

Company Number: 440452

IRIS II SPV DESIGNATED ACTIVITY COMPANY
ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2017

IRIS II SPV DESIGNATED ACTIVITY COMPANY

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IRIS II SPV DESIGNATED ACTIVITY COMPANY

DIRECTORS AND OTHER INFORMATION

DIRECTORS

P. O'Leary (resigned 25th October 2016)
C. Blake (resigned 6th October 2017)
A. Bailie (appointed 25th October 2016)
S. O'Connor (appointed 6th October 2017)

SECRETARY

The Company Secretary is Sanne Capital Markets Ireland Limited.

REGISTERED OFFICE

The registered office is Sanne, Fourth Floor, 76 Lower Baggot Street, Dublin 2, Ireland (77 Sir John Rogerson's Quay, Dublin 2, Ireland until 17th October 2016).

TRUSTEES

HSBC Trustee (C.I.) Limited
1 Grenville Street, St Helier, Jersey, JE4 9PF

HSBC Corporate Trustee Company (UK) Limited
Level 24, 8 Canada Square, London, E14 5HQ

CORPORATE SERVICES PROVIDER

Sanne Capital Markets Ireland Limited
76 Lower Baggot Street, Dublin 2, Ireland (22 Clanwilliam Square, Dublin 2, Ireland until 14th December 2016).

CUSTODIAN, ISSUING AGENT AND PAYING AGENT

HSBC Bank plc
8 Canada Square, London, E14 5HQ

CUSTODIAN

Citibank N.A.
Citigroup Center, Canada Square, Canary Wharf, London, E14 5LB

ARRANGER, SWAP COUNTERPARTY AND CALCULATION AGENT

Société Générale
29 Boulevard Haussmann, 75009, Paris

LEGAL ADVISORS

Matheson
70 Sir John Rogerson's Quay, Dublin 2, Ireland

INDEPENDENT AUDITOR

Ernst & Young, Chartered Accountants
Ernst & Young Building, Harcourt Centre, Harcourt Street, Dublin 2, Ireland

BANKERS

HSBC Bank PLC
8 Canada Square, London, E14 5HQ

LISTING AGENT

Arthur Cox Listing Services Limited
Earlsfort Center, Earlsfort Terrace, Dublin 2, Ireland

IRIS II SPV DESIGNATED ACTIVITY COMPANY

DIRECTORS' REPORT

The Directors present the Directors' Report and the audited financial statements of Iris II SPV Designated Activity Company (the "Company") for the financial year ended 30th June 2017.

PRINCIPAL ACTIVITIES

The Company is incorporated in Ireland. The principal activity of the Company is the issuance of limited recourse Notes ("Notes") in separate series and tranches under the terms of the Offering Circular dated 2nd April 2004, last updated on 26th June 2014, under a €20,000,000,000 secured note programme with Claris Limited, Claris 2 Limited, Claris III Limited and Claris IV Limited, all of which are companies incorporated in Jersey, Channel Islands, and Iris SPV PLC, a company incorporated in Ireland. The proceeds from the issuance of the Notes have been used to acquire securities and to enter into repurchase, securities lending transaction, equity linked securities, interest rate swaps ("IRS"), credit default swaps ("CDS") and fully funded swaps ("FFS") with Société Générale ("SG"). The Notes are only intended for highly sophisticated and knowledgeable investors who are capable of understanding and evaluating the risks involved in investing in them. The Notes are listed on the Irish Stock Exchange ("ISE") and Channel Islands Securities Exchange ("CISE").

FUTURE DEVELOPMENTS

The Directors currently expect the Company to continue to act as an issuer of Limited Recourse Notes/Loans.

PRINCIPAL RISKS AND UNCERTAINTIES

The major risks associated with the Company's business are currency risk, interest rate risk, credit risk and liquidity risk. The Company has established policies for managing these risks. The policies and the risk exposure are detailed in note 20 to the financial statements.

GOING CONCERN

The Directors consider the Company to be a going concern and it is their intention to avail themselves of further investment opportunities, should they become available. Refer to note 2 to the financial statements for further details of the Directors' going concern assessment.

SUBSEQUENT EVENTS

Subsequent to the financial year end date and up to the date of the audit opinion no significant events have occurred that require adjustment to or disclosure in the financial statements.

KEY PERFORMANCE INDICATORS

The performance of the underlying portfolios applicable to each series of Notes/Loans is the principal key performance indicator monitored by SG and the Board. Under current market conditions, the aggregate assets of the Company may have a tendency to change in value if market interest rates change and/or if credit spreads change, amongst other factors that might affect the value of the Company's assets. Prices may be affected and may decrease if liquidity is limited. All relevant numerical performance metrics are visible on the face of the primary statements. The structure performed in accordance with the parameters set out in the underlying programme documents and the Company's performance may be considered to be satisfactory due to the net profit earned by the Company during the financial year.

DIRECTORS AND SECRETARY

The Directors who served throughout the financial year except as noted, were as follows:

| | |
|-----------------|-------------------------------|
| Peter O' Leary | (resigned 25th October 2016) |
| Conor Blake | (resigned 6th October 2017) |
| Adrian Bailie | (appointed 25th October 2016) |
| Sinead O'Connor | (appointed 6th October 2017) |

The Company Secretary is Sanne Capital Markets Ireland Limited.

IRIS II SPV DESIGNATED ACTIVITY COMPANY

DIRECTORS' REPORT - (CONTINUED)

DIRECTORS' AND SECRETARY'S INTERESTS

The Directors and Secretary who held office at 30th June 2017 did not hold any shares, share options, deferred shares or debentures in the Company at that date, or during the financial year. Peter O'Leary, Conor Blake, Sinead O'Connor and Adrian Bailie were Directors of the Company during the financial year. Peter O'Leary, Conor Blake, Sinead O'Connor and Adrian Bailie had an interest in the fees provided to Sanne Capital Markets Ireland Limited, as disclosed in Note 16 to the financial statements. Conor Blake, Sinead O'Connor and Adrian Bailie are also employees of Sanne Capital Markets Ireland Limited. Peter O'Leary was an employee of Sanne Capital Markets Ireland Limited.

RESULTS AND DIVIDENDS

The profit for the financial year after taxation amounted to €337 (2016: €225).

The Directors do not propose a dividend for the financial year (2016: €nil).

POLITICAL AND CHARITABLE CONTRIBUTIONS

The Company made no political donations or incurred any political expenditure during the financial year (2016: nil).

INDEPENDENT AUDITORS

Ernst & Young, Chartered Accountants, have indicated their willingness to continue in office in accordance with Section 383(2) of the Companies Act 2014 ("Companies Act 2014").

ACCOUNTING RECORDS

The Directors believe that they have complied with the requirements of Sections 281 to 285 of the Companies Act 2014 and adequate accounting records are kept by outsourcing this function to a specialised provider of such services. The accounting records are kept at Sanne, Fourth Floor, 76 Lower Baggot Road, Dublin 2, Ireland (77 Sir John Rogerson's Quay, Dublin 2, Ireland until 17th October 2016).

CORPORATE GOVERNANCE STATEMENT

The European Communities (Directive 2006/46/EC) Regulations (S.I. 450 of 2009 and S.I. 83 of 2010) (the "Regulations") requires the inclusion of a corporate governance statement in the Directors' Report.

Although there is no specific statutory corporate governance code applicable to Irish Section 110 Limited Liability Companies whose debt is listed on the ISE, the Company is subject to corporate governance practices imposed by:

- (i) The Irish Companies Act 2014;
- (ii) The Constitution of the Company which are available for inspection at the registered office of the Company and at the Companies Registration Office in Ireland; and
- (iii) The ISE through the ISE Code of Listing Requirements and Procedures.

With regard to the appointment and replacement of Directors, the Company is governed by its Constitution and Irish Statute comprising the Companies Act 2014. The Constitution themselves may be amended by special resolution of the shareholders.

Financial Reporting

The Board of Directors (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 Board has established processes regarding internal control and risk management systems to ensure its effective oversight of the financial reporting process. These include appointing Sanne Capital Markets Ireland Limited or its delegate (the "Administrator") to maintain the accounting records of the Company independently of the Arranger and the Custodian. The Administrator is contractually obliged to maintain proper books and records as required by the Corporate Services Agreement.

IRIS II SPV DESIGNATED ACTIVITY COMPANY

DIRECTORS' REPORT - (CONTINUED)

CORPORATE GOVERNANCE STATEMENT - (CONTINUED)

Financial Reporting - (continued)

The Administrator has operating responsibility for internal control in relation to the financial reporting process. The Administrator designs and maintains control structures to manage the risks which it judges to be significant for internal control over financial reporting. To that end the Administrator performs reconciliations of its records to those of the Arranger and the Custodian. 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 and the related notes in the Company's financial statements.

The Administrator 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. The Administrator is also contractually obliged to prepare for review and approval by the Board the financial statements intended to give a true and fair view of the Company's performance and liaise with the independent auditors during the audit process. The financial statements must be filed with the Irish Stock Exchange, Channel Islands Securities Exchange and Irish Companies Registration Office on an annual basis.

The financial instruments issued by the Company are classified as financial liabilities at fair value through profit or loss or other liabilities with the associated collateral classified as financial assets at fair value through profit or loss or loans and receivables, respectively, according to their characteristics. The fair values for the financial instruments and the amortised cost for the loans held by, or issued by, the Company have been provided to us by Société Générale. The Board has relied upon Société Générale, whom they regard as an expert in valuing such financial instruments. The Board is satisfied that the values as stated in the Company's financial statements represent a reasonable approximation of their fair values.

The Company's policies and the Board's instructions with relevance to financial reporting are updated and communicated via appropriate channels, such as e-mail correspondence and meetings to ensure that all financial reporting information requirements are met in a complete and accurate manner.

The Board is responsible for assessing the risk of irregularities whether caused by fraud or error in financial reporting and ensuring the processes are in place with the aim of timely identification of internal and external matters with a potential effect on financial reporting. The Board evaluates and discusses significant accounting and reporting issues as the need arises.

Audit

The sole business of the Company relates to the issuing of asset-backed securities. It also enters into certain derivative agreements to hedge out interest rate, currency and portfolio default risk arising between asset and liability mismatches. Refer to note 5 for the derivative financial instruments entered by the Company.

Under Section 115 (10) of the European Union (Statutory Audits) (Directive 2006/43/ EC as amended by Directive 2014/ 56/ EU and Regulation (EU) No. 537/ 2014 Regulations 2016 ("SI 312/ 2016 – The EU Audit Directive"), the Company issuing asset backed securities may avail itself of an exemption from the requirements to establish an audit committee.

Given the contractual obligations of the administrator and the limited recourse nature of the securities issued by the Company, the Board of Directors has concluded that there is currently no need for the Company to have a separate audit committee 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. Accordingly, the Company has availed itself of the exemption under paragraph 10(c) of the Regulations.

