



M

B147031

25/11/2010 L100179983.01

CDO : 850

MENTION

Nom de la société : Pillar Securitisation S.à r.l.
Siège social : 35a, Avenue J.F. Kennedy
L-1855 Luxembourg
R.C.S. Luxembourg : B 147.031
Capital Social : EUR 12.500

Le Bilan du 1er janvier 2009 au 31 décembre 2009
a été déposé au Registre de Commerce et des Sociétés de Luxembourg.

Pour mention aux fins de publication au Mémorial, Recueil Spécial des
Sociétés et Associations.

Signature :

25-11-2010

Ac

850



E

B147031

25/11/2010 L100179983.02

CDO : 850

PILLAR SECURITISATION S. à r.l.
Société à responsabilité limitée

R.C.S. Luxembourg B. 147.031

ANNUAL ACCOUNTS
As at 31 DECEMBER 2009

25-11-2010

BALANCE SHEET
as at 31 December 2009

ASSETS	Note	31 December 2009 EUR
C. Current assets		
I. Debtors		450 640 484,27
1. Loans	3, 14	
a) becoming due and payable within one year		942 013 879,56
b) becoming due and payable after more than one year		166 189 071,23
./ Value adjustments		<u>549 320 269,21</u>
		458 862 681,58
2. Other debtors		
a) becoming due and payable within one year		27 487 567,35
b) becoming due and payable after more than one year		
./ Value adjustments		<u>25 729 764,66</u>
		1 757 802,69
II. Transferable Securities	4, 5	
1. Other transferable securities		94 247 853,04
./ Value adjustments		<u>45 635 579,70</u>
		48 612 273,34
III. Cash at bank	6	33 191 761,22
D. Prepaid expenses and accrued income		5 136 332,25
TOTAL ASSETS		<u><u>547 580 851,08</u></u>

LIABILITIES	Note	31 December 2009 EUR
A. Capital and reserves		
I. Subscribed capital	7	12 500,00
B. Provisions for risks and charges		
Other provisions		4 171 133,46
C. Creditors		
1. Bonds	8	
a) Non-convertible bonds		
a) becoming due and payable within one year		857 853 677,33
b) becoming due and payable after more than one year		
2. Equalisation provision on non-convertible bonds	2.2.9	
Initial shortfall		189 060 791,73
Equalisation provision of the year		<u>130 177 136,08</u>
		319 237 927,81
3. Amounts owed to credit institutions		
a) becoming due and payable within one year		
b) becoming due and payable after more than one year		
4. Other creditors		
a) becoming due and payable within one year		2 964 499,80
b) becoming due and payable after more than one year		
D. Accruals and deferred income		1 816 968,30
TOTAL LIABILITIES		<u><u>547 580 851,08</u></u>

Pillar Securitisation S.à r.l.

Société à responsabilité limitée

RCS Luxembourg B 147.031

PROFIT AND LOSS ACCOUNT

for the period from 10 July 2009 to 31 December 2009

A. CHARGES	Note	10 July to 31 December 2009 EUR
3. Value adjustments in respect of current assets	9	90 418 472,67
4. Other operating charges	9	12 824 452,82
5. Value adjustments in respect of financial fixed assets and of transferable securities held as current assets	9	45 882 505,69
6. Interest payable and similar charges	9	10 911 135,65
TOTAL CHARGES		<u>160 036 566,83</u>

B. INCOME	Note	10 July to 31 December 2009 EUR
1. Other operating income		5 853 222,18
2. Income from other transferable securities and from loans forming part of the fixed assets		5 391 494,67
3. Other interest receivable and similar income	9, 10	18 614 713,90
4. Equalisation provision		130 177 136,08
TOTAL INCOME		<u>160 036 566,83</u>

Note 1 - General information

Pillar Securitisation S.à r.l. (hereafter "the Company") was incorporated on 10 July 2009 and organised under the Laws of Luxembourg as a limited liability company (*société à responsabilité limitée*) for an unlimited period and is subject to the Law of 22 March 2004 on securitisation ("The Securitisation Law").

The registered office of the Company is established in the City of Luxembourg, Grand Duchy of Luxembourg.

The Company's financial year starts on 1 January and ends on 31 December of each year save for the first accounting year which commenced on the day of incorporation and ended on 31 December 2009.

