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KAMER VAN KOOPHANDEL EN FABRIEKEN
VOOR AMSTERDAM: GEDEPONEERD
DOSSIERNR.: OMVANG: 76
BOEKJAAR: 2005. SOORT: J
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Dexia Bank Nederland NV

Annual Report 2005

Contents

Five year summary

In millions of euros, unless otherwise stated

	2005	2004	2003	2002	2001
Interest	164	217	252	222	177
Commission	- 3	- 2	6	117	173
Other income	- 94	- 99	- 23	- 40	103
Total income	67	116	235	299	453
Operating expenses	54	50	89	266	274
Result before tax	81	- 107	132	- 406	165
Net result	57	- 59	87	- 265	116
Shareholders' equity	350	293	355	335	541
Total assets	3 626	4 781	5 623	7 205	7 290
Cost/income ratio (%)	80.6	44.0	37.9	88.9	60.4
Return on shareholders' equity (%)	17.7	- 18.2	32.6	- 64.2	21.9
Average number of employees (FTE)	242	268	368	1 115	1 327
Income per employee (in thousands €)	277	433	638	268	342
Net result per employee (in thousands €)	236	- 220	237	- 238	87

Please note that 2001 and 2002 include figures of Kempen & Co during the merger period.
2004 figures are adjusted for the change in calculation of the pension provision in accordance with the "projected unit credit method".

Annual Report

Profile Dexia Bank Nederland

Dexia Bank Nederland was formed at the end of 2001 through the merger of Kempen & Co and Labouchere. In 2003 Kempen & Co demerged from Dexia Bank Nederland.

Dexia Bank Nederland is part of the Dexia Group, a fast-growing international financial institution with core activities in France, the Benelux, most EU countries and the United States.

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

Report of the Supervisory Board

We hereby present the Annual Accounts of Dexia Bank Nederland for the financial year 2005, as prepared by the Management Board. PricewaterhouseCoopers Accountants has audited the accounts and has attended the Audit Committee of the Supervisory Board where the accounts have been discussed.

We propose that you approve the Annual Accounts for 2005 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 March 1st, 2005 B.F.M. Knüppe has been appointed as member of the Management Board. As of December 31, 2005 the Management Board consisted of D.G.M. Bruneel (chairman), J.S.E. Brumagne, B.F.M. Knüppe and L.A.J. van Thielen. As from February 2006, Mr. L.A.J. van Thielen has taken other responsibilities in the Dexia Group. We wish to extend our gratitude for his efforts and commitment.

At the end of 2005, 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.

The year 2005 was characterised by the negotiation, closing and implementation of the so-called 'Duisenberg agreement'. We would like to express our gratitude to the late Mr. Duisenberg, who successfully acted as mediator between Dexia Bank Nederland and the foundations Leaseverlies and Eegalease, the Consumentenbond and the Vereniging van Effectenbezitters.

We would like to express our appreciation for the motivation and commitment of the staff in 2005 and for the manner in which the Management Board and all members of the staff have implemented the 'Duisenberg agreement' in a short period.

Amsterdam, March 30th, 2006

On behalf of the Supervisory Board

P.M. van der Laan, chairman

Report of the Management Board

Key facts 2005

The year 2005 has been a year of major positive achievements in one of Dexia Bank Nederland's core objectives: settle the legal disputes arisen over the past years on its share leasing contracts.

Dexia Bank Nederland and Dexia as a Group settled the dispute with Aegon on February 11th. As a consequence, Dexia Bank Nederland received a settlement amount of € 218 million from Aegon with a view to help resolving appropriately cases of Dexia Bank Nederland clients facing financial difficulties, and allocate more funds to indemnify clients.

On April 29th, the mediation effort of Mr. Duisenberg proved to be successful: an agreement was reached with the foundations Leaseverlies and Eegalease, the Consumentenbond and the Vereniging van Effectenbezitters. The detailed settlement agreement was signed on June 23rd and the collective proceedings that had been filed by the above mentioned organizations against Dexia Bank Nederland were abandoned.

The settlement agreement obliges Dexia Bank Nederland to offer a range of discounts on residual debt on terminated and in force share leasing contracts. This report contains more details on this agreement on page 36.

For the Dexia Bank Nederland organization, months of frantic activity started: in early October, all systems, procedures, client contacts, controls had to be organized in order to implement the full and complicated 'Duisenberg Agreement'.

This implementation went smoothly, and its success is remarkable. Management wishes to thank the project-teams, and all those involved in this major exercise of change management, for their professionalism and commitment.

But also in specific product classes, major steps were set. The most important one of these concerns the originally 5 500 so called 'depot lease' clients (share lease contracts in connection with securities deposit). A separate solution was introduced in April 2005, which has been widely accepted. A minority of less than 12% now challenges these products in court, among which some 300 clients united in a collective filing (i.e. Foundation Leaseleed).

In 2006, Management will endeavor to guide Dexia Bank Nederland further to a safe haven. By filing a petition together with the foundations Leaseverlies and Eegalease, the Consumentenbond and the Vereniging van Effectenbezitters on November 18th 2005 to the Amsterdam Court of Appeal, this process was started. This petition asks to grant binding force to the 'Duisenberg Agreement', based on the newly introduced "Law on collective Settlement of Mass Damage (WCAM)". The decision is expected by the end of June 2006.

Until that date, the postponement of most court proceedings that are the consequence of this filing, will continue. Dexia Bank Nederland aims in the meantime at reducing as much as possible the court cases by settling cases, based on the 'Duisenberg Agreement' conditions.

With no new business activities, Dexia Bank Nederland wanted to give the personnel the certainty of adequate guidance and financial compensation for a job in the company, to a job elsewhere, and this for a long period. The social plan 2005 - 2008 and accompanying measures were introduced in March, after long but constructive talks with the Works Council. Management is committed not only to respect the wordings, but also the spirit of this social plan. Indeed, in the difficult and strenuous circumstances, Dexia Bank Nederland is confronted with the motivation and professional commitment of the employees, the company's most valuable assets.

Organization and Personnel

In 2005 the restructuring of the organization was continued. The organization was changed to adjust to the expected decrease in the share lease portfolio in the future. This was implemented by grouping the primary processes into a more flexible organization. Total staff at year-end 2005 was 228 FTE.

After reaching the 'Duisenberg agreement' a trend of unwanted leaving of personnel was perceived. The main reason for leaving was the lack of career perspective. To retain key-people for the organization, measures have been taken by motivating and frequently informing the employees. Working hours were adjusted, fringe benefits were added and more training and development possibilities were arranged. Moreover in co-operation with Dexia Group a mobility plan was drawn up and implemented in all entities of Dexia in the Netherlands.

