

**DFS B.V.**

**Pillar III Disclosures**

**31 December 2014**

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# 1. Overview

## 1.1 Principal activities

Dell Bank International Limited ('the Bank') was incorporated on 15 August 2011 and is an indirect wholly owned subsidiary of Denali Holdings Inc, incorporated in the United States of America. Denali Inc. is a joint investment vehicle for the partnership of Michael Dell and Silver Lake Partners.

The principal activity of the Bank is the provision of financing solutions to end users of products and services sold by Dell entities in Europe. This includes leases and loan arrangements, rentals and asset management facilities to all Dell business segments and with third party providers.

The Bank commenced trading on 24 June 2013 and since then has provided financial services to customers based in United Kingdom, Ireland, Belgium, Netherlands, Luxembourg, Germany, Austria, Switzerland, France, Italy, Spain, Portugal, Denmark, Sweden, Finland and Norway. The Bank is regulated by the Central Bank of Ireland ('CBI') and has an Irish banking licence under the Central Bank of Ireland Act 1971 (as amended). The Bank is subject to the CBI's revised Corporate Governance Code for Credit Institutions and Insurance Undertakings 2013 which imposes minimum core standards upon all credit institutions licensed by the CBI. The Bank is not required to comply with the additional Corporate Governance Code requirements for High Impact designated institutions.

On 1 November 2014, the Bank acquired a €28m portfolio of receivables and leased assets at fair value). These receivables and leased assets principally relate to financing of Dell equipment.

## 1.2 Capital Requirements Regulation

The Capital Requirements Directive (CRD IV) and the Capital Requirements Regulation (CRR) were of the EU on 27 June 2013 (Collectively known as "CRD IV"). The CRR had direct effect in EU member states and CRD IV was required to be implemented through national legislation in EU member states by 31 December 2013. The CRD IV legislation is being implemented on a phased basis from 1 January 2014, with full implementation by 2019.

CRD and CRR effectively transposed the Basel III accord into law. The Basel III accord is made up of three Pillars.

- Pillar I sets out the regulatory prescribed rules for calculating the minimum capital requirements covering credit risk, operational risk and market risk.
- Pillar II requires banks to have in place an Internal Capital Adequacy Assessment Process ("ICAAP"), under which banks calculate their own estimate of the capital requirements to cover all material risks. The ICAAP is forward looking and assesses capital adequacy under base and stress scenarios. An institution's ICAAP is subject to supervisory review and evaluation.
- Pillar III requires disclosure to the market of certain qualitative and quantitative information relating to an institution's risk profile and risk management processes.

This document presents the Bank's Pillar III disclosures as at 31 December 2014 as required by the Article 13 of the Capital Requirements Regulation ("CRR").

### **1.3 Distinction between IFRS and Pillar III Quantitative Disclosures**

It should be noted that there are fundamental differences in the basis of calculation between financial statement information based on IFRS accounting standards and Basel Pillar 1 information based on regulatory capital adequacy concepts and rules. While some of the Pillar 3 quantitative disclosures based on Basel methodologies may be comparable with quantitative disclosures in the Annual Report 31 December 2014 in terms of disclosure topic covered, any comparison should bear the differences relating to the scope of application and calculations in mind.

The disclosures contained in this document have not been subject to external audit.

### **1.4 Scope of Application**

The Bank's regulatory banking licence requires both Dell Bank International Limited "DBIL" (solo basis) and the Parent Company, DFS BV, (Consolidated basis) to file regulatory returns with the Central Bank for the purpose of assessing, inter alia, their capital adequacy and balance sheets. In line with CRR requirements under Article 13(2), the risk based figures provided in the below tables are derived from the year end consolidated COREP returns that were submitted to the Central Bank of Ireland.

The Audited Financial Statements are presented at Dell Bank International Limited level and therefore scope of application differs to the Pillar III requirements.

DFS B.V.'s sole purpose is to act as a holding company for the Bank. Therefore to reflect the risk profile of the Bank the qualitative information below has been presented on a solo basis.