The Company's corporate object is to act as a securitisation company, under and subject to the Securitisation Law, through the acquisition or assumption, of risks relating to the corporate loan book and the private banking loan book and the related collateral and certain other securities, assets, rights and cash (the "Underlying Assets") and liabilities (including warranty claims and contingent liabilities) transferred to it as a result of the division of Kaupthing Bank Luxembourg S.A., société anonyme, RCS N° B 63.997, all as more fully described in the minutes of the extraordinary general shareholders meeting of Kaupthing Bank Luxembourg S.A. ("KBL") held on 10 July 2009 (the "demerger date"). The Company may issue any kind of notes (hereinafter the "Notes") the value or yield of which depends on all or part of the risks relating to the Underlying Assets. The Company may, whilst remaining within the scope of the Securitisation Law, also borrow to comply with any payment or other obligation it has under any of its Notes or under any agreement to be entered into in the context of its securitisation activities.

The Notes may be issued in different series or tranches with different rights.

The Notes may not be offered to the public.

The Company may sell, assign, re-acquire and dispose of any and all of the Underlying Assets through any means (including by way of sale, assignment, exchange, conversion, contribution or through derivative or swap transactions) and in general manage the Underlying Assets on a continuous and ongoing basis or delegate such management to a third party in its sole discretion.

Société à responsabilité limitée

RCS Luxembourg B 147.031

Notes to the annual accounts

31 December 2009

The Company may grant any kind of security interests under any law to any trustee, security trustee, security agent, fiduciary-representative or any other person representing the holders of Notes ("Noteholders") or any other party involved in the securitisation of the Underlying Assets or with whom the Company enters into agreements in connection with such securitisation in order to secure its payment or other obligations under any such agreement. The Company may enter into any agreement

or instruments and may issue, sign, approve or ratify any document and may do and allow all things and acts which are necessary to carry out and wind up the securitisation of the Underlying Asset.

The Company can perform all commercial, technical and financial or other operations, which are directly or indirectly connected with or useful to facilitate the accomplishment of its purpose (while however always remaining within the scope of the Securitisation Law).

Note 2 - Summary of significant accounting policies

2.1 Basis of preparation

The annual accounts have been prepared in accordance with Luxembourg legal and regulatory requirements. Accounting policies and valuation rules are, besides the ones laid down by the law, determined and applied by the Board of Managers.

2.2 Significant accounting policies

The main valuation rules applied by the Company are the following:

2.2.1 Formation expenses

The formation expenses of the Company are directly charged to the profit and loss account of the period.

2.2.2 Loans

Loans are valued at acquisition cost/nominal value including the expenses incidental thereto and interest fallen due on the loans.

Note 2 - Summary of significant accounting policies - continued

In case of a depreciation in value according to the opinion of the Board of Managers, value adjustments are made in respect of the loans, so that they are valued at the lower figure to be attributed to them at the balance sheet date. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

2.2.3 Transferable securities

Securities are valued at the lower of acquisition cost including the expenses incidental thereto or the market value respectively the recovery value. A value adjustment shall be made where the market value/recovery value is lower than the acquisition cost.

The portfolio of transferable securities consists of securities (bonds and shares) that were contributed by Kaupthing Bank Luxembourg S.A. at the time of demerger, securities (bonds and shares) that were appropriated by enforcement of pledge in reimbursement of loans. Part of the bond portfolio (the "KI Securities portfolio") is held in compliance with the Fiduciary Agreement dated 10 July 2009 between the Company, Banque Havilland SA, Dexia Banque Internationale à Luxembourg SA and Kaupthing Bank hf (Iceland) according to which the Company receives the proceeds of the portfolio until they have reached a cap of EUR 22.3m. Once this cap is reached, the securities will be held for the sole benefit of the beneficiary, Kaupthing Bank hf (Iceland), with the cash flows exceeding EUR 22.3m to be transferred to Kaupthing Bank hf.

