Eirles Two Designated Activity Company

Directors' report and financial statements

For the year ended 31 December 2021

Registered number 327009

Eirles Two Designated Activity Company

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Directors and other information

Directors	Niall O'Carroll (Irish) Brian Brady (Irish) Bronagh Hardiman (Irish)
Registered office	Block A, George's Quay Plaza George's Quay Dublin 2, Ireland
Trustees	The Law Debenture Trust Corporation p.l.c Eight Floor 100 Bishopsgate London EC2N 4AG United Kingdom Deutsche Trustee Company Limited Winchester House 1 Great Winchester Street London EC2N 2DB United Kingdom
Administrator & Company Secretary	Vistra Alternative Investments (Ireland) Limited Block A, George's Quay Plaza George's Quay Dublin 2, Ireland
Independent auditor	Ernst & Young Harcourt Centre Harcourt Street Dublin 2, Ireland
Swap Counterparty and Arranger	Deutsche Bank AG, London Branch Winchester House 1 Great Winchester Street London EC2N 2DB United Kingdom

Eirles Two Designated Activity Company

Directors and other information (continued)

Paying Agents, Bankers and Custodians	Deutsche Bank AG, London Branch Winchester House 1 Great Winchester Street London EC2N 2DB United Kingdom
	The Bank of New York Mellon Riverside Two Sir John Rogersons Quay Grand Canal Dock Dublin 2, Ireland
Listing Agents	Deutsche Bank Luxembourg S.A. 2 Boulevard Konrad Adenauer L-1115 Luxembourg
	Deutsche Bank AG, London Branch Winchester House 1 Great Winchester Street London EC2N 2DB United Kingdom
Solicitor	Matheson 70 Sir John Rogerson's Quay Dublin 2 Ireland

Eirles Two Designated Activity Company

Directors' Report

The Directors present the Directors' report and audited financial statements of Eirles Two Designated Activity Company (the "Company") for the year ended 31 December 2021.

Principal activities, business review and future developments
The Company has established a EUR 10,000,000,000 Multi-Issuance Note 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 will be set out in a Supplemental Programme Memorandum ("SPM") for such series. Debt securities issued by the Company are listed with the main securities market of the Irish Stock Exchange plc, trading as the Euronext Dublin ("Euronext Dublin") and on the Bourse de Luxembourg. Details of series listed on specific exchanges are disclosed in note 8.

The Programme offers investors the opportunity to invest in 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 SPM and a first fixed charge over funds held by the Agents under the Agency Agreement (each defined in the terms and conditions of the debt securities issued). Refer to note 22 (b) 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 terms and conditions of the debt securities issued) and any additional security as may be described in the relevant SPM. 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 details on liquidity risk.

The Company holds cash and cash equivalents, cash collateral and investment securities. Please refer to notes 4 and 7 of the financial statements for more information.

The credit risk of the investment securities is borne by either the Company's swap counterparty (in cases where a credit default swap transaction has been entered into for that particular series) or the Company's holders of debt securities. 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 ("DB AG") as Arranger, transfers to the Company a series fee as corporate benefit. 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 31 August 2000 between the Company and Deutsche Bank AG, London Branch ("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 agreement). DB London is also the swap counterparty for all series where derivatives are held. Refer to note 6 for details of the derivative financial instruments.

Eirles Two Designated Activity Company

Directors' Report (continued)

Principal activities, business review and future developments (continued)
The Company made a net gain on investment securities, cash and cash equivalents, and cash collateral of EUR 22,217k for the year (2020: EUR 10,244k) and a net loss on derivative financial instruments of EUR 16,025k (2020: EUR 7,196k). 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 of EUR 6,192k on debt securities issued for the year (2020: EUR 3,048k) resulting in a net profit of Nil for the year ended 31 December 2021 (2020: Nil). Refer to notes 12, 13 and 14 of the financial statements for further information.

As at 31 December 2021, the fair value of the Company's total debt securities issued was EUR 193,752k (2020: EUR 199,062k). No series were issued during the year (2020: No series). Refer to note 8 for further details.

During the year, series 366 has matured (2020: Series 355) whereas no series were fully redeemed (2020: Series 369 and 371).

The following series are currently in issue as at year end date: Series 91, 345, 347, 367, 368, 373, 375, 376, 378, 379 and 380 (2020: Series 91, 345, 347, 366, 367, 368, 373, 375, 376, 378, 379 and 380).

As at 31 December 2021, the Company has no outstanding pass-through series (2020: No series).

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

Regulators and central banks have set the goal of improving the robustness of financial benchmarks, such as interest rate benchmarks. As a result of this initiative, the ongoing availability of the London Interbank Offered Rate ("LIBOR"), and other benchmarks is uncertain. Some reforms are already effective while others are still to be implemented or are under consideration. The IBOR transition including the already reformed ones had no material impact on the financial statements of the Company as at 31 December 2021.

Refer to Risks and uncertainties for the detailed discussion on COVID-19 and its impact on going concern. Nonetheless, the Board of Directors (the "Board") will continue to seek new opportunities for the Company and will continue to ensure proper management of the current portfolio of series of the Company.

It is anticipated that while some series will redeem or mature, it is also expected that 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 19. The Directors do not recommend the payment of a dividend for the year under review (2020: Nil).

Changes in Directors during the year

The names of the persons who were Directors during the year are set out below. They served as Directors for the entire year:

Mr. Niall O'Carroll (Irish)
Mr. Brian Brady (Irish)
Ms. Bronagh Hardiman (Irish)

Risks and uncertainties

The principal risks and uncertainties facing the Company relate to the debt securities issued, the investment securities 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 note 21 of the financial statements.

COVID-19

As at 31 December 2021, the spread of the COVID-19 outbreak has caused severe disruption in the Irish and global economy and financial markets since Q1 2020. Many countries, including Ireland, have reacted by instituting quarantines and restricting travel. 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 as at year end. 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 petition for insolvency proceedings against the Company in the event that the underlying assets are insufficient to repay the principal amount 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 does 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 31 December 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 Event
Under series 91, cash settlement amounting to USD 159,966 was made on 13 January 2022. This was in relation to reference obligation FHLT 2004-D M4 from a credit event that occurred on 6 July 2021. The credit event resulted to reduction on the notional of the series' debt securities to USD 21,992,695 (2020: Nil). Other than this, no other series have credit event during the year.

Subsequent events
On February 24, 2022, Russia commenced a large-scale invasion against Ukraine. In response, the West has moved to impose broad-based sanctions targeting Russia, including but not limited to certain Russian banks and the Russian Central Bank, companies, parliamentary members and members of the Russian elite and their families. It is possible that additional sanctions and other measures may be imposed in the future.

The Board and DB London considers the impact of the ongoing situation concerning Ukraine to the Company's performance and its ability to continue as a going concern. As of 31 December 2021, the Company had no investment securities that were directly or indirectly impacted by sanctions relating to Russia or the conflict in Ukraine. The Company's performance and its operation have not been significantly impacted by this conflict nor its ability to continue as a going concern. The Board and DB London will continue to monitor the evolving situation and its impact on the Company.

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

Annual Corporate governance statement
Introduction
The Company is subject to and complies with the Act and the Listing Rules of Euronext Dublin and the Bourse de Luxembourg. Each of the service providers listed on page 1 and 2 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.

Eirles Two Designated Activity Company

Directors' Report (continued)

Annual Corporate governance statement (continued)

Financial Reporting Process (continued)

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 accounting records independently of DB London who is the Arranger and Custodian. The Administrator is contractually obliged to maintain adequate accounting records as required by the corporate 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 the annual report including financial statements for review and approval by the Board.

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

Risk Assessment

The Board is responsible for assessing the risk of irregularities, whether caused by fraud or error, in financial reporting and ensuring that there are processes in place for the timely identification of internal and external matters which may have a potential impact 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 appropriate division of responsibilities and specific control activities aimed at detecting or preventing the risk of significant deficiencies in financial reporting for every significant account in the financial statements and the related notes.

Monitoring

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

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

Annual Corporate governance statement (continued)

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 itself 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 by 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 of a large company (as such term is defined in the Act) to establish an audit committee or to state the reasons for not establishing such a committee.

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

Accounting records

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

Directors' compliance statement

At this present time, the Company is operating within the turnover threshold limits as set out under Section 225(7) of the Act, which enables the Company to avail of an exemption to the Compliance Policy Statement obligations. Accordingly, the Directors are not required to include a Compliance Statement in their statutory Directors' report for the current financial year ending 31 December 2021.

Independent auditor

In accordance with Section 383(2) of the Act, Ernst & Young, Chartered Accountants, (appointed on 12 February 2018 and reappointed on 30 September 2020) have expressed their willingness to continue in office.

Eirles Two Designated Activity Company

Directors' Report (continued)

Disclosure of Relevant Information to Auditors
In accordance with Section 330(1), each 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 April 2022.

DocuSigned by:
Bronagh Hardiman
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Bronagh Hardiman
Director

DocuSigned by:
Brian Brady
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Brian Brady
Director

Eirles Two Designated Activity Company

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 the EU.

Under the Act, the Directors must not approve the Company's 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 and of its profit or loss for the financial year and otherwise comply with the Act. In preparing each of the Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 they 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 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.

Approved and authorised for issue on behalf of the Board on 28 April 2022.

DocuSigned by:
Bronagh Hardiman
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Bronagh Hardiman
Director

DocuSigned by:
Brian Brady
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Brian Brady
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EIRLES TWO DESIGNATED ACTIVITY COMPANY

Opinion

We have audited the financial statements of Eirles Two DAC ('the Company') for the 31 December 2021, which comprise 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 31 December 2021 and of its profit for the year then ended;

- have been properly prepared in accordance with IFRS as adopted by the European Union; and

- 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:

- We reviewed the Company's going concern disclosures included in the Financial Statements in order to assess that the disclosures were appropriate and in conformity with the reporting standards.
- We obtained management's going concern assessment and reviewed the assumptions and inputs included in the assessment for accuracy and reasonableness.
- We have reviewed the debt securities agreements and confirmed that they include the limited recourse clause, obtained independent confirmation from Deutsche Bank, AG London regarding credit events and defaults on collaterals.
- We have reviewed the post year end activity of the company such as interest payments and redemptions and supporting calculation for the gross contractual cash flows for the debt securities and investment securities.
- We have 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 EIRLES TWO DESIGNATED ACTIVITY COMPANY (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.

