notional amount at balance sheet date for each type of contract, broken down according to the remaining term. The positive replacement value is the total of the market values of the contracts whose market value is positive. The second table shows the unweighted and weighted credit equivalents of the contracts with positive replacement value at balance sheet date. The unweighted credit equivalent provides an indication of the credit risk without taking the counterpart's creditworthiness into account. The unweighted credit equivalent is the aforementioned positive replacement value, plus a percentage of the underlying assets or reference prices of all the contracts. This percentage is dependent on the type of contract and the remaining term, and ranges from 0-15%. In determining the weighted credit equivalent, consideration is given to the counterpart's creditworthiness.

The above information is based on the norms that are employed by the regulatory body that supervises solvency testing for the Bank.

Annual Accounts 2004 Dexia Bank Nederland NV

Derivatives summary

In millions of euros

	Notional Amount < 1 year	Notional amount 1 to 5 years	Notional amount > 5 year	Notional amount Total	Positive replacement value
Interest-rate contracts					
OTC Swaps	1 990	2 965	1 831	6 786	24
OTC Options	-	165	-	165	49
Listed Futures	8	-	-	8	-
Currency contracts					
OTC Forwards	4	-	-	4	-
Other contracts					
OTC Forwards	19	-	-	19	-
OTC Options	325	1 005	488	1 818	49
Listed Futures	2	-	-	2	-
Listed Options	-	-	-	-	-
	2 348	4 135	2 319	8 802	122

*Comparative figures 2003
In millions of euros*

	Notional Amount < 1 year	Notional amount 1 to 5 years	Notional amount > 5 year	Notional Amount Total	Positive replacement value
Interest-rate contracts:					
OTC Swaps	3 661	4 165	1 786	9 612	45
OTC Options	50	-	-	50	5
Listed Futures	56	-	-	56	6
Currency contracts					
OTC Forwards	7	-	-	7	1
Other contracts:					
OTC Forwards	25	-	-	25	2
OTC Options	483	1 429	627	2 539	145
Listed Futures	9	-	-	9	5
Listed Options	1	-	-	1	-
	4 292	5 594	2 413	12 299	209

Other contracts are comprised of derivatives embedded in share lease contracts, and derivatives entered into by the Bank to hedge these positions.

Annual Accounts 2004 Dexia Bank Nederland NV

Credit equivalent

In millions of euros

	Unweighted year-end 2004	Weighted year-end 2004	Unweighted year-end 2003	Weighted year-end 2003
Interest-rate contracts	121	24	147	29
Currency contracts	-	-	1	-
Other contracts	104	26	180	40
	225	50	328	69

In thousands of euros, unless otherwise stated

2004

2003

Foreign currencies

The euro equivalents of the foreign currency units, mainly USD, included in the balance sheet are:

Assets	11 752	20 836
Liabilities	456	1 664

Securities borrowed and lent

The securities borrowed and lent not included in the balance sheet are:

Borrowed	-	-
Lent	57 334	-

Market risk

Market risk is the risk that market variables will move and result in profit or loss on positions. Market risk is managed by risk limits for trading positions, position concentration and interest rate sensitivity. Risk limits are set-up within the risk committees of risk management in the light of external market developments. Line management is responsible for control of exposures against limits on a daily basis. Risk management monitors these limits on a daily basis.

Interest risk

Interest risk is the sensitivity of the Bank's funding to fluctuations in long and short term interest rates, which fluctuations can result in profit or loss on positions kept. The treasury department manages the Bank's overall interest risk. The treasury department manages interest risk inherent in the term structure of the Bank's balance sheet, based on strict limits regarding interest rate sensitivity per basis point. These limits are set by the Asset and Liability Committee and are monitored on a daily basis.