IRIS II SPV DESIGNATED ACTIVITY COMPANY

DIRECTORS' REPORT - (CONTINUED)

CORPORATE GOVERNANCE STATEMENT - (CONTINUED)

Shareholders and Directors

Badb Charitable Trust Limited, Eurydice Charitable Trust Limited and Medb Charitable Trust Limited each hold one share in the Company. No other person has a significant direct or indirect holding of equity 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.

The convening and conduct of shareholders' meetings are governed by the Constitution of the Company and the Companies Acts. The Constitution of the Company set out the notice periods, quorum required for an extraordinary general meeting and the use of proxies or voting procedure.

All matters requiring a resolution of the Company in general meetings shall, unless a poll is demanded, be put to a vote by a show of hands. On a show of hands, a declaration by the Chairman that a resolution has been carried unanimously or by majority and an entry to that effect in the minutes, shall be conclusive evidence of the number of votes for or against such resolution.

Unless otherwise determined by an ordinary resolution of the Company in a general meeting, the number of Directors may not be less than two. Currently the Board of Directors of the Company is composed of two Directors. The Company is governed by its Constitution which empower the existing Directors to appoint and (if necessary) replace the Directors.

The business of the Company is managed by the Directors, who exercise all such powers of the Company as are granted by the Companies Acts or by the Constitution of the Company.

DIRECTORS' COMPLIANCE STATEMENT

As required by section 225(2) of the Companies Act 2014, the Directors acknowledge that they are responsible for securing the Company's compliance with its relevant obligations (as defined in that legislation). The Directors have drawn up a compliance policy statement, and have put in place arrangements and structures that are, in the Directors' opinion, designed to secure material compliance with the relevant obligations. These arrangements and structures were reviewed by the Directors during the financial year.

DIRECTORS' STATEMENT ON RELEVANT AUDIT INFORMATION

So far as the Directors are aware, there is no relevant audit information of which the Company's statutory Auditors are unaware and the Directors have taken all the steps they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's statutory Auditors are aware of that information.

AUDIT COMMITTEE

The Company has taken the exemption to appoint an audit committee as discussed in more detail on page 4.

On behalf of the Board of Directors

Sinead O'Connor
Director

Adrian Bailie
Director



29th March 2018

IRIS II SPV DESIGNATED ACTIVITY COMPANY

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Irish company law requires the Directors to prepare the financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. 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 at the financial year end date and of the profit or loss of the Company for the financial year and otherwise comply with the Companies Act, 2014.

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

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

The Directors are 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 Companies Act 2014 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 abovementioned requirements.

Approved and authorised for issuance and signed on behalf of the Board of Directors on ~~date~~ 29/03/2018.

Sinead O'Connor
Director




Adrian Bailie
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IRIS II SPV DESIGNATED ACTIVITY COMPANY

Opinion

We have audited the financial statements of IRIS II SPV Designated Activity Company ('the Company') for the year ended 30 June 2017, which comprise the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and notes to the financial statements, including the summary of significant accounting policies set out in note 2. The financial reporting framework that has been applied in their preparation is Irish Law and International Financial Reporting Standards (IFRS) as adopted by the European Union, as applied in accordance with the provisions of the Companies Act 2014.

In our opinion the financial statements:

- ▶ give a true and fair view of the assets, liabilities and financial position of the company as at 30 June 2017 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 Standard 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 issued by the Irish Auditing and Accounting Supervisory Authority (IAASA) as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IRIS II SPV DESIGNATED ACTIVITY COMPANY (Continued)

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.

| Risk | Our response to the risk | Key observations communicated to the Board of Directors |
|---|---|--|
| <p>Risk of Management override of controls on the management estimate and judgement involved in the valuation of the fair value of financial instruments carried at fair value through profit or loss</p> <p>The Company has acquired securities and entered into securities lending transactions, interest rate swaps ('IRS'), credit default swaps ('CDS') and fully funded swaps ('FFS').</p> <p>The investments comprise financial assets at FVTPL of €1,311 million (2016: €1,684 million), securities lending transaction of €725 million (2016: €749 million) and credit default swaps of €0.1 million (2016: €(0.3 million)). Further details of this investments can be found in note 3, 4, 5 and Note 20 of the financial statements.</p> <p>The audit team has identified a risk of management override of the controls over the fair valuation of financial instruments and the associated unrealised gains/losses This is primarily as a result of the use of complex assumptions and judgments, as outlined in notes 3, 5 and 20, which influence the valuation of the level 2 and 3 financial instruments. The incorrect valuation of the financial instruments may result in an overstatement / understatement of both assets and liabilities held by the Company.</p> | <p>In light of the inherent difficulty associated with the valuation of financial instruments, we focused our audit procedures on the assessment of fair value techniques adopted in deriving the year-end valuation of the investments.</p> <p>In obtaining sufficient audit evidence we:</p> <ul style="list-style-type: none"> • Tested the design and operating effectiveness of key controls over financial instrument valuations including appropriate governance procedures and management review. • Reviewed the appropriateness of the valuation models used by the Company • Tested key inputs into valuation models, including data and key parameters. Reviewed and challenged appropriateness of key assumptions used. • Tested the valuation of the portfolio of investments. | <p>Our planned audit procedures were completed without material exception.</p> |

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IRIS II SPV 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

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

We determined materiality for the Company to be €37 million (2016: €43 million) which is 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.

Performance materiality

Performance materiality is the threshold for application of materiality at the individual account or balance level. Performance materiality 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 overall control environment, our judgement was that performance materiality should be set at 75% of our planning materiality, namely €28 million (2016: €32 million). 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

The reporting threshold is set at the amount below which identified misstatements are considered as being clearly trivial.

We will report to the Board of Directors, all uncorrected audit differences in excess of €2 million (2016: €2 million), which is set at approximately 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. Our reporting threshold amount is designated at an amount below which misstatements would not be accumulated because we expect that the accumulation of such amounts clearly would not have a material effect on the financial statements.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IRIS II SPV DESIGNATED ACTIVITY COMPANY (Continued)

An overview of the scope of our audit report

Tailoring the Scope

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report 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.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2014

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

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

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



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IRIS II SPV DESIGNATED ACTIVITY COMPANY (Continued)

In our opinion the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited and the statement of financial position is 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 are not made. We have nothing to report in this regard.

Respective responsibilities

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a 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.

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-9b8fa98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf.

This description forms part of our auditor's report.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IRIS II SPV DESIGNATED ACTIVITY COMPANY (Continued)

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

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

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

Dublin

Date: 30 March 2018

IRIS II SPV DESIGNATED ACTIVITY COMPANY

STATEMENT OF FINANCIAL POSITION

AS AT 30TH JUNE 2017

| | <u>Notes</u> | <u>2017</u> | <u>2016</u> |
|--|--------------|------------------------|------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Financial assets at fair value through profit or loss | 3, 21 | 1,311,029,836 | 1,571,394,168 |
| Credit default swaps | 5 | 136,164 | - |
| Loans and receivables | 4, 22 | 725,874,767 | 749,738,545 |
| | | <u>2,037,040,767</u> | <u>2,321,132,713</u> |
| Current assets | | | |
| Financial assets at fair value through profit or loss | 3, 21 | - | 76,974,000 |
| Loans and receivables | 4, 22 | - | 1,367,468 |
| Other receivables | 6 | 2,307 | 1,873 |
| Cash and cash equivalents | 7 | 559,040 | 679,155 |
| | | <u>561,347</u> | <u>79,022,496</u> |
| TOTAL ASSETS | | <u>€ 2,037,602,114</u> | <u>€ 2,400,155,209</u> |
| SHAREHOLDERS' EQUITY AND LIABILITIES | | | |
| Capital and reserves | | | |
| Share capital | 8 | 3 | 3 |
| Retained earnings | | 5,241 | 4,904 |
| TOTAL SHAREHOLDERS' EQUITY | | <u>5,244</u> | <u>4,907</u> |
| Non-current liabilities | | | |
| Financial liabilities at fair value through profit or loss | 9, 23 | 1,151,453,154 | 1,447,509,174 |
| Credit default swaps | 5 | - | 273,222 |
| Other liabilities | 10, 24 | 721,655,140 | 743,718,458 |
| Interest rate swaps | 5 | 163,932,473 | 206,605,858 |
| | | <u>2,037,040,767</u> | <u>2,398,106,712</u> |
| Current liabilities | | | |
| Other liabilities | 10, 24 | - | 1,367,468 |
| Payables | 11 | 556,103 | 676,122 |
| | | <u>556,103</u> | <u>2,043,590</u> |
| TOTAL LIABILITIES | | <u>2,037,596,870</u> | <u>2,400,150,302</u> |
| TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES | | <u>€ 2,037,602,114</u> | <u>€ 2,400,155,209</u> |

The financial statements were approved and authorised for issue by the Board of Directors on the 29th of March 2018 and were signed on its behalf by:

Director: Sinead O'Connor

Director: Adrian Bailie

(The notes on pages 13 to 42 form part of these financial statements)

IRIS II SPV DESIGNATED ACTIVITY COMPANY

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2017

| | <u>Notes</u> | <u>2017</u> | <u>2016</u> |
|--|--------------|----------------------|----------------------|
| INCOME AND EXPENSES ON FINANCIAL INSTRUMENTS | | | |
| Gain/(loss) on financial instruments: | | | |
| Financial assets at fair value through profit or loss | 3 | (138,133,723) | 129,931,334 |
| Financial liabilities at fair value through profit or loss | 9 | 95,032,950 | (251,294,031) |
| Derivative financial instruments at fair value through profit or loss | 5 | 9,859,722 | 141,061,642 |
| Loss) on redemption of other liabilities | | - | (31,006) |
| Gain on sale of loans and receivables | | - | 31,006 |
| Unrealised (loss)/gain on translation of loans and receivables (net) | | (23,432,050) | 9,988,852 |
| Unrealised gain/(loss) on translation of other liabilities (net) | | 23,430,786 | (12,241,457) |
| | | <u>(33,242,315)</u> | <u>17,446,340</u> |
| Interest income and interest expense | | | |
| Interest income on financial assets at fair value through profit or loss | 3 | 49,035,637 | 48,163,904 |
| Interest income on loans and receivables | 4 | 14,521,397 | 11,713,104 |
| Interest expense on financial liabilities at fair value through profit or loss | 9 | (15,805,587) | (63,945,308) |
| Interest expense on other liabilities | 10 | (14,013,451) | (12,863,413) |
| | | <u>33,737,996</u> | <u>(16,931,713)</u> |
| OTHER INCOME AND EXPENSES | | | |
| Other income | | | |
| Amortisation of upfront swap amounts | | 275,742 | 433,195 |
| Transaction fees income | | 450 | 300 |
| | | <u>276,192</u> | <u>433,495</u> |
| Other expenses | | | |
| Administration fees | | 92,548 | 79,703 |
| Professional fees | 12 | 573,620 | 491,113 |
| Audit fees | 17 | 86,376 | 86,178 |
| Foreign exchange loss | | 14,734 | 283,537 |
| Bank charges | | 4,102 | 2,666 |
| Other expenses | | 43 | 4,625 |
| | | <u>771,423</u> | <u>947,822</u> |
| PROFIT FOR THE FINANCIAL YEAR BEFORE TAXATION | | | |
| | | 450 | 300 |
| Taxation | 14 | (113) | (75) |
| PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR AFTER TAXATION ATTRIBUTABLE TO EQUITY SHAREHOLDERS | | | |
| | | <u>€ 337</u> | <u>€ 225</u> |

Other comprehensive income

There were no items of other comprehensive income in the current or prior financial year.

