Company Number 659808

VALE SECURITIES FINANCE DESIGNATED ACTIVITY COMPANY

DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

CONTENTS

DIRECTORS AND OTHER INFORMATION

Directors	Ian Garvan Siobhán Hallissey (Appointed 30 October 2019, resigned 28 July 2022) Katie Beatty (Appointed 28 July 2022) Mary Murphy (Alternate Director) Gerard Brennan (Alternate Director)
Company Secretary and Corporate Services Provider	CSC Capital Markets (Ireland) Limited 3rd Floor Fleming Court Fleming's Place Dublin 4 Ireland
Company Number	659808
Registered Office	3rd Floor, Fleming Court Fleming's Place Dublin 4 Ireland
Independent Auditor	KPMG 1 Harbourmaster Place IFSC Dublin 1 Ireland
Bankers	Deutsche Bank AG London Branch Winchester House 1 Great Winchester London United Kingdom EC2N 2DB The Governor and Company of the Bank of Ireland 40 Mespil Road Dublin 4 Ireland

DIRECTORS' REPORT

The Directors present the report and audited financial statements for the financial year ended 31 December 2021 for Vale Securities Finance Designated Activity Company (the "Company").

Principal activities, review of the business and future developments

The Company was incorporated on 30 October 2019 as a special purpose vehicle for the purpose of issuing credit linked notes (the "Notes") and entering into a Credit Protection Deed with The Governor and Company of the Bank of Ireland (the "Protection Buyer" or "Bank of Ireland"). The Company is a qualifying company within the meaning of Section 110 of the Taxes Consolidation Act 1997.

On 5 December 2019, the Company issued a Class A Note and a Class B Note on the official list of the International Stock Exchange. Total proceeds from issuance of the Notes were €95,000,000 and €130,000,000 respectively. The Notes have a maturity date of 28 January 2032. The proceeds of the Notes was used to fund a deposit held on a Cash Deposit Bank Account held by Bank of Ireland.

Under the Credit Protection Deed, the Company is liable to make cash payments from the Cash Deposit Account to Bank of Ireland for the amount of the realised loss on the Reference Portfolio on the occurrence of a Credit Event as defined in the Credit Protection Deed. A Credit Event means in respect of a Reference Obligation, one or more of the following events; failure to pay, bankruptcy in respect of any relevant reference entity or restructuring. The realised loss will be calculated by the Calculation Agent ("Bank of Ireland") and verified by a third party Verification Agent ("Mazars").

The Credit Protection Deed transfers the credit risk of the reference portfolio to the Noteholders as any payments from the Cash Deposit Account to the Protection Buyer will result in the Company not having sufficient funds to repay the Notes in full. There were no principal repayments made on the Notes during the financial year. As the balance of the Reference Portfolio reduces, the amounts required to be held in the Cash Deposit Account will reduce in line with the repayments on the Reference Portfolio. The released amounts will be used to repay the principal balance on the Notes. The Reference Portfolio consists of project finance loans and is subject to replenishment on a periodic basis in accordance with the agreed criteria. The replenishment date was terminated on 5 December 2021. The Reference Portfolio had an initial notional amount of €2,000,000,000.

Reference Portfolio Summary

	31-Dec-21	**31-Dec-20**
No. of Reference Entity Groups	144	153
No. of Reference Obligations	344	416
Reference Portfolio Notional Amount (€)	1,891,003,826	2,000,000,000
Weighted Average PD (%)	0.94%	0.90%

In return for offering Protection, the Company will receive quarterly Protection Fee Income from Bank of Ireland. This fee income is used to pay general expenses of the Company and interest payments to the Noteholders in accordance with the priority of payments set out in the Transaction documents.

The Reference Portfolio is protected by three tranches. The Protected B Tranche is worth €170,000,000 which is held by the Company and another investor in the split of 76.4% and 23.6% respectively. The Company's share of Protected B Tranche is €130,000,000. The Protected A tranche is worth €95,000,000 and is held by the Company. The protected A Tranche is senior to the Protected B Tranche. The Senior Tranche is worth €1,725,000,000 and is held by other investors. The maximum realised loss that the Company is exposed to is €225,000,000.

There is additional credit enhancement in the structure in the form of a Synthetic Excess Spread of €5,000,000 which is reset every year and a Remaining Threshold Amount of €10,000,000. These amounts will be used to pay the first losses on the Reference Portfolio before the realised losses impact the Protected B Tranche. Bank of Ireland have provided the funds for the Synthetic Excess Spread and the Remaining Threshold Amount.

DIRECTORS' REPORT (CONTINUED)

Principal activities, review of the business and future developments (continued)

In 2020, there were six Credit Events whereby Protection Payment Amounts totalling to €8,978,445 was paid to Bank of Ireland. The Company did not incur any payment associated with these Credit Events because the payments were made from the Synthetic Excess Spread and the Remaining Threshold Amount which are funded by Bank of Ireland. In 2021, no Credit Event was incurred and paid. The Synthetic Excess Spread is an amount equal to 0.25% (2020: 0.25%) of the sum of the remaining Threshold Amount, Protected Tranche Notional and Senior Tranche Notional. Resets occur annually on 31st December. As at 31 December 2021, the Remaining Threshold Amount received a reimbursement of €3,281,648 so the remaining balance was €9,303,203 (2020: €6,201,555) and on the Synthetic Excess Spread was €4,990,054 (2020: €5,000,000) which reset on 31 December 2021.

The Directors expect the present level of activity to continue for the foreseeable future.

Principal risk and uncertainties

The financial risk management policies of the Company and the associated market, credit and liquidity risks are discussed in detail in note 15 to the financial statements. The probability of defaults on the underlying Reference Portfolio and the valuation of the derivative financial asset and liability were determined and during the financial year, the probability of default has increased on the reference portfolio from 0.90% to 0.94% from previous period end. The Company has continued to receive the expected Protection Fee income and has been able to meet all of its liabilities.

Results and dividends

The profit for the financial year, after taxation, amounted to €750 (2020: €750). The Directors do not recommend the payment of a dividend as at year-end (2020: None).

Financial key performance indicators

The Company receives Protection Fee Income which is calculated each quarter using a defined interest rate and the nominal value of the Notes at each Interest Payment Date. Protection Fee Income of €17,426,215 (2020: €17,426,215) was received during the financial year. At the financial year end the balance of the cash deposit account amounted to €225,000,000 (2020: €225,000,000). No Credit Event was incurred in 2021. In 2020, there have been six Credit Events however the losses incurred did not result in the Company making a payment to the Protection Buyer. The probability of default has increased on the reference portfolio from 0.90% to 0.94% during the financial year which was taken into account on the impairment assessment of the Cash Deposit Account. There has been no impairment recognised on the Cash Deposit Account.

