

## **dbInvestor Solutions 2 plc**

**Directors' report and  
financial statements**

**For the year ended  
30 June 2021**

Registered number    539687

# dbInvestor Solutions 2 plc

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# dbInvestor Solutions 2 plc

## Directors and other information

|  |  |
|--|--|
| <b>Directors</b>   | Niall O'Carroll (Irish) - <i>Independent</i><br>Brian Brady (Irish) - <i>Independent</i><br>Bronagh Hardiman (Irish)   |
| <b>Registered office</b>                                       | Block A, George's Quay Plaza<br>George's Quay<br>Dublin 2, Ireland   |
| <b>Trustee</b>   | Deutsche Trustee Company Limited<br>Winchester House<br>1 Great Winchester Street<br>London EC2N 2DB<br>United Kingdom   |
| <b>Administrator &amp;<br/>Company Secretary</b>               | Vistra Alternative Investments (Ireland) Limited<br>Block A, George's Quay Plaza<br>George's Quay<br>Dublin 2, Ireland   |
| <b>Independent auditor</b>                                     | Ernst & Young<br>Harcourt Centre<br>Harcourt Street<br>Dublin 2, Ireland   |
| <b>Arranger, Custodian,<br/>Banker &amp; Swap Counterparty</b> | Deutsche Bank AG, London Branch<br>Winchester House<br>1 Great Winchester Street<br>London EC2N 2DB<br>United Kingdom  |
| <b>Listing Agent</b>   | Irish / Vienna / Cayman Listing Agent<br>Deutsche Bank AG, London Branch<br>Winchester House<br>1 Great Winchester Street<br>London EC2N 2DB<br>United Kingdom |
| <b>Solicitor</b>   | Matheson<br>70 Sir John Rogerson's Quay<br>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 2021.

### 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 Vienna Stock Exchange and the Cayman Islands Stock Exchange. Details of series listed on specific exchanges are disclosed in note 9.

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 at bank 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.

The Company made a net gain on investment securities of EUR 483k for the year (2020: Net loss of EUR 120k) and a net gain on derivative financial instruments of EUR 1,933k (2020: Net loss of EUR 976k). 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 loss on debt securities issued of EUR 2,416k (2020: Net finance gain of EUR 1,096k) for the year resulting in nil profit for the year ended 30 June 2021 (2020: Nil).

# dbInvestor Solutions 2 plc

## Directors' Report (continued)

### **Principal activities, business review and future developments (continued)**

As at 30 June 2021, the fair value of the Company's total debt securities issued was EUR 33,558k (2020: EUR 69,481k). There were no new series issued during the year (2020: No series). Refer to note 9 for further details.

During the year, series 3, 6 and 7 (2020: Series 1) matured and series 4, 5 and 8 (2020: Series 6) were partially redeemed.

The following series are currently in issue as at year end date: Series 4, 5, 8 and 9 (2020: Series 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. Refer to Risks 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.

The Directors considered all available information for the foreseeable future which is at least, but not limited to, 12 months from the proposed date of the approval of the financial statements. Based on the assessment, it is anticipated that while some series will redeem or mature, it is also expected that 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 (2020: 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 (2020: 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.

### ***United Kingdom Exit***

The United Kingdom formally left the European Union ("EU") on 31 January 2020. 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.

# dbInvestor Solutions 2 plc

## Directors' Report (continued)

### **Risks and uncertainties (continued)**

#### **COVID-19**

The spread of the COVID-19 outbreak has caused severe disruptions in the Irish and global economy and financial markets. Many countries, including Ireland, have reacted by instituting quarantines and restricting travel. The outbreak has triggered a period of global economic slowdown.

In terms of the financial impact of COVID-19, the Company continues to receive expected interest cash flows from the underlying securities and, similarly, the Company continues to make expected payments to holders of debt securities and 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 cash flows of the Company going forward.

#### **Going Concern**

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 investors' recourse to the underlying net assets of that particular 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 debt securities 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).

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

There are no other matters that impact the ability of the Company to continue as a going concern as at year end. Further details regarding the adoption of the going concern basis in preparing the financial statements can be found in note 2(a).

#### **Directors, secretary and their interests**

The Directors and secretary who held office on 30 June 2021 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.

#### **Credit events**

There have been no credit events during the year which required payment under the swap agreements which the Company has written to DB London (2020: No credit events).

#### **Subsequent events**

On 15 September 2021, debt securities for series 5 and 8 with nominal amount of EUR 11,016k and EUR 142k, respectively, have matured.

Other than the above maturities, there were no other significant events between the statement of financial position date and the date of signing the financial statements affecting the Company which require adjustment to or disclosure in the financial statements.

# dbInvestor Solutions 2 plc

## Directors' Report (continued)

### **Annual Corporate governance statement**

#### *Introduction*

The Company is subject to and complies with the Act and the Listing Rules of 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 of 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. The administrator also 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 "VAIIL"), to maintain the accounting records of the Company independently of DB London who is the Arranger and the custodian. The Administrator is contractually obliged to maintain adequate accounting records as required by the corporate services 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.

#### *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.

# dbInvestor Solutions 2 plc

## Directors' Report (continued)

### **Annual Corporate governance statement (continued)**

#### *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 auditor.

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.

### **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 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;



# dbInvestor Solutions 2 plc

## Directors' Report (continued)

### Directors' compliance statement (continued)

- 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

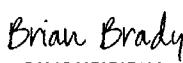
In accordance with Section 383(2) of the Act, Ernst & Young, Chartered Accountants, (appointed on 12 February 2018 and reappointed on 21 February 2021) have expressed their willingness to continue in office.

### Disclosure of Relevant Information to Auditor

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 auditor is 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 auditor is aware of this information.

Approved and authorised for issue on behalf of the Board on 28 October 2021.

DocuSigned by:  
  
D23AD2379E2F4A8...  
**Brian Brady**  
Director

DocuSigned by:  
  
786B7A4283314A6...  
**Niall O'Carroll**  
Director

## dbInvestor Solutions 2 plc

### Statement of Directors' 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.

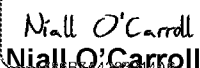
#### **Responsibility Statement, in accordance with the Transparency Regulations**

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 2021 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 28 October 2021.

DocuSigned by:  
  
**Brian Brady**  
Director

DocuSigned by:  
  
**Niall O'Carroll**  
Director

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

### ***Report on the audit of the financial statements***

#### **Opinion**

We have audited the financial statements of dbInvestor Solutions 2 plc ('the Company') for the year ended 30 June 2021, 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.

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 2021 and of its result for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union;
- 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**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Reviewed the Company's going concern disclosures included in the Financial Statements in order to assess whether the disclosures were appropriate and in conformity with the reporting standards.
- Obtained management's going concern assessment and reviewed the assumptions and inputs included in the assessment for accuracy and reasonableness for a period that covers a year from the date of signing this audit opinion.
- Reviewed the prospectus and confirmed that the prospectus includes a limited recourse clause. Noted that under the prospectus all costs and expenses are undertaken by Deutsche Bank, AG London.
- Obtained independent confirmation from Deutsche Bank, AG London regarding credit events, defaults on collaterals and indemnification of all costs and expenses.
- Considered the potential impact of COVID-19 on the going concern assumption including its impact on operations, investment valuation, liquidity, and the Company's ability to fulfil its obligations as they fall due.

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

### **Conclusion**

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

### **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><b>Management override of controls over the estimations, inputs and assumptions involved in the valuation of the underlying Higher Estimation Uncertainty (HEU) financial instruments.</b><br/>(Amounts in '000)</p> <p><b>Derivative assets €1,969</b><br/>(2020: €227)</p> <p><b>Derivative liabilities €1,872</b><br/>(2020: €5,395)</p> <p><b>Unrealized Gain on Derivative Financial Instruments</b><br/><b>€2,963(2020: €1,424)</b></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 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 that reference illiquid asset classes.</p> <p>Refer to Notes 3(b), 6, 13, 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"> <li>Assessed the appropriateness of policies governing the accounting treatment and valuation of financial instruments.</li> <li>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.</li> <li>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.</li> <li>Involved specialists to assist in the evaluation of the appropriateness of the key assumptions and methodologies used by the Company.</li> <li>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' adjustments), including appropriate governance procedures and management review.</li> <li>Confirmed the valuation of swaps with the Swap counterparty as at 30 June 2021.</li> <li>Tested the derivatives and the associated unrealised gains and losses are appropriately recorded in the financial statements.</li> </ul> | <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**

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 €671,160 (2020: €1,389,620) which is 2% (2020: 2%) 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. We retained our materiality at 2% based on our prior experience with the entity and familiarity with the Company's operations and risks. There have been no major changes in the company or the industry it operates in during the year.

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

### **Performance materiality**

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% (2020: 75%) of our planning materiality, namely €503,370 (2020: €1,042,215). 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. We have noted that there were no material recorded or unrecorded misstatements in the prior year audits.

### **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 €33,558 (2020: €69,481), which is set at 5% (2020: 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. 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 controls, including controls and changes in the business environment 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.

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**

In our opinion, based solely on the work undertaken in the course of the audit, we report that:

- the information given in the Directors' report is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with the applicable legal requirements.

We have obtained all the information and explanations which to the best of our knowledge and belief are 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.