Credit risk

The lending activity of the Bank principally consists of loans and share lease products (collateralised by securities) to private clients and institutions, established in the Netherlands. At year-end, the market value of collateral amounted to 70% (2003: 65%) of the corresponding carrying value of loans and advances.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, human behaviour and system or from external events. Line management at all levels is responsible for directing and controlling operational risks. The risk manager for risk identification and risk mitigation supports line management. A number of models are in development and in various stages of implementation to identify and measure these risks.

Fair value

Fair value is the amount for which a financial instrument could be exchanged in transactions between two parties in the event objective and independent price making is possible. If it is traded on an exchange, then the stock exchange listing is a good indication of fair value. In many cases, such a market value is not available and so methods of approximation are applied in order to estimate fair value, using models that are generally used by the financial markets in which the Bank trades. This value reflects market conditions and the value of parameters at reporting date and may differ from the value at which assets and liabilities would be exchanged.

For balance sheet line items where there is a difference between book value and fair value, the differences are as follows:

	Book value year-end 2004	Fair value year-end 2004	Book value year-end 2003	Fair value year-end 2003
Assets				
Loans and advances	2 260 575	2 563 028	3 122 028	3 594 994
Interest-bearing securities and shares	874 695	878 340	778 006	778 307
Prepayments and accrued income	298 975	157 562	488 291	219 492
Liabilities				
Debt securities	398 983	398 983	707 570	711 067
Accruals and deferred income	243 303	349 260	366 158	535 920
Provisions	113 704	102 477	56 617	25 611

Annual Accounts 2004 Dexia Bank Nederland NV

In thousands of euros, unless otherwise stated

2004

2003

Obligations not shown in the balance sheet

Contingent liabilities

Commitments arising from guarantees

108 020

116 504

All transactions where the Bank has guaranteed the obligations of a third party are included. They mostly concern secured Bank guarantees issued at the request of clients. Contingent liabilities include also future third party commitments of the Bank.

Guarantees have been provided for a number of group companies under Article 403, Book 2, of the Netherlands Civil Code. Rental commitments for the period to 2012 amount to € 36 million (€ 5 million due in 2005).

Commitments arising to extend credit

-

8 091

Dexia Bank Nederland NV was committed to deliver shares in the future against a fixed price, which is embedded in certain share lease products. At the moment of delivery, a loan will be extended to the leaseholder for the same amount.

Litigation contingency

Legal aspects

Background

The difficulties linked to the share leasing activities of the former Bank Labouchere (now Dexia Bank Nederland NV) appeared at the time of the fast and severe fall of the Amsterdam stock market in late 2001. The value of the securities used as collateral against the loans granted by the bank proved insufficient in a large number of contracts, thus potentially ending with a residual debt instead of the gain initially hoped for.

Dexia Bank Nederland had to face a climate of negative publicity in the Netherlands with respect to both its products and the company, combined with a substantial number of complaints and lawsuits engaged on several accounts. In an often hostile environment, Dexia Bank Nederland has taken and further implemented or continued action in several areas:

- Gear the internal organization to deal with the growing number of disputes and settlements;
- Launch, in 2003, a "commercial offer" aimed at mitigating the financial consequences suffered by the customers, in exchange for their acceptance to pursue the relationship with the bank on amicable terms;
- Establish, the same year, a "Hardship Commission" mandated to settle the cases of customers facing problems;
- Constitute, in 2002, provisions aimed at covering the costs of the commercial offer, the potential credit defaults, and the bank's undertaking to settle the "Hardship Commission" cases and other similar settlements.

Litigations

A number of disputes have arisen between Dexia Bank Nederland and its customers with respect to share leasing products. Dexia has reported on this matter in its 2003 and First Half 2004 and Q3 2004 Activity Reports.

Dexia Bank Nederland is faced with claims which are mainly based on alleged: misleading information/error with respect to the share leasing products; failure to ascertain whether the share leasing product is suitable for a customer in view of his investment experience and objectives and his financial situation ("duty of care"); failure to obtain the consent of the spouse of the customer; false and misleading (oral) statements by intermediaries; cold calling; door-to-door sales; waivers related to the Dexia Offer not being binding; and violations of the Consumer Credit Act.