Key audit matters (continued)

Risk	Our response to the risk	Key observations communicated to the Board of Directors
Management override of controls over the estimations, inputs and assumptions involved in the valuation of the underlying Higher Estimation Uncertainty (HEU) financial instruments. **Derivative assets (2021: €769) (2020: €1,677);** **Derivative liabilities (2021: €61,518) (2020: €53,276); and unrealised gain loss on derivative financial instruments (2021: €9,722) (2020: €895).** The audit team has identified a risk of management override of controls over the valuation of HEU Financial Instruments. This includes Level 3 Investment Securities and all derivative instruments and their associated unrealised gains and losses. This is primarily as a result of the use of management assumptions and judgements in the valuation of derivative and investment security positions that reference illiquid asset classes. Refer to Notes 3(a), 6, 7, 12 13 and 23 in the financial statements.	We have performed the following procedures in response to the identified risk: • Assessed the appropriateness of policies governing the accounting treatment and valuation of financial instruments. • Obtained an understanding and evaluated the design effectiveness of key controls over the valuation of the HEU financial instruments including appropriate governance procedures and management review. • Tested the valuation of a sample of HEU financial instruments using independent models and market data. Where client data was relied upon, we assessed reasonableness of the data used. • Involved specialists to assist in the evaluation of the appropriateness of the key assumptions and methodologies used by the Company. • Confirmed the valuation of swaps with the Swap counterparty as at 31 December 2021. • Tested the derivatives and the associated unrealised gains and losses are appropriately recorded in the financial statements.	Our planned audit procedures were completed and no material exceptions were noted.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EIRLES TWO DESIGNATED ACTIVITY COMPANY (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 €3,875,040 (2020: €3,981,240) which equates to 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: 50%) of our planning materiality namely €2,906,280 (2020: €1,990,620). 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.

Reporting threshold

An 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 €193,752 (2020: €199,062), 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 EIRLES TWO DESIGNATED ACTIVITY COMPANY (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 other than the financial statements and our auditor's report thereon. 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 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 directors' remuneration and transactions are not complied with by the Company. We have nothing to report in this regard.

Building a better working world

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EIRLES TWO DESIGNATED ACTIVITY COMPANY (continued)

Respective responsibilities

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 10, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EIRLES TWO DESIGNATED ACTIVITY COMPANY (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 above.

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_responsiblities_for_audit.pdf. This description forms part of our auditor's report.

Other matters which we are required to address

We were appointed by Board of Directors on 12 February 2018 and reappointed on 30 September 2020 to audit the financial statements for the year ended 31 December 2017 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 5 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.

Fergus McNally
for and on behalf of
Ernst & Young Chartered Accountants and Statutory Audit Firm

Office: Dublin

Date: 29 April 2022

Eirles Two Designated Activity Company

Statement of Financial Position
As at 31 December 2021

	Note	2021 €'000	2020 €'000
Assets			
Cash and cash equivalents	4	189	177
Cash collateral	4	19,745	18,355
Other assets	5	1,866	1,800
Derivative assets	6	769	1,677
Investment securities at fair value through profit or loss	7	233,755	231,323
Total assets		256,324	253,332
Liabilities			
Derivative liabilities	6	61,518	53,276
Debt securities issued designated at fair value through profit or loss	8	193,752	199,062
Other liabilities	9	860	800
Total liabilities		256,130	253,138
Share capital	10	-	-
Retained earnings		194	194
Total equity		194	194
Total liabilities and equity		256,324	253,332

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

DocuSigned by:
Bronagh Hardiman
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Bronagh Hardiman
Director

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

Date: 28 April 2022

The notes on pages 22 to 78 form an integral part of these financial statements.

Eirles Two Designated Activity Company

Statement of Comprehensive Income
For the year ended 31 December 2021

	Note	2021 €'000	2020 €'000
Net gain on investment securities, cash and cash equivalents and cash collateral	12	22,217	10,244
Net loss on derivative financial instruments	13	(16,025)	(7,196)
Net finance loss on debt securities issued at fair value through profit or loss	14	(6,192)	(3,048)
Operating income		-	-
Other income	15	76	79
Other expenses	16	(76)	(79)
Profit before taxation		-	-
Income tax expense	17	-	-
Profit for the year		-	-
Other comprehensive income		-	-
Total comprehensive income for the year		-	-

All items dealt with in arriving at the above profit for the year ended 31 December 2021 and 31 December 2020 are related to continuing operation.

The notes on pages 22 to 78 form an integral part of these financial statements.

Eirles Two Designated Activity Company

Statement of Cash Flows
For the year ended 31 December 2021

	Note	2021 €'000	2020 €'000
Cash flows used in operating activities			
Profit for the year before taxation		-	-
Adjustments for:			
Interest income on investment securities	12	(10,131)	(10,913)
Interest expense on debt securities issued	14	3,884	3,909
Derivative income	13	(173)	(177)
Net unrealised foreign exchange (gain) / loss on cash collateral	12	(1,388)	1,658
Net unrealised (gain) / loss on investment securities and cash collateral	12	(10,944)	7,964
Net realised loss / (gain) on investment securities and cash collateral	12	250	(8,956)
Net unrealised loss / (gain) on debt securities issued	14	2,670	(10,558)
Net realised (gain) / loss on debt securities issued	14	(362)	9,697
Net swap payments	13	7,048	7,990
Net unrealised loss on derivative financial instruments	13	9,722	895
Net realised gain on derivative financial instruments	13	(572)	(1,512)
Movement in working capital			
Changes in other assets		6	9
Changes in other liabilities		7	(3)
Cash generated from operating activities		17	3
Net payments in respect of derivative financial instruments		(6,885)	(7,795)
Net cash used in operating activities		(6,868)	(7,792)
Cash flows generated from investing activities			
Payments on acquisition of cash collateral		(993)	(180)
Proceeds from maturity of investment securities		8,263	-
Proceeds from disposal of cash collateral		1,006	159
Interest received on investment securities		10,057	11,831
Net cash generated from investing activities		18,333	11,810
Cash flows used in financing activities			
Payments on maturity of debt securities issued	8	(7,618)	-
Interest paid on debt securities issued	8	(3,831)	(4,014)
Net cash used in financing activities		(11,449)	(4,014)
Net increase in cash and cash equivalents		16	4
Cash and cash equivalents at 1 January	4	177	170
Net foreign exchange (gain) / loss on cash and cash equivalents	12	(4)	3
Cash and cash equivalents at 31 December	4	189	177

The notes on pages 22 to 78 form an integral part of these financial statements.

Eirles Two Designated Activity Company

Statement of Changes in Equity
For the year ended 31 December 2021

	Share capital €'000	Retained earnings €'000	Total €'000
Balance as at 31 December 2019	**-**	**194**	**194**
Profit for the year - 2020	-	-	-
Other comprehensive income	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**
Balance as at 31 December 2020	**-**	**194**	**194**
Profit for the year - 2021	-	-	-
Other comprehensive income	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**
Balance as at 31 December 2021	**-**	**194**	**194**

The notes on pages 22 to 78 form an integral part of these financial statements.

Eirles Two Designated Activity Company

Notes to the Financial Statements (continued)
For the year ended 31 December 2021

1 General information

Eirles Two Designated Activity Company (the “Company”) was incorporated on 14 April 2000 in Ireland with registered number of 327009. The registered office of the Company is at Block A, George’s Quay Plaza, George’s Quay, Dublin 2, Ireland.

The Company is a special purpose company that has been established to issue debt securities under a EUR 10,000,000,000 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 International Financial Reporting Standards (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 31 December 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 those aggregate net assets designated as underlying assets (assets acquired and other agreements) for the particular series of debt securities 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 amount of the debt securities. From the point of view of a holder of debt securities, defaults on any one particular series should not impact any other series.

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 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 of the financial statements. This indicates the Company continues to generate cash flows to meet its obligations as they fall due.

2 Basis of preparation (continued)

(a) Statement of compliance (continued)

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt a going concern basis in preparing these financial statements.

(b) Changes in accounting policies

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

(c) New standards, amendments or interpretations

(i) New standard adopted during the year

The following adopted accounting standards for the accounting period beginning on or after 1 January 2021 are considered not relevant to the Company and therefore have no impact on the financial performance or financial position of the Company.

- Amendments to IFRS 4 *Insurance Contracts* – deferral of IFRS 9 (issued on 25 June 2020)

  The IASB has also issued an amendment to IFRS 4 "Insurance Contracts" which extends the temporary exemption to apply IFRS 9 to annual periods beginning on or after 1 January 2023. The Company has not entered any Insurance contracts therefore the adoption of the standard had no impact on the Company's financial statements.

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 *Interest Rate Benchmark Reform – Phase 2* (issued on 27 August 2020)

  In August 2020, the IASB issued amendments to IFRS 9, "Financial Instruments", IAS 39, "Financial Instruments: Recognition and Measurement", IFRS 7, "Financial Instruments: Disclosures", IFRS 4, "Insurance Contracts" and IFRS 16, "Leases" as Phase 2 of their project addressing the potential effects from the reform of the Interbank Offered Rate ("IBOR") on financial reporting. The amendments in Phase 2 deal with replacement issues, therefore, they address issues that might affect financial reporting when an existing interest rate benchmark is actually replaced. This includes modification of financial assets, financial liabilities and lease liabilities as well as specific hedge accounting requirements. The amendments introduce a practical expedient for modifications required by the reform (modifications required as a direct consequence of the IBOR reform and made on an economically equivalent basis).