In 2005 also a new Social Plan has been drawn up as the Social Plan 2001 - 2004 period had expired. The main focus of this new plan is the vision from 'Job to Job'. Also new legislation has been incorporated in the new plan. With this new social plan the financial effort from Dexia Bank Nederland is comparable to the Social Plan 2001 - 2004. In case of redundancy an employee will get the opportunity to have a period of reorientation (leave of absence on full pay (salary and fringe benefits)). At the end of this reorientation period the employee will receive compensation even if he was successful in finding a job. The Works Council is highly appreciated for their contribution to the realization of the Social Plan 2005-2008.

For the first time since 2001 the average absenteeism decreased to 6% (2004: 8%). Several actions like the introduction of a new health centre (Arbo-dienst) and improved policies for sick leave had their first results in 2005.

Financial Developments in 2005

Results general

Total income dropped by 42%, from € 116 million in 2004 to € 67 million in 2005, whereas operating expenses increased by 9% to € 54 million in 2005. In addition, releases were recorded in the provision for settlements for an amount of € 9 million and in the provision for loan losses for an amount of € 59 million. On balance, the operating result before taxes and releases of provisions decreased by € 53 million to € 13 million (decrease of 81%). In 2005, Dexia Bank Nederland recorded a profit after tax of € 57 million (2004: loss € 59 million).

In the first half of 2005, after mediation of Mr. Duisenberg, a settlement agreement was reached with the foundations Leaseverlies and Eegalease, the Consumentenbond and the Vereniging van Effectenbezitters. As a result of this agreement an additional provision for settlement costs was recorded. The impact of this provision on the profit and loss account was partly offset by an amount received from Aegon of € 218 million. This amount was the result of settling a dispute.

In addition, the provision for loan losses decreased mainly as a result of the strong increase in the value of the underlying collateral with respect to the share lease contracts. The positive effect on the profit and loss account of the above mentioned is as follows:

In millions of euros	**2005**
Provision for settlements	**- 9**
Of which:	
- additional costs of settlements (mainly the so-called 'Duisenberg agreement')	**209**
- contribution in settlement costs received from Aegon	**- 218**
Provision for loan losses	**- 59**

Income

	2005	2004
Result from interest	**164**	217
Result from securities and participating interests	**-**	-
Result from commission	**- 3**	- 1
Result from financial transactions	**- 54**	- 3
Other income and expenses	**- 40**	- 97
Total income	**67**	116

The ratio interest expenses on interest income increased slightly from 58.8% in 2004 to 58.9% in 2005. In amounts the interest margin decreased to € 164 million as result of the lower number of outstanding share lease contracts.

Result from financial transactions includes the result on unwinding forward starting Interest Rate Swaps for an amount of € 57 million. These forward starting Interest Rate Swaps were no longer needed for hedging the interest position of Dexia Bank Nederland.

Other income and expenses includes items, which are closely related to the operating results of the share lease products, and consist mainly of amortisation of capitalised expenses. As most of the contracts are past their minimum term the amortisation of these expenses decreased with € 66 million to € 49 million. In addition can be mentioned that in 2004 in this amount was also included an accelerated amortisation of capitalised expenses of € 25 million.

Operating expenses

In millions of euros	**2005**	2004
Personnel expenses	**26**	25
Other administrative expenses	**26**	21
Depreciation	**2**	4
Total operating expenses	**54**	50

Operating expenses increased by € 4 million to € 54 million, compared to 2004, which corresponds to 8%. This increase is mainly the result of expenses related to the above-mentioned 'Duisenberg agreement'. The average number of employees (FTE) decreased from 268 in 2004 to 242 in 2005.

Dexia Bank Nederland remains focused on reducing and rationalising expenditures, but due to a decrease in the outstanding loans and a non-recurring result from financial transactions the efficiency ratio, i.e. the operating expenses as a percentage of total income, increased to 81% in 2005, compared to 44% in 2004. If the non recurring result from financial transactions of € 57 million was not taken into account the efficiency ratio would be 44%.

Capital and ratios

Qualifying capital

Qualifying capital at 2005 year-end amounted to € 575 million. Shareholders' equity included in this amount consisted of € 11 million share capital, € 400 million share premium reserve and € 61 million negative other reserves. In addition, € 225 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 assets and off balance sheet items, which are weighted 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 2005 amounted to 26.5%.

Qualifying Capital and BIS

	2005	2004
BIS-ratio	**26.5%**	18.6%
Share capital	**11**	11
Share premium reserve	**400**	400
Other reserves	**- 61**	- 118
Tier 1 Capital	**350**	293
Subordinated loans (for purposes of qualifying capital):		
– Upper Tier 2	**125**	125
– Lower Tier 2	**100**	125
Tier 2 Capital	**225**	250
Total Qualifying Capital	**575**	543
Risk weighted assets	**2 175**	2 924
BIS-ratio	**26.5%**	18.6%

Risk Management

Risk Management and Compliance are key focal areas for Dexia Bank Nederland.

Risk framework

The organization of risk monitoring and -managing completely matches the Dexia Group Risk Organization, as described in the relevant pages of the Dexia Group Annual Report. We refer to these for the general framework. We will highlight Dexia Bank Nederland's specific committees and risks.

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

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 derivatives positions.

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 ICT risk, which is also monitored by the ORMC, 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.

Management Team Legal

The Legal Committee that was set up in 2004 and is chaired by the CLO was changed to a Management Team Legal. They are responsible for day-to-day management of the legal situation and to monitor developments in the legal area. The legal situation is described in a separate chapter.

No separate Credit Committee.

As no new credits are contracted by Dexia Bank Nederland, the Credit Committee was abolished and Dexia Bank Nederland's management Team acts as Credit Committee if decisions on existing credits need to be taken.

Daily follow ups

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 and 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.

Credit risk

Credit Risk at Dexia Bank Nederland arises when clients stop paying monthly terms or when at termination of a contract the collateral is insufficient to reimburse outstanding principal and the client is not willing to pay the difference. As a consequence, it is closely linked to as well legal risk (the client's assessment of its legal position, and most importantly the client having or not signed a waiver) as market risk (the value of the collateralised securities). Dexia Bank Nederland has extensive follow up of the payment behaviour of its clients and adequate recovery processes. Professional counterpart risks are monitored by respecting counterpart limits.

Financial risk

In general, the Dexia Group instructed limit system and BPV and VAR methodologies govern financial risks at Dexia Bank Nederland. These were respected. Two major special items need to be mentioned. Matching of funding is based on a behavioural model, as most contracts have uncertain maturities. Client behaviour has changed over time (first lengthening, then shortening of maturities) was observed. Dexia Bank Nederland has consequently adapted its long term funding position, in order to comply with limits set on the behavioural model. Given the fact that the 'Duisenberg discount' for part of the clients is based on the lack of collateral (i.e. difference between market value of underlying investment and the loan) at an uncertain date in the future to be decided by the client, an 'indirect' market risk (if the client does not reimburse) became in part a 'direct' market risk (the discounts). A newly designed risk management model quantifies this market risk and a 'Duisenberg' market risk report is sent weekly to the management. At ALCO at Dexia Group level it has been decided not to attempt to hedge this position.

