

dbInvestor Solutions 2 plc

Directors' report and financial statements

**For the year ended
30 June 2020**

Registered number 539687

dbInvestor Solutions 2 plc

Contents	Page
Directors and other information	1
Directors' report	2 – 8
Statement of Directors' responsibilities in respect of Directors' report and the financial statements	9
Independent auditor's report	10 – 15
<i>Financial Statements</i>	
Statement of Financial Position	16
Statement of Comprehensive Income	17
Statement of Cash Flows	18
Statement of Changes in Equity	19
Notes to the Financial Statements	20 – 66

dbInvestor Solutions 2 plc

Directors and other information

Directors	Niall O'Carroll (Irish) - <i>Independent</i> Brian Brady (Irish) - <i>Independent</i> Bronagh Hardiman (Irish)
Registered office	Block A, George's Quay Plaza George's Quay Dublin 2, Ireland
Trustee	Deutsche Trustee Company Limited Winchester House 1 Great Winchester Street London EC2N 2DB United Kingdom
Administrator & Company Secretary	Vistra Alternative Investments (Ireland) Limited Block A, George's Quay Plaza George's Quay Dublin 2, Ireland
Independent auditor	Ernst & Young Harcourt Centre Harcourt Street Dublin 2, Ireland
Arranger, Custodian, Banker & Swap Counterparty	Deutsche Bank AG, London Branch Winchester House 1 Great Winchester Street London EC2N 2DB United Kingdom
Listing Agent	Irish / Vienna / Cayman Listing Agent Deutsche Bank AG, London Branch Winchester House 1 Great Winchester Street London EC2N 2DB United Kingdom
Solicitor	Matheson 70 Sir John Rogerson's Quay Dublin 2, Ireland

dbInvestor Solutions 2 plc

Directors' Report

The Directors present the Directors' Report and audited financial statements of dbInvestor Solutions 2 plc (the "Company") for the year ended 30 June 2020.

Principal activities, business review and future developments

The Company has established a Multi-Issuance Programme (the "Programme") to issue debt securities and/or other secured limited recourse indebtedness. Debt securities are issued in series (each a "series") and the terms and conditions of the debt securities of each series are set out in a supplemental prospectus (each a "Prospectus") for such series. Debt securities issued by the Company are listed with the Main Securities Market of the Irish Stock Exchange plc, trading as the Euronext Dublin ("Euronext Dublin"), the Vienna Stock Exchange or the Cayman Islands Stock Exchange. Details of series listed on specific exchanges are disclosed in note 8.

The Programme offers investors the opportunity to gain exposure to a portfolio of investments the "investment securities".

Each series of debt securities issued is secured as set out in the terms and conditions of the debt securities issued as set out in the relevant Prospectus and a first fixed charge over funds held by the Agents under the Agency Agreement (each as defined in the relevant issue deeds (each an "Issue Deed") or as incorporated by reference therein). Refer to note 22 for the profile of debt securities issued. 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 relevant Issue Deed or as incorporated by reference therein) and any additional security as may be described in the relevant Prospectus. For details about the investments held by the Company, refer to note 7. 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. Refer to note 21(b)(ii) for further details on liquidity risk.

The Company holds cash and investment securities. Refer to notes 4 and 7 for more information.

The credit risk of the investment securities 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 holder of the debt securities issued. Refer to note 21(b)(i) for further details about how the Company manages credit risk.

For every new issuance of debt securities, Deutsche Bank AG, London Branch ("DB London"), as Arranger, transfers to the Company a series fee relative to each series issued 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 year. Refer to notes 15 and 20 for further details.

In accordance with the Programme Proposal Agreement dated 2 June 2014 between the Company and DB London (as amended and/or supplemented from time to time) (the "Programme Proposal Agreement"), DB London as the Arranger agrees to pay for Series Overheads (as defined in the Programme Proposal Agreement). DB London is also the swap counterparty for all series where derivatives are held. Refer to note 6 on details of the derivative financial instruments.

dbInvestor Solutions 2 plc

Directors' Report (continued)

Principal activities, business review and future developments (continued)

The Company made a net loss from investment securities of EUR 120k for the year (2019: EUR 4,949k gain) and a net loss from derivative financial instruments of EUR 976k (2019: EUR 399k loss). 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, and derivative financial instruments, the Company made a corresponding net finance gain on debt securities issued of EUR 1,096k (2019: EUR 4,550k loss) for the year resulting in nil profit for the year ended 30 June 2020 (2019: nil).

As at 30 June 2020, the fair value of the Company's total debt securities issued was EUR 69,481k (2019: EUR 98,303k). There were no new series issued during the year (2019: nil). Refer to note 8 for further details.

During the year, series 1 matured and series 6 was partially redeemed (2019: nil).

The following series are currently in issue as at year end date: Series 3, 4, 5, 6, 7, 8 and 9 (2019: Series 1, 3, 4, 5, 6, 7, 8 and 9).

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

The Directors expect that the rapid spread of the novel coronavirus ("COVID-19") is likely to weigh at least temporarily on the present level of activity of the Company. Please refer to Risk and uncertainties section for the detailed discussion on COVID-19 and its impact on going concern. Nonetheless, the board of Directors (the "Board") will continue to seek new opportunities for the Company and will continue to ensure proper management of the current portfolio of series of the Company.

It is anticipated that while some series will redeem or mature, it is also expected that the new issuances will be made. As at the reporting date, there are no expected changes to the Company's level and type of operations in the foreseeable future.

Political donations

The Company made no political donations during the year (2019: nil).

Results and dividends for the year

The results for the year are set out on page 17. The Directors do not recommend the payment of a dividend for the year under review (2019: nil).

Changes in Directors

The names of the persons who were Directors during the year are set out below. Except where indicated, they served as Directors for the entire year:

Niall O'Carroll (Irish)

Brian Brady (Irish)

Bronagh Hardiman (Irish)

Risks and uncertainties

The principal risks and uncertainties facing the Company relate to the debt securities issued, investment securities, total return swap and derivative financial instruments held by the Company. The principal financial risks and uncertainties facing the Company (other than operational risks) and the risk management framework in place to deal with these risks are explained in notes 21 of the financial statements.

dbInvestor Solutions 2 plc

Directors' Report (continued)

Risks and uncertainties (continued)

United Kingdom Exit

The United Kingdom formally left the European Union ("EU") on 31 January 2020. On 1 February 2020, a transition period commenced which is due to end on 31 December 2020. During this time, weaker investments and thereby slower economic growth are expected to persist. DB London will continue to be the Arranger, banker, custodian, and swap counterparty of the Company for existing debt securities issued until maturity provided that there are no transactions involving "regulated life-cycle events" which may trigger licensing requirements restricting DB London's ability to transact with the Company.

COVID-19

On December 2019, COVID-19 was reported in Wuhan, China. As the pandemic evolves, many areas have detected imported cases and local transmission of COVID-19. As of now, COVID-19 has since spread to over 210 countries worldwide and on March 11, 2020 the World Health Organization declared COVID-19 a pandemic.

The spread of the COVID-19 outbreak has caused severe disruptions in the Irish and global economy and financial markets and could potentially create widespread business continuity issues of an as yet unknown magnitude and duration. Many countries, including Ireland, have reacted by instituting quarantines and restricting travel. Many experts predict that the outbreak will trigger a period of global economic slowdown or a global recession.

In terms of the financial impact of COVID-19, the Company continues to receive expected interest cashflows from the underlying securities and, similarly, the Company continues to make expected payments to holders of debt securities. The Company continues to have the ability to meet operational costs. There has been no significant change on the valuation of the underlying securities. The Directors will continue to monitor the impact of COVID-19 on the financial results and cashflows of the Company going forward.

The Directors considered the impact that COVID-19 may have over the going concern assumption of the Company. The limited recourse nature of the securities issued by the Company limit the investor's recourse to the underlying net assets of that particular series of debt securities issued. The investors have no right to take any step for the winding up or liquidation of the Company in the event that the underlying assets are insufficient to repay the principal/interest amounts of the debt securities issued. Further, to manage the principal risks impacting the Company such as market risks, liquidity risks and credit risks, it has entered derivative swap agreements with DB London depending on the requirement of each particular series issued. Also, as per Programme Proposal Agreement, DB London as the Arranger agrees to pay for Series Overheads (as defined in the Programme Proposal Agreement).

Going Concern

The Company's response to the impact of COVID-19 is set out in the Risks and uncertainties section above.

The Directors have concluded that the impact of COVID-19 and exit of United Kingdom from EU do not represent a material uncertainty in relation to the Company's ability to continue as going concern as at the date of these financial statements.

Further details regarding the adoption of the going concern basis, in preparing the financial statements, can be found in the Basis of preparation (Note 2a).

dbInvestor Solutions 2 plc

Directors' Report (continued)

Directors, secretary and their interests

The Directors and secretary who held office on 30 June 2020 did not hold any beneficial interests in shares and debentures of the Company at that date, during the year or at the beginning of the year. There were no contracts of any significance in relation to the business of the Company in which the Directors had any interest, as defined in section 329 of the Companies Act 2014 (as amended) (the "Act"), at any time during the year.

Collateral default events

There have been no collateral default events during the year (2019: nil).

Subsequent events

Since the end of the reporting period the Company has not issued any new series of debt securities, no maturities and no repurchases have been made after the year end. There were no events after the reporting date up to the date of the approval of the financial statements, which require adjustment to or disclosure in the financial statements.

Annual Corporate governance statement

Introduction

The Company is subject to and complies with the Act and the Listing Rules of Euronext Dublin, the Vienna Stock Exchange and the Cayman Islands Stock Exchange. Each of the service providers listed on page 1 engaged by the Company are subject to their own corporate governance requirements.

Financial Reporting Process

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 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 and reports to the Board any control issues as they arise.

The Board has established processes regarding internal control and risk management systems to ensure its effective oversight of the financial reporting process. These include appointing Vistra Alternative Investments (Ireland) Limited (the "Administrator" or "VAAIL"), to maintain accounting records independently of DB London who is the Arranger and custodian. The Administrator is contractually obliged to maintain adequate accounting records as required by the corporate administration agreement. To that end the Administrator performs reconciliations of its accounting records to those of the Arranger and the custodian. The Administrator is also contractually obliged to prepare for review and approval by the Board, the annual report including financial statements intended to give a true and fair view.

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.

dbInvestor Solutions 2 plc

Directors' Report (continued)

Annual Corporate governance statement (continued)

Risk Assessment

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 recommendations and to ensure that these changes are accurately reflected in the Company's financial statements. More specifically:

- The Administrator has a review procedure in place to ensure errors and omissions in the financial statements are identified and corrected.
- Regular training on accounting rules and recommendations is provided to the accountants employed by the administrator.

Control Activities

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.

Monitoring

The Board has an annual process to ensure that appropriate measures are taken to consider and address the shortcomings identified and measures recommended by the independent auditors.

Given the contractual obligations on 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.

Capital Structure

No person has a significant direct or indirect holding of securities in the Company. No person has any special rights of control over the Company's share capital.

There are no restrictions on voting rights.

With regard to the appointment and replacement of Directors, the Company is governed by its Constitution and the Act. The Constitution may be amended by special resolution of the shareholders.

Powers of Directors

The Board is responsible for managing the business affairs of the Company in accordance with the Constitution. The Board may delegate certain functions to the Administrator and other parties subject to the supervision and direction of the Board. The Board has delegated the day to day administration of the Company to the Administrator.

dbInvestor Solutions 2 plc

Directors' Report (continued)

Annual Corporate governance statement (continued)

Audit committee

Under Section 1551(1) of the Act, all public-interest entities are required to establish an audit committee, subject to certain exemptions. Section 167 of the Act also requires the Directors of PLC's or large companies (as such term is defined in the Act) to establish an audit committee or to state the reasons for not establishing such a committee.

