
Kalvebod PLC

**Management report and Condensed unaudited interim
financial statements**

For the half year ended 31 January 2010

Registered number 409286

Kalvebod PLC

Directors' report and financial statements

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Directors and other information

Directors

Brian Brady (Irish)
Paul McNaughton (Irish)
Michael Whelan (Irish)

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**Administrator &
Company Secretary**

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Independent Auditor

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Interim management report

The Directors present their interim report and unaudited financial statements of Kalvebod Plc (the "Company") for the half year ended 31 January 2010.

Principal activities and key events for the first six months

The Company has established a EUR 10,000,000,000 Secured Notes Programme (the "Programme") to issue secured notes (the "Notes") and/or other secured limited recourse indebtedness (the "Alternative Investments"). The net proceeds from each issue of Notes or Alternative Investments are used to purchase the Collateral comprised in the Mortgaged Property in respect of the relevant Notes or Alternative Investments, to pay for or enter into any Credit Support Document or Swap Agreement in connection with such Notes or Alternative Investments and to pay expenses in connection with the administration of the Issuer or the issue of the Notes or Alternative Investments.

Notes earn interest at a fixed, floating or zero percentage rate. The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. All such information was set out in the relevant Prospectus.

Issuer has entered into Swap Agreements with Swap counterparties and any swap or repurchase entered into in connection with Notes of any Series by the Issuer are limited recourse obligations of the Issuer and the terms are set out in the relevant Prospectus.

During the half year,

- the Company's profit was Nil (2009: Nil);
- the Company did not issue any new series;
- net income from derivative financial instruments amounted to DKK 51,306,292 (2009: DKK 99,321,617);
- total nominal value of the investment securities was DKK 3,440,000,000 (2009: DKK 3,440,000,000)

The Company paid DKK 51,923,734 (2009: DKK 52,397,632) as interest on the Notes issued and received DKK 58,440,351 (2009: DKK 120,978,356) as interest on the Collaterals.

During the half year ended 31 January 2010 the following credit event took place:

On 1 August 2009, a Bond Collateral Default event occurred in respect of Fionia Bank A/S on Series 2 DKK 791,913,235 Fixed/Floating Rate Secured Notes due 2106 (consisting of an initial issue of DKK 928,450,000 and reduced to DKK 791,913,235 as of 1 May 2009). Following this default an aggregate principal amount of the Notes equal to DKK 136,536,764 (the Bond Collateral Default Nominal Amount Reduction) became subject to mandatory redemption and accordingly, the Notes Principal amount was reduced by an equal amount. The Notes nominal amount is equal to DKK 655,376,471 with effect of this default.

Interim management report

Principal activities and key events for the first six months (continued)

As at 31 January 2010,

- the Company's total indebtedness was DKK 2,593,304,024 (31 July 2009: DKK 1,601,708,690)
- the Company had the following Notes in issue:

Series 1	DKK 750,000,000 Fixed/Floating Rate Secured Notes due 2013
Series 2	DKK 655,376,471 Fixed/Floating Rate Secured Notes due 2106
Series 3	DKK 1,074,130,000 Fixed/Floating Rate Secured Notes due 2014
Series 4	EUR 82,875,680 Class A Floating Rate Secured Senior Notes due 2015
	DKK 463,165,120 Class B Fixed/Floating Rate Secured Mezzanine Notes due 2015
	DKK 41,188,370 Class C Fixed/Floating Rate Secured Junior Notes due 2015
- The net assets was DKK 315,750 (31 July 2009: DKK 315,750)

Future Developments

The Directors expect the current level of activity to continue in the foreseeable future.

Results and dividends for the period

The results for the half year are set out on page 5. No dividends are recommended by the directors.

Directors, secretary and their interests

The directors who held office on 31 January 2010 did not hold any share in the Company at that date, or during the half year. There were no contracts of any significance in relation to the business of the company in which the directors had any interest, as defined in the Companies Act 1990, at any time during the half year.

Principal risk and uncertainties for the remaining six months of the year.

The Company is subject to various risks. The key risks facing the Company are outlined in Note 21 to the financial statements. The underlying business of the Company is expected to continue in an orderly, consistent manner over the remaining six months of the year.