Behavioural risk

The behaviour of clients is monitored closely, and is the basis for funding, provisioning, etc. Behaviour will change due to the 'Duisenberg agreement'. The (changes in) expected duration of the outstanding share lease contracts based on the company's behavioural model and the actual funding is closely monitored in the ALCO and Management Team.

Operational Risk

The implementation of the 'Duisenberg Agreement' has been closely monitored with operational risk analyses, which has largely contributed to the quality of the successful implementation of it.

Legal Risk

We refer to the specific chapter on this item on page 36 of the annual accounts.

Compliance and Codes of Conduct Dexia Group

Further to local rules and regulations, Dexia Group requires its separate, national entities to comply with the Group Codes of Conduct. 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. Since 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 "broad" compliance with set rules and regulations, as well as monitoring compliance in a narrower sense: private investments by personnel, integrity and behaviour of staff according to the code of conduct.

Outlook

Dexia Bank Nederland will focus on leading the share lease activities for the clients and shareholders to the best possible end. At the moment of writing this report, several initiatives are being taken to make processing and systems less complex, to be able to guarantee the servicing of the remaining portfolio.

The outcome of the WCAM petition earlier mentioned, and the success of settling court cases will have a decisive impact on the way to organize the remaining activities.

Management therefore has no full visibility on the timing of future developments in staff.

Amsterdam, March 30, 2006

Management Board
Dexia Bank Nederland NV

D.G.M. Bruneel, chairman

J.S.E. Brumagne

B.F.M. Knüppe

Annual Accounts

Consolidated Balance Sheet

As at December 31, 2005 after appropriation of result

In thousands of euros		*2005*		*2004 *)*
Assets				
Cash 1		**8 546**		3 007
Short-dated government paper 2		**90 000**		150 000
Banks 3		**928 080**		1 184 945
Loans and advances to the public sector	***72 700***		*33 055*	
Loans and advances to the private sector	***1 537 444***		*2 227 520*	
Loans and advances 4		**1 610 144**		2 260 575
Interest-bearing securities 5		**234 304**		372 686
Shares 6		**518 117**		525 599
Participating interests 7		**-**		-
Equipment 8		**6 639**		8 428
Other assets, prepayments and accrued income 9		**229 735**		275 385
		3 625 565		4 780 625
Liabilities				
Banks 10		**1 882 061**		3 189 529
Funds entrusted 11		**121 896**		122 169
Debt securities 12		**361 574**		398 983
Other liabilities (including short positions) 13		**266 398**		182 239
Accruals and deferred income 14		**234 688**		230 351
Provisions 15		**158 740**		114 016
		3 025 357		4 237 287
Subordinated liabilities 16		**250 000**		250 000
Shareholders' equity 17		**350 208**		293 338
		3 625 565		4 780 625
Contingent liabilities				
Commitments arising from guarantees 18		**117 331**		108 020

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

Numbers stated against items refer to the notes

**) Adjusted for comparison purposes*

Consolidated Profit and Loss Account

For 2005

In thousands of euros		*2005*		*2004 *)*
Income				
Interest income	**278 054**		369 372	
Interest expenses	**- 114 233**		- 152 062	
Interest income and expenses 19		**163 821**		217 310
Income from securities and participating interests 20		**-**		28
Commission income	**78**		380	
Commission expenses	**- 2 974**		- 1 999	
Commission income and expenses 21		**- 2 896**		- 1 619
Result from financial transactions 22		**- 54 412**		- 2 851
Other income and expenses 23		**- 39 805**		- 97 244
Total income		**66 708**		115 624
Expenses				
Personnel expenses 24	**26 161**		24 686	
Other administrative expenses 25	**25 821**		20 990	
Depreciation 26	**2 161**		3 998	
Operating expenses		**54 143**		49 674
Provision for settlements 27	**209 114**		82 935	
Contribution Aegon in settlement costs 28	**- 218 000**		-	
		- 8 886		82 935
Provision for loan losses 29		**- 59 069**		89 973
Total expenses		**- 13 812**		222 582
Result before tax		**80 520**		- 106 958
Tax 30		**- 23 650**		48 061
Net result		**56 870**		- 58 897

Numbers stated against items refer to the notes

**) Adjusted for comparison purposes*

Consolidated Cash Flow Statement

For 2005

In thousands of euros		*2005*		*2004 *)*
Net result	**56 870**		- 58 897	
Depreciation	**2 161**		3 998	
Revaluation investment portfolio	**20**		31	
Provisions (charged through the result)	**- 10 911**		80 646	
Provision for loan losses	**- 59 069**		89 973	
Equipment	**-**		4 647	
Other assets, prepayments and accrued income	**45 650**		212 906	
Accruals and deferred income	**-8 615**		- 135 807	
Adjustment accounting principle pensions	**-**		- 918	
Net cash flow from net result		**26 106**		196 579
Short-dated government paper	**60 000**		400 000	
Banks (assets)	**256 865**		- 517 006	
Banks (liabilities)	**- 1 307 468**		- 424 175	
Loans and advances	**784 511**		780 935	
Provision for loan losses(use)	**- 75 011**		- 9 455	
Funds entrusted	**- 17 293**		54 936	
Interest bearing securities –other-	**150 000**		- 233 872	
Trading portfolio	**- 27 623**		- 23 590	
Hedge portfolio (shares)	**23 467**		90 058	
Provisions (use)	**55 635**		- 23 247	
Other liabilities	**114 131**		- 24 673	
Debt securities	**- 37 409**		- 308 587	
Net cash flow from banking activities		**- 20 195**		- 238 676
Net cash flow from operating activities		**5 911**		- 42 097
Equipment	**- 372**		9	
Investment portfolio				
Investments	**-**		-2 000	
Divestments	**-**		49 094	
Net cash flow from investment activities		**- 372**		47 103
Equity				
Dividend paid	**-**		- 2 000	
Net cash flow from financing activities		**-**		- 2 000
Net cash flow		**5 539**		3 006
Cash balance at start of year		**3 007**		1
Cash balance at end of year		**8 546**		3 007

**) Adjusted for comparison purposes*

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, 2005. The immediate holding company is Dexia Nederland Holding NV.

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.