As set out in Section 1551(11)(c) of the Act, a company issuing asset backed securities may avail of an exemption from the requirements to establish an audit committee. The sole business of the Company relates to the issuing of asset-backed securities and as such, the Company has availed itself of the exemption under Section 1551(11)(c) of the Act.

Accounting records

The Directors believe that they have complied with the requirements of Sections 281 to 285 of the Act with regard to adequate accounting records by engaging a service provider who employs accounting personnel with the appropriate expertise and by providing adequate resources to the finance function. The accounting records of the Company are maintained at Block A, George's Quay Plaza, George's Quay, Dublin 2, Ireland.

Directors' compliance statement

The Directors, in accordance with Section 225(2) of the Act, acknowledge that they are responsible for securing the Company's compliance with certain obligations specified in that section arising from the Act, market abuse regulations and prospectus regulations and tax laws ('relevant obligations'). The Directors confirm that:

- a compliance policy statement has been drawn up setting out the Company's policies with regard to such compliance;
- appropriate arrangements and structures that, in their opinion, are designed to secure material compliance with the Company's relevant obligations, have been put in place and;
- a review has been conducted, during the financial year, of the arrangements and structures that have been put in place to secure the Company's compliance with its relevant obligations.

Independent auditor

In accordance with Section 383(2) of the Act, Ernst & Young, Chartered Accountants was appointed on 12 February 2018 and have expressed their willingness to continue in office.

dbInvestor Solutions 2 plc


Directors' Report (continued)


Disclosure of Relevant Information to Auditors

In accordance with Section 330(1), each of the persons who is a Director at the date of approval of this report confirms that:

- so far as he/she is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of this information.

Approved and authorised for issue on behalf of the Board on Oct-29-2020.

DocuSigned by:

D23AD2379E2F4A8...
Brian Brady
Director

DocuSigned by:

A15200B09B75441F...
Bronagh Hardiman
Director

dbInvestor Solutions 2 plc

Statement of Director's responsibilities in respect of Directors' report and the financial statements

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

The Act requires the Directors to prepare financial statements for each financial year. In accordance with the Act, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ('IFRS'), as adopted by EU.

Under the Act, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Company at the financial year end date and of the profit or loss of the Company for the financial year and otherwise comply with the Act.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- state whether the financial statements have been prepared in accordance with applicable accounting standards, identify those standards and note the effect and the reasons for any material departure from those standards.

The Directors are also required by the Transparency (Directive 2004/109/EC) Regulations 2007 (as amended) (the "Transparency Regulations"), to include a Directors' report containing a fair review of the business and a description of the principal risks and uncertainties facing the Company.

The Directors are responsible for ensuring that the Company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the Company, enable at any time the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy, enable them to ensure that the financial statements and Directors' Report comply with the Act and enable the financial statements to be audited. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

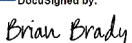
These financial statements comply with the above mentioned requirements.

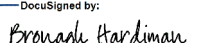
Responsibility Statement, in accordance with the Transparency Regulations

Each of the Directors, whose names are listed on page 1 of these financial statements confirms that, to the best of each person's knowledge and belief;

- the financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities and financial position of the Company as at 30 June 2020 and its result for the year then ended; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

Approved and authorised for issue on behalf of the Board on Oct-29-2020.

DocuSigned by:

 D23AD2379E2F4A8
Brian Brady
 Director

DocuSigned by:

 81F0C08F75443E
Bronagh Hardiman
 Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DBINVESTOR SOLUTIONS 2 PLC

Opinion

We have audited the financial statements of dbInvestor Solutions 2 plc ('the Company') for the year ended 30 June 2020, which comprise the Statement of Financial Position, Statement of Comprehensive Income, Statement of Cash Flows, Statement of Changes in Equity and notes to the financial statements, including the summary of significant accounting policies set out in Note 3. The financial reporting framework that has been applied in their preparation is Irish Law and International Financial Reporting Standards (IFRS) as adopted by the European Union, as applied in accordance with the provisions of the Companies Act 2014.

In our opinion, the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Company as at 30 June 2020 and of its result for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2014;
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard as applied to public interest entities issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters, in relation to which ISAs (Ireland) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DBINVESTOR SOLUTIONS 2 PLC
(continued)**

Key audit matters (continued)

Risk	Our response to the risk	Key observations communicated to the Board of Directors
<p>Management override of controls over the estimations, inputs and assumptions involved in the valuation of the underlying Higher Estimation Uncertainty (HEU) financial instruments. (Amount in '000)</p> <p>Derivative assets €227 (2019: nil)</p> <p>Derivative liabilities €5,395 (2019: €7,446)</p> <p>The audit team has identified a risk of management override of controls over the valuation of HEU Financial Instruments. This includes all derivative instruments (2019: all derivative instruments) and the associated unrealised gains and losses. This is primarily as a result of the use of complex assumptions and judgements in the valuation of derivative positions that reference illiquid asset classes.</p> <p>Refer to Notes 3(b), 6, 21 and 23 in the financial statements.</p>	<p>We have performed the following procedures in response to the identified risk:</p> <ul style="list-style-type: none"> • We assessed the appropriateness of policies governing the accounting treatment and valuation of HEU financial instruments. • We obtained an understanding, evaluated and tested the design effectiveness of key controls over the valuation of the HEU financial instruments, including appropriate governance procedures and management review. • We tested the valuation of HEU financial instruments using independent models and market data. Where client data was relied upon, we assessed reasonableness of the data used. • Tested the design effectiveness of key controls over the valuation adjustment process, including Credit Valuation Adjustments, Debit Valuation Adjustments, and Funding Valuation Adjustments (collectively 'XVA' balances), including appropriate governance procedures and management review. • We confirmed the valuation of swaps with the Swap counterparty as at 30 June 2020. • We tested the completeness of the recording of valuation adjustments within the financial statements. 	<p>Our planned audit procedures were completed and no material exceptions were noted.</p>

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DBINVESTOR SOLUTIONS 2 PLC (continued)

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

Materiality is the magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be €1,389,620 (2019: €983,030) which equates to 2% (2019: 1%) of the Noteholder's liability of the Company. We believe that noteholder's liability provides us with the most appropriate basis for materiality having considered the expectation of the users of the financial statements and the overall business environment. Based on our understanding of the entity and past experience, we have increased the materiality to 2%.

During the course of our audit, we reassessed initial materiality and concluded that our initial determination of materiality was still appropriate.

Performance materiality

Performance materiality is the application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2019: 50%) of our planning materiality, namely €1,042,215 (2019: €491,515). We have set performance materiality at this percentage based on our knowledge of the entity and industry, effectiveness of the control environment, our assessment of the risks associated with the engagement. Based on our understanding of the entity, past experience, and history of misstatements, we have increased the performance materiality to 75%.

Reporting threshold

Reporting threshold is the amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Board of Directors that we would report to them all uncorrected audit differences in excess of €69,481 (2019: €49,152), which is set at 5% (2019: 5%) of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

An overview of the scope of our audit report

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. Taken together, this enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of entity-wide controls, including controls and changes in the business environment and other factors such as controls within the administrator when assessing the level of work to be performed.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DBINVESTOR SOLUTIONS 2 PLC (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the Directors' Report and Statement of Directors' responsibilities in respect of Directors' report and the financial statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Other information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, we report that:

- in our opinion, the information given in the Directors' report is consistent with the financial statements; and
- in our opinion, the Directors' report has been prepared in accordance with the Companies Act 2014.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

In our opinion, the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited and the financial statements are in agreement with the accounting records.

In addition we report, in relation to information given in the Corporate Governance Statement on pages 5 to 7, that:

- ▶ based on knowledge and understanding of the company and its environment obtained in the course of our audit, no material misstatements in the information identified above have come to our attention;
- ▶ based on the work undertaken in the course of our audit, in our opinion:
 - ▶ the description of the main features of the internal control and risk management systems in relation to the process for preparing the financial statements, and information relating to voting rights and other matters required by the European Communities (Takeover Bids (Directive 2004/25/EC)) Regulations 2006 and specified by the Companies Act 2014 for our consideration, are consistent with the financial statements and have been prepared in accordance with the Companies Act 2014; and
 - ▶ the Corporate Governance Statement contains the information required by the Companies Act 2014.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DBINVESTOR SOLUTIONS 2 PLC (continued)

Matters on which we are required to report by exception

Based on the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by sections 305 to 312 of the Act are not made. We have nothing to report in this regard.

Respective responsibilities

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are in relation to compliance with Irish Companies Act 2014 and IFRS as adopted by the European Union.
- We understood how the Company complies with the framework established by understanding the entity level controls. The Board has established processes regarding internal control and risk management systems to ensure its effective oversight of the financial reporting process. The internal control process includes the appointment of the Administrator to maintain the accounting records of the Company independently of the arranger and the custodian.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by performing substantive procedures in relation to the financial statement close process and valuation of financial instruments.
- Based on this understanding, we designed our audit procedures to identify non-compliance with such applicable laws and regulations.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DBINVESTOR SOLUTIONS 2 PLC (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

In relation to the key audit matter; Risk of Management override of controls over the estimations, inputs and assumptions involved in the valuation of the underlying HEU financial instruments, further discussion to it is set out in the Key Audit Matters section of our report.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA's website at: http://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf.

This description forms part of our auditor's report.

Other matters which we are required to address

We were appointed by the Board of Directors on 31 October 2018 to audit the financial statements for the year ended 30 June 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 3 years.

The non-audit services prohibited by IAASA's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

Our audit opinion is consistent with the additional report we have provided to the Board of Directors.

The purpose of our audit work and to whom we owe our responsibilities

Our report is made solely to the Company's members, as a body, in accordance with section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Ramakrishnan Ramanathan
for and on behalf of
Ernst & Young Chartered Accountants and Statutory Audit Firm

Office: Dublin

Date: 30 October 2020

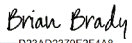
dbInvestor Solutions 2 plc

Statement of Financial Position

As at 30 June 2020

	Note	2020 €'000	2019 €'000
Assets			
Cash and cash equivalents	4	35	35
Other assets	5	1,081	1,458
Derivative assets	6	227	-
Investment securities designated at fair value through profit or loss	7	73,634	104,359
Total assets		74,977	105,852
Liabilities			
Derivative liabilities	6	5,395	7,446
Debt securities issued designated at fair value through profit or loss	8	69,481	98,303
Other liabilities	9	59	61
Total liabilities		74,935	105,810
Share capital	10	38	38
Retained earnings		4	4
Total equity		42	42
Total liabilities and equity		74,977	105,852

The financial statements were approved by the Board, authorised for issue and signed on behalf of the Board by

DocuSigned by:

 D23AD2379E2F4A8...
Brian Brady
 Director

DocuSigned by:

 61F00C08F75443E...
Bronagh Hardiman
 Director

Date: Oct-29-2020

The notes on pages 20 to 66 form an integral part of these financial statements.

dbInvestor Solutions 2 plc

Statement of Comprehensive Income

For the year ended 30 June 2020

	Note	2020 €'000	2019 €'000
Net (loss) / gain from investment securities	12	(120)	4,949
Net loss from derivative financial instruments	13	(976)	(399)
Net finance gain / (loss) on debt securities issued	14	1,096	(4,550)
		<hr/>	<hr/>
Operating income		-	-
Other income	15	81	70
Other expenses	16	(81)	(70)
		<hr/>	<hr/>
Profit before taxation		-	-
Income tax expense	17	-	-
		<hr/>	<hr/>
Result for the year		-	-
Other comprehensive income		-	-
		<hr/>	<hr/>
Total comprehensive income for the year		<hr/> <hr/>	<hr/> <hr/>

All items dealt with in arriving at the above result for the year ended 30 June 2020 and 30 June 2019 are related to continuing operations.