2 Basis of preparation (continued)

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

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

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 *Interest Rate Benchmark Reform – Phase 2* (issued on 27 August 2020) (continued)

  These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current IFRS requirements. A similar practical expedient is introduced for lessee accounting applying IFRS 16. Under the amendments, hedge accounting is not discontinued solely because of the IBOR reform. Hedging relationships (and related documentation) must be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements. The amendments also amended IFRS 4 to require insurers that apply the temporary exemption from IFRS 9 to apply the amendments in accounting for modifications directly required by IBOR reform. The amendments also require additional disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.

  Some IBOR reforms are already effective while others are still to be implemented or are under consideration. The Financial Conduct Authority ("FCA") in the UK confirmed on 5 March 2021 the dates that panel bank submissions for all LIBOR settings will cease, after which representative LIBOR rates will no longer be available:

  - immediately after 31 December 2021, in the case of all sterling, euro, Swiss franc and Japanese yen settings, and the 1-week and 2-month US dollar settings; and
  - immediately after 30 June 2023, in the case of the remaining US dollar settings.

  As at 31 December 2021, the Company has no exposure to the LIBOR cessation as none of the debt securities issued and underlying investment securities have interest rates that are linked to LIBOR rates that will cease immediately after that date. Furthermore, debt securities that have interest rate linked to LIBOR 3- month US dollar setting will have until 30 June 2023 to amend the legal document or secure noteholders consent to this changes. Therefore, the IBOR transition including the already reformed ones had no material impact on the financial statements of the Company as at 31 December 2021.

Eirles Two Designated Activity Company

Notes to the Financial Statements (continued)
For the year ended 31 December 2021

2 Basis of preparation (continued)

(c) New standards, amendments or interpretations

(ii) Effective for annual periods beginning on or after 1 January 2022

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 (period beginning)*
Amendments to IFRS 3 *Business Combinations*; IAS 16 *Property, Plant and Equipment*; IAS 37 *Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020 (All issued 14 May 2020)*	1 January 2022**
Amendments to IFRS 16 Leases: Covid-19 – Related Rent Concessions beyond 30 June 2021 (issued on 31 March 2021)	1 April 2021**
IFRS 17: Insurance Contracts (Issued on 18 May 2017); including Amendments to IFRS 17 (issued on 25 June 2020)	1 January 2023**
Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021)	1 January 2023**
Amendments to IAS 12 *Income Taxes*: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021)	1 January 2023
Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*: Definition of Accounting Estimates (issued on 12 February 2021)	1 January 2023**
Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2: Disclosure of Accounting Policies (issued on 12 February 2021)	1 January 2023**
Amendments to IAS 1 *Presentation of Financial Statements*: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued on 23 January 2020 and 15 July 2020 respectively)	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.

Eirles Two Designated Activity Company

Notes to the Financial Statements (continued)
For the year ended 31 December 2021

2 Basis of preparation (continued)

(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(a).

(e) Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that may 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.

Level 3 fair value measurement
Level 3 instruments are regarded as a source of critical accounting judgement as at 31 December 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 instrument.

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 discounted cash flow method, option pricing model, comparison to similar instruments for which market observable prices exist and valuation models. For more complex instruments, the Company uses proprietary models, which are usually developed from recognised valuation models. Some or all of the inputs into these models may not be market observable and are derived from market prices or rates or are estimates based on assumptions. Refer to note 23 for more details.

2 Basis of preparation (continued)

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

(ii) Estimates and assumptions

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

Fair value measurement of financial instruments
When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow model and correlation pricing model. The inputs to these models are taken from observable markets where possible. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

Information about significant areas of estimation uncertainty in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 23.

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. 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 of the Company is denominated in Euro and 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.

Eirles Two Designated Activity Company

Notes to the Financial Statements (continued)
For the year ended 31 December 2021

3 Significant accounting policies

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

(a) 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 assets or liabilities or recognising gains or losses on them on a different basis.

During the year, the Company has no new series issuance 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");
- all other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at fair value through profit or loss ("FVTPL").

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

3 Significant accounting policies (continued)

(a) Financial instruments (continued)

Investment securities
Investment securities held by the Company are classified at fair value through profit or loss on initial recognition because it does 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.

Derivative financial instruments
Derivative financial instruments held for risk management purposes include derivative assets and liabilities comprised of assets swaps and cross currency swaps that are used to economically hedge 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. The Company also writes CDS derivatives for certain series as noted in note 6 that may create economic returns for the Company; such derivatives are carried at fair value through profit or loss.

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 as 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 on specified dates give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets of the Company that are not at fair value through profit or loss include cash at bank, deposits with credit institutions and other assets, which include interest income receivable from investment securities and receivables from swap counterparty in relation to the expenses incurred by the Company.

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

3 Significant accounting policies (continued)

(a) Financial instruments (continued)

Impairment of financial assets
The impairment rules under IFRS 9 apply to the financial assets that are measured at amortised cost or FVOCI. The financial assets are written off when there is no reasonable expectation of recovery. The determination of impairment losses and allowances are based on 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 recorded through profit or loss 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.

3 Significant accounting policies (continued)

(a) Financial instruments (continued)

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

Fair value measurement principles
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Company has access. The fair value of a liability reflects its non-performance risk. The determination of fair values of financial assets and financial liabilities are based on quoted bid market prices or dealer price quotations for financial instruments traded in active markets, where these are available. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Company measures instruments quoted in an active market at bid price. For all other financial instruments, fair value is determined by using valuation techniques.

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

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

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

3 Significant accounting policies (continued)

(b) Financial liabilities and equity

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

- they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

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

(c) 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 geographical cross-sectional review is performed for the Company by the Board who are regarded as the Company's Chief Operating Decision Maker. No revenue per geographical location has been disclosed because this information is not prepared and is not regularly provided to nor used by the Board. The financial results for this segment are equivalent to the financial statements of the Company as a whole.

The Board are 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.

3 Significant accounting policies (continued)

(d) Cash and cash equivalents and cash collateral

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

Cash collateral is held as security for issuance of certain debt securities.

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

(e) 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 at the exchange rate at that date.

Foreign currency differences arising on retranslation are recognised in 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.

(f) Net gain on investment securities, cash and cash equivalents and cash collateral

Net gain on investment securities, cash and cash equivalents and cash collateral relates to realised income (including coupon receipts and accruals) and unrealised fair value changes including foreign exchange differences.

(g) Net loss on derivative financial instruments

Net 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 foreign exchange differences.

(h) Net finance loss on debt securities issued

Net finance loss on debt securities issued includes financing costs (including coupon payments and accruals) realised and unrealised fair value changes and foreign exchange differences.

3 Significant accounting policies (continued)

(i) Taxation

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

Current tax is the expected tax payable on the taxable income for the year using tax rates applicable to the Company's activities enacted 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 at 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%.

(j) Other income and expenses

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

(k) Share capital and dividends

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

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

4 Cash and cash equivalents and cash collateral

	2021 €'000	2020 €'000
Cash and cash equivalents	189	177

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

	2021 €'000	2020 €'000
Cash collateral	19,745	18,355

Cash collateral consists of cash held as collateral for series 91 (2020: Series 91) which is held by The Bank of New York Mellon in accordance with the terms of the SPM. This represents restricted cash and can only be used for activities relevant to the respective series.

Refer to note 21(b)(i) for credit ratings for cash and cash equivalents and cash collateral.

5 Other assets

	2021 €'000	2020 €'000
Coupon income receivable from investment securities	1,651	1,579
Other receivables	215	221
	1,866	1,800

All of the above assets are current.

Refer to note 21 (b)(i) for credit risk disclosure.

Eirles Two Designated Activity Company

Notes to the Financial Statements (continued)
For the year ended 31 December 2021

6 Derivative financial instruments

	Asset swaps	Credit default swaps	2021 Total	Asset swaps	Credit default swaps	2020 Total
	€'000	€'000	€'000	€'000	€'000	€'000
Derivative assets						
One year to five years	-	255	255	-	294	294
Greater than five years	514	-	514	1,383	-	1,383
	514	255	769	1,383	294	1,677
Derivative liabilities						
Less than one year	-	-	-	572	-	572
One year to five years	2,036	-	2,036	23	-	23
Greater than five years	50,978	8,504	59,482	42,662	10,019	52,681
	53,014	8,504	61,518	43,257	10,019	53,276

In cases where there are no asset swaps or credit defaults swaps in place for a series, the credit risk is borne by the holders of debt securities issued by the Company. During the year, series 366 has matured (2020: Series 355).

The Company entered into asset swap agreements to eliminate the mismatch between the amount payable in respect of debt securities issued and the return from the investment securities held by the Company as collateral. The following series are currently outstanding with asset swap agreements as at 31 December 2021:

Series 91, 345, 347, 367, 368, 373, 375, 376, 378, 379 and 380 (2020: Series 91, 345, 347, 366, 367, 368, 373, 375, 376, 378, 379 and 380).

During the year, no asset swap agreement was fully redeemed (2020: No series) nor partially redeemed (2020: No series) and series 366 has matured (2020: No series).

The Company has also entered into CDS where it has sold protection for series 91, 367 and 368 during the year (2020: Series 91, 367 and 368), in order to provide an asset risk profile which is suited to the needs of the investors (the holders of the debt securities). No series with CDS were fully redeemed during the year (2020: Series 369 and 371). Refer to note 22 (a) for the notional amounts of the debt securities with credit default swaps during the year.