The disputes are either with individual parties or collective foundations (Stichting Leaseverlies, Stichting Eegalease, Stichting Leaseleed, Stichting Juniorlease). They are presented to different types of courts or arbitrators, mainly the sub-district and district courts, courts of appeal, the Dutch Securities Institute (DSI) and the Disputes Committee for the Banking Industry. In past reports and press releases, Dexia has informed the public about significant evolutions. This information is available on Dexia web site www.dexia.com.

A summarized overview of the main areas of conflict is as follows :

"Duty of care"

These allegations are based on the General Banking Terms and Conditions and on the duty of care doctrine which was developed in case law. In recent months, Dexia Bank Nederland has been confronted with court judgments denying Dexia Bank Nederland wholly or partially the right to claim remaining debts (and sometimes even awarding individual clients a partial refund of the interest paid on a share leasing contract) on the basis of a breach of this duty of care. These judgments relate in general to the individual situation of the customers.

"Lack of spousal consent"

The share leasing contracts are allegedly voidable pursuant to Section 1:88 of the Netherlands Civil Code (NCC), based on the lack of spousal consent for entering into the contracts. The legal issue is whether a share leasing contract qualifies as an instalment buying contract in the sense of this Section. According to Dexia Bank Nederland, the alleged right of the spouse is an individual right with no automatic effect on all share leasing contracts lacking spousal consent. The outcome of this matter depends – among other issues - on the interpretation of the legal history of the NCC and cannot be predicted. A number of lower courts have ruled that share leasing contracts are voidable on the basis of this section, but other lower courts have come to the opposite conclusion. In three almost identical interlocutory judgments, the Court of Appeal of Den Bosch held on February 1, 2005 as its preliminary view that a share leasing contract is a form of instalment buying and that the Section 1:88 NCC is applicable thereto. The potential financial risks linked to this issue are estimated in this report (see below).

"Consumer Credit Act"

In some cases, the lower courts held that the Consumer Credit Act (CCA) is applicable on share leasing contracts and that Dexia Bank Nederland offered and sold such contracts in breach of the provisions of the CCA, resulting in those contracts being void or subject to avoidance. On February 16, 2005, the Arnhem District Court rendered an interlocutory judgment to this effect in which it overruled Dexia Bank Nederland's defence. In some other cases, it was held by lower courts that the CCA is not applicable to share leasing contracts. This is also the view of the Dutch Minister of Finance and Dexia Bank Nederland shares this view. So the CCA should not be an issue for Dexia Bank Nederland.

Annual Accounts 2004 Dexia Bank Nederland NV

"Dutch Securities Institute" (DSI)

After the Grievance Committee DSI rendered the nine rulings of February 4, 2004 as described in last year's Annual Report, it rendered an additional four rulings on May 27, 2004. In its "May rulings", the Grievance Committee essentially took the same approach as in its earlier nine rulings. However, the Appeals Committee DSI quashed one of the February 2004 rulings in its ruling of January 27, 2005 but honored plaintiff's claim based on breach of duty of care and awarded the plaintiff a full waiver of the remaining debt and a partial repayment of the interest amount paid by him upfront. The Appeals Committee furthermore rejected Dexia Bank Nederland's defence that it is not liable for actions of the independent financial intermediary, since it held that in this case, the intermediary should be deemed to have acted on the instructions of and for the benefit of Dexia Bank Nederland.

"Depot Lease"

Approximately 5,500 clients have entered into securities contracts with Dexia Bank Nederland, in connection with a securities deposit ("Depot lease") constituted to pay the terms of the leasing contracts. Stichting Leaseleed is a foundation that represents more than 400 of those clients who, through independent financial intermediaries, have entered into such Depot Lease contracts. Stichting Leaseleed has initiated legal proceedings in the

form of a collective complaint against Dexia Bank Nederland in July 2004.

