Eirles Two Limited

Directors' report and
Condensed interim financial statements

For the period 01 January 2016 to
30 June 2016

Registered number 327009

Eirles Two Limited

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Eirles Two Limited

Directors and other information

Directors	Margaret Kennedy (Irish) Niall O'Carroll (Irish) Turlough Galvin (Irish)
Registered office	6th Floor, Pinnacle 2 Eastpoint Business Park Dublin 3 Ireland
Trustee	Deutsche Trustee Company Limited Winchester House 1 Great Winchester Street London EC2N 2DB United Kingdom Bank of New York Mellon Riverside Two Sir John Rogersons Quay Grand Canal Dock Dublin 2 Ireland
Administrator & Company Secretary	Deutsche International Corporate Services (Ireland) Limited 6th Floor, Pinnacle 2 Eastpoint Business Park Dublin 3 Ireland
Bankers	Deutsche Bank AG, London Branch PO Box 441 6 Bishopsgate London EC2P 2AT United Kingdom Bank of New York Mellon Riverside Two Sir John Rogersons Quay Grand Canal Dock Dublin 2 Ireland

Eirles Two Limited

Directors and other information

Listing Agents	Luxembourg Listing Agent Deutsche Bank Luxembourg S.A. 2 Boulevard Konrad Adenauer L-1115 Luxembourg Irish Listing Agent Deutsche Bank AG, London Branch PO Box 441 6 Bishopsgate London EC2P 2AT United Kingdom
Solicitors	Matheson 70 Sir John Rogerson's Quay Dublin Ireland

Eirles Two Limited

Interim management report

The Directors present the interim management report and the condensed interim financial statements of Eirles Two Limited (the "Company") for the period 01 January 2016 to 30 June 2016.

Principal activities, business review and future developments
The Company was set up in April 2000 to issue multiple series of debt securities, with the rating on each series independent of the other (if applicable). This means that Eirles Two Limited (the "Company" or the "issuer") can issue various series of debt securities ranging from AAA to non-rated.

The Company was set up as a segregated multi issuance Special Purpose Entity. Each Series is governed by a separate Supplemental Programme Memorandum (SPM). Each Series consists of an investment in collateral from the proceeds of the issuance of debt securities.

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

The Company has established a EUR 10,000,000,000 Multi-Issuance Programme (the "Programme") to issue debt securities and/or other secured limited recourse indebtedness. Debt securities will be issued in Series (each a "Series") and the terms and conditions of the debt securities of each Series will be set out in a SPM for such Series.

Each series of debt securities will be secured as set out in the terms and conditions of the debt securities including a first fixed charge over certain collateral, primarily in the form of investment securities, total return swaps or cash, as set out in the relevant SPM (the "Collateral") and a first fixed charge over funds held by the Agents under the Agency Agreement (each as defined in the terms and conditions of the debt securities). Each Series may also be secured by an assignment of the Company's rights under a Swap Agreement and/or Option Agreement and/or Repurchase Agreement and/or Credit Support Document (each as defined in the terms and conditions of the debt securities) and any additional security as may be described in the relevant SPM (together the "Mortgaged Property").

For details of the assets held by the Company at the end of the period, refer to note 7 for the investment securities and total return swaps.

The credit risk of the investment securities and total return swaps is borne by either the Company's swap counterparty (in cases where a default swap transaction has been entered into for that particular series) or the Company's holders of debt securities.

For every new issuance of debt securities, Deutsche Bank AG London, as arranger, transfers to the Company an amount that varies occasionally per series as corporate benefit (income). This income is taxable under Irish law at a current rate of 25% and the net amount is retained as the profit for the period.

As arranger, Deutsche Bank AG, London Branch also agreed to reimburse the Company against any costs, fees, expenses or out-goings incurred. Deutsche Bank AG, London Branch is also the swap counterparty for all series.

Eirles Two Limited

Interim management report (continued)

Principal activities, business review and future developments (continued)

As at 30 June 2016, the Company made a net gain on investment securities and total return swaps of EUR 4,853K (2015: EUR 89,455K) for the period and a net gain on derivative financial instruments of EUR 18,815K (2015: net loss EUR 30,101K).

Due to the limited recourse nature of the debt securities issued and as the return on those issued securities is directly linked to the performance of the investment securities, total return swaps and derivative financial instruments, the Company made a corresponding loss on debt securities issued of EUR 23,668K (2015: EUR 59,354K) on the debt securities issued for the period resulting in a net profit of nil for the period ended 30 June 2016 (2015: nil). Refer to notes 13, 14 and 15 of the condensed interim financial statements for further information.

As at 30 June 2016, the carrying value of the Company's total debt securities issued was EUR 397,836K (2015: EUR 449,621K). The Company issued Series 368 (2015: Series 367) during the period. Refer to Notes 7 and 9 for further details.

Series 351, 352 and 353 matured during the period (2015: Series 49, 191, 192, 200, 205 and 229) whereas Series 299 and 365 were redeemed in full (2015: Series 194, 309, 312, 363 and 364 fully redeemed; Series 316 partially redeemed).

The following series are currently in issue as at period end date: Series 91, 164, 195, 255, 316, 319, 345, 347, 355, 366, 367 and 368 (2015: Series 91, 164, 195, 255, 299, 316, 319, 345, 347, 351, 352, 353, 355, 365, 366 and 367).