Eirles Two Designated Activity Company

Notes to the Financial Statements (continued)
For the year ended 31 December 2021

6 Derivative financial instruments (continued)

Fair value adjustment for credit risk
The adjustments comprised Counterparty Valuation Adjustments (CVA), Debt Valuation Adjustments (DVA) 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 DVA, that relates to derivative liabilities, the Company considers its 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 31 December 2021, the combined value of adjustments amounted to EUR (87k) which represents the CVA adjustment (2020: CVA EUR (186k)). There were no DVA and FVA adjustments this year (2020: Nil). 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:

	2021		2020	
	Notional		Notional	
Series	Receive	Pay	Receive	Pay
	€'000	€'000	€'000	€'000
EIRL2-S0091	38,679	-	36,221	-
EIRL2-S0345	-	43,968	-	40,876
EIRL2-S0347	31,127	-	32,264	-
EIRL2-S0366	-	-	7,918	-
EIRL2-S0367	17,587	-	16,351	-
EIRL2-S0368	17,587	-	16,351	-
EIRL2-S0373	-	16,004	-	14,879
EIRL2-S0375	-	3,957	-	3,679
EIRL2-S0376	15,277	-	15,835	-
EIRL2-S0378	22,915	-	23,753	-
EIRL2-S0379	15,277	-	15,835	-
EIRL2-S0380	7,638	-	7,918	-

Eirles Two Designated Activity Company

Notes to the Financial Statements (continued)
For the year ended 31 December 2021

7 Investment securities at fair value through profit or loss

	2021	2020
	€'000	€'000
At fair value through profit or loss		
Corporate bonds	233,755	231,323

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

	2021	2020
	€'000	€'000
Less than one year	-	8,513
One year to five years	49,746	8,826
Greater than five years	184,009	213,984
	233,755	231,323

Maturities of investment securities are cash settled transactions which are shown in the statement of cash flows. During the year, investment securities held by series 366 matured with nominal amount of USD 10,000k (2020: No series).

Redemptions of investment securities in full are non cash settled transactions which are not reflected in the statement of cash flows. During the year, no series were fully redeemed (2020: Series 369 and 371 with nominal amount of USD 50,122k and USD 50,122k, respectively) and there was no foreign exchange gain or loss (2020: gain of EUR 1,536k) because there was no non cash transaction.

The carrying value of all of the above assets of the Company represents the Company's maximum exposure to credit risk. The credit risk may be transferred to the swap counterparty through credit default swaps or ultimately to the holders of debt securities. In cases where no swaps are in place for a series, the credit risk is borne by the holders of debt securities issued by the Company as detailed in note 6. The investment securities are held as collateral for debt securities issued by the Company. Refer to note 21(b)(i) for credit risk disclosure relating to the investment securities.

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

	2021 €'000	2020 €'000
Designated at fair value through profit or loss	193,752	199,062

Maturity analysis of the debt securities issued at fair value through profit or loss	**2021 €'000**	**2020 €'000**
Less than one year	-	7,980
One year to five years	29,997	9,112
Greater than five years	163,755	181,970
	193,752	199,062

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 notes 4 and 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 below table shows the changes in liabilities arising from financing activities:

	2021 €'000	2020 €'000
Opening balance	199,062	305,703
Net loss on debt securities issued designated at fair value through profit and loss	6,192	3,048
Changes in accrual	(53)	105
Payments on maturity of debt securities issued	(7,618)	-
Interest paid on debt securities issued	(3,831)	(4,014)
Non-cash redemption of debt securities issued	-	(105,780)
Closing balance	193,752	199,062

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

The Company did not issue new series during the year (2020: Nil). During the year, series 366 has matured (2020: Series 355).

No series were fully redeemed (2020: Series 369 and 371) nor partially redeemed (2020: Nil) during the year.

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

The debt securities for the following series are listed on main securities market of the Irish Stock Exchange plc, trading as Euronext Dublin: Series 345, 347, 367, 368, 373, 375, 376, 378, 379 and 380 (2020: Series 345, 347, 366, 367, 368, 373, 375, 376, 378, 379 and 380) while debt security for series 91 is listed on the Bourse de Luxembourg (2020: Series 91).

The fair value amount of financial liabilities designated at fair value through profit or loss as at 31 December 2021 was EUR 13,335k (2020: 8,095k greater) greater than the contractual amount of EUR 180,417k (2020: EUR 190,967k) 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 31 December 2021, series 91 is a floating rated security with an average interest rate of 0.72%. (2020: Series 91 and 366 with average interest rates of 1.52% and 2.12%, respectively). Series 345, 347, 373, 375, 376, 378, 379 and 380 are fixed rated secured securities with interest rates of 3.12%, 2.91%, 1.15%, 0.67%, 1%, 1.15%, 1.40% and 1.40%, respectively (2020: 3.12%, 2.91%, 1.50%, 0.67%, 1%, 1.15%, 1.40% and 1.40%, respectively). Series 367 and 368 are variable rated securities with average interest rates of 4.68% and 4.94%, respectively (2020: 3.04% and 2.82%, respectively). Refer to note 21 (b) (iii) for further details on interest rates classification.

9 Other liabilities

	2021 €'000	2020 €'000
Coupon payable on debt securities issued	649	596
Accrued expenses	41	44
Other payables	170	160
	860	800

All of the above other liabilities are current.

10 Share Capital

	2021 €'000	2020 €'000
Authorised:		
100,000,000 ordinary shares of €1 each	100,000	100,000
Issued and fully paid		
3 ordinary shares of €1 each	-	-

Eirles Two Designated Activity Company

Notes to the Financial Statements (continued)
For the year ended 31 December 2021

11 Accounting categorisation and carrying values of financial assets and liabilities

	2021 Carrying value €'000	2020 Carrying value €'000
Financial assets at amortised cost		
Cash and cash equivalents	189	177
Other assets	1,866	1,800
Cash collateral	19,745	18,355
Total financial assets at amortised cost	21,800	20,332
Financial assets at fair value through profit or loss		
Investment securities	233,755	231,323
Derivative assets	769	1,677
Total assets	256,324	253,332
Financial liabilities at amortised cost		
Other liabilities	860	800
Financial liabilities designated at fair value through profit or loss		
Debt securities issued	193,752	199,062
Financial liabilities at fair value through profit or loss		
Derivative liabilities	61,518	53,276
Total liabilities	256,130	253,138

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

Eirles Two Designated Activity Company

Notes to the Financial Statements (continued)
For the year ended 31 December 2021

12 Net gain on investment securities, cash and cash equivalents and cash collateral

	2021 €'000	2020 €'000
Net gain / (loss) on investment securities at fair value through profit or loss, cash and cash equivalents and cash collateral	12,086	(669)
Interest income including accruals	10,131	10,913
	22,217	10,244
Analysed as follows:		
Net unrealised gain / (loss) on investment securities and cash collateral	10,944	(7,964)
Net realised (loss) / gain on investment securities and cash collateral	(250)	8,956
Net foreign exchange gain / (loss) on cash collateral	1,388	(1,658)
Net foreign exchange gain / (loss) on cash and cash equivalents	4	(3)
	12,086	(669)

13 Net loss on derivative financial instruments

	2021 €'000	2020 €'000
Net loss on derivative financial instruments carried at fair value through profit or loss (including coupon receipts)		
- Asset swap	(17,675)	(7,465)
- Credit default swap	1,650	269
	(16,025)	(7,196)
Analysed as follows:		
Credit default swap income	173	177
Net swap payments	(7,048)	(7,990)
Net unrealised loss on derivative financial instruments	(9,722)	(895)
Net realised gain on settlement of derivative financial instruments	572	1,512
	(16,025)	(7,196)

14 Net finance loss on debt securities issued

	2021 €'000	2020 €'000
Net finance (loss) / gain on debt securities issued designated at fair value through profit or loss	(2,308)	861
Interest expense including accruals	(3,884)	(3,909)
	(6,192)	(3,048)
Analysed as follows:		
Net unrealised (loss) / gain on debt securities issued	(2,670)	10,558
Net realised gain / (loss) on maturities / redemption of debt securities issued	362	(9,697)
	(2,308)	861

15 Other income

	2021 €'000	2020 €'000
Arranger income	76	79
	76	79

For every new issuance of debt securities, DB AG, as Arranger, transfers to the Company a series fee as corporate benefit. 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. During the year, no new series have been issued thus, the corporate benefit is nil (2020:Nil).

As per the Programme Proposal Agreement, DB London as the Arranger agrees to pay for Series Overheads (as defined in the Programme 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.

Eirles Two Designated Activity Company

Notes to the Financial Statements (continued)
For the year ended 31 December 2021

16 Other expenses

	2021 €'000	2020 €'000
Auditor's remuneration and tax advisory services	(40)	(40)
Administration fee	(24)	(27)
Directors' fee	(12)	(12)
	(76)	(79)

The Company is administered by VAIIL and has no employees.

Other operating expenses are after charging the following:

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

	2021 €'000	2020 €'000
Audit of Company's Statutory financial statements	(29)	(29)
Tax advisory services	(4)	(4)
	(33)	(33)

Section 305A(1)(a) of the Act, requires disclosure that VAIIL 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 VAIIL 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 VAIIL.

17 Income tax expense

	2021 €'000	2020 €'000
Current tax expense	-	-

17 Income tax expense (continued)

Factors affecting tax charge for the period

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

	2021 €'000	2020 €'000
Profit before tax	-	-
Current tax at standard rate of 25%	-	-
Current tax charge	-	-

The Company is currently taxed at 25% in accordance with Section 110 of the Taxes Consolidation Act, 1997, as amended. The Directors are not aware of any factors that may affect the future tax charge.

18 Ownership of the Company

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

The Board have considered the issue as to who is the controlling party of the Company. It has determined that the control of the day-to-day activities of the Company rests with the Board. The Board is composed of three Directors, one of whom is an employee of VAIIL, 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, administrator and arranger

Transactions with Key Management Personnel
During the year the Company incurred a fee of EUR 20k (2020: EUR 19k) relating to administration services provided by VAIIL. As at 31 December 2021, there were outstanding payables related to administration services amounting to EUR 20k (2020: Nil).