Market value/recovery value corresponds to:

- The last available quote on the valuation day for securities listed on a stock exchange or dealt in on another regulated market;
- The recovery value estimated with care and in good faith by the Board of Managers without clearing between individual gains and losses in value, for unlisted securities or securities that are not dealt in on another regulated market, for securities listed on a stock exchange or dealt in on another regulated market where the latest quotation is not representative.
- As for the KI Securities portfolio, the following applies:
 - ⇒ All securities of the portfolio are collateralised debt obligations which are not listed and for which no observable market data are available.
 - ⇒ A mark-to-model value has been determined for a sample of 7 securities, representing 90% of the total acquisition cost of the portfolio; these securities have been valued at the lower of their acquisition cost or the estimated recovery value as determined by the mark-to-model method.

PILLAR SECURITISATION S.à r.l.

Société à responsabilité limitée

RCS Luxembourg B 147.031

Notes to the annual accounts

31 December 2009

- ⇒ Non-performing securities of the portfolio have been fully impaired.
- ⇒ Interest cash-flows received on the portfolio is recognised in the profit and loss account for a maximum amount equal to the difference between the cash-flow cap of EUR 22.3m and the net book value as at the closing date (i.e. the initial acquisition cost less value adjustments).

The valuation techniques used for the mark-to-model valuation include present value calculations and credit pricing models, themselves using input parameters that are not observable. Such valuation techniques involve complex and subjective judgments and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change.

2.2.4 Other debtors

Other debtors are recorded at their nominal value. They are subject to value adjustments where their recoverability is either uncertain or compromised at the closing date.

2.2.5 Prepaid expenses and accrued income

This asset item includes expenditure incurred during the financial year but relating to a subsequent financial year. It also includes income accrued during the financial year but falling due in a subsequent financial year.

2.2.6 Provisions for risks and charges

Provisions for risks and charges are intended to cover losses or debts the nature of which is clearly defined and which, at the date of the balance sheet, are either likely to be incurred or certain to be incurred but uncertain as to their amount or as to the date on which they will arise.

2.2.7 Value adjustments

Value adjustments are presented on separate lines according to the category of debtors they are related to and showing a total debtor net book value position.

Where there is an economic link between an asset and a debt, these are valued in total according to the method described above and the net unrealized loss is recorded in the profit and loss account.

Société à responsabilité limitée

RCS Luxembourg B 147.031

Notes to the annual accounts

31 December 2009

2.2.8 Bonds

Under the liabilities item are recognised the Notes issued by the Company, which constitute non-convertible, direct and secured obligations of the Company subject to the terms and conditions attached thereto.

The Notes issued are recognised at their outstanding principal amount, meaning the initial principal denomination of the Notes as (i) increased as a result of capitalisation of any interest shortfall and (ii) reduced as a result of payment of principal amount on the Notes.

2.2.9 Equalisation provision on non-convertible bonds

In accordance with the terms and conditions of the Notes, these Notes are limited recourse obligations of the Company, payable solely out of the Company's assets ("the Recourse Assets"). To the extent that these Recourse Assets are ultimately insufficient to satisfy the claims of all Noteholders in full, then the outstanding claims of the Noteholders under the Notes will be reduced on a pro rata basis by any shortfall arising. The Recourse Assets shall be deemed "ultimately insufficient" at such time when no further Recourse Assets are available or the Board of Managers, acting reasonably, has determined that no proceeds can be realised there from to satisfy any outstanding claims of the Noteholders and neither Recourse Assets nor proceeds will be so available thereafter.

Under the liabilities item are recognised total shortfalls on Recourse Assets as determined in the annual accounts on the basis of the valuation principles applied to the Recourse Assets, but before Recourse Assets are deemed ultimately insufficient and the outstanding principle amount of the Notes is reduced by such shortfalls in accordance with the afore-described terms and conditions of the Notes.

In such a case the Company recognises a gain in the position "Equalisation provision" in the profit and loss account. Furthermore, the position comprises the initial shortfall of the Recourse Assets valued as at the date of issuance of the Notes.

2.2.10 Other creditors

Debts under this liabilities item are recorded at their amount repayable.

Where the amount repayable on account is greater than the amount received, the difference may be accounted for in the profit and loss account when the debt is issued.

Société à responsabilité limitée

RCS Luxembourg B 147.031

Notes to the annual accounts

31 December 2009

2.2.11 Accruals and deferred income

Accrued expenses attributable to the financial year (including interest accrued, but not yet fallen due on Notes issued) are recognised under this caption.