Series 3, 4, 5, 6, 25, 26, 27, 28, 29, 30, 31, 37, 39, 41, 54, 57, 83, 86, 95, 111 (Class B), 124, 130, 138, 154, 155, 169 (Class B), 170, 190, 204, 206, 249, 250, 253, 289, 302, 314 and 315 have never been issued.

The Company expects to maintain the current level of activities going forward.

Results and dividends for the period
The results for the period are set out on page 10. The Directors do not recommend the payment of a dividend for the period under review.

Changes in Directors during the period
There were no changes on the Directors during the period.

Risks and uncertainties
The principal risks and uncertainties facing the Company relate to the debt securities issued, investment securities and derivative instruments held by the Company for risk management purposes.

Directors, secretary and their interests
The Directors and secretary who held office on 30 June 2016 did not hold any beneficial interest in shares of the Company at that date, or during the period. 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 2014, at anytime during the period.

Eirles Two Limited

Interim management report (continued)

Credit events
There have been no credit events relating to asset defaults during the period which required payment under the credit default swap agreements (CDS) which the Company has written to the swap counterparty.

Subsequent events
Since the end of the reporting period, the Company issued new series of debt securities as follows:

Series 369	16 August 2016	USD 50,000,000
Series 370	16 August 2016	USD 50,000,000
Series 371	16 August 2016	USD 50,000,000

Corporate Governance Statement
The Board of Directors (the "Board") is responsible for establishing and maintaining adequate internal control and risk management systems for the Company in relation to the financial reporting process. Such systems are designed to manage rather than to eliminate the risk of failure to achieve the Company's financial reporting objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has established processes and systems of internal control and risk management to ensure effective oversight of the financial reporting process. These include appointing Deutsche International Corporate Services (Ireland) Limited (the "Administrator") to maintain the accounting records of the Company independently of Eirles Two Limited (the "Servicer") and the Trustee. The Administrator is contractually obliged to maintain proper accounting records and to that end performs reconciliations of its records to those of the Servicer and the Trustee.

The Administrator is also contractually obliged to prepare the annual report including financial statements for review and approval by the Board. The Board evaluates and discusses significant accounting and reporting issues as the need arises.

From time to time, the Board also examines and evaluates the Administrator's financial accounting and reporting routines and monitors and evaluates the external auditor's performance, qualifications and independence. The Administrator has operating responsibility for internal control in relation to the financial reporting process and reports to the Board.

The Board is responsible for assessing the risk of irregularities whether caused by fraud or error in financial reporting and ensuring that the processes are in place for the timely identification of internal and external matters with a potential effect on financial reporting. The Board has also put in place processes to identify changes in accounting rules and best practice to ensure that these changes are accurately reflected in the Company's financial statements.

The Administrator is contractually obliged to design and maintain control structures to manage the risks which the Board judges to be significant for internal control over financial reporting. These control structures include segregation of responsibilities and specific control activities aimed at detecting or preventing the risk of significant deficiencies in financial reporting for every significant account in the financial statements and the related notes in the Company's annual report.

Corporate governance statement (continued)
The Board delegates the asset valuation function to Deutsche Bank AG, London Branch (the "swap counterparty") which operates a sophisticated system of controls to ensure appropriate valuation of the assets. All the values for the financial instruments held by the Company have been provided by the swap counterparty. In our opinion, Deutsche Bank AG, London Branch is the most appropriate and reliable source of such fair values in its capacity as the swap counterparty. We are satisfied that the amounts as stated in the Company's financial statements represent a reasonable approximation of those values.

The Company's policies and the Board's instructions with relevance for financial reporting are updated and communicated via appropriate channels, such as e-mail, correspondence and meetings to ensure that all financial reporting information requirements are met in a complete and accurate manner. The Board has an annual process in place to ensure that appropriate measures are taken to consider and address the shortcomings identified and measures recommended by the independent auditor.

Given the contractual obligations of the Administrator, the Board has concluded that there is currently no need for the Company to have a separate internal audit function in order for the Board to perform effective monitoring and oversight of the internal control and risk management systems of the Company in relation to the financial reporting process.

No individual, including any individual Director has any special rights of control over the Company's share capital, including issuance or buying back of the Company's shares. However collectively as a board, the Directors of the Company have authority to issue or buy back shares of the Company.

There are no restrictions on voting rights.

Appointment and replacement of Directors and amendments in the Articles of Association
With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association and Irish Statute comprising the Companies Acts 2014. The Articles of Association themselves may be amended by special resolution of the shareholders.

Powers of Directors
The Board is responsible for managing the business affairs of the Company within the Articles of Association. The Directors may delegate certain functions to the Administrator and other parties subject to the supervision and direction by the Directors. The Directors have delegated the day to day administration of the Company to the Administrator as stated above.

Transfer of shares
The instrument of transfer of any share shall be executed by or on behalf of the transferor and, in cases where the share is not fully paid, by or on behalf of the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered on the register in respect thereof. If the Directors refuse to register a transfer, they shall, within two months after the date on which the transfer was lodged by the Company, send to the transferee notice of the refusal.

Eirles Two Limited

Interim management report (continued)

Audit committee
The sole business of the Company relates to the issuing of asset-backed securities. It also enters into certain derivatives to hedge out interest rate and currency risk exposures arising between asset and liability mismatches. Under Regulation 91(9)(d) of the European Communities (Statutory Audits) (Directive 2006/43/EC) Regulations 2010 (the "Regulations"), which were published by the Irish Minister for Enterprise, Trade and Innovation on 25 May 2010, such a company may avail itself of an exemption from the requirement to establish an audit committee.