Other Transactions
Directors' fees during the year amounted to EUR 12k (2020: EUR 12k). Bronagh Hardiman being a VAIIL employee does not receive any Director's fee. As at 31 December 2021, there were outstanding Directors' fees payable amounting to EUR 12k (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 the Programme Proposal Agreement, DB London as the Arranger agrees to pay for Series Overheads (as defined in the Programme Proposal Agreement). Refer to note 15 for details.

DB London is also the swap counterparty for all series containing credit default swap and asset swap agreements. The list of series and the corresponding fair values relating to these swaps are disclosed in note 6 and associated income and expenses in note 13.

Refer to note 8 for details of fair value and notional value of debt securities and note 21 (b)(i) for maximum credit exposure.

As at 31 December 2021, the following investment securities held by the Company were issued by DB London:

Series	ISIN	Currency	2021 Carrying Value €'000	2021 Nominal Value 000	2020 Carrying Value €'000	2020 Nominal Value 000
S0367	US251526BY45	USD	9,235	10,000	8,826	10,000
S0368	US251526BZ10	USD	9,421	10,000	9,074	10,000
			18,656	20,000	17,900	20,000

As at 31 December 2021, DB London has no interest in the debt securities issued by the Company (2020: Nil).

Eirles Two Designated Activity Company

Notes to the Financial Statements (continued)
For the year ended 31 December 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, assets held in other series may not be used to settle the obligation due to the holders of the affected debt securities issued. This segregation and protection of assets safeguards against the Company's bankruptcy and/or 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 separately 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 issued, only the trustees are 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 to purchase a portfolio of investment securities plus any interest accrued thereon on behalf of the Company.

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

The Company also entered into a number of CDS Agreements with DB London. In exchange for the receipt of premium income for the relevant series, the Company has sold credit protection on a number of reference entities, as detailed in note 6.

For series where no swap agreements were entered into, the ultimate amount repaid to the holders of the related debt securities will depend on the proceeds form the investment securities.

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.

21 Financial risk management (continued)

(b) Risk management framework

The Board has overall responsibility for the establishment and oversight of the Company's risk management framework.

The risk profile of the Company is such that market, credit, liquidity and other risks relating to the investment securities as well as derivative financial instruments are borne fully by the holders of debt securities issued.

The Company has exposure to the following risks from its use of financial instruments:

(i) Credit risk;
(ii) Liquidity risk; 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 the counterparty to a financial asset fails to meet its contractual obligations. Credit risk arises principally from the investment securities that the Company holds and also from the derivative contracts which the Company has entered into.

The Company seeks to limits its exposure to credit risk by investing in corporate bonds detailed in note 7 with counterparties that have a credit rating as 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 meets its contractual commitments.

The risk of default on the listed assets on page 52 and on the underlying investment securities is borne by the swap counterparty which has a long-term rating of A- by Standard & 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 SPM of the relevant series.

The credit risk relating to underlying reference entities arises principally from the investment securities that the Company holds which are credit-linked to a portfolio of underlying reference entities. Any default or "credit events" in the underlying portfolio of reference entities may trigger a reduction in the nominal amounts of the debt instrument which the Company holds depending on the loss amounts, as well as, other terms and conditions of the debt. Because of the limited recourse nature of the debt securities issued by the Company, any such losses would ultimately be borne by either the swap counterparty and/or the holders of debt securities for that particular series.

Eirles Two Designated Activity Company

Notes to the Financial Statements (continued)
For the year ended 31 December 2021

21 Financial risk management (continued)

(b) Risk management framework (continued)

(i) Credit risk (continued)

Secondly, for series 91, 367, and 368 the Company has also sold credit protection to the swap counterparty in return for a premium, please refer to note 6 for further details. The corresponding debt securities issued by the Company on which the credit protection has been sold are credit-linked to the credit quality of the underlying portfolio of reference entities.

Therefore any default or “credit events” in the underlying portfolio of reference entities might require a specific amount of the collateral, i.e. certain investment securities held by the Company to be delivered to the swap counterparty that has purchased the credit protection from the Company. Consequently, due to limited recourse nature of the debt securities issued by the Company, any payments in respect of the CDS default would ultimately be borne by the holders of debt securities. The nominal amount of debt securities issued will be reduced in accordance to the terms and conditions of that particular series.

Refer to note 6 "Derivative financial instruments” for further details.

The linking of the Company’s issued debt securities to the underlying portfolio of reference entities is achieved by entering into CDS agreements with the swap counterparty. The credit default swap is a leveraged arrangement.

The aggregate reference portfolio notional amounts are usually substantially higher than the notional amounts of the credit default swaps and the nominal amounts of the debt securities issued. This leverage increases the risk of loss to the Company and, therefore, to the holders of debt securities. The Company is exposed to the credit risk of the derivative counterparty.

Refer to note 6 and note 22 “Specific Instruments” for further details.

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

	2021	**2020**
	€'000	**€'000**
Cash and cash equivalents	189	177
Cash collateral	19,745	18,355
Other assets	1,866	1,800
Derivative assets	769	1,677
Investment securities at fair value through profit or loss	233,755	231,323
	256,324	253,332

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 and cash equivalents and cash collateral:
The Company's cash and cash equivalents are held with DB London which is rated A- by S&P during the year (2020: BBB+ by S&P). The Company's cash collateral are held with Bank of New York Mellon which is rated AA- as at 31 December 2021 (2020: AA- by S&P) based on rating agency S&P.

Other assets:
The other assets mainly include income receivable from investment securities held by the Company as at the year end. The credit rating and concentration of the investment securities at the year end are disclosed under investment securities on page 52.

Derivative financial instruments:
The Company has entered into asset swap transactions with the swap counterparty to eliminate the mismatch between the amount payable in respect of the debt securities issued and the return from the investment securities held as collateral.

The Company entered into a number of credit default swap agreements with DB London whereby the Company has sold credit protection on a number of reference entities in exchange for the receipt of premium income for the relevant series as disclosed in note 6.

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

Class based on debt securities issued	**Derivative type**	**2021 €'000**	**2020 €'000**
Credit linked debt securities	Credit Default Swap	255	293
Credit linked debt securities	Asset Swap	514	1,385
		769	1,678

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 who are subject to the risk of defaults by the swap counterparty. The Company's exposure and the credit rating of its counterparty are continually monitored.

Eirles Two Designated Activity Company

Notes to the Financial Statements (continued)
For the year ended 31 December 2021

21 Financial risk management (continued)

(b) Risk management framework (continued)

(i) Credit risk (continued)

Derivative financial instruments:
DB London is the derivative counterparty and is currently long term rated as A- 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 shown in the table below based on carrying amount in the statement of financial position.

None of the investments held were past due nor defaulted during the year.

Significant movement in ratings from last year is due to maturity of series 366 during the year.

Class of debt securities issued	Collateral type	Country of issuance	Rating Agency	Rating 2021	Rating 2020	2021 €'000	2020 €'000
Credit linked debt securities	Corporate bonds	Germany	S&P	BBB-	BBB-	18,656	17,900
Fixed rated debt securities	Corporate bonds	France	S&P	A-	A-	27,170	26,677
				BBB+	BBB+	35,421	34,648
		England	S&P	BB+	BB+	26,764	25,968
				BBB	BBB+	4,325	4,252
						93,680	91,545
Fixed rated secured debt securities	Corporate bonds	Canada	S&P	BBB+	BBB+	121,418	113,365
Floating rate secured securities	Corporate bonds	England	S&P	-	BBB-	-	8,513
Grand Total						233,755	231,323

21 Financial risk management (continued)

(b) Risk management framework (continued)

(i) Credit risk (continued)

Investment securities (continued):
As per the terms and conditions of the SPM, 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.

For those investment securities in which ratings were not available on any market sources, DB London assessed the associated credit risk based on the coupon received on the investment securities and historical performance of the investment securities in terms of default. During the year, no default occurred in respect of the investment securities held and interest was received 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.

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 swap counterparty. The Company or the swap counterparty did not default on any of its contractual commitments during the year.

Eirles Two Designated Activity Company

Notes to the Financial Statements (continued)
For the year ended 31 December 2021

21 Financial risk management (continued)

(b) Risk management framework (continued)

(ii) Liquidity risk (continued)

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

	2021				
	Carrying amounts €'000	Gross contractual cash flows €'000	Less than one year €'000	One to five years €'000	More than five years €'000
Cash and cash equivalents	189	189	189	-	-
Cash collateral	19,745	19,745	-	-	19,745
Derivative assets	769	2,180	158	549	1,473
Investment securities*	233,755	313,320	10,145	84,049	219,126
Other assets	1,866	1,866	1,866	-	-
Derivative liabilities**	(61,518)	(94,098)	(6,091)	(23,146)	(64,861)
Debt securities issued***	(193,752)	(228,079)	(3,882)	(58,832)	(165,365)
Other liabilities	(860)	(860)	(860)	-	-
	194	14,263	1,525	2,620	10,118

	2020				
	Carrying amounts €'000	Gross contractual cash flows €'000	Less than one year €'000	One to five years €'000	More than five years €'000
Cash and cash equivalents	177	177	177	-	-
Cash collateral	18,355	18,355	-	-	18,355
Derivative assets	1,677	2,993	267	1,071	1,655
Investment securities*	231,323	309,277	17,985	45,445	245,847
Other assets	1,800	1,800	1,800	-	-
Derivative liabilities**	(53,276)	(99,707)	(7,239)	(24,837)	(67,631)
Debt securities issued***	(199,062)	(246,136)	(11,806)	(23,411)	(210,919)
Other liabilities	(800)	(800)	(800)	-	-
	194	(14,041)	384	(1,732)	(12,693)

21 Financial risk management (continued)

(b) Risk management framework (continued)

(ii) Liquidity risk (continued)

*The gross contractual cash flow (GCF) of investment securities includes the notional amount of existing investment securities and the undiscounted interest receipt. As of the Statement of Financial Position date, GCF of investment securities is higher by EUR 79,565k (2020: EUR 77,954k) compared to its carrying value. In the event of maturity, difference will be accounted as net asset swap receivable from swap counterparty. Where there are no swap agreement in place aside from those considered pass-through, differences of carrying value and GCF of investment securities will be accounted as gain or loss on investment securities and a corresponding loss or gain on debt securities issued.