Directors and secretary

The names of the persons who were Directors at any time during the financial year ended 31 December 2021 and subsequently are set out below:

Ian Garvan
Siobhán Hallissey (resigned 28 July 2022)
Katie Beatty (appointed 28 July 2022)
Mary Murphy (Alternate Director)
Gerard Brennan (Alternate Director)

CSC Capital Markets (Ireland) Limited acted as company secretary for the financial year ended 31 December 2021.

Directors' and Company secretary's shareholdings

The Directors and their immediate relatives and the company secretary did not hold an interest in any shares of the Company as at 31 December 2021 or at any time during or since the financial year ended. The Directors did not hold an interest in any shares of any group company as at 31 December 2021 or at any time during or since the financial year ended.

Accounting Records

The Directors believe that they have complied with the requirements of Section 281 to 285 of the Companies Act 2014 with regard to the keeping of adequate accounting records employing a service provider with appropriate expertise. The books of account of the Company are maintained at 3rd Floor, Fleming Court, Fleming's Place, Dublin 4, Ireland.

DIRECTORS' REPORT (CONTINUED)

Relevant Audit Information
The Directors believe that they have taken all steps necessary to make themselves aware of any relevant audit information and have established that the Company's statutory auditors are aware of that information. In so far as they are aware, there is no relevant audit information of which the Company's statutory auditors are unaware.

Directors' interest in contracts
The Company has no employees (2020: Nil). CSC Capital Markets (Ireland) Limited provides corporate services to the Company at arm's length commercial rates. Siobhán Hallissey served as a Director of the Company during the financial year. She was also an Alternate Director of CSC Capital Markets (Ireland) Limited, and in that capacity had an interest in transactions conducted with the Company. Ian Garvan served as a Director of the Company during the financial year. He was also an Alternate Director of CSC Capital Markets (Ireland) Limited, and in that capacity had an interest in transactions conducted with the Company. CSC Capital Markets (Ireland) Limited received fees in the amount of €8,177 (2020: €32,446) during the financial year for corporate administrative services which includes the provision of directorship services by its employees.

Going Concern
The Directors have prepared the financial statements on the going concern basis. The going concern assessment is laid out in note 3.

Subsequent events

On 28 July 2022, Siobhan Hallissey resigned as a Director of the Company and replaced by Katie Beatty as Director on the same day.

The Replenishment Period was terminated on 5 December 2021, thus, the Notes started to amortised and paid in January 2022. Amortisation is pro-rated over the tranches of Notes. The total amount amortised as of date amounted to €20,707,235 for Class A Note and €28,336,217 for Class B Notes.

The invasion of Ukraine in March 2022 has caused significant volatility in international markets. There is significant uncertainty around the impact of the situation on international economies and, as such, the Company is actively monitoring the extent of the impact to its operations, financial accounting and reporting. The scale of this conflict in Europe is an unprecedented event in modern history and the eventual impact on the global economy and markets will largely depend on the scale and duration of the conflict. While the performance of the Company has not been significantly impacted by the conflict, the directors continue to monitor this situation.

There have been no other significant subsequent events since the Balance Sheet date which require disclosure in these financial statements.

Political donations
The Electoral Act, 1997 (as amended by the Electoral Amendment Political Funding Act, 2012) requires companies to disclose all political donations over €200 in aggregate made during a financial year. The Directors, on enquiry, have satisfied themselves that no such donations in excess of this amount have been made by the Company during the financial year ended 31 December 2021 (2020: Nil).

DIRECTORS' REPORT (CONTINUED)

Auditors
In accordance with Section 382 (2) of the Companies Act 2014, the auditor KPMG, Chartered Accountants and Statutory Audit Firm, were reappointed as auditors during the financial year and have signified their willingness to continue in office.

On behalf of the Board,

Ian Garvan
Director
26 September 2022

Katie Beatty
Director
26 September 2022

Statement of Directors' responsibilities with regard to the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with FRS 101 *Reduced Disclosure Framework*.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Company and of its profit or loss for that year. In preparing these 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;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of the Company and enable them to ensure that its financial statements comply with the Companies Act 2014. They are responsible for such internal controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities. The Directors are also responsible for preparing a Directors' Report that complies with the requirements of the Companies Act 2014.

Signed on behalf of the Board of Directors by:

	Katie Beatty
Ian Garvan	**Katie Beatty**
Director	Director
26 September 2022	26 September 2022

KPMG
Audit
1 Harbourmaster Place
IFSC
Dublin 1
D01 F6F5
Ireland

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VALE SECURITIES FINANCE DESIGNATED ACTIVITY COMPANY

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Vale Securities Finance Designated Activity Company ('the Company') for the year ended 31 December 2021 set out on pages 11 to 13, which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, 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 FRS 101 *Reduced Disclosure Framework*.

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;
- the financial statements have been properly prepared in accordance with FRS 101 *Reduced Disclosure Framework*; and
- the financial statements 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 have fulfilled our ethical responsibilities under, and we remained independent of the Company in accordance with ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), as applied to listed entities.

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 director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the director's assessment of the entity's ability to continue to adopt the going concern basis of accounting included using our knowledge of the structure of the entity and the underlying credit exposures, as well as our understanding of the overall economic environment to identify the inherent risks to the business model, and analysing how those risks might affect the ongoing viability of the structure or ability to continue operations over the twelve months from the date when the financial statements are authorised for issue ("the going concern period").

The risk that we considered most likely to adversely affect the Company's available financial resources over this period was the risk to the ongoing viability of the structure arising from the possible exercise of the redemption option by the CPD counterparty.

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 the date 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.

Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, 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.