Given the contractual obligations of the administrator and the limited recourse nature of the securities issued by the Company, the Board of Directors has concluded that there is currently no need for the Company to have a separate audit committee in order for the Board to perform effective monitoring and oversight of the internal control and risk management systems of the Company in relation to the financial reporting process. Accordingly, the Company has availed itself of the exemption under Regulation 91(9)(d) of the Regulations.

Accounting records
The Directors believe that they have complied with the requirements of Section 281 of the Companies Act 2014 with regard to the books of account by engaging accounting personnel with the appropriate expertise and by providing adequate resources to the finance function. The books of account of the Company are maintained at 6th Floor, Pinnacle 2, Eastpoint Business Park, Dublin 3, Ireland.

On behalf of the Board

Turlough Galvin
Director

Niall O'Carroll
Director

Date: 8/9/2016

Eirles Two Limited

Responsibility statement

The Company's Directors are responsible for preparing the management report and the interim annual accounts in accordance with applicable law and regulations. The Directors confirm that, to the best of their knowledge:

- the interim annual accounts, 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 annual accounts for the six months ended 30 June 2016 have not been audited.

On behalf of the Board

Turlough Galvin
Director

Niall O'Carroll
Director

Date: 8/9/2016

Eirles Two Limited

Condensed statement of financial position
As at 30 June 2016

	Note	30 Jun 16 €'000	31 Dec 15 €'000
Assets			
Cash and cash equivalents	5	166	168
Cash collateral	5	26,740	26,843
Derivative assets	6	469	1,111
Investment securities and total return swaps at fair value through profit or loss	7	431,985	504,423
Other assets	8	1,138	1,975
Total assets		460,498	534,520
Liabilities			
Derivative liabilities	6	60,721	80,949
Debt securities issued at fair value through profit or loss	9	397,836	449,621
Other liabilities	10	1,750	3,759
Total liabilities		460,307	534,329
Equity			
Share capital	11	-	-
Retained earnings		191	191
Total equity		191	191
Total liabilities and equity		460,498	534,520

On behalf of the Board

Turlough Galvin
Director

Niall O'Carroll
Director

Date: 8/9/2016

The notes on pages 13 to 33 form an integral part of these condensed interim financial statements.

Eirles Two Limited

Condensed interim statement of comprehensive income

For the period from 01 January 2016 to 30 June 2016

	Note	30 Jun 16 €'000	30 Jun 15 €'000
Net gain from investment securities and total return swaps	13	4,853	89,455
Net gain / (loss) from derivative financial instruments	14	18,815	(30,101)
Net finance loss on debt securities issued	15	(23,668)	(59,354)
Operating income		-	-
Other income	16	51	41
Other expenses	17	(51)	(41)
Profit before taxation		-	-
Income tax expense	18	-	-
Result for the period		-	-
Other comprehensive income		-	-
Total comprehensive income for the period		-	-

All items dealt with in arriving at the profit for the period ended 30 June 2016 relates to continuing operations.

The notes on pages 13 to 33 form an integral part of these condensed interim financial statements.

Eirles Two Limited

Condensed interim statement of cash flows
For the period ended 30 June 2016

	Note	30 Jun 16 €'000	30 Jun 15 €'000
Cash flows from operating activities			
Profit for the year		-	-
Adjustments for:			
Coupon income	13	(6,726)	(11,474)
Coupon expense	15	2,470	6,201
Credit default swap income	14	(586)	(1,094)
Net unrealised gain on investment securities and total return swaps	13	(1,706)	(35,449)
Net realised loss / (gain) on investment securities and total return swaps	13	3,131	(17,612)
Net unrealised foreign exchange gain / loss on cash collateral	13	448	(7,298)
Net realised foreign exchange gain on cash collateral	13	-	(17,622)
Net unrealised loss on debt securities issued	15	24,091	6,339
Net realised (gain) / loss on debt securities issued	15	(2,893)	46,814
Net unrealised (gain) / loss on derivative financial instruments	14	(17,598)	48,812
Net realised gain on derivative financial instruments	14	(631)	(17,617)
Movement in working capital			
Change in other assets		27	8
Change in other liabilities		(28)	(186)
Cash generated from operating activities		(1)	(178)
Net cash used in operating activities		(1)	(178)
Cash flows from investing activities			
Acquisition of investment securities and total return swaps		(9,397)	-
Proceeds from maturity / disposal of investment securities and total return swaps		80,010	482,708
Net receipts / (payments) in respect of derivatives financial instruments		12,973	(84,100)
Coupon receipts		8,122	12,501
Net cash from investing activities		91,708	411,109
Cash flows from financing activities			
Proceeds from issuance of debt securitites		9,052	-
Payments on maturity / redemption of debt securities		(96,310)	(404,009)
Coupon payments on debt securities issued		(4,450)	(7,100)
Net cash used in financing activities		(91,708)	(411,109)
Net decrease in cash and cash equivalents		(1)	(178)
Cash and cash equivalents at 1 January		167	345
Cash and cash equivalents at 30 June		166	167

The notes on pages 13 to 33 form an integral part of these condensed interim financial statements.