### **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, which relate to disclosures of the directors' remuneration and transactions are not complied with the Company. We have nothing to report in this regard.

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

### **Respective responsibilities**

#### **Responsibilities of directors for the financial statements**

As explained more fully in the directors' responsibilities set out on page 8, the directors are responsible for the preparation of the financial statements in accordance with the applicable financial reporting framework that 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 is complying with those frameworks 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. Our procedures involved reading minutes of meetings of those charged with governance.



## **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](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**

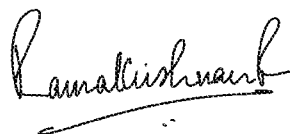
We were first appointed by the Board of Directors on 31 October 2018 and reappointed on 04 October 2021 to audit the financial statements for the year ended 30 June 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 4 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: 29 October 2021**

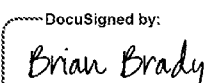
# dbInvestor Solutions 2 plc

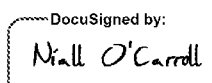
## Statement of Financial Position

As at 30 June 2021

|  | Note | 2021<br>€'000 | 2020<br>€'000 |
|--|------|---------------|---------------|
| <b>Assets</b>  |      |               |               |
| Cash at bank   | 4    | 37            | 35            |
| Other assets   | 5    | 474           | 1,081         |
| Derivative assets  | 6    | 1,969         | 227           |
| Investment securities at fair value through profit or loss             | 7    | 33,068        | 73,634        |
| <b>Total assets</b>  |      | <b>35,548</b> | <b>74,977</b> |
| <b>Liabilities</b>   |      |               |               |
| Derivative liabilities   | 6    | 1,872         | 5,395         |
| Other liabilities  | 8    | 76            | 59            |
| Debt securities issued designated at fair value through profit or loss | 9    | 33,558        | 69,481        |
| <b>Total liabilities</b>   |      | <b>35,506</b> | <b>74,935</b> |
| Share capital  | 10   | 38            | 38            |
| Retained earnings  |      | 4             | 4             |
| <b>Total equity</b>  |      | <b>42</b>     | <b>42</b>     |
| <b>Total liabilities and equity</b>                                    |      | <b>35,548</b> | <b>74,977</b> |

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

DocuSigned by:  
  
 D23AD9379E2F4A8...  
**Brian Brady**  
 Director

DocuSigned by:  
  
 786B7A4293314A6...  
**Niall O'Carroll**  
 Director

Date: 28 October 2021

The notes on pages 20 to 65 form an integral part of these financial statements.

# dbInvestor Solutions 2 plc

## Statement of Comprehensive Income

For the year ended 30 June 2021

|   | Note | 2021<br>€'000 | 2020<br>€'000 |
|---|------|---------------|---------------|
| Net gain / (loss) on investment securities            | 12   | 483           | (120)         |
| Net gain / (loss) on derivative financial instruments | 13   | 1,933         | (976)         |
| Net finance (loss) / gain on debt securities issued   | 14   | (2,416)       | 1,096         |
|   |      | <hr/>         | <hr/>         |
| <b>Operating income</b>                               |      | -             | -             |
| Other income  | 15   | 90            | 81            |
| Other expenses  | 16   | (90)          | (81)          |
|   |      | <hr/>         | <hr/>         |
| <b>Profit before taxation</b>                         |      | -             | -             |
| Income tax expense                                    | 17   | -             | -             |
|   |      | <hr/>         | <hr/>         |
| <b>Result for the year</b>                            |      | -             | -             |
| Other comprehensive income                            |      | -             | -             |
|   |      | <hr/>         | <hr/>         |
| <b>Total comprehensive income for the year</b>        |      | <hr/> <hr/>   | <hr/> <hr/>   |

All items dealt with in arriving at the above result for the year ended 30 June 2021 and 30 June 2020 are related to continuing operations.

The notes on pages 20 to 65 form an integral part of these financial statements.

# dbInvestor Solutions 2 plc

## Statement of Cash Flows

For the year ended 30 June 2021

|   | Note | 2021<br>€'000   | 2020<br>€'000  |
|---|------|-----------------|----------------|
| <b>Cash flows from operating activities</b>                         |      |                 |                |
| Profit for the year before taxation                                 |      | -               | -              |
| <b>Adjustments for:</b>   |      |                 |                |
| Interest income on investment securities                            | 12   | (1,345)         | (2,609)        |
| Interest expense on debt securities issued                          | 14   | -               | 93             |
| Net unrealised loss on investment securities                        | 12   | 325             | 2,121          |
| Net realised loss of investment securities                          | 12   | 537             | 608            |
| Net unrealised loss / (gain) on debt securities issued              | 14   | 1,917           | (692)          |
| Net realised loss / (gain) on debt securities issued                | 14   | 499             | (110)          |
| Net swap payments   | 13   | 1,968           | 2,859          |
| Net unrealised gain on derivative financial instruments             | 13   | (2,963)         | (1,424)        |
| Net realised gain on settlement of derivative financial instruments | 13   | (938)           | (459)          |
| <b>Movement in Working capital</b>                                  |      |                 |                |
| Changes in other assets   |      | (16)            | 1              |
| Changes in other liabilities  |      | 17              | -              |
| <b>Cash generated from operating activities</b>                     |      | <u>1</u>        | <u>388</u>     |
| Net payments in respect of derivative financial instruments         |      | (1,344)         | (2,904)        |
| <b>Net cash used in operating activities</b>                        |      | <u>(1,343)</u>  | <u>(2,516)</u> |
| <b>Cash flow from investing activities</b>                          |      |                 |                |
| Interest received from investment securities                        |      | 1,345           | 2,609          |
| Proceeds from maturities of investment securities                   |      | 17,574          | 8,000          |
| <b>Net cash generated from investing activities</b>                 |      | <u>18,919</u>   | <u>10,609</u>  |
| <b>Cash flow used in financing activities</b>                       |      |                 |                |
| Interest paid on debt securities issued                             | 9    | -               | (93)           |
| Payments on maturities of debt securities issued                    | 9    | (17,574)        | (8,000)        |
| <b>Net cash used in financing activities</b>                        |      | <u>(17,574)</u> | <u>(8,093)</u> |
| <b>Net change in cash at bank</b>                                   |      | 2               | -              |
| Cash at bank as at 1 July   | 4    | 35              | 35             |
| <b>Cash at bank as at 30 June</b>                                   | 4    | <u>37</u>       | <u>35</u>      |

The notes on pages 20 to 65 form an integral part of these financial statements.

# dbInvestor Solutions 2 plc

## Statement of Changes in Equity

For the year ended 30 June 2021

|  | Note | Share<br>capital<br>€'000 | Retained<br>earnings<br>€'000 | Total<br>€'000 |
|--|------|---------------------------|-------------------------------|----------------|
| <b>Balance as at 1 July 2019</b>               |      | <b>38</b>                 | <b>4</b>                      | <b>42</b>      |
| Profit for the year - 2020                     | 17   | -                         | -                             | -              |
| Other comprehensive income                     |      | -                         | -                             | -              |
| <b>Total comprehensive income for the year</b> |      | <b>-</b>                  | <b>-</b>                      | <b>-</b>       |
| <b>Balance as at 30 June 2020</b>              |      | <b>38</b>                 | <b>4</b>                      | <b>42</b>      |
| Profit for the year - 2021                     | 17   | -                         | -                             | -              |
| Other comprehensive income                     |      | -                         | -                             | -              |
| <b>Total comprehensive income for the year</b> |      | <b>-</b>                  | <b>-</b>                      | <b>-</b>       |
| <b>Balance as at 30 June 2021</b>              |      | <b>38</b>                 | <b>4</b>                      | <b>42</b>      |

The notes on pages 20 to 65 form an integral part of these financial statements.

# dbInvestor Solutions 2 plc

## Notes to the Financial Statements

For the year ended 30 June 2021

### 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 2021. The comparative information for 2020 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.

#### *Going concern*

The Directors are closely monitoring the evolution of COVID-19, including how it may affect the economy and general population. The Directors have a reasonable expectation that the impact of COVID-19 would not have an impact on the Company’s going concern because of the limited recourse nature of the debt securities issued by the Company, any such losses would ultimately be borne by either the Company’s swap counterparty and/or the Company’s holders of debt securities for that particular series. DB London as Arranger has agreed to pay the Company for Series Overheads as defined in the Programme Proposal Agreement.

The Company received its interest income from its investment securities and total return swaps and was able to meet the interest expenditure of its issued debt securities to the holders of debt securities from the statement of financial position date up to the date of signing the financial statements. This indicates the Company continues to generate cash flows to meet its obligations as they fall due.

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.

# dbInvestor Solutions 2 plc

## Notes to the Financial Statements (continued)

For the year ended 30 June 2021

### 2 Basis of preparation (continued)

#### (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.

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

##### (i) New standards adopted during the year

The following adopted accounting standards for the accounting period beginning on or after 1 July 2020 are not expected to have a material impact on the financial performance or financial position of the Company.

- Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018)
- Amendments to IAS 1 and IAS 8: Definition of Material (issued on 31 October 2018)
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (issued on 26 September 2019)
- Amendments to IFRS 3 *Business Combinations* (issued on 22 October 2018)
- Amendment to IFRS 16 *Leases Covid 19 – Related Rent Concessions* (issued on 28 May 2020)

##### (ii) Effective for annual periods beginning on or after 1 July 2021

The Directors have set out the upcoming EU endorsed and un-endorsed accounting standards, amendments or interpretations as up until the issuance of the financial statements as set out below.

| Description  | Effective date<br>(period beginning)* |
|--|---------------------------------------|
| Amendments to IFRS 4 <i>Insurance Contracts</i> – 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 <i>Interest Rate Benchmark Reform – Phase 2</i> (issued on 27 August 2020)  | 1 January 2021**                      |
| Amendments to IFRS 3 <i>Business Combinations</i> ; IAS 16 <i>Property, Plant and Equipment</i> ; IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i> ; and <i>Annual Improvements 2018-2020 (All issued 14 May 2020)</i> | 1 January 2022**                      |
| Amendments to IFRS 16 <i>Leases: Covid-19 – Related Rent Concessions beyond 30 June 2021</i> (issued on 31 March 2021)   | 1 April 2021**                        |
| IFRS 17: <i>Insurance Contracts</i> (Issued on 18 May 2017); including Amendments to IFRS 17 (issued on 25 June 2020)  | 1 January 2023                        |
| Amendment to IAS 1 <i>Presentation of Financial Statements</i> and IFRS Practice Statement 2: <i>Disclosure of Accounting Policies</i> (issued on 12 February 2021)  | 1 January 2023                        |

# dbInvestor Solutions 2 plc

## Notes to the Financial Statements (continued)

For the year ended 30 June 2021

### 2 Basis of preparation (continued)

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

##### (ii) Effective for annual periods beginning on or after 1 July 2021 (continued)

| Description   | Effective date<br>(period beginning)* |
|---|---------------------------------------|
| Amendments to IAS 1 <i>Presentation of Financial Statements: Classification of Liabilities as Current or Noncurrent and Classification of Liabilities as Current or Non-current – Deferral of Effective Date</i> (issued on 23 January 2020 and 15 July 2020, respectively) | 1 January 2023                        |
| Amendments to IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates</i> (issued on 12 February 2021)   | 1 January 2023                        |
| Amendments to IAS 12 <i>Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> (issued on 7 May 2021)   | 1 January 2023                        |

\*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 do 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.

##### (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.



# dbInvestor Solutions 2 plc

## Notes to the Financial Statements (continued)

For the year ended 30 June 2021

### 2 Basis of preparation (continued)

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

##### (i) Judgements (continued)

##### ***Level 3 fair value measurement***

Level 3 instruments are regarded as a source of critical accounting judgement as at 30 June 2021. 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 instruments.

The swap counterparty has produced valuations as at a particular time and date on the basis of, inter alia, its proprietary valuation models that take into account interest rates, duration and relevant credit spreads. There is 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 option pricing model, correlation pricing model, discounted cash flow 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 directly observable from the market and are derived from market prices 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 option pricing model, correlation pricing model and discounted cash flow 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.

The result of COVID-19 on the critical judgements and sources of estimation uncertainty outlined above impacts the valuation of the underlying securities and the categorisation of the underlying securities in the IFRS fair value hierarchy table.

# dbInvestor Solutions 2 plc

## Notes to the Financial Statements (continued)

For the year ended 30 June 2021

### 2 Basis of preparation (continued)

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

##### (ii) Estimates and assumptions (continued)

##### ***Fair value measurement of financial instruments (continued)***

To date, there has been no significant change on the valuation of the underlying securities or their categorisation in the fair value hierarchy table. Similarly, there has been no significant change in critical judgements and sources of estimation uncertainty or assumptions underpinning assets, liabilities, income, expenses and cash flows due to COVID-19.

#### (f) Functional and presentation currency

The financial statements are presented in Euro, which is the Company's functional currency. Functional currency is the currency of the primary economic environment in which the entity operates.

The issued share capital and debt securities of the Company are both 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 (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;

# dbInvestor Solutions 2 plc

## Notes to the Financial Statements (continued)

For the year ended 30 June 2021

### 3 Significant accounting policies (continued)

#### (a) Structured entities (continued)

- 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 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.

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

During the year, the Company made no new issuances of series and no new designations were made.

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");

# dbInvestor Solutions 2 plc

## Notes to the Financial Statements (continued)

For the year ended 30 June 2021

### 3 Significant accounting policies (continued)

#### (b) Financial instruments (continued)

##### *Classification (continued)*

- 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 has 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 corporate bonds and government bonds.

##### *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 the Arranger in relation to the corporate benefit / Series Overheads of 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.

# dbInvestor Solutions 2 plc

## Notes to the Financial Statements (continued)

For the year ended 30 June 2021

### 3 Significant accounting policies (continued)

#### (b) Financial instruments (continued)

##### *Impairment of financial assets*

The impairment rules under IFRS 9 apply to financial assets that are measured at amortised cost or FVOCI. The determination of impairment losses and allowances are based on 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.

##### *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 costs are expensed. For financial assets and financial liabilities not at fair value through profit or loss, costs directly attributable to the acquisition or issue of financial assets or financial liabilities are 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 fair value through profit or loss are recognised in the statement of comprehensive income.

Financial assets and financial liabilities not categorised as at fair value through profit or loss 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 expire, 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 expired.

##### *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.

# dbInvestor Solutions 2 plc

## Notes to the Financial Statements (continued)

For the year ended 30 June 2021

### 3 Significant accounting policies (continued)

#### (b) Financial instruments (continued)

##### *Offsetting (continued)*

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. 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 option pricing model, correlation pricing model, discounted cash flow model, 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 usually are developed from recognised valuation models. Some or all of the inputs into these models may not be directly observable from the market and are derived from market prices or are estimates based on assumptions. Refer to note 23 for details.

The Company recognises transfers between levels of the fair value hierarchy as at the beginning 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.

# dbInvestor Solutions 2 plc

## Notes to the Financial Statements (continued)

For the year ended 30 June 2021

### 3 Significant accounting policies (continued)

#### (c) Financial liabilities and equity (continued)

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. 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 based on geographical location for the Company by the Board who is 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 at bank

Cash at bank consists of cash held on deposit which is on demand and is 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 using exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency using 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) on investment securities, derivative financial instruments or debt securities issued, as appropriate.

# dbInvestor Solutions 2 plc

## Notes to the Financial Statements (continued)

For the year ended 30 June 2021

### 3 Significant accounting policies (continued)

#### (g) Net gain / (loss) on investment securities

Net gain / (loss) on 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.

#### (h) Net gain / (loss) on derivative financial instruments

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

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

#### (j) Taxation

Tax expense comprises current and deferred tax. 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 or substantively 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 or substantively 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.

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

#### (k) Other income and expenses

All of the 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 2021

### 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 at bank

|              | 2021<br>€'000 | 2020<br>€'000 |
|--------------|---------------|---------------|
| Cash at bank | 37            | 35            |

Cash at bank balance is held with DB London, refer to note 21(b)(i) for the credit rating.

### 5 Other assets

|   | 2021<br>€'000 | 2020<br>€'000 |
|---|---------------|---------------|
| Interest income receivable from investment securities | 393           | 1,016         |
| Other receivables                                     | 81            | 65            |
|   | 474           | 1,081         |

All of the above other assets are current. Refer to note 21(b)(i) for credit risk disclosure.

### 6 Derivative financial instruments

|                          | 2021<br>€'000 | 2020<br>€'000 |
|--------------------------|---------------|---------------|
| <i>Derivative assets</i> |               |               |
| One to five years        | 1,969         | 227           |

# dbInvestor Solutions 2 plc

## Notes to the Financial Statements (continued)

For the year ended 30 June 2021

### 6 Derivative financial instruments (continued)

|                               | 2021<br>€'000 | 2020<br>€'000 |
|-------------------------------|---------------|---------------|
| <i>Derivative liabilities</i> |               |               |
| Less than one year            | 1,872         | 720           |
| One to five years             | -             | 4,675         |
|                               | <u>1,872</u>  | <u>5,395</u>  |

The Company has entered into asset swap agreements to eliminate the mismatch between the amount payable in respect of issued debt securities and the return from the investment securities held by the Company as collateral. During the year, asset swap agreements for series 3, 6 and 7 matured (2020: Series 1) while series 4, 5 and 8 were partially redeemed (2020: Series 6) and no series was fully redeemed (2020: No series).

#### *Fair value adjustment for credit risk*

The adjustments comprised Counterparty Credit Valuation Adjustments (CVA) and Funding Valuation Adjustments (FVA). The impact of adjustments are incorporated into the fair value of the derivative financial instruments.

CVA covers expected credit losses relating to non-performance risk of the derivative counterparty, DB London. For FVA, that relates to derivative liabilities, the Company considers own 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 2021, the combined value of adjustments amounted to EUR (14k) (2020: EUR (2k)) comprised of CVA and FVA amounting to EUR (4k) and EUR (10k), respectively (2020: EUR 10k and EUR (12k), respectively). This was consistent with the valuation policies adopted by derivative counterparty, DB London.