It also includes the income received before the balance sheet date, but relating to a subsequent financial year.

2.2.12 Equalisation provision

Losses during the year as a result from sales, default, lower market/recovery values or cost may lead to an ultimate shortfall on the Notes issued. Such shortfalls will ultimately be born by the Noteholders in accordance with the terms and conditions of the Notes. Consequently, a provision for value diminution on the Notes will be made in respect of losses determined in accordance with valuation principles applied and such provision is recognised in the profit and loss account as "Equalisation provision".

2.2.13 Foreign currency translation

Transactions expressed in currencies other than EUR are translated into EUR at the exchange rate effective at the time of the transaction.

The Company being issued from the demerger of a Luxembourg Bank, it has maintained the daily foreign exchange translation that has been in force prior to its incorporation.

Therefore, as a derogation from LUXGAAP, daily revaluation of all foreign exchange positions is accounted for so that all unrealised gains and losses on foreign exchange positions are booked on a daily basis to the Company's profit and loss account.

Société à responsabilité limitée

RCS Luxembourg B 147.031

Notes to the annual accounts

31 December 2009

2.2.14 Valuation at opening balance sheet date

On the demerger date, the Company has been contributed the assets and liabilities of Kaupthing Bank Luxembourg S.A. as determined by the demerger deed.

Valuation of assets and liabilities contributed as at the demerger date was based on the unaudited interim financial statements of Kaupthing Bank Luxembourg S.A., as established by the Court appointed administrators during the period of suspension of payment of Kaupthing Bank Luxembourg S.A. and as presented to the approval of the Restructured Creditors within the Restructuring Plan of Kaupthing Bank Luxembourg S.A.

No audit report has been produced on the initial valuation of the assets and liabilities contributed to the Company on the demerger date.

2.2.15 Post balance sheet events

In respect of the Company's activities consisting in the winding up of assets, most of which are subject to impairment, the process of asset realisation continuously reveals new aspects that may affect the underlying recovery value post balance sheet date. For this reason, the Company considers most of such events as non-adjusting events after the balance sheet date.

Note 3 - Loans

At the demerger date, the Company was contributed with:

- the majority of the loans granted by Kaupthing Bank Luxembourg S.A. in the context of its private banking activity together with all interest accrued thereon and together with all rights and obligations under the relevant loan documentation and any other rights attached thereto;
- the majority of the corporate loans granted by Kaupthing Bank Luxembourg S.A. (including loans to banks) together with all interest accrued thereon and together with all rights and obligations under the relevant loan documentation and any other rights attached thereto.

The maturity distinction for loans is based on final maturities as per loan agreements in force and does not take into account repayment schedules, if any.
All loans called due and payable are recognised under the caption "becoming due any payable within one year."

Société à responsabilité limitée

RCS Luxembourg B 147.031

Notes to the annual accounts

31 December 2009

As at 31 December 2009, balances of loans granted to affiliated undertakings are as follows:

	Gross amount (EUR)	Value adjustments (EUR)	Net book value (EUR)
Loans (becoming due and payable within one year)	45,005,215.72	0.00	45,005,215.72
Loans (becoming due and payable after more than one year)	50,036,347.98	0.00	50,036,347.98
TOTAL	95,041,563.70	0.00	95,041,563.70

Note 4 - Transferable securities

The book value of the transferable securities consists of:

	Acquisition cost (EUR)	Adjustments on acquisition cost (EUR)	Value adjustments (EUR)	Net book value (EUR)
Bonds (excluding KI Securities portfolio)	42,189,924.22	0.00	-33,092,605.08	9,097,319.14
KI Securities (see below)	18,814,656.28	-692,794.24	-1,819,618.63	16,302,243.41
Shares	33,936,066.78	0.00	-10,723,355.99	23,212,710.79
Total net book value	94,940,647.28	-692,794.24	-45,635,579.70	48,612,273.34

PILLAR SECURITISATION S.à r.l.