Assessment and provisions

The purpose of the disclosure below is to give an update of the status of the portfolio, and to enable the readers to assess the risks linked to possible credit defaults, and outstanding and potential future litigations, and review the decisions taken to cover or mitigate such risks.

1. Situation of the portfolio as of December 31, 2004

Contracts with insufficient collateral are split up into:

- a) a category which did not qualify for the Dexia Offer as a redemption of the loan amount takes place (during the term of the lease) or a capital amount at the end of the contract is guaranteed; and
- b) another category consisting of the contracts without periodic redemption or guaranteed capital, which qualified for the Dexia Offer. The contracts qualifying for the Dexia Offer have been split up in clients who:
 - b1) have accepted the Dexia Offer, and
 - b2) clients who have not accepted it.

PORTFOLIO AS OF DECEMBER 31, 2004

In millions of euro, unless otherwise stated

	<i>Number of contracts</i>	<i>Loan amount</i>	<i>Collateral</i>	<i>Surplus (+) or Lack (-) of collateral</i>
Total outstanding portfolio	291 973	2 448	1 704	
- Contracts with sufficient collateral	35 485	146	214	+ 68
- Contracts with insufficient collateral	256 488	2 302	1 490	- 812
<i>of which :</i>				
- a) Contracts with redemption or guaranteed capital	96 266	858	623	- 236
- b) Contracts without redemption or guaranteed capital	160 222	1 443	867	- 576
<i>of which :</i>				
- b1) Accepted the Dexia Offer (and signed the waiver)	79 913	709	431	- 278
- b2) Not accepted the Dexia Offer	80 309	734	436	- 298

Annual Accounts 2004 Dexia Bank Nederland NV

CONTRACTS THAT ENDED BEFORE DECEMBER 31, 2004

<i>In millions of euro, unless otherwise stated</i>	<i>Number of contracts</i>	<i>Loan amount</i>	<i>Collateral</i>	<i>Surplus (+) or Lack (-) of collateral</i>
Total outstanding portfolio	212 195	2 257	1 492	
- Contracts with sufficient collateral	49 306	287	373	+ 86
- Contracts with insufficient collateral	162 889	1 970	1 118	- 852
<i>of which :</i>				
- a) Contracts with redemption or guaranteed capital ¹⁾	37 530	419	286	- 133
- b) Contracts without redemption or guaranteed capital	125 359	1 551	832	- 719
<i>of which :</i>				
- b1) Accepted the Dexia offer (and signed the waiver)	46 003	527	273	- 254
- b2) Not accepted the Dexia offer	79 356	1 024	560	- 464

¹⁾ mainly early terminated contracts

2. Potential financial risks linked to lack of spousal consent

Dexia has taken the view that until the Supreme Court of The Netherlands (Hoge Raad) edicts its judgment, there is no ground to recognize costs or make provisions related to spousal consent. However, in view of this remaining uncertainty, and in order to inform the public about the magnitude of potential costs to Dexia Bank Nederland, the expense which could result from a possible negative final outcome of the legal proceedings on this subject, has been estimated using two approaches.

i) The first approach is based on the actual number of letters claiming nullification received from customers or their spouses. Section 1.88 NCC in

effect aims at protecting spouses against risks taken by their partner, and can therefore be applied only if it is formally invoked by a spouse. Since March 2003, Dexia Bank Nederland received a total of approximately 20,000 letters requesting nullification of the underlying contracts based on section 1:88 NCC. The total risk with respect to these clients can be broken down as shown in the table below.

The risks mentioned below are related to all negative contracts for which a request for nullification has been sent by the client and/or his spouse.

POTENTIAL FINANCIAL RISKS LINKED TO LACK OF SPOUSAL CONSENT

Approach of "Section 1.88 NCC" legal risk as of February 15, 2005 based on nullification requests

The risks mentioned below are related to all negative contracts for which a request for nullification has been sent by the client and/or his spouse.