In arriving at our audit opinion above, the key audit matter was as follows (unchanged from 2020):

Valuation of derivative asset and liability €9.8m (2020 – €2.46m)
Refer to page 17 (accounting policy) and pages 23 to 28 (financial disclosures)

The key audit matter	How the matter was addressed in our audit
The Company entered into a credit protection agreement with the Governor and Company of Bank of Ireland, whereby loss protection is provided on a reference portfolio of loan assets. This credit protection arrangement is recognised as a derivative within the financial statements. There is also an embedded derivative on the Class A and Class B Notes issued by the Company, representing the risk transfer to the noteholders under the credit protection agreement. The valuation of the derivatives is complex, involves the exercise of judgment with regards the assumptions applied by management, in particular those relating to base correlations and recovery rate which are not directly observable in the market. Any significant changes to the inputs used, the assumptions applied or the valuation methodology could result in a material impact on the valuation of the derivatives.	Our audit procedures included: • Obtaining the valuation model used by the management to determine the value of the CPD contract as at 31 December 2021 and repriced the CPD contract independently with the assistance of our valuation specialist. • Considering the adequacy of the disclosures made in the financial statements in relation to the use of estimates and judgements regarding the fair value of the derivatives, the valuation estimation techniques inherent therein and fair value disclosures for compliance with FRS 101. As a result of our testing, we found the valuation of the derivatives to be reasonable.

Our application of materiality and an overview of the scope of our audit

The materiality for the financial statements was set at €2.4m, determined with reference to a benchmark of total assets (of which it represents 1%). We applied materiality to assist us determine what risks were significant risks and the procedures to be performed.

We reported to the Board of Directors any corrected and uncorrected identified misstatements exceeding €118k, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was all performed by a single engagement team in Dublin.

KPMG

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VALE SECURITIES FINANCE DESIGNATED ACTIVITY COMPANY *(continued)*

Other information

The directors are responsible for the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the directors' report. The financial statements and our auditor's report thereon do not comprise part of the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Based solely on our work on the other information undertaken during the course of the audit , we report that:

- we have not identified material misstatements in the directors' report;
- in our opinion, the information given in the directors' report is consistent with the financial statements;
- in our opinion, the directors' report has been prepared in accordance with the Companies Act 2014.

Our opinions on other matters prescribed by the Companies Act 2014 are unmodified

We have obtained all the information and explanations which we consider necessary for the purpose 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 Company's financial statements are in agreement with the accounting records.

We have nothing to report on other matters on which we are required to report by exception

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

Respective responsibilities and restrictions on use

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; 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; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have 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.

KPMG

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VALE SECURITIES FINANCE DESIGNATED ACTIVITY COMPANY *(continued)*

A fuller description of our responsibilities is provided on IAASA's website at http://www.iaasa.ie/Publications/Auditing-standards/International-Standards-on-Auditing-for-use-in-Ire/Description-of-the-auditor-s-responsibilities-for .

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 our report, or for the opinions we have formed.

James Black *27 September 2022*
for and on behalf of
KPMG
Chartered Accountants, Statutory Audit Firm
1 Harbourmaster Place
IFSC, Dublin 1
Ireland

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Notes	For the year ended 31-Dec-21 €	Period from 30-Oct-19 to 31-Dec-20 €
Fee income	4	17,426,215	17,426,215
Interest expense and similar charges	5	(17,426,215)	(17,426,215)
		-	-
Fair value movement on derivative financial instruments	14	-	-
Interest receivable and similar income	6	91,778	174,583
Other operating expenses	7	(90,778)	(173,583)
Profit before taxation		1,000	1,000
Taxation	9	(250)	(250)
Profit after taxation		750	750

The results for the financial year relate entirely to continuing operations. All total comprehensive income for the year is attributable to the owners of the Company. There is no other comprehensive income.

The notes to the financial statements on pages 14 to 29 form an integral part of the financial statements.

BALANCE SHEET AS AT 31 DECEMBER 2021

	Notes	31-Dec-2021 €	31-Dec-2020 €
Non-current assets			
Restricted cash	10	225,000,000	225,000,000
Current assets			
Cash and cash equivalents	10	698	1,000
Other debtors	11	3,119,163	3,129,417
Derivative financial asset	14	9,800,000	2,460,000
Total assets		237,919,861	230,590,417
Creditors: amounts falling due within one year	12	(3,118,360)	(3,129,666)
Total assets less current liabilities		215,201,501	227,460,751
Creditors: amounts falling due after one year	13	(225,000,000)	(225,000,000)
Derivative financial liabilities	14	(9,800,000)	(2,460,000)
Net assets		1,501	751
Capital and reserves			
Called up share capital presented as equity	18	1	1
Retained earnings	17	1,500	750
Total shareholders' equity		1,501	751

The notes to the financial statements on pages 14 to 29 form an integral part of the financial statements. All equity is attributable to the owners of the Company.

On behalf of the Company,

Ian Garvan
Director
26 September 2022

Katie Beatty

Katie Beatty
Director
26 September 2022

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2021	Called-up share capital €	Retained earnings €	Total 2020 €
Balance as at 01 January 2021	1	750	751
Total comprehensive income for the financial year	-	750	750
Balance as at 31 December 2021	1	1,500	1,501

2020	Called-up share capital €	Retained earnings €	Total 2020 €
Balance as at 30 October 2019	-	-	-
Issued share capital	1	-	1
Total comprehensive income for the financial period	-	750	750
Balance as at 31 December 2020	1	750	751

The notes to the financial statements on pages 14 to 29 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. General information

General information

The Company was incorporated in Ireland on 30 October 2019 under the Companies Act 2014 as a Section 110 Company under the Taxes Consolidation Act 1997. The address of the registered office is 3rd Floor Fleming Court, Fleming's Place, Dublin 4, Ireland. The nature of the Company's operations and its principal activities are set out in the Directors' report on pages 3 to 6.

2. Statement of compliance

The financial statements of Vale Securities Finance DAC have been prepared under Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101') in accordance with the recognition and measurement principles of International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the EU (together IFRS) and the Companies Act 2014.

The Company meets the definition of a qualifying entity under Financial Reporting Standard 101 Application of Financial Reporting Requirements issued by the Financial Reporting Council.

The financial statements are presented:

- in accordance with the Companies Act 2014;
- with the benefit of the disclosure exemptions permitted by FRS 101 with regard to:
  - a cash flow statement;
  - related party transactions;
  - standards not yet effective.

Where required, equivalent disclosures are given in the financial statements of the Governor and Company of the Bank of Ireland. These financial statements are available to the public and can be obtained as set out in Note 16.

3. Significant accounting policies

The principal accounting policies that the Company applied in preparing its financial statements for the financial year ended 31 December 2021 are set out below.

Basis of preparation

The financial statements have been prepared on the historical cost basis, except for the valuation of derivative financial instruments that are measured at fair values at the end of each reporting year, as explained in the accounting policies below.