(The notes on pages 13 to 42 form part of these financial statements)

IRIS II SPV DESIGNATED ACTIVITY COMPANY

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2017

| | Share capital | Retained earnings | Total |
|---|--------------------------|------------------------------|----------------|
| Balance at 1st July 2015 | 3 | 4,679 | 4,682 |
| Total comprehensive income for the financial year | - | 225 | 225 |
| Balance at 30th June 2016 | <u>€ 3</u> | <u>€ 4,904</u> | <u>€ 4,907</u> |
| Balance at 1st July 2016 | 3 | 4,904 | 4,907 |
| Total comprehensive income for the financial year | - | 337 | 337 |
| Balance at 30th June 2017 | <u>€ 3</u> | <u>€ 5,241</u> | <u>€ 5,244</u> |

(The notes on pages 13 to 42 form part of these financial statements)

IRIS II SPV DESIGNATED ACTIVITY COMPANY

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2017

| | <u>Note</u> | <u>2017</u> | <u>2016</u> |
|--|-------------|-----------------------|-----------------------|
| Cash flows from operating activities | | | |
| Total comprehensive income before tax for the financial year | | 450 | 300 |
| Increase in receivables | | (434) | (192) |
| Decrease in payables | | (119,794) | (417,741) |
| Net (gain)/loss on financial instruments: | | | |
| Financial assets at fair value through profit or loss | | 138,133,723 | (129,931,334) |
| Financial liabilities at fair value through profit or loss | | (95,032,950) | 233,847,693 |
| Derivative financial instruments at fair value through profit or loss | | (9,859,722) | (123,615,304) |
| Interest income on financial assets at fair value through profit or loss | | (49,035,637) | (48,163,904) |
| Interest income on loans and receivables | | (14,521,397) | (11,713,104) |
| Interest expense on financial liabilities at fair value through profit or loss | | 15,805,587 | 63,945,308 |
| Interest expense on other liabilities | | 14,013,451 | 12,863,413 |
| Loss on redemption of other liabilities | | - | 31,006 |
| Loss/(gain) on redemption of loans and receivables | | - | (31,006) |
| Loss on translation of loans and receivables | | 23,432,050 | (9,988,852) |
| Gain on translation of other liabilities | | (23,430,786) | 12,241,457 |
| Loans and receivables purchased | | - | (37,340,002) * |
| Financial assets at fair value through profit or loss acquired | | (637,382,712) * | - |
| Loans and receivables sold | | 1,799,196 | 66,648,869 |
| Proceeds on redemption/disposal of financial assets at fair value through profit or loss | | 836,587,321 | 365,760,613 |
| Income received on financial assets at fair value through profit or loss | | 49,035,637 | 48,163,904 |
| Loan interest received | | 14,521,397 | 11,713,104 |
| Swap amounts paid | | (33,223,049) | 17,446,338 |
| Tax paid | | (338) | (300) |
| Net cash flows generated from/(used in) operating activities | | 230,721,993 | 471,460,266 |
| Cash flows from financing activities | | | |
| Issue of financial liabilities at fair value through profit or loss | | 637,382,712 * | - |
| Issue of other liabilities | | - | 37,340,002 * |
| Repayment of other liabilities | | - | (44,899,197) |
| Redemption of financial liabilities at fair value through profit or loss | | (838,405,783) | (387,510,285) |
| Interest paid on financial liabilities at fair value through profit or loss | | (15,805,586) | (63,945,308) |
| Interest paid on other liabilities | | (14,013,451) | (12,863,412) |
| Net cash flows (used in)/generated from financing activities | | (230,842,108) | (471,878,200) |
| Net (decrease)/increase in cash and cash equivalents | | (120,115) | (417,934) |
| Cash and cash equivalents at the beginning of the financial year | | 679,155 | 1,097,089 |
| Cash and cash equivalents at the end of the financial year | 7 | € 559,040 | € 679,155 |

* These amounts were directly routed through the bank of the Swap Counterparty.

(The notes on pages 13 to 42 form part of these financial statements)

IRIS II SPV DESIGNATED ACTIVITY COMPANY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2017

1. COMPANY INFORMATION

The Company is incorporated in Ireland. The registered office of the Company is Sanne, Fourth Floor, Lower Baggot Street, Dublin 2, Ireland (previously 77 Sir John Rogerson's Quay, Dublin 2, Ireland until 17th October 2016).

The principal activity of the Company is the issuance of limited recourse Notes ("Notes") in separate series and tranches under the terms of the Offering Circular dated 2nd April 2004, last updated on 26th June 2014, under a €20,000,000,000 secured note programme with Claris Limited, Claris 2 Limited, Claris III Limited and Claris IV Limited, all of which are companies incorporated in Jersey, Channel Islands, and Iris SPV PLC, a company incorporated in Ireland.

On 16th July 2016 IRIS II SPV Limited formerly registered as a Limited company converted under the Companies Act 2014 (CA 2014) to a Designated Activity Company (IRIS II SPV Designated Activity Company). This decision was made because under the Companies Act 2014 a private limited company is required to convert to one of the two new private limited companies (Company Limited by Shares or Designated Activity Company) introduced by the CA 2014. The Designated Activity Company (DAC) is the only type of private limited company that may have a listed debt/security under the CA 2014 and accordingly would mean that the company must convert to a DAC if it intends to list in the future. After converting to a DAC it should be noted, that the company is required to amend its company name to include the phrase 'Designated Activity Company' at end of the current name in place of the word 'Limited'.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance and basis of accounting

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") as adopted by the European Union ("EU") and in accordance with the provisions of the Companies Act 2014, applicable to companies reporting under IFRS. The significant accounting policies used are set out below.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of derivative financial instruments and financial assets and liabilities at fair value through profit or loss.

Going concern

The Company's debt funding has been provided by the Note/Loan holders, 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 Notes/Loans held and who have no right to petition for insolvency proceedings against 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 Notes/Loans. From a Note/Loan holder point of view, defaults on any one particular series should not impact any other series.

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 the going concern basis in preparing these financial statements.

IRIS II SPV DESIGNATED ACTIVITY COMPANY

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

New Accounting Standards, amendments to existing Accounting Standards and/or interpretations of existing Accounting Standards (separately or together, "New Accounting Requirements") adopted during the current financial year

The Directors have assessed the impact, or potential impact, of all New Accounting Requirements. In the opinion of the Directors, there are no mandatory New Accounting Requirements applicable in the current financial year that are relevant and to the Company. Consequently, no such mandatory New Accounting Requirements are listed. The Company has not early adopted any New Accounting Requirements that are not mandatory.

Non-mandatory New Accounting Requirements not yet adopted

The following applicable New Accounting Requirements have been issued. However, these New Accounting Requirements are not yet mandatory and have not yet been adopted by the Company. All other non-mandatory New Accounting Requirements are either not yet permitted to be adopted, or would have no material effect on the reported performance, financial position, or disclosures of the Company and consequently have neither been adopted, nor listed in these financial statements.

IFRS 9, "Financial Instruments" (Replacement of IAS 39 — "Financial Instruments: Recognition and Measurement") – effective date 1st January 2018

IFRS 9 requires financial assets to be classified into the following measurement categories: (i) those measured at fair value through profit or loss; (ii) those measured at fair value through other comprehensive income; and, (iii) those measured at amortised cost. The determination is made at initial recognition. Unless the option to designate a financial asset as measured at fair value through profit or loss is applicable, the classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. IFRS 9 also replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model for the measurement of impairment loss. The new model applies to financial assets that are not measured at fair value through profit or loss. IFRS 9 also introduces a new hedge accounting model.

For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

The mandatory effective date for application of IFRS 9 is for accounting periods beginning on or after 1st January 2018, but early adoption is permitted at any time. The Company intends to adopt IFRS 9 no later than the mandatory effective date.

The Company's business model is to manage financial assets' principal and income returns that will match the liability to the holders of each series of Notes. Based on this business model, the Directors believe that the adoption of IFRS 9 will result in reclassification of financial assets and financial liabilities held at amortised cost to financial assets and financial liabilities at fair value through profit or loss. Furthermore, the Directors expect that the Company will not apply the hedge accounting principles of IFRS 9. The Directors believe that the impact to the financial statements due to the change in classification will not be material. As at 30 June 2017, the fair values of these financial instruments are disclosed on page 35 which shows an estimated difference between the fair value and amortised cost amounts of €2.7 million.

IRIS II SPV DESIGNATED ACTIVITY COMPANY

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Non-mandatory New Accounting Requirements not yet adopted - (continued)

IFRS 15, "Revenue from Contracts with Customers"

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, when the IASB finalises their amendments to defer the effective date of IFRS 15 by one year. Early adoption is permitted. The Company plans to adopt the new standard on the required effective date. The Directors believe that adoption of IFRS 15 will not have any material impact to the reported amounts on the Company's financial statements.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expense during the financial year. Actual results could differ from those estimates.

There were no significant areas of uncertainty or judgement in applying accounting policies except for the estimation of the fair values of the Company's financial instruments as set out below and in note 20. Due to the limited recourse nature of each series of Notes/Loans issued, any differences between the estimated fair values and the realisable values of such financial instruments would be borne by the Note/Loan holders and would have no net effect on the Company's overall financial position or results.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction cost. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method ("EIR"), less impairment.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income.

In the Directors' opinion, due to the limited recourse nature of the Loans issued, the aggregate amortised cost of each separate series of Loans and any other net asset or liability for that Series is equal to the aggregate amortised cost of the loans and receivables relating to each separate series. From the perspective of the Company, any change in the amortised cost of the loans and receivables would be matched by an equal and opposite change in the amortised cost of the Loans. Consequently, although the Loan holders are exposed to changes in the amortised cost of the loans and receivables, the Company itself is not exposed.

Impairment of assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each statement of financial position date. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been materially negatively impacted.