<i>In millions of euro</i>	<i>Lack of collateral</i>	<i>Payments made to the Bank</i>	<i>Legal interest</i>	<i>Total</i>
Total risk	186	191	31	408
Already provisioned as of December 31, 2004				- 48
Addition risk not covered by provisions				360

This gross amount is likely to be reduced, after additional fact finding in the Bank's files and databases. It is expected for instance that the bank will be able to evidence, in a number of cases, that clients have signed a waiver or that the request for nullification is not valid as the spouse was aware of the contract for more than three years and a number of facts can be established like payment from a joint account, which will permit to disqualify a number of requests for nullification. Of note, since August 2002 there has been no substantial production of new contracts.

ii) The second approach, more theoretical, takes into account both active and expired or otherwise ended contracts. The amounts potentially at risk are calculated by making the assumption that the civil status of the Bank's clients is statistically spread as in the Dutch population, i.e. 59% of the adult population is

married or living in a registered partnership. Besides, in a selected sample, it was found that 13.1% of the contracts contain two signatures, which reduces the estimated population of contracts at risk from 59.0% to 45.9%. This latter percentage of risk can be further reduced if the bank can establish, for those nullification requests made more than three years after the contract was signed, that monthly payments were made from a joint account, as those requests are foreclosed. As the analysis of the above mentioned sample shows that 19.0% of the contracts have been collected from joint accounts, the legal risk existing on contracts sold before December 2001 falls to 26.9%.

In the table below, contracts where clients have waived their rights - following acceptance of the commercial offer, settlement by the Hardship Commission, or otherwise - are excluded.

POTENTIAL FINANCIAL RISKS LINKED TO LACK OF SPOUSAL CONSENT				
Statistical approach of calculation of "Section 1.88" legal risk as of December 31, 2004				
<i>In millions of euro</i>	<i>Lack of collateral</i>	<i>Payments made to the Bank</i>	<i>Legal interest</i>	<i>Total</i>
Total risk	215	367	88	670
Already provisioned as of December 31, 2004				- 55
Additional risk not covered by provisions				615

Recent developments

On February 11, 2005 Dexia announced that significant steps towards a settlement of the share leasing issue were made.

First, Dexia and Aegon reached an agreement whereby the two groups put an end to their dispute. To this end, Aegon has paid as full and final settlement an amount of € 218 million to Dexia in 2005, with a view to help resolving appropriately the cases of share leasing clients Dexia Bank Nederland facing financial difficulties, and allocate more funds to indemnify clients, whether or not represented by a foundation. Dexia, on its side has recognized additional expenses amounting to € 207 million in its 4th quarter 2004 financial statement, aimed at covering additional costs of allowances for the customers of Dexia Bank

Nederland experiencing financial difficulties, as well as other foreseeable transactions. The latter expenses however do not cover legal risks related to spousal consent, which will depend on the decision of the Supreme Court of the Netherlands (Hoge Raad), as indicated above.

Further to an initiative of the Central Bank of the Netherlands, Mr Wim Duisenberg, former Governor of the European Central Bank, has accepted to act as mediator to seek a settlement between Dexia Bank Nederland and its clients. Dexia will give its full support to the mediator, and during the mediation process, Dexia Bank Nederland will not introduce any new legal proceedings against its clients who are party to a share leasing contract.

Related parties

Relationship with the Dexia Group includes funding arrangements and trading lines for securities and derivatives.

After the sale of Kempen & Co NV to an external party, Dexia SA, the Bank's ultimate parent entity, has renewed its letter to the Bank which stated:

"With reference to the commitment letter dated December 5, 2002, we hereby reconfirm to you our agreement with Dexia Bank Nederland NV, as its wholly owned subsidiary, that Dexia Bank Nederland NV shall at all times remain in a position to meet all of its obligations vis-à-vis third parties and that Dexia SA will enable Dexia Bank Nederland NV to continue its business, including maintaining its relation with account holders and other customers.