Change in accounting principles
As result of the implementation of guideline 271 on accounting for employee benefits as per January 1, 2005, the Bank changed its accounting policy for pensions. For the year 2005 the pension provision in relation to the pension and early retirement liabilities is calculated based on the "projected unit credit method". The figures of 2004 have been adjusted for comparison purposes. The impact on the opening balance as at January 1, 2004 in the pension provision is shown as an opening adjustment for an amount of € 1 402 thousand. The net impact after deferred tax of € 918 thousand is directly booked under "Shareholder's equity, Other reserves" as at January 1, 2004. The net result for 2005 would become € 150 thousand more negative if the "projected unit credit method" would not have been used.

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 unamortized 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 accrual 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, in 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.
- Pensions and early-retirement liabilities

Provision for pension liabilities and early-retirement liabilities are calculated using the "projected unit credit method" of actuarial cost allocation. In accordance with this method, the discounted value of the pension liabilities and other early-retirement liabilities is determined on the basis of the active period of service up to the balance sheet date, the projected salary at the expected retirement date and the market yields at the balance sheet date on high quality corporate bonds.
In order to distribute expenses for pensions and other early-retirement expenses evenly over the years, these expenses are calculated using the

projected rate of return on plan assets. Differences between this expected return and the actual return on these plan assets and actuarial changes on the pension liabilities are not recognised in the profit and loss account, unless the accumulated differences and changes exceed 10% of the greater of the defined benefit obligation and the fair value of the plan assets. The excess is amortised and charged to the profit and loss account over employees remaining working lives.

- 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.

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 effects could be material.

Notes to the Consolidated Balance Sheet

In thousands of euros, unless otherwise stated	*2005*	*2004*
Assets		
1 Cash	**8 546**	3 007

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

2 Short-dated government paper	**90 000**	150 000

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 between 2.3% and 2.5% (2004: 2.0%).

3 Banks	**928 080**	1 184 945

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	**38 080**	300 354
Receivables with a remaining term of:		
- three months or less	**890 000**	759 468
- three months to one year	**-**	125 123
	928 080	1 184 945

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 2.3% and 2.5% (2004: between 1.3% and 2.3%).

Amounts receivable from the Bank's parent entities and other related parties	**570 619**	44

4 Loans and advances	**1 610 144**	2 260 575

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.

In thousands of euros, unless otherwise stated	*2005*	*2004*
This item comprises:		
Current accounts	**157 137**	160 236
Receivables with a remaining term of:		
- three months or less	**98 990**	45 054
- three months to one year	**239 810**	261 752
- one year to five years	**700 301**	731 587
- more than five years	**730 224**	1 563 478
	1 926 462	2 762 107
Less: provision for loan losses	**- 316 318**	- 501 532
	1 610 144	2 260 575

Current accounts bear a floating rate of interest on a daily basis. By the end of 2005 the current accounts mainly consist of outstanding residual debts on terminated share lease contracts. Most of them are doubtful debts, which is provided for. No interest can be expected on these outstanding current amounts.

The receivables with a remaining term consist mainly of share lease contracts with a fixed interest rate of between 0% and 16.2% (2004: between 0% and 16.2%).

The Bank has determined a provision for loan losses on the basis of estimations of collateral shortfall, default rates, recovery rates and acceptance rates. These estimations have been made in the light of the level of acceptances under the offer to share leaseholders and the 'Duisenberg agreement' both as 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 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).

On April 29, 2005 the Bank reached an agreement with the foundations Leaseverlies and Eegalease, the Consumentenbond and the Vereniging van Effectenbezitters. This agreement, the 'Duisenberg agreement', offers the client a range of discounts on residual debt on terminated contracts and share lease contracts in force. As far as the client has an outstanding amount on terminated contracts or contracts in force, a settlement amount can be netted with these outstanding amounts. In that case, the related provision is shown as 'provision for loan losses'. Discounts can in certain cases also be netted with former profits on share lease contracts of the same client.

Loans and advances include zero interest rate loans and other concessional rate loans as follows:		
Zero interest rate loans arising under the Dexia Offer	**44 933**	92 275
Lease extensions at concessional rates under the Dexia Offer	**188 349**	348 364
Other concessional rate loans	**82 341**	240 506
	315 623	681 145
Less: discounting adjustment	**- 16 911**	- 51 441
Present value reported under loans and advances	**298 712**	629 704

In thousands of euros, unless otherwise stated	*2005*	*2004*
Movements in the provision for loan losses:		
Balance at start of year	**501 532**	462 693
Through the profit and loss account	**- 59 069**	89 973
Use of the provision	**- 126 145**	- 51 134
Balance at end of year	**316 318**	501 532

Loans and advances have practically all been granted to private individuals resident in the Netherlands.

5 Interest-bearing securities	**234 304**	372 686
This item comprises:		
Bonds issued by public corporate bodies		
- listed	**50 000**	50 000
Other bonds and interest-bearing securities		
- listed	**-**	-
- unlisted	**184 304**	322 686
	234 304	372 686
Maturing within one year	**100 000**	250 000
The breakdown into portfolios is as follows:		
Investment portfolio	**50 000**	50 000
Trading portfolio	**51 213**	23 590
Hedge portfolio:		
- Hedge portfolio of derivatives acquired to hedge the embedded derivatives in share lease products	**33 091**	49 096
Other (Certificates of Deposit)	**100 000**	250 000
	234 304	372 686

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.

Movements in the interest-bearing securities investment portfolio:		
Balance at start of year	**50 000**	97 094
Purchases	**-**	2 000
Disposals	**-**	- 25 000
Redemptions	**-**	- 24 094
Balance at end of year	**50 000**	50 000

The unamortised portion of discounts and premiums on the investment portfolio amounted to a premium of € 0.6 million as at December 31, 2005 (2004: € 1.0 million premium).

In thousands of euros, unless otherwise stated

	2005	*2004*
6 Shares	**518 117**	525 599

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

This item comprises:		
Listed	**475 508**	490 990
Unlisted	**42 609**	34 609
	518 117	525 599

The breakdown into portfolios is as follows:		
Investment portfolio	**32**	52
Hedge portfolio:		
– Hedge portfolio of listed shares acquired to hedge the embedded derivatives in share lease products	**475 508**	490 990
– Hedge portfolio of derivatives acquired to hedge the embedded derivatives in share lease products	**42 577**	34 557
	518 117	525 599

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	**52**	83
Revaluation	**- 20**	- 31
Balance at end of year	**32**	52

7 Participating interests	**-**	-

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

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	16.0%	London

8 Equipment	**6 639**	8 428

This relates to office equipment and computer software.