IRIS II SPV DESIGNATED ACTIVITY COMPANY

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Financial assets and financial liabilities at fair value through profit or loss

In accordance with IAS 39, "Financial Instruments: Recognition and Measurement", a financial instrument is classified at fair value through profit or loss if it is either held for trading, or designated as such upon initial recognition. Financial instruments at fair value through profit or loss are measured at fair value, and fair value changes there on are recognised in the statement of comprehensive income in the period in which they arise.

Under IAS 39, all derivative transactions, except designated and effective hedging instruments, are required to be classified as held for trading. The Company's derivative transactions have not been designated as hedging instruments in accordance with IAS 39. Consequently, these transactions are classified as held for trading, with all gains and losses on such transactions being recognised in statement of comprehensive income. Where a derivative transaction forms part of the underlying assets for a series (except for Series 18), the Company has designated its associated investments held and its Notes issued as at fair value through profit or loss as permitted by IAS 39, as this results in more relevant financial information because it eliminates, or significantly reduces, potential mismatches.

The Company enters into fully funded swap agreements under a Credit Support Annex ("CSA") for Series 25, 30 and 31 (2016: Series 23, 24, 25, 27 and 28). In accordance with IAS 39, these instruments were accounted for as financial assets or financial liabilities at fair value through profit or loss and reported under indexed deposits.

Under the fully funded swap agreements, the Company pays to the Swap Counterparty an upfront payment which corresponds to the issue proceeds of each series of Note or receives from the Swap Counterparty an upfront payment which corresponds to a cash amount received against securities posted by the Company under the agreement.

Purchases of financial assets are recognised on the trade date, the date on which the Company commits to purchase the financial asset. Financial instruments are initially recognised at fair value and transaction costs for all financial assets and financial liabilities carried at fair value through profit or loss are expensed as incurred. Subsequent changes in the fair value of such financial instruments, aggregated with realised profits and losses on disposal/redemption there of and amounts received and paid there on, are recognised in the statement of comprehensive income in the period in which they arise.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to the cash flows on that financial asset are cancelled, expire or are transferred to another party, or if the Company retains the contractual rights but enters into a contract under which the relevant cash flows must be duly paid under a 'pass-through arrangement'. A financial liability (or, where applicable, a part of a financial liability or part of a group of similar financial liabilities) is derecognised when the obligation is discharged or cancelled or expires.

Derivative financial instruments

The Company may enter into derivative financial instruments such as interest rate swaps ("IRS") and credit default swaps ("CDS"). The derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. All derivatives are carried as assets when fair value is positive, and as liabilities when fair value is negative. Subsequent changes in the fair value of any derivative instrument and any realised gains and losses are recognised immediately in the statement of comprehensive income. These derivative financial instruments do not qualify for hedge accounting treatment under IAS 39 "Financial Instruments: Recognition and Measurement".

IRIS II SPV DESIGNATED ACTIVITY COMPANY

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Fair value estimation

All fair values used in the preparation of these financial statements have been provided to the Directors by Société Générale, (the "Calculating Agent" or "Swap Counterparty"), upon whom the Directors rely as an expert provider of such valuations. The actual realisable value of the Company's financial instruments may differ from such fair values.

The Company invests in and enters into a variety of financial instruments and derivative transactions (together "financial instruments"). For financial instruments recognised at fair value in the statement of financial position, where possible, fair value is determined primarily on the basis of prices quoted in an active market. These prices may be adjusted if none are available on the reporting date or if such prices do not reflect observed transaction prices. However, due notably to the varied characteristics of financial instruments traded over-the-counter on the financial markets, a number of financial products traded by the Company do not have quoted prices in the markets. For these products, fair value is determined using models based on valuation techniques commonly used by market participants to measure financial instruments, such as discounted future cash flows for swaps or the Black & Scholes formula for certain options, and using valuation parameters that reflect current market conditions as at the reporting date.

Where valuation models are used, these are validated independently from the department responsible for such valuation models by suitably qualified and/or experienced experts from the Market Risk Department of Société Générale's Risk Division. The parameters used in valuation models, whether derived from observable market data or not, are checked by the Finance Division of Société Générale's Global Banking and Investor Solutions Department, in accordance with the methodologies defined by the Market Risk Department of Société Générale.

Some of the inputs and assumptions used in calculating the fair values were based on observable inputs. Where unobservable inputs were used in calculating the fair values, reasonably possible changes to such inputs could materially affect the calculations of the fair values. If independent third party prices had been available for the financial instruments, or if different methods and/or assumptions were used, the valuations might be different from those presented and those differences could be material. Therefore, the realisable value of the financial instruments may differ significantly from the fair value recorded. The possible outcomes of these uncertainties cannot be reliably determined at present.

In the Directors' opinion, due to the limited recourse nature of the Notes issued, the aggregate fair value of each relevant separate series of Notes is equal to the aggregate fair value of the underlying assets and any other net asset or liability relating to each separate series. From the perspective of the Company, any change in the fair value of the underlying assets would be matched by an equal and opposite change in the fair value of the Notes. Consequently, although the Noteholders are exposed to changes in the fair value of the relevant underlying assets, the Company itself is not exposed.

IFRS 13 "Financial Instruments: Disclosures" ("IFRS 13") establishes a fair value hierarchy that prioritises the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under IFRS 13 are 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;

IRIS II SPV DESIGNATED ACTIVITY COMPANY

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Fair value estimation - (continued)

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.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Company's Directors based on information available to them including those provided by Société Générale. The Directors consider observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, provided by multiple, independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the financial instrument and does not necessarily correspond to the Company's perceived risk inherent in such financial instrument.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. There were no offsetting of assets and liabilities as at the current and prior year ends.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Deferred income and amortisation of upfront amounts

With respect to certain series of Notes/Loans issued, the swap counterparty pays an initial exchange amount into deposit accounts (the "Suspense Deposit accounts"), held in the Company's name, for the purpose of covering the permitted expenses of the Company relating to such series. Any balances held in these accounts at the year end in excess of accrued permitted expenses have been deferred to the following accounting period to match this income against the corresponding expense.

For the series that do not have expense accounts, the Company may hold upfront amounts received in a current account to meet the permitted expenses of the Company relating to such series. Any amounts held in these accounts at year end that relate to such upfront amounts held in excess of accrued and future payable permitted expenses are treated as deferred income in order to match such income against the corresponding permitted expenses when they are incurred by way of amortisation of such deferred income.

Foreign currency translation

a) Functional currency and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates, the Company's functional currency. The financial statements are presented in Euro which is the Company's functional and presentation currency.

IRIS II SPV DESIGNATED ACTIVITY COMPANY

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Foreign currency translation - (continued)

b) Transactions and balances

Foreign currency transactions are translated into the Euro using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Transaction fees receivable

The Company is entitled to receive a minimum transaction fee of not less than €100 for each separate series of Limited Recourse Notes/Loans that it issues. These fees are recognised on an accruals basis immediately on the date a new series of such Limited Recourse Notes/Loans is issued by the Company. The Company is also entitled to receive an additional transaction fee of a minimum of €250 per annum.

Share capital

Ordinary shares are not redeemable and are classified as equity.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Dividend distributions

Dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved and paid by the Company's Directors.

Interest income and interest expense

Interest income and interest expense are composed of investment income, swap income, swap expense, note interest expense, loan interest income and loan interest expense and are accounted for on accrual basis using the effective interest method. For assets and liabilities held at fair value, the interest income and interest expense are shown as part of net gain/(loss) on financial instruments.

Taxation

The Company is an Irish resident Section 110 qualifying company and is subject to a corporation tax in Ireland at a rate of 25% of profits.

Segmental reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. The Directors perform regular reviews of the operating results of the Company and make decisions using financial information at the entity level only. Accordingly, the Directors believe that the Company has only one reportable operating segment.

The Directors are responsible for ensuring that the Company carries out business activities in line with the transaction documents. They may delegate some or all of the day to day management of the business, including the decisions to purchase and sell securities, to other parties both internal and external to the Company. The decisions of such parties are reviewed on a regular basis to ensure compliance with the policies and legal responsibilities of the Directors. Therefore the Directors retain full responsibility as to the major allocation decisions of the Company.

IRIS II SPV DESIGNATED ACTIVITY COMPANY

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Other liabilities

Other liabilities are non-derivative financial liabilities with fixed or determinable payments. The Company initially recognises Loans payable on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument. After initial measurement, such other liabilities are subsequently measured at amortised cost using the effective interest rate method ("EIR"). Amortised cost is calculated by taking into account any discount or premium on issuance that are an integral part of the EIR. The EIR amortisation is included in interest expense in the statement of comprehensive income.

The Company derecognises loans payable when its contractual obligations are discharged, cancelled or expire.

3. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | <u>2017</u> | <u>2016</u> |
|-------------|------------------------|------------------------|
| Investments | 1,311,029,836 | 1,648,368,168 |
| | <u>€ 1,311,029,836</u> | <u>€ 1,648,368,168</u> |

The financial assets are held as collateral for each related series except for Series 21/2013 which was redeemed in the previous year. Such assets have been purchased or invested in by using principally the issuance proceeds of Notes. They can take the form of securities or deposits. Further details of the financial assets at fair value through profit or loss are set out in note 21. There is no offsetting agreement in place and therefore no balance has been set off on any of the Series underlying assets and their related derivative instruments and Notes.

In addition, the Company entered into one or several derivatives contracts for some Series issued, either to (i) reduce mismatch between the amounts payable in respect of the Notes and return received from the financial assets held as Collateral, and/or (ii) to create a risk profile appropriate for the investor, and/or to mitigate the investor exposure to market risk (interest rate risk, equity linked securities, currency risk) from the Company. The rationale behind entering into these instruments is to provide an asset risk profile which is suited to the needs of the investors. Those derivatives contracts entered into by the Company can be grouped into two categories being CDS and IRS as detailed in note 5.

| | <u>2017</u> | <u>2016</u> |
|--|----------------------|----------------------|
| Movement in investments: | | |
| Opening balance | 1,648,368,168 | 1,761,860,091 |
| Acquisitions during the financial year | 637,382,712 | - |
| Proceeds from disposal during the financial year | (836,587,321) | (241,013,250) |
| Loss on disposal | (27,910,128) | (46,876,166) |
| Change in fair value during the financial year | (110,223,595) | 174,397,493 |
| Closing balance | <u>1,311,029,836</u> | <u>1,648,368,168</u> |

IRIS II SPV DESIGNATED ACTIVITY COMPANY

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2017

3. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - (CONTINUED)

Of which:

| | <u>2017</u> | <u>2016</u> |
|-------------|------------------------|------------------------|
| Non-current | 1,311,029,836 | 1,571,394,168 |
| Current | - | 76,974,000 |
| | <u>€ 1,311,029,836</u> | <u>€ 1,648,368,168</u> |

During the financial year, the Company issued series 30/2016 and series 31/2016. Further details are disclosed in note 21.