The notional amount of the derivatives as at year end are as follows:

| Series      | 2021<br>Notional |              | 2020<br>Notional |              |
|-------------|------------------|--------------|------------------|--------------|
|             | Receive<br>€'000 | Pay<br>€'000 | Receive<br>€'000 | Pay<br>€'000 |
| DBIS2-S0003 | -                | -            | 4,444            | 4,444        |
| DBIS2-S0004 | 10,316           | 10,316       | 17,016           | 17,016       |
| DBIS2-S0005 | 11,016           | 11,016       | 17,016           | 17,016       |
| DBIS2-S0006 | -                | -            | 127              | 127          |
| DBIS2-S0007 | -                | -            | 13,241           | 13,241       |
| DBIS2-S0008 | 142              | 142          | 7,142            | 7,142        |
| DBIS2-S0009 | 8,995            | 8,995        | 8,995            | 8,995        |

# dbInvestor Solutions 2 plc

## Notes to the Financial Statements (continued)

For the year ended 30 June 2021

### 7 Investment securities at fair value through profit or loss

|   | 2021<br>€'000 | 2020<br>€'000 |
|---|---------------|---------------|
| <i>At fair value through profit or loss</i> |               |               |
| Corporate bonds                             | 20,092        | 40,949        |
| Government bonds                            | 12,976        | 32,685        |
|   | <u>33,068</u> | <u>73,634</u> |

### Maturity analysis of investment securities at fair value through profit or loss

|                    | 2021<br>€'000 | 2020<br>€'000 |
|--------------------|---------------|---------------|
| Less than one year | 12,976        | 18,047        |
| One to five years  | 20,092        | 55,587        |
|                    | <u>33,068</u> | <u>73,634</u> |

Maturities of investment securities are cash settled transactions which are shown in the statement of cash flows. During the year, series 3, 6 and 7 matured (2020: Series 1).

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 4, 5 and 8 were partially redeemed with nominal amount of EUR 6,700k, 6,000k and EUR 7,000k, respectively (2020: Series 6 with nominal amount of EUR 19,800k). These non cash settled transactions did not result in any foreign exchange gain / loss as the debt securities for these series are denominated in Euro.

In consideration of the partial redemption of the above mentioned series, the Company transferred to the order of the holders of debt securities the nominal amount of the investment securities issued by DB London.

The carrying value of all the above assets of the Company represents the Company's maximum exposure to credit risk. The credit risk is eventually transferred to the holders of debt securities issued. The investment securities are held as collateral for debt securities issued by the Company. Refer to note 21(b)(i) for details on credit risk.

The Company held investments in unconsolidated structured entities for series 7 with fair value of EUR 13,308k as at 30 June 2020. The investments matured on 30 September 2020.

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

# dbInvestor Solutions 2 plc

## Notes to the Financial Statements (continued)

For the year ended 30 June 2021

### 8 Other liabilities

|                  | 2021<br>€'000 | 2020<br>€'000 |
|------------------|---------------|---------------|
| Accrued expenses | 49            | 26            |
| Other payables   | 27            | 33            |
|                  | <u>76</u>     | <u>59</u>     |

All of the above other liabilities are current.

### 9 Debt securities issued designated at fair value through profit or loss

|   | 2021<br>€'000 | 2020<br>€'000 |
|---|---------------|---------------|
| Designated at fair value through profit or loss | <u>33,558</u> | <u>69,481</u> |

#### Maturity analysis of the debt securities issued designated at fair value through profit or loss

|                    | 2021<br>€'000 | 2020<br>€'000 |
|--------------------|---------------|---------------|
| Less than one year | 11,181        | 17,749        |
| One to five years  | 22,377        | 51,732        |
|                    | <u>33,558</u> | <u>69,481</u> |

The Company's obligations under the debt securities issued and related derivative financial instruments as disclosed in note 6 are secured by collateral held as discussed in note 7. 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 table in the next page shows the changes in liabilities arising from financing activities.

# dbInvestor Solutions 2 plc

## Notes to the Financial Statements (continued)

For the year ended 30 June 2021

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

|  | 2021<br>€'000 | 2020<br>€'000 |
|--|---------------|---------------|
| Opening balance  | 69,481        | 98,303        |
| Net finance loss / (gain) on debt securities issued            | 2,416         | (1,096)       |
| Payments on maturities / redemptions of debt securities issued | (17,574)      | (8,000)       |
| Interest paid on debt securities issued                        | -             | (93)          |
| Non-cash redemptions   | (20,765)      | (19,633)      |
| Closing balance  | <u>33,558</u> | <u>69,481</u> |

Maturities of debt securities are cash settled transactions which are shown in the statement of cash flows. During the year, series 3, 6 and 7 matured (2020: Series 1).

Redemptions of debt securities in full or partial are non cash settled transactions which are not reflected in the statement of cash flows. During the year, series 4, 5 and 8 were partially redeemed with nominal amount of EUR 6,700k, 6,000k and EUR 7,000k, respectively (2020: Series 6 with nominal amount of EUR 19,800k). These non cash settled transactions did not result in any foreign exchange gain / loss as the debt securities for these series are denominated in Euro.

In consideration of the redemption of the above mentioned series, the Company transferred to the order of the holders of debt securities the nominal amount of the investment securities.

In the event that accumulated losses prove not to be recoverable during the life of the debt securities issued, then the obligation to the holders of the debt securities issued by the Company will be reduced by the extent of the accumulated losses.

The debt securities for series 4, 5, 8 and 9 are listed on the Vienna Stock Exchange and the Cayman Islands Stock Exchange (2020: 4, 5, 6, 7, 8 and 9 are listed on the Vienna Stock Exchange and the Cayman Islands Stock Exchange while debt securities for series 3 were listed on Euronext Dublin).

The fair value of debt securities issued designated at fair value through profit or loss as at 30 June 2021 was EUR 3,089k greater than (2020: EUR 1,500k less than) the nominal amount of EUR 30,469k (2020: EUR 67,981k) at maturity on assumption that there will not be any payment calls made due to an occurrence of a credit event until maturity. As per the Prospectus of each series, the final maturity contractual amount may be adjusted for any credit events that may occur on the investment collateral.

As at 30 June 2021, series 4, 5, 8 and 9 (2020: Series 3, 4, 5, 6, 7, 8 and 9) are zero-rated securities. Refer to note 21(b)(iii) for further details on interest rate classification.

# dbInvestor Solutions 2 plc

## Notes to the Financial Statements (continued)

For the year ended 30 June 2021

### 10 Share capital

|                                   | 2021<br>€'000 | 2020<br>€'000 |
|-----------------------------------|---------------|---------------|
| <i>Authorised</i>                 |               |               |
| 40,000 ordinary shares of €1 each | 40            | 40            |
| <i>Issued and paid up</i>         |               |               |
| 38,100 ordinary shares of €1 each | 38            | 38            |

### 11 Accounting classifications and carrying values of financial assets and financial liabilities

|  | 2021<br>Carrying<br>value<br>€'000 | 2020<br>Carrying<br>value<br>€'000 |
|--|------------------------------------|------------------------------------|
| <b>Financial assets at amortised cost</b>                                    |                                    |                                    |
| Cash at bank   | 37                                 | 35                                 |
| Other assets   | 474                                | 1,081                              |
| <b>Total financial assets at amortised cost</b>                              | 511                                | 1,116                              |
| <b>Financial assets at fair value through profit or loss</b>                 |                                    |                                    |
| Derivative assets  | 1,969                              | 227                                |
| Investment securities  | 33,068                             | 73,634                             |
| <b>Total financial assets at fair value through profit or loss</b>           | 35,037                             | 73,861                             |
| <b>Total assets</b>  | 35,548                             | 74,977                             |
| <b>Financial liabilities at amortised cost</b>                               |                                    |                                    |
| Other liabilities  | 76                                 | 59                                 |
| <b>Financial liabilities designated at fair value through profit or loss</b> |                                    |                                    |
| Debt securities issued   | 33,558                             | 69,481                             |
| <b>Financial liabilities at fair value through profit or loss</b>            |                                    |                                    |
| Derivative liabilities   | 1,872                              | 5,395                              |
| <b>Total liabilities</b>   | 35,506                             | 74,935                             |

The financial instruments not accounted for at fair value through profit or loss 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 2021

### 12 Net gain / (loss) on investment securities

|  | 2021<br>€'000 | 2020<br>€'000 |
|--|---------------|---------------|
| Net loss on investment securities at fair value through profit or loss | (862)         | (2,729)       |
| Interest income including accrual                                      | 1,345         | 2,609         |
|  | <u>483</u>    | <u>(120)</u>  |

#### Net loss on investment securities at fair value through profit or loss analysed as follows:

|  |              |                |
|--|--------------|----------------|
| Net unrealised loss on investment securities                       | (325)        | (2,121)        |
| Net realised loss on maturities of investment securities           | (473)        | (396)          |
| Net realised loss on non-cash redemptions of investment securities | (64)         | (212)          |
|  | <u>(862)</u> | <u>(2,729)</u> |

### 13 Net gain / (loss) on derivative financial instruments

|   | 2021<br>€'000 | 2020<br>€'000 |
|---|---------------|---------------|
| Net gain / (loss) on derivative financial instruments carried at fair value through profit or loss (including interest receipts): |               |               |
| - Asset swaps   | 1,933         | (976)         |

#### Analysed as follows:

|  |              |              |
|--|--------------|--------------|
| Net swap payments  | (1,968)      | (2,859)      |
| Net unrealised gain on derivative financial instruments                      | 2,963        | 1,424        |
| Net realised gain on settlement of derivative financial instruments          | -            | 302          |
| Net realised gain on non-cash settlement of derivative financial instruments | 938          | 157          |
|  | <u>1,933</u> | <u>(976)</u> |