## 2 Own funds and capital management

### 2.1 Capital Resources

The Bank is predominantly funded by capital (comprising share capital, capital contribution, subordinated debt and reserves) and an intercompany loan from Dell Global BV which is the parent entity of DFS BV. Dell Inc. has provided and will continue to provide funding to the Bank (subject to any legal or regulatory requirements), to the extent that the Bank:

- is not otherwise able to comply with the capital and liquidity requirements of CRD IV or the requirements set out by the Central Bank of Ireland, or,
- Requires funding to meet any business or lending commitment as and when they fall due.

The following table sets out the Own Funds of the Bank (see appendix 1 for EBA uniform templates including nature and amounts of the prudential filters<sup>1</sup> and appendix 3 for a reconciliation of the own funds).

<b>Regulatory Capital</b>	<b>2014</b>
<i>In thousands of Euro</i>	
<b>Tier 1 Capital</b>	
Share Capital	50,018
Capital Contribution	177,500
Goodwill	(13,226)
Intangible Assets	(24,233)
Reserves	(57,765)
Common Equity Tier 1	<b>132,294</b>
Additional Tier 1	-
<b>Total Tier 1 Capital</b>	<b>132,294</b>
<b>Tier 2</b>	
Subordinated Debt	65,000
General Provisions <sup>2</sup>	1,494
<b>Total Tier 2 Capital</b>	<b>66,494</b>
<b>Total Own Funds</b>	<b>198,788</b>
<b>Risk Weighted Assets</b>	<b>707,359</b>
<b>Total Capital Ratio</b>	<b>28.10%</b>

<sup>1</sup> Prudential Filters under article 36 of the CRR are; losses for the current year, intangible assets and goodwill.

<sup>2</sup> Under the CBI 'Implementation of Competent Authority Discretions and Options in CRD IV and CRR', Section 2 Transitional Arrangements, IBNR provisions are being phased out from tier 2 eligibility.

During the past year, the Bank has complied in full with all its externally imposed capital requirements

## 2.2 Capital Instruments

The subordinated Loan entered into June 2013 bears interest at rates fixed in advance for periods of three months. The Bank's dated subordinated notes are repayable in 2023 in full. The Bank has not had any defaults of principal, interest or other breaches with respect to their liabilities during the year. The loan is subordinated to other debt held.

The following table details the main terms and conditions of the Group's capital instruments. A full description of the main features of the capital instruments is located in Appendix 2

<i>In thousands of Euro</i>	<b>Reference rate</b>	<b>Funding Date</b>	<b>Maturity</b>	<b>31-Dec-14</b>
	%			
Subordinated Loan	3mth Euro Libor	Jun 2013	Jun 2023	65,000
Accrued interest payable				153
<b>Total Subordinated Liabilities</b>				<b>65,153</b>

## 2.3 Minimum Capital Requirements

The bank uses the Standardised Approach for the calculation of its Pillar I capital requirements for credit risk. The capital requirements for market risk are calculated in accordance with the Standardised Measurement Method. Operational Risk capital is determined using the Basic Indicator Approach.

The following table sets out the minimum capital required of the Bank under CRD IV,

### **Risk Capital Held as at 31 December 2014**

*In thousands of Euro*

**Pillar I**

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<b>Credit Risk Exposure Classes</b>	
Central Governments and Central Banks	2,424
Regional Governments	192
Institutions	1,490
Corporates	33,471
Default	838
Other Items	11,383
<b>Market Risk</b>	
Foreign Exchange Risk	1,680
Operational Risk	5,110
<hr/> <b>Total Pillar I Capital Requirements</b> <hr/>	
	<b>56,588</b>

The Bank assesses its capital adequacy on a Pillar I basis through the COREP<sup>3</sup> process. The Bank also has in place an Internal Capital Adequacy Process (ICAAP) to assess the adequacy of the bank's capital in light of supporting current and future activities. The Bank's Asset and Liability Committee ("ALCO") is the primary management committee responsible for the ICAAP which is reviewed and approved by the Risk Committee and Board. The Risk Committee and the Board review and assess the capital needs of the Bank on a regular basis. A key objective of the Bank's Risk Appetite Framework is to meet its minimum regulatory requirements at all times.