Reporting currency

The functional and presentation currency of the Company is Euro, denoted by the symbol €. The financial statements are presented in the functional currency. All of the Company's financial assets and liabilities are denominated in Euro. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Assets and liabilities in foreign currencies have been translated at the exchange rates in effect at the reporting date. All exchange differences are dealt with in arriving at profit before taxation.

Going concern
The Directors have prepared the financial statements on the going concern basis which assumes that the Company will continue in operational existence for the foreseeable future and will have adequate funds available to meet their obligations as they fall due. In considering the appropriateness of this assumption, the Board have assessed the likelihood of whether the Company will be able to continue trading over the foreseeable future verses the likelihood of either intending to or being forced to cease trading and place the Company into liquidation. The operating expenses of the Company are immaterial compared to the cash received from the Protection Buyer on a quarterly basis. Operating expenses are first in the order of priority of payment and the Directors are comfortable that these will be covered by the cash received from the Protection Buyer.

The Company is obliged to redeem the Notes at their principal amount outstanding upon maturity. However, due to the non-recourse nature of the Notes, the Company's ability to pay amounts due on the Notes are, in substance, limited to the amounts held in the Cash Deposit Account under the terms of the Credit Protection Deed. If on full realisation of the security, insufficient funds exist to settle the liabilities owed to the Noteholders, there will be no further recourse to the Company (even in event of default).

The Directors have prepared an assessment and have concluded that the Company is able to meet its liabilities as they fall due, and accordingly, the financial statements have been prepared on a going concern basis.

Financial instruments
The financial instruments are classified under IFRS 9 *Financial Instruments,* as issued by the IASB. Under IFRS 9 the classification of financial assets is driven by cash flow characteristics and the business model for managing the asset. Classification determines how financial assets are accounted for in the financial statements and, in particular, how they are measured on an ongoing basis. IFRS 9 also introduces one impairment model i.e. expected losses model. Specifically, entities are required to account for expected credit losses from when financial instruments are first recognised. All financial instruments are initially recognised at fair value. All financial instruments are recognised on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument.

Financial assets
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 trading) and equity investments are subsequently measured at FVTPL.

However, the Company may irrevocably designate a debt instrument that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option). No such designations were made in the year (2020: Nil).

Financial assets at FVTPL
Financial assets at FVTPL are:

- assets with contractual cash flows that are not SPPI; or/and
- assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell.

At initial recognition, the company measures these assets at their fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the Statement of Comprehensive Income. Such assets are carried at fair value on the Balance Sheet with changes in fair value included in the Statement of Comprehensive Income in the year in which they occur. The Company recognises the "Derivative financial asset" at fair value through profit and loss.

Financial assets at amortised cost
Financial assets are measured at amortised cost only if both the following criteria are met: the objective of the Company's business model is to hold the asset to collect the contractual cash flows; and the contractual terms give rise on specified dates to cash flows that are SPPI on the principal outstanding, interest being consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement.

Financial assets meeting these criteria are measured initially at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. They are subsequently measured at amortised cost using the effective interest method less any expected credit loss allowance.

The Company holds its "Restricted cash", "Cash and cash equivalents" and "Other debtors" at amortised cost. The restricted cash is held in a Cash Deposit account for the purposes of making any Protection payments to the Protection Buyer that become due as per the Credit Protection Deed.

Impairment of financial assets
In accordance with IFRS 9 the Company is required to determine the impairment of financial assets on an expected credit loss (ECL) basis. "Other assets", "Restricted cash" and "cash and cash equivalents" fall within scope of IFRS 9 impairment. Financial assets that are classified at fair value through the profit and loss (FVTPL) do not need to be assessed for impairment as they are already recorded at fair value which reflects credit risk at the measurement date.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Company considers that when an asset becomes 30 days past due, that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL.

The Company measures ECL on an individual basis. Loss allowances for ECL which are material are presented in the Balance Sheet as a deduction from the gross carrying amount of the assets. An expected credit loss on the "Restricted cash" was considered and determined to be immaterial on the basis of the counterparties credit risk.

Financial liabilities and equity
Debt and equity instruments that are issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial liabilities
A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Company or a contract that will or may be settled in the Company's own equity instruments and is a non-derivative contract for which the Company is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Company's own equity instruments.

In accordance with IFRS 9, financial liabilities required to be classified and subsequently measured at amortised cost using the effective interest rate except for:

- financial liabilities at fair value through profit or loss;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
- financial guarantee contracts
- commitments to provide a loan at a below-market interest rate.

Financial liabilities are only classified as current if they are expected to be settled within the Company's normal operating cycle or within twelve months after the reporting year. All other liabilities are classified as non-current.

Financial liabilities at amortised cost
Financial liabilities measured at amortised cost are initially recognised at fair value and is subsequently measured at amortised cost. Financial liabilities are classified as non-current unless they are expected to be realised within twelve months after the reporting year, in which case they are classified as current. The Company classifies its "Issued notes" and "Creditors: due within one year" at amortised cost.

Financial liabilities at fair value through profit and loss
At initial recognition, the Company measures these liabilities at fair value. Such liabilities are carried at fair value on the Balance Sheet with changes in fair value included in the Statement of Comprehensive Income in the year in which they occur.

Derecognition
The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and the transfer qualifies for de-recognition in accordance with IFRS 9. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset that is derecognised) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in Statement of Comprehensive Income. Any interest in such transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Derivative financial instruments
Derivatives are initially recognised at fair value on the date on which the contract is entered into and are subsequently remeasured at their fair value at each reporting date. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Where the fair value of financial assets and liabilities recorded in the Balance Sheet cannot be derived from active markets, they are determined by using valuation techniques including counterparty valuations or discounted cash flows models. The inputs to such models are taken from observable markets where possible but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Protection fee, Interest income and expense
Interest income and expense are recognised within 'Interest receivable and similar income' and 'interest expense and similar charges' in the Statement of Comprehensive Income. Accrued interest income and accrued interest expense are recognised in debtors and creditors on the Balance Sheet. All income and expenses are accounted for on an accruals basis. The Company accounts for interest income and interest expense on an effective interest rate basis.

In connection with the issuance of the Notes, the Company entered into a Credit Protection Deed with the Protection Buyer whereby the Company would receive periodic Protection Fee Income in return for being liable to make Protection Payment Amounts to the Protection Buyers upon occurrence of a credit event in relation to the underlying reference portfolios.

The proportion of protection fee income received on that date attributable to the financial year is recognised in the Statement of Comprehensive Income for the financial year.