Total loss on financial assets amounted to €138,133,723 during the financial year (2016: gain of €129,931,334).

Total interest income earned during the financial year on financial assets at fair value through profit or loss was €49,035,637 (2016: €48,163,904).

4. LOANS AND RECEIVABLES

| | <u>2017</u> | <u>2016</u> |
|-------------|----------------------|----------------------|
| Non-current | 725,874,767 | 749,738,545 |
| Current | - | 1,367,468 |
| | <u>€ 725,874,767</u> | <u>€ 751,106,013</u> |

Total interest income earned during the financial year on loans and receivables was €14,521,397 (2016: €11,713,104).

Further details of loans and receivables are set out in note 22.

5. DERIVATIVE FINANCIAL INSTRUMENTS

The Company's derivative financial instruments consist of credit default swap and interest rate swaps as follows:

| <i>Credit default swap</i> | <u>2017</u> | <u>2016</u> |
|--------------------------------------|--------------|--------------|
| Fair value at the financial year end | € 136,164 | € (273,222) |
| Initial notional amount | € 30,000,000 | € 30,000,000 |

The Company entered into to a CDS agreement with the Swap Counterparty. In exchange for the receipt of premium income for the relevant Series, the Company sold credit protection on a number of reference entities. By entering into such CDS, the Company is exposed to the default risk of those reference entities. Upon the occurrence of a credit event with respect to a reference entity, resulting in a Loss Amount in excess of the relevant Threshold Amount (if applicable), the Company would have to pay an amount (or deliver equivalent assets) as defined in each relevant CDS agreement. As a consequence of such credit event, the principal amount of the Notes would be reduced. CDS is in place for Series 18/2013 which will mature in November 2020.

IRIS II SPV DESIGNATED ACTIVITY COMPANY

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2017

5. DERIVATIVE FINANCIAL INSTRUMENTS - (CONTINUED)

| <i>Interest rate swaps</i> | <u>2017</u> | <u>2016</u> |
|---|------------------|------------------|
| Fair value at the financial year end | € (163,932,473) | € (206,605,858) |
| Notional amount outstanding at the financial year end | € 375,000,000 | € 375,000,000 |

Interest rate swaps ("IRS") were transacted to economically hedge the risk associated with the potential mismatch between the amounts receivable from the Investments and the Company's obligations under the Notes. Investment income received from the investments are paid to the Swap Counterparty and in return under the terms of the swap agreements the Swap Counterparty pays the Company the interest amount payable by the Company to the Noteholders. A final asset swap payment at redemption is payable under the terms of some of the swap agreements. IRS is in place for Series 22/2014, Series 25/2014 and Series 26/2014.

The net gain during the year charged to the Statement of Comprehensive Income of €9,859,722 consists of €43,082,771 unrealised fair value movement and €33,223,049 net expense paid on derivative transactions (2016: €123,615,303 unrealised fair value movement and €17,446,339 net income on derivative transactions).

6. OTHER RECEIVABLES

| | <u>2017</u> | <u>2016</u> |
|-----------------------------------|----------------|----------------|
| Corporate benefit fees receivable | 1,083 | 899 |
| Transaction fees receivable | 1,221 | 971 |
| Unpaid share capital | 3 | 3 |
| | <u>€ 2,307</u> | <u>€ 1,873</u> |

7. CASH AND CASH EQUIVALENTS

| | <u>2017</u> | <u>2016</u> |
|--|------------------|------------------|
| HSBC EUR unpledged account | 7,344 | 4,367 |
| HSBC EUR Call deposit account - series 16/2012 | 250 | 12,643 |
| HSBC EUR Call deposit account - series 18/2013 | 10,597 | 10,211 |
| HSBC USD Call deposit account - series 20/2013 | 347,083 | 227,212 |
| HSBC USD Call deposit account - series 21/2013 | 293 | 7,876 |
| HSBC EUR Call deposit account - series 22/2014 | 99,511 | 118,104 |
| HSBC EUR Call deposit account - series 23/2014 | 8,996 | 50,151 |
| HSBC EUR Call deposit account - series 24/2014 | 2,308 | 41,916 |
| HSBC EUR Call deposit account - series 25/2014 | 1,172 | 24,279 |
| HSBC EUR Call deposit account - series 26/2014 | 58,258 | 78,026 |
| HSBC EUR Call deposit account - series 27/2014 | 10,433 | 44,132 |
| HSBC EUR Call deposit account - series 28/2014 | 4,374 | 44,594 |
| HSBC EUR Call deposit account - series 29/2015 | 3,382 | 15,644 |
| HSBC EUR Call deposit account - series 30/2016 | 2,709 | - |
| HSBC EUR Call deposit account - series 31/2016 | 2,330 | - |
| | <u>€ 559,040</u> | <u>€ 679,155</u> |

IRIS II SPV DESIGNATED ACTIVITY COMPANY

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2017

9. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS - (CONTINUED)

| | <u>2017</u> | <u>2016</u> |
|---|-----------------|-----------------|
| Movement in Notes issued: | | |
| Opening balance | 871,379,828 | 1,007,596,081 |
| Issued during the financial year | 446,300,000 | - |
| Redemptions during the financial year | (448,146,951) | (387,510,285) |
| (Gain)/ loss on redemption during the financial year | 29,331,391 | (49,286,173) |
| Change in fair value during the financial year | 4,418,898 | 300,580,205 |
| | <hr/> | <hr/> |
| Closing balance | € 903,283,166 | € 871,379,828 |
| | <hr/> | <hr/> |
| Movement in Indexed deposits (fully funded swap agreements): | | |
| Opening balance | 576,129,347 | 729,831,191 |
| New issues during the year | 191,082,712 | - |
| Redemptions during the year | (390,258,832) | - |
| Realised gain on redemption | (57,241,517) | - |
| Change in fair value during the financial year | (71,541,722) | (153,701,844) |
| | <hr/> | <hr/> |
| Closing balance | 248,169,988 | 576,129,347 |
| | <hr/> | <hr/> |
| | € 1,151,453,154 | € 1,447,509,175 |
| | <hr/> | <hr/> |

Total loss on financial liabilities during the financial year amounted to €95,032,950 (2016: €251,294,031).

Total interest expense incurred during the financial year on the financial liabilities at fair value through profit or loss was €15,805,587 (2016: €63,945,308).

10. OTHER LIABILITIES

| | <u>2017</u> | <u>2016</u> |
|-------------|---------------|---------------|
| Non-current | 721,655,140 | 743,718,458 |
| Current | - | 1,367,468 |
| | <hr/> | <hr/> |
| | € 721,655,140 | € 745,085,926 |
| | <hr/> | <hr/> |

Further details of other liabilities are set out in note 24.

Total interest expense incurred during the financial year on other liabilities was €14,013,451 (2016: €12,863,413).

11. PAYABLES

| | <u>2017</u> | <u>2016</u> |
|---------------------------------|-------------|-------------|
| Audit fee | 190,114 | 190,114 |
| Custodian fees | 141,399 | 141,399 |
| Deferred income from SG | 123,216 | 243,215 |
| HSBC fees | 9,405 | 9,405 |
| Professional fees | 21,925 | 21,925 |
| Corporate service provider fees | 69,931 | 69,989 |
| Tax payable | 113 | 75 |
| | <hr/> | <hr/> |
| | € 556,103 | € 676,122 |
| | <hr/> | <hr/> |

IRIS II SPV DESIGNATED ACTIVITY COMPANY

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2017

12. PROFESSIONAL FEES

| | <u>2017</u> | <u>2016</u> |
|----------------|------------------|------------------|
| Legal fees | 64,315 | 29,999 |
| Custodian fees | 382,790 | 375,992 |
| Others | 126,515 | 85,122 |
| | <u>€ 573,620</u> | <u>€ 491,113</u> |

13. OPERATING SEGMENTS

Geographical information

The Company's country of domicile is Ireland. All of the Company's revenues are generated from outside the Company's country of domicile. No further information concerning the country of origin of the Company's revenues is currently available and the cost to develop it would be excessive as such information would be of very little benefit to either the shareholders or the Note/Loan holders.

Non-current assets

The Company has no non-current assets other than financial instruments.

Sources of income

The Company's primary source of revenue are the underlying assets which consist of debt securities issued in France. Details of the underlying assets are set out in notes 21 and 22. The Company's other sources of income are the transaction fees from Société Générale, as described in note 2.

14. TAXATION

| | <u>2017</u> | <u>2016</u> |
|--|--------------|--------------|
| Analysis of charge in the financial year | | |
| Irish corporation tax charge for the financial year on ordinary activities | € 113 | € 75 |
| Factors affecting current tax charge | | |
| Profit for the financial year before taxation | 450 | 300 |
| Provision for corporation tax at 25% | (113) | (75) |
| Profit for the financial year after taxation | <u>€ 337</u> | <u>€ 225</u> |

The Company is an Irish registered company and is structured to qualify as a securitisation company under Section 110 of the Taxes Consolidation Act, 1997. As such, the profits are chargeable to corporation tax under Case III Schedule D at a rate of 25% but are computed in accordance with the provisions applicable to Case I Schedule D.

Circumstances affecting future tax charges

The total taxation charge in future periods will be affected by any future changes to the corporation taxation rates in force in Ireland.

IRIS II SPV DESIGNATED ACTIVITY COMPANY

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2017

15. CONTROLLING PARTY

The Company's shares are owned by Registered Shareholder Services No.1 Company Limited by Guarantee, Registered Shareholder Services No.2 Company Limited by Guarantee and Registered Shareholder Services No.3 Company Limited by Guarantee, all of which are companies incorporated in Ireland. Société Générale consolidates the Company's financial statements within its own financial statements because, for each series of Notes, Société Générale (either directly or via a group company) is either the Note/Loan holder or is a counterparty to the Collateral transactions entered into by the Company. Hence, Societe Generale has control over all the assets and liabilities of the Company to the extent that it has a recourse to. The Company meets the definition of a structured entity under IFRS 12. In accordance with the requirements of IFRS 10 "Consolidated Financial Statements", the subsidiary's accounts are consolidated within the accounts of Société Générale, for the year ended 30 June 2017.

