FIXED INCOME DIAMOND COLLECTION LIMITED

UNAUDITED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30TH JUNE 2011

CONTENTS

REPORT OF THE DIRECTORS

The Directors present their report and the unaudited financial statements for the period 1st January 2011 to 30th June 2011.

INCORPORATION

Fixed Income Diamond Collection Limited (the "Company") is incorporated in Jersey, Channel Islands.

ACTIVITIES

The principal activity of the Company is the issue of Limited Recourse Notes (the "Notes") in separate series. The proceeds from the issue of the Notes are used to acquire underlying assets (the "Charged Assets") and, in the case of certain series of Notes, to enter into asset swap transactions ("AS") and credit default swap transactions ("CDS") with The Royal Bank of Scotland N.V. The Notes are intended only for highly sophisticated and knowledgeable investors who are capable of understanding and evaluating the risks involved in investing in the Notes. The Pricing Supplement for each series specifies certain factors (there may be others) that may, alone or collectively, result in a reduction of the return on the Notes and could result in the loss of all or a proportion of a Noteholder's investment in the Notes. The Notes are listed on the Euronext Amsterdam stock exchange.

RESULTS AND DIVIDENDS

The loss for the period amounted to €92 (year ended 31st December 2010: €3).

The Directors do not recommend a dividend for the period ended 30th June 2011 (year ended 31st December 2010: € nil)."

DIRECTORS

The Directors who held office during the period and subsequently were:-

G.P. Essex-Cater
F.X.A. Chesnay
D.M. Godwin (resigned 27th July 2012)
C. Ruark (resigned 27th July 2012)
R. Inglis (appointed 27th July 2012)
L. Pinnington (appointed 27th July 2012)

REGISTERED OFFICE

22 Grenville Street
St. Helier, Jersey
Channel Islands
JE4 8PX

REPORT OF THE DIRECTORS - (CONTINUED)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

* select suitable accounting policies and then apply them consistently;

* make judgements and estimates that are reasonable and prudent;

* state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

* prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping accounting records which are sufficient to show and explain its transactions and are such as to disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements prepared by the Company comply with the requirements of the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT OF PERSONS RESPONSIBLE WITHIN THE ISSUER

With regard to Regulation 2004/109/EC of the European Union (the "EU Transparency Directive"), the Directors of the Company whose names appear on page 2 confirm to the best of their knowledge that the financial statements for the period ended 30th June 2011 give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company as required by the applicable accounting standards. The Report of the Directors gives a fair review of the development of the Company's business, financial position and the important events that have occurred during the financial period and their impact on the financial statements. The principal risks and uncertainties faced by the Company are disclosed in Note 15 of these financial statements.

Signed on behalf of the Board of Directors

Director:

Date: 31/10/12

FIXED INCOME DIAMOND COLLECTION LIMITED

BALANCE SHEET

AS AT 30TH JUNE 2011

	Notes	30th Jun 11	31st Dec 10
		€	€
FIXED ASSETS			
Financial assets at fair value through profit or loss	2	21,273,803	21,190,175
Financial derivatives at fair value through profit or loss	3	421,105	650,740
		21,694,908	21,840,915
CURRENT ASSETS			
Debtors	1, 4	309,472	490,011
Cash and cash equivalents	5	950	1,042
		310,422	491,053
CREDITORS: (Amounts due within one year)			
Creditors	1, 6	(309,727)	(490,266)
NET CURRENT ASSETS		695	787
TOTAL ASSETS LESS CURRENT LIABILITIES		21,695,603	21,841,702
CREDITORS: (Amounts due after more than one year)			
Financial derivatives at fair value through profit or loss	3	(328,684)	(78,158)
Financial liabilities at fair value through profit or loss	7, 17	(21,366,224)	(21,762,757)
		(21,694,908)	(21,840,915)
NET ASSETS		695	787
CAPITAL AND RESERVES			
Share capital	8	14	14
Profit and loss account		681	773
EQUITY SHAREHOLDERS' FUNDS	11	695	787

The financial statements were approved and authorised for issue by the Board of Directors on the 31st day of October 2012 and were signed on its behalf by:

Director:

(The notes on pages 7 to 22 form part of these financial statements)