This commitment is for the benefit of Dexia Bank Nederland NV only and may not be invoked by other persons. You may render public that Dexia SA has reconfirmed its commitment to Dexia Bank Nederland NV. This commitment will not be changed or withdrawn unless the previous consent of the Dutch Central Bank ('De Nederlandsche Bank') has been obtained

As from the date hereof, this commitment is no longer taken for the benefit of Kempen & Co NV and/or any of its subsidiaries (jointly referred to as 'Kempen'). Pursuant to a separate commitment letter dated the date hereof, Kempen is indemnified by Dexia SA for damages resulting from its joint and several liability by virtue of section 334f of book 2 of the Dutch Civil Code for obligations of Dexia Bank Nederland NV.

This letter replaces the commitment letter dated December 5, 2002 only to the extent it relates to Kempen.

This commitment is governed by the laws of The Netherlands. Any and all disputes in connection herewith will be submitted to the exclusive jurisdiction of the competent courts in Amsterdam, The Netherlands.

November 15, 2004".

Annual Accounts 2004 Dexia Bank Nederland NV

Notes to the Consolidated Profit and Loss Account

In thousands of euros, unless otherwise stated

	2004	2003
Interest income and expense	217 310	252 414
Represents all interest income and expense associated with the lending and borrowing of funds, as well as commissions that have the character of interest.		
The item interest income is comprised of:		
Interest from interest-bearing securities	2 367	7 131
Interest on zero interest and other concessionary interest rate loans	69 789	39 805
Other interest income	297 216	416 915
	369 372	463 851
Interest income related to the Bank's parent entities and other related parties	2 867	1 181
Interest expenses related to the Bank's parent entities and other related parties	94 856	111 065
Income from securities and participating interests	28	1 691
This item comprises:		
Income from shares	-	-
Income from other participating interests	28	1 691
Divestment of group companies	-	-
	28	1 691
Commission income and expense	- 1 619	5 602
This includes revenues from fees for services supplied to third parties, and expenses or fees for services supplied by third parties. These primarily consist of commissions and margins from securities transactions, securities custodianship, and securities lending.		
Commission expenses related to the Bank's parent entities and other related parties	- 1 110	-

Annual Accounts 2004 Dexia Bank Nederland NV

<i>In thousands of euros, unless otherwise stated</i>	2004	2003
Result from financial transactions	- 2 851	8 127
Includes the valuation differences on securities and foreign-currency transactions.		
This item comprises:		
Results on trading portfolio	- 2 851	2 420
Results on investment portfolio	-	5 707
	- 2 851	8 127
Other income and expenses	- 97 244	- 32 952
This item comprises:		
Other income	17 961	82 528
Other expenses	115 205	115 480
	- 97 244	- 32 952
Other income is comprised of:		
Dividends waived by clients on share lease contracts	7 655	22 748
Profit on sale of activities	-	51 447
Other	10 306	8 333
	17 961	82 528
Other expenses comprise the amortisation of capitalised distribution expenses, capitalised option premiums and exchange gains or losses. Capitalised distribution expenses include the commission paid to intermediaries on concluding share lease contracts, and direct mailing costs.		
Other expenses are comprised of:		
Amortisation of capitalised selling expenses	9 460	9 348
Amortisation of capitalised commissions paid to intermediaries	47 051	54 090
Amortisation of capitalised option premiums	58 387	44 974
Other	307	7 068
	115 205	115 480

Annual Accounts 2004 Dexia Bank Nederland NV

In thousands of euros, unless otherwise stated

	2004	2003
Personnel expense	25 632	29 633
This item comprises:		
Salaries including bonuses	15 520	14 837
Social security charges	1 291	1 167
Pension costs	2 937	4 782
Other personnel expenses	5 884	8 847
	25 632	29 633

In 2004, an average of 268 FTE were employed (2003: 339). The number of employees has mainly been reduced as a result of reorganisational measures.