16. RELATED PARTIES

The Company has appointed Sanne Capital Markets Ireland Limited to provide certain administrative and secretarial services ("corporate services") in Ireland pursuant to a corporate service agreement (as novated). Under the terms of the agreement, Sanne Capital Markets Ireland Limited is paid for the various administrative, corporate, and secretarial services incurred on behalf of the Company. Conor Blake, Sinead O'Connor and Adrian Bailie are employees of Sanne Capital Markets Ireland Limited. Peter O'Leary was an employee of Sanne Capital Markets Ireland Limited. Total expenses related to Sanne Capital Markets Ireland Limited were €92,548 for the financial year ended 30th June 2017 (2016: €79,703) of which €69,931 was outstanding as at 30th June 2017 (2016:

Société Générale is considered to be a related party by virtue of the control exercised by Société Générale on the Company. Société Générale is also the counterparty for all derivative transactions entered into by the Company. The carrying values of those derivative transactions are disclosed in note 5. As at 30th June 2017, total financial assets with carrying value of €339,984,009 was held by Société Générale (2016: €1,486,908,034). Société Générale was also the counterparty to the indexed-linked swap liabilities with a carrying value of €248,169,988 as at 30th June 2016 (2016: €576,129,347).

During the financial year, the net amount charged to the Statement of Comprehensive Income in relation to the swap agreements entered into by the Company with Société Générale was €10,135,464 (2016: €141,494,837) which comprise €9,859,722 (2016: €141,061,642) net income on the derivative financial instruments and €275,742 (2016: €433,195) upfront expenses for the set up of the derivative transactions.

The Company has no employees. The Directors of the Company are employees of the Administrator. There are no separate Directors' remuneration other than the fees paid to the Administrator as disclosed above.

17. AUDITOR'S REMUNERATION

Remuneration for all work carried out for the Company by the statutory audit firm has been specified in the table below with all figures shown includes VAT. There were no other assurance or non-audit service provided by the statutory audit firm to the Company during the current financial year or the prior financial year.

| | | <u>2017</u> | | <u>2016</u> |
|---------------------|---|-------------|---|-------------|
| Statutory audit fee | € | 86,376 | € | 86,178 |

18. SUBSEQUENT EVENTS

In the opinion of the Directors, there are no significant events subsequent to the financial year end that are deemed necessary to be adjusted or disclosed in the financial statements.

IRIS II SPV DESIGNATED ACTIVITY COMPANY

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2017

19. CAPITAL MANAGEMENT

The Company is not subject to externally imposed capital requirements. The Company was initially financed by €3 equity. Any subsequent transactions entered into by the Company are designed to enable the Company to pay its liabilities as they fall due. Each Note/Loan issue is structured such that the Company's expenses are met either by the Note/Loan holders (indirectly through the suspense accounts set up at inception), or are met by equal and opposite receipts under the relevant derivative transactions.

20. FINANCIAL INSTRUMENTS

Strategy in using financial instruments

As stated in the Directors' Report, the principal activity of the Company is limited to the issue of limited recourse obligations in separate series. The proceeds from the issue of each series of Notes/Loans are used to invest in financial transactions in order to enable the Company to meet its obligations under the Notes/Loans. Therefore the role of financial assets and financial liabilities is central to the activities of the Company; the financial liabilities provide the funding to purchase the Company's financial assets. Financial assets and liabilities provide the assets and liabilities of the Company along with all of the income and expenses.

The strategies used by the Company in achieving its objectives regarding the use of its financial assets and liabilities were set when the Company entered into the transactions. The Company has matched the characteristics of its financial liabilities to its assets (after taking into account the effect of any derivative transactions) to avoid significant elements of risk generated by mismatches of investment performance against its obligations, together with any currency, maturity or interest rate risk.

For each series of Notes, the financial assets and derivative financial instruments, if any, relating to each such series either exactly match the Company's liabilities under the terms of that series of Notes or substantially match the Company's liabilities under the terms of that series of Notes except for a small margin, which is considered to be immaterial. Consequently, in the following interest rate risk, currency rate risk and liquidity risk disclosures, the Company's financial assets are presented net of all applicable derivative transactions in order to present a useful comparison against the Company's liabilities.

Cash, short-term receivables and payables have been excluded from the following disclosures.

Sensitivity analysis

In the Directors' opinion, there is no material difference between the aggregate fair value of the underlying assets and the aggregate fair value of the Notes/Loans at any time. From the perspective of the Company, any change in the fair value of the underlying assets would be matched by an equal and opposite change in the fair value of the Notes/Loans. Consequently, the Company is not exposed to market price risk, as any changes in the fair value of the underlying assets would have no overall effect on profit or loss and/or equity. Also as disclosed below, in the Directors' opinion, there is no material interest rate risk to the Company.

IFRS 7 requires disclosure of "a sensitivity analysis for each type of market risk to which the entity is exposed at the reporting date, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date." As stated, whilst the financial instruments held by the Company are separately exposed to interest rate risk and market price risk, the Company itself is not exposed to market risk overall.

IRIS II SPV DESIGNATED ACTIVITY COMPANY

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2017

20. FINANCIAL INSTRUMENTS - (CONTINUED)

Critical accounting judgements and key sources of estimation uncertainty

As described in note 1, the preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts disclosed in the financial statements. Moreover, where these are significant, further disclosure is required.

In the opinion of the Directors, the critical accounting judgements and key sources of estimation uncertainty are derived from the Company's indirect exposure to the valuation of financial assets and financial liabilities that are valued using "Level 3" methodology (i.e. using valuation parameters that are not based on observable market data and therefore classified within Level 3 under the IFRS 13 fair value hierarchy). The values of unobservable parameters result from hypotheses and/or correlations that are not based on either transaction prices observable on the same instrument on the valuation date, or observable market data available on such date. As mentioned in the sensitivity analysis disclosure, any change in the fair value of a financial asset and/or a financial liability resulting from such unobservable parameters would be matched by an equivalent change in the fair value of the Notes/Loans. Therefore any such changes have no overall net effect on either the profit or the financial position of the Company. Consequently, the Company bears no material risk in relation to any such estimation uncertainties.

Interest rate risk

The Company primarily finances its operations through the issuance of Notes/Loans upon which interest is payable. When issuing any series of Notes/Loans, the Company ensures that the net amount of interest receivable on the financial assets and derivative transactions (if any) secured with respect to each such series either exactly matches the interest payable on such Notes/Loans, or exceeds the interest payable on such Notes/Loans by a small margin that is considered to be sufficient to cover the proportion of the Company's expenses attributable to that series. Accordingly, the Directors believe that there is no material net interest rate risk to the Company. Interest rate risk is ultimately borne by the Note/Loan holders.

The interest rate profile of the Company's financial assets and liabilities, net of applicable derivative transactions, is presented below. It should be noted that this disclosure appears to show a mismatch between the interest rate risk profile of the Company's financial assets (net of applicable derivative transactions) and the interest rate risk profile of the Company's financial liabilities. However, this apparent mismatch is caused by the fact that the cash collateral for Series 18 is classified within loans and receivables, whilst the Series 18 Notes are classified within financial liabilities at fair value through profit or loss. In fact, as stated above, the Company itself has no material exposure to interest rate risk, as the interest rates applicable on its financial liabilities are either matched or marginally exceeded by the interest rates applicable on its financial assets and derivative transactions, where applicable.

| Interest charging basis | Weighted average interest rate % | 2017 | | 2016 | |
|---|----------------------------------|---------------|----------------------------------|---------------|----------------------------------|
| | | Amount | Weighted average interest rate % | Amount | Weighted average interest rate % |
| Financial assets (net of applicable derivative transactions) | | | | | |
| Financial assets at fair value through profit or loss: | | | | | |
| Fixed | 3.62% | € 421,386,211 | 3.80% | € 448,635,862 | |
| Zero | nil | € 248,306,152 | nil | € 992,853,225 | |
| Loans and receivables: | | | | | |
| Variable | 2.03% | € 725,874,767 | 2.57% | € 751,106,013 | |

IRIS II SPV DESIGNATED ACTIVITY COMPANY

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2017

20. FINANCIAL INSTRUMENTS - (CONTINUED)

Interest rate risk - (continued)

| Interest charging basis | Weighted average interest rate % | 2017 | | Weighted average interest rate % | 2016 | |
|---|----------------------------------|--------|-------------|----------------------------------|--------|-------------|
| | | Amount | | | Amount | |
| Financial liabilities | | | | | | |
| Financial liabilities at fair value through profit or loss: | | | | | | |
| Fixed | 3.62% | € | 421,386,211 | 3.80% | € | 448,635,862 |
| Variable | N/A | € | - | N/A | € | - |
| Zero | nil | € | 252,525,779 | nil | € | 998,873,312 |
| Other liabilities: | | | | | | |
| Variable | 2.03% | € | 721,655,140 | 2.57% | € | 745,085,926 |

Due to the structure of each series of Notes/Loans, movements in market interest rates are expected to have no material net effect to the profit or loss of the Company. For example, a 5% increase in market interest rates would change the income on the financial assets as well as their reported fair value but this will be offset by an equal but opposite change in the expense on the derivative financial instruments and the Notes/Loans and their reported fair values.

Currency rate risk

Net proceeds received from its underlying assets would always cover the amount and currency required to make payments due under the Notes/Loans issued. Consequently, the Directors believe that there is no material currency risk to the Company.

| | 2017 | | 2016 | |
|--------------------|------------------|-----------------------|------------------|-----------------------|
| | Financial Assets | Financial Liabilities | Financial Assets | Financial Liabilities |
| Denominated in EUR | 1,151,453,154 | 1,151,453,154 | 1,447,509,174 | 1,447,509,174 |
| Denominated in JPY | 39,132,020 | 39,132,020 | 43,844,561 | 43,844,561 |
| Denominated in USD | 682,523,120 | 682,523,120 | 701,241,365 | 701,241,365 |
| | € 1,873,108,294 | € 1,873,108,294 | € 2,192,595,100 | € 2,192,595,100 |

If the EUR had been weaker as at the reporting date by 5%, this would have resulted in €36,082,757 (2016: €37,254,256) increase in the foreign exchange gain recognised within the "Net gain/(loss) on financial assets at value through profit or loss" and "Unrealised gain/(loss) on translation of loans and receivables" lines in the statement of comprehensive income. Similarly, if the EUR had been stronger as at the reporting date by 5%, this would have resulted in €36,082,757 (2016: €37,254,256) increase in the foreign exchange loss recognised within the "Net gain/(loss) on financial assets at fair value through profit or loss" and "Unrealised gain/(loss) on translation of loans and receivables" lines in the statement of comprehensive income.

IRIS II SPV DESIGNATED ACTIVITY COMPANY

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2017

20. FINANCIAL INSTRUMENTS - (CONTINUED)

Currency rate risk - (continued)

Due to the structure of each series of Notes/Loans, the movements on the assets would be expected to match those on the Notes/Loans (taking into account the effect of any swap agreement) and thus the net effect on income would be €nil. Currency risk is ultimately borne by the Note/Loan holders.

Credit risk

The principal credit risks are the risk of failure by a Collateral counterparty to meet its obligations under the terms of the Collateral and the risk of failure by a derivative counterparty to meet its obligations under the terms of such a derivative. The maximum exposure of the Company to credit risk (without taking into account the limited recourse nature of the Notes/Loans) equal the total assets of the Company as shown in the Statement of Financial Position. As the obligations under the Notes/Loans are limited to amounts received from the underlying assets, the Directors believe that the Company has no net exposure to any non-performing financial agreements or credit risk. Credit risk is ultimately borne by the Loan/Note holders.