FIXED INCOME DIAMOND COLLECTION LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE PERIOD 1ST JANUARY 2011 TO 30TH JUNE 2011

	1st Jan 11 to 30th Jun 11	1st Jan 10 to 31st Dec 10
	€	€
INCOME		
Investment income	184,055	371,143
Asset swap income	420,952	847,507
Credit default swap income	115,309	232,787
Deposit interest income	88,309	130,668
Realised profit on exchange	-	37
	808,625	1,582,142
EXPENDITURE		
Limited Recourse Note interest expense	536,262	1,080,293
Asset swap expense	272,363	501,812
Bank charges	40	40
Realised loss on exchange	52	-
	808,717	1,582,145
OPERATING LOSS	(92)	(3)
NET GAIN/(LOSS) ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS		
Financial assets	83,628	870,607
Financial liabilities	396,533	(1,043,363)
Derivative instruments	(480,161)	172,756
LOSS FOR THE YEAR	(92)	(3)
BALANCE BROUGHT FORWARD	773	776
BALANCE CARRIED FORWARD	681	773

Continuing operations

All items dealt with in arriving at the loss for the period ended 30th June 2011 and the year ended 31st December 2010 relate to continuing operations.

Historical cost equivalent

There is no difference between the profit and loss for the period stated above and its historical cost equivalent.

Statement of total recognised gains and losses

There are no recognised gains and losses other than as recognised in the profit and loss account and therefore no separate statement of total recognised gains and losses has been presented in these financial statements.

(The notes on pages 7 to 22 form part of these financial statements)

CASH FLOW STATEMENT

FOR THE PERIOD 1ST JANUARY 2011 TO 30TH JUNE 2011

Reconciliation of the loss for the period/year to net cash flow from operating activities	**1st Jan 11 to 30th Jun 11**	**1st Jan 10 to 31st Dec 10**
	€	**€**
Loss for the period/year	(92)	(3)
Decrease in debtors	180,539	814,221
Decrease in creditors	(180,539)	(814,221)
(Loss)/gain on financial liabilities at fair value through profit or loss	(396,533)	1,043,363
Gain on financial assets at fair value through profit or loss	(83,628)	(870,607)
Loss/(gain) on financial derivatives at fair value through profit or loss	480,161	(172,756)
Net cash flow from operating activities	(92)	(3)

Reconciliation of net cash flow to movement in net debt	**30th Jun 11**	**31st Dec 10**
	€	**€**
Movement in cash	(92)	(3)
Reduction in Notes resulting from credit events	-	363,626
Movement in fair value of Notes	396,533	(1,043,363)
Change in net debt	396,441	(679,740)
Opening net debt	(21,761,715)	(21,081,975)
Closing net debt	(21,365,274)	(21,761,715)

Analysis of changes in net debt	**1st Jan 11**	**Cash flows/other**	**30th Jun 11**
	€	**€**	**€**
Cash at bank	1,042	(92)	950
Notes in issue	(21,762,757)	396,533	(21,366,224)
Total	(21,761,715)	396,441	€ (21,365,274)

(The notes on pages 7 to 22 form part of these financial statements)

1. ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with United Kingdom accounting standards. The more significant accounting policies used are set out below:

Basis of accounting

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets, financial liabilities and derivative financial instruments at fair value through profit or loss.

Financial assets and liabilities held at fair value through profit or loss

In accordance with FRS 26 (IAS 39), "Financial Instruments: Measurement" ("FRS 26"), a financial instrument is classified at fair value through profit or loss if it is either held for trading, or designated as such upon initial recognition.

The Company has designated its investments as at fair value through profit or loss as permitted by FRS 26 as these assets are managed and their performance is evaluated on a fair value basis. The Company has designated its Notes issued as at fair value through profit or loss as permitted by FRS 26 as these financial instruments are hybrid financial instruments, containing one or more embedded derivatives. In addition, the designation of both of these financial instruments at fair value through profit or loss results in more relevant financial information because it eliminates, or significantly reduces, the measurement and recognition inconsistencies that would result from measuring its derivative financial instruments at fair value with the gains, or losses, on such financial instruments being recognised in profit or loss, whilst measuring its other financial instruments at amortised cost.