# dbInvestor Solutions 2 plc

## Notes to the Financial Statements (continued)

For the year ended 30 June 2021

### 14 Net finance (loss) / gain on debt securities issued designated at fair value through profit or loss

|   | 2021<br>€'000  | 2020<br>€'000 |
|---|----------------|---------------|
| Net finance (loss) / gain on debt securities issued designated at fair value through profit or loss                             | (2,416)        | 1,189         |
| Interest expense including accrual  | -              | (93)          |
|   | <u>(2,416)</u> | <u>1,096</u>  |
| <b>Net finance (loss) / gain on debt securities issued designated at fair value through profit or loss analysed as follows:</b> |                |               |
| Net unrealised (loss) / gain on debt securities issued  | (1,917)        | 692           |
| Net realised gain on maturities of debt securities issued   | 175            | 110           |
| Net realised (loss) / gain on non-cash redemptions of debt securities   | (674)          | 387           |
|   | <u>(2,416)</u> | <u>1,189</u>  |

### 15 Other income

|                 | 2021<br>€'000 | 2020<br>€'000 |
|-----------------|---------------|---------------|
| Arranger income | 88            | 81            |
| Other income    | 2             | -             |
|                 | <u>90</u>     | <u>81</u>     |

As per Programme Proposal Agreement, DB London as the Arranger, agrees to pay for Series Overheads (as defined in the Program Proposal Agreement). Arranger 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 is nil (2020: Nil).



# dbInvestor Solutions 2 plc

## Notes to the Financial Statements (continued)

For the year ended 30 June 2021

### 16 Other expenses

|  | 2021<br>€'000 | 2020<br>€'000 |
|--|---------------|---------------|
| Administration fee                             | (54)          | (44)          |
| Auditor remuneration and tax advisory services | (24)          | (25)          |
| Directors' emoluments                          | (12)          | (12)          |
|  | <u>(90)</u>   | <u>(81)</u>   |

The amounts presented are VAT inclusive.

The Company is administered by VAILL and has no employees.

Other operating expenses are after charging the following:

Auditor's remuneration and tax advisory services (excluding VAT)

|   | 2021<br>€'000 | 2020<br>€'000 |
|---|---------------|---------------|
| Audit of Company's Statutory financial statements | (16)          | (16)          |
| Tax advisory services                             | (4)           | (4)           |
|   | <u>(20)</u>   | <u>(20)</u>   |

Section 305A(1)(a) of the Act, requires disclosure that VAILL received EUR 1,000 (2020: 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 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 (2020: EUR 12k) to Niall O'Carroll and Brian Brady during the year as they are not employees of VAILL.

### 17 Income tax expense

|               | 2021<br>€'000 | 2020<br>€'000 |
|---------------|---------------|---------------|
| Corporate tax | <u>-</u>      | <u>-</u>      |

# dbInvestor Solutions 2 plc

## Notes to the Financial Statements (continued)

For the year ended 30 June 2021

### 17 Income tax expense (continued)

#### *Factors affecting tax charge for the year*

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% | -        | -        |
| <b>Current tax charge</b>           | <b>-</b> | <b>-</b> |

The Company is currently taxed at 25% (2020: 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 by 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 has 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.

### 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 fee of EUR 28k (2020: EUR 29k) relating to administration services provided by VAILL. As at 30 June 2021, there were no outstanding payables related to administration services (2020: Nil).

# dbInvestor Solutions 2 plc

## Notes to the Financial Statements (continued)

For the year ended 30 June 2021

### 20 Transactions with related parties including Administrator and Arranger (continued)

#### *Other Transactions*

Directors' fees during the year amounted to EUR 12k (2020: EUR 12k). Bronagh Hardiman being a VAILL employee does not receive any Director's fee. As at 30 June 2021, there was no outstanding Directors' fees payable (2020: 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 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). Series fee outstanding as at year end amounted to EUR 3k (2020: EUR 3k). Refer to note 15 for details.

DB London is also the swap counterparty for all series with asset swap agreements. The list of series and the corresponding fair values relating to these swaps are disclosed in note 6 and the associated income and expenses in notes 15 and 16, respectively.

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

| Series | *ISIN        | Currency | 2021                    |                        | 2020                    |                        |
|--------|--------------|----------|-------------------------|------------------------|-------------------------|------------------------|
|        |              |          | Carrying value<br>€'000 | Nominal value<br>€'000 | Carrying value<br>€'000 | Nominal value<br>€'000 |
| S0004  | XS1218091251 | EUR      | 11,599                  | 10,316                 | 17,475                  | 5,975                  |
| S0005  | XS1218093380 | EUR      | 11,021                  | 11,016                 | 17,010                  | 5,382                  |
| S0006  | XS1227220404 | EUR      | -                       | -                      | 126                     | 22                     |
| S0007  | XS1227225460 | EUR      | -                       | -                      | 13,196                  | 4,331                  |
| S0008  | XS1252976508 | EUR      | 160                     | 142                    | 7,358                   | 2,392                  |
| S0009  | XS1300573067 | EUR      | 10,778                  | 8,995                  | 9,889                   | 3,084                  |
|        |              |          | <b>33,558</b>           | <b>30,469</b>          | <b>65,054</b>           | <b>21,186</b>          |

\*International Securities Identification Number ("ISIN")

None of the investment securities held by the Company are issued by DB London as at 30 June 2021 (2020: Nil).

# dbInvestor Solutions 2 plc

## Notes to the Financial Statements (continued)

For the year ended 30 June 2021

### 21 Financial risk management (continued)

#### (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 Company, which might otherwise have resulted in the Company'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.

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 interest 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 fair value through profit or loss. 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.

# dbInvestor Solutions 2 plc

## Notes to the Financial Statements (continued)

For the year ended 30 June 2021

### 21 Financial risk management (continued)

#### (a) Risk management framework (continued)

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 and the Company's management of capital.

#### (i) Credit risk

Credit risk is the risk of the financial loss to the Company if a counterparty to a financial instrument 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 counterparty 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 assets listed on page 45 and on the underlying reference entities is borne by the swap counterparty which has a long-term rating of BBB+ by Standard and Poor's ("S&P") during the year (2020: BBB+ by S&P) 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:

|                       | 2021<br>€'000 | 2020<br>€'000 |
|-----------------------|---------------|---------------|
| Cash at bank          | 37            | 35            |
| Other assets          | 474           | 1,081         |
| Derivative assets     | 1,969         | 227           |
| Investment securities | 33,068        | 73,634        |
|                       | <u>35,548</u> | <u>74,977</u> |

# dbInvestor Solutions 2 plc

## Notes to the Financial Statements (continued)

For the year ended 30 June 2021

### 21 Financial risk management (continued)

#### (b) Risk management framework (continued)

##### (i) Credit risk (continued)

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

##### *Cash at bank*

The Company's cash is held with DB London which has a long-term rating of BBB+ by S&P during the year (2020: BBB+ by S&P).

##### *Other Assets*

Other assets mainly include income receivable from corporate bonds held by the Company at the year end. The credit ratings, where applicable, and concentration of the investments securities at year end are disclosed under investment securities on page 45.

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

##### *Derivative financial instrument*

The Company has entered into asset swap agreements to eliminate the mismatch between the amount payable in respect of issued debt securities and the return from the investment securities held by the Company as collateral.

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

| <b>Class of debt securities issued</b> | <b>Derivative Type</b> | <b>2021<br/>€'000</b> | <b>2020<br/>€'000</b> |
|--|------------------------|-----------------------|-----------------------|
| Equity Linked Notes                    | Assets swaps           | 1,969                 | 227                   |

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.

The Company is exposed to the credit risk of the derivative counterparty with respect to payments due under the derivatives. This risk is borne by the holders of debt securities issued who are subject to the risk of defaults by the swap counterparty.

DB London is the derivative counterparty and has a long-term credit rating of BBB+ by S&P (2020: BBB+ by S&P).

##### *Investment securities:*

At the reporting date, the credit quality and the asset concentration of the Company's investment securities are set out below based on carrying amount in the statement of financial position.

# dbInvestor Solutions 2 plc

## Notes to the Financial Statements (continued)

For the year ended 30 June 2021

### 21 Financial risk management (continued)

#### (b) Risk management framework (continued)

##### (i) Credit risk (continued)

##### *Investment securities (continued):*

| Classification based on debt securities issued | Collateral type  | Country of issuance | Rating Agency | Rating 2021 | Rating 2020 | 2021<br>€'000 | 2020<br>€'000 |
|--|------------------|---------------------|---------------|-------------|-------------|---------------|---------------|
| Equity linked debt securities                  | Corporate bonds  | Denmark             | Moody's       | Baa2        | Baa2        | 20,092        | 27,515        |
|  | Corporate bonds  | Mexico              | *S&P          | **NA        | BBB+        | -             | 126           |
|  | Corporate bonds  | Luxembourg          | *S&P          | **NA        | BBB+        | -             | 13,308        |
|  | Government bonds | Italy               | Moody's       | Baa3u       | Baa3u       | 12,976        | 28,072        |
|  |                  |                     |               |             |             | <u>33,068</u> | <u>69,021</u> |
| Index linked debt securities                   | Government bonds | Lithuania           | *S&P          | **NA        | A           | -             | 4,613         |
|  |                  |                     |               |             |             | <u>33,068</u> | <u>73,634</u> |
| Grand Total                                    |                  |                     |               |             |             |               |               |

\*Credit rating agency from prior year.

