

# Collateralized Mortgage Obligations Denmark A/S

## *Preliminary announcement of results for 2006*

Collateralized Mortgage Obligations Denmark A/S' pre-tax profit for 2006 came to DKK 193,000 while the post-tax profit stood at DKK 139,000.

<b>Financial highlights</b>					
(DKK '000)	2002	2003	2004	2005	2006
<b>Profit and loss account</b>					
Net interest income	2,479	1,299	1,215	622	637
Securities and foreign exchange result	576	564	279	624	57
Profit before expenses	3,055	1,863	1,494	1,246	694
Staff and administrative expenses	2,737	1,679	1,092	979	501
Profit before tax	318	184	402	267	193
Tax	92	54	120	75	54
Profit for the year	226	130	282	192	139
<b>Balance sheet at 31 December</b>					
Bonds	2,285,030	1,435,004	1,124,174	422,586	289,549
Total assets	2,338,341	1,472,901	1,157,158	444,256	309,280
Liabilities	2,286,676	1,436,086	1,124,977	422,765	289,670
Debt	2,322,357	1,456,974	1,141,061	428,249	293,338
Shareholders' funds	15,984	15,927	16,128	16,007	15,942
<b>Key Figures</b>					
Dividend	187	81	313	204	391
Equity Ratio	0.68%	1.08%	1.39%	3.60%	5.15%
Return on Equity	1.41%	0.81%	1.76%	1.19%	0.87%
Employees	0	0	0	0	0

## Review of activities in 2006

Collateralized Mortgage Obligations Denmark A/S began its activities in 1997 with the first purchase of mortgage bonds and the issue of collateralized mortgage obligations (CMOs), in the form of secured notes listed on the Copenhagen Stock Exchange.

As of 31 December 2006 the company had launched the following issues:

1997:	First issue on 20 February:	DKK 1,700,000,000 nom.
	Second issue on 10 July:	DKK 1,400,000,000 nom.
	Third issue on 21 August:	DKK 3,250,000,000 nom.
1998:	Fourth issue on 29 January:	DKK 1,500,000,000 nom.
	Fifth issue on 23 April:	DKK 1,350,000,000 nom.
1999:	Sixth issue on 18 February:	DKK 1,500,000,000 nom.
2000:	Seventh issue on 17 February:	DKK 1,567,496,000 nom.

CMOs are bonds backed by a pool of mortgage bonds. The mortgage bonds' characteristics in terms of credit risk, interest rate risk, prepayment risk and maturity are reallocated to the various tranches to meet specific investor preferences. Collateral principal cash flows are redistributed to the notes issued in accordance with a predetermined principle of redemption, where all redemptions of the collateral are matched by redemptions of the notes. Similarly, collateral interest cash flows are redistributed to the notes issued in accordance with a predetermined principle, provided, however, that the average coupon of the notes is lower than that of the mortgage bonds, to enable the company to defray administrative expenses etc.

Each pool of mortgage bonds as well as the pertaining cash accounts and fixed deposits are pledged to the holders of notes issued on the back of the relevant portfolio.

The company cannot sell the mortgage collateral. Claims by noteholders are limited exclusively to the assets pledged.

The company's activities focus on the issuance of CMOs backed by mortgage bonds. In this context, the company is to ensure compliance with the predetermined principles of redistribution, as set out in the offering circulars prepared in connection with each issue of notes, and to invest surplus cash.

The outstanding volume of notes is reduced gradually as the mortgage bonds are drawn for redemption or when Structured Finance Servicer A/S exercises its option to purchase the collateral. This option is exercisable only when the portfolio of a group of mortgage bonds (the collateral group) constitutes less than a predefined share of the portfolio originally acquired. At 31 December 2006 the individual

collateral groups constituted the following shares of the portfolio originally acquired (the percentages which render the option exercisable are stated in parenthesis):

Collateral group 8, sixth issue                      19.82% (10%)

The company has in connection with the issue of CMO's entered into a number of agreements. With the parent company, the company has entered into an agreement with The Law Debenture Trust Corporation p.l.c., which represents the noteholders. This agreement limits the company's activities and the distribution of dividend to the parent company.

Furthermore, the company has entered into an agreement with Structured Finance Servicer A/S, a wholly-owned subsidiary of Nordea Bank Danmark A/S, on the provision of all administrative services.

### **Future developments**

On 1 January 2007 a total of 4.61% of the mortgage collateral at 31 December 2006 was drawn for redemption and the company therefore redeemed a corresponding portion of the notes outstanding. Moreover, the company has been informed that on 1 April 2007 a total of 3.80% of the mortgage collateral will be drawn for redemption and the company will therefore redeem a corresponding portion of the notes.