Purchases and sales of investments are recognised on trade date, the date on which the Company commits to purchase or sell the asset and are derecognised when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are also recognised on trade date and are derecognised when the Company has transferred substantially all of its financial obligations relating thereto. Financial instruments are initially recognised at fair value, and transaction costs for all financial assets and financial liabilities carried at fair value through profit or loss are expensed as incurred. Gains and losses arising from changes in the fair value of the Company's financial instruments are included in the profit and loss account in the period in which they arise.

Derivative financial instruments

Derivatives are recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. All derivatives are carried as assets when fair value is positive, and as liabilities when fair value is negative. Gains and losses arising from changes in the fair value of the Company's derivative financial instruments are included in the profit and loss account in the period in which they arise.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1. ACCOUNTING POLICIES - (CONTINUED)

Fair value estimation

Amendment to FRS 29 Financial Instruments Disclosure: "Improving Disclosures about Financial Instruments" ("FRS 29") establishes a fair value hierarchy that prioritises the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FRS 29 are as follows:

Level I – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities at the valuation date;

Level II – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices), including inputs from markets that are not considered to be active;

Level III – Inputs that are not based upon observable market data.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Company. The Company considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, provided by multiple, independent sources that are actively involved in the relevant market. The categorisation of a financial instrument within the hierarchy is based upon the pricing transparency of the financial instrument and does not necessarily correspond to the Company's perceived risk inherent in such financial instrument.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price (ie, the fair value of the consideration given or received). Subsequent changes in the fair value of any financial instrument are recognised immediately in the profit and loss account. The fair value of financial instruments traded in active markets (such as the quoted investments) is based on quoted market prices at the balance sheet date.

The Company may invest in financial instruments that are not traded in an active market. The fair value of such instruments is determined by The Royal Bank of Scotland N.V. ("RBS N.V."), using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Valuation techniques used include the use of comparable recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

See Note 15 for analysis of fair value hierarchy.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

1. ACCOUNTING POLICIES - (CONTINUED)

Foreign currency translation

a) Currency of domicile, functional currency and presentation currency

The currency of domicile is GBP (pound sterling). Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Euro, which is the Company's functional and presentation currency given that majority of the assets and liabilities of the Company are denominated in Euro.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Profit and Loss Account.

Investment income receivable

Investment income receivable is recognised on an effective interest rate basis.

Limited Recourse Note interest payable

Limited Recourse Note interest payable is recognised on an effective interest rate basis.

Asset swap income and Asset swap expense

Asset swap income and Asset swap expense are recognised on an effective interest rate basis.

Credit default swap expense

Credit default swap expense is recognised on an effective interest rate basis.

Credit events notification, provision and disclosure

Under the terms of the CDS agreements entered into by the Company, and in accordance with the ISDA Master Agreement definitions, it is the sole responsibility of RBS N.V. to notify the Company immediately of any credit events that have occurred in respect of the reference entities listed in the swap agreements. Any obligations arising under the terms of the credit default swaps are provided for if the associated credit event has occurred prior to the balance sheet date and if notice of such credit event has been received.

Other income and expenditure

Deposit interest receivable and transaction fees receivable are recognised on an accruals basis.

2. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The balance sheet totals of financial assets are classified as fixed or current based on the redemption date of the related Notes. The Notes are due to be redeemed on 19th May 2013.

	30th Jun 11	31st Dec 10
	€	€
Investments	8,425,318	8,355,738
RBS N.V. deposits	12,848,485	12,834,437
	21,273,803	21,190,175

	30th Jun 11	31st Dec 10
Movement of investments	€	€
Opening balance	21,190,175	20,683,194
Credit events	-	(363,626)
Gain on fair value through profit or loss	83,628	870,607
Closing balance	21,273,803	21,190,175

The Company has used the proceeds from the issue of the Notes to acquire underlying assets (the "Charged Assets") and enter into asset swap transactions ("AS") and credit default swap transactions ("CDS"). The Charged Assets include the investments referred to above and the cash deposits held at RBS N.V., further details of the investments are set out in Note 16. Further details of the AS and the CDS entered into are set out in Note 3.

The fair value of the investments provided by RBS N.V. is based on quoted market prices while the fair value of the deposits is based on valuation techniques using market related inputs.