Société Générale has a credit rating of A (2016: A) from Standard & Poor's and HSBC Bank PLC has a credit rating of AA- (2016: A) from Standard & Poor's. Société Générale is the derivative counterparty for all derivatives entered into by the Company and the majority of the Company's cash is held with HSBC Bank PLC.

Concentration risk

Concentration risk is the risk that the Company may be exposed to any one counterparty, industry, region or asset class. The Directors believe that the Company is not exposed to any net concentration risk due to the way the Loans/Notes are structured. Each series of note has limited recourse to the proceeds of the Collateral for such Series. The Collateral and any provision for substitutions are defined at the time of issue of the Loans/Notes.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Liquidity risk is ultimately borne by the Note/Loan holders.

IFRS 7 requires the maturity profile to disclose the gross undiscounted cash flows payable on the Company's financial liabilities at maturity. However, where the amount payable at maturity is dependent upon the performance of the relevant underlying assets, it is not possible to accurately estimate such cash flows. Instead, in the opinion of the Directors, the liquidity risk of the Company is best assessed by comparing the valuation of the Company's financial liabilities to the valuation of the Company's financial assets as at the statement of financial position date, as disclosed in the maturity analysis below.

Accrued interest receivable and payable on the Company's financial instruments at fair value through profit or loss are recognised within the valuation of the relevant financial instruments and have not been presented separately in the maturity analysis below. Future interest on the notes was not included since it will be determined on future profitability and performance of the investments. For each series, the aggregate of any such accrued amounts receivable is at all times equal and opposite to the aggregate of any such accrued amounts payable. Therefore, in the opinion of the Directors, the non-disclosure of separate amounts for accrued amounts receivable and accrued amounts payable is not material to the financial statements. The maturity profile of the Company's financial assets (after taking into account the effect of derivatives) and financial liabilities is as follows:

IRIS II SPV DESIGNATED ACTIVITY COMPANY

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2017

20. FINANCIAL INSTRUMENTS - (CONTINUED)

Liquidity risk - (continued)

| Maturity of financial assets and liabilities: | <u>2017</u> | | <u>2016</u> | |
|---|------------------------|------------------------|------------------------|------------------------|
| | Financial Assets | Financial Liabilities | Financial Assets | Financial Liabilities |
| Within one year | - | - | 78,341,468 | 78,341,468 |
| In more than one year, but not more than five years | 686,878,912 | 686,878,912 | 705,893,984 | 705,893,984 |
| In more than five years | 1,186,229,382 | 1,186,229,382 | 1,408,359,648 | 1,408,359,648 |
| | <u>€ 1,873,108,294</u> | <u>€ 1,873,108,294</u> | <u>€ 2,192,595,100</u> | <u>€ 2,192,595,100</u> |

Fair value of financial instruments not measured at fair value in the statement of financial position

| | <u>2017</u> | | <u>2016</u> | |
|-------------------------------|----------------------|----------------------|----------------------|----------------------|
| | Carrying value | Fair value | Carrying value | Fair value |
| Loans and receivables: | | | | |
| Non-current assets | 725,874,767 | 723,158,527 | 749,738,545 | 749,759,547 |
| Current assets | - | - | 1,367,468 | 1,367,468 |
| | <u>€ 725,874,767</u> | <u>€ 723,158,527</u> | <u>€ 751,106,013</u> | <u>€ 751,127,015</u> |
| Other liabilities: | | | | |
| Non-current liabilities | 721,655,140 | 718,938,900 | 743,718,458 | 743,739,460 |
| Current liabilities | - | - | 1,367,468 | 1,367,468 |
| | <u>€ 721,655,140</u> | <u>€ 718,938,900</u> | <u>€ 745,085,926</u> | <u>€ 745,106,928</u> |

The loans and receivables and other liabilities consist of long term deposits and securities lending agreement with SG with market interest rates therefore the fair value of the Company's financial instruments classified as loans and receivables and other liabilities approximate their carrying values.

Future interest on the investments and notes were not included since these will be determined on future profitability and performance of the investments.

Fair value of financial instruments measured at fair value in the statement of financial position

| | <u>2017</u> | | <u>2016</u> | |
|--|------------------------|------------------------|-------------|------------|
| | Fair value | Fair value | Fair value | Fair value |
| Financial assets: | | | | |
| Financial assets at fair value through profit or loss | 1,311,029,836 | 1,648,368,168 | | |
| Credit default swaps | 136,164 | - | | |
| | <u>€ 1,311,166,000</u> | <u>€ 1,648,368,168</u> | | |
| Financial liabilities: | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| - Notes issued | 903,283,166 | 871,379,827 | | |
| - Indexed deposits (fully funded swap agreement) | 248,169,988 | 576,129,347 | | |
| Interest rate swaps | 163,932,473 | 206,605,858 | | |
| Credit default swaps | - | 273,222 | | |
| | <u>€ 1,315,385,627</u> | <u>€ 1,654,388,254</u> | | |

IRIS II SPV DESIGNATED ACTIVITY COMPANY

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2017

20. FINANCIAL INSTRUMENTS - (CONTINUED)

Financial assets and financial liabilities by fair value hierarchy

To increase consistency and comparability in fair value measurements and related disclosures, IFRS 13 establishes a fair value hierarchy that categorizes into three levels the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets that the entity can access at the measurement date. A quoted price in an active market provides the most reliable evidence of the asset's fair value.

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. The fair values are estimated using valuation techniques or valuation models based on market prices or rates prevailing at the balance sheet date.

Level 3 in the fair value hierarchy consists of those types of assets which fair values cannot be obtained directly from the quoted market prices or indirectly using valuation techniques or models supported by observable market prices or rates.

The derivative financial instruments, mainly because of their many features are not subject to a direct quotation on the markets. For these instruments, the fair value is determined by Société Générale Corporate Investment Banking using valuation techniques commonly used by market participants to assess financial instruments such as discounted future cash flows for swaps or the Black & Scholes model for some options and using valuation parameters for which the estimate value is based on market conditions existing at the end of the period. Prior to their use, these valuation models are validated by independent experts of the Market Risk Department among the Group Risk Management of Société Générale who perform back-testing consistency checks on such valuation models. Besides, the parameters used in valuation models, whether they come from observable markets or not, are deeply monitored on a monthly basis by experts from the Market Risk Department among the Group Risk Management and supplemented if needed by the necessary reserves (including liquidity and bid-ask).

The following tables analyse within the fair value hierarchy the Company's financial assets and liabilities measured at fair value as at 30th June 2017 and 30th June 2016.

| | Level 1 | Level 2 | Level 3 | Total |
|--|-----------------|-----------------|------------------|------------------|
| <i>30th June 2017 - carried at fair value</i> | | | | |
| Financial assets at fair value through profit or loss | € 1,118,464,836 | € 192,565,000 | € - | € 1,311,029,836 |
| Credit default swaps | - | - | 136,164 | 136,164 |
| Financial liabilities at fair value through profit or loss | | | | |
| - Notes issued | € - | € (57,703,651) | € (845,579,515) | € (903,283,166) |
| - Indexed deposit (fully funded swap agreement) | € - | € - | € (248,169,988) | € (248,169,988) |
| Interest rate swaps | € - | € (11,176,690) | € (152,755,782) | € (163,932,472) |

IRIS II SPV DESIGNATED ACTIVITY COMPANY

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2017

20. FINANCIAL INSTRUMENTS - (CONTINUED)

Financial assets and financial liabilities by fair value hierarchy - (continued)

IFRS requires disclosure of fair values of financial assets and financial liabilities carried at amortised cost.

| | Level 1 | Level 2 | Level 3 | Total |
|---|-----------------|------------------|------------------|------------------|
| <i>30th June 2017 - carried at amortised cost</i> | | | | |
| Loans and receivables | € - | € 4,286,908 | € 718,871,619 | € 723,158,527 |
| Other liabilities | € - | € - | € (718,938,900) | € (718,938,900) |
| <i>30th June 2016 - carried at fair value</i> | | | | |
| Financial assets at fair value through profit or loss | € 1,362,692,090 | € 285,676,078 | € - | € 1,648,368,168 |
| Financial liabilities at fair value through profit or loss - Notes issued | € - | € (62,015,996) | € (809,363,831) | € (871,379,827) |
| Indexed deposit (fully funded swap agreement) | € - | € - | € (576,129,347) | € (576,129,347) |
| Credit default swaps | - | - | (273,222) | (273,222) |
| Interest rate swaps | € - | € (110,055,191) | € (96,550,667) | € (206,605,858) |
| <i>30th June 2016 - carried at amortised cost</i> | | | | |
| Loans and receivables | € - | € 6,020,087 | € 745,085,926 | € 751,106,013 |
| Other liabilities | € - | € - | € (745,085,926) | € (745,085,926) |

Financial assets and financial liabilities measured at fair value

There were no transfers between level 1 to level 2 during the current and prior years. During the year, interest rate swap with a fair value of €68,153,776 was transferred from level 2 to level 3 and €8,490,111 was transferred from level 3 to level 2 (2016: no transfer).

Changes in financial assets and liabilities classified within level 3 for the financial year ended 30th June 2017 and 2016 are as follows:

| | Opening fair value | Additions and redemptions (net) | Realised and unrealised gains/(losses) | Closing fair value |
|---|--------------------|---------------------------------|--|--------------------|
| | € | € | € | € |
| 30th June 2017 | | | | |
| Credit default swaps | (273,222) | - | 409,386 | 136,164 |
| Financial liabilities at fair value through profit or loss - Notes issued | (809,363,831) | 448,146,951 | (484,362,635) | (845,579,515) |
| Indexed deposit (fully funded swap agreement) | (576,129,347) | (390,258,833) | 718,218,192 | (248,169,988) |
| Interest rate swaps | (96,550,667) | 59,663,665 | (115,868,780) | (152,755,782) |

IRIS II SPV DESIGNATED ACTIVITY COMPANY

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2017

20. FINANCIAL INSTRUMENTS - (CONTINUED)

Financial assets and financial liabilities measured at fair value - (continued)

| | Opening fair value | Additions and redemptions (net) | Realised and unrealised gains/(losses) | Closing fair value |
|---|--------------------|---------------------------------|--|--------------------|
| 30th June 2016 | € | € | € | € |
| Financial assets at fair value through profit or loss | 314,756,345 | - | (314,756,345) | - |
| Credit default swaps | 962,750 | - | (1,235,972) | (273,222) |
| Financial liabilities at fair value through profit or loss - Notes issued | (955,303,919) | 387,510,285 | (241,570,197) | (809,363,831) |
| Indexed deposit (fully funded swap agreement) | (729,831,191) | - | 153,701,844 | (576,129,347) |
| Interest rate swap | (156,346,672) | - | 59,796,005 | (96,550,667) |

Fair value measurements

Estimate of main unobservable inputs for financial instruments, the fair value for which is classified within level 3 of the fair value hierarchy:

| Product Category | Valuation technique | Unobservable parameters |
|--|--|---|
| Series 18 credit default swap | Different valuation models for interest rate, equity or hybrid | Credit correlation |
| Series 20 and 29 debt security collateral* | Fair value estimated at the notional amount of the transaction | Repo rate homogeneous to the transaction |
| Series 25 and Series 26 interest rate derivative | Hybrid model for rate and credit | Hybrid model rate/credit, rate/credit correlation and volatility of default intensity |
| Series 30 and Series 31 | Different valuation models for equity or hybrid derivatives | Credit/equity correlation |

*These relate to loans and receivables carried at amortised cost which are classified as level 3.