Post balance sheet events

There has not been any significant event after balance sheet date.

Accounting records

The directors believe that they have complied with the requirements of Section 202 of the Companies Act, 1990 with regard to the books of account by employing accounting personnel with the appropriate expertise and by providing adequate resources to the financial function. The books of account of the Company are maintained at 5 Harbourmaster Place, IFSC, Dublin 1, Ireland.

On behalf of the board



Michael Whelan
Director



Brian Brady
Director

Date: 30 March 2010

Responsibility statement

The Directors are responsible for preparing the management report and interim financial statements, in accordance with applicable law and regulations. The Directors confirm that, to the best of their knowledge:

- the condensed financial statements, which have been prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and results of the issuer, and
- the Interim Management Report includes a fair review of:
 - Important events that have occurred during the first six months of the year;
 - The impact of those events on the condensed financial statements; and
 - A description of the principal risks and uncertainties for the remaining six months of the financial year.

The directors further indicate that such interim Financial Statements for the half year ended 31 January 2010 have not been audited.

On behalf of the board



Michael Whelan
Director



Brian Brady
Director

Date: 30 March 2010

Statement of comprehensive income
For the period 01 August 2009 to 31 January 2010

	Notes	Period ended 31-Jan-10 DKK	Period ended 31-Jan-09 DKK
Net gain/(loss) on investment securities	4	995,120,871	(516,834,874)
Net (loss)/gain on debt securities issued	5	(1,046,427,163)	417,513,257
Net income from derivative financial instruments	6	51,306,292	99,321,617
Operating results		-	-
(Loss)/gain on foreign exchange movements	7	(59)	217
Other income	8	211,668	39,416
Other expenses	9	(211,609)	(39,633)
Profit before income tax		-	-
Income tax expense	10	-	-
Profit for the period		-	-
Other comprehensive income		-	-
Total comprehensive income for the half year		-	-

All items dealt with in arriving at the result for the half year ended 31 January 2010 related to continuing operations.

The notes on pages 9 to 19 form an integral part of these interim financial statements.

On behalf of the board


Micheal Whelan
Director


Brian Brady
Director

**Statement of financial position
as at 31 January 2010**

		31-Jan-10	31-Jul-09
		DKK	DKK
Assets	Notes		
Cash and cash equivalents	11	286,264	277,888
Other receivables	13	38,495,868	40,669,575
Investment securities	12	2,312,976,595	1,376,296,075
Derivative assets	14	241,861,047	184,780,902
Total assets		<u>2,593,619,774</u>	<u>1,602,024,440</u>
Liabilities			
Other payables	16	(38,466,382)	(40,631,713)
Derivative liabilities	14	(13,959,337)	(14,702,101)
Debt securities issued	15	(2,540,878,305)	(1,546,374,876)
Total liabilities		<u>(2,593,304,024)</u>	<u>(1,601,708,690)</u>
Equity			
Share capital	18	(298,528)	(298,528)
Retained earnings		(17,222)	(17,222)
Total equity		<u>(315,750)</u>	<u>(315,750)</u>
Total liabilities and equity		<u>(2,593,619,774)</u>	<u>(1,602,024,440)</u>

The notes on pages 9 to 19 form an integral part of these interim financial statements.

On behalf of the board


Micheal Whelan
Director


Brian Brady
Director

Statement of changes in equity
For the year ended 31 January 2010

31 January 2010	Share Capital DKK	Retained earnings DKK	Total equity DKK
Balance as at 1 August 2008	298,528	17,222	315,750
Profit for the period	-	-	-
Balance as at 31 January 2009	298,528	17,222	315,750
Profit for the period	-	-	-
Balance as at 31 July 2009	298,528	17,222	315,750
Profit for the period	-	-	-
Balance at 31 January 2010	298,528	17,222	315,750

The notes on pages 9 to 19 form an integral part of these interim financial statements.