Following the reduction of the company's total assets the net interest income in 2007 is expected to decline together with decreased administrative expenses. The profit for 2007 is expected to be positive on a higher level than that posted for 2006. Additional issues in 2007 are expected to have a positive effect on the company's profit performance.

### **Annual General Meeting**

The Supervisory Board will propose to the Annual General Meeting that a dividend of DKK 65.17 per share of DKK 1,000 be paid for 2006.

The Annual General Meeting will be held on 16 April 2007 at Strandgade 3, Copenhagen.

The Supervisory Board has decided that no quarterly reports will be published after the first and third quarters of the financial year as such interim reports are not deemed to be of significance to the public owing to the nature of the company's activities.

The company expects to announce its half-year results on 24 August 2007.

Copenhagen, 30 March 2007

Supervisory Board

## Profit and loss account

(DKK '000)	Note	2005	2006
Interest receivable	1	47,941	16,844
Interest payable	2	47,319	16,207
<b>Net interest income</b>		622	637
Securities and foreign exchange result	3	624	57
Staff and administrative expenses	4	979	501
<b>Profit before tax</b>		267	193
Tax	5	75	54
<b>Profit for the year</b>		192	139

### Distribution of profit

Amount available for distribution:

Profit for the year	192	139
Retained profits	12	252
<b>Total amount available for distribution</b>	204	391
The amount will be distributed as follows:		
Retained profits	-	-
Dividend	204	391
<b>Total distribution of amount available</b>	204	391

## Balance sheet

(DKK '000)	Note	2005	2006
<b>Assets</b>			
Balance due from credit institutions and central banks		16,221	16,031
Bonds	6	422,586	289,549
Other assets	7	5,435	3,700
Prepayments		14	-
<b>Total assets</b>		<b>444,256</b>	<b>309,280</b>
<b>Liabilities</b>			
Notes in issue	8	422,765	289,670
Other liabilities	9	5,484	3,668
Shareholders' funds:			
Share capital		6,000	6,000
Share premium account		6,000	6,000
Profit retained		3,803	3,551
Dividend proposed		204	391
<b>Total shareholders' funds</b>		<b>16,007</b>	<b>15,942</b>
<b>Total liabilities</b>		<b>444,256</b>	<b>309,280</b>
Contingent liabilities	10		
Notes without references	11-12		

## Shareholder's funds

(DKK '000)	2005	2006
Share capital at 1 January *	6,000	6,000
Share capital at 31 December	6,000	6,000
Share premium account at 1 January	6,000	6,000
Share premium account at 31 December	6,000	6,000
Retained profits at 1 January	4,128	4,007
Dividend paid	- 313	- 204
Retained profit for the year	- 12	- 252
Dividend proposed	204	391
Retained profits at 31 December	4,007	3,942
Total shareholders' funds at 31 December	16,007	15,942

\* The share capital constitutes of 6,000 shares at 1,000 kr. each

## Cash flow statement

(DKK '000)	2005	2006
<b>Cash flow statement</b>		
<b>Operating activities</b>		
Profit for the year before tax	267	193
Tax paid	- 120	- 75
Realised capital gains (net)	- 624	- 57
Prepayments and deferred income (net)	24	14
Accrued interest (net)	933	150
<b>Working capital</b>		
Redemption of issued notes	- 708,255	- 139,223
Redemption of acquired mortgage bonds	708,255	139,223
Other liabilities (excluding accrued interest)	121	- 210
Net cash flow from working capital	601	15
<b>Financing</b>		
Dividend paid	- 313	- 204
Net cash outflow from financing	- 313	- 204
Increase/decrease in cash and cash equivalents	288	- 189
Cash and cash equivalents at 1 January	15,932	16,220
<b>Cash and cash equivalents at 31 December</b>	<b>16,220</b>	<b>16,031</b>

## Notes

(DKK '000)	2005	2006
<b>Note 1 Interest receivable</b>		
Interest on balance due from credit institutions and central banks	403	424
Interest on bonds	47,538	16,420
<b>Total interest receivable</b>	<b>47,941</b>	<b>16,844</b>
<b>Note 2 Interest payable</b>		
Interest on notes in issue	47,319	16,207
<b>Total interest payable</b>	<b>47,319</b>	<b>16,207</b>
<b>Note 3 Securities and foreign exchange result</b>		
Realised capital gains on issued mortgage bonds (net)	1,177	6,008
Realised capital losses on CMOs (net)	553	5,951
<b>Total revaluation of bonds</b>	<b>624</b>	<b>57</b>
<b>Note 4 Staff and administrative expenses</b>		
Salaries and emoluments to the Supervisory Board	43	47
Other administrative expenses	936	454
<b>Total staff and administrative expenses</b>	<b>979</b>	<b>501</b>
<p>Other administrative expenses include DKK 66,000 (2005: DKK 68,000) in remuneration of firms appointed at the Annual General Meeting to undertake the statutory audit. DKK 52,000 has been paid for services other than the statutory audit (2005: DKK 0).</p>		
<b>Note 5 Tax</b>		
Estimated tax on the year's income	75	54
Deferred tax	-	-
<b>Total tax</b>	<b>75</b>	<b>54</b>



**Tax on profit for the year**

Tax on operating profit can be explained as follows:

28% calculation (2005: 28%) of operating profit before tax	75	54
Other deviations	-	-
<b>Total Tax</b>	<b>75</b>	<b>54</b>
Tax percentage	28%	28%

The company and all subsidiaries under Collateralized Mortgage Obligations Denmark Fonden are taxed on a pooled basis. Corporation tax is charged to the companies in proportion to their taxable income (full distribution).