Eirles Two Limited

Condensed interim statement of changes in equity
For the period ended 30 June 2016

	Share capital €'000	Retained earnings €'000	Total €'000
Balance as at 01 January 2015	**-**	**191**	**191**
Profit for the period - 2015	-	-	-
Other comprehensive income	-	-	-
Total comprehensive income for the period	**-**	**-**	**-**
Balance as at 30 June 2015	**-**	**191**	**191**
Balance as at 01 January 2016	**-**	**191**	**191**
Profit for the period - 2016	-	-	-
Other comprehensive income	-	-	-
Total comprehensive income for the period	**-**	**-**	**-**
Balance as at 30 June 2016	**-**	**191**	**191**

The notes on pages 13 to 33 form an integral part of these condensed interim financial statements

Notes to the condensed interim financial statements
For the period from 01 January 2016 to 30 June 2016

1 General information

Eirles Two Limited (the "Company") was incorporated on 14 April 2000 in the Republic of Ireland with registered number 327009. The registered office of the Company is 6th Floor, Pinnacle 2, Eastpoint Business Park, Dublin 3, Ireland.

The Company is a special purpose company that has been established to issue debt securities under a €10bn Multi-issuance note programme.

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

The Company has no direct employees.

2 Basis of preparation

The interim annual accounts for the six months ended 30 June 2016 have been prepared in accordance with International Accounting Standard (IAS) 34 'Interim Financial Reporting'. The interim annual accounts should be read in conjunction with the audited annual accounts for the year ended 31 December 2015 and interim annual accounts for the period ended 30 June 2015.

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 audited annual accounts for the year ended 31 December 2015.

4 Financial risk management

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 relating to 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:
(i) Credit risk;
(ii) Liquidity risk;
(iii) Market risks.

4 Financial risk management (continued)

(i) Credit risk

Credit risk is the risk of the financial loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's credit linked securities which are divided into underlying reference entities and also from the derivative contracts which the company has entered into.

The Company limits its exposure to credit risk by only investing in corporate bonds and loans and total return swaps and only with counterparties that have a credit rating defined in the documentation of the relevant series. The risk of default on these assets and on the underlying reference entities is borne by the swap counterparty or the holders of the debt securities of the relevant series that the Company has in issue.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations arising from its financial liabilities that are settled by delivering cash or other financial assets, or that such obligation will have to be settled in a manner disadvantage to the Company.

The Company's obligation to the holders of debt securities 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 debt securities, the other assets of the Company will not be available for payment and the deficit is instead borne by the holders of debt securities and the Swap Counterparty according to established priorities.

The timing and amount of proceeds from realising the collateral of each series is subject to market conditions.

(iii) Market risks

Market risk is the risk that changes in market prices, such as foreign exchange rate, interest rate and interest rates will affect the Company's income or the value of its holdings of financial instruments and receivable under total return swap.

The objective of the market risk is to manage and control market risk exposures within acceptable parameters while optimising the return on risk.

Foreign exchange risk and interest rate risk are economically hedged with the use of currency swap agreements and the asset swap agreements, respectively. Cross currency swaps are incorporated in the asset swaps, where applicable.

Notes to the condensed interim financial statements
For the period from 01 January 2016 to 30 June 2016

5 Cash and cash equivalents and cash collateral

	30 Jun 16 €'000	31 Dec 15 €'000
Cash and cash equivalents	166	168

Cash at bank balances are held with Deutsche Bank AG, London Branch.

	30 Jun 16 €'000	31 Dec 15 €'000
Cash collateral	26,740	26,843
	26,906	27,011

Cash held on deposit consist of cash held as collateral for series 91 and 355 (2015: 91 and 355). Ninety nine percent (99%) is held by The Bank of New York Mellon and the remaining one percent (1%) is held by Deutsche Bank AG, London Branch in accordance with the terms of the Supplemental Programmme Memorandum. These deposits are not on demand, are restricted and can only be used for their respective series.

Notes to the condensed interim financial statements
For the period from 01 January 2016 to 30 June 2016

6 Derivative financial instruments

	Less than one year €'000	Greater than one year €'000	30 Jun 16 Total €'000	Less than one year €'000	Greater than one year €'000	31 Dec 15 Total €'000
Derivative assets						
Asset swaps	-	469	469	-	1,111	1,111
	-	469	469	-	1,111	1,111
Derivative liabilities						
Asset swaps	2,748	36,994	39,742	631	60,474	61,105
Credit default swaps	-	20,979	20,979	-	19,844	19,844
	2,748	57,973	60,721	631	80,318	80,949

The Company has entered into asset swap agreements, other than those mentioned below for most series of debt securities issued, to eliminate the mismatch between the amount payable in respect of those issued debt securities and the return from the investment securities held by the Company as collateral.

The Company has also entered into credit default swaps for series 91, 316, 319, 367 and 368 in 2016 (2015: series 91, 176, 215, 216, 316, 319 and 334) in order to provide an asset risk profile which is suited to the needs of the investors (the holders of the debt securities).