On behalf of the board


Micheal Whelan
Director


Brian Brady
Director

Statement of cash flows

For the period 01 August 2009 to 31 January 2010

	Period ended 31-Jan-10 DKK	Period ended 31-Jan-09 DKK
Net cash flows from operating activities		
Profit before income tax	-	-
Adjustments for:		
- Fair value changes in derivatives	(57,822,909)	(167,902,341)
- Fair value changes in debt securities issued	994,503,429	(469,910,889)
- Fair value changes in investment securities	(936,680,520)	637,813,230
Decrease/(increase) in other receivables	2,173,707	(17,172,102)
(Decrease)/increase in other payables	(2,165,331)	17,159,332
Net cash inflow/(outflow) from operating activities	<u>8,376</u>	<u>(12,770)</u>
Cash flows from investing activities		
Redemption of investment securities	-	233,666,300
Net cash flow from investing activities	<u>-</u>	<u>233,666,300</u>
Cash flow from financing activities		
Redemption on debt securities issued	-	(233,666,300)
Net cash flow from financing activities	<u>-</u>	<u>(233,666,300)</u>
Net increase/(decrease) in cash and cash equivalents	<u>8,376</u>	<u>(12,770)</u>

The notes on pages 9 to 19 form an integral part of these interim financial statements.

Notes to the financial statements

For the period 01 August 2009 to 31 January 2010

1. General Information

Kalvebod PLC is a special purpose company incorporated and registered in Ireland with limited liability on 12 October 2005 under registered number 409286. The Company has established a EUR 10,000,000,000 Secured Notes Programme (the "Programme") to issue secured notes (the "Notes") and/or other secured limited recourse indebtedness (the "Alternative Investments"). The net proceeds from each issue of Notes (or Alternative Investments) are used to purchase the Collateral comprised in the Mortgaged Property in respect of the relevant Notes or Alternative Investments, to pay for or enter into any Credit Support Document or Swap Agreement in connection with such Notes or Alternative Investments and to pay expenses in connection with the administration of the Issuer or the issue of the Notes or Alternative Investments.

Notes earn interest at a fixed, floating or zero percentage rate. The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. All such information was set out in the relevant Prospectus.

Issuer has entered into Swap Agreements with Swap counterparties and any swap or repurchase entered into in connection with Notes of any Series by the Issuer are limited recourse obligation of the Issuer and the terms are set out in the relevant Prospectus.

The Company has no direct employees.

2. Basis of preparation

Statement of compliance

The condensed financial statements for the half year ended 31 January 2010 have been prepared in accordance with International Accounting Standard (IAS) 34 'Interim Financial Reporting'. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 July 2009.

3 Significant accounting policies

The same accounting policies, presentation and methods of computation are followed in these condensed interim financial statements as were applied in the preparation of the Company's financial statements for the year ended 31 July 2009.

4. Net gain/(loss) on investment securities

	Period ended 31-Jan-10 DKK	Period ended 31-Jan-09 DKK
Coupon income including accruals	58,440,351	120,978,356
Net changes in fair value on investment securities during the year due to market risk	936,680,520	(637,813,230)
	<u>995,120,871</u>	<u>(516,834,874)</u>

5. Net (loss)/ gain on debt securities issued

	Period ended 31-Jan-10 DKK	Period ended 31-Jan-09 DKK
Coupon expenses including accruals	(51,923,734)	(52,397,632)
Net changes in fair value of debt securities issued during the year due to market risk	(994,503,429)	469,910,889
	<u>(1,046,427,163)</u>	<u>417,513,257</u>

6. Net income from derivative financial instruments

	Period ended 31-Jan-10 DKK	Period ended 31-Jan-09 DKK
Net swap expense	(6,516,617)	(68,580,724)
Net changes in fair value of derivatives due to market risk	57,822,909	167,902,341
	<u>51,306,292</u>	<u>99,321,617</u>

7. (Loss)/gain on foreign exchange movements

	Period ended 31-Jan-10 DKK	Period ended 31-Jan-09 DKK
Unrealised foreign exchange (loss)/gain on cash at bank	(59)	217

Notes to the financial statements (continued)
For the period 01 August 2009 to 31 January 2010

8. Other income	Period ended 31-Jan-10 DKK	Period ended 31-Jan-09 DKK
Arranger income	202,674	37,371
Bank interest	8,994	2,045
	<u>211,668</u>	<u>39,416</u>

Deutsche Bank, AG London, as arranger bear all the expenses of the Company. Arranger income is the total expenses incurred by the Company during the half year that need to be borne by Deutsche Bank AG London.