Movements in equipment:		
Balance at start of year	**8 428**	17 082
Transferred to prepayments	**-**	- 4 647
Investments	**372**	123
Disposals	**-**	- 132
Depreciation	**- 2 161**	- 3 998
Balance at end of year	**6 639**	8 428

This item is specified as follows:

	Depreciation period	Purchase price	Cumulative depreciation year-end 2004	Depreciation 2005	Book value
Office equipment	2-10 years	19 331	- 12 351	- 1 182	**5 798**
Computer software	2- 3 years	21 524	- 19 704	- 979	**841**
		40 855	**- 32 055**	**- 2 161**	**6 639**

In thousands of euros, unless otherwise stated	***2005***	*2004*
9 Other assets, prepayments and accrued income	**229 735**	275 385

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

This item can be broken down as follows:		
Interest receivable	**130 097**	46 248
Capitalised distribution expenses	**16 103**	32 078
Capitalised option premiums	**69 770**	102 938
Current tax receivable	**-**	75 450
Other	**13 765**	18 671
	229 735	275 385

The maturity table for the amortisation of the capitalised distribution expenses and option premiums is as follows:		
- up till one year	**25 421**	39 914
- one year to five years	**58 693**	84 443
- more than five years	**1 759**	10 659
	85 873	135 016

All other amounts mature within one year.

Amounts receivable from the Bank's parent entities and other related parties	**1 803**	1 707

In thousands of euros, unless otherwise stated	*2005*	*2004*

Liabilities

10 Banks	**1 882 061**	3 189 529

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	**4 761**	7 936
Liabilities with a remaining term of:		
- three months or less	**987 500**	1 810 943
- three months to one year	**809 800**	1 250 650
- one to five years	**55 000**	70 000
- longer than five years	**25 000**	50 000
	1 882 061	3 189 529

Amounts payable to the Bank's parent entities and other related parties	**1 757 909**	3 060 413

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 6.6% (2004: between 2.1% and 5.8%).

11 Funds entrusted	**121 896**	122 169

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	**88 451**	88 058

This item comprises:		
Current accounts	**93 877**	93 476
Liabilities with a remaining term of:		
- three months to one year	**318**	241
- one year to five years	**13 475**	14 201
- longer than five years	**14 226**	14 251
	121 896	122 169

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% (2004: between 5.0% and 6.6%).

In thousands of euros, unless otherwise stated	***2005***	*2004*
12 Debt securities	**361 574**	398 983

This item includes liabilities arising from debt certificates issued in connection with share lease products.

This item comprises:		
Debts with a remaining term of:		
- one year to five years	**103 209**	-
- longer than five years	**258 365**	398 983
	361 574	398 983

The debt certificates relating to share lease products are non-interest-bearing liabilities.

13 Other liabilities (including short positions)	**266 398**	182 239

This relates to short positions in derivative financial instruments of € 161 million (2004: € 152 million).

The total tax and social security liabilities amount to € 45 million, of which € 5 million is directly due by Dexia Bank Nederland and € 40 million is indirectly due to Dexia Nederland Holding related to the CIT fiscal unity.

In addition can be mentioned that in this item is included the trading portfolio of interest rate swaps for an amount of € 58 million (2004: € 30 million).

14 Accruals and deferred income	**234 688**	230 351

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

This item comprises:		
Interest payable	**180 085**	110 092
Unearned interest	**33 590**	83 807
Other accruals and deferred income	**21 013**	36 452
	234 688	230 216
Amounts payable to the Bank's parent entities and other related parties	**14 299**	42 522

15 Provisions	**158 740**	114 016

This item comprises:		
Provisions for deferred taxation	**4 551**	11 085
Provisions for pension and early-retirement liabilities	**507**	760
Provision for settlements	**145 277**	89 274
Other provisions	**8 405**	12 897
	158 740	114 016

Movements in the provisions:

	Deferred tax	Pensions	Settlements	Other	**Total**
Balance at start of year 2004	30 919	1 520	-	24 178	**56 617**
Adjustment accounting principle pensions	- 484	1 402	-	-	**918**
Reclasses	-	-	7 419	- 7 419	**-**
Use of provision	- 18 908	-	- 1 080	- 3 379	**- 23 367**
Through the profit and loss account	- 442	- 1 364	82 935	- 483	**80 646**
Benefit costs	-	2 213	-	-	**2 213**
Employer's contribution	-	- 3 011	-	-	**- 3 011**
Balance at start of year	**11 085**	**760**	**89 274**	**12 897**	**114 016**
Benefit costs	-	2 184	-	-	**2 184**
Employer's contribution	-	- 2 437	-	-	**- 2 437**
Contribution Aegon in settlement costs	-	-	218 000	-	**218 000**
Use of provision	- 5 111	-	- 153 111	- 3 890	**- 162 112**
Through the profit and loss account	- 1 423	-	- 8 886	- 602	**- 10 911**
Balance at end of year	**4 551**	**507**	**145 277**	**8 405**	**158 740**

In thousands of euros, unless otherwise stated	***2005***	*2004*
Pension and early-retirement liabilities	**507**	760

At Dexia Bank Nederland the pension plan can be characterised as a defined benefit plan. Annual pension contributions are paid to the pension fund at a rate necessary to adequately finance the accrued liabilities of the plan.

Summary of pension and early-retirement liabilities:

	2005	2004
Defined benefit obligation	**120 090**	98 752
Fair value plan assets	**- 96 018**	- 85 617
	- 24 072	- 13 135

As at December 31, 2005, the defined benefit obligation consisted of funded pension plan amounting to € 120 million (2004: € 99 million) and unfunded early-retirement plan amounting to € 0.1 million (2004: € 0.1 million).

	2005	2004
Unrecognised past service costs	**-**	-
Unrecognised gains / - losses	**- 23 565**	- 12 375
	- 23 565	- 12 375

Weighted averages of basic actuarial assumptions in annual % as at end of year are:

	2005	2004
Discount rate	**4.0 %**	4.5 %
Expected rates of salary increase	**3.0 %**	3.0 %
Medical cost trend rate	**2.5 %**	2.0 %
Consumer price inflation	**2.5 %**	2.5 %

The expected rate of return for 2005 on plan assets was 5.94% (2004: 5.75%). The expected rate of return on plan assets was weighted by the fair value of these assets. All other assumptions were weighted by defined benefit obligations.