Notes to the condensed interim financial statements
For the period from 01 January 2016 to 30 June 2016

7 Investment securities and total return swaps at fair value through profit or loss

	30 Jun 16 €'000	31 Dec 15 €'000
Designated at fair value through profit or loss		
Bonds	327,449	393,670
Total return swap	104,536	110,753
	431,985	504,423
Maturity analysis of investment securities and total return swaps at fair value through profit or loss		
Within one year	173,667	73,941
One to five years	11,265	188,949
Greater than five years	247,053	241,533
	431,985	504,423

The carrying value of all of the above assets of the Company represents their maximum exposure to credit risk. The credit risk is eventually transferred to the Swap Counterparty or the holders of debt securities through the credit default swap. The Company is then exposed to credit risk in respect of the CDS Swap Counterparty. The investment securities and total return swaps are held as collateral for debt securities issued by the Company.

Total return swaps

Under these arrangements the proceeds from the issuance of debt securities are held on deposit with the Swap Counterparty under the swap agreement. The deposit is synthetically linked to the credit performance of a portfolio of reference entities through a credit default swap. The Swap Counterparty provides a return that replicates the return due to the holders of the debt securities and also reimburses certain the expenses related to the series.

In the event that any of these reference entities default, a notice is served to the Company. The receivable under total return swap is reduced by an amount equal to the amount in the default as determined by the calculation agent with reference to the defaulted reference entity and the Company's obligation under the debt securities is also reduced by the same amount as per the terms of the SPM.

Notes to the condensed interim financial statements
For the period from 01 January 2016 to 30 June 2016

8 Other assets

	30 Jun 16 €'000	31 Dec 15 €'000
Coupon income receivable from investment securities and total return swaps	938	1,748
Other receivables	200	227
	1,138	1,975

All of the above other assets are current.

9 Debt securities issued at fair value through profit or loss

	30 Jun 16 €'000	31 Dec 15 €'000
Designated at fair value through profit or loss	397,836	449,621

Maturity analysis of the debt securities issued at fair value through profit or loss	30 Jun 16 €'000	31 Dec 15 €'000
Within one year	170,891	73,703
One to five years	13,229	183,267
Greater than five years	213,716	192,651
	397,836	449,621

The Company's obligations under the debt securities issued and related derivative financial instruments are secured by collateral held as noted in Note 7. 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 debt securities issued, then the obligation to the holders of the debt securities issued by the Company will be reduced to the extent of the accumulated losses.

The debt securities issued for Series 164, 195, 255, 316, 319, 345, 347, 355, 366, 367 and 368 are listed on the Irish Stock Exchange while debt security for 91 is listed in Luxembourg Stock Exchange.

Notes to the condensed interim financial statements
For the period from 01 January 2016 to 30 June 2016

10 Other liabilities

	30 Jun 16 €'000	31 Dec 15 €'000
Coupon payable on debt securities issued	1,576	3,557
Accrued expenses	26	51
Other payables	148	151
	1,750	3,759

All of the above other liabilities are current.

11 Share capital

	30 Jun 16 €'000	31 Dec 15 €'000
Authorised:		
100,000,000 ordinary shares of €1 each	100,000	100,000
Issued and fully paid		
3 ordinary shares of €1 each	-	-

Notes to the condensed interim financial statements
For the period from 01 January 2016 to 30 June 2016

12 Accounting categorisation and fair values of financial assets and liabilities

	30 Jun 16		31 Dec 15	
	Carrying value €'000	Fair value €'000	Carrying value €'000	Fair value €'000
Financial assets at amortised cost				
Cash and cash equivalents	166	166	168	168
Cash collateral	26,740	26,740	26,843	26,843
Other assets	1,138	1,138	1,975	1,975
Total financial assets at amortised cost	28,044	28,044	28,986	28,986
Financial assets designated at fair value through profit or loss				
Investment securities	327,449	327,449	393,670	393,670
Financial assets at fair value through profit or loss				
Derivative assets	469	469	1,111	1,111
Total return swaps	104,536	104,536	110,753	110,753
Total assets	460,498	460,498	534,520	534,520
Financial liabilities at amortised cost				
Other liabilities	1,750	1,750	3,759	3,759
Financial liabilities designated at fair value through profit or loss				
Debt securities issued	397,836	397,836	449,621	449,621
Financial liabilities at fair value through profit or loss				
Derivative liabilities	60,721	60,721	80,949	80,949
Total liabilities	460,307	460,307	534,329	534,329

The financial instruments not accounted for at fair value through profit or loss are short-term financial assets (except for cash collateral) and liabilities whose carrying amounts approximate fair value.

Notes to the condensed interim financial statements
For the period from 01 January 2016 to 30 June 2016

13	**Net gain from investment securities and total return swaps**	**30 Jun 16 €'000**	**30 Jun 15 €'000**
	Net gain / (loss) from investment securities and total return swaps at fair value through profit or loss (including coupon receipts):		
	- Bonds and loans	9,669	83,402
	- Total return swaps	(4,816)	6,053
		4,853	89,455
	Analysed as follows:		
	Coupon income including accrued income	6,726	11,474
	Net unrealised gain on investment securities and total return swaps	1,706	35,449
	Net realised (loss) / gain on disposal / maturities of investment securities and total return swaps	(3,131)	17,612
	Net unrealised foreign exchange (loss) / gain on cash collateral	(448)	7,298
	Net realised foreign exchange gain on cash collateral	-	17,622
		4,853	89,455