The deposits at RBS N.V. bear interest at the 6 month Euribor, receivable on a 6 monthly basis in arrears each 19th May and 19th November.

The reduction in Charged Assets in the prior year amounting to a total of €363,626 pertained to a credit event in relation to CIT Group Inc. Refer to note 3 for further details.

3. FINANCIAL DERIVATIVES AT FAIR VALUE THROUGH PROFIT OR LOSS

	30th Jun 11	31st Dec 10
	€	€
Asset Swaps	421,105	650,740
Credit Default Swaps	(328,684)	(78,158)

3. FINANCIAL DERIVATIVES AT FAIR VALUE THROUGH PROFIT OR LOSS - continued

The Company has entered into a separate CDS, with RBS N.V. as counterparty, with respect to each of the series of Notes listed below. Under the CDS, the Company receives income, at fixed rates as detailed below, receivable on a 6 monthly basis in arrears each 19th May and 19th November, calculated on a notional amount equal to the notional value of the Notes. In turn, the Company is obliged to make floating payments, up to a maximum amount equal to the notional value of the Notes, upon the occurrence of certain specified credit events within the designated theoretical pools of reference entities (the "Portfolios").

The fair value of the derivatives is derived by RBS N.V. using valuation models based on market related inputs.

There are 3 different Portfolios. Each separate Portfolio relates to just one of the 3 categories of Notes: Brilliant, Oval or Emerald. Each Portfolio consists of the number of reference entities noted below, each having a theoretical notional value equal to the "Reference Entity Weighting" % of the notional amount of the relevant series of Notes. If a credit event occurs in one of the securities, the Calculation Agent (RBS N.V.) is responsible for notifying the Company that a credit event has occurred and is also responsible for calculating the resulting floating amount payable by the Company (the "Cash Settlement Amount").

On or around 1st November 2009 CIT Group Inc. filed for a pre-packaged bankruptcy which constituted a credit event. The entity was in the notional reference portfolio attached to both Emerald Series 3 and Brilliant Series 3 Notes. Final loss amount was calculated on 21st May 2010 which resulted in reduction in the Charged Assets amounting to a total of €222,872 in relation to Emerald Series 3 Notes and a total of €140,754 in relation to Brilliant Series 3 Notes. Refer to note 19 for credit events after the balance sheet date.

Details of CDS applicable to each series:

	Annual Premium Receivable	No. of Reference Entities	Reference Entity Weightings
Brilliant Series 3	0.41%	25	4.0000%
Oval Series 3	0.71%	25	4.0000%
Emerald Series 3	2.26%	50	8.0000%

A full list of the reference entities is listed in Note 18.

The Company has also entered into an AS for each series of Notes in respect of which it has entered into a CDS. Under the terms of the AS, the Company pays to the swap counterparty (RBS N.V.) all income received on the Charged Assets relating to each series and receives income, at fixed rates, which when aggregated with the premium receivable on the CDS, are equal to the rates payable by the Company on the Notes. These amounts are receivable on a 6 monthly basis in arrears each 19th May and 19th November, calculated on a notional amount equal to the notional value of the Notes. On the redemption of the Notes, RBS N.V. will pay to the Company an amount equal to the Final Redemption Amount of the Notes and the Company will deliver the Charged Assets to RBS N.V.

4. DEBTORS

	30th Jun 11	31st Dec 10
	€	€
Investment income receivable	161,683	348,789
Amounts receivable on asset swaps	95,884	95,884
Amounts receivable on credit default swaps	26,265	26,265
Deposit interest receivable	25,640	19,073
	309,472	490,011

5. CASH AND CASH EQUIVALENTS

	30th Jun 11	31st Dec 10
	€	€
Royal Bank of Scotland International - £678 (2010: £713)	751	832
State Street (Jersey) Limited client account- £180 (2010: £180)	199	210
	950	1,042

6. CREDITORS

	30th Jun 11	31st Dec 10
	€	€
Note interest payable	122,149	122,149
Amounts payable on asset swaps	187,323	367,862
Sundry creditor	255	255
	309,727	490,266

7. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	30th Jun 11	31st Dec 10
	€	€
Opening balance	21,762,757	21,083,020
Credit events	-	(363,626)
(Gain)/loss on fair value through profit or loss	(396,533)	1,043,363
Closing balance	21,366,224	21,762,757

The Company has issued the Notes in separate series, as further detailed in Note 18. Certain series of Notes are referenced to a portfolio of synthetic corporate credit exposure reference entities as detailed in Note 3. The Notes have been issued under a €1,000,000,000 Limited Recourse Secured Note Programme (the "Programme"), as established by the Master Trust Deed dated 19th May 2003. The Notes are listed on the Euronext Amsterdam stock exchange.

7. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS - (CONTINUED)

The Notes are secured by a charge on the assets acquired with the proceeds from each Note issue and, if applicable, any swap transactions entered into, together (the "Collateral"). The recourse of Noteholders is limited to amounts receivable from the net proceeds from the Collateral. If the net proceeds from the redemption of the Collateral are insufficient to discharge the obligations of the Company, the Noteholders are not entitled to proceed directly against any other assets of the Company.

The fair value of the Notes is derived by RBS N.V. from the fair value of the financial assets and derivatives using market valuation techniques commonly used by market participants.

8. SHARE CAPITAL

	30th Jun 11	31st Dec 10
	£	£
AUTHORISED SHARE CAPITAL		
10,000 ordinary shares of £1 each	10,000	10,000
	€	€
ISSUED AND FULLY PAID:		
10 ordinary shares of £1 each	14	14

9. TRANSACTION FEES RECEIVABLE

The Company is entitled to receive €100 from RBS N.V. in respect of each new series of Notes issued. No new series of Notes have been issued during the period (2010:nil).

10. TAXATION

Profits arising in the Company are subject to Jersey Income Tax, currently at the rate of 0%.

11. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	30th Jun 11	31st Dec 10
	€	€
Loss for the period/year	(92)	(3)
Change in equity shareholders' funds	(92)	(3)
Opening equity shareholders' funds	787	790
Closing equity shareholders' funds	695	787

12. HOLDING COMPANY

The Company is owned by Mourant & Co. Trustees Limited as Trustee of a charitable trust known as the Fixed Income Diamond Collection Trust. In the opinion of the Directors there is no ultimate controlling party since the criteria contained within the definition of "control" in Financial Reporting Standard No. 8 are not satisfied by any one party.

13. RELATED PARTIES

Each of G.P. Essex-Cater, D.M Godwin, F.X.A. Chesnay, C. Ruark, R. Inglis and L. Pinnington is or was an employee of a subsidiary of State Street Corporation ("SSC") affiliates of which provide administrative services to the Company at commercial rates. Affiliates of SSC provide ongoing administrative services to the Company at commercial rates.

14. EXPENSES

All of the Company's general expenses are met by RBS N.V. under the terms of an agreement dated 19th May 2003 and are therefore not reflected within these financial statements.

15. FINANCIAL INSTRUMENTS

As stated in the Report of the Directors, the principal activity of the Company is limited to the issue of the Notes in separate series. The proceeds from the issue of the Notes have been used to acquire the Charged Assets and enter into CDS and AS. Therefore the role of financial assets and financial liabilities is central to the activities of the Company; the financial liabilities provided the funding to purchase the Company's financial assets. Financial assets and liabilities (including derivatives) provide the majority of the assets and liabilities of the Company along with all the income.

The strategies used by the Company in achieving its objectives regarding the use of its financial assets and liabilities were set when the Company entered into the transactions. The Company has matched the properties of its financial liabilities to its financial assets to avoid significant elements of risk generated by mis-matches of maturity and interest rate risk.

Interest rate risk

The Company finances its operations through the issue of Notes upon which interest is payable at floating rates and fixed rates. The interest payable under the Notes issued is matched by the aggregate of: the interest receivable from the Charged Assets; fixed income receivable under the CDS; fixed income receivable under the AS, and any interest receivable on the cash held on deposit. Accordingly, the Directors believe that there is no significant net interest rate risk to the Company.