Effective interest method
The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction cost and other premiums or discounts) through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.
When calculating the effective interest rate, the Company estimates cashflows considering all contractual terms of the financial instrument but does not consider future credit losses.

Cash and cash equivalents
Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

The restricted cash held in the Cash Deposit Account will be used to make any Protection Payments to the Protection Buyer that fall due under the Credit Protection Deed. It is not permitted to be used for any other purposes until the end of the protection year when it will be returned to the noteholders.

Operating expenses
All other expenses are accounted for on an accruals basis.

Taxation
Tax on the Statement of Comprehensive Income for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Balance Sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the Balance Sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the Balance Sheet date. Deferred tax is charged or credited in the Statement of Comprehensive Income, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting year, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Critical judgements in applying the Company's accounting policies
The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Recognition of the derivative financial instruments

The Company ("Protection Seller") entered into a loan portfolio credit protection deed with Bank of Ireland acting as protection buyer. In return for periodic receipts of fixed amounts, the Company sold credit protection to the Protection Buyer in respect of the Reference Portfolio. Under the Credit Protection agreement, the Company is liable to make payments of a cash settlement amount, being the amount equal to the realised loss in respect of the Reference Portfolio up to a maximum of €225,000,000 upon the occurrence of a credit event, being bankruptcy, failure to pay or a restructuring in respect of the Reference Obligations. The Company has determined, based on the evaluation of the terms and conditions of the arrangement that this falls under the definition of a derivative financial instrument and therefore accounted as such. There is also an embedded derivative on the Class A and Class B Notes issued by the Company, representing the risk transfer to the noteholders under the credit protection agreement.

Valuation of the derivative financial asset and liability

The valuation of the derivative financial asset and liability was calculated by The Governor and Company of The Bank of Ireland. Valuation techniques used are based on proprietary models with assumptions namely discount rates, timing of cash flows, credit spreads, number of loans in the portfolio, actual and expected losses of the loans in the portfolio and volatility assumptions. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length. The Company is of the opinion that the Protection Buyer is the most appropriate source of fair values in their capacity as the counterparty.

4. Fee income

	For the year ended 31-Dec-21 €	Period from 30-Oct-19 to 31-Dec-20 €
Fee income	17,426,215	17,426,215
	17,426,215	17,426,215

The Company earns Protection Fee amounts based on a percentage of the nominal value of the Notes issued at each quarterly Interest Payment Date. The appropriate percentages applied are EURIBOR + 4.75% applied to the nominal value of the Class A Notes and EURIBOR + 9.75% applied to the nominal value of the Class B Notes. When EURIBOR is negative it is floored to zero.

5. Interest expense and similar charges

	For the year ended 31-Dec-21 €	Period from 30-Oct-19 to 31-Dec-20 €
Interest expense and similar charges	17,426,215	17,426,215
	17,426,215	17,426,215

The Company pays a coupon on the Notes. This is derived from EURIBOR + 4.75% in respect of the Class A Notes notional value of €95,000,000 and EURIBOR + 9.75% in respect of the Class B Notes notional value of €130,000,000. When EURIBOR is negative it is floored to zero.

6. Interest receivable and similar income

	For the year ended 31-Dec-21 €	Period from 30-Oct-19 to 31-Dec-20 €
Interest receivable and similar income	91,778	174,583
	91,778	174,583

The Company receives interest income on the Cash Deposit account.

7. Other operating expenses

	For the year ended 31-Dec-21 €	Period from 30-Oct-19 to 31-Dec-20 €
Audit fees	56,250	54,450
Corporate service fees	8,177	32,446
Legal Fees	-	23,756
Servicer and special servicer fees	5,912	18,941
Other expenses	20,439	43,990
	90,778	173,583

	For the year ended 31-Dec-21 €	Period from 30-Oct-19 to 31-Dec-20 €
Fees payable to the auditor (exclusive of VAT)		
Audit of financial statements	48,500	45,000
Other non-audit services	-	-
	48,500	45,000

8. Directors and employees

The Company has no employees. The Directors received no remuneration from the Company in respect of qualifying services rendered during the financial year. CSC Capital Markets (Ireland) Limited as corporate service provider incurred fees of €8,177 (2020: €32,446) during the financial year in respect of the provision of a suite of corporate services, including provision of Directors. No additional payment or specific payment was due in respect of director services.

9. Taxation

	For the year ended 31-Dec-21 €	Period from 30-Oct-19 to 31-Dec-20 €
Analysis of the Company tax charge for the financial year		
Current tax	(250)	(250)
Deferred tax	-	-
	(250)	**(250)**
Profit for the financial year	1,000	1,000
Profit for the financial year multiplied by the standard rate of Irish Corporation Tax for the year of 25%	250	250
Effects of:		
Expenses not deductible for tax purposes, other than goodwill Amortisation and impairment	-	-
Tax charge for the financial year	**250**	**250**

The Company is a qualifying Company within the meaning of Section 110 of the Taxes Consolidation Act 1997. As such the profits are chargeable to corporation tax under Case III of Schedule D at a rate of 25% but are computed in accordance with the provisions applicable to Case I of Schedule D.

10. Cash and cash equivalents

	As at 31-Dec-21 €	As at 31-Dec-20 €
Restricted Cash	225,000,000	225,000,000
Unrestricted Cash	698	1,000
	225,000,698	225,001,000

The Company has used the proceeds of the Notes to fund a Cash Deposit account held by Bank of Ireland. The initial amount deposited in the Cash Deposit Account was €225,000,000. There have been no withdrawals from the Cash Deposit account in the financial year. The funds will be used to make any Protection Payments to the Protection Buyer that fall due under the Credit Protection Deed. The funds can also be used to make repayments on the Notes in line with any reduction on the balance of the underlying Reference Portfolio. The replenishment date was terminated on 5 December 2021.

Unrestricted cash is also held by Bank of Ireland. Bank of Ireland holds a long and short term counterparty credit rating of A2/P-1 (2020: A2/P-1) by Moody's.

11. Debtors

	As at 31-Dec-21 €	As at 31-Dec-20 €
Other Debtors	3,119,163	3,129,417
	3,119,163	3,129,417

Other debtors consists of Protection fee income due from the Protection Buyer. This income was received on the next Interest Payment Date of 28 January 2022.

12. Creditors: amounts falling due within one year

	As at 31-Dec-21	As at 31-Dec-20
	€	€
Interest on Notes	3,055,556	3,055,556
Other creditors	62,804	74,111
	3,118,360	3,129,666

All payables are due within one year. The carrying amount of the other liabilities approximate to their fair values.