14	**Net gain / (loss) from derivative financial instruments**	**30 Jun 16 €'000**	**30 Jun 15 €'000**
	Net gain / (loss) from derivative financial instruments carried at fair value (including coupon receipts)		
	- Asset swap	19,456	(41,477)
	- Credit default swap	(641)	11,376
		18,815	(30,101)
	Analysed as follows:		
	Credit default swap income	586	1,094
	Net unrealised gain / (loss) on derivative financial instruments	17,598	(48,812)
	Net realised gain on settlement of derivative financial instruments	631	17,617
		18,815	(30,101)

Notes to the condensed interim financial statements
For the period from 01 January 2016 to 30 June 2016

15 Net finance loss on debt securities issued

	30 Jun 16 €'000	30 Jun 15 €'000
Net finance loss on debt decurities at fair value through profit and loss	(23,668)	(59,354)
Analysed as follows:		
Coupon payments including accruals	(2,470)	(6,201)
Net unrealised loss on debt securities issued	(24,091)	(6,339)
Net realised gain / (loss) on maturities / redemption of debt securities issued	2,893	(46,814)
	(23,668)	(59,354)

16 Other income

	30 Jun 16 €'000	30 Jun 15 €'000
Arranger income	51	41
	51	41

As per the Expense Agreement, Deutsche Bank AG, London Branch as the arranger bears all the expenses of the Company. Arranger income is equal to the total expenses incurred by the Company during the period.

17 Other expenses

	30 Jun 16 €'000	30 Jun 15 €'000
Administration fee	(25)	(9)
Directors' fee	(13)	(7)
Audit fee	(13)	(25)
	(51)	(41)

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

Audit fee relates to the statutory audit of the financial statements.

Notes to the Condensed interim financial statements
For the period from 01 January 2016 to 30 June 2016

17 Other expenses (continued)

Other operating expenses are after charging the following:

Auditors remuneration (excluding VAT)	30 Jun 16 €'000	30 Jun 15 €'000
Audit of company financial statements	(11)	(20)
	(11)	(20)

18 Income tax expense

	30 Jun 16 €'000	30 Jun 15 €'000
Current tax expense	-	-

Factors affecting tax charge for the period

Corporation tax has been calculated based on the profit for the period and the resulting taxation charge is as follows:

Profit before tax	-	-
Current tax at standard rate of 25%	-	-
Current tax charge	-	-

The Company will continue to be actively taxed at 25% in accordance with Section 110 of the Taxes Consolidation Act, 1997.

Deferred tax

Any temporary difference arising on the assets will be offset by a corresponding difference in the liabilities. Therefore the Company does not have any exposure to deferred tax.

19 Ownership of the Company

The issued shares are held on trust by Matsack Trust Limited, Matsack Nominees Limited and Matheson Services Limited (the "Share Trustees"), each of whom own one share under the terms of a declaration of trust dated 19 June 2000, under which the relevant Share Trustee holds an issued share of the Company on trust for charity. The Share Trustees have appointed a Board of Directors to run the day-to-day activities of the Company.

The Board of Directors have considered the issue as to who is the controlling party of the Company. It has determined that the control of the day-to-day activities of the Company rests with the Board. The Board is composed of three directors, one of whom is an employee of Deutsche International Corporate Services (Ireland) Limited, being the entity that acts as the administrator of the Company. The remaining two directors are considered to be independent of the Deutsche Bank Group.

20 Charges

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

21 Transactions with related parties

During the period the Company incurred a fee of EUR 21,068 (30 June 2015: EUR 10,511) relating to administration services provided by Deutsche International Corporate Services (Ireland) Limited. Margaret Kennedy, director of the Company, has an interest in this fee in her capacity as a director of Deutsche International Corporate Services (Ireland) Limited.

Professional, Legal, Trustee and other fees of EUR 8,195 (2015: EUR 8,756) (included in Directors' fees) were payable to Matheson, refer to note 17 for details. Turlough Galvin, director of the Company, has an interest in this fee in his capacity as a partner of Matheson solicitors.

Under a Series Proposal Agreement entered into for each series by the Company and Deutsche Bank AG London, Deutsche Bank AG London, as Arranger for each Series, will pay the Company a Series Fee that varies occasionally per series on commencement of the series and agree to reimburse the Company against any costs, fees, expenses or out-goings incurred. Deutsche Bank AG London is also the swap counterparty for all Series containing credit default and asset swap agreements.

22 Financial instruments

(a) Fair values

The Company's investment securities, derivative financial instruments 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 a reasonable range of estimates. The carrying amounts of all the Company's financial assets and financial liabilities carried at amortised cost at the reporting date approximated their fair values. Their fair values together with carrying amounts shown in the statement of financial position are disclosed in note 12.

These disclosures supplement the commentary on financial risk management (see note 4).

Determining fair values
For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Critical accounting judgements made in applying the Company's accounting policies in relation to valuation of financial instruments are as follows:

Valuation of financial instruments
The financial instruments carried at fair value have been categorized under the three levels of the IFRS fair value hierarchy as follows:

- Level 1 – Instruments valued using quoted prices in active markets are instruments where the fair value can be determined directly from prices which are quoted in active and liquid markets.

- Level 2 – Instruments valued with valuation techniques using observable market data are instruments where the fair value can be determined by reference to similar instruments trading in active markets, or where a technique is used to derive the valuation but where all inputs to that technique are observable.

- Level 3 – Instruments valued using valuation techniques using market data which is not directly observable are instruments where the fair value cannot be determined directly by reference to market-observable information, and some other pricing technique must be employed. Instruments classified in this category have an element which is unobservable and which has a significant impact on the fair value.