The notes on pages 20 to 66 form an integral part of these financial statements.

dbInvestor Solutions 2 plc

Statement of Cash Flows

For the year ended 30 June 2020

	Note	2020 €'000	2019 €'000
Cash flows from operating activities			
Profit for the year before taxation		-	-
Adjustments for:			
Interest income on investment securities	12	(2,609)	(2,972)
Interest expense on debt securities issued	14	93	63
Net unrealised loss / (gain) on investment securities	12	2,121	(1,977)
Net realised loss of investment securities	12	608	-
Net unrealised (gain) / loss on debt securities issued	14	(692)	4,487
Net realised gain on debt securities issued	14	(110)	-
Net swap payments	13	2,859	2,909
Net unrealised gain on derivative financial instruments	13	(1,424)	(2,510)
Net realised gain on settlement of derivative financial instruments	13	(459)	-
<i>Movement in Working capital</i>			
Changes in other assets		1	6
Changes in other liabilities		-	(6)
Cash generated from operating activities		388	-
Net payments in respect of derivative financial instruments		(2,904)	(2,909)
Net Cash used in operating activities		(2,516)	(2,909)
Cash flow from investing activities			
Interest received from investment securities		2,609	2,972
Proceeds from redemption / maturity of investment securities		8,000	-
Net cash generated from investing activities		10,609	2,972
Cash flow used in financing activities			
Interest paid on debt securities issued	8	(93)	(63)
Payments on redemption / maturity of debt securities issued	8	(8,000)	-
Net cash used in financing activities		(8,093)	(63)
Net increase / (decrease) in cash and cash equivalents		-	-
Cash and cash equivalents as at 1 July	4	35	35
Cash and cash equivalents at 30 June	4	35	35

The notes on pages 20 to 66 form an integral part of these financial statements.

dbInvestor Solutions 2 plc

Statement of Changes in Equity

For the year ended 30 June 2020

	Note	Share capital €'000	Retained earnings €'000	Total €'000
Balance as at 1 July 2018		38	4	42
Profit for the year - 2019	17	-	-	-
Other comprehensive income		-	-	-
Total comprehensive income for the year		-	-	-
Balance as at 30 June 2019		38	4	42
Profit for the year - 2020	17	-	-	-
Other comprehensive income		-	-	-
Total comprehensive income for the year		-	-	-
Balance as at 30 June 2020		38	4	42

The notes on pages 20 to 66 form an integral part of these financial statements.

dbInvestor Solutions 2 plc

Notes to the Financial Statements

For the year ended 30 June 2020

1 General information

dbInvestor Solutions 2 plc (the “Company”) was incorporated on 17 February 2014 in Ireland with a registered number of 539687. The registered office of the Company is Block A, George’s Quay Plaza, George’s Quay, Dublin 2.

The Company is a special purpose vehicle that has been established to issue debt securities under a multi-issuance note programme.

The programme offers investors the opportunity to invest in a portfolio of investments, (the “investment securities”) that includes derivative instruments that mitigate the interest rate risk and credit risk associated with the portfolio.

2 Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with IFRS as adopted by the EU and in accordance with the Act.

The accounting policies set out below and in the succeeding pages have been applied in preparing the financial statements for the year ended 30 June 2020. The comparative information for 2019 presented in these financial statements have been prepared on a consistent basis.

The Company's debt funding has been provided by the holders of debt securities, whose recourse to the assets of the Company are limited to the aggregate net assets designated as underlying assets (assets acquired and other agreements) for the particular series of notes held and who have no right to take any step for the winding up or liquidation of the Company in the event that the aggregate proceeds from the realisation of the underlying assets are insufficient to repay the principal/interest amounts of the notes. Any events of defaults on any one particular series does not impact any other series.

The response to the impact of COVID-19 is set out in the risks and uncertainties section of the Directors’ report. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt a going concern basis in preparing these financial statements.

(b) Changes in accounting policies

There were no changes in accounting policies which would have a financial impact on the Company's financial statements during the year.

dbInvestor Solutions 2 plc

Notes to the Financial Statements (continued)

For the year ended 30 June 2020

2 Basis of preparation (continued)

(c) New standards, amendments or interpretations

(i) New standard adopted during the year

The following adopted accounting standards for the accounting period beginning on or after 1 July 2019 are considered not relevant to the Company and therefore have no impact on the financial performance or financial position of the Company.

- IFRS 16: Leases
- IFRIC 23: Uncertainty over Income Tax Treatment
- Amendments to IFRS 9: Prepayment Features with Negative Compensation
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
- AIP IFRS 3: Business Combinations – Previously held Interests in a joint operation
- AIP IFRS 11: Joint Arrangements – Previously held Interests in a joint operation
- AIP IAS 12: Income Taxes – Income tax consequences of payments on financial instruments classified as equity
- AIP IAS 23: Borrowing Costs – Borrowing costs eligible for capitalization

**AIP: Annual IFRS Improvement Process*

(ii) Effective for annual periods beginning on or after 1 July 2020

The Directors have set out the upcoming EU endorsed and un-endorsed accounting standards, amendments or interpretations as up until the statement of financial position date (30 June 2020) as shown below and in the next page.

Description	Effective date (period beginning)*
Amendments to IFRS 3: Definition of a Business	1 January 2020 (early adoption permitted)**
Amendments to IFRS 9, IAS 39, and IFRS 7: Interest Rate Benchmark Reform	1 January 2020 (early adoption permitted)**
Amendments to IAS 1 and IAS 8: Definition of Material	1 January 2020 (early adoption permitted)**
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020 (early adoption permitted)**
IFRS 17: Insurance Contracts	1 January 2023
Amendment to IAS 1, Presentation of Financial Statements: Classification of Liabilities as Current or Noncurrent	1 January 2023
Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to IAS 16 - Property, Plant and Equipment: Proceeds Before Intended Use	1 January 2022
Amendments to IFRS 3 – Reference to the Conceptual Framework	1 January 2022

dbInvestor Solutions 2 plc

Notes to the Financial Statements (continued)

For the year ended 30 June 2020

2 Basis of preparation (continued)

(c) New standards, amendments or interpretations (continued)

(ii) Effective for annual periods beginning on or after 1 July 2020 (continued)

Description	Effective date (period beginning)*
Amendment to IFRS 16 Leases Covid 19 - Related Rent Concessions (issued on 28 May 2020)	1 June 2020
Amendment to IFRS 4 Insurance Contracts – deferral of IFRS 9 (issued on 25 June 2020)	1 January 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2 (issued on 27 August 2020)	1 January 2021
AIP IFRS 1: First-time Adoption of International Financial Reporting Standards – Subsidiary as a First-time Adopter	1 January 2022
AIP IFRS 9: Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities	1 January 2022
AIP IAS 41: Agriculture – Taxation in Fair Value Measurements	1 January 2022

*Where new requirements are endorsed, the EU effective date is disclosed. For un-endorsed standards and interpretations, the IASB's effective date is noted. Where any of the upcoming requirements are applicable, the Company will apply them from their EU effective date.

** EU endorsed.

The Directors have considered the new standards, amendments and interpretations as set out in the table and have concluded that they are not relevant to the Company and does not intend to adopt any of the new standards before their effective date.

(d) Basis of measurement

The financial statements are prepared on the historical cost basis except for the following:

- Derivative financial instruments are measured at fair value;
- Investment securities at fair value through profit or loss which are measured at fair value; and
- Debt securities issued designated at fair value through profit or loss which are measured at fair value.

The methods used to measure fair values are discussed further in note 3(b).

(e) Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities and the accompanying disclosures.

dbInvestor Solutions 2 plc

Notes to the Financial Statements (continued)

For the year ended 30 June 2020

2 Basis of preparation (continued)

(e) Significant accounting judgements, estimates and assumptions (continued)

(i) Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements.

Level 3 fair value measurement

Level 3 instruments are regarded as a source of critical accounting judgement as at yearend date. The measurement of fair value of the complex Level 3 instruments is both quantitatively and qualitatively material to the financial statements. The critical judgement is over the use of the unobservable inputs and the material nature of these inputs in the valuation of the financial instrument. The Swap Counterparty has produced valuations as of a particular time and date on the basis of, inter alia, its proprietary valuation models that takes into account interest rates, duration and relevant credit spreads. There exists estimation related to the selection and calibration of the models and associated market data inputs.

The determination of fair values of financial assets and financial liabilities that are not quoted in an active market are based on valuation techniques. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction. Valuation techniques include the discounted cash flow method, option pricing model, comparison to similar instruments for which market observable prices exist, and valuation models. For more complex instruments, the Swap Counterparty uses proprietary models, which are usually developed from recognised valuation models. Some or all of the inputs into these models may not be market observable, and are derived from market prices or rates or are estimates based on assumptions. Refer to note 23 for more details.

(ii) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow model and correlation pricing model. The inputs to these models are taken from observable markets where possible. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. Information about significant areas of estimation uncertainty in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 23.

dbInvestor Solutions 2 plc

Notes to the Financial Statements (continued)

For the year ended 30 June 2020

2 Basis of preparation (continued)

(f) Functional and presentation currency

The financial statements are presented in Euro, which is the Company's functional currency. The issued share capital of the Company is denominated in Euro and the debt securities issued are also primarily denominated in Euro. The Directors of the Company believe that Euro most faithfully represents the economic effects of the underlying transactions, events and conditions.

Except as otherwise indicated, all financial information presented in Euro have been rounded to the nearest thousand.

3 Significant accounting policies

The accounting policies set out below and in the succeeding pages have been applied consistently to all years presented in these financial statements.

(a) Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes; (a) restricted activities, (b) a narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors, (c) insufficient equity to permit the structured entity to finance its activities without subordinated financial support and (d) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

The Company considers some of its investments to be investments (comprising of corporate bonds and government bonds) to be investments in structured entities which are unconsolidated and meet the definition of structured entities due to the following:

- the voting rights are not dominant rights in deciding who controls them because they relate to administrative tasks only;
- each of the investments' activities are restricted by its prospectus; and
- the investments have narrow and well-defined objectives to provide investment opportunities to investors.

Refer to the table in note 24 for the disclosure of the nature, purpose, size and activities of the structured entities and how they are financed.

The Company accounts for its investments in structured entities as investment securities designated at fair value through profit or loss and recognises any gains and losses arising from changes in the fair value through profit or loss in the Statement of Comprehensive Income in the period in which they arise.

dbInvestor Solutions 2 plc

Notes to the Financial Statements (continued)

For the year ended 30 June 2020

3 Significant accounting policies (continued)

(b) Financial instruments

The Company classifies its financial instruments in accordance to IFRS 9.

The financial instruments held by the Company at fair value through profit or loss include the following:

- Investment securities;
- Derivative financial instruments; and
- Debt securities issued.

Classification

The Company has designated financial liabilities at fair value through profit or loss, due to the below criteria.

- The liabilities consist of debt securities issued and the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI"), are subsequently measured at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at fair value through other comprehensive income ("FVTOCI");
- all other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at fair value through profit or loss ("FVTPL").

The Company has classified the investment securities at fair value through profit or loss and designated the debt securities issued at fair value through profit or loss. Derivative financial instruments are carried at fair value through profit or loss. Other financial instruments are carried at amortised cost.