**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.

***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 higher by EUR 34,327k (2020: EUR 47,074k) compared to its carrying value. In the event of maturity of a series of notes, the difference will be accounted as net asset swap payable to swap counterparty.

(iii) Market risk

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

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

Foreign exchange risk and interest rate risk are economically hedged where relevant with the use of currency swaps and interest rate swaps, respectively. These are governed by the asset swap agreements entered into by the Company and the swap counterparty. Cross currency swaps are incorporated in the asset swap, where applicable.

Market risk embodies the potential for both loss 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's exposure to foreign currency risk based on the currency denomination of debt securities is presented in the next page.

21 Financial risk management (continued)

(b) Risk management framework (continued)

(iii) Market risk (continued)

	2021			
	USD	**JPY**	**GBP**	**Total**
	€'000	**€'000**	**€'000**	**€'000**
Monetary assets				
Cash and cash equivalents	46	-	7	53
Cash collateral	19,745	-	-	19,745
Derivative assets	769	-	-	769
Investment securities	233,755	-	-	233,755
Other assets	1,866	-	-	1,866
	256,181	-	7	256,188
Monetary liabilities				
Derivative liabilities	8,950	52,568	-	61,518
Debt securities issued	30,168	163,584	-	193,752
Other liabilities	322	537	-	859
	39,440	216,689	-	256,129
Net exposure	216,741	(216,689)	7	59

	2020			
	USD	**JPY**	**GBP**	**Total**
	€'000	**€'000**	**€'000**	**€'000**
Monetary assets				
Cash and cash equivalents	33	-	7	40
Cash collateral	18,355	-	-	18,355
Derivative assets	1,678	-	-	1,678
Investment securities	231,323	-	-	231,323
Other assets	1,799	-	-	1,799
	253,188	-	7	253,195
Monetary liabilities				
Derivative liabilities	10,042	43,234	-	53,276
Debt securities issued	27,896	171,166	-	199,062
Other liabilities	247	553	-	800
	38,185	214,953	-	253,138
Net exposure	215,003	(214,953)	7	57

Eirles Two Designated Activity Company

Notes to the Financial Statements (continued)
For the year ended 31 December 2021

21 Financial risk management (continued)

(b) Risk management framework (continued)

(iii) Market risk (continued)

The net exposure is mitigated by the Company entering into asset swap agreements to hedge the currency risk.

For series 91, 367 and 368 the investment securities and debt securities are denominated in USD (2020: Series 91, 367 and 368). The Company is not exposed to currency risk on the said series as any changes in fair value of the investment securities due to currency fluctuations will result in a corresponding change in fair value of debt securities in issue.

For series 345, 347, 373, 375, 376, 378, 379 and 380 the investment securities are denominated in USD while their corresponding debt securities are denominated in JPY (2020: Series 345, 347, 366, 373, 375, 376, 378, 379, and 380).

The Company is not exposed to currency risk since any changes in fair value of the investment securities due to currency fluctuations will result in a corresponding change in fair value of the debt securities in issue.

The currency risk exposure of the noteholder is eliminated on a series by series basis in cases where the debt security and its associated financial assets are denominated in different currencies due to the existence of a cross currency swap forming part of an asset swap.

The following exchange rates were applied during the year:

	Average rate		Year end / Spot rate	
	2021	2020	2021	2020
USD	1.183	1.142	1.137	1.223
JPY	129.854	121.795	130.917	126.302
GBP	0.860	0.889	0.840	0.895

Sensitivity analysis
A 10% fluctuation in the foreign exchange rate would result in a change of EUR 23,376k (2020: EUR 23,132k) in the market value of the USD denominated investment securities. This would result in a corresponding change of EUR 3,017k (2020: EUR 2,790k) in the valuation of the USD related debt securities. The net impact of the foreign exchange rate changes is nil due to the existence of the cross currency swaps.

21 Financial risk management (continued)

(b) Risk management framework (continued)

(iii) Market risk (continued)

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 were assigned for the instruments with rates that were based from market benchmarks. Instruments were classified as structured variable interest rate when the rate changes over a period of time. Refer to note 8 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 security issued was:

Class of investment security based on debt securities issued	**Currency**	**2021 €'000**	**2020 €'000**
Fixed rate instruments:			
Credit linked debt securities	USD	18,656	17,901
Fixed rated secured securities	USD	121,419	113,365
Fixed rated securities	USD	93,680	91,545
Floating Rate Secured debt securities	USD	-	8,513
		233,755	231,324

Eirles Two Designated Activity Company

Notes to the Financial Statements (continued)
For the year ended 31 December 2021

21 Financial risk management (continued)

(b) Risk management framework (continued)

(iii) Market risk (continued)

Interest rate risk (continued)

Debt securities issued

Class of debt securities issued	**Currency**	**2021**	**2020**
		€'000	**€'000**
Fixed rate instruments:			
Fixed rated secured securities	JPY	81,480	78,268
Fixed rated securities	JPY	82,105	84,917
		163,585	163,185
Floating rate instruments:			
Credit linked debt securities	USD	11,816	9,658
Floating Rate Secured Notes	JPY	-	7,980
		11,816	17,638
Variable rate instruments:			
Credit linked debt securities	USD	18,351	18,239
Grand Total		193,752	199,062

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

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

21 Financial risk management (continued)

(b) Risk management framework (continued)

(iii) Market risk (continued)

Sensitivity analysis (continued)
A 100 basis point increase/(decrease) in interest rates (assuming all other variables are held constant) would have resulted in an increase of coupon expenditure payable on the debt securities issued of EUR 1,826k for the year (2020: EUR 1,925k). Under the same conditions, the coupon income receivable from investment securities would have increased by nil for the same period (2020: Nil). A similar 100 basis point decrease in interest rates would have resulted in an equal, but opposite effect on coupon expenditure and coupon income, respectively. The net impact of the interest rate changes is nil due to the existence of the derivatives. There is no interest rate risk for fixed rate and zero coupon rate instruments as these instruments will earn the same amount of interest until maturity.

The Company does not bear any interest rate risk as the interest rate risk associated with the debt securities issued by the Company is neutralised by entering into swap agreements whereby the swap counterparty pays the Company amounts equal to the interest payable to the holders of the debt securities issued by the Company in return for the interest earned by the Company on its investment securities. Therefore any change in the interest rates would not affect the equity or the statement of comprehensive income of the Company.

The Company does not bear any interest rate risk for the fixed rate financial assets, any changes in interest rates would affect the fair value of the fixed rate financial assets and liabilities which in turn would impact on the Statement of comprehensive income and the equity of the Company. However, the Company has neutralised this risk by entering into swap agreements whereby all fair value changes are borne by the swap counterparty.

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

Other price risk may include risks such as equity price risk, commodity price risk, repayment 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 outline 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 extend not borne by the swap counterparty.

Eirles Two Designated Activity Company

Notes to the Financial Statements (continued)
For the year ended 31 December 2021

21 Financial risk management (continued)

(b) Risk management framework (continued)

(iii) Market risk (continued)

Other price risk (continued)
The following is a breakdown of the Company's investment securities by class of debt securities issued at the reporting date:

Class of debt securities	Listing	2021 €'000	2020 €'000
Credit linked debt securities	Listed	18,656	17,901
Fixed rated securities	Listed	93,680	91,544
Fixed rated secured securities	Listed	121,419	113,365
Floating rate secured securities	Listed	-	8,513
		233,755	231,323

The table above also shows the listing status of the investment securities at the reporting date.

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 agreements.

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.

21 Financial risk management (continued)

(b) Risk management framework (continued)

(iii) Market risk (continued)

Other price risk (continued)
A 10% fluctuation in the market prices of the investment securities held by the Company with all other variables held constant would result in a change of EUR 23,376k (2020: EUR 23,132k) in the value of the investment securities. This would result in a corresponding change of EUR 23,376k (2020: EUR 23,132k) 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.

(c) Operational risk

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

The Company has no employees and all corporate administration services are provided by VAIIL under the terms of a corporate services agreement. VAIIL 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

(a) Reference Obligations

The Company entered into CDS as disclosed in detail in notes 6. The reference obligations for these transactions are disclosed in the next page.

Credit Default Swaps
In connection with relevant series, the Company has entered into a number of asset swap and CDS with DB London.

In exchange for the receipt of premium income for the relevant series, the Company has sold credit protection on a number of reference entities, the “Reference Obligations”.

In the event of an issuance of a credit event notice with respect to a Reference Obligation, the Company will pay an amount as defined in the CDS agreement from the assets of that series to which the CDS agreement relates. The aggregate liability of the Company under the CDS agreement for an individual series shall not exceed the aggregate of the eligible investment securities for that particular series.

22 Specific instruments (continued)

(a) Reference Obligations (continued)

In various series, as detailed below, the Company has issued floating and variable rate secured debt securities, linked to a pool of reference entities. As a consequence of defaults in reference obligations, the nominal is proportionally reduced by the relevant defaults.