22 Financial instruments (continued)

(a) Fair values (continued)

Valuation Techniques

The following is an explanation of the valuation techniques used in establishing the fair value of the different types of financial instruments of the Company.

Investment securities: Where there are no recent transactions then fair value may be determined from the last market price adjusted for all changes in risks and information since that date. Where a close proxy instrument is quoted in an active market then fair value is determined by adjusting the proxy value for differences in the risk profile of the instruments. Where close proxies are not available then fair value is estimated using more complex modelling techniques. These techniques include discounted cash flow models using current market rates for credit, interest, liquidity and other risks.

Derivative Financial Instruments: Market standard transactions in liquid trading markets are valued using market standard models and quoted parameter inputs. Parameter inputs are obtained from pricing services, consensus pricing services and recently occurring transactions in active markets wherever possible. More complex instruments are modelled using more sophisticated modelling techniques specific for the instrument and are calibrated to available market prices. Where the model output value does not calibrate to a relevant market reference then valuation adjustments are made to the model output value to adjust for any difference. In less active markets, data is obtained from less frequent market transactions, broker quotes and through extrapolation and interpolation techniques. Where observable prices or inputs are not available, management judgment is required to determine fair values by assessing other relevant sources of information such as historical data, fundamental analysis of the economics of the transaction and proxy information from similar transactions.

Debt securities issued at fair value through profit or loss: The fair value of debt securities issued at fair value through profit or loss is dependent upon the fair value of investment securities and derivative financial instruments. Any changes in the valuation have direct impact to the fair value of debt securities issued.

For more complex Level 3 instruments, more sophisticated modelling techniques are required which usually are developed from recognised valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions or more complex parameters. Examples of instruments involving significant unobservable inputs include correlations, prepayments speeds, default rates and loss severity, certain over the counter derivatives and certain securities for which there is no active market.

Notes to the condensed interim financial statements (continued)
For the period ended 30 June 2016

22 Financial instruments (continued)

(a) Fair values (continued)

Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. When determining the appropriate valuation model to be used, Management selects which valuation technique makes the least adjustment to the inputs used, analyse the range of values indicated by the techniques used and whether they overlap and check the reasons for the differences in value under different techniques. Depending on the circumstances, one valuation model might be more appropriate than another. Management decides the valuation model to be used based on the provisions indicated in the swap agreements. Some factors that are considered includes information that is reasonably available, the market conditions, the type of investment, expected future cash flows on the financial instrument being valued, determination of probability of counterparty default and discount rates. Level 3 valuations are reviewed quarterly and disclosed yearly in the financial statements.

At the reporting date, the carrying amounts of investment securities, derivative financial instruments and debt securities issued by the Company where fair values were determined directly, in full or in part, by reference to published price quotations and determined using valuation techniques are as follows:

	30-Jun-16			
	Total €'000	**Level 1 €'000**	**Level 2 €'000**	**Level 3 €'000**
Investment securities and total return swaps	431,985	-	327,444	104,541
Derivative financial assets	469	-	105	364
Derivative financial liabilities	(60,721)	-	(32,874)	(27,847)
Debt securities issued	(397,836)	-	(160,239)	(237,597)
	(26,103)	-	134,436	(160,539)

	31-Dec-15			
	Total €'000	**Level 1 €'000**	**Level 2 €'000**	**Level 3 €'000**
Investment securities and total return swaps	504,423	-	393,665	110,758
Derivative financial assets	1,111	-	408	703
Derivative financial liabilities	(80,949)	-	(52,429)	(28,520)
Debt securities issued	(449,621)	-	(220,814)	(228,807)
	(25,036)	-	120,830	(145,866)

22 Financial instruments (continued)

(a) Fair values (continued)

Certain investment securities which consist of corporate bonds and certain derivative financial instruments were classified as level 3. The instruments are valued using a valuation technique that involves significant unobservable inputs and no active market available.

Derivative financial instruments classified as level 3 include credit default swap and other over the counter derivative instruments where the fair value measurements were based on unobservable inputs and no active market data available for similar instruments.

Debt securities issued are traded in the institutional market and the prices for these at period end have been obtained from market sources. Notwithstanding that a quoted market price exists for these, the Directors have concluded that the debt securities issued are not actively traded due to the limited liquidity that exists in the market.

As a result, the levelling of debt securities is dependent on the levelling of the investment securities, and derivative financial instruments. The levelling of debt securities is dependent on the levelling of underlying financial instruments. Where a debt security is backed by level 2 and level 3 instruments, the debt securities default to the lower level (i.e. level 3). As no derivatives have been classified as level 1, debt securities have been classified as either level 2 or level 3.

During the period, there were no investment securities transferred between level 1 and level 2 (2015: nil).

Transfers in and out of Level 3 are recorded at the beginning of the period. For instruments transferred in and out of Level 3, the below table shows no gains and losses and cash flows on the instruments as they have been transferred at the beginning of the period.

The table below shows the roll-forward movements for investments securities classified under valuation techniques unobservable parameter (level 3):

	30-Jun-16	**31-Dec-15**
	€'000	**€'000**
Opening balance	110,758	181,120
Maturities	-	(2,115)
Disposal	-	(58,940)
Fair value movements	(6,217)	(9,307)
Closing balance	104,541	110,758

22 Financial instruments (continued)

(a) Fair values (continued)

No movements took place during the period.