Investment securities

Investment securities held by the Company are classified at fair value through profit or loss on initial recognition because they do not meet the conditions of solely payments of principal and interest test ("SPPI") to be classified at amortised cost or the business model test to be classified at fair value through other comprehensive income ("FVOCI"). They form part of a portfolio of identified financial instruments that are managed together on a fair value basis. Investment securities include bonds comprising of corporate bonds and government bonds.

dbInvestor Solutions 2 plc

Notes to the Financial Statements (continued)

For the year ended 30 June 2020

3 Significant accounting policies (continued)

(b) Financial instruments (continued)

Derivative financial instruments

Derivative financial instruments held for risk management purposes include derivative assets and liabilities that are used to economically hedge the derivatives at each series from interest rate or market fluctuations affecting the relevant collateral assets. Such derivatives are not formally designated into a qualifying hedging relationship and therefore all changes in their fair value are recognised through profit or loss in the statement of comprehensive income.

Debt securities issued

The debt securities issued are initially measured at fair value and are designated as liabilities at fair value through profit or loss when they either eliminate or significantly reduce the inconsistent treatment that would otherwise arise from measuring the debt securities issued on a different basis to that of the underlying securities such as the investment securities and derivative financial instruments.

Financial assets and financial liabilities that are not at fair value through profit or loss

A financial asset shall be measured at amortised cost if the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets of the Company include cash at bank and other assets which include interest income receivable from investment securities and receivables from swap counterparty in relation to the expenses incurred by the Company.

Financial liabilities that are not at fair value through profit or loss include interest payable on debt securities issued, accrued expenses and other payables.

Impairment of financial assets

The impairment rules under IFRS 9 apply to the financial assets that are measured at amortised cost or FVOCI. The financial assets are written off when there is no reasonable expectation of recovery. The determination of impairment losses and allowances are based on the expected credit loss model, where provisions are taken upon initial recognition of the financial asset based on expectations of potential credit losses at that time.

Under IFRS 9 expected credit loss approach, the Company will recognise expected credit losses resulting from default events that are possible within the next 12 months.

IFRS 9 also requires the recognition of credit losses expected over the remaining life of the assets ('lifetime expected losses') which have significantly deteriorated in credit quality since origination or purchase but have yet to default (stage 2) and for assets that are credit impaired (stage 3). Under IFRS 9, expected credit losses are measured by taking into account forward-looking information, including macroeconomic factors.

In order to determine whether there has been a significant increase in credit risk, the Company compares the risk of a default occurring over the expected life of the financial instruments as at the reporting date with the risk of default as at the date of initial recognition.

dbInvestor Solutions 2 plc

Notes to the Financial Statements (continued)

For the year ended 30 June 2020

3 Significant accounting policies (continued)

(b) Financial instruments (continued)

Recognition and measurement

The Company initially recognises all financial assets and financial liabilities at fair value on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instruments. For financial assets and financial liabilities, which will subsequently be carried at fair value, initial direct cost are expensed. For financial asset and liabilities not at FVTPL, cost directly attributable to the acquisition or issue of financial assets or financial liabilities is included in the initial cost.

From the relevant trade date, any gains or losses arising from changes in the fair value of the financial assets or financial liabilities being measured at FVTPL are recognised in the statement of comprehensive income.

Financial assets and financial liabilities not categorised as at FVTPL are subsequently measured at amortised cost using the effective interest rate method.

Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expires, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards.

Fair value measurement principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Company has access. The fair value of a liability reflects its non-performance risk. The determination of fair values of financial assets and financial liabilities are based on quoted bid market prices or dealer price quotations for financial instruments traded in active markets, where these are available.

A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Company measures instruments quoted in an active market at bid price. For all other financial instruments fair value is determined by using valuation techniques.

dbInvestor Solutions 2 plc

Notes to the Financial Statements (continued)

For the year ended 30 June 2020

3 Significant accounting policies (continued)

(b) Financial instruments (continued)

Fair value measurement principles (continued)

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. Valuation techniques include discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models.

The Company uses widely recognised valuation models for determining the fair value of common and simpler financial instruments like call options, interest rate and currency swaps

For more complex instruments, the Company uses Swap Counterparty proprietary models, which are usually developed from recognised standard industry valuation models. Some or all of the inputs into these models may not be market observable, and are derived from market prices or rates or are estimated based on assumptions.

The Company recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

(c) Financial liabilities and equity

The financial instruments issued by the Company are treated as equity (i.e. forming part of shareholder's funds) only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that these conditions are not met, the proceeds of issue are classified as a financial liability.

Finance payments associated with financial liabilities are dealt with as part of the ongoing remeasurement of debt securities to fair value. Any payments associated with financial instruments that are classified as equity are distributions from the net income attributable to equity holders and are recorded directly in equity.

(d) Operating segments

The Company has applied IFRS 8 Operating Segments which puts emphasis on the "management approach" to reporting on operating segments.

dbInvestor Solutions 2 plc

Notes to the Financial Statements (continued)

For the year ended 30 June 2020

3 Significant accounting policies (continued)

(d) Operating segments (continued)

The Company is engaged as one segment. It involves the repackaging of bonds and other debt instruments, on behalf of investors, which are bought from the market and subsequently securitised to avail of potential market opportunities and risk-return asymmetries. Each transaction is entered into on its own merit, as such, no cross-sectional review is performed per geography for the entity by the Board who are regarded as the Company's Chief Operating Decision Maker. No revenue per geographical location has been disclosed because this information is not prepared and is not regularly provided to nor used by the Board. The financial results for this segment are equivalent to the financial statements of the Company as a whole.

The Board is responsible for managing the business of the Company including the outcome of day to day operating decisions. It achieves this by appointing on an Arm's length basis established service providers with competence and expertise in their respective areas. It reviews the terms of their engagement and monitors the output from these services to ensure they fully satisfy what is required of them in operational, legal and regulatory terms.

(e) Cash and cash equivalents

Cash and cash equivalents consist of cash held on deposit which is on demand. These are subject to insignificant risk of changes in their fair value.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(f) Foreign currency transaction

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

Foreign currency differences arising on retranslation or settlement are recognised through profit or loss in the statement of comprehensive income and are included under net gain / (loss) from investment securities, derivative financial instruments or debt securities issued, as appropriate.

(g) Net (loss) / gain from investment securities

Net (loss) / gain from investment securities relates to realised income (including interest receipts and accrued interest income) and unrealised fair value changes including foreign exchange differences arising on investment securities.

dbInvestor Solutions 2 plc

Notes to the Financial Statements (continued)

For the year ended 30 June 2020

3 Significant accounting policies (continued)

(h) Net loss from derivative financial instruments

Net loss from derivative financial instruments relates to the fair value movements on derivatives held by the Company and includes realised and unrealised fair value changes, settlements and related foreign exchange differences.

(i) Net finance gain / (loss) on debt securities issued

Net finance gain / (loss) on debt securities issued relates to debt securities issued and includes financing costs (including interest payments and accrued interest expense) realised and unrealised fair value changes and related foreign exchange differences.

(j) Taxation

The Company is an Irish registered company is structured to qualify as a securitisation company under Section 110 of the Taxes Consolidation Act, 1997, as amended. The Company is subject to Irish corporation tax at 25%.

Income tax expense comprises current and deferred tax. Income tax expense is recognised through profit or loss, in other comprehensive income or directly in equity consistent with the accounting for the item to which it is related.

Current tax is the expected tax payable on the taxable income for the year, using tax rates applicable to the Company's activities enacted at the reporting date, and adjustment to tax payable in respect of previous years.

Deferred tax is provided for temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(k) Other income and expenses

All other income and expenses are accounted for on an accrual basis.

dbInvestor Solutions 2 plc

Notes to the Financial Statements (continued)

For the year ended 30 June 2020

3 Significant accounting policies (continued)

(I) Share capital and dividend

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as deduction from the proceeds, net of tax.

The Company recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Company. A corresponding amount is recognised directly in equity.

4 Cash and cash equivalents

	2020	2019
	€'000	€'000
Cash at bank	<u>35</u>	<u>35</u>

Cash at bank balance is held with DB London. The cash at bank is on demand and can be used at any time.

Refer to note 21(b)(i) for credit rating for cash at bank counterparty.

5 Other assets

	2020	2019
	€'000	€'000
Interest income receivable from investment securities	1,016	1,390
Other receivables	65	68
	<u>1,081</u>	<u>1,458</u>

All of the above other assets are current.

dbInvestor Solutions 2 plc

Notes to the Financial Statements (continued)

For the year ended 30 June 2020

6 Derivative financial instruments

	2020	2019
	Total	Total
	€'000	€'000
<i>Derivative assets</i>		
One to five years	227	-
	<u>227</u>	<u>-</u>
	2020	2019
	Total	Total
	€'000	€'000
<i>Derivative liabilities</i>		
Less than one year	720	302
One to five years	4,675	7,144
	<u>5,395</u>	<u>7,446</u>

The Company has entered into asset swaps for each series of debt securities issued to eliminate the mismatch between the amount payable in respect of those debt securities issued and the return from the investment securities held by the Company. During the year, series 1 has fully matured and series 6 was partially redeemed (2019: nil).

Fair value adjustment for credit risk

The adjustments comprised Counterparty Credit Valuation Adjustments (CVA), Debit Valuation Adjustments (DVA) and Funding Valuation Adjustments (FVA). The impact of adjustments are incorporated into the fair value of the note issuances.

CVA covers expected credit losses relating to non-performance risk of the derivative counterparty, DB London. For DVA, that relates to derivative liabilities, the Company considers credit-worthiness by assessing counterparty potential future exposure with reference to the associated collateral, the expected loss given default and the probability of default. FVA incorporates the market implied funding costs into the fair value of the derivative positions and reflects a discounting spread applied to uncollateralised and partly collateralised derivatives.

As at 30 June 2020, the combined value of adjustments amounted to EUR (2k) (2019: EUR (35k)) comprised of CVA and FVA amounting to EUR 10k and EUR (12k), respectively (2019: EUR (42k) and 7k, respectively). This was consistent with the valuation policies adopted by the derivative counterparty, DB London.

dbInvestor Solutions 2 plc

Notes to the Financial Statements (continued)

For the year ended 30 June 2020

6 Derivative financial instruments (continued)

The notional of the derivatives as at 30 June 2020 were as follows:

Series	2020 Notional		2019 Notional	
	Receive €'000	Pay €'000	Receive €'000	Pay €'000
DBIS2-S0001	-	-	8,000	8,000
DBIS2-S0003	4,444	4,444	4,391	4,391
DBIS2-S0004	17,016	17,016	17,016	17,016
DBIS2-S0005	17,016	17,016	17,016	17,016
DBIS2-S0006	127	127	19,927	19,927
DBIS2-S0007	13,241	13,241	13,241	13,241
DBIS2-S0008	7,142	7,142	7,142	7,142
DBIS2-S0009	8,995	8,995	8,995	8,995

7 Investment securities at fair value through profit or loss

	2020 €'000	2019 €'000
Corporate bonds	40,949	62,593
Government bonds	32,685	41,766
	<u>73,634</u>	<u>104,359</u>

Maturity analysis of investment securities at FVTPL

	2020 €'000	2019 €'000
Less than one year	18,047	8,396
One to five years	55,587	95,963
	<u>73,634</u>	<u>104,359</u>

Maturities of investment securities are cash settled transactions, which are shown in the statement of cash flows. Redemptions of investment securities in full or partial are non-cash settled transactions, which are not reflected in the statement of cash flows. During the year, series 1 has matured and series 6 was partially redeemed investment securities (2019: Nil).

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

dbInvestor Solutions 2 plc

Notes to the Financial Statements (continued)

For the year ended 30 June 2020

7 Investment securities at fair value through profit or loss (continued)

The Company holds investment in unconsolidated structured entities with fair value amounting to EUR 13,308k (2019: EUR 13,807k). Refer to note 24 for disclosure in interest in other entities.