9. Other expenses	Period ended 31-Jan-10 DKK	Period ended 31-Jan-09 DKK
Audit fees	(81,426)	-
Administration expenses	(52,125)	(26,085)
Directors fees	(52,125)	-
Tax fees	(18,616)	-
Trustees fees	(6,758)	-
Bank Charges	(559)	(138)
Booking fees	-	(13,410)
	<u>(211,609)</u>	<u>(39,633)</u>

The Company is administered by Deutsche International Corporate Services (Ireland) Limited and has no employees.

10. Tax on profit on ordinary activities	Period ended 31-Jan-10 DKK	Period ended 31-Jan-09 DKK
Profit on ordinary activities before tax	<u>-</u>	<u>-</u>
Current tax at 12.5%	-	-
Effect of:		
Income taxed at higher rates	<u>-</u>	<u>-</u>
Current tax charge	<u>-</u>	<u>-</u>

The tax assessed for the period is at standard rate of corporation tax in the Republic of Ireland at a rate of 25% in accordance with Section 110 of the Taxes Consolidation Act, 1997.

11. Cash and cash equivalents	31-Jan-10 DKK	31-Jul-09 DKK
Cash at bank	<u>286,264</u>	<u>277,888</u>

The cash balances are held with Deutsche Bank Amsterdam and Bank of Ireland.

Notes to the financial statements (continued)
For the period 01 August 2009 to 31 January 2010

12. Investment securities	31-Jan-10	31-Jul-09
	DKK	DKK
Designated as at fair value through profit or loss	<u>2,312,976,595</u>	<u>1,376,296,075</u>
Maturity analysis of investment securities		
Within 1 year	-	-
More than 1 year and less than 2 years	-	-
More than 2 years and less than 5 years	722,731,355	574,744,355
More than 5 years	<u>1,590,245,240</u>	<u>801,551,720</u>
	<u>2,312,976,595</u>	<u>1,376,296,075</u>
Movement in investment securities		
At beginning of year	1,376,296,075	3,090,688,390
Additions during the year	-	-
Net changes in fair value during the year due to market risk	<u>936,680,520</u>	<u>(1,714,392,315)</u>
At end of year	<u>2,312,976,595</u>	<u>1,376,296,075</u>

The carrying value of the assets of the Company represents their maximum exposure to credit risk. The credit risk is eventually transferred to the swap counterparty or the Noteholders. The investment securities are held as collateral for debt securities issued by the Company.

13. Other receivables	31-Jan-10	31-Jul-09
	DKK	DKK
Coupon receivable on investment securities	38,329,811	40,295,320
Other income receivable	<u>166,057</u>	<u>374,255</u>
	<u>38,495,868</u>	<u>40,669,575</u>

14. Derivative financial instruments	31-Jan-10	31-Jul-09
	DKK	DKK
Derivative assets	<u>241,861,047</u>	<u>184,780,902</u>
Derivative liabilities	<u>(13,959,337)</u>	<u>(14,702,101)</u>

The legal maturity of all derivative financial instruments is greater than one year.

Asset swap

On the date of each Note issuance, the Company entered into an Asset Swap Agreement, the effect of which is that the Swap Counterparty will pay to the Company sums equal to the interest payable to the Noteholders under the Notes issued and the Company will pay to the Swap Counterparty sums equal to the scheduled interest receivable in respect of the Investment Securities acquired out of the issue proceeds of the Notes. Under the terms of the Asset Swaps, currency risk is also transferred to the Swap Counterparty, where applicable.

The Company enters into such Swap Agreements for risk management purposes (i) to reduce or eliminate the mismatch between the amounts payable in respect of interest payable on the debt securities issued and the interest receivable from the investment securities held as collateral and (ii) to eliminate currency risks.

The effect of the Asset Swaps is that interest rate risk and currency risk is transferred to the Swap Counterparty leaving Noteholders exposed to market price risk with respect to changes in the value of the investment securities held on each Noteholders behalf.