Fair value movements are recognized under net gain from investment securities in the statement of comprehensive income.

The table below shows the roll-forward movements for derivative financial assets classified under valuation techniques with unobservable parameter (level 3):

	30-Jun-16 €'000	31-Dec-15 €'000
Opening balance	703	6,882
Transfers in	-	93
Fair value movements	(339)	(6,272)
Closing balance	364	703

The table below shows the roll-forward movements for derivative financial liabilities classified under valuation techniques with unobservable parameter (level 3):

	30-Jun-16 €'000	31-Dec-15 €'000
Opening balance	(28,520)	(35,786)
Sum of settlements	-	2,999
Transfers in	(5,212)	-
Transfers out	-	(93)
Fair value movements	5,885	4,360
Closing balance	(27,847)	(28,520)

During the period, series 164 was transferred in from level 2 due to lack of observable inputs and unavailability of market data for similar instrument.

Transfers in to level 3 are recorded at fair value at the beginning of the period. For instruments transferred out of level 3, the table shows no gains and losses and cash flows on the instruments as they had been transferred at the end of the period.

Fair value movements are recognized under net loss from derivative financial instruments in the condensed interim statement of comprehensive income.

22 Financial instruments (continued)

(a) Fair values (continued)

The table below shows the roll-forward movements for debt securities issued classified under valuation techniques unobservable parameter (level 3):

	30-Jun-16 €'000	31-Dec-15 €'000
Opening balance	(228,807)	(468,859)
Maturities	-	2,276
Redemption	-	161,486
Transfers in	(9,541)	-
Transfers out	-	63,738
Fair value movements	751	12,552
Closing balance	(237,597)	(228,807)

During the period, debt securities issued for series 164 was transferred in from level 2 as certain securities that previously involved significant observable inputs were now valued using inputs based on unobservable market data. Debt securities issued for series 60 was transferred out to level 2 as the securities was now valued using inputs based on observable market data.

Any change in the classification of the investment securities, derivative assets and derivative liabilities will have a direct impact on the classification of the debt securities. If any of these are classified using unobservable valuation inputs (Level 3), the related debt security will be classified as Level 3 also.

Fair value movements are recognized under net gain / (loss) on debt securities issued in the condensed interim statement of comprehensive income.

Sensitivity Analysis
Where the value of financial instruments is dependent on unobservable valuation models, appropriate models and inputs are chosen so that they are consistent with prevailing market evidences. A 10% change in the price of the financial assets under Level 3 held by the Company would increase or decrease the fair value of corresponding debt securities as at 30 June 2016 by EUR 23,760k (2015: EUR 22,881k).

22 Financial instruments (continued)

(a) Fair values (continued)

The total amount of realised and unrealised gain/loss estimated using a valuation technique based on significant unobservable data (level 3) that was recognised in condensed interim statement of comprehensive income for the period is as follows:

	30-Jun-16 €'000	31-Dec-15 €'000
Investment securitites and total return swaps	(6,217)	(9,782)
Derivative financial instruments	5,546	66,512
Debt securities issued	751	(26,615)
	80	30,115

The total amount of change in fair value estimated using a valuation technique based on significant unobservable data (level 3) for assets and liabilities held at the end of the reporting period is as follows:

	30-Jun-16 €'000	31-Dec-15 €'000
Investment securitites and total return swaps	(6,217)	17,766
Derivative financial instruments	5,546	65,062
Debt securities issued	751	(52,960)
	80	29,868

Although the directors believe that their estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurement of fair value as 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 matters of significant judgement. Details in relation to the unobservable inputs used have been noted below and therefore their associated fair value cannot be determined with precision.

For recognised fair values measured using significant unobservable inputs, changing one or more assumptions used to reasonably possible alternative assumptions would not have any effect on the profit or loss or on equity as any change in fair value will be borne by the holders of debts securities issued due to the limited recourse nature of debt securities issued by the Company.

Notes to the condensed interim financial statements (continued)
For the period ended 30 June 2016

22 Financial instruments (continued)

(b) Financial instruments not measured at fair value

The financial instruments not measured at fair value through profit or loss are financial assets and financial liabilities whose carrying amounts approximate fair value.

The following table sets out the fair values of financial instruments not measured at fair value and analyses it by the level in the fair value hierarchy into which each fair value measurement is categorised.

	30-Jun-16		
	Level 1	**Level 2**	**Level 3**
	€'000	**€'000**	**€'000**
Financial assets			
Cash and cash equivalents	166	-	-
Cash collateral	26,740	-	-
Other assets	-	1,138	-
	26,906	1,138	-
Financial liabilities			
Other liabilities	-	1,750	-
	-	1,750	-

Cash and cash equivalents and cash collateral

Cash and cash equivalents classified as Level 1 includes deposit held with banks which can be terminated within 3 months provided all parties agrees to the transaction, except for cash collateral as stated in note 5.

Other assets and other liabilities

These balances are mainly comprised of contractual amounts due to / by the Company in relation to the investments securities and debt securities issued respectively.

23 Events after the interim period

Since the end of the reporting period, the Company issued new series of debt securities as follows:

Series 369	16 August 2016	USD 50,000,000
Series 370	16 August 2016	USD 50,000,000
Series 371	16 August 2016	USD 50,000,000

22 Approval of the financial statements

The Board of Directors approved these financial statements on 3/9/2016.