## 2.4 Capital Management

The Bank's key objectives with regard to managing capital are:

- To comply with the capital requirements set by the Central Bank of Ireland;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's Regulatory function. The Bank holds own funds in the form of capital which will always be more than or equal to the higher of capital charges calculated under Pillar I or Pillar II (ICAAP).

## 2.5 Capital Planning

A number of different modelling tools are used in the financial and capital planning process. Modifications may be made to models based upon the requirements of the relevant planning or forecast cycle including new regulatory requirements. Refinements in forecasting methodologies as well as changing business dynamics may also result in adjustments to existing and/or creation of new planning models.

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<sup>3</sup> Common Reporting (COREP) is a standardised reporting framework issued by the European Banking Authority for Capital Requirements Regulation reporting.

Once all the inputs have been finalised a three year financial plan is reviewed and approved by senior management, ALCO and the Board. Updated forecasts are produced during the year taking account of latest developments and up to date outlook.

The capital plan is based on the three year financial plan which is sufficiently detailed in terms of asset class, industry sectors, currency breakdowns, impairments and provisioning to enable a comprehensive view of the capital requirements projections. All key components of the Bank's Pillar I capital adequacy ratio are included in the plan.

A capital forecast is presented monthly to the ALCO who review the actual and forecasted performance and recommend if any additional capital is required. The Board also consider the Pillar I capital adequacy position on a quarterly basis.

The ICAAP is aligned with the financial planning process. ALCO reviews and approves the Internal Capital Adequacy Assessment Report which is then presented to the Risk Committee and Board for review and approval.

### **3 Risk management**

#### **Introduction**

The Bank's approach to ascertaining and monitoring the primary risks and uncertainties it faces is informed by identified risk. The Bank's operations involve, to varying degrees, the evaluation, acceptance and management of these risks. The risks that the Bank faces are mitigated by the use of controls which form part of the Bank's risk management framework.

Senior management are responsible for the management of risk on a day-to-day basis, under the oversight of the Board. The Bank has implemented a risk culture which promotes transparency and has established a risk governance structure that is supported by an appropriate Risk Management Framework and Risk Appetite, reflecting the size, complexity and risk profile of the Bank.



### 3.1 Risk Framework

The Board and senior management have designed the Bank's Risk Management Framework and the Internal Control framework to support the Bank's Risk Appetite. Each Framework regards managing risks as an essential part of successfully operating the Bank. Senior Management continually review the operations of the Bank and assess the level of risk in line with the Bank's Risk Appetite, its policies and controls, changes in its products and services, and changes in the market place in which it operates.

#### Risk Appetite

The Bank's Risk Appetite is expressed in both qualitative and quantitative terms. The Bank's risk culture is based on the risks that the Bank faces and how they are managed; taking into account its Risk Appetite. The Bank has defined internal governance structures and arrangements, including an organisational structure with defined lines of responsibility; a Risk Management framework designed to promote sound and effective risk management, including identifying, measuring, monitoring and ensuring the management of the risks to which the Bank is exposed; and an Internal Controls framework designed to support adequate internal control mechanisms.

Material risks are deemed to be those risks which may impact the Bank's ability to deliver on its business plan, service its customers, operate in a legal and compliant manner, impact the Bank's brand and reputation or cause financial loss exceeding Risk Appetite tolerances. Non-material risks are deemed to be those which do not impact the Bank's ability to deliver on its business plan, service its customers, operate in a legal and compliant manner, impact the Bank's reputation and brand. Non-material risks may cause financial loss within Risk Appetite plan tolerances.

The Board, as supported by Senior Management, is responsible for setting the Bank's Risk Appetite and risk tolerance at a level which is commensurate with its business plan, the expectations and requirements of its parent, and the Central Bank of Ireland. The key material risks that have been identified are as follows:

- Credit Risk (including Credit Concentration Risk)
- Market Risk
- Liquidity Risk
- Residual Asset Value Risk
- Operational Risk
- Balance Sheet Measurement
- Reputational Risk
- Regulatory Compliance Risk

For each material risk the Bank has defined a risk tolerance level, monitoring and reporting metrics and a comprehensive framework for managing risk which includes policies, internal controls and management information. The Bank also monitors other risks which have been determined to be non-material.