At year-end, the Management Board was composed of three members (2003: 4 members). During the year, one member resigned from the Management Board. The total Management Board's remuneration for the full financial year 2004 amounts to € 1.8 million (2003: € 2.3 million).

The Supervisory Board consists of five members with a remuneration of € 81 thousands for the full financial year (2003: € 52 thousands). One member of the Supervisory Board has a loan granted by the Bank for an amount of € 17 thousands.

At Dexia Bank Nederland NV, the pension plan can be characterised as defined benefits plan (an indexed career average pension plan with a final pay test for transition and guarantee regulation). Pension contributions charged by the pension fund on the basis of a capital contract with an insurance company are included as expenses in the annual accounts of the Bank on an accruals basis. Above the disability insurance limit, the Bank gives a choice between defined benefits plan or defined contribution plan for the surplus.

Other administrative expenses	20 990	47 835
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This item covers accommodation expenses, IT costs, costs of data collection, and other general expenses.

Included in other administrative expenses are operating lease expenses amounting to € 7.5 million (2003: € 5.1 million) and income from subleases amounting to € 1.5 million (2003: € 1.1 million).

Annual Accounts 2004 Dexia Bank Nederland NV

In thousands of euros, unless otherwise stated 2004 2003

Depreciation **3 998** **11 152**

Consists of depreciation office equipment and computer software.

Provision for settlements **82 935** -

Comprises changes in the provision for settlements.

Provision for loan losses **89 973** **14 278**

Comprises value adjustments to and changes in provisions for loans and advances and for which collection is uncertain.

Taxes **- 48 401** **44 661**

Corporate income tax has been calculated on the basis of pre-tax financial results and the current rate of taxation (34.5%), taking into account existing tax facilities relating to corporate income tax.

Actual reported effective tax rate amounts to 44.9%. The difference with the nominal rate of 34.5% can be attributed to a release of a tax provision to income of € 9.8 million. This provision-related to uncertainties arising from the fact that at year end 2003 the 2002 and 2003 tax returns had not been completed by the Bank and to specific exposures relating to the 2001 and previous filings. All of these uncertainties and exposures have been solved during 2004 not resulting in additional charges or benefits.

In addition a deferred tax credit of € 0.8 million has been recognised as result of a change in the rate of taxation for the years 2006 and further.

Company Balance Sheet and Profit and Loss Account

As at December 31, 2004 after appropriation of result

<i>In thousands of euros</i>	2004	2003
Assets		
Cash	3 007	1
Short-dated government paper	150 000	550 000
Banks	1 184 945	399 814
Loans and advances	2 305 463	3 156 168
Interest-bearing securities	322 686	112 318
Shares	525 599	615 688
Participating interests	172 154	192 336
Equipment	2 426	5 049
Other assets, prepayments and accrued income	283 492	486 050
	4 949 772	5 517 424
Liabilities		
Banks	3 189 529	3 613 704
Funds entrusted	169 798	225 247
Debt securities	398 983	437 570
Other liabilities	185 713	212 975
Accruals and deferred income	348 395	366 158
Provisions	113 704	56 617
	4 406 122	4 912 271
Subordinated liabilities	250 000	250 000
Issued and paid-up share capital	11 320	11 320
Premium reserve	399 697	399 697
Other reserves	- 117 367	- 55 864
Shareholders' equity	293 650	355 153
	4 949 772	5 517 424
Contingent liabilities		
Commitments arising from guarantees	108 020	116 504
Commitments arising to extend credit	-	8 091

COMPANY PROFIT AND LOSS ACCOUNT

For 2004

Result from participating interests after tax	837	3 298
Dexia Bank Nederland NV company result	- 60 340	84 025
Net result	- 59 503	87 323

Notes to the Company Balance Sheet

In thousands of euros, unless otherwise stated

2004

2003

We refer to the notes to the consolidated balance sheet and consolidated profit and loss account, unless otherwise set below.