13. Creditors: amounts falling due after one year

	As at 31-Dec-21	As at 31-Dec-20
	€	€
Class A Note	95,000,000	95,000,000
Class B Note	130,000,000	130,000,000
	225,000,000	225,000,000

On 5 December 2019, the Company issued a Class A Note and a Class B Note on the official list of the International Stock Exchange. Total proceeds from issuance of the Notes were €95,000,000 and €130,000,000 respectively. The Notes have a maturity date of 28 January 2032. The interest rate on the Notes are based on Euribor plus a margin. As at 31 December 2021, the margins on the Class A and Class B Notes were 4.75% and 9.75%, respectively, same as previous period.

As the Notes are limited recourse in nature, the Noteholders bear the full risk in the event of a default. Any losses incurred under the Reference Portfolio are always allocated first to the Synthetic Excess Spread until it's fully utilised, after which any remaining losses are then allocated to the Remaining Threshold Amount (if remaining), Protected Tranches (Protected B is junior to Protected A) and Senior Tranche. Any losses to the Protected Tranches will be borne by the Noteholders as there will not be sufficient cash in the Cash Deposit account to repay the Noteholders in full. The Notes are secured on the balances of the Cash Deposit account.

14. Derivative financial Instruments

2021	Opening balance	Fair value movement	31-Dec-2021
	€	€	€
Derivative financial asset	2,460,000	7,340,000	9,800,000
Derivative financial liability	(2,460,000)	(7,340,000)	(9,800,000)

2020	Opening balance	Fair value movement	31-Dec-2020
	€	€	€
Derivative financial asset	-	2,460,000	2,460,000
Derivative financial liability	-	(2,460,000)	(2,460,000)

The Company has entered into a Credit Protection Deed with The Governor and Company of The Bank of Ireland. Under the Credit Protection Deed, the Company is liable to make cash payments from the Cash Deposit Account to Bank of Ireland for the amount of the realised loss on the Reference Portfolio on the occurrence of a Credit Event as defined in the Credit Protection Deed. There is additional credit enhancement in the structure in the form of a Synthetic Excess Spread of €5,000,000 which is reset every year and a Remaining Threshold Amount of €10,000,000. As at 31 December 2021, the Remaining Threshold Amount received a reimbursement of €3,281,648 so the remaining balance was €9,303,203 (2020: €6,201,555) and on the Synthetic Excess Spread was €4,990,054 (2020: €5,000,000) which reset on 31 December 2021. These amounts will be used to pay the first losses on the Reference Portfolio before the realised losses impact the Protected B Tranche, Protected A Tranche and the Senior Tranche.

14. Derivative financial Instruments

In 2020, there were six Credit Events whereby Protection Payment Amounts totalling to €8,978,445 was paid to Bank of Ireland. The Company did not incur any payment associated with these Credit Events because the payments were made from the Synthetic Excess Spread and the Remaining Threshold Amount which are funded by Bank of Ireland. In 2021, no Credit Event was incurred and paid. The Synthetic Excess Spread is an amount equal to 0.25% (2020: 0.25%) of the sum of the remaining Threshold Amount, Protected Tranche Notional and Senior Tranche Notional. Resets occur annually on 31st December.

This credit protection arrangement is recognised as a derivative within the financial statements. There is also an embedded derivative on the Class A and Class B Notes issued by the Company, representing the risk transfer to the noteholders under the credit protection agreement. The valuation of the derivative financial asset and corresponding liability associated with the Credit Protection Deed is €9,800,000 (2020: €2,460,000). Valuation techniques used are disclosed in note 16 to the financial statements.

15. Financial risk management

The principal risks arising from the Company's financial instruments are credit risk, market risk and liquidity risk. The Company has established policies for managing these risks as outlined below.

Credit risk

Credit risk is the risk of impairment and partial or total loss of a receivable due to the deterioration of credit quality on the part of the counterparty. The primary financial assets of the Company is the Restricted cash deposit account, Cash and cash equivalents, Other debtors and a Derivative financial asset.

The Company's maximum exposure to credit risk at the financial year end is as follows:

	As at 31-Dec-21 €	As at 31-Dec-20 €
Restricted Cash	225,000,000	225,000,000
Unrestricted Cash	698	1,000
Other Debtors	3,119,163	3,129,417
Derivative financial asset	9,800,000	2,460,000
	237,919,861	230,590,417

The Company is exposed to the credit risk of the underlying reference portfolio. As at 31 December 2021, the notional value of the reference portfolio is €1,891,003,826 (2020: €2,000,000,000) with a weighted average probability of default of 0.94% (2020: 0.90%). This has increased from 0.83% based on the initial portfolio. The funds can also be used to make repayments on the Notes in line with any reduction on the balance of the underlying Reference Portfolio. The replenishment date was terminated on 5 December 2021. The replenishments on the reference portfolio were €165,559,937 (2020: €245,153,669) during the financial year. In 2020, there were two Credit Events whereby Protection Payment Amounts of €2,001,126 and €6,977,319 were paid to Bank of Ireland. The Company did not incur any payment associated with these Credit Events because the payments were made from the Synthetic Excess Spread and the Remaining Threshold Amount which are funded by Bank of Ireland. In 2021, no Credit Event was incurred and paid. As at 31 December 2021, the Remaining Threshold Amount received a reimbursement of €3,281,648 so the remaining balance was €9,303,203 (2020: €6,201,555) and on the Synthetic Excess Spread was €4,990,054 (2020: €5,000,000) which reset on 31 December 2021.

The Company is exposed to the credit risk of the Protection Buyer with respect to Protection Fee payments due under the Credit Protection Deed and also holds the Cash Deposit Account. The Protection Buyer holds a long and short term counterparty credit rating of A2/P-1 by Moody's.

The Credit risk is borne by the Noteholders who are subject to risk of defaults by the Protection Buyer as well as to the risk of defaults by the borrowers in the underlying reference portfolio.

15. Financial risk management (continued)

Concentration Risk

Concentration risk can arise from the type of assets held in the underlying Reference Portfolio. Prudent risk management implies maintaining the exposure to various risks at a reasonable level. The table below shows the geographical diversification of the underlying reference portfolio.