#### Three lines of defence model

The Bank utilises a 'three lines of defence' approach to ensure that appropriate responsibility is allocated for the management, reporting and escalation of risks.

A key aspect of implementing a strong Internal Control framework is the first line of defence i.e. the functional business areas and management who are responsible for establishing and maintaining adequate internal control policies and procedures. The Board and Senior Management of the Bank recognise the responsibility of the first line of defence in identifying and managing the risks inherent in the Bank's products, services, activities, processes and systems for which it is accountable. In accordance with the Bank's Risk and Control Self-Assessment framework, functional business areas have primary responsibility for assessing and testing the operational effectiveness of the Bank's controls.

The second line of defence comprises the Risk Management Function, the Compliance Function and the Risk Committee. The second line of defence ensures the appropriate development and maintenance of systems by the first line of defence for effective and efficient operations; adequate control of risks; prudent conduct of business; reliability of financial and non-financial information reported or disclosed (both internally and externally); and compliance with laws, regulations, supervisory requirements and the Bank’s internal policies and procedures. The Bank’s second line of defence covers the whole organisation and the activities of all business, support and control units, including any outsourced activities.

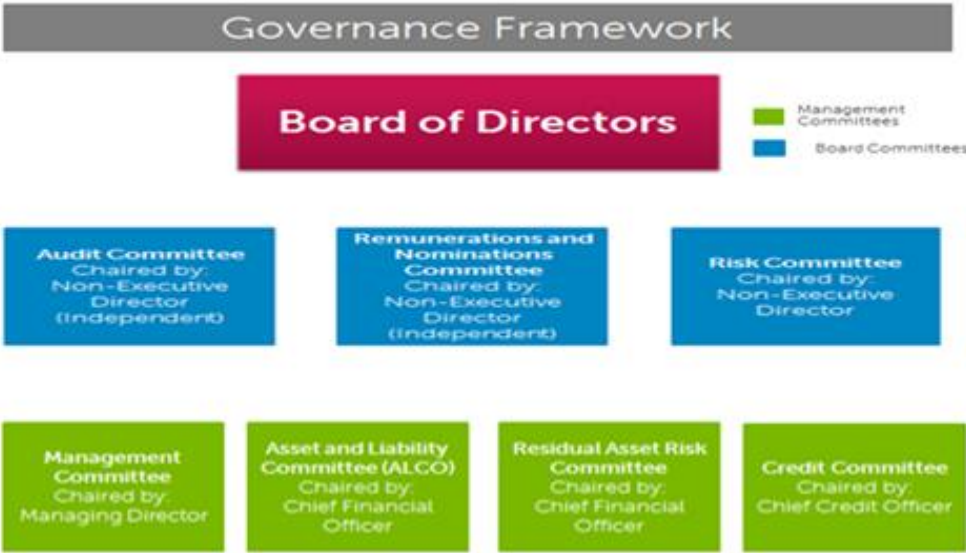
The third line of defence, provided by Internal Audit, provides independent assurance to management and to the Audit Committee and the Board. It ensures that controls are in place for identified risks, that the controls are appropriately designed and operating effectively, and that the risks are being managed within the Bank’s Risk Appetite. The third line of defence reviews the effectiveness of the first and second lines of defence and makes recommendations for improvement as required.