Société à responsabilité limitée

RCS Luxembourg B 147.031

Notes to the annual accounts

31 December 2009

The KI Securities portfolio is recognised as follows:

Acquisition cost		18,814,656.28
./. Excess cash-flows (as per 2.2.3 above):	EUR	- 997,040.02
+ Foreign exchange adjustment:	EUR	<u>304,245.78</u>
Adjusted acquisition cost:	EUR	18,121,862.04
./. Value adjustments:		<u>- 1,819,618.63</u>
Total net book value:	EUR	16,302,243.41

In accordance with the accounting principles applied to the KI Securities portfolio, the total interest revenues for the period of:

	EUR	2,654,059.00
USD 5,256,139.21	EUR	<u>3,647,943.37</u>
Total for the period	EUR	6,302,002.37

have been recognised as follows:

- Interest revenue attributable to the Company and recognised in the profit and loss account: EUR 5,304,962.35;
- Interest revenue in excess of maximum revenue attributable to the Company given the cash-flow cap amount and recognised as diminution of the acquisition cost of the portfolio: EUR 997,040.02.

Note 5 - Undertakings in which the company holds more than 20% of the capital

The table below contains the undertakings, in which the company holds more than 20% of the capital as at 31 December 2009:

Security	Country	quantity	CURR	Issued shares	Participating interest in %	Capital	Result of financial year	Financial year
Kaupthing-SIF	LU	31	EUR	31	100%	N/A		31/12/2009
Privileged Prop Lux	LU	3,250	EUR	6,500	50%	6,500,000.00	- 36,625.00	31/12/2009
IMMO Croissance Ord	LU	25,042,231	EUR	25,042,231	100%	16,476,033.00	- 8,477,668.00	31/12/2009

Annual accounts as at 31 December 2009 for Kaupthing SIF were not available at the time of this report.

Société à responsabilité limitée

RCS Luxembourg B 147.031

Notes to the annual accounts

31 December 2009

Note 6 - Cash at bank

As per the Terms & Conditions for Notes signed on 10 July 2009, the Company maintains three cash accounts:

- A Main cash collection account with Banque & Caisse d'Epargne de l'Etat, Luxembourg
- A Cash collection account with Banque Havilland SA on which the following are credited:
 - (a) the Initial Cash amount;
 - (b) all proceeds and income from SPV Assets (whether from sale or payment), except for the KI Securities Upside;
 - (c) any Unclaimed Warranty Reserve Amount;
 - (d) any Excess Liquidity Amount;
 - (e) any interest paid in respect of each Cash Account;
 - (f) any Guarantee Repayment under Schedule V;
 - (g) the proceeds of any Transferred Litigation.
- A Liquidity Reserve account with Banque Havilland SA on which the Company maintains the Minimum Liquidity Reserve Amount to cover potential liquidity needs arising from its normal course of business. This includes fees payable to Banque Havilland SA as Administration Agent, undrawn commitments, legal fees of the SPV, reasonable fees and expenses of the members of the Steering Committee and other operating costs).

Note 7 - Subscribed capital

The subscribed capital amounts to EUR 12,500 and is divided into 1 share, fully paid-up, with a nominal value of EUR 12,500.

Société à responsabilité limitée

RCS Luxembourg B 147.031

Notes to the annual accounts

31 December 2009

Note 8 - Bonds

The Notes payable are compromised as follows:

	31 December 2009
	(EUR)
Tranche A Super Senior Notes	185,000,000.00
Tranche B Senior G Notes	74,197,171.52
Tranche B Senior IB Notes	598,656,505.81
TOTAL	857,853,677.33
Tranche W Note (pro-forma nominal amount)	1.00
Tranche X Note (pro-forma nominal amount)	1.00

The Notes bear interest paid on quarterly basis on 15 February, 15 May, 15 August and 15 November of each year with the first Interest Payment Date being on 15 August 2009, or if any such day is not a Business Day, on the immediately following Business Day.

On quarterly basis, Available Cash as at the end of the preceding calendar quarter is allocated and paid in accordance with the following summarised Waterfall Provisions:

- (i) first, payment of the Management Fee and other amounts payable under the Collection Services Agreement, Deposit Bank Agreement, Collateral Agreement, Domiciliary Agreement, Fiduciary Agreement and other operating costs of the SPV including auditors fees, legal filing expenses, legal fees of the SPV, initial legal fees of the Interbank Creditors (payable only on or prior to the first Interest Payment Date) and reasonable fees and expenses of the members of the Steering Committee.
- (ii) then, if the Portfolio Value is lower than EUR 200 million, allocation to the Tranche W Reserve Account up to the Reduced Tranche W Reserve Amount following which this sub-condition (ii) will no longer apply;
- (iii) then payment of any amount due to Banque Havilland SA in respect of Guarantee Exposure Payment Obligation Amounts. This sub-condition (iii) is without prejudice to the obligation to pay all or part of all amounts called under the Guarantees on dates other