Refer to note 21(b)(i) for credit risk disclosures relating to the investment securities.

8 Debt securities issued designated at fair value through profit or loss

	2020 €'000	2019 €'000
Designated at FVTPL	69,481	98,303

Maturity analysis of the debt securities issued designated at FVTPL

	2020 €'000	2019 €'000
Less than one year	17,749	8,111
One to five years	51,732	90,192
	69,481	98,303

The Company's obligations under the debt securities issued and related derivative financial instruments as disclosed in note 6 are secured by collateral investments purchased as noted in note 6. The investors' recourse per series is limited to the assets of that particular series.

Liabilities arising from financing activities relate to debt securities issued. The below table shows the changes in liabilities arising from financing activities:

	2020 €'000	2019 €'000
Opening balance	98,303	93,816
Net finance (gain) / loss on debt securities issued	(1,096)	4,550
Payments on maturities of debt securities issued	(8,000)	-
Interest payments on debt securities issued	(93)	(63)
Non cash transactions settled by Swap Counterparty	(19,633)	-
Closing balance	69,481	98,303

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 reduce to the extent of the accumulated losses.

dbInvestor Solutions 2 plc

Notes to the Financial Statements (continued)

For the year ended 30 June 2020

8 Debt securities issued designated at fair value through profit or loss (continued)

The debt securities for Series 3 are listed on Euronext Dublin. Debt securities for Series 4, 5, 6, 7, 8 and 9 are listed on Vienna Stock Exchange and Cayman Islands Stock Exchange. Series 3, 4, 5, 6, 7, 8 and 9 are zero-coupon securities.

The fair value of financial liabilities designated at FVTPL as at 30 June 2020 was EUR 1,500k less than its nominal of EUR 67,981k (2019: EUR 2,575k less than its nominal of EUR 95,728k) the contractual amount at maturity excluding interest.

9 Other liabilities

	2020 €'000	2019 €'000
Accrued expenses	26	34
Other payables	33	27
	<u>59</u>	<u>61</u>

All other liabilities are current.

10 Share capital

	2020 €'000	2019 €'000
<i>Authorised</i>		
40,000 ordinary shares of €1 each	<u>40</u>	<u>40</u>
<i>Issued and paid up</i>		
38,100 ordinary shares of €1 each	<u>38</u>	<u>38</u>

dbInvestor Solutions 2 plc

Notes to the Financial Statements (continued)

For the year ended 30 June 2020

11 Accounting categorisations and fair values of financial assets and financial liabilities

	2020 Carrying value €'000	2019 Carrying value €'000
Financial assets at amortised cost		
Cash and cash equivalents	35	35
Other assets	1,081	1,458
Total financial assets at amortised cost	1,116	1,493
Financial assets at fair value through profit or loss		
Investment securities	73,634	104,359
Derivative assets	227	-
Total assets	<u>74,977</u>	<u>105,852</u>
Financial liabilities at amortised cost		
Other liabilities	59	61
Financial liabilities designated at fair value through profit or loss		
Debt securities issued	69,481	98,303
Financial liabilities at fair value through profit or loss		
Derivative liabilities	5,395	7,446
Total liabilities	<u>74,935</u>	<u>105,810</u>

The financial instruments not accounted for at FVTPL are short-term financial assets and financial liabilities whose carrying amounts approximate their fair values.

dbInvestor Solutions 2 plc

Notes to the Financial Statements (continued)

For the year ended 30 June 2020

12 Net (loss) / gain from investment securities

	2020	2019
	€'000	€'000
Net (loss) / gain from investment securities at fair value through profit or loss	(2,729)	1,977
Interest income (including accruals)	2,609	2,972
	<u>(120)</u>	<u>4,949</u>

Net (loss) / gain from investment securities at fair value through profit or loss analysed as follows:

Net unrealised (loss) / gain on investment securities	(2,121)	1,977
Net realised loss of investment securities	(608)	-
	<u>(2,729)</u>	<u>1,977</u>

13 Net loss from derivative financial instruments

	2020	2019
	€'000	€'000
Net loss from derivative financial instruments carried at fair value through profit or loss (including coupon receipts)		
- Asset swaps	<u>(976)</u>	<u>(399)</u>

Analysed as follows:

Net swap payments	(2,859)	(2,909)
Net unrealised gain on derivative financial instruments	1,424	2,510
Net realised gain on settlement of derivative financial instruments	459	-
	<u>(976)</u>	<u>(399)</u>

dbInvestor Solutions 2 plc

Notes to the Financial Statements (continued)

For the year ended 30 June 2020

14 Net finance gain / (loss) on debt securities issued

	2020 €'000	2019 €'000
Net finance gain / (loss) on debt securities issued designated at fair value through profit or loss	1,189	(4,487)
Interest expense including accruals	(93)	(63)
	<u>1,096</u>	<u>(4,550)</u>

Net finance gain / (loss) on debt securities issued designated at fair value through profit or loss analysed as follows:

Net unrealised gain / (loss) on debt securities issued	692	(4,487)
Net realised gain on maturity of debt securities issued	110	-
Net realised gain on non-cash redemption of debt securities issued	387	
	<u>1,189</u>	<u>(4,487)</u>

15 Other income

	2020 €'000	2019 €'000
Arranger income	<u>81</u>	<u>70</u>

As per the Programme Proposal Agreement, DB London as the arranger agrees to pay for Series Overheads (as defined in the Programme Proposal Agreement). Income is the total expenses incurred by the Company during the year which are paid by the arranger on the Company's behalf. During the year, no new series have been issued, thus the corporate benefit (income) is nil (2019: nil).

dbInvestor Solutions 2 plc

Notes to the Financial Statements (continued)

For the year ended 30 June 2020

16 Other expenses

	2020 €'000	2019 €'000
Administration fee	(44)	(33)
Auditor remuneration and tax advisory services	(25)	(25)
Directors' emoluments	(12)	(12)
	<u>(81)</u>	<u>(70)</u>

The amounts presented are VAT inclusive.

The Company is administered by VAILL and has no employees.

Auditor remuneration (excluding VAT)

	2020 €'000	2019 €'000
Audit of Company's Statutory financial statements	(16)	(15)
Tax advisory services	(4)	(6)
	<u>(20)</u>	<u>(21)</u>

Section 305A(1)(a) of the Act, requires disclosure that VAILL received EUR 1,000 (2019: EUR 1,000) included in administration fees as consideration for the making available of an individual, Bronagh Hardiman to act as Director of the Company. The terms of the corporate services agreement in place between the Company and VAILL provide for a single fee for the provision of corporate administration services (including the making available of an individual to act as a Director of the Company). As a result, the allocation of fees between the different services provided is a subjective and approximate calculation. For the avoidance of doubt, Bronagh Hardiman did not receive any remuneration for acting as Director of the Company. The Company paid Directors fees of EUR 12k (2019: EUR 12k) to Niall O'Carroll and Brian Brady during the year as they are not employees of VAILL.

dbInvestor Solutions 2 plc

Notes to the Financial Statements (continued)

For the year ended 30 June 2020

17 Income tax expense

	2020 €'000	2019 €'000
Corporate tax	-	-
<i>Factors affecting tax charge for the year</i>		
Corporation taxation has been calculated based on the results 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 is currently actively taxed at 25% (2019: 25%) in accordance with Section 110 of the Taxes Consolidation Act, 1997 (as amended).

18 Ownership of the Company

The issued shares are held in trust by Registered Shareholder Services No. 3, Company Limited by Guarantee (12,699 shares), Registered Shareholder Services No. 2, Company Limited by Guarantee (12,699 shares), and Registered Shareholder Services No. 1 Company Limited Guarantee (12,702 shares), together (the "Share Trustees"), each of whom own a share under the terms of a declaration of trust dated 17 February 2014, under which the relevant Share Trustee holds an issued share of the Company in trust for charity. The Share Trustees have appointed a Board to run the day-to-day activities of the Company.

The Board 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 VAILL, being the entity that acts as the administrator of the Company. All three Directors are considered independent of the Deutsche Bank Group.

dbInvestor Solutions 2 plc

Notes to the Financial Statements (continued)

For the year ended 30 June 2020

19 Charges

The debt securities issued by the Company are secured by way of charges over the collateral in respect of each series issued, and by the assignment of a fixed first charge of the Company's rights, title and interest under the relevant swap agreement for each series.

20 Transactions with related parties including administrator and arranger

Transactions with Key Management Personnel

During the year, the Company incurred a total administration fee of EUR 29k (2019: EUR 29k) relating to administration fee provided by VAILL. As at 30 June 2020, there were no outstanding payables related to administration services (2019: nil).

Other Transactions

Directors' fees of EUR 12k (2019: EUR 12k) were incurred during the year. Bronagh Hardiman being a VAILL employee does not receive any Directors' fee. As at 30 June 2020, there were no outstanding Directors' fees (2019: Nil). Other than Directors' fees, there are no other benefits, emoluments or compensations paid to the Directors.

Under a series proposal agreement entered into for each series by the DB London and the Company, DB London will pay the Company a series fee. As per Programme Proposal Agreement, DB London as the Arranger agrees to pay for Series Overheads (as defined in the Programme Proposal Agreement. Refer to note 15 for details. Series fee outstanding at year end amounted to EUR 3k (EUR 2019: 3k).

DB London is also the swap counterparty for all series that the Company has entered into an asset swap agreement in respect of each relevant series of notes. The fair values relating to these swaps are disclosed in note 6, associated income and expenses in note 13.

Refer to note 8 for fair value of debt securities and related credit risk exposure in note 21(b)(i).

dbInvestor Solutions 2 plc

Notes to the Financial Statements (continued)

For the year ended 30 June 2020

20 Transactions with related parties including administrator and arranger (continued)

Other Transactions (continued)

As at 30 June 2019, DB London has interests in the following debt securities issued by the Company:

Series	ISIN*	Currency	2020 Nominal €'000	2019 Nominal €'000
S0001	XS1061847718	EUR	-	6,248
S0004	XS1218091251	EUR	5,975	4,934
S0005	XS1218093380	EUR	5,382	4,144
S0006	XS1227220404	EUR	22	5,528
S0007	XS1227225460	EUR	4,331	3,443
S0008	XS1252976508	EUR	2,392	1,788
S0009	XS1300573067	EUR	3,084	2,253
			<u>21,186</u>	<u>28,338</u>

*International Securities Identification Number ("ISIN")

None of the investment securities held by the Company are issued by DB London as at 30 June 2020 (2019: Nil).

21 Financial risk management

(a) Introduction and overview

The Company was set up as a segregated multi issuance Special Purpose Entity (SPE). This ensures that if one series defaults, the holders of that series are have no recourse to any other assets of the issuer, which might otherwise have resulted in the issuer's bankruptcy and the default of the other series of debt securities issued. The segregation criteria include the following:

- The Company is a bankruptcy remote SPE, incorporated in Ireland.
- Debt securities are issued in separate series.
- Assets relating to any particular series of debt securities issued are held separate and apart from the assets relating to any other series.
- Any swap transaction entered into by the Company for a series is separate from any other swap transaction for any other series.
- For each series of debt securities, only the trustees is entitled to exercise remedies on behalf of the holders of debt securities.

dbInvestor Solutions 2 plc

Notes to the Financial Statements (continued)

For the year ended 30 June 2020

21 Financial risk management (continued)

(a) Introduction and overview (continued)

The net proceeds from the issue of the debt securities are paid to DB London as the swap counterparty or as agent in the case of pass-through notes to purchase a portfolio of investments securities plus any interest accrued thereon on behalf of the Company.