The Reference Obligations for each series holding CDS were as follows:

Series	Currency	Nominal of Notes '000 31 Dec 2021	Classification of Note	Description of reference obligations	Credit Event occurrences to 31 Dec 2021	Payment required under CDS agreement
91	USD	22,153	Credit Linked Debt securities	Tsar7 Portfolio	YES	YES
367	USD	10,000	Credit Linked Debt securities	Mizuho Bank Limited	NO	NO
368	USD	10,000	Credit Linked Debt securities	Mizuho Bank Limited	NO	NO

Series	Currency	Nominal of Notes '000 31 Dec 2020	Classification of Note	Description of reference obligations	Credit Event occurrences to 31 Dec 2020	Payment required under CDS agreement
91	USD	22,153	Credit Linked Debt securities	Tsar7 Portfolio	NO	NO
367	USD	10,000	Credit Linked Debt securities	Mizuho Bank Limited	NO	NO
368	USD	10,000	Credit Linked Debt securities	Mizuho Bank Limited	NO	NO

Under series 91, cash settlement amounting to USD 159,966 was made on 13 January 2022. This was in relation to reference obligation FHLT 2004-D M4 from a credit event that occurred on 6 July 2021. The credit event resulted to reduction on the notional of the series' debt securities to USD 21,992,695 (2020: Nil). Other than this, no other series have credit event during the year.

The maximum down-side exposure to credit derivatives on protection sold is capped by the notional amount of debt securities issued by the vehicle, on the basis that the vehicle is non-recourse and the value of debt securities cannot drop below zero. Any fair value movements in the derivatives beyond this cap will be absorbed by the swap counterparty.

Eirles Two Designated Activity Company

Notes to the Financial Statements (continued)
For the year ended 31 December 2021

22 Specific instruments (continued)

(b) Profile of the series of debt securities issued by the Company

The following are the categories of debt securities as at 31 December 2021:

	2021						
Type of transaction	**Number of series**		**Debt securities in issue**		**Cash and Cash Collateral**		**Investment securities**
		%	**€'000**	**%**	**€'000**	**%**	**€'000**
Fixed rated secured debt securities	2	42.05%	(81,480)	0.18%	35	51.94%	121,419
Fixed rated debt securities	6	42.38%	(82,105)	0.52%	103	40.08%	93,680
Credit linked debt securities	3	15.57%	(30,167)	99.30%	19,796	7.98%	18,656
Total	11	100.00%	(193,752)	100.00%	19,934	100.00%	233,755

Type of transaction		**Derivative assets**		**Derivative liabilities**		**Other assets**		**Other liabilities**	**Net Amount**
	%	**€'000**	**%**	**€'000**	**%**	**€'000**	**%**	**€'000**	**€'000**
Fixed rated secured debt securities	0.00%	-	65.37%	(40,217)	23.15%	432	21.74%	(187)	2
Fixed rated debt securities	0.00%	-	20.08%	(12,351)	54.93%	1,025	40.82%	(351)	1
Credit linked debt securities	100.00%	769	14.55%	(8,950)	21.92%	409	37.44%	(322)	191
Total	100.00%	769	100.00%	(61,518)	100.00%	1,866	100.00%	(860)	194

Eirles Two Designated Activity Company

Notes to the Financial Statements (continued)
For the year ended 31 December 2021

22 Specific instruments (continued)

(b) Profile of the series of debt securities issued by the Company (continued)

The following are the categories of debt securities as at 31 December 2020:

Type of transaction	2020 Number of series	%	Debt securities in issue	%	Cash and Cash Collateral	%	Investment securities
		%	€'000	%	€'000	%	€'000
Fixed rated secured debt securities	2	39.32%	(78,268)	0.16%	30	49.01%	113,364
Fixed rated debt securities	6	42.66%	(84,917)	0.48%	89	39.57%	91,545
Credit linked debt securities	3	14.01%	(27,897)	99.28%	18,399	7.74%	17,901
Floating Rate Secured debt securities	1	4.01%	(7,980)	0.08%	14	3.68%	8,513
Total	12	100.00%	(199,062)	100.00%	18,532	100.00%	231,323

Type of transaction	%	Derivative assets	%	Derivative liabilities	%	Other assets	%	Other liabilities	Net Amount
	%	€'000	%	€'000	%	€'000	%	€'000	€'000
Fixed rated secured debt securities	0.00%	-	66.33%	(35,340)	22.34%	402	23.50%	(188)	-
Fixed rated debt securities	0.00%	-	13.74%	(7,322)	52.92%	952	43.25%	(346)	1
Credit linked debt securities	100.00%	1,678	18.85%	(10,042)	22.29%	401	30.88%	(247)	193
Floating Rate Secured debt securities	0.00%	-	1.08%	(572)	2.45%	44	2.37%	(19)	-
Total	100.00%	1,678	100.00%	(53,276)	100.00%	1,799	100.00%	(800)	194

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. The corresponding carrying values of the fair values shown in the statement of financial position are disclosed in note 11.

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

Determining fair values
The determination of fair value for financial assets and 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.

Critical accounting judgements made in applying the Company's accounting policies in relation to valuation of financial instruments are set out below:

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 then 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.

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 and correlation pricing model using current market rates for credit, interest, liquidity and other risks. These securities are categorised as Level 3. Refer to Quantative Information about the Sensitivity of Significant Unobservable Inputs on pages 75 to 77 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. Parameters 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 then valuation adjustments are made to the model output value to adjust for any difference. In less active markets, data is obtained from less frequent market transactions, broker quotes and through extrapolation and interpolation techniques. Where observable prices or inputs are not available, management 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. Please refer to Quantitative Information about the Sensitivity of Significant Unobservable Inputs on pages 75 to 77 for additional details on Level 3 valuation techniques.

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

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

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.

Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. When determining the appropriate valuation model to be used, management selects which valuation technique makes the least adjustment to the inputs used, analyse the range of values indicated by the techniques used and whether they overlap and check the reasons for the differences in value under different techniques. Depending on the circumstances, one valuation model might be more appropriate than another. Management decides the valuation model to be used based on the provisions indicated in the swap agreements.

Eirles Two Designated Activity Company

Notes to the Financial Statements (continued)
For the year ended 31 December 2021

23 Fair values (continued)

Valuation Techniques (continued)
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 for the year ended 31 December 2021 are as follows:

			2021	
	Total	**Level 1**	**Level 2**	**Level 3**
	€'000	**€'000**	**€'000**	**€'000**
Investment securities				
Corporate bonds	233,755	-	233,755	-
Derivative financial assets				
Interest rate swaps	514	-	-	514
Credit default swaps	255	-	-	255
	769	-	-	769
Derivative financial liabilities				
Interest rate swaps	(12,259)	-	-	(12,259)
Cross currency swaps	(40,756)			(40,756)
Credit default swaps	(8,503)	-	-	(8,503)
	(61,518)	-	-	(61,518)
Debt securities issued				
Credit linked debt securities	(30,167)	-	-	(30,167)
Fixed rated secured debt securities	(81,480)	-	-	(81,480)
Fixed rated debt securities	(82,105)	-	-	(82,105)
	(193,752)	-	-	(193,752)
	(20,746)	-	233,755	(254,501)

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Notes to the Financial Statements (continued)
For the year ended 31 December 2021

23 Fair values (continued)

Valuation Techniques (continued)
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 for the year ended 31 December 2020 are as follows:

			2020	
	Total	**Level 1**	**Level 2**	**Level 3**
	€'000	**€'000**	**€'000**	**€'000**
Investment securities				
Corporate bonds	231,323	-	231,323	-
Derivative financial assets				
Interest rate swaps	1,383	-	-	1,383
Credit default swaps	294	-	-	294
	1,677	-	-	1,677
Derivative financial liabilities				
Interest rate swaps	(7,591)	-	(571)	(7,020)
Cross currency swaps	(35,665)			(35,665)
Credit Default swaps	(10,020)	-	-	(10,020)
	(53,276)	-	(571)	(52,705)
Debt securities issued				
Credit linked Debt securities	(27,897)	-	-	(27,897)
Fixed Rated Secured Debt securities	(78,268)	-	-	(78,268)
Fixed Rated Debt securities	(84,917)	-	-	(84,917)
Floating Rate Secured Debt securities	(7,980)	-	(7,980)	-
	(199,062)	-	(7,980)	(191,082)
	(19,338)	-	222,772	(242,110)

23 Fair values (continued)

Valuation Techniques (continued)
As at 31 December 2021, the Company's investment securities consisting of corporate bonds are classified as Level 2 instruments. These were priced using observable market data. Refer to pages 70, 76 and 77 for valuation techniques and inputs used to determine the fair value Level 2 and Level 3 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 and the prices for these at year end have been obtained from market sources. Notwithstanding that a quoted market price exists for these, the Directors have concluded that the debt securities issued are not actively traded due to the limited liquidity that exists in the market.

As a result, the levelling of debt securities is dependent on the levelling of the investment securities, cash and cash collateral 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 occurred during the year (2020: No transfers between Level 1 and Level 2).

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 31 December 2021 €'000	Fair values at 31 December 2020 €'000	Valuation technique	Significant observable input
Investment securities				
Corporate bonds	233,755	231,323	*Market Price	BVAL, Reuters, Mark it
Derivative financial instruments				
Interest rate swap	-	(571)	**Discounted Cash Flow Model	Credit Volatility
	-	(571)		

**Market Price – Market based prices exist for each individual instrument at product level for an identical or similar asset. 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, forward and spot prices for currencies and inflation curves.*

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Notes to the Financial Statements (continued)
For the year ended 31 December 2021

23 Fair values (continued)

Valuation Techniques (continued)

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

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

	2021 €'000	2020 €'000
Opening balance	1,677	1,876
Transfers in	-	309
Fair value movements	(908)	(508)
Closing balance	769	1,677

During the year, no derivative financial assets (2020: Series 367) were transferred from Level 2 to Level 3 due to lack of unobservable inputs and unavailability of market data for similar instruments. None of the derivative financial assets were transferred out of Level 3 during the year (2020: Nil).

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

	2021 €'000	2020 €'000
Opening balance	(52,705)	(46,742)
Transfers in	-	(4,628)
Fair value movements	(8,813)	(1,335)
Closing balance	(61,518)	(52,705)

During the year, no derivative financial liabilities (2020: Series 367, 368, 373, 375 and 376) were transferred from Level 2 to Level 3 due to lack of unobservable inputs and unavailability of market data for similar instruments. None of the derivative financial liabilities were transferred out of Level 3 during the year (2020: Nil).