Société à responsabilité limitée

RCS Luxembourg B 147.031

Notes to the annual accounts

31 December 2009

- than Interest Payment Dates subject to having made full allocation to sub-conditions (i) to (ii) inclusive of the Waterfall Provisions;
- (iv) then, allocation to the Liquidity Reserve Account until the Minimum Liquidity Reserve Amount of 10,000,000 EUR is reconstituted;
 - (v) then, in case there are one or more unsatisfied Warranty Claims, but only until the Reduced Tranche W Reserve Amount has been fully funded, an amount equal to the outstanding balance of such Warranty Claims up to the Reduced Tranche W Reserve Amount and, if applicable, any relevant Late Warranty Interest, shall be allocated to the Tranche W Reserve Account, provided that amounts paid into the Tranche W Reserve Account have not reached the Reduced Tranche W Reserve Amount, and will be paid to the holder of the Tranche W Note in satisfaction of the claims of the holder of the Tranche W Note to the relevant Warranty Claim and Late Warranty Interest.
 - (vi) then payment in full of accrued but unpaid interest under the Super-Senior Notes; and
 - (vii) then, except in case a Super-Senior Notes Enforcement Event has occurred and is subsisting on the relevant Interest Payment Date, payment in full of accrued but unpaid interest under the Senior Notes on a pro rata and pari passu basis.

The resulting balance is the "Excess Cash I" that is allocated as follows, prior any super senior enforcement event occurs:

- a) On each Interest Payment Date on which the Super-Senior Notes are still outstanding, Excess Cash I is applied to the re-payment of the Note Outstanding Principal Amount of the Super-Senior Notes. If on an Interest Payment Date on which the Super-Senior Notes are still outstanding, there is any Unpaid Super-Senior Cap Amount, such Unpaid Super-Senior Cap Amount will be paid out of Excess Cash I before any other payment is made.
- b) On each Interest Payment Date, any balance of Excess Cash I remaining after the payment of (i) any outstanding Unpaid Super-Senior Cap Amount payable on such date and (ii) the Individual Super-Senior Cap (if any) in respect of such Interest Payment Date shall be applied to the repayment of the Note Outstanding Principal Amount of the Senior Notes on a pro rata and pari passu basis.

After the occurrence of a Super-Senior Notes Enforcement Event, provided that such Super-Senior Notes Enforcement Event is subsisting on the relevant Interest Payment Date, the following provisions will apply.

- a) (vii) above will no longer apply for the determination of Excess Cash I and no payment will occur in respect of that Condition.
- b) Excess Cash I so calculated will be applied in full to the repayment of the Note Outstanding Principal Amount of the Super-Senior Notes.
- c) Following the repayment in full of all the Note Outstanding Principal Amount of the Super-Senior Notes, Excess Cash I will be applied to:
 - i. the payment in full of accrued interest under the Senior Notes on a pro rata and pari passu basis; and thereafter
 - ii. the repayment of the Note Outstanding Principal Amount of the Senior Notes on a pro rata and pari passu basis.

PILLAR SECURITISATION S.à r.l.

Société à responsabilité limitée

RCS Luxembourg B 147.031

Notes to the annual accounts

31 December 2009

Following full repayment of the Super-Senior Notes, the Super-Senior Notes will be cancelled and shall have no further rights attached thereto. After all accrued interest and Note Outstanding Principal Amount of the Super-Senior Notes and Senior Notes shall have been paid, any further Available Cash after allocations or payment of the amounts referred to in Condition 7.1 (i), (iii), (iv), (v) and (vi) above (if any) will represent "Excess Cash II".

Excess Cash II shall be allocated and paid as additional distributions on the Senior Notes on a pro rata and pari passu basis, provided that if New Bank has the right to receive repayment (the Repayment) of any Shared Benefit as determined in the Terms & Conditions for the issue of Notes, any amount to be allocated to the holders of the Senior Notes shall be paid to the Tranche X Note up to the Repayment.