The Company has entered into various asset swaps with DB London, wherein the swap counterparty delivers the investment securities to the account of the Company and the Company pays the holders of debt securities the amount equal to the interest payable on the debt securities issued. The Company pays to the swap counterparty amounts equal to the interest received in respect of the investment securities, and on the maturity date of the investment securities will deliver the portfolio or the proceeds of its redemption to the swap counterparty. In return, the swap counterparty will pay to the Company amounts equal to the coupon payments payable on the debt securities issued as well as the notional outstanding upon maturity. Refer to note 6 for the details of the swap agreements entered by the Company.

The swap counterparty delivers the collateral to the account of the Company and pays the Company amounts equal to the interest payable under the debt securities. If the relevant swap has not terminated prior to the maturity date of the respective notes, a sum equal to the redemption amount payable on the debt securities. The credit quality details of the investment securities held by the Company are disclosed in Note 21(b)(i).

The debt securities issued are initially recorded at fair value which equates to the proceeds received in Euro and are subsequently carried at FVTPL. The ultimate amount repaid to the holders of these debt securities will depend on the proceeds from the investment securities and any payment the swap counterparty is obliged to make under the terms of the swap agreement.

(b) Risk management framework

The Board 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 are borne by the Swap Counterparty as well as 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; and
- (iii) Market risk;

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk.

dbInvestor Solutions 2 plc

Notes to the Financial Statements (continued)

For the year ended 30 June 2020

21 Financial risk management (continued)

(b) Risk management framework (continued)

(i) Credit risk

Credit risk is the risk of the financial loss to the Company if the counterparty to a financial asset fails to meet its contractual obligations. Credit risk arises principally from the Company's investment securities and also from the derivative contracts which the Company has entered into.

The Company limits its exposure to credit risk by investing in bonds and other securities detailed in note 7 with counterparties that have a credit rating defined in the documentation of the relevant series. The Company considers an increase in credit risk when there is a default i.e. when the swap counterparty fails to meet its contractual commitments.

The risk of default on the below listed assets and on the underlying reference entities is borne by the swap counterparty and/or the holders of the debt securities as designated in the priority of payments described in the Prospectus of the relevant series.

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

	2020 €'000	2019 €'000
Cash and cash equivalents	35	35
Other assets	1,081	1,458
Derivative assets	227	-
Investment securities	73,634	104,359
	<u>74,977</u>	<u>105,852</u>

At the reporting date the credit quality of the Company's financial assets were as follows:

Cash and cash equivalents:

The Company's cash and cash equivalents is held with DB London which is rated BBB+ by Standard & Poor's as at 30 June 2020 (2019: BBB+).

Other assets:

Other assets mainly include income receivable from corporate and government bonds held by the Company as at the year end. The credit ratings where applicable, and concentration of the investments securities at the yearend are disclosed under investment securities in the next page.

No expected credit loss was recognised in relation to the financial assets at amortised cost as the amount is not material.

dbInvestor Solutions 2 plc

Notes to the Financial Statements (continued)

For the year ended 30 June 2020

21 Financial risk management (continued)

(b) Risk management framework (continued)

(i) Credit risk (continued)

Derivative financial instrument

The Company has entered into derivatives with the swap counterparty to eliminate the mismatch between the amount payable in respect of the debt securities issued and the return from the investments securities held as collateral.

The table below shows as breakdown by derivative financial assets for each class of debt securities issued.

Class of debt securities issued	Derivatives Types	2020 €'000	2019 €'000
Equity Linked Notes	Assets swap	227	-
		<u>227</u>	<u>-</u>

On a series by series basis where there are various components of a derivative financial instrument with different values, the values are disclosed on net basis.

Investment securities:

At the reporting date, the credit quality and the assets concentration of the Company's investment securities are as shown in the table below based on carrying amount in the statement of financial position.

Classification based on debt securities issued	Collateral type	Country of issuance	Rating Agency	Rating 2020	Rating 2019	2020 €'000	2019 €'000
Equity linked secured notes	Corporate bonds	Denmark	Moody	Baa2	Baa2	27,515	28,449
		Mexico	S&P	BBB+	BBB+	126	20,337
		Luxembourg	S&P	BBB+	BBB+	13,308	13,807
	Government bonds	Italy	Moody	Baa3u	Baa3u	28,072	28,702
						<u>69,021</u>	<u>91,295</u>
Index linked notes	Government bonds	Portugal	Moody	-	Baa3	-	8,396
		Lithuania	S&P	A	A	4,613	4,668
						<u>4,613</u>	<u>13,064</u>
Grand Total						<u>73,634</u>	<u>104,359</u>

During the year, no defaults occurred in respect of the bonds held and interests were received when paid, accordingly. Series 1 has matured while series 6 was partially redeemed during the year.

As per the terms and conditions of the relevant series, some debt securities can only hold collateral of a certain rating. If the rating of the collateral for these specific debt securities goes below the required level, DB London as swap counterparty will replace the collateral for those notes with eligible collateral.

dbInvestor Solutions 2 plc

Notes to the Financial Statements (continued)

For the year ended 30 June 2020

21 Financial risk management (continued)

(b) Risk management framework (continued)

(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 another financial asset, or that such obligation will have to be settled in a manner disadvantageous 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, i.e. investment securities and derivatives. Should the net proceeds be insufficient to make all payment obligations in respect of a particular series of debt securities, the other assets held as collateral for remaining series of the Company are not contractually required to be made available to meet payment and the deficit is instead borne by the holders of debt securities and/or the swap counterparty according to the priorities of payment in relation to a particular series.

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

There were no liquidity issues experienced by the Company in respect to meeting its obligations to holders of debt securities issued or to the swap counterparty. Neither the Company nor the swap counterparty defaulted on any of their respective contractual commitments during the year.

The following are the contractual maturities of financial assets and financial liabilities including undiscounted interest payments:

	2020				
	Carrying amounts	Gross contractual cash flows	Less than one year	One to five years	More than five years
	€'000	€'000	€'000	€'000	€'000
Cash and cash equivalents	35	35	35	-	-
Derivative assets*	227	253	84	169	-
Investment securities*	73,634	70,639	19,393	51,246	-
Other assets	1,081	1,081	1,081	-	-
Derivative liabilities**	(5,395)	(2,958)	(1,778)	(1,180)	-
Debt securities issued***	(69,481)	(67,981)	(17,812)	(50,169)	-
Other liabilities	(59)	(59)	(59)	-	-
	42	1,010	944	66	-

dbInvestor Solutions 2 plc

Notes to the Financial Statements (continued)

For the year ended 30 June 2020

21 Financial risk management (continued)

(b) Risk management framework (continued)

(ii) Liquidity risk (continued)

	2019				
	Carrying amounts €'000	Gross contractual cash flows €'000	Less than one year €'000	One to five years €'000	More than five years €'000
Cash and cash equivalents	35	35	35	-	-
Investment securities*	104,359	101,649	11,008	90,641	-
Other assets	1,458	1,458	1,458	-	-
Derivative liabilities**	(7,446)	(9,738)	(3,018)	(6,720)	-
Debt securities issued***	(98,303)	(95,890)	(8,162)	(87,728)	-
Other liabilities	(61)	(61)	(61)	-	-
	42	(2,547)	1,260	(3,807)	-

*The gross contractual cash flow (GCF) of investment securities includes the notional amount of existing investment securities and the undiscounted interest receipt. As of statement of financial position date, GCF of investment securities is lower by EUR 2,995k (2019: EUR 2,710k) compared to its carrying value. In the event of maturity, difference will be accounted as net asset swap receivable from swap counterparty.

**To the extent that there is a shortfall on the gross contractual cash flow after paying the holders of debt securities, this shortfall will be borne by the derivative counterparties or by the holders of debt securities in series which do not have derivatives attached.

***GCF of the debt securities issued includes the notional amount of the existing debt securities issued and the undiscounted fixed and variable interest payable on debt securities issued. As of statement of financial position date, GCF of debt securities is lower by EUR 1,500k (2019: EUR 2,413k) compared to its carrying value. All movement on debt securities issued is recorded in Net finance gain / (loss) on debt securities issued in the statement of comprehensive income.

dbInvestor Solutions 2 plc

Notes to the Financial Statements (continued)

For the year ended 30 June 2020

21 Financial risk management (continued)

(b) Risk management framework (continued)

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other price risk will affect the Company's income or the value of its holdings of financial instruments.

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

Interest rate risk are economically hedged with the use of asset swap agreements.

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

Currency risk

The Company is exposed to movements in exchange rates between its functional currency - Euro and foreign currency denominated financial instruments. At the reporting date, the Company had the following exposure to foreign currency risk:

	2020 €'000	2019 €'000
Monetary assets held in USD		
Investment securities	4,614	4,668
Other assets	84	83
	<u>4,698</u>	<u>4,751</u>
Monetary liabilities held in USD		
Derivative liabilities	271	526
Debt securities issued	4,427	4,225
	<u>4,698</u>	<u>4,751</u>
Net exposure	<u>-</u>	<u>-</u>

dbInvestor Solutions 2 plc

Notes to the Financial Statements (continued)

For the year ended 30 June 2020

21 Financial risk management (continued)

(b) Risk management framework (continued)

(iii) Market risk (continued)

Currency risk (continued)

For Series 1, 4, 5, 6, 7, 8 and 9, both the investment securities and debt securities in issue are denominated in Euro. Therefore, neither the Company nor the holders of debt securities are exposed to currency risk for these particular series. Series 1 has matured during the year.

For Series 3, the investment securities and the debt securities are both denominated in US Dollars. The Company is not exposed to currency risk on Series 3 as any changes in fair value of the investment securities due to currency fluctuations will result in a corresponding change in fair value of the debt securities in issue.

The following significant exchange rates were applied during the year:

	Average rate		Year end / Spot rate	
	2020	2019	2020	2019
USD	1.105	1.141	1.125	1.139

Interest rate risk

The Company classified the instruments as fixed rate interest when the assigned rate remains fixed for the entire term of the instrument. Instruments were classified as variable interest rate when the rate, equity index and fund index changes over a period of time. Refer to note 8 for interest rate details.

dbInvestor Solutions 2 plc

Notes to the Financial Statements (continued)

For the year ended 30 June 2020

21 Financial risk management (continued)

(b) Risk management framework (continued)

(iii) Market risk (continued)

Interest rate risk (continued)

At the reporting date, the interest rate risk profile of the Company's non-derivative interest bearing financial instruments was:

Class of investment security based on debt securities issued	Currency	2020 €'000	2019 €'000
<i>Fixed rate instruments:</i>			
Equity Linked Notes	EUR	40,949	62,593
Index Linked Notes	EUR	-	8,396
	USD	4,613	4,668
		<u>45,562</u>	<u>75,657</u>
<i>Variable rate instruments:</i>			
Equity Linked Notes	EUR	28,072	28,702
		<u>28,072</u>	<u>28,702</u>
Total		<u>73,634</u>	<u>104,359</u>
Class of debt securities issued	Currency	2020 €'000	2019 €'000
<i>Variable rate instruments:</i>			
Index Linked Notes	EUR	<u>-</u>	<u>8,111</u>
<i>Non-interest bearing instruments:</i>			
Index Linked Notes	USD	4,427	4,225
Equity Linked Notes	EUR	65,054	85,967
		<u>69,481</u>	<u>90,192</u>
Total		<u>69,481</u>	<u>98,303</u>

Refer to notes 7 and 8 for the maturity profile for investment securities and debt securities, respectively. The Company manages its interest rate risk by entering into asset swap agreements.

dbInvestor Solutions 2 plc

Notes to the Financial Statements (continued)

For the year ended 30 June 2020

21 Financial risk management (continued)

(b) Risk management framework (continued)

(iii) Market risk (continued)

Sensitivity analysis

A 100 basis point increase or decrease represents management's assessment of a reasonable, potential change in interest rates.