**3.2 Risk Governance**

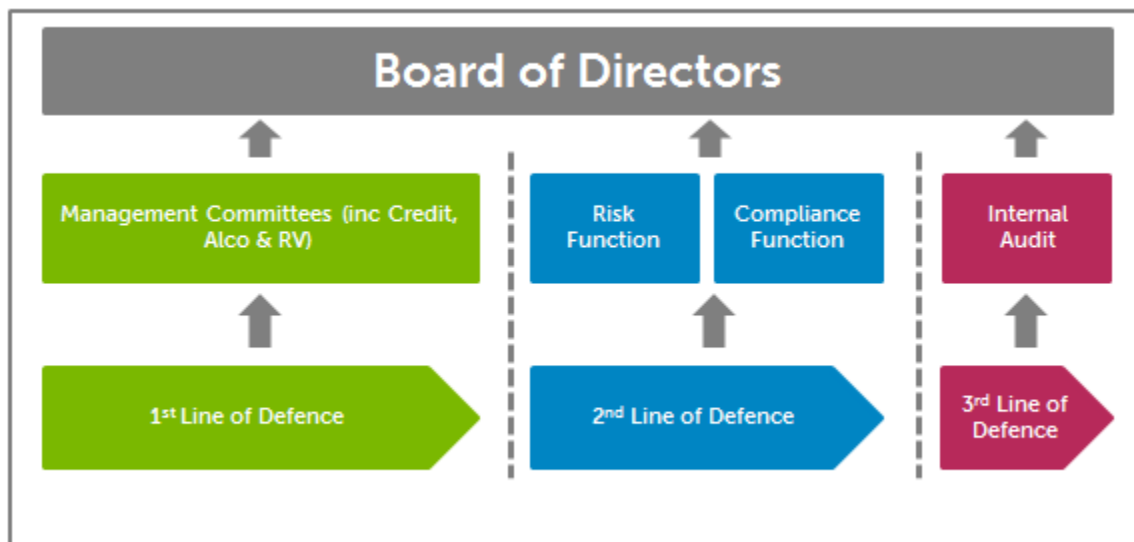
The Bank’s organisational structure is designed to promote effective and prudent risk management of the Bank’s activities. The mechanisms through which this is achieved include:

- A documented Board Charter which sets out the matters reserved for the Board and a Delegated Authority Matrix;
- Terms of References for all Board Committees which set out the decision making authorities and responsibilities of each Committee; Management Committee Terms of References which set out the responsibilities and reporting lines of each Committee;
- Formal documented organisational and corporate structures, and defined and functional job descriptions.

**Diagram: Committees included in the Governance Framework**



**Diagram: Oversight and Information flow – Management Committees**



\* The Board Committees are: Risk Committee, Remunerations and Nominations Committee and Audit Committee as shown in the graph above

## Board Committees

The Audit Committee has been delegated responsibility by the Board to provide oversight in respect of the financial reporting process, the quality and integrity of the Bank's financial statements, and internal control framework of the Bank. The Internal Audit function reports to the Audit Committee.

The Remuneration and Nomination Committee is responsible for determining the remuneration policy and framework in compliance with Central Bank of Ireland and European Banking Authority requirements. The Committee has oversight of the Remuneration policy to ensure effective risk management and recruitment of suitable candidate to fill the board and senior management vacancies. The Committee is also responsible for reviewing and approving performance based remunerations and proposed employee share plans.

The Risk Committee of the Bank is responsible for oversight and advice to the Board on the significant risk exposures of the Bank and future risk strategy. The Risk Committee will advise the Board on risk appetite and tolerance for future strategy, taking account of the Board's overall risk appetite, the current financial position of the Bank and drawing on the work of the Audit and ALCO Committee, the capacity of the Bank to manage and control risks within the agreed strategy. The Risk Committee will also oversee the Bank's Risk Management function.

The Bank's Risk Management Function supports the Risk Committee in its activities and responsibilities. Responsibility for risk management policies and risk tolerances lies with the Board of Directors. The Board of Directors has delegated authority to the Risk Committee to take all actions necessary to perform its duties and responsibly in overseeing risk.

Board Committees meet at a minimum on a quarterly basis.

### **Management Committees:**

The Management Committee is responsible for the overall management of the Bank in accordance with the Board Charter and its Terms of Reference. The Management Committee is charged with identifying and managing the core operating needs of the Bank.

The Asset and Liability Committee (ALCO) is responsible for the management of the balance sheet of the Bank, including capital adequacy in accordance with the risk appetite approved by the Board and the Bank's ICAAP framework. The ALCO responsibilities also include establishing and maintaining appropriate procedures for the management of liquidity risk, market risk and contingency funding that are consistent with the strategy and policy approved by the Board.

The Residual Asset Risk Committee of the Bank is responsible for the setting, validation and monitoring of residual asset risk for the Bank. The responsibilities include monitoring adherence to residual asset risk and reviewing strategies and policies regarding setting of Residual Values.