15. Debt securities issued	31-Jan-10	31-Jul-09
	DKK	DKK
Designated at fair value through profit and loss	<u>(2,540,878,305)</u>	<u>(1,546,374,876)</u>

The debt securities are listed on the Irish Stock Exchange.

The debt securities were issued on Irish Stock Exchange as part of a structured finance deal. The Company's obligations under the debt securities issued are secured by investment securities as per Note 12. The investors' recourse per series is limited to the assets of that particular series. In the event that accumulated losses prove not to be recoverable during the life of the Company, then this will reduce the obligation to the holders of the debt securities by an equivalent amount.

Movement in debt securities issued	31-Jan-10	31-Jul-09
	DKK	DKK
At beginning of year	(1,546,374,876)	(3,017,656,029)
Net changes in fair value during the year due to market risk	<u>(994,503,429)</u>	<u>1,471,281,153</u>
	<u>(2,540,878,305)</u>	<u>(1,546,374,876)</u>

Debt securities issued for a particular series are designated at fair value through profit or loss when the related investment securities and derivatives are fair valued or when they contain embedded derivatives that significantly modifies cashflows that otherwise would be required to be seperated.

Maturity analysis of the debt securities issued	31-Jan-10	31-Jul-09
	DKK	DKK
Within 1 year	-	-
1 to 2 years	-	-
2 to 5 years	(1,824,130,000)	(750,000,000)
Greater than 5 years	<u>(716,748,305)</u>	<u>(796,374,876)</u>
	<u>(2,540,878,305)</u>	<u>(1,546,374,876)</u>

The nominal values of debt securities in issue at 31 January 2010 are as follows:

	31-Jan-10	31-Jul-09
	DKK	DKK
Series 1 - Fixed/Floating Rate Secured Notes due 2013	(750,000,000)	(750,000,000)
Series 2 - Fixed/floating rate secured notes due 2106	(655,376,471)	(791,913,235)
Series 3 - Fixed/Floating Rate Secured Notes due 2014	(1,074,130,000)	(1,074,130,000)
Series 4 - Class A-Floating Rate Secured Senior Notes due 2015	(82,875,680)	(82,875,680)
Series 4 - Class B-Fixed/Floating Rate Secured Mezzanine Notes due 2015	(463,165,120)	(463,165,120)
Series 4 - Class C-Fixed/Floating Rate Secured Junior Notes due 2015	(41,188,370)	(41,188,370)

Notes to the financial statements (continued)
For the period 01 August 2009 to 31 January 2010

16. Other payables	31-Jan-10 DKK	31-Jul-09 DKK
Coupon payable on debt securities issued	(28,489,078)	(37,210,585)
Net swap amounts payable	(9,818,378)	(3,099,577)
Accrued expenses	(158,926)	(321,551)
	<u>(38,466,382)</u>	<u>(40,631,713)</u>

17. Share Capital – equity	31-Jan-10 DKK	31-Jul-09 DKK
<i>Authorised:</i>		
40,000 ordinary shares of €1 each	<u>298,528</u>	<u>298,528</u>
<i>Issued and fully paid:</i>		
40,000 ordinary share of €1 each	<u>298,528</u>	<u>298,528</u>

18. Ownership of the Company

The issued shares are held in trust for charitable purposes by BADB Charitable Trust Limited, Eurydice Charitable Trust Limited and MEDB Charitable Trust Limited each holding 13,332 shares (the 'Share Trustees') and Mr Anthony Walsh, Mr James Scanlon, Mr Patrick Molloy and Mr Turlough Galvin each holding one share. The Share Trustees hold the issued shares of the Company in trust for charity. The Board of Directors have considered the issue as to who is the Controlling Party. It has been determined that the control of the day to day activities of the Company rests with the Board. The Board comprises of three directors.

19. Transactions with related and certain other parties

During the half year the Company incurred a fee of DKK 52,125 (2009: DKK 26,085) relating to administration services provided by Deutsche International Corporate Services (Ireland) Limited. Michael Whelan and Paul McNaughton, as directors of the Company, had an interest in this fee in their capacity as directors of Deutsche International Corporate Services (Ireland) Limited. The Company also paid director fees of DKK 52,125 (2009: DKK 26,085) in relation to services provided by Paul McNaughton and Brian Brady as directors of the Company.