A 100 basis point increase in interest rates (assuming all other variables are held constant) would have resulted in an increase of coupon expenditure payable on the debt securities issued of EUR 29k (2019: EUR 182k) for the period. Under the same conditions, the coupon income receivable from investment securities would have increased by EUR 697k (2019: EUR 988k) for the same period. A similar 100 basis point decrease in interest rates would have resulted in an equal, but opposite effect on coupon expenditure and coupon income respectively. There is no interest rate risk for fixed rate and zero coupon rate instruments as these instruments will earn the same amount of interest until maturity.

The Company does not bear any significant interest rate risk as the interest rate risk associated with the debt securities issued by the Company is neutralised by entering into asset swap agreements whereby the swap counterparty pays the Company amounts equal to the interest payable to the holders of the debt securities issued in return for the interest earned by the Company on its investment securities. Similarly, changes in fair value of the investment securities and debt securities issued arising from changes in market interest rates are offset by changes in the fair value of the swap agreements. Therefore any change in the interest rates would not affect the equity or the statement of comprehensive income of the Company.

Other price risk

Other price risk is the risk that the value of the instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

Other price risk may include risks such as equity price risk, commodity price risk, prepayment risk (i.e. the risk that one party to a financial asset will incur a financial loss because the other party repays earlier or later than expected), and residual value risk.

The Company is exposed to price risk by investing in investment securities and is also exposed under swap agreements outlined in note 6. However, any fluctuation in the value of financial assets at fair value through profit or loss held by the Company will be borne by the holders of debt securities to the extent not borne by the swap counterparty.

dbInvestor Solutions 2 plc

Notes to the Financial Statements (continued)

For the year ended 30 June 2020

21 Financial risk management (continued)

(b) Risk management framework (continued)

(iii) Market risk (continued)

Other price risk (continued)

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

Class of investment security based on debt securities issued	Listed / Unlisted	2020 €'000	2019 €'000
Equity Linked Notes	Listed	69,021	91,295
Index Linked Notes	Listed	4,613	13,064
		<u>73,634</u>	<u>104,359</u>

Sensitivity analysis

The market price of investment securities will generally fluctuate with, among other things, the liquidity and volatility of the financial markets, general economic conditions, political events, developments or trends in a particular industry and the financial conditions of the securities issuer.

Credit Linked/ Inflation Linked/ Fixed / Variable Rated debt securities

If the market value of the collateral increases, the swap counterparty and the holders of debt securities are entitled to the resulting gains, and if the market value of the collateral decreases the swap counterparty and the holders of debt securities bear the losses. This split is dependent on who has priority of payment in these circumstances as disclosed in these circumstances as disclosed in the relevant agreements.

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

A 10% fluctuation in the market prices of the investment securities held by the Company with all other variables held constant would result in a change of EUR 7,363k (2019: EUR 10,436k) in the value of the investment securities and total return swaps. This would result in a corresponding change of EUR 7,363k (2019: EUR 10,436k) in the carrying value of debt securities issued by the Company, thus, the net impact on the valuation changes as a result of market price movements is nil.

dbInvestor Solutions 2 plc

Notes to the Financial Statements (continued)

For the year ended 30 June 2020

21 Financial risk management (continued)

(c) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes and infrastructure, and from factors other than credit, market and liquidity risk such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risk can arise from all of the Company's operations.

The Company has no employees and all corporate administration services are provided by VAILL under the terms of a corporate services agreement. VAILL manages the operational risk on behalf of the Company by requiring all of its employees to comply with applicable policies and procedures to ensure compliance with all applicable laws and regulations.

22 Specific instruments

Profile of the series of debt securities issued by the Company

The following are the categories as at 30 June 2020:

Type of transaction	Number of series	Cash and cash equivalents %	Cash and cash equivalents €'000	Debt securities issued %	Debt securities issued €'000	Investment securities %	Investment securities €'000	Derivative assets %	Derivative assets €'000	Total €'000
Equity Linked Notes	6	74%	26	94%	(65,054)	94%	69,020	100%	227	4,219
Index Linked Notes	1	26%	9	6%	(4,427)	6%	4,614	0%	-	196
Total	7	100%	35	100%	(69,481)	100%	73,634	100%	227	4,415

Type of transaction	Number of series	Derivative liabilities %	Derivative liabilities €'000	Other assets %	Other assets €'000	Other liabilities %	Other liabilities €'000	Net Assets €'000
Equity Linked Notes	6	95%	(5,124)	86%	931	47%	(28)	(2)
Index Linked Notes	1	5%	(271)	14%	150	53%	(31)	44
Total	7	100%	(5,395)	100%	1,081	100%	(59)	42

dbInvestor Solutions 2 plc

Notes to the Financial Statements (continued)

For the year ended 30 June 2020

22 Specific instruments

Profile of the series of debt securities issued by the Company

The following are the categories as at 30 June 2019:

Type of transaction	Number of series	Cash and cash equivalents		Debt securities issued		Investment securities		Total
		%	€'000	%	€'000	%	€'000	
Equity Linked Notes	6	74%	26	87%	(85,968)	87%	91,295	5,353
Index Linked Notes	2	26%	9	13%	(12,335)	13%	13,064	738
Total	8	100%	35	100%	(98,303)	100%	104,359	6,091

Type of transaction	Number of series	Derivative liabilities		Other assets		Other liabilities		Net Assets
		%	€'000	%	€'000	%	€'000	
Equity Linked Notes	6	89%	(6,619)	89%	1,291	39%	(24)	1
Index Linked Notes	2	11%	(827)	11%	167	61%	(37)	41
Total	8	100%	(7,446)	100%	1,458	100%	(61)	42

23 Fair values

The Company's investment securities, derivative financial instruments and debt securities issued are measured 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 approximate their fair values.

These disclosures supplement the commentary on financial risk management (see note 21).

Determining fair values

The determination of fair value for financial assets and financial liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy note 3(b) under the sub heading "Fair value measurement principles". 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.

dbInvestor Solutions 2 plc

Notes to the Financial Statements (continued)

For the year ended 30 June 2020

23 Fair values

Determining fair values (continued)

The Company's accounting policy on fair value measurements is discussed under note 3(b) under the sub heading "Fair value measurement principles". 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 categorised 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.

Valuation Techniques

The following is an explanation of the valuation techniques used in establishing the debt securities issued at FVTPL of the Company.

Investment securities: Where there are no recent transactions, 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, 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 modeling techniques. These techniques include discounted cash flow models using current market rates for credit, interest, liquidity and other risks.

Fair value is estimated using more complex modelling techniques where close proxies are not available. These techniques include option pricing model and correlation pricing model using current market rates for credit, interest, liquidity and other risks. These securities are categorised as Level 3. Refer to Quantitative Information about the Sensitivity of Significant Unobservable Inputs on page 63 to 64 for additional details on Level 3 valuation techniques.

dbInvestor Solutions 2 plc

Notes to the Financial Statements (continued)

For the year ended 30 June 2020

23 Fair values (continued)

Valuation Techniques (continued)

Derivative financial instruments: Market standard transactions in liquid trading markets, such as interest rate swaps, foreign exchange forwards, option contracts in G7 currencies are valued using market standard models and quoted parameter inputs. Parameter inputs may include interest rates and yield curves observable at commonly quoted intervals, implied volatilities and credit spreads. These inputs are obtained from pricing services, consensus pricing services and recently occurring transactions in active markets. More complex instruments are modelled using more sophisticated modelling techniques specific for the instrument and are calibrated to available market prices. These instruments are categorised as Level 2 in the fair value hierarchy.

For Level 3 instruments, if the model output value does not calibrate to a relevant market reference, 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 judgement 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. Refer to Quantitative Information about the Sensitivity of Significant Unobservable Inputs on page 63 to 64 for additional details on Level 3 valuation techniques.

Debt securities issued at FVTPL: The fair value of debt securities issued at FVTPL 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 and sensitivity. Examples of instruments involving significant unobservable inputs include correlation pricing model and discounted cash flows derived from an estimated recovery and workout period.

Where no observable information is available to support the valuation models then they are based on other relevant sources of information such as prices for similar transactions, historic data, economic fundamentals, and research information, with appropriate adjustment to reflect the terms of the actual instrument being valued and current market conditions.

dbInvestor Solutions 2 plc

Notes to the Financial Statements (continued)

For the year ended 30 June 2020

23 Fair values (continued)

Valuation Techniques (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 relevant 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 periodically 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:

		2020		
	Total	Level 1	Level 2	Level 3
	€'000	€'000	€'000	€'000
Investment securities				
Corporate bonds	40,949	-	40,949	-
Government bonds	32,685	28,072	4,613	-
	<u>73,634</u>	<u>28,072</u>	<u>45,562</u>	<u>-</u>
Derivative financial assets				
Asset swaps	227	-	-	227
	<u>227</u>	<u>-</u>	<u>-</u>	<u>227</u>
Derivative financial liabilities				
Asset swaps	(5,395)	-	(717)	(4,678)
	<u>(5,395)</u>	<u>-</u>	<u>(717)</u>	<u>(4,678)</u>
Debt securities issued				
Equity Linked Notes	(65,054)	-	(13,196)	(51,858)
Index Linked Notes	(4,427)	-	(4,427)	-
	<u>(69,481)</u>	<u>-</u>	<u>(17,623)</u>	<u>(51,858)</u>
	<u>(1,015)</u>	<u>28,072</u>	<u>27,222</u>	<u>(56,309)</u>

dbInvestor Solutions 2 plc

Notes to the Financial Statements (continued)

For the year ended 30 June 2020

23 Fair values (continued)

Valuation Techniques (continued)

	Total	Level 1	2019	
	€'000	€'000	Level 2	Level 3
			€'000	€'000
Investment securities				
Corporate bonds	62,593	-	62,593	-
Government bonds	41,766	-	41,766	-
	<u>104,359</u>	<u>-</u>	<u>104,359</u>	<u>-</u>
Derivative financial liabilities				
Asset swaps	(7,446)	-	(528)	(6,918)
	<u>(7,446)</u>	<u>-</u>	<u>(528)</u>	<u>(6,918)</u>
Debt securities issued				
Equity Linked Notes	(85,967)	-	-	(85,967)
Index Linked Notes	(12,336)	-	(4,225)	(8,111)
	<u>(98,303)</u>	<u>-</u>	<u>(4,225)</u>	<u>(94,078)</u>
	<u>(1,390)</u>	<u>-</u>	<u>99,606</u>	<u>(100,996)</u>

As at 30 June 2020, the Company's Level 2 investment securities are composed of corporate and government bonds. These were priced using observable market data. These were priced using observable market data. Refer to pages 59, 63 and 64 for valuation techniques and inputs used to determine the fair value of Level 2 and Level 3 positions.

Derivative financial instruments classified as Level 3 involves asset swaps where the fair value measurements were based on unobservable inputs and no active market data available for similar instruments. While derivative financial instruments classified as Level 2 are asset swaps whose fair value are based on observable market data and can be determined by reference to similar instruments trading in active markets.

Debt securities issued are traded in the institutional market. Notwithstanding that a quoted market price exists for these, the Directors have concluded that the debt securities 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. Debt securities are classified in the lowest level observed of the assets and derivatives on a series by series basis.