15. FINANCIAL INSTRUMENTS

Interest rate risk - (continued)

After taking account of the CDS and AS entered into by the Company, the interest rate profile of the Company's financial assets and liabilities is as follows:

		2011		2010	
	Interest charging basis	Effective interest rate	Amount	Effective interest rate	Amount
		%		%	
Financial assets:			€		€
Investments	Fixed	2.18%	8,425,318	4.44%	8,355,738
Debtors	n/a	n/a	309,472	n/a	490,011
RBS N.V. deposits	Floating	0.69%	12,848,485	1.02%	12,834,437
Cash at bank	Floating	0.11%	950	0.10%	1,042
			21,584,225		21,681,228
Financial liabilities:					
Limited Recourse Notes payable	Fixed	2.51%	(21,366,224)	4.96%	(21,762,757)

Currency rate risk

All of the Company's material assets and liabilities are denominated in Euro. Therefore the Directors believe that there is no significant currency risk to the Company.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's investments and derivative financial instruments.

The Company's main financial assets are Charged Assets, cash deposits held with RBS N.V. and the corresponding interest receivable at the year end. The Company's income derives from these financial assets and from the credit default swaps transactions and asset swap transactions entered into with the Counterparty, RBS N.V.

15. FINANCIAL INSTRUMENTS - (CONTINUED)

Credit risk - (continued)

The Company's maximum exposure to credit risk at the balance sheet date is as follows:

	30th Jun 11	31st Dec 10
	€	€
Investments with Eurohypo AG	8,425,318	8,355,738
RBS N.V. deposits	12,848,485	12,834,437
Investment income receivable	161,683	348,789
Amounts receivable on asset swaps	95,884	95,884
Amounts receivable on credit default swaps	26,265	26,265
Deposit interest receivable	25,640	19,073
Financial derivatives	421,105	650,740
Cash and cash equivalents	950	1,042
	22,005,330	22,331,968

Europhypo AG is rated AAA by Standard & Poors and Aa1 by Moody's. RBS N.V. is rated A by Standard & Poors, A by Fitch and A3 by Moody's.

Despite the downgrade subsequent to the period end (see note 19), RBS N.V. was able to post sufficient collateral according to the terms of the swap agreements to allow the credit ratings of the Notes to remain unchanged. Due to the limited recourse nature of the Notes issued by the Company, it is the Noteholders that ultimately bear the credit risk that the Collateral will fail to perform. Consequently, in the Directors' opinion there is no significant counterparty risk to the Company.

No triggers of impairment have been identified in relation to the Company's financial assets and swap agreements, with interest always received as per the Agreements. In the Directors' opinion the Counterparty is not expected to fail to meet its obligations.

Fair values

The fair values of the Charged Assets, Notes, CDS and AS have been supplied by RBS N.V. The fair values as at the balance sheet date are as follows:

	30th Jun 11		31st Dec 10	
	Nominal value	Fair value	Nominal value	Fair value
	€	€	€	€
Primary financial instruments held:				
Investments	8,248,000	8,425,318	8,248,000	8,355,738
Fixed Deposits	12,852,374	12,848,485	12,852,374	12,834,437
Limited Recourse	(21,100,374)	(21,366,224)	(21,100,374)	(21,762,757)
	€	€	€	€
Derivative financial instruments held:				
Asset Swaps	-	421,105	-	650,740
Credit default swaps	-	(328,684)	-	(78,158)

15. FINANCIAL INSTRUMENTS - (CONTINUED)

Fair values - (continued)

The fair values of the Notes as at 30th June have been disclosed on the previous page. The Notes are listed on the Euronext Amsterdam Stock Exchange. The fair values of the investments have been derived using quoted market prices. The cash deposits held with RBS N.V. and the derivate financial instruments have been determined using valuation techniques using market related inputs. For debt securities in issue the fair values have been derived from the fair values of the financial assets and the derivative financial instruments using market valuation techniques commonly used by market participants.

Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and significant judgement and therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The recourse of the Noteholders of each separate series of Notes is limited to amounts receivable from the net proceeds from the Collateral of that series of Notes.

The following table analyses within the fair value hierarchy the Company's financial assets measured at fair value at 30th June 2011 and 31st December 2010.