The directors are of the view that there were no other related party transactions requiring disclosure.

20. Charges

The debt securities issued by the Company under each Series are secured by way of mortgage over the collateral purchased in respect of that Series, and by the assignment of a fixed first charge of the Company's rights, title and interest under respective Swap Agreements for each Series.

Notes to the financial statements (continued)
For the period 01 August 2009 to 31 January 2010

21. Financial risk management

Introduction and overview

The Company has established a EUR 10,000,000,000 Secured Notes Programme (the "Programme") to issue secured notes (the "Notes") and/or other secured limited recourse indebtedness (the "Alternative Investments"). The net proceeds from each issue of Notes or Alternative Investments will be used to purchase the Collateral comprised in the Mortgaged Property in respect of the relevant Notes or Alternative Investments, to pay for or enter into any Credit Support Document or Swap Agreement in connection with such Notes or Alternative Investments and to pay expenses in connection with the administration of the Issuer or the issue of the Notes or Alternative Investments.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The risk profile of the Company is such that market, credit, liquidity and other risks of the investment securities and derivatives held for risk management are borne fully by the holders of debt securities issued.

The Company has exposure to the following risks from its use of financial instruments:

- (a) Market risks
- (b) Credit risk
- (c) Operational risks
- (d) Fair values
- (e) Liquidity and cashflow risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Company limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have a credit rating defined in the documentation of the relevant series. The risk of default on these assets is borne by the holders of the debt securities of the relevant series.

The Company has entered into a number of Series in the Programme. Each Series is governed by a separate Supplemental Programme Memorandum. Each Series consists of an investment in collateral from the proceeds of the issuance of debt securities and/or Alternative Investments.

The Programme offers investors the opportunity to invest in a portfolio of investments, the "investment securities", and alter the interest rate risk and credit risk profile of the portfolio through the use of derivative instruments.

The Debt securities are recorded at the value of the net proceeds received in DKK and are carried at fair value through profit or loss. The ultimate amount repaid to the Note holders will depend on the proceeds from the collateral and any payments the Swap counterparty is obliged to make under the terms of the swap agreement. The Company is obliged to provide for the payment or physical delivery of the deliverable obligations to the Swap counterparty and to the Note holders.

All substantial risks and rewards associated with the investment securities are ultimately borne by the Noteholders.

(a) Market risk

Market risk embodies the potential for both loss and gains and includes interest rate risk, currency risk and price risk.

i) Interest rate risk

The company has entered into Asset Swaps which fully swaps the interest payable on the Notes with the interest receivable on the collateral. Under the terms of the Asset Swap, the interest receivable on the collateral is payable to the Swap Counterparty and the interest payable to the Noteholders is receivable from the Swap Counterparty thereby, eliminating any interest rate risk.

Notes to the financial statements (continued)
For the period 01 August 2009 to 31 January 2010

21. Financial risk management(continued)

(a) Market risk (continued)

(i) Interest rate risk (continued)

	31-Jan-10 DKK	31-Jul-09 DKK
Fixed rate instruments		
Investment securities	313,367,995	300,234,215
Debt securities issued	<u>2,174,936,259</u>	<u>1,340,750,364</u>
	<u>2,488,304,254</u>	<u>1,640,984,579</u>
Variable rate instruments		
Investment securities	1,999,608,600	1,076,061,860
Debt securities issued	<u>365,942,046</u>	<u>205,624,512</u>
	<u>2,365,550,646</u>	<u>1,281,686,372</u>

Sensitivity analysis

The Company does not bear any interest rate risk as the interest rate risk associated with the debt securities issued by the Company is neutralised by entering into swap agreements whereby the swap counterparty pays the Company amounts equal to the interest payable to the note holders in return for the interest earned by the Company on its financial assets. Therefore any change in the interest rates would not affect the equity or the profit or loss of the Company.

The Company has designated its fixed rate financial assets and liabilities at fair value through profit or loss. Any changes in interest rates would also affect the fair value of the fixed rate financial assets and liabilities which in turn would impact on the profit or loss and the equity of the Company. However, the Company has neutralised any risk by entering into swap agreements whereby all fair value changes are borne by the swap counterparty.