\*\*Not applicable.

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.

During the year, no defaults occurred in respect of the investment securities held and interests were received and paid, accordingly.

##### (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.

# dbInvestor Solutions 2 plc

## Notes to the Financial Statements (continued)

For the year ended 30 June 2021

### 21 Financial risk management (continued)

#### (b) Risk management framework (continued)

##### (ii) Liquidity risk (continued)

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 or the swap counterparty in respect to meeting its obligations to holders of debt securities issued or to the swap counterparty during the year. Neither the Company nor the swap counterparty defaulted on any of their contractual commitments during the year.

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

|                           | 2021             |                              |                    |                   |                      |
|---------------------------|------------------|------------------------------|--------------------|-------------------|----------------------|
|                           | Carrying amounts | Gross contractual cash flows | Less than one year | One to five years | More than five years |
|                           | €'000            | €'000                        | €'000              | €'000             | €'000                |
| Cash at bank              | 37               | 37                           | 37                 | -                 | -                    |
| Derivative assets         | 1,969            | 1,967                        | (507)              | 2,474             | -                    |
| Investment securities*    | 33,068           | 31,234                       | 11,729             | 19,505            | -                    |
| Other assets              | 474              | 474                          | 474                | -                 | -                    |
| Derivative liabilities**  | (1,872)          | (1,871)                      | (1,871)            | -                 | -                    |
| Debt securities issued*** | (33,558)         | (30,469)                     | (11,158)           | (19,311)          | -                    |
| Other liabilities         | (76)             | (76)                         | (76)               | -                 | -                    |
|                           | <u>42</u>        | <u>1,296</u>                 | <u>(1,372)</u>     | <u>2,668</u>      | <u>-</u>             |



# dbInvestor Solutions 2 plc

## Notes to the Financial Statements (continued)

For the year ended 30 June 2021

### 21 Financial risk management (continued)

#### (b) Risk management framework (continued)

##### (ii) Liquidity risk (continued)

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

\*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 1,834k (2020: EUR 2,995k) 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 3,089k (2020: EUR 1,500k) compared to its carrying value. All movement on debt securities issued is recorded in net finance (loss) / gain on debt securities issued in the statement of comprehensive income.

##### (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.

# dbInvestor Solutions 2 plc

## Notes to the Financial Statements (continued)

For the year ended 30 June 2021

### 21 Financial risk management (continued)

#### (b) Risk management framework (continued)

##### (iii) Market risk (continued)

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:

|   | 2021<br>€'000 | 2020<br>€'000 |
|---|---------------|---------------|
| <b>Monetary assets held in USD</b>      |               |               |
| Investment securities                   | -             | 4,614         |
| Other assets                            | -             | 84            |
|   | -             | 4,698         |
| <b>Monetary liabilities held in USD</b> |               |               |
| Derivative liabilities                  | -             | 271           |
| Debt securities issued                  | -             | 4,427         |
|   | -             | 4,698         |
| Net exposure                            | -             | -             |

For series 4, 5, 8 and 9 (2020: 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 6 and 7 (2020: Series 1) have 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. Series 3 matured during the year (2020: No series).

# dbInvestor Solutions 2 plc

## Notes to the Financial Statements (continued)

For the year ended 30 June 2021

### 21 Financial risk management (continued)

#### (b) Risk management framework (continued)

##### (iii) Market risk (continued)

##### *Currency risk (continued)*

The following significant exchange rates were applied during the year:

|     | Average rate |       | Year end / Spot rate |       |
|-----|--------------|-------|----------------------|-------|
|     | 2021         | 2020  | 2021                 | 2020  |
| USD | 1.193        | 1.105 | 1.186                | 1.125 |

##### *Interest rate risk*

The Company classified the instruments as fixed interest rate when the assigned rate remains fixed for the entire term of the instrument. Floating interest rate was assigned for the instruments with rates that were based from market benchmarks. Instruments were classified as variable interest rate when the assigned rate and index changes over a period of time. Refer to note 9 for interest rate details.

At the reporting date, the interest rate risk profile of the Company's non-derivative interest bearing financial instruments by class of debt securities issued was as shown in the table below and on the next page:

#### Investment securities

| Class of investment security based on debt securities issued | Currency | 2021<br>€'000        | 2020<br>€'000        |
|--|----------|----------------------|----------------------|
| <i>Fixed rate instruments:</i>                               |          |                      |                      |
| Equity Linked Notes  | EUR      | 20,092               | 40,949               |
| Index Linked Notes   | USD      | -                    | 4,613                |
|  |          | <u>20,092</u>        | <u>45,562</u>        |
| <i>Variable rate instruments:</i>                            |          |                      |                      |
| Equity Linked Notes  | EUR      | <u>12,976</u>        | <u>28,072</u>        |
| Total  |          | <u><u>33,068</u></u> | <u><u>73,634</u></u> |

# dbInvestor Solutions 2 plc

## Notes to the Financial Statements (continued)

For the year ended 30 June 2021

### 21 Financial risk management (continued)

#### (b) Risk management framework (continued)

##### (iii) Market risk (continued)

##### *Interest rate risk (continued)*

##### **Debt securities**

| <b>Class of debt securities issued</b>   | <b>Currency</b> | <b>2021<br/>€'000</b> | <b>2020<br/>€'000</b> |
|--|-----------------|-----------------------|-----------------------|
| <i>Non-interest bearing instruments:</i> |                 |                       |                       |
| Equity Linked Notes                      | EUR             | 33,558                | 65,054                |
| Index Linked Notes                       | USD             | -                     | 4,427                 |
|  |                 | <u>33,558</u>         | <u>69,481</u>         |

Refer to notes 7 and 9 for the maturity profile of the investment securities and debt securities issued, respectively.

##### *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 interest expenditure payable on the debt securities issued of nil (2020: EUR 29k) for the period. Under the same conditions, the interest income receivable from investment securities would have increased by EUR 515k (2020: EUR 697k) for the same period. A similar 100 basis point decrease in interest rates would have resulted in an equal, but opposite effect on interest expenditure and interest income respectively. There is no interest rate risk for fixed rate and zero-rated 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.

# dbInvestor Solutions 2 plc

## Notes to the Financial Statements (continued)

For the year ended 30 June 2021

### 21 Financial risk management (continued)

#### (b) Risk management framework (continued)

##### (iii) Market risk (continued)

##### *Other price risk (continued)*

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.

The following is a breakdown and listing status of the Company's investment securities by class of debt securities issued at the reporting date:

| <b>Class of investment security based on debt securities issued</b> | <b>Listing Status</b> | <b>2021<br/>€'000</b> | <b>2020<br/>€'000</b> |
|---|-----------------------|-----------------------|-----------------------|
| Equity Linked Notes   | Listed                | 33,068                | 69,021                |
| Index Linked Notes  | Listed                | -                     | 4,613                 |
|   |                       | <u>33,068</u>         | <u>73,634</u>         |

##### *Sensitivity analysis*

On a series by series basis where there are various components of a derivative financial instrument with different values, the values are disclosed on a net basis as they are governed by the same single swap agreement.

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 the relevant terms and conditions of a particular series.

# dbInvestor Solutions 2 plc

## Notes to the Financial Statements (continued)

For the year ended 30 June 2021

### 21 Financial risk management (continued)

#### (b) Risk management framework (continued)

##### (iii) Market risk (continued)

##### *Other price risk (continued)*

Any changes in the quoted prices 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 and/or the holders of the debt securities issued by the Company.

A 10% fluctuation in the market prices of investment securities held by the Company with all other variables held constant would result in a change of EUR 3,307k (2020: EUR 7,363k) in the value of investment securities. This would result in a corresponding change of EUR 3,307k (2020: EUR 7,363k) 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 (2020: Nil).

#### (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, 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 Company 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 categories as at year end date are as set out in the next page.

# dbInvestor Solutions 2 plc

## Notes to the Financial Statements (continued)

For the year ended 30 June 2021

### 22 Specific instruments (continued)

#### 2021

| Type of transaction           | Number of series |             | Cash at bank |             | Debt securities issued |             | Investment securities |             | Derivative assets | Total        |
|-------------------------------|------------------|-------------|--------------|-------------|------------------------|-------------|-----------------------|-------------|-------------------|--------------|
|                               |                  | %           | €'000        | %           | €'000                  | %           | €'000                 | %           | €'000             | €'000        |
| Equity Linked Debt Securities | 4                | 100%        | 37           | 100%        | (33,558)               | 100%        | 33,068                | 100%        | 1,969             | 1,516        |
| Index Linked Debt Securities  | -                | 0%          | -            | 0%          | -                      | 0%          | -                     | 0%          | -                 | -            |
| <b>Total</b>                  | <b>4</b>         | <b>100%</b> | <b>37</b>    | <b>100%</b> | <b>(33,558)</b>        | <b>100%</b> | <b>33,068</b>         | <b>100%</b> | <b>1,969</b>      | <b>1,516</b> |

| Type of transaction           | Number of series |             | Derivative liabilities |             | Other assets |             | Other liabilities | Net Assets |
|-------------------------------|------------------|-------------|------------------------|-------------|--------------|-------------|-------------------|------------|
|                               |                  | %           | €'000                  | %           | €'000        | %           | €'000             | €'000      |
| Equity Linked Debt Securities | 4                | 100%        | (1,872)                | 92%         | 435          | 100%        | (76)              | 3          |
| Index Linked Debt Securities  | -                | 0%          | -                      | 8%          | 39           | 0%          | -                 | 39         |
| <b>Total</b>                  | <b>4</b>         | <b>100%</b> | <b>(1,872)</b>         | <b>100%</b> | <b>474</b>   | <b>100%</b> | <b>(76)</b>       | <b>42</b>  |

#### 2020

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

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

# dbInvestor Solutions 2 plc

## Notes to the Financial Statements (continued)

For the year ended 30 June 2021

### 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.

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 fair value of the different types of financial instruments of the Company.