In thousands of euros, unless otherwise stated	***2005***	*2004*

16 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 3.3%, total interest charge in 2005 amounts to € 9.5 million (2004: € 9.4 million). There were no movements in the subordinated liabilities

17 Shareholders' equity	**350 208**	293 338

Movements in the shareholders' equity are as follows:

	Share capital	Premium reserve	Other reserves	**Total**
Balance at start of year 2004	11 320	399 697	- 55 864	**355 153**
Adjustment accounting principle pensions	-	-	- 918	**- 918**
Dividend paid	-	-	- 2 000	**- 2 000**
Appropriation of result	-	-	- 58 897	**- 58 897**
Balance at start of year 2005	**11 320**	**399 697**	**- 117 679**	**293 338**
Appropriation of result	-	-	56 870	**56 870**
Balance at end of year	**11 320**	**399 697**	**- 60 809**	**350 208**

As part of changes in the Netherlands Civil Code, a revaluation reserve is required in the statutory financial statements if the fair value of assets is not based on frequent market quotations. Currently there is an industry wide discussion in the Netherlands on the interpretation of 'frequent market quotations' and as a result of that discussion the applicability of these capital protection rules. This is among others focused on the unrealised fair value changes of OTC derivatives held for trading and might affect the level of the distributable reserves of the company. Based on legal advice of The Dutch Banker's Association ("NVB") and the Confederation of Netherlands Industry and Employers ("VNO-NCW") the view of Dexia Bank Nederland is that no such revaluation reserve is required. In addition, it can be mentioned that the Bank has negative other reserves and is therefore not able to distribute any reserves.

Share capital: issued paid-up	**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 2005.

In thousands of euros, unless otherwise stated	*2005*	*2004*
***BIS-ratio** (in millions of euros)*	***26.5%***	***18.6%***
Share capital	11	11
Share premium reserve	400	400
Other reserves	- 61	- 118
Tier 1 Capital	**350**	293
Subordinated liabilities for purposes of qualifying capital:		
- Upper Tier 2	**125**	125
- Lower Tier 2	**100**	125
Tier 2 Capital	**225**	250
Total Qualifying Capital	**575**	543
Risk weighted assets	**2 175**	2 924
BIS-ratio	**26.5%**	**18.6%**

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.

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

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	4 590	8 281	1 225	14 096	76
OTC Options	-	165	-	165	33
Listed Futures	7	-	-	7	-
Currency contracts					
OTC Forwards	-	-	-	-	-
Other contracts					
OTC Forwards	-	13	1	14	-
OTC Options	287	776	396	1 459	46
Listed Futures	-	-	-	-	-
	4 884	9 235	1 622	15 741	155

Comparative figures 2004

	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	-	18	1	19	-
OTC Options	325	1 005	488	1 818	49
Listed Futures	2	-	-	2	-
	2 329	4 153	2 320	8 802	122

Credit equivalent

In millions of euros	Unweighted year-end 2005	Weighted year-end 2005	Unweighted year-end 2004	Weighted year-end 2004
Interest-rate contracts	**170**	**35**	121	24
Currency contracts	**-**	**-**	-	-
Other contracts	**87**	**18**	104	26
	257	**53**	225	50

In thousands of euros, unless otherwise stated	*2005*	*2004*
Foreign currencies		
The euro equivalents of the foreign currency units, mainly USD, included in the balance sheet are:		
Assets	**5 985**	11 752
Liabilities	**65**	456
Securities borrowed and lent		
The securities borrowed and lent not included in the balance sheet are:		
Borrowed	**-**	-
Lent	**29 437**	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 89% (2004: 70%) 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 2005	Fair value year-end 2005	Book value year-end 2004	Fair value year-end 2004
Assets				
Loans and advances	**1 610 144**	**1 728 649**	2 260 575	2 563 028
Interest-bearing securities and shares	**752 421**	**754 211**	898 285	878 340
Other assets, prepayments and accrued income	**229 735**	**148 061**	275 385	157 562
Liabilities				
Debt securities	**361 574**	**361 574**	398 983	398 983
Accruals and deferred income	**234 688**	**275 177**	230 351	349 260
Provisions	**158 740**	**152 907**	114 016	102 789

In thousands of euros, unless otherwise stated	***2005***	*2004*

Obligations not shown in the balance sheet

18 Contingent liabilities

Commitments arising from guarantees	**117 331**	108 020

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 € 30 million (€ 5 million due in 2006).

Litigations
Update of the disclosure concerning share leasing.

Background
The difficulties linked to the share-leasing activities 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.

Reference is made to the detailed disclosures, as contained in the Dexia Group 'Accounts and Reports 2004' (especially page 6 and pages 93 to 96 inclusive) and in the Activity Reports published during the year 2005.

Agreement with Aegon
On February 11, 2005 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 of Dexia Bank Nederland facing financial difficulties, and allocate more funds to indemnify clients, whether or not represented by a foundation.

The Duisenberg Arrangement
On April 29, 2005 the announcement was made that the mediation undertaken by Mr. Wim Duisenberg had been successful. Dexia Bank Nederland entered into a global settlement with the foundations Leaseverlies and Eegalease, the Consumentenbond (Dutch Consumer's Association) and the Vereniging van Effectenbezitters (Dutch Association of Security holders), hereinafter to be referred to as "the Interest Groups". This global settlement applies both to certain contracts terminated since January 1997 and to certain active contracts as follows:

- Clients with residual debt at their contract benefit from a discount of two-thirds of the residual debt; however past profits, when applicable, are deducted.
- Clients duly invoking Section 1:88 of the Netherlands Civil Code (spousal consent) to request the nullification of their contracts before expiration of a prescription period benefit from a full discount (that is 100% of the possible residual debt); past profits, when applicable, are deducted.
- Clients with a contract that cannot end with a residual debt are granted a discount of 10% on the residual debt that could arise upon early termination, after reaching a certain contractual moment.
- Clients who have accepted the 'Dexia Offer' are offered an additional option upon immediate payment of the residual debt; they benefit from a one-third discount thereon.
- The existing "hardship clause", meant to resolve (potential) social and financial problems of clients, continues to be accessible to all clients. Its scope has been broadened.

After a positive response by an overwhelming majority of the share leasing contractholders who joined the Foundations Leaseverlies (82% of those replying) and Eegalease (78% of those replying), the settlement agreement between Dexia Bank Nederland and the Interest Groups was signed on June 23, 2005. As a result of this Duisenberg Arrangement, the collective proceedings that had been filed by the Interest Groups against Dexia Bank Nederland, have been abandoned.

Dexia Bank Nederland has made it clear to all parties concerned that its willingness to enter into the Duisenberg Arrangement entails no admission of responsibility.

Dexia Bank Nederland's costs and provisions arising from the Duisenberg Arrangement have been recalculated each quarter on the basis of prevailing market data and client conduct.

The Duisenberg Arrangement has been effective since October 2005. Its conditions as well as other information regarding this Arrangement may be found at www.dexialease.nl.

On February 20, 2006 clients holding more than 95,000 contracts have accepted settlements based on the Duisenberg Arrangement. This figure does not include the approximately 185,000 contracts of clients who had already signed a waiver, and of which some also potentially benefit from the Duisenberg Arrangement.