(ii) *Currency risk*

The debt securities issued are denominated in either EUR or DKK. Therefore, the Company is exposed to fluctuation in exchange rates between Euro and its functional currency i.e DKK. The risk has been mitigated by entering into swap transactions whereby the impact of any fluctuations in foreign currency rates will be passed on to

The Company's exposure to foreign currency risk as at reporting date is as follows:

	31 January 2010		
	EUR	DKK	Total
	DKK	DKK	DKK
Cash and cash equivalents	286,264	-	286,264
Investment securities	-	2,312,976,595	2,312,976,595
Derivatives assets		241,861,047	241,861,047
Other assets	-	38,495,868	38,495,868
	<u>286,264</u>	<u>2,593,333,510</u>	<u>2,593,619,774</u>
Debt securities issued	(365,942,046)	(2,174,936,259)	(2,540,878,305)
Derivatives liabilities	-	(13,959,337)	(13,959,337)
Other liabilities	(158,925)	(38,307,457)	(38,466,382)
	<u>(366,100,971)</u>	<u>(2,227,203,053)</u>	<u>(2,593,304,024)</u>
Net position	<u>(365,814,707)</u>	<u>366,130,457</u>	<u>315,750</u>

Notes to the financial statements (continued)
For the period 01 August 2009 to 31 January 2010

21. Financial risk management (continued)

(a) Market risk (continued)

(ii) Currency risk (continued)

31 July 2009			
	EUR	DKK	Total
	DKK	DKK	DKK
Cash and cash equivalents	277,888	-	277,888
Investment securities	-	1,376,296,075	1,376,296,075
Derivatives assets	-	184,780,902	184,780,902
Other assets	-	40,669,575	40,669,575
	<u>277,888</u>	<u>1,601,746,552</u>	<u>1,602,024,440</u>
Debt securities issued	(205,624,512)	(1,340,750,364)	(1,546,374,876)
Derivatives liabilities	(1,954,967)	(12,747,134)	(14,702,101)
Other liabilities	(321,551)	(40,310,161)	(40,631,713)
	<u>(207,901,030)</u>	<u>(1,393,807,659)</u>	<u>(1,601,708,690)</u>
Net position	<u>(207,623,142)</u>	<u>207,938,893</u>	<u>315,750</u>

Sensitivity analysis

The impact of any change in the exchange rates on the financial assets is passed to the swap counterparty by entering into asset swap, whereby the swap counterparty pays the Company amount equal to interest payable to the noteholders in return for the interest earned by the Company on its financial assets.

The impact of any change in exchange rates on investment securities relating to any series is offset by the foreign exchange rate changes on the debt securities issued under the series. Any difference is borne by the swap counterparty and thus the exchange rate changes have no net impact on equity or profit and loss of the Company.

(iii) Price risk

Price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. As all of the Company's financial instruments are carried at fair value with fair value changes recognised in the income statement, all changes in market conditions will directly affect operating income.

The following is the breakdown of the Company's investment securities at the reporting date:

	31-Jan-10	31-Jul-09
	DKK	DKK
Investment securities		
<i>Corporate bonds</i>		
Listed	226,122,380	119,936,665
Unlisted	2,086,854,215	1,256,359,410
	<u>2,312,976,595</u>	<u>1,376,296,075</u>

Sensitivity analysis

Any change in the fair values of the investment securities held by the Company would not have any effect on the equity or profit or loss of the Company as any fair value fluctuations are ultimately borne by either the swap counterparty or the holders of the debt securities issued by the Company.

Notes to the financial statements (continued)

For the period 01 August 2009 to 31 January 2010

21. Financial risk management (continued)

(b) Credit risk

The company limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have a credit rating defined in the documentation of relevant series. The risk of default of these assets is borne by the swap counterparty or the holder of the debt securities of the relevant series.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to the credit risk at the reporting date was:

	31-Jan-10	31-Jul-09
	DKK	DKK
Cash and cash equivalents	286,264	277,888
Investment securities	2,312,976,595	1,376,296,075
Derivative assets	241,861,047	184,780,902
Other receivables	38,495,868	40,669,575
	<u>2,593,619,774</u>	<u>1,602,024,440</u>

Concentration risk

The financial instruments held by the Company and concentration risk of each is outlined below:

- i) *Collateral:* 100% of the investment securities held by the Company relates to subordinated debt of Danish banks.