An increase in the credit correlation by 6% would result in a decrease of approximately €12,600 (2016: €74,000 based on increase in credit correlation by 6%) in the fair value of the credit default swap on Series 18 and therefore cause a decrease of the same amount in the fair value of the Series 18 Notes. Conversely, a decrease in the credit correlation by 6% would result in an increase of approximately €12,600 (2016: €74,000 based on decrease in credit correlation by 6%) in the fair value of the credit default swap on Series 18 and therefore cause an increase of the same amount in the fair value of the Series 18 Notes. In the Directors' opinion, there is no material uncertainty in the valuation of the cash collateral in Series 18.

A change in the credit-equity correlation by 32% would result in a change in fair value of the Series 30 equity linked swap of approximately €60,772 with an opposite and equivalent change to the fair value of the Series 30 Notes. Similarly, a change in credit-equity correlation by 32% would result in a change in fair value of the Series 31 equity linked swap of approximately €76,694 with an opposite and equivalent change to the fair value of the Series 31 Notes.

In the Directors' opinion, a reasonably possible change in the unobservable parameters used in the estimation of the Series 25 and Series 26 derivatives would have no material impact on the fair value of the Series 25 and 26 Notes. In addition, any reasonably possible change to the repo rate on Series 20 and Series 29 underlying assets would have no material impact on the fair values of the Series 20 and Series 29 Notes. Consequently, in the Directors' opinion, there is no material uncertainty in the valuation of the Notes.

IRIS II SPV DESIGNATED ACTIVITY COMPANY

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2017

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| Related Note Issue | Nominal | Maturity Date | CCY | Description | Coupon | Fair value hierarchy level | Fair value at 2017 | Fair value at 2016 |
|--------------------|-------------|---------------|-----|---------------------------------------|------------|----------------------------|------------------------|------------------------|
| Investments | | | | | | | | |
| Series 22/2014 | 36,419,000 | 25/04/2035 | EUR | French Government OAT | 4.75% p.a. | 1 | 56,355,090 | 61,165,990 |
| | 13,581,000 | 25/04/2035 | EUR | French Government OAT - lending to SG | 4.75% p.a. | 1 | 21,015,362 | 25,855,962 |
| Series 23/2014 | 47,062,000 | 25/10/2025 | EUR | French Government OAT | 6% p.a. | | - | 74,871,862 |
| | 66,038,000 | 25/10/2025 | EUR | French Government OAT - lending to SG | 6% p.a. | | - | 105,061,153 |
| Series 24/2014 | 15,000,000 | Various | EUR | Euro Medium Term Note Securities | Zero | | - | 19,243,500 |
| | 51,850,000 | 25/10/2025 | EUR | French Government OAT | 6% p.a. | | - | 82,489,185 |
| | 61,350,000 | 25/10/2025 | EUR | French Government OAT - lending to SG | 6% p.a. | | - | 97,602,922 |
| Series 25/2014 | 15,000,000 | Various | EUR | Euro Medium Term Note Securities | Zero | | - | 19,243,500 |
| | 125,000,000 | 25/04/2035 | EUR | French Government OAT - lending to SG | 4.75% p.a. | 1 | 193,426,130 | 217,554,880 |
| Series 26/2014 | 125,000,000 | Various | EUR | Euro Medium Term Note Securities | Zero | 2 | 192,565,000 | 208,702,078 |
| | 144,363,000 | 25/04/2035 | EUR | French Government OAT | 4.75% p.a. | 1 | 223,388,611 | 241,402,376 |
| Series 27/2014 | 55,637,000 | 25/04/2035 | EUR | French Government OAT - lending to SG | 4.75% p.a. | 1 | 86,093,197 | 106,685,432 |
| | 50,787,000 | 25/10/2025 | EUR | French Government OAT | 6% p.a. | | - | 80,798,037 |
| | 59,213,000 | 25/10/2025 | EUR | French Government OAT - lending to SG | 6% p.a. | | - | 94,203,127 |
| Series 28/2014 | 15,000,000 | Various | EUR | Euro Medium Term Note Securities | Zero | | - | 19,243,500 |
| | 54,159,000 | 25/10/2025 | EUR | French Government OAT | 6% p.a. | | - | 86,162,619 |
| | 55,841,000 | 25/10/2025 | EUR | French Government OAT - lending to SG | 6% p.a. | | - | 88,838,545 |
| Series 30/2016 | 15,000,000 | Various | EUR | Euro Medium Term Note Securities | Zero | | - | 19,243,500 |
| | 210,078,000 | 20/12/2027 | EUR | French Government OAT | Zero | 1 | 253,329,895 | - |
| Series 30/2016 | 13,022,000 | 20/12/2027 | EUR | French Government OAT - lending to SG | Zero | 1 | 15,703,034 | - |
| Series 31/2016 | 203,508,000 | 20/12/2027 | EUR | French Government OAT | Zero | 1 | 245,407,231 | - |
| Series 31/2016 | 19,692,000 | 20/12/2027 | EUR | French Government OAT - lending to SG | Zero | 1 | 23,746,286 | - |
| | | | | | | | € 1,311,029,836 | € 1,648,368,168 |

IRIS II SPV DESIGNATED ACTIVITY COMPANY

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2017

22. LOANS AND RECEIVABLES

| Related Loan Issue | Nominal | Maturity Date | CCY | Description | Coupon | Fair value hierarchy level | Amortised cost at 2017 | Amortised cost at 2016 |
|--------------------------|---------------|------------------|-----|--|----------------------------|----------------------------------|---------------------------|---------------------------|
| Series 18/2013 | 30,000,000 | 20/11/2020 | EUR | Cash Collateral with Société Générale | Variable | 2 | 4,219,627 | 6,020,087 |
| Series 20/2013 | 777,000,000 | 25/10/2022 | USD | Securities Lending Agreement with Société Générale | 3M USD LIBOR BBA +1.15% | 3 | 682,523,120 | 701,241,365 |
| Series 29/2015 | 5,000,000,000 | 08/12/2035 | JPY | Securities Lending Agreement with Société Générale | Variable | 3 | 39,132,020 | 43,844,561 |
| | | | | | | | <u>€ 725,874,767</u> | <u>€ 751,106,013</u> |

IRIS II SPV DESIGNATED ACTIVITY COMPANY

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2017

23. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

| Related Note Issue | Nominal | Maturity Date | CCY | Note description | Coupon | Fair value hierarchy level | Fair value at | |
|---|-------------|------------------|-----|--|--------|----------------------------------|-----------------|-----------------|
| | | | | | | | 2017 | 2016 |
| Notes issued | | | | | | | | |
| Series 18/2013 | 30,000,000 | 20/11/2020 | EUR | Secured Credit Linked Notes due 2020 | Zero | 3 | 4,355,791 | 5,746,865 |
| Series 22/2014 | 50,000,000 | 27/04/2035 | EUR | OAT 2035 Collateral Fixed Income Structured Interest Notes | 2.46% | 2 | 57,703,651 | 62,015,996 |
| Series 23/2014 | 113,100,000 | 20/12/2025 | EUR | Structured Index Linked Notes due 2025 | Zero | - | - | 99,006,352 |
| Series 24/2014 | 113,200,000 | 20/12/2025 | EUR | Structured Index Linked Notes due 2025 | Zero | - | - | 103,193,180 |
| Series 25/2014 | 125,000,000 | 27/04/2035 | EUR | Multi-Collateral Fixed Income Structured Interest Notes due 2035 | 2.31% | 3 | 138,802,758 | 145,440,585 |
| Series 26/2014 | 200,000,000 | 27/04/2035 | EUR | OAT 2035 Collateral Fixed Income Structured Interest Notes | 2.035% | 3 | 224,879,802 | 241,179,281 |
| Series 27/2014 | 110,000,000 | 20/12/2025 | EUR | Structured Index Linked Notes due 2025 | Zero | - | - | 104,795,523 |
| Series 28/2014 | 110,000,000 | 20/12/2025 | EUR | Structured Index Linked Notes due 2025 | Zero | - | - | 110,002,045 |
| Series 30/2016 | 223,100,000 | 20/12/2027 | EUR | Structured Index Linked Notes due 2027 | Zero | 3 | 241,196,723 | - |
| Series 31/2016 | 223,200,000 | 20/12/2027 | EUR | Structured Index Linked Notes due 2027 | Zero | 3 | 236,344,441 | - |
| | | | | | | | 903,283,166 | 871,379,827 |
| Indexed deposit (fully funded swap agreements) | | | | | | | | |
| Series 23/2014 | 113,100,000 | 20/12/2025 | EUR | Equity linked swap agreement with Société Générale | Zero | - | - | 100,170,163 |
| Series 24/2014 | 113,200,000 | 20/12/2025 | EUR | Equity linked swap agreement with Société Générale | Zero | - | - | 96,142,427 |
| Series 25/2014 | 125,000,000 | 27/04/2035 | EUR | Equity linked swap agreement with Société Générale | Zero | 3 | 187,524,706 | 206,124,998 |
| Series 27/2014 | 110,000,000 | 20/12/2025 | EUR | Equity linked swap agreement with Société Générale | Zero | - | - | 89,449,141 |
| Series 28/2014 | 110,000,000 | 20/12/2025 | EUR | Equity linked swap agreement with Société Générale | Zero | - | - | 84,242,618 |
| Series 30/2016 | 223,100,000 | 20/12/2027 | EUR | Equity linked swap agreement with Société Générale | Zero | 3 | 27,836,206 | - |
| Series 31/2016 | 223,200,000 | 20/12/2027 | EUR | Equity linked swap agreement with Société Générale | Zero | 3 | 32,809,076 | - |
| | | | | | | | 248,169,988 | 576,129,347 |
| | | | | | | | € 1,151,453,154 | € 1,447,509,174 |