On November 18, 2005 Dexia Bank Nederland and the Interest Groups have signed and filed their joint petition to the Amsterdam Court of Appeal to grant binding force to the Duisenberg Arrangement, based on the newly introduced "Law on Collective Settlement of Mass-Damage." In case the Court follows this request, all relevant clients in respect of the Duisenberg Arrangement who do not "opt-out" within a certain period of at least three months (to be decided by the Court of Appeal), will be bound to the Duisenberg Arrangement. Starting May 16, 2006 the Amsterdam Court of Appeal will hear Dexia Bank Nederland, the Interest Groups as well as opponents in respect of this petition. Filing of writs is possible till and including April 14, 2006. As a result of the filing of this petition, postponements of a vast majority of the court proceedings took place, and this will continue till the decision of the Court of Appeal.

Litigations in general
A number of disputes have arisen between Dexia Bank Nederland and its clients with respect to share-leasing products. Dexia has reported on this matter in its earlier Annual Reports and quarterly Activity Reports.

Dexia Bank Nederland is still 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 client 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 client; 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 Netherlands Consumer Credit Act.

The disputes are either with individual parties or foundations (Stichting Leaseleed). They are presented to different types of courts or arbitrators, mainly the subdistrict 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 accessible on the Dexia website www.dexia.com.

On December 31, 2005 Dexia Bank Nederland was summoned in civil courts by clients having contracts representing less than 2% of the contracts with realized or potential losses, a large majority of those in collective proceedings. In 16 of those cases some 674 clients are represented by Leaseproces BV, a profit driven organization recruiting clients with a "no cure, no pay" offer. On February 20, 2006 approximately 12,000 clients addressed Dexia Bank Nederland by means of Leaseproces BV without starting proceedings yet.

Dutch Securities Institute (DSI)
In total, approximately 2,500 clients filed complaints at the Grievance Committee DSI. According to the latest estimations of Dexia Bank Nederland, the complaints of at least 1,750 clients will not be admitted because of the statute of limitations. The remaining number of maximum 750 cases has been postponed and will not be heard before the decision of the Amsterdam Court of Appeal in respect of the joint petition of Dexia Bank Nederland and the special Interest Groups to grant binding force to the Duisenberg Arrangement.
At the end of 2005, no more cases were under consideration of the Appeals Committee of DSI.

Depot Lease
The Duisenberg Arrangement is not applicable to a specific group of originally approximately 5,500 clients who have entered into share-leasing agreements in connection with a securities deposit ("Depot Lease"). In April 2005, Dexia Bank Nederland introduced for the Depot Lease clients a separate solution which is now widely accepted by clients. However, less than 12% of the clients with Depot Lease challenge the legality of this combination of products in court, among which some 300 clients united by the Stichting Leaseleed in a collective complaint.

Assessment
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.

PORTFOLIO AS OF DECEMBER 31, 2005				
In millions of euro, unless otherwise stated	*Number of contracts*	*Loan amount*	*Collateral*	*Excess (+) or Lack (-) of collateral*
Total outstanding portfolio	**214 921**	**1 625**	**1 452**	**- 173**
- Contracts with sufficient collateral	62 538	300	418	+ 118
- Contracts with insufficient collateral	152 383	1 325	1 034	- 291
of which :				
- Contracts with redemption	35 992	355	312	- 43
- Contracts without redemption	116 391	971	722	- 249
of which :				
- Accepted an agreement* (and signed the waiver)	66 255	546	409	- 137
- Not accepted an agreement	50 136	424	313	- 111

CONTRACTS THAT ENDED BEFORE DECEMBER 31, 2005				
*In millions of euro, unless otherwise stated***	*Number of contracts*	*Loan amount*	*Collateral*	*Excess (+) or Lack (-) of collateral*
Total portfolio	**500 390**	**4 866**	**5 188**	**+ 322**
- Contracts with sufficient collateral	273 768	2 220	3 591	+ 1 371
- Contracts with insufficient collateral	226 622	2 646	1 597	- 1 049
of which :				
- Contracts with redemption***	56 008	687	497	- 189
- Contracts without redemption	170 614	1 959	1 100	- 859
of which :				
- Accepted an agreement (and signed the waiver)	106 763	1 215	662	- 553
- Not accepted an agreement	63 851	744	438	- 306

* Either the Dexia Offer, the Duisenberg agreement or another kind of settlement.

** All contracts qualifying for the share lease definition since the start of their origination, regardless of the way they were terminated.

*** Mainly early terminated contracts.

Related parties

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

Commitment letter
Dexia SA, the Bank's ultimate parent entity, has extended a letter in 2004 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".

Fiscal unity
As from April 11, 2003 Dexia Bank Nederland NV is part of a Corporate Income Tax ("CIT") 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 April 11, 2003 Dexia Bank Nederland NV is also part of a Value Added Tax ("VAT") fiscal unity with Dexia Nederland Holding NV, as the parent company. In the year 2005, the fiscal unity for VAT was added to the fiscal unity of Banque Artesia Nederland NV, which acts as head of this new VAT fiscal unity.

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

Notes to the Consolidated Profit and Loss Account

In thousands of euros, unless otherwise stated	*2005*	*2004*
19 Interest income and expenses	**163 821**	217 310
Represents all interest income and expenses 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	**2 352**	2 367
Interest on zero interest and other concessionary interest rate loans	**50 717**	69 789
Other interest income	**224 985**	297 216
	278 054	369 372
Interest income related to the Bank's parent entities and other related parties	**15 850**	2 867
Interest expenses related to the Bank's parent entities and other related parties	**78 688**	94 856
20 Income from securities and participating interests	**-**	28
This item comprises of:		
Income from other participating interests	**-**	28
	-	28
21 Commission income and expenses	**- 2 896**	- 1 619
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	**- 1 223**	- 1 110
22 Result from financial transactions	**- 54 412**	- 2 851
Includes the valuation differences on securities and foreign-currency transactions.		
This item comprises of results on trading portfolio	**- 54 412**	- 2 851
Results on trading portfolio include € 57 million regarding unwinding of forwarded starting Interest Rate Swaps.		

In thousands of euros, unless otherwise stated	*2005*	*2004*
23 Other income and expenses	**-39 805**	- 97 244
This item comprises of:		
Other income	**9 349**	17 961
Other expenses	**49 154**	115 205
	- 39 805	- 97 244
Other income is comprised of:		
Dividends waived by clients on share lease contracts	**5 498**	7 655
Other	**3 851**	10 306
	9 349	17 961

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 comprises of:		
Amortisation of capitalised selling expenses	**2 606**	9 460
Amortisation of capitalised commissions paid to intermediaries	**19 695**	47 051
Amortisation of capitalised option premiums	**26 841**	58 387
Other	**12**	307
	49 154	115 205

24 Personnel expenses	**26 161**	24 686
This item comprises of:		
Salaries including bonuses	**15 358**	15 520
Social security charges	**1 306**	1 291
Pension costs	**2 184**	1 991
Other personnel expenses	**7 313**	5 884
	26 161	24 686

In 2005, an average of 242 FTE were employed (2004: 268).