The Company has invested across a wide range of Danish Banks. Each of the investments represent less than 10% of the Company's investment portfolio. The highest individual investment in any particular institution represents 12%.

None of these subordinated bonds held by the Company are rated.

- ii) *Derivatives:* 100% of the derivatives held by the Company represent asset swaps, the counterparty for which is Deutsche Bank AG London. The credit rating of the counterparty is A-1.

(c) Operational risk

Operational risks is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel and infrastructure, and from external factors other than credit, markets and liquidity issues such as those arising from legal and regulatory requirements and generally accepted standards to corporate behaviour.

Operational risks arise from all of the Company's operations. The Company was incorporated with the purpose of engaging in those activities outlined in the preceding paragraphs. All management and administration functions are outsourced to Deutsche International Corporate Services (Ireland) Limited.

(d) Fair values

The Company's investment securities, derivative financial instrument and debt securities issued are carried at fair value on the Statement of Financial Position. Usually the fair value of the financial instruments can be reliably determined within reasonable range of estimates. The carrying amounts of all the Company's financial assets and financial liabilities at the statement of financial position date approximated their fair values. vices (Ireland) Limited.

Notes to the financial statements (continued)
For the year ended 31 January 2010

21 Financial risk management (continued)

(e) Liquidity and cash flow risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach is to ensure, as far as possible that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring acceptable losses or risking damage to the Company's reputation.

The Company's obligation to the Noteholders of a particular series is limited to the net proceeds upon realisation of the collateral of that series. Should the net proceeds be insufficient to make all payments due in respect of a particular series of Notes, the other assets of the Company will not be available for payment and the deficit is instead borne by the Noteholders and/or the swap counterparty according to the established priorities.

The derivative balances in the table below represent the present value of all future cash flows. The directors believe that this best represents the cash flow that would have to be paid if these positions had to be closed out. Derivatives balances shown within 'carrying value' which management believes most accurately reflects the short-term nature of these activities. The contractual maturity of the instruments may however extend over significantly longer periods.

	Carrying amount	Gross contractual cash flows	Less than one year	Between one to two years	Between two to five years	More than five years
	DKK	DKK	DKK	DKK	DKK	DKK
31 January 2010						
Liabilities						
Other liabilities	(38,466,382)	(38,466,382)	(38,466,382)	-	-	-
Derivative liabilities	(13,959,337)	(13,959,337)	(13,959,337)	-	-	-
Debt securities issued	(2,540,878,305)	(3,951,688,992)	(70,279,269)	(70,279,269)	(937,321,368)	(2,873,809,086)
	<u>(2,593,304,024)</u>	<u>(4,004,114,711)</u>	<u>(122,704,988)</u>	<u>(70,279,269)</u>	<u>(937,321,368)</u>	<u>(2,873,809,086)</u>
31 July 2009						
Liabilities						
Other liabilities	(40,631,713)	(40,631,713)	(40,631,713)	-	-	-
Derivative liabilities	(14,702,101)	(14,702,101)	(14,702,101)	-	-	-
Debt securities issued	(1,546,374,876)	(4,145,377,200)	(74,045,091)	(74,045,091)	(961,567,452)	(3,035,719,566)
	<u>(1,601,708,690)</u>	<u>(4,200,711,014)</u>	<u>(129,378,905)</u>	<u>(74,045,091)</u>	<u>(961,567,452)</u>	<u>(3,035,719,566)</u>

Notes to the financial statements (continued)

For the period 01 August 2009 to 31 January 2010

22. Post balance sheet events

There has not been any significant event after balance sheet date.

23 Comparatives

In line with IAS 34, the comparative information for the Statement of Comprehensive Income, Statement of Cash Flows and Statement of Changes in Equity is for the period from 01 August 2008 to 31 January 2009 and the comparative information for the Statement of Financial Position is 31 July 2009.

24 Approval of financial statements

The Board of Directors approved these financial statements on 30 March 2010.