Transfers between Level 1 and Level 2 have occurred during the year in respect to the investment securities (2019: No transfers between Level 1 and Level 2). Transfers in and out of Level 3 are recorded at the beginning of the year. For instruments transferred out of Level 3, the table below shows no gains or losses and cash flows on the instruments as they have been transferred at the beginning of the year.

dbInvestor Solutions 2 plc

Notes to the Financial Statements (continued)

For the year ended 30 June 2020

23 Fair values (continued)

Valuation Techniques (continued)

The table below sets out information about significant observable inputs used as at 30 June 2020 in measuring financial instruments categorised as Level 2 in the fair value hierarchy:

Type of financial instrument	Fair values at 30 June 2020 €'000	Valuation Technique	Significant observable input
Investment securities			
Corporate bonds	40,949	*Market Price	Mark it
Government bonds	32,685	*Market Price	Mark it
	<u>73,634</u>		
Derivative financial instruments			
Asset swap	(718)	**Discounted Cashflow Model	Interest rate curves
	<u>(718)</u>		

**Market Price - Market based prices exist for each individual instrument at product level for an identical or similar assets. The valuation inputs are directly supported by current market transactions or quoted prices.*

***Discounted Cashflow Model - This model projects future cash flows and discounts the future amounts to a present value using market-based observable inputs including interest rate curves, credit spreads, foreign exchange rates, and forward and spot prices for currencies.*

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

	2020 €'000	2019 €'000
Opening balance	-	-
Transfers in	(31)	-
Fair value movements	258	-
Closing balance	<u>227</u>	<u>-</u>

During the year, series 9 was also transferred from derivative liabilities to derivative assets (2019: no transfer).

dbInvestor Solutions 2 plc

Notes to the Financial Statements (continued)

For the year ended 30 June 2020

23 Fair values (continued)

Valuation Techniques (continued)

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

	2020 €'000	2019 €'000
Opening balance	(6,918)	(9,201)
Maturities	694	-
Transfers out	865	-
Fair value movements	681	2,283
Closing balance	<u>(4,678)</u>	<u>(6,918)</u>

During the year, series 7 was transferred from Level 3 to Level 2 (2019: no transfer) due to the availability of observable input and market data for similar instruments. Series 9 was also transferred from derivative liabilities to derivative assets.

As at 30 June 2020, series 1 has matured (2019: nil). Refer to page 63 for the sensitivities for Level 3 derivative financial instruments.

The fair value movements are recognised under net loss from derivative financial instruments in the statement of comprehensive income.

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

	2020 €'000	2019 €'000
Opening balance	(94,078)	(89,908)
Maturities	8,000	-
Redemptions	19,633	-
Transfers out	13,307	-
Fair value movements	1,280	(4,170)
Closing balance	<u>(51,858)</u>	<u>(94,078)</u>

dbInvestor Solutions 2 plc

Notes to the Financial Statements (continued)

For the year ended 30 June 2020

23 Fair values (continued)

Valuation Techniques (continued)

During the year, series 7 was transferred from Level 3 to Level 2 (2019: no transfer) due to the availability of observable input and market data for similar instruments and no series (2019: no transfer) was transferred in to Level 3 due to lack of unobservable input and available market data. As at 30 June 2020, series 1 has matured while series 6 was partially redeemed (2019: nil). Refer to page 63 for the sensitivities for Level 3 derivative financial instruments.

Any change in the classification of the investment securities 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.

The fair value movements are recognised under net finance gain / (loss) on debt securities issued in the 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 debt securities issued under Level 3 held by the Company would increase or decrease the fair value as at 30 June 2020 by EUR 5,186k (2019: EUR 9,408k).

Level 3 Realised and Unrealised Gain and Losses

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 statement of comprehensive income for the year is as follows:

	2020	2019
	€'000	€'000
Derivative financial instruments	681	2,283
Debt securities issued	1,280	(4,170)
	<u>1,961</u>	<u>(1,887)</u>

dbInvestor Solutions 2 plc

Notes to the Financial Statements (continued)

For the year ended 30 June 2020

23 Fair values (continued)

Valuation Techniques (continued)

The total amount of change in fair value estimated using valuation techniques based on significant unobservable data (Level 3) for assets and liabilities held at the end of the reporting period:

	2020	2019
	€'000	€'000
Derivative financial instruments	939	2,283
Debt securities issued	783	(4,170)
	<u>1,722</u>	<u>(1,887)</u>

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 would not have any effect on the profit or loss or on equity of the Company as any change in fair value will be borne by the holders of debt securities due to the limited recourse nature of the debt issued by the Company.

Quantitative Information about the Sensitivity of Significant Unobservable Inputs:

The behaviour of the unobservable parameters on Level 3 fair value measurement is not necessarily independent, and dynamic relationships often exist between the other unobservable parameters and the observable parameters. Such relationships, where material to the fair value of a given instrument, are explicitly captured via correlation parameters, or are otherwise controlled via pricing models or valuation techniques. Certain inputs used in valuation techniques often impact the range of possible values for other inputs used in the same valuation.

The range of values shown on the table on the succeeding page represents the highest and lowest inputs used to value the significant exposures within Level 3. The diversity of financial instruments that make up the disclosure is significant and therefore the ranges of certain parameters can be large. As Level 3 contains the less liquid fair value instruments, the wide ranges of parameters seen is to be expected, as there is a high degree of pricing differentiation within each exposure type to capture the relevant market dynamics.

dbInvestor Solutions 2 plc

Notes to the Financial Statements (continued)

For the year ended 30 June 2020

23 Fair values (continued)

Quantitative Information about the Sensitivity of Significant Unobservable Inputs:

Sensitivity calculation of unobservable parameters for Level 3 aligns to the approach used to assess valuation uncertainty for Prudent Valuation purposes. Prudent Valuation is a capital requirement for assets held at fair value. It provides a mechanism for quantifying and capitalizing valuation uncertainty in accordance with the European Commission Delegated Regulation (EU) 2016/101, which supplements Article 34 of Regulation (EU) No. 2019/876 (CRR), requiring institutions to apply as a deduction from CET 1 for the amount of any additional valuation adjustments on all assets measured at fair value calculated in accordance with Article 105 (14). This utilizes exit price analysis performed for the relevant assets and liabilities in the Prudent Valuation assessment. The downside sensitivity may be limited in some cases where the fair value is already demonstrably prudent.

The table below sets out information about significant unobservable inputs used as at 30 June 2020 in measuring financial instruments categorised as Level 3 in the fair value hierarchy:

Type of financial instrument	Fair values at 30 June 2020 €'000	Valuation Technique	Significant unobservable input	Range of estimates for unobservable input	Sensitivity
Derivative financial instruments					
Asset swap	(1,302)	*Proxied to Totem Funds Service	Fund Volatility	9.96% to 11.04%	52
	(1,440)	*Proxied to Totem Funds Service	Fund Volatility	10.95% to 11.95%	10
	227	*Proxied to Totem Funds Service	Fund Volatility	10.95% to 11.95%	36
	(1,935)	**Price Based	Inflation Volatility	.10 % to 203%	8436
	<u>(4,451)</u>				<u>8,534</u>

**Consensus pricing proxy using Totem Funds Service – Totem provides consensus based derivative prices to support the independent verification of book valuations. The service delivers daily and monthly prices across Equity, Interest Rate, FX, Commodities and exotic derivative products. Due to limited Totem coverage for instruments in the underlying fund portfolio, implied volatilities for funds are benchmarked to those of similar funds or the highest observed consensus level. Implied Fund Volatility is used to model fund asset dispersions relevant for evaluating Option style payoffs which are unobservable.*

***Price based – Valuation relies on the underlying bond with an inflation linked payoff cap. The inflation volatility embedded in the debt instrument is deemed unobservable.*

dbInvestor Solutions 2 plc

Notes to the Financial Statements (continued)

For the year ended 30 June 2020

23 Fair values (continued)

Quantitative Information about the Sensitivity of Significant Unobservable Inputs: (continued)

The table below sets out information about significant unobservable inputs used as at 30 June 2019 in measuring financial instruments categorised as Level 3 in the fair value hierarchy:

Type of financial instrument	Fair values at 30 June 2019 €'000	Valuation Technique	Significant unobservable input	Range of estimates for unobservable input	Sensitivity
Derivative financial instruments					
Asset swap	6,920	Proxied to Totem Funds Service	Fund Volatility	3.98% to 19.17%	129
	<u>6,920</u>				<u>129</u>

24 Interest in other entities

(a) Disclosure of the nature, purpose, size and activities of structured entities and how they are financed

The Company invested in debt securities issued by a structured entity. The structured entity has the following business activities:

Glencore Finance (Europe) S.A. is a debt issuing vehicle incorporated in 2003 and is based in Luxembourg. The primary business of the entity is raising of money for the purpose of lending to Glencore Xstrata plc and its consolidated subsidiaries ("Group"). Accordingly, substantially all Glencore Finance (Europe) S.A.'s assets are loans and advances made to other members of the Group and the ability to satisfy its obligations in respect of the note issuances will depend upon the payments made to it in respect of loans and advances made by the entity.

The Company owns the note issuance of Glencore Finance (Europe) S.A. with principal amount of EUR 13,241k (2019: EUR 13,241k) due on 30 September 2020.

The Company has no contractual arrangements nor commitments or intentions to provide financial or other assistance to the unconsolidated structured entity.

Refer to note 7 for further details of fair value of investments in structured entities.

dbInvestor Solutions 2 plc

Notes to the Financial Statements (continued)

For the year ended 30 June 2020

24 Interest in other entities (continued)

(b) Risk associated with unconsolidated structured entities

The table below summarises the Company's interest in unconsolidated structured entities included in the investment securities at FVTPL at 30 June 2020:

Series Number of dbInvestor Solutions II plc	Issuer Name	CCY	Outstanding Nominal of investment securities	2020	Fair Value of investment securities	Fair Value of Debt securities	Fair Value of Derivatives	Maximum exposure to loss
				% of Notional issued by the structured entity				
			€'000		€'000	€'000	€'000	€'000
Series 7	Glencore Finance Europe SA	EUR	13,241	1.77%	13,308	13,196	447	13,308
			13,241	1.77%	13,308	13,196	447	13,308

The Company has maximum exposure to the risk associated with the carrying value of the above investments. If these investments are deemed worthless, the Company will not receive anything. The Company bears no risk and it is the swap counterparties and holders of debt securities that bear all the risk. Refer to note 21(b)(i) for the details on credit risk.

The below table summarises the Company's interest in unconsolidated structured entities included in the investment securities at FVTPL as at 30 June 2019:

Series Number of dbInvestor Solutions II plc	Issuer Name	CCY	Outstanding Nominal of investment securities	2019	Fair Value of investment securities	Fair Value of Debt securities	Fair Value of Derivatives	Maximum exposure to loss
				% of Notional issued by the structured entity				
			€'000		€'000	€'000	€'000	€'000
Series 7	Glencore Finance Europe SA	EUR	13,241	1.77%	13,807	13,306	835	13,807
			13,241	1.77%	13,807	13,306	835	13,807

dbInvestor Solutions 2 plc

Notes to the Financial Statements (continued)

For the year ended 30 June 2020

25 Subsequent events

Since the end of the reporting period the Company has not issued any new series of debt securities, no maturities and no repurchases have been made after the year end. There were no events after the reporting date up to the date of the approval of the financial statements, which require adjustment to or disclosure in the financial statements.

26 Capital Management

The Company views the current debt securities issued as its capital. The Company is a special purpose vehicle set up to issue debt instruments for the purpose of making investments that maximizes the returns of the holder of debt securities. Share capital of EUR 38k was issued in line with Irish company law and is not used for financing the investment activities of the Company. The Company is not subject to any other externally imposed capital requirements.

27 Approval of the financial statements

The financial statements were approved and authorised for issue by the Board on 29 October 2020.