Note 9 - Income and charges

The main income stream is made of interest received from outstanding loans, as disclosed under the caption "Other interest receivable and similar income".

The main charges are:

- The value adjustments booked to reflect the lower recovery value due to deterioration of the loans contributed to the Company on its incorporation date, as well as write-offs thereon (disclosed under the caption "Value adjustments in respect of current assets" of the profit and loss account);
- The value adjustments booked to reflect the lower market value or recovery value of the securities portfolio, as well as write-offs thereon (disclosed under the caption "Value adjustments in respect of financial fixed assets and of transferable securities held as current assets" of the profit and loss account);
- The legal fees paid to lawyers assisting the Company in the recovery process (disclosed under the caption "Other operating charges" of the profit and loss account);
- Management fees and performance fees payable to Banque Havilland S.A. in compliance with the Collection Service Agreement signed on 10 July 2009 (disclosed under the caption "Other operating charges" of the profit and loss account);
- The interest on the Notes outstanding (disclosed under the caption "Interest payable and similar charges" of the profit and loss account).

PILLAR SECURITISATION S.à r.l.

Société à responsabilité limitée

RCS Luxembourg B 147.031

Notes to the annual accounts

31 December 2009

Note 10 - Interest receivable from affiliated undertakings

During the financial year ended 31 December 2009, the Company perceived interest revenues on loans granted to affiliated undertakings in the amount of EUR 2,868,213.24

Note 11 - Off-balance sheet commitments

The off-balance sheet commitments represent:

- a) Guarantees (Schedule V of the Terms and Conditions for Notes)

The Company has accepted to grant Banque Havilland SA a counter guarantee for guarantees known at the time of the demerger. The counter guarantee given by the Company to Banque Havilland SA is capped at EUR 7,000,000.

During the period under review, three counter-guarantees were called for an aggregated amount of EUR 3,807,791.

- b) Warranty (Schedule VI of the Terms and Conditions for Notes)

The Company accepted to grant Banque Havilland SA a warranty for claims that would be introduced to Banque Havilland SA after the demerger but relating to acts that occurred before the demerger. The warranty given by the Company to Banque Havilland SA is capped at EUR 20,000,000.

During the period under review no warranty claim was introduced to the Company by Banque Havilland SA.

Note 12 - Subsequent events

- a) Warranty under Schedule VI:

Since the beginning of 2010 and until today, eight warranty claim notices have been presented to the Company by Banque Havilland SA, in compliance with the Schedule VI of the Terms & Conditions of the Notes. These Notices amount to EUR 16,614,783.85, the three major ones totalling EUR 16,119,817.44 i.e. 97.02% of the received claims.

As of today only one claim has been paid for an amount of EUR 119,050. The remaining claims are still disputed by Banque Havilland SA.

No provisions for risk have been recognized for these claims as at 31 December 2009 as they occurred in 2010.

b) FX Hedging:

In December 2009, the Board of Managers has formally approved the implementation of foreign exchange (FX) hedging as a solution to protect the SPV's assets from adverse currency movements by using short term renewable currency swaps due to the uncertain maturity profile of the Company's assets.

Though decided in December 2009, the hedging process has only been implemented as of January 2010.

c) Loans/ Securities:

In respect of the accounting principles described under Note 2.2.15 above, the most significant non-adjusting post balance sheet events affecting the Company's loans and securities portfolio have been as follows:

1. Adjustment to 55% of a receivable of GBP 19m (EUR 22.9m)
2. Write-off in January 2010 of a fully impaired private banking lombard loan for an amount of EUR 60.8 m due to no expected recovery.
3. Launching of the sale process of a partially impaired defaulted matured senior loan of EUR 33.4m.
4. Sale for EUR 8m of a fully impaired junior bond.

Note 13 - Taxation

The Company is subject to all taxes applicable to securitisation companies in Luxembourg.

PILLAR SECURITISATION S.à r.l.

Société à responsabilité limitée

RCS Luxembourg B 147.031

Notes to the annual accounts

31 December 2009

Note 14 - Advances and loans granted to members of the administrative, managerial and supervisory bodies

No advances or loans were granted to the members of the Board of Managers or any other managerial or supervisory bodies during the financial year ended 31 December 2009.