The Credit Committee has been delegated responsibility by the Board to formulate the credit policies and procedures, to oversee the credit administration function and associated credit risk management. The responsibility of the Credit Committee includes monitoring of the quality of credits granted, and considering reviews of the internal credit controls, including the effectiveness of the internal credit function. The Credit Committee is responsible for the overall management of credit exposures of the Bank. Credit exposures include both transactional and commercial credit. The responsibilities of the Credit Committee include establishing and developing the Credit Policy and recommending it to the Risk Committee for approval; implementing the credit authorities' matrix, manual grading/rating methodologies and automated scoring thresholds approved by the Risk Committee; and establishing pricing frameworks and risk/return minimum profitability hurdles and models.

Management Committees meet on a monthly basis.

### **3.3 Board of Directors**

#### *Appointments to the Board*

In assessing a candidate for a Board position, the Board will bear in mind the predefined criteria which illustrate the skills and attributes desired of candidates for the Board per the various regulatory requirements. This information will also be considered in light of the criteria to assess the knowledge, skills and experience of potential candidates as part of the process for considering whether the candidate is suitable for the role in question in a pan-European, regulated credit institution.

#### *Composition of the Board*

At close of business on 31 December 2014, the Board comprised seven Directors.

**Cormac Costelloe**

Cormac Costelloe serves as Vice President and General Manager of DFS EMEA. In this role, he is an EMEA leader and a founding member of the management team that was responsible for setting-up and developing our European captive finance bank. Cormac leads DFS team in EMEA responsible for providing Dell customers with financing products that represent an integral part of Dell's customer-focused end-to-end technology solutions offerings.

Before joining Dell, Cormac was Managing Director of CIT Vendor Finance Europe. Over his 20 year career, Cormac's experience is based around leadership roles in credit and business development at a number of leading financial institutions such as ABN-AMRO, ING Barings, Danske Bank and Hewlett-Packard's captive finance bank. Cormac holds a Masters Degree (Hon) In Banking and Finance from the Smurfit Business School and a Bachelor of Commerce from UCD.

Cormac holds no other directorships.

### **William Wavro**

Bill Wavro joined Dell in 2005 and is currently the President of Dell Financial Services. Prior to DFS, Bill served as CFO for the Global Commercial Business and also led the finance teams for the CSMB and SMB business units. He also spent 3 years based in Singapore and was CFO for Dell's APJ business. He joined Dell as Vice President of Product Group Finance where he provided financial support to Dell's R&D, product marketing, and operations organizations.

After graduating from The University of Texas with a degree in Accounting, Bill started his career with Price Waterhouse Coopers in September of 1985. He planned and executed worldwide external and internal audit plans for Fortune 500 clients in a variety of industries with a particular emphasis in Technology. Bill also spent 4 years in Europe with PwC servicing the needs of international clients on US GAAP accounting, statutory reporting, and international tax planning along with audit and consulting services. Bill joined Compaq in 1997 as a controller to help start up and lead Compaq Financial services to what would eventually become a \$2B Financial Services organization. Through a progression of finance roles within Compaq and then HP, he took over the role as CFO of the Personal Systems division of HP in 2003 before joining Dell in 2005. Bill is a Certified Public Accountant in the State of Texas.

William holds five other directorship positions within the Dell Inc Group.

### **Tyler Johnson**

Tyler Johnson worked at Dell from 1995 to 2008 and again rejoined Dell in 2013 where he currently serves as Vice President of Treasury and Investor Relations. Tyler's world-wide responsibilities include debt financing, capital markets, risk management, cash and investments, customer and supplier financing solutions, and investor relations. Prior to Dell, Tyler served as Vice President and Treasurer for Cooper Industrials, a global manufacturer of electrical products. Tyler's previous roles at Dell include Treasury, Financial Reporting and Analysis, and Internal Audit.

After graduating from The University of Texas with a degree in Economics, Tyler started his career with Bank of America as a currency option trader. Tyler joined the bank first in Los Angeles and later relocated to New York City with short term assignments in Hong Kong and Japan. Tyler left the bank and joined Dell in 1995. Tyler holds an additional four director positions within the Dell Inc Group.