Investment securities: Where there are no recent transactions then fair value may be determined from the last market price adjusted for all changes in risks and information since that date. Where a close proxy instrument is quoted in an active market, fair value is determined by adjusting the proxy value for differences in the risk profile of the instruments. These securities are categorised as Level 1 or 2 in the fair value hierarchy.



# dbInvestor Solutions 2 plc

## Notes to the Financial Statements (continued)

For the year ended 30 June 2021

### 23 Fair values (continued)

#### *Valuation Techniques (continued)*

Fair value is estimated using more complex modelling techniques where close proxies are not available. These techniques include option pricing model, correlation pricing model and discounted cash flow 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 pages 62 and 64 for additional details on Level 3 valuation techniques.

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, 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 pages 62 to 64 for additional details on Level 3 valuation techniques.

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

For more complex Level 3 instruments, more sophisticated modelling techniques are required which usually are developed from recognised valuation models. Some or all of the inputs into these models may not be directly observable from the market and are derived from market prices or are estimates based on assumptions or more complex parameters. 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 2021

### 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.

At the reporting date, the carrying amounts of investment securities, derivative financial instruments and debt securities issued by the Company which fair values were determined directly, in full or in part, by reference to published price quotations and determined using valuation techniques are shown below and in the succeeding pages.

|   |                 | 2021             |                  |                  |
|---|-----------------|------------------|------------------|------------------|
|   | Total<br>€'000  | Level 1<br>€'000 | Level 2<br>€'000 | Level 3<br>€'000 |
| <b>Investment securities</b>            |                 |                  |                  |                  |
| Corporate bonds                         | 20,092          | -                | 20,092           | -                |
| Government bonds                        | 12,976          | 12,976           | -                | -                |
|   | <u>33,068</u>   | <u>12,976</u>    | <u>20,092</u>    | <u>-</u>         |
| <b>Derivative financial assets</b>      |                 |                  |                  |                  |
| Asset swaps                             | <u>1,969</u>    | <u>-</u>         | <u>-</u>         | <u>1,969</u>     |
| <b>Derivative financial liabilities</b> |                 |                  |                  |                  |
| Asset swaps                             | <u>(1,872)</u>  | <u>-</u>         | <u>-</u>         | <u>(1,872)</u>   |
| <b>Debt securities issued</b>           |                 |                  |                  |                  |
| Equity linked debt securities           | (33,558)        | -                | -                | (33,558)         |
| Index linked debt securities            | -               | -                | -                | -                |
|   | <u>(33,558)</u> | <u>-</u>         | <u>-</u>         | <u>(33,558)</u>  |
|   | <u>(393)</u>    | <u>12,976</u>    | <u>20,092</u>    | <u>(33,461)</u>  |

# dbInvestor Solutions 2 plc

## Notes to the Financial Statements (continued)

For the year ended 30 June 2021

### 23 Fair values (continued)

#### Valuation Techniques (continued)

|   | Total<br>€'000  | Level 1<br>€'000 | 2020<br>Level 2<br>€'000 | Level 3<br>€'000 |
|---|-----------------|------------------|--------------------------|------------------|
| <b>Investment securities</b>            |                 |                  |                          |                  |
| 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>         |
| <b>Derivative financial assets</b>      |                 |                  |                          |                  |
| Asset swaps                             | <u>227</u>      | <u>-</u>         | <u>-</u>                 | <u>227</u>       |
| <b>Derivative financial liabilities</b> |                 |                  |                          |                  |
| Asset swaps                             | <u>(5,395)</u>  | <u>-</u>         | <u>(717)</u>             | <u>(4,678)</u>   |
| <b>Debt securities issued</b>           |                 |                  |                          |                  |
| Equity linked debt securities           | (65,054)        | -                | (13,196)                 | (51,858)         |
| Index linked debt securities            | (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>  |

As at 30 June 2021, the Company's Level 2 investment securities are comprised of corporate bonds and government bonds. These were priced using observable market data. Refer to the next page for valuation techniques and inputs used to determine the fair value of Level 2 positions.

Derivative financial instruments classified as Level 3 involves other over the counter derivative instruments where the fair value measurements were based on unobservable inputs and no active market data are available for similar instruments.

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 issued are not actively traded due to the limited liquidity that exists in the market.

As a result, the levelling of debt securities is dependent on the levelling of the investment securities and derivative financial instruments. Debt securities are classified in the lowest level observed of the assets and derivatives on a series by series basis.

No transfers between Level 1 and Level 2 have occurred during the year (2020: Investment securities for series 5 and 8 were transferred from Level 2 to Level 1).

# dbInvestor Solutions 2 plc

## Notes to the Financial Statements (continued)

For the year ended 30 June 2021

### 23 Fair values (continued)

#### Valuation Techniques (continued)

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

| Type of financial instrument     | Fair values at 30 June 2021<br>€'000 | Fair values at 30 June 2020<br>€'000 | Valuation Technique          | Significant observable input |
|----------------------------------|--------------------------------------|--------------------------------------|------------------------------|------------------------------|
| Investment securities            |                                      |                                      |                              |                              |
| Corporate bonds                  | 20,092                               | 40,949                               | *Market Approach             | Market Price                 |
| Government bonds                 | 12,976                               | 32,685                               | *Market Approach             | Market Price                 |
|                                  | <u>33,068</u>                        | <u>73,634</u>                        |                              |                              |
| Derivative financial instruments |                                      |                                      |                              |                              |
| Asset swap                       | -                                    | (717)                                | **Discounted Cash Flow Model | Interest Rate Curves         |

*\*Market Approach - 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 Cash Flow 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.*

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 and losses and cash flows on the instruments as they have been transferred at the beginning of the year.

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

|                      | 2021<br>€'000 | 2020<br>€'000 |
|----------------------|---------------|---------------|
| Opening balance      | 227           | -             |
| Redemption           | (200)         | -             |
| Transfers in         | -             | (31)          |
| Fair value movements | 1,942         | 258           |
| Closing balance      | <u>1,969</u>  | <u>227</u>    |

# dbInvestor Solutions 2 plc

## Notes to the Financial Statements (continued)

For the year ended 30 June 2021

### 23 Fair values (continued)

#### *Valuation Techniques (continued)*

During the year, no series was transferred from Level 2 to Level 3 due to lack of unobservable inputs and unavailability of market data for similar instruments (2020: No series) and no series was transferred from Level 3 to Level 2 due to observable input and available market data (2020: No series). However, due to fair value movement, series 4 was transferred from derivative liabilities to derivative assets (2020: Series 9).

As at 30 June 2021, no series with derivative assets matured (2020: No series) while no series was fully redeemed (2020: No series) and series 4 was partially redeemed (2020: No series).

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

|                      | <b>2021</b>    | <b>2020</b>    |
|----------------------|----------------|----------------|
|                      | <b>€'000</b>   | <b>€'000</b>   |
| Opening balance      | (4,678)        | (6,918)        |
| Maturities           | 3              | 694            |
| Redemptions          | 1,565          | -              |
| Transfers out        | -              | 865            |
| Fair value movements | 1,238          | 681            |
| Closing balance      | <u>(1,872)</u> | <u>(4,678)</u> |

During the year, no series was transferred from Level 2 to Level 3 due to lack of unobservable inputs and unavailability of market data for similar instruments (2020: No series) and no series was transferred out to Level 2 due to observable input and available market data (2020: Series 7). As at 30 June 2021, series 6 matured (2020: Series 1) while series 5 and 8 were partially redeemed (2020: Series 6) and no series were fully redeemed (2020: No series).

Fair value movements are recognised under net gain / (loss) on derivative financial instruments in the statement of comprehensive income.

The table in the next page shows the roll-forward movements for debt securities issued classified under valuation techniques with unobservable parameters (Level 3).

# dbInvestor Solutions 2 plc

## Notes to the Financial Statements (continued)

For the year ended 30 June 2021

### 23 Fair values (continued)

#### *Valuation Techniques (continued)*

|                      | <b>2021</b>     | <b>2020</b>     |
|----------------------|-----------------|-----------------|
|                      | <b>€'000</b>    | <b>€'000</b>    |
| Opening balance      | (51,858)        | (94,078)        |
| Maturities           | 127             | 8,000           |
| Redemptions          | 20,764          | 19,633          |
| Transfers out        | -               | 13,307          |
| Fair value movements | (2,591)         | 1,280           |
| Closing balance      | <u>(33,558)</u> | <u>(51,858)</u> |

During the year, no series of debt securities issued was transferred from Level 2 to Level 3 due to lack of unobservable inputs and unavailability of market data or similar instruments (2020: No series) and no series was transferred out to Level 2 (2020: Series 7). As at 30 June 2021, series 4, 5 and 8 were partially redeemed (2020: Series 6) and no series was fully redeemed (2020: No series) while series 6 matured (2020: Series 1).