At year-end, the Management Board was composed of 4 members (2004: 3 members). During the year, one member joined the Management Board. The total Management Board's remuneration for the full financial year 2005 amounts to € 2.3 million (2004: € 1.8 million).

The Supervisory Board consists of five members with a remuneration of € 81 thousands for the full financial year (2004: € 81 thousands).

In thousands of euros, unless otherwise stated	***2005***	*2004*
Pension costs, benefit costs	**2 184**	2 213
Current service costs	**2 701**	2 411
Interest costs	**4 404**	4 195
Expected return on plan assets	**- 5 124**	- 4 393
Amortisation of net loss	**203**	-
	2 184	2 213

The assets of funded plans primarily consist of debt securities, equity and others. The actual return on plan assets amounted to € 9.7 million (2004: € 8.7 million).

25 Other administrative expenses	**25 821**	20 990

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 € 3.4 million (2004:
€ 7.5 million) and income from subleases amounting to € 1.0 million (2004: € 1.5 million).

26 Depreciation	**2 161**	3 998

Consists of depreciation office equipment and computer software.

27 Provision for settlements	**209 114**	82 935

Comprise changes in the provision for settlements.

28 Contribution Aegon in settlement costs	**- 218 000**	-

This amount relates to the agreement between Dexia and Aegon reached in 2005. 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 lease clients of Dexia Bank Nederland facing financial difficulties, and allocate more funds to indemnify clients, whether or not represented by a foundation.

29 Provision for loan losses	**- 59 069**	89 973

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

In thousands of euros, unless otherwise stated	***2005***	*2004*
30 Tax	**- 23 650**	48 061

Corporate income tax has been calculated on the basis of pre-tax financial results and the current rate of taxation (31.5%), taking into account existing tax facilities relating to corporate income tax.

In 2005 the reported effective tax rate amounts to 29.4%, which is mainly the result of a deferred taxation credit of € 1.6 million, which has been recognized as result of a change in the rate of taxation for the years 2006 (29.6%) and further.

In 2004 the reported effective tax rate amounts to 44.9%. The difference with the nominal rate (34.5% in 2004) 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.

Company Balance Sheet

As at December 31, 2005 after appropriation of result

In thousands of euros		***2005***		*2004 *)*
Assets				
Cash		**8 546**		3 007
Short-dated government paper		**90 000**		150 000
Banks		**922 461**		1 184 945
Loans and advances 31		**1 652 718**		2 305 463
Interest-bearing securities		**184 304**		322 686
Shares		**518 117**		525 599
Participating interests 32		**133 147**		172 154
Equipment 33		**1 395**		2 426
Other assets, prepayments and accrued income		**227 269**		283 492
		3 737 957		4 949 772
Liabilities				
Banks		**1 882 061**		3 189 529
Funds entrusted 34		**234 403**		169 798
Debt securities		**361 574**		398 983
Other liabilities (including short positions)		**266 478**		185 713
Accruals and deferred income		**234 493**		348 395
Provisions		**158 740**		114 016
		3 137 749		4 406 434
Subordinated liabilities		**250 000**		250 000
Share capital: issued and paid-up	**11 320**		11 320	
Premium reserve	**399 697**		399 697	
Other reserves	**- 60 809**		- 117 679	
Shareholders' equity 35		**350 208**		293 338
		3 737 957		4 949 772
Contingent liabilities				
Commitments arising from guarantees		**117 331**		108 020

Company profit and loss account

For 2005

Result from participating interests after tax	**2 899**	837
Dexia Bank Nederland NV company result	**53 971**	- 59 734
Net result	**56 870**	- 58 897

Numbers stated against items refer to the notes

**) Adjusted for comparison purposes*

Notes to the Company Balance Sheet

In thousands of euros, unless otherwise stated	*2005*	*2004*

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

Assets

	2005	2004
31 Loans and advances	**1 652 718**	2 305 463
Amounts receivable from the Bank's parent entities and other related parties	**42 573**	44 888
32 Participating interests	**133 147**	172 154

Consists of entities, which are non-credit institutions.

Movements in participating interests:

	Group companies	Non-consolidated participating interests	Total
Balance at start of year	172 154	-	172 154
Share of net result	2 899	-	2 899
Dissolution	- 41 906	-	- 41 906
Balance at end of year	133 147	-	133 147

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.

	2005	2004
33 Equipment	**1 395**	2 426

This relates to office equipment and computer software.

Movements in equipment:		
Balance at start of year	**2 426**	5 049
Investments	**372**	123
Disposals	-	- 132
Depreciation	**- 1 403**	- 2 614
Balance at end of year	**1 395**	2 426

This item is specified as follows:

	Depreciation period	Purchase price	Cumulative depreciation year-end 2005	Depreciation 2005	Book value
Office equipment	2-10 years	11 749	- 10 771	- 424	**554**
Computer software	2- 3 years	21 524	- 19 704	- 979	**841**
		33 273	**- 30 475**	**- 1 403**	**1 395**

In thousands of euros, unless otherwise stated	*2005*	*2004*
34 Funds entrusted	**234 403**	169 798
Amounts payable to the Bank's parent entities and other related parties	**200 958**	135 687
35 Shareholders' equity	**350 208**	293 338

An overview of the components and movements of shareholders' equity is included in the notes to the consolidated balance sheet.

Amsterdam, March 30, 2006

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	B.F.M. Knüppe
F.J.A. Moes	
O. van Herstraeten	

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

Other Information

Auditor's Report

PRICEWATERHOUSECOOPERS

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To: The General Meeting of 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 2005. 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 2005 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.

Furthermore, we have to the extent of our competence, established that the annual report is consistent with the financial statements.

PRICEWATERHOUSECOOPERS

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 30, 2006

PricewaterhouseCoopers Accountants N.V.

J. van Hees RA

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 positive result for the year 2005 amounting to € 56 870 thousand is added to the other reserves. Since the other reserves are negative after appropriation of the results 2005, no dividend can be proposed over 2005.

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Amsterdam, 2 juni 2006

Mijne dames en heren,

Ter deponering doen wij u hierbij de volgende bescheiden toekomen:

- het jaarverslag 2005 van Dexia Bank Nederland N.V., dossiernummer 33 19 46 26. Dit jaarverslag werd goedgekeurd door de Algemene Vergadering van Aandeelhouders gehouden op 26 april 2006;
- een opgave van deelnemingen van Dexia Bank Nederland welke niet met naam zijn genoemd in de jaarrekening 2005.

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

Met vriendelijke groet,
Dexi[redacted]

De handtekening is door de KvK onleesbaar gemaakt.

A.S.[redacted]
Secr[redacted]

Bijlagen: 2.