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

23 Fair values (continued)

Valuation Techniques (continued)

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

	2021 €'000	2020 €'000
Opening balance	(191,082)	(147,374)
Transfers in	-	(53,830)
Fair value movements	(2,670)	10,122
Closing balance	(193,752)	(191,082)

During the year, no series have matured and fully redeemed (2020: Nil).

During the year, no series (2020: Series 367, 368, 373, 375 and 376) have been transferred in from Level 2 to Level 3 due to lack of observable inputs and availability of market data for similar instruments. On the other hand, no series have been transferred out from Level 3 to Level 2 during the year as the underlying derivatives have been valued using observable inputs and market data (2020: Nil).

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

Fair value movements are recognised under net finance loss on debt securities issued in the statement of comprehensive income.

Sensitivity Analysis
Where the value of financial instruments is dependent on unobservable valuation models, appropriate models and inputs are chosen so that they are consistent with prevailing market evidences. A 10% change in the price of the financial assets under Level 3 held by the Company would increase or decrease the fair value as at 31 December 2021 by EUR 19,375k (2020: EUR 19,108k).

23 Fair values (continued)

Valuation Techniques (continued)

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

	2021 €'000	2020 €'000
Derivative financial instruments	(9,721)	(1,843)
Debt securities issued	(2,670)	10,122
	(12,391)	8,279

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

	2021 €'000	2020 €'000
Derivative financial instruments	(9,721)	(1,843)
Debt securities issued	(2,670)	10,122
	(12,391)	8,279

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 above 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 assumption 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.

23 Fair values (continued)

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.

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 31 December 2021 it could have increased fair value by as much as EUR 2,000k (2020: EUR 4,996k) or decreased fair value by as much as EUR (2,000k) (2020: EUR (4,996k)).

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.

23 Fair values (continued)

Quantitative Information about the Sensitivity of Significant Unobservable Inputs:
The behaviour of the unobservable parameters on Level 3 fair value measurement is not necessarily independent, and dynamic relationships often exist between the other unobservable parameters and the observable parameters. Such relationships, where material to the fair value of a given instrument, are explicitly captured via correlation parameters, or are otherwise controlled via pricing models or valuation techniques. Frequently, where a valuation technique utilises more than one input, the choice of a certain input will bound the range of possible values for other inputs.

The range of values shown on the following table represents the highest and lowest inputs used to value the significant exposures within Level 3. The diversity of financial instruments that make up the disclosure is significant and therefore the ranges of certain parameters can be large.

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.

Sensitivity calculation of unobservable parameters for Level 3 aligns to the approach used by DB London to assess valuation uncertainty for Prudent Valuation purposes. Prudent Valuation is a capital requirement for assets held at fair value. It provides a mechanism for quantifying and capitalizing valuation uncertainty in accordance with the European Commission Delegated Regulation (EU) 2016/101, which supplements Article 34 of Regulation (EU) No. 2019/876 (CRR), requiring institutions to apply as a deduction from CET 1 for the amount of any additional valuation adjustments on all assets measure 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.

23 Fair values (continued)

Quantitative Information about the Sensitivity of Significant Unobservable Inputs (continued):
The table below sets out information about significant unobservable inputs used at 31 December 2021 in measuring financial instruments categorised as Level 3 in the fair value hierarchy:

Type of financial instrument	Fair values at 31 December 2021 €'000	Valuation Technique	Significant unobservable input / observability test	Range of estimates for unobservable input	Sensitivities in EUR '000
Derivative financial instruments					
Credit default swap	(8,413)	Correlation Pricing Model	Credit Curve	0.30 to 0.30	1,822
	165	Full Revaluation	Credit Spread	0.31 to 0.36	(7)
Interest rate swap	514	Correlation Pricing Model	Credit Curve	0.40 to 0.40	44
	(446)	Full Revaluation	Interest Rate SABR Volatility	-0.01 to 0.01	14
	(1,230)	Full Revaluation	Correlation Credit Volatility	-17.6% to 17.6%	1
	(1,230)	Full Revaluation	Correlation Credit Volatility	17% to 43%	-
	(1,131)	Full Revaluation	Correlation Credit Volatility	-17.6% to 17.6%	10
	(1,132)	Full Revaluation	Correlation Credit Volatility	24% to 36%	-
	(1,908)	Full Revaluation	Correlation Credit Volatility	-18.45% to 41.55%	1
	(1,908)	Full Revaluation	Correlation Credit Volatility	-20.28% to 20.28%	24
	(1,111)	Full Revaluation	Correlation Credit Volatility	20% to 40%	-
	(1,111)	Full Revaluation	Correlation Credit Volatility	-20.28% to 20.28%	7
	(526)	Full Revaluation	Correlation Credit Volatility	8.55% to 51.45%	-
	(526)	Full Revaluation	Correlation Credit Volatility	-20.28% to 20.28%	2
Cross currency swap	(20,109)	Full Revaluation	Correlation Credit Volatility	-17.6% to 17.6%	79
	(20,109)	Full Revaluation	Correlation Credit Volatility	1% to 9%	2
	(269)	Full Revaluation	Correlation Credit Volatility	-17.6% to 17.6%	1
	(269)	Full Revaluation	Correlation Credit Volatility	22% to 38%	-
	(60,749)				2,000

**Sensitivity is only applied to the asset swap leg as this is computed on a series level in the same underlying portfolio.*

Correlation Pricing Model *- Statistical model used to calibrate underlying parameter like credit correlation (default correlation in the pool) which is a non-term structure vector based on the base correlation framework. Base correlation framework is the industry standard to price standard/bespoke tranches. As these parameters are not observed in the market, they are calibrated from tranche spreads (which trade in the market).*

Full Revaluation - *Using risk and pricing system to run full revaluation by changing object or market data with IPV object or IPV market data. These includes parameters like correlation between credit curve, recovery rates, volatility spreads and interest curve which are unobservable.*

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Notes to the Financial Statements (continued)
For the year ended 31 December 2021

23 Fair values (continued)

Quantitative information about the sensitivity of significant unobservable inputs: (continued)
The table below sets out information about significant unobservable inputs used at 31 December 2020 in measuring financial instruments categorised as Level 3 in the fair value hierarchy:

Type of financial instrument	Fair values at 31 December 2020 €'000	Valuation Technique	Significant unobservable input / observability test	Range of estimates for unobservable input	Sensitivities in EUR '000
Derivative financial instruments					
Credit default swap	(9,906)	Correlation Pricing Model	Credit Cruve	0.33% to 0.33%	4,784
	180	Full Revaluation	Interest Rate SABR Volatility	-0.01 to 0.01	15
Interest rate swap	1,243	Correlation Pricing Model	Credit Cruve	0.34 to 0.34	32
	118	Full Revaluation	Interest Rate SABR Volatility	-0.01 to 0.01	15
	(767)	Full Revaluation	Correlation Credit Volatility	-21.45% to 21.45%	4
	(767)	Full Revaluation	Correlation Credit Volatility	27% to 33%	12
	(657)	Full Revaluation	Correlation Credit Volatility	-21.45% to 21.45%	13
	(657)	Full Revaluation	Correlation Credit Volatility	28% to 32%	14
	(1,175)	Full Revaluation	Correlation Credit Volatility	-40% to 40%	20
	(1,175)	Full Revaluation	Correlation Credit Volatility	17% to 43%	1
	(604)	Full Revaluation	Correlation Credit Volatility	-40% to 40%	10
	(604)	Full Revaluation	Correlation Credit Volatility	32% to 38%	-
	(295)	Full Revaluation	Correlation Credit Volatility	-32.50% to 32.50%	6
	(295)	Full Revaluation	Correlation Credit Volatility	26% to 34%	-
Cross currency swap	(17,670)	Full Revaluation	Correlation Credit Volatility	-21.45% to 21.45%	66
	(17,670)	Full Revaluation	Correlation Credit Volatility	2% to 8%	2
	(163)	Full Revaluation	Correlation Credit Volatility	-21.45% to 21.45%	2
	(163)	Full Revaluation	Correlation Credit Volatility	25% to 35%	-
	(51,027)				4,996

Sensitivity is only applied to the asset swap leg as this is computed on a series level in the same underlying portfolio.

Correlation Pricing Model *- Statistical model used to calibrate underlying parameter like credit correlation (default correlation in the pool) which is a non-term structure vector based on the base correlation framework. Base correlation framework is the industry standard to price standard/bespoke tranches. As these parameters are not observed in the market, they are calibrated from tranche spreads (which trade in the market).*

Full Revaluation - *Using risk and pricing system to run full revaluation by changing object or market data with IPV object or IPV market data. These includes parameters like correlation between credit curve, recovery rates, volatility spreads and interest curve which are unobservable.*

24 Subsequent events

On February 24, 2022, Russia commenced a large-scale invasion against Ukraine. In response, the West has moved to impose broad-based sanctions targeting Russia, including but not limited to certain Russian banks and the Russian Central Bank, companies, parliamentary members and members of the Russian elite and their families. It is possible that additional sanctions and other measures may be imposed in the future.

The Board and DB London considers the impact of the ongoing situation concerning Ukraine to the Company's performance and its ability to continue as a going concern. As of 31 December 2021, the Company had no investment securities that were directly or indirectly impacted by sanctions relating to Russia or the conflict in Ukraine. The Company's performance and its operation have not been significantly impacted by this conflict nor its ability to continue as a going concern. The Board and DB London will continue to monitor the evolving situation and its impact on the Company.

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

25 Capital Management

The Company views the current debt securities issued as its capital. The Company is a special purpose vehicle set up to issue debt instruments for the purpose of making investments that maximises the returns of the holder of debt securities, as defined under the base prospectus. Share capital of EUR 3 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.

26 Approval of the financial statements

The financial statements were approved and authorised for issue by the Board on 28 April 2022.