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

Fair value movements are recognised under net finance (loss) / gain on debt securities issued designated at fair value through profit or loss in the statement of comprehensive income.

#### *Sensitivity Analysis*

Where the value of the financial instruments is dependent on unobservable valuation inputs, appropriate models and inputs are chosen so that they are consistent with prevailing market evidence. A 10% change in the price of the financial assets under Level 3 held by the Company would increase / decrease the fair value of corresponding debt securities as at 30 June 2021 by EUR 197k (2020: EUR 23k).

#### *Level 3 Realised and Unrealised Gains 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 set out in the next page.

# dbInvestor Solutions 2 plc

## Notes to the Financial Statements (continued)

For the year ended 30 June 2021

### 23 Fair values (continued)

#### *Valuation Techniques (continued)*

#### *Level 3 Realised and Unrealised Gains and Losses (continued)*

|                                  | 2021<br>€'000 | 2020<br>€'000 |
|----------------------------------|---------------|---------------|
| Derivative financial instruments | 3,180         | 939           |
| Debt securities issued           | (2,591)       | 1,280         |
|                                  | <u>589</u>    | <u>2,219</u>  |

The total amount of change in fair value (unrealised gain/loss) estimated using a valuation technique based on significant unobservable data (Level 3) for assets and liabilities held at the end of the reporting period is set out below.

|                                  | 2021<br>€'000 | 2020<br>€'000 |
|----------------------------------|---------------|---------------|
| Derivative financial instruments | 2,963         | 781           |
| Debt securities issued           | (1,917)       | 783           |
|                                  | <u>1,046</u>  | <u>1,564</u>  |

Although the Directors believe that the estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to a different measurement of fair value as fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement. Details in relation to the unobservable inputs used have been noted below and therefore their associated fair value cannot be determined with precision.

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

#### *Sensitivity Analysis of Unobservable Parameters*

Where the value of financial instruments is dependent on unobservable parameter inputs, the precise level for these parameters at the statement of financial position date might be drawn from a range of reasonably possible alternatives.

In preparing the financial statements, appropriate levels for these unobservable input parameters are chosen so that they are consistent with prevailing market evidence and in line with the Company's approach to valuation control.

# dbInvestor Solutions 2 plc

## Notes to the Financial Statements (continued)

For the year ended 30 June 2021

### 23 Fair values (continued)

#### *Sensitivity Analysis of Unobservable Parameters (continued)*

Were the Company to have marked the financial instruments concerned using parameter values drawn from the extremes of the ranges of reasonably possible alternatives then as of 30 June 2021 it could have increased fair value by as much as EUR 402k (2020: EUR 8,534k) or decreased fair value by as much as EUR (402k) (2020: EUR (8,534k)).

This disclosure is intended to illustrate the potential impact of the relative uncertainty in the fair value of financial instruments for which valuation is dependent on unobservable input parameters. However, it is unlikely in practice that all unobservable parameters would be simultaneously at the extremes of their ranges of reasonably possible alternatives. Hence, the estimates disclosed above are likely to be greater than the true uncertainty in fair value at the statement of financial position date. Furthermore, the disclosure is neither predictive nor indicative of future movements in fair value.

For many of the financial instruments considered here, in particular derivatives, unobservable input parameters represent only a subset of the parameters required to price the financial instrument, the remainder being observable. Hence for these instruments the overall impact of moving the unobservable input parameters to the extremes of their ranges might be relatively small compared with the total fair value of the financial instrument. For investment securities, fair value is determined based on the price of the entire instrument, for example, by adjusting the fair value of a reasonable proxy instrument. In addition, all financial instruments are already carried at fair values which are inclusive of valuation adjustments for the cost to close out that instrument and hence already factor in uncertainty as it reflects itself in market pricing. Any negative impact of uncertainty calculated within this disclosure, then, will be over and above that already included in the fair value contained in the financial statements.

#### *Quantitative Information about the Sensitivity of Significant Unobservable Inputs*

The range of values shown below in the next page represents the highest and lowest inputs used to value the significant exposures within Level 3. The diversity of the financial instruments that make up the disclosure is significant and therefore the ranges of certain parameters can be large. The range of credit spreads represents performing, more liquid positions with lower spreads than the less liquid, nonperforming positions which will have higher credit spreads. 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. There follows a brief description of each of the principle parameter types.

Sensitivity calculation of unobservable parameters for Level 3 aligns to the approach used to assess valuation uncertainty for Prudent Valuation purposes which is used by DB London as swap counterparty. Prudent Valuation is a capital requirement for assets held at fair value. It provides a mechanism for quantifying and capitalising 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 utilises 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.



# dbInvestor Solutions 2 plc

## Notes to the Financial Statements (continued)

For the year ended 30 June 2021

### 23 Fair values (continued)

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

*\* Common Equity Tier-1 (CET 1) - Ratio of the Bank in relation to risk-weighted assets.*

The tables below and in the next page set out information about significant unobservable inputs used in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

| Type of financial instrument     | Fair values at 30 June 2021<br>€'000 | Valuation Technique             | Significant unobservable input | Range of estimates for unobservable input | Sensitivities |
|----------------------------------|--------------------------------------|---------------------------------|--------------------------------|---|---------------|
| Derivative financial instruments |                                      |                                 |                                |   |               |
| Asset swaps                      | 1,274                                | *Proxied to Totem Funds Service | Fund Volatility                | 8.96% to 10.08%                           | 173           |
|                                  | 716                                  | *Proxied to Totem Funds Service | Fund Volatility                | 9.95% to 11.00%                           | 134           |
|                                  | (1,893)                              | ***Discounted Cash Flow Model   | Inflation Volatility           | 47.50 % to 52.50%                         | 95            |
|                                  | <u>97</u>                            |                                 |                                |   | <u>402</u>    |

| Type of financial instrument     | Fair values at 30 June 2020<br>€'000 | Valuation Technique             | Significant unobservable input | Range of estimates for unobservable input | Sensitivities |
|----------------------------------|--------------------------------------|---------------------------------|--------------------------------|---|---------------|
| Derivative financial instruments |                                      |                                 |                                |   |               |
| Asset swaps                      | (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            |
|                                  | (1,936)                              | **Price Based                   | Inflation Volatility           | .10 % to 203%                             | 8,436         |
|                                  | <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.*

# dbInvestor Solutions 2 plc

## Notes to the Financial Statements (continued)

For the year ended 30 June 2021

### 23 Fair values (continued)

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

*\*\*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.*

*\*\*\*Discounted Cash Flow Model – Future cash flows are estimated based on volatilities of inflation levels.*

### 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 note issuance of Glencore Finance (Europe) S.A. with principal amount of EUR 13,241k (2020: EUR 13,241k) owned by the Company had matured 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.

#### (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 fair value through profit or loss as at year end:

| Series Number of dbInvestor Solutions II plc | Issuer Name                | CCY | 2021  |   |                                     |                               |                           | Maximum exposure to loss |
|--|----------------------------|-----|---|---|-------------------------------------|-------------------------------|---------------------------|--------------------------|
|  |                            |     | Outstanding Notional of Investment Securities | % of Notional issued by the structured entity | Fair value of Investment Securities | Fair value of Debt Securities | Fair value of Derivatives |                          |
|  |                            |     | €'000   |   | €'000                               | €'000                         | €'000                     | €'000                    |
| Series 7                                     | Glencore Finance Europe SA | EUR | -   | 0.00%   | -                                   | -                             | -                         | -                        |

# dbInvestor Solutions 2 plc

## Notes to the Financial Statements (continued)

For the year ended 30 June 2021

### 24 Interest in other entities (continued)

#### (b) Risk associated with unconsolidated structured entities (continued)

| Series Number<br>of dbInvestor<br>Solutions II plc | Issuer Name                      | CCY | 2020   |  |   |                                     |                              | Maximum<br>exposure<br>to loss |
|--|----------------------------------|-----|--|--|---|-------------------------------------|------------------------------|--------------------------------|
|  |                                  |     | Outstanding<br>Notional of<br>Investment<br>Securities | % of Notional<br>issued by the<br>structured<br>entity | Fair value of<br>Investment<br>Securities | Fair value of<br>Debt<br>Securities | Fair value of<br>Derivatives |                                |
|  |                                  |     | €'000  |  | €'000                                     | €'000                               | €'000                        | €'000                          |
| Series 7   | Glencore<br>Finance<br>Europe SA | EUR | 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.

### 25 Subsequent events

On 15 September 2021, debt securities for series 5 and 8 with nominal amount of EUR 11,016k and EUR 142k, respectively, have matured.

Other than the above maturities, there were no other significant events between the statement of financial position date and the date of signing the financial statements affecting the Company which require adjustment to or disclosure in the financial statements.

### 26 Capital Management

The Company views the debt securities issued disclosed in note 9 as its capital. The Company is a special purpose vehicle set up to issue debt instruments for the purpose of making investments that maximise the returns of the holders of the 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 28 October 2021.