31st December 2011	Level 1	Level 2	Level 3	Total
Assets	€	€	€	€
Financial assets at FVTPL	21,273,803	-	-	21,273,803
Financial derivatives at FVTPL	-	421,105	-	421,105
	21,273,803	421,105	-	21,694,908
Liabilities				
Financial derivatives at FVTPL	-	(328,684)	-	(328,684)
Financial liabilities at FVTPL	-	(21,366,224)	-	(21,366,224)
	-	(21,694,908)	-	(21,694,908)

31st December 2010	Level 1	Level 2	Level 3	Total
Assets	€	€	€	€
Financial assets at FVTPL	21,190,175	-	-	21,190,175
Financial derivatives at FVTPL	-	650,740	-	650,740
	21,190,175	650,740	-	21,840,915
Liabilities				
Financial derivatives at FVTPL	-	(78,158)	-	(78,158)
Financial liabilities at FVTPL	-	(21,762,757)	-	(21,762,757)
	-	(21,840,915)	-	(21,840,915)

15. FINANCIAL INSTRUMENTS - (CONTINUED)

Fair values - (continued)

Financial assets that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 3. As level 3 investments are not traded in an active market, valuations are based on expert valuation models.

Fair values - sensitivity analysis

From the perspective of the Company, any change in the fair value of the Company's financial assets and derivative financial instruments would be matched by an equal and opposite change in the fair value of the Notes. Consequently the Company is not exposed to any significant net market price risk.

FRS 29 requires disclosure of "a sensitivity analysis for each type of market risk to which the entity is exposed at the reporting date, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date."

As stated, whilst the financial instruments held by the Company are separately exposed to interest rate risk and market price risk, the profit or loss and equity of the Company are not exposed to any significant net interest rate or market price risk. Therefore, in the Directors' opinion, no sensitivity analysis is required to be disclosed.

Maturity of financial assets and liabilities

The maturity profile of the Company's financial assets and liabilities is as follows:

	30th Jun 11		31st Dec 10	
	Financial Assets	Financial Liabilities	Financial Assets	Financial Liabilities
	Nominal (€)	**Nominal (€)**	**Nominal (€)**	**Nominal (€)**
In one year or less	310,422	(309,727)	491,053	(490,266)
In more than one year but less than two years	21,100,374	(21,100,374)	-	-
In more than two years but not more than five years	-	-	21,100,374	(21,100,374)
	21,410,796	(21,410,101)	21,591,427	(21,590,640)

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD 1ST JANUARY 2011 TO 30TH JUNE 2011

16. INVESTMENTS

Related Series	Maturity Date	Ccy	Nominal Amount	Security description	ISIN	30th Jun 11 Nominal value	30th Jun 11 Fair Value	31st Dec 10 Nominal value	31st Dec 10 Fair Value
						€	€	€	€
Brilliant Series 3	21/01/2013	EUR	3,486,000	EUROHYPO AG 21.01.13 4.50%	DE0003611885	3,486,000	3,548,665	3,486,000	3,531,535
Oval Series 3	21/01/2013	EUR	2,106,000	EUROHYPO AG 21.01.13 4.50%	DE0003611885	2,106,000	2,064,718	2,106,000	2,133,509
Emerald Series 3	21/01/2013	EUR	2,656,000	EUROHYPO AG 21.01.13 4.50%	DE0003611885	2,656,000	2,811,935	2,656,000	2,690,694
						8,248,000	8,425,318	8,248,000	8,355,738

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD 1ST JANUARY 2011 TO 30TH JUNE 2011

17. LIMITED RECOURSE NOTES PAYABLE

Series	Issue Date	Maturity Date	Ccy	Nominal Amount	Note description	Coupon	30th Jun 11 Nominal value €	30th Jun 11 Fair Value €	31st Dec 10 Nominal value €	31st Dec 10 Fair Value €
Brilliant Series 3	19/05/2003	19/05/2013	EUR	8,901,246	Secured Credit-linked	4.4000%	8,901,246	9,038,705	8,901,246	9,173,237
Oval Series 3	19/05/2003	19/05/2013	EUR	5,263,000	Secured Credit-linked	4.7000%	5,263,000	5,299,643	5,263,000	5,435,824
Emerald Series 3	19/05/2003	19/05/2013	EUR	6,936,128	Secured Credit-linked	6.2500%	6,936,128	7,027,876	6,936,128	7,153,696
							21,100,374	21,366,224	21,100,374	21,762,757