Note 6	<b>Bonds</b>	Interest income	Book value	Interest income	Book value
	Acquired in connection with:				
	Sixth issue on 18 February 1999	30,690	422,586	16,420	289,549
	Seventh issue on 17 February 2000	16,848	-	-	-
	<b>Total bonds</b>	<b>47,538</b>	<b>422,586</b>	<b>16,420</b>	<b>289,549</b>

At 31 December 2006 the nominal value of the company's portfolio of mortgage bonds totalled DKK 297,348,000 (2005: DKK 436,572,000). The bonds serve as collateral for the company's obligations under the CMOs issued in connection with the bond purchases. At 31 December 2006 the market value of bonds totalled DKK 299,821,000 (31 December 2005: 447,378,000) and the omitted upward revaluation totalled DKK 2,473,000 (2005: DKK 24,792,000).

Note 7	<b>Other assets</b>				
	Interest receivable		5,435		3,700
	<b>Total other assets</b>		<b>5,435</b>		<b>3,700</b>

Note 8	<b>Notes in issue</b>	Interest expense	Book value	Interest expense	Book value
	Consist of the following:				
	Sixth issue on 18 February 1999	30,430	422,765	16,207	289,670
	Seventh issue on 17 February 2000	16,889	-	-	-
	<b>Total bonds in issue</b>	<b>47,319</b>	<b>422,765</b>	<b>16,207</b>	<b>289,670</b>

The CMOs outstanding mature as the underlying mortgage bonds are drawn for redemption. The maturity therefore depends on the prepayment rates for the mortgage bonds. The maturities below have been calculated assuming no prepayment activity after 1 April 2007. It has also been assumed that the company receives a proportionate share of overall redemptions. The below specification has been prepared in nominal values.

Maturing within 1 year	79,071	19,259
Maturing between 1 year and 5 years	39,786	33,354
Maturing after 5 years	317,715	244,735
<b>Total</b>	<b>436,572</b>	<b>297,348</b>

The issued bonds (CMO's) are listed at Copenhagen Stock Exchange. At 31 December 2006 the market value of bonds totalled DKK 299,074,000 (2005: DKK 442,019,000).

The bonds are issued without any direct interest against Collateralized Mortgage Obligations Denmark A/S. The noteholders have only recourse to the security, which consists of the underlying collateral and the proceeds thereof.

Note 9 **Other liabilities**

Interest payable	4,965	3,380
Tax payable	75	54
Other	444	234
<b>Total other liabilities</b>	<b>5,484</b>	<b>3,668</b>

Note 10 **Contingent liabilities**

Together with all subsidiaries under Collateralized Mortgage Obligations Denmark Fonden the company is jointly and severally liable for any tax on income taxed on a pooled basis for 2004 and earlier years.

Note 11 **Closely related parties**

Parties closely related to the company include Collateralized Mortgage Obligations Denmark Fonden and its subsidiaries as well as the Supervisory Board and Management Board of the company. Related party transactions take place on market terms. Apart from the emoluments to the Supervisory Board, no transactions with the Supervisory Board or the Management Board have been carried out during the year, and no major transactions have otherwise been effected with parties closely related to the company in 2006.

(DKK '000)

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Note 12 **Financial risks**

As regards the company's major financial assets and liabilities at 31 December 2006 the below contractual review or maturity dates apply, depending on whichever comes first:

DKKm	Review/maturity date*			of which fixed-rate	Yield %
	0-1 year	1-5 years	> 5 years		
Balances due from credit institutions etc.	16.0	-	-	-	3.00%
Bonds, nominal value	19.2	33.4	244.7	297.3	6.00%
Other assets	3.7	-	-	3.7	-
Bonds in issue, nominal value	- 19.2	- 33.4	- 244	- 297.3	5.90%
Other liabilities	- 3.4	-	-	- 3.4	-
<b>Total</b>	<b>16.3</b>	<b>-</b>	<b>-</b>	<b>0.3</b>	<b>-</b>

\* assuming no prepayments.

The company has no currency positions in relation to existing or expected future financial assets or liabilities. Derivatives are not employed at present.