Country	**As at 31-Dec-21 €**	**As at 31-Dec-20 €**
Germany	24,521,658	17,592,575
France	18,083,327	19,918,907
Great Britain	544,463,947	600,000,000
Ireland	1,174,961,255	1,238,216,782
Luxembourg	49,857,580	11,889,506
United States	76,454,605	100,000,000
South Africa	2,661,454	12,382,230
	1,891,003,826	2,000,000,000

The table below shows the industry diversification of the underlying reference portfolio.

Industry	**As at 31-Dec-21**	**As at 31-Dec-20**
Hotels	12.7%	13.8%
Other Business Activities	13.3%	8.6%
Electricity gas and water supply	5.7%	8.1%
Other manufacturing	5.7%	7.6%
Food Products (non-agricultural activities)	4.3%	5.2%
Other Agricultural Activities	4.9%	4.9%
Other Service Activities	3.3%	4.4%
Processing of dairy products	7.0%	4.4%
Transport	1.9%	3.8%
Post and Telecommunications	4.9%	3.8%
Other	36.3%	35.4%

Market risk

Market risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: interest rate risk and other price risk. Overall market risk is managed in accordance with practices and policies established by management. The Company's financial assets and liabilities are denominated in Euro. The Company is exposed to some currency risk due to the risk of Credit Events in the underlying reference portfolio. As at 31 December 2021, over 55% (2020: 57%) of the loans in the reference portfolio are denominated in Euro. The other dominant currencies in the reference portfolio are GBP (33%) and USD (12%) (2020: GBP (32%) and USD (9.6%)).

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has mitigated its interest rate risk as interest due on the Notes is only due to the extent that Protection Fee Income has been received. The table below summarises the interest rate sensitivity gap:

15. Financial risk management (continued)

Interest rate risk (continued)

The table below summarises the interest rate sensitivity gap:

Assets	Fixed interest rate €	Floating interest rate €	Non-interest bearing €	31-Dec-2021 Total €
Restricted cash		225,000,000	-	225,000,000
Debtors	-	-	3,119,163	3,119,163
Cash	-	698	-	698
Derivative financial asset	-	-	9,800,000	9,800,000
Total assets	-	225,000,698	12,919,163	237,919,861
Liabilities				
Issued Notes	-	(225,000,000)	-	(225,000,000)
Other creditors	-	-	(62,804)	(62,804)
Accrued interest	-	-	(3,055,556)	(3,055,556)
Derivative financial liability	-	-	(9,800,000)	(9,800,000)
Total liabilities	-	(225,000,000)	(12,918,360)	(237,918,360)
Interest rate sensitivity gap	-	698	803	1,501

Assets	Fixed interest rate €	Floating interest rate €	Non-interest bearing €	31-Dec-2020 Total €
Restricted cash		225,000,000	-	225,000,000
Debtors	-	-	3,129,417	3,129,417
Cash	-	1,000	-	1,000
Derivative financial asset	-	-	2,460,000	2,460,000
Total assets	-	225,001,000	5,589,417	230,590,417
Liabilities				
Issued Notes	-	(225,000,000)	-	(225,000,000)
Other creditors	-	-	(74,111)	(74,111)
Accrued interest	-	-	(3,055,556)	(3,055,556)
Derivative financial liability	-	-	(2,460,000)	(2,460,000)
Total liabilities	-	(225,000,000)	(5,589,666)	(230,589,666)
Interest rate sensitivity gap	-	1,000	(249)	751

Interest rate sensitivity analysis

The Company does not consider the interest rate risk to be significant as any increase or decrease in the protection fees payment received from the Protection Buyer would result in an equal but opposite increase or decrease on interest payments on the Notes. An increase of interest rates of 1% would result in an increase in the Protection Fee income of €2,250,000 a corresponding increase in the interest expense on the Notes of €2,250,000. There would be no impact on the profit before tax.

15. Financial risk management (continued)

Liquidity risk

Liquidity risk is defined as the risk of being unable to fulfil current or future payment obligations in full on the due date. The objective of the Company's liquidity management is to ensure sufficient funds are available to meet the Company's commitments. Liquidity risk is minimised by the fact that the Protection Buyer has a strong credit rating and provides a steady cash flow for the Company to discharge all expenses. Liquidity risk is also minimised as payments to the Noteholders are limited in recourse to the receipt of funds from the Protection Buyer. The Notes have a maturity date of 28 January 2032.

The table below analyses the undiscounted cashflows of the financial liabilities at the Balance Sheet date into relevant maturity groupings based on the earliest date on which the Company can be required to pay. It is likely the Company will make principal repayments on the Notes prior to this to the extent funds are available. The calculations have been based on the interest rates effective at the Balance Sheet date and assuming no defaults on the underlying reference portfolio.

2021	1 month to 3 months	4 months to 1 year	1 year to 5 years	Over 5 years	Gross Cashflows
	€	€	€	€	€
Issued Notes	(12,187,926)	(56,210,746)	(156,601,328)	-	(225,000,000)
Accrued interest on notes	(3,990,875)	(11,972,625)	(63,854,000)	-	(79,817,500)
Accrued expenses	(3,118,360)	-	-	-	(3,118,360)
	(19,297,161)	(68,183,371)	(220,455,328)	-	(307,935,860)

2020	1 month to 3 months	4 months to 1 year	1 year to 5 years	Over 5 years	Gross Cashflows
	€	€	€	€	€
Issued Notes	-	-	-	(225,000,000)	(225,000,000)
Accrued interest on notes	(3,990,875)	(11,972,625)	(63,854,000)	(97,111,292)	(176,928,792)
Accrued expenses	(3,129,666)	-	-	-	(3,129,666)
	(7,120,541)	(11,972,625)	(63,854,000)	(322,111,292)	(405,058,458)

The Replenishment Period was terminated on 5 December 2021. After this date, repayments will be allowed on the principal balance of the Notes in line with the repayments made on the Reference Portfolio. The Notes will be repaid on a pro-rata basis unless a certain cumulative loss amount is reached, after which the Notes will be repaid in the following sequential order; the Senior Tranche, the Protected A Tranche and the Protected B Tranche. Any repayments on the Notes issued by the Company will be made from the Cash Deposit Account.