18. REFERENCE ENTITIES

	ENTITY	APPLICABLE SERIES		
1	Accor SA	Emerald	Oval	
2	Aegon NV	Emerald		Brilliant
3	Akzo Nobel NV	Emerald		Brilliant
4	Allianz AG	Emerald		Brilliant
5	Allied Domecq PLC	Emerald	Oval	
6	American Electric Power Co Inc	Emerald	Oval	
7	American Express Company	Emerald		Brilliant
8	AOL Time Warner Inc	Emerald	Oval	
9	AT&T Corp	Emerald	Oval	
10	BAE Systems PLC	Emerald	Oval	
11	Bayer AG	Emerald		Brilliant
12	BHP Billiton Ltd	Emerald		Brilliant
13	The Boeing Company	Emerald		Brilliant
14	Cadbury Schweppes PLC	Emerald	Oval	
15	Carrefour SA	Emerald		Brilliant
16	CIT Group - (credit event on 1st November 2009)	Emerald		Brilliant
17	Commerzbank AG	Emerald		Brilliant
18	Continental AG	Emerald	Oval	
19	DaimlerChrysler AG	Emerald	Oval	
20	The Dow Chemical Company	Emerald		Brilliant
21	DSM NV	Emerald		Brilliant
22	Eastman Kodak Co (see Note 19)	Emerald	Oval	
23	Electrolux AB (Publ)	Emerald	Oval	
24	European Aeronautic Defense and Space Company EADS NV	Emerald		Brilliant
25	Ford Motor Credit Company	Emerald	Oval	
26	Fujitsu Limited	Emerald	Oval	
27	General Electric Capital Corporation	Emerald		Brilliant
28	Hewlett Packard	Emerald		Brilliant
29	Hilton Group PLC	Emerald	Oval	
30	Hutchison Whampoa Limited	Emerald	Oval	
31	ICI PLC	Emerald	Oval	
32	International Lease Finance Corporation	Emerald		Brilliant
33	Koninklijke Philips Electronics NV	Emerald	Oval	
34	Koninklijke KPN NV	Emerald	Oval	
35	Lafarge SA	Emerald	Oval	
36	LVMH Moet Hennessy Louis Vuitton SA	Emerald	Oval	
37	McDonald's Corporation	Emerald		Brilliant
38	Metro AG	Emerald	Oval	
39	Motorola Inc	Emerald	Oval	
40	Qantas Airways Ltd	Emerald	Oval	
41	Rolls Royce PLC	Emerald	Oval	
42	Siemens AG	Emerald		Brilliant
43	Suez SA	Emerald		Brilliant
44	Telefonica SA	Emerald		Brilliant
45	The Tokyo Electric Power Company, Inc	Emerald		Brilliant
46	Unilever NV	Emerald		Brilliant
47	VNU NV	Emerald	Oval	
48	Vodafone Group Plc	Emerald		Brilliant
49	Volkswagen AG	Emerald		Brilliant
50	Wolters Kluwer NV	Emerald		Brilliant

19. POST BALANCE SHEET EVENTS

Credit events

On 25th April 2012, the Company received credit event notices from RBS N.V. in respect of Eastman Kodak Co. The credit event resulted in a reduction in the Collateral relating to Emerald Series 3 Notes amounting to €416,000 and to Oval Series 3 Notes amounting to €152,000.

RBS downgrade

On 21st June 2012, RBS N.V.'s long term rating was downgraded by Moody's from A2 to A3 while the short term rating was downgraded from P-1 to P-2. Pursuant to the ISDA Master Agreements entered into with the Company dated 19th May 2003, RBS N.V. was required to provide collateral for its obligations to the Company under the swap agreements. In connection with this, RBS N.V. and the Company entered into a Credit Support Annex dated 11th July 2012 and Supplemental Trust Deed for each of the series dated 17th July 2012. RBS N.V. and the Company also entered into an Account Bank Agreement dated 17th July 2012 with The Bank of New York Mellon where the collateral is held.

The collateral posted will not be applied through the waterfalls until it crystallises into receipts in respect of the swap agreements following default by RBS N.V. as the swap counterparty. The waterfalls are set out at paragraph 11 of the Pricing Supplements and do not include the distribution of any swap collateral amounts until following a swap counterparty default.