Assets

Loans and advances	2 305 463	3 156 168
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Loans and advances includes debts:
- from participating interests

44 888	34 140
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Participating interests

172 154	192 336
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Consists of entities, which are non-credit institutions.

Movements in participating interests:

	Group companies	Non- consolidated participating interests	Total
Balance at start of year	192 336	-	192 336
Share of net result	837	-	837
Disposals	- 21 019	-	- 21 019
Balance at end of year	172 154	-	172 154

The following unlisted group companies are included in the consolidation:

Name of group company	Percentage of issued shares held by the Bank	Place of Business
Dexia Certificaten (Nederland) BV	100%	Amsterdam
Labouchere Beheer BV	100%	Amsterdam
IJ-Oever I BV	100%	Amsterdam
Labouchere Liquiditeitenfonds NV	100%	Curaçao

Dexia Bank Nederland NV also participates directly or indirectly in a number of companies that have no business activities or activities of minor interest. A list of the names and addresses of these companies is available for inspection at the offices of the Trade Register in Amsterdam.

Annual Accounts 2004 Dexia Bank Nederland NV

<i>In thousands of euros, unless otherwise stated</i>	2004	2003
Equipment	2 426	5 049

This relates to office equipment and computer software.

Movements in equipment:

Balance at start of year	5 049	
Investments	-	
Disposals	- 9	
Depreciation	- 2 614	
Balance at end of year	2 426	

This item is specified as follows:

	Depreciation	Purchase price	Cumulative depreciation year-end 2003	Depreciation 2004	Book value
Office equipment	2-10 years	23 651	20 879	1 406	1 366
Computer software	2-3 years	10 955	8 687	1 208	1 060
		34 606	29 566	2 614	2 426

Funds entrusted	169 798	225 247
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Funds entrusted includes debts to participating interest	47 629	158 014
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Shareholders' equity	293 650	355 153
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An overview of the components and movements of shareholders' equity is included in the notes to the consolidated balance sheet.

Annual Accounts 2004 Dexia Bank Nederland NV

Amsterdam, March 17, 2005

Supervisory Board

Management Board

P.M. van der Laan (chairman)

D.G.M. Bruneel (chairman)

P.E. Klönhammer

J.S.E. Brumagne

S.L.G. Decraene

L.A.J. van Thielen

F.J.A. Moes

O. van Herstraeten

Signed by all the members of the Management Board and Supervisory Board.

Other Information

Auditor's Report

To: The shareholders of Dexia Bank Nederland N.V.

Auditors' report

Introduction

We have audited the financial statements of Dexia Bank Nederland N.V., Amsterdam, ("the Bank") for the year 2004. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

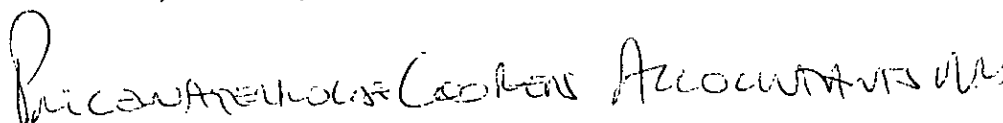
Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2004 and of the result for the year then ended in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code.

Emphasis of matter

Without qualifying our opinion above, we draw attention to page 36 of the financial statements which describes contingent liabilities arising from legal claims against the Bank.

Amsterdam, March 17, 2005



Appropriation of result

In accordance with Article 28, sections 1 and 2 of the Articles of Association, the profit after addition to the reserves, is at the disposal of the Annual General Meeting of Shareholders.

The result of 2004 is deducted from the other reserves.

Subsequent events

On February 10, 2005 Dexia and Aegon have reached an agreement regarding the situation of the share leasing products.

The two groups have agreed to put an end to their dispute. To this end, Aegon has contributed € 218 million to Dexia Bank Nederland.

This will help Dexia Bank Nederland to resolve appropriately the cases of its clients facing difficulties, and allocate more funds to indemnify its clients, whether represented or not by a foundation.

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