15. Financial Instruments

The following table analyses the Company's financial assets and financial liabilities in accordance with the categories of financial instruments in IFRS 9:

	As at 31-Dec-2021		As at 31-Dec-2020	
	Amortised Cost	FVTPL	Amortised Cost	FVTPL
Financial Assets	€	€	€	€
Restricted cash	225,000,000		225,000,000	
Cast at bank	698		1,000	
Debtors	3,119,163		3,129,417	
Derivative financial assets		9,800,000		2,460,000
Financial Liabilities				
Issued Notes	(225,000,000)		(225,000,000)	
Derivative financial liabilities		(9,800,000)		(2,460,000)
Other liabilities	(3,118,359)		(3,129,666)	

16.Financial Instruments (continued)

Fair value measurements

The Company measures fair values in accordance with IFRS 13, which defines fair value as 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, regardless of whether that price is directly observable or estimated using another valuation technique. The information set out below provides information about how the Company determines the fair value of the financial assets and financial liabilities.

In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability that market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

Fair value hierarchy

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Company holds financial liabilities for which quoted prices are not available.

The tables below provide an analysis of the basis of measurement used by the Company for its financial instruments that are carried at fair value as per the above hierarchy. The notional value of both the derivative financial asset and liability is €225,000,000. The fair value of the instruments are outlined below. There were no transfers between levels in the financial year ended 31 December 2021.

	2021			
	Level 1	Level 2	Level 3	Total
	€	€	€	€
Derivative financial asset	-	-	9,800,000	9,800,000
Derivative financial liabilities	-	-	(9,800,000)	(9,800,000)
Total	-	-	-	-

	2020			
	Level 1	Level 2	Level 3	Total
	€	€	€	€
Derivative financial asset	-	-	2,460,000	2,460,000
Derivative financial liabilities	-	-	(2,460,000)	(2,460,000)
Total	-	-	-	-

The fair value of the derivative financial instruments was calculated by The Governor and Company of The Bank of Ireland and have been classified under level 3. Valuation techniques used are based on proprietary models with assumptions namely discount rates, timing of cash flows, credit spreads, number of loans in the portfolio, actual and expected losses of the loans in the portfolio and volatility assumptions. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length. The Company is of the opinion that the Protection Buyer is the most appropriate source of fair values in their capacity as the counterparty. As the valuation of the derivative financial instruments is reliant upon a single unobservable pricing source, the Company has classified the derivative financial instruments under level 3.

16. Financial Instruments (continued)

Fair value hierarchy (continued)

The derivative is valued using the percentages of exposure of the Company to the Protected A Tranche worth €95,000,000 and the Protected B Tranche worth €170,000,000. The Company is exposed to 100% of the Protected A Tranche and 76% of the Protected B Tranche. The valuation also considered the additional credit enhancement available to the Company in the form of the Synthetic Excess Spread and the Remaining Threshold Amount. The valuation assumed that the Synthetic Excess Spread will be fully used each year and reset annually. The valuation uses the weighted average coupon rates of 4.75% and 9.75% (2020: 4.75% and 9.75%) as detailed in the Credit Protection Deed. The probability of defaults on the underlying Reference Portfolio and the valuation of the derivative financial liability were determined and during the financial year, the probability of default has increased on the reference portfolio from 0.90% to 0.94% from previous period end. Other inputs to the valuation are an estimated weighted average maturity of the Reference Portfolio in order to account for the expected amortisation on the Reference Portfolio and an estimated recovery rate on the loans of 40% (2020: 40%)

The derivative is valued using unobservable inputs relating to counterparty credit such as internal estimates of probability of default (PD), which are significant to their valuation. The default probabilities for each loan in the Reference Portfolio were generated by mapping the Probability of Default ("PD") grade to quoted credit spreads. The loans were grouped by their S&P ratings. The Probability of Default ratings of the Reference Portfolio is outlined below:

Probability of Default	Indictive Credit Rating	As at 31-Dec-2021	As at 31-Dec-2020
3	A+, A, A-, BBB+	63,359,905	28,113,987
4	BBB	322,471,741	283,100,217
5	BBB-, BB+	473,889,104	468,278,872
6	BB	408,555,847	475,351,058
7	BB-	249,451,567	339,383,293
8	B+	125,953,579	239,329,777
9	B	120,827,641	77,572,364
10	B	45,598,226	61,434,115
11	B	20,934,980	
12	D	59,961,237	27,436,317
		1,891,003,826	2,000,000,000

A 1 basis point increase / decrease in the estimated PD at 31 December 2021 would result in a decrease/increase of €68k (2020: €150k) respectively in the fair value of the derivative.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

16. Ownership of the Company

The Company's immediate and its ultimate parent undertaking is CSC Share Trustee Services (Ireland) Limited, which holds its shares on trust for charitable purposes.

Even though The Governor and the Company of the Bank of Ireland ("Bank of Ireland") does not hold any of the voting rights in the Company, the activities of the Company are conducted on behalf of Bank of Ireland and it retains the majority of the residual ownership risks and benefits related to the Company.

Therefore, under IFRS 10 'Consolidated Financial Statements', the parent of the smallest group into which the Company is consolidated is The Governor and the Company of the Bank of Ireland, a company incorporated and registered in the Republic of Ireland. Copies of the consolidated financial statements for this Company can be obtained from the Bank of Ireland Head Office, Mespil Road, Dublin 4, Ireland.

17. Share capital

	31-Dec-21 €	31-Dec-20 €
Authorised:		
100 ordinary shares of €1	100	100
Allotted, called up and fully paid		
One ordinary share of €1	1	1

The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company. There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation

18. Capital management

The share capital of the Company is €1. This was issued in line with Irish company law and is not used for financing the investing activities of the Company. The Company is not subject to any other externally imposed capital requirements.

19. Subsequent events

On 28 July 2022, Siobhan Hallissey resigned as a Director of the Company and replaced by Katie Beatty as Director on the same day.

The Replenishment Period was terminated on 5 December 2021, thus, the Notes started to amortised and paid in January 2022. Amortisation is pro-rated over the tranches of Notes. The total amount amortised as of date amounted to €20,707,235 for Class A Note and €28,336,217 for Class B Notes.

The invasion of Ukraine in March 2022 has caused significant volatility in international markets. There is significant uncertainty around the impact of the situation on international economies and, as such, the Company is actively monitoring the extent of the impact to its operations, financial accounting and reporting. The scale of this conflict in Europe is an unprecedented event in modern history and the eventual impact on the global economy and markets will largely depend on the scale and duration of the conflict. While the performance of the Company has not been significantly impacted by the conflict, the directors continue to monitor this situation.

There have been no other significant subsequent events since the Balance Sheet date which require disclosure in these financial statements.

20. Approval of financial statements

The financial statements were approved by the board and authorised for issue on 26 September 2022.