### **Frank O'Riordan**

Frank qualified as a solicitor in 1976 having previously obtained a BCL and a LLM from UCD. In 1977, he joined A&L Goodbody Solicitors and practiced in Company Law. In 1981, Frank was appointed an equity Partner and ran the New York office for two years. His remit was to develop business in the areas of inward investment in Ireland and M&A activity involving Ireland.

In 1983, he returned to A&L in Dublin as Practice Development Partner. In 1993, he was appointed Managing Partner, A&L Goodbody Solicitors, responsible for managing a practice of approximately 500 staff and maintaining client responsibilities. In 2001, Frank stepped down as Managing Partner. He worked as a consultant for a number of years which included the set-up of Goodbody Consultancy to deal with non-legal consultancy clients from 2001 to 2004.

Frank has 38 years of experience in the legal, banking and financial services sectors in Ireland. Since stepping down from A&L Goodbody in 2001, Frank has joined a number of Boards as a Non-Executive Director particularly in financial services.

Frank currently holds an additional six directorships.

### **Donal Courtney**

Donal qualified with a Bachelor of Business Studies degree from Trinity College and started his career as a trainee Chartered Accountant with Arthur Andersen qualifying with the Institute of Chartered Accountants in Ireland in 1989. In 1990 he was promoted to General Practice Manager in Arthur Andersen. During his time in Arthur Andersen Donal worked primarily with Financial Services clients including Banking and leasing clients.

In 1992, Donal joined Orix Corporation's Irish operations as Financial Director. Orix were principally involved in financial services and aircraft leasing operations. In 1996, he joined Airbus Industries' Irish operations as Chief Financial officer. Airbus were setting up an Irish operation to raise finance for aircraft development and also to set up an entity to acquire and lease second hand aircraft. In 2001, he joined GMAC Commercial Mortgage Bank Europe(GMACCM) as Senior Vice President & Chief Financial Officer for Europe. GMAC CM at this time set up a Bank in Ireland.

In 2009, he was appointed Head of Match Official Performance at the European Rugby Cup Limited and continues to hold this position Donal has 27 years' experience in the financial services, commercial banking and aircraft leasing industry industries in Ireland and Europe. Since 2009, he has been a Non-Executive Director of UniCredit Bank Ireland where he is Chairman of the Audit committee.

Donal holds an additional seven Directorships.

### **Colin Keaney**

Colin Keaney joined Dell in April 2011 as Chief Financial Officer for Dell Financial Services (DFS) EMEA. He was involved in establishing DFS' captive operation in EMEA which included the setting up of a regulated bank. In May 2014 Colin moved to Austin, Texas to take up the role of Global CFO for Dell Financial Services. Prior to joining Dell, Colin spent four years as CFO for CIT's European Vendor Finance business and prior to that 12 years with Hewlett-Packard where he held a number of senior finance roles. He is a qualified Certified and Management accountant and holds an MBA from Strathclyde University. Colin holds an additional three directorships within the Dell Inc. Group.

### **Don Berman**

Don holds a BBA and a MBA from the University of Texas at Austin. His career began with Associates First Capital in 1982 where he held various finance roles before becoming Senior Vice President of Consumer Planning & Analysis in 1990. In 1994, he was SVP of Credit Card Marketing. In 1996 he was promoted to Executive Vice President and Chief Credit Officer for the Credit Card Group. This was followed by General Manager roles in the Retail Private Label and US Bankcard Businesses. Associates First Capital was acquired by Citigroup in 2000.

Don joined Discover Financial Services in 2003 as Senior Vice President and Chief Credit Officer where he led the development of credit strategies, decision models and infrastructure for one of the largest card issuers in the world. He was responsible for Risk Management and Decision Science for \$48 billion credit card portfolio in the U.S. and U.K.

Throughout 2006 and 2007 Don provided various banks and finance companies with consultancy expertise on areas including strategic assessments, expert opinion and customer value management.

Don joined Dell Financial Services (DFS) in 2007 as President and General Manager and held responsibility for the operations and P&L of the \$5.5B captive finance subsidiary of Dell Inc. DFS provides full service lending and leasing capabilities for Dell's consumer, small and medium business, and commercial business segments. Don remained in this role until 2012 and retired from Dell in 2013.

Don does not hold any other Directorship positions.

### **3.4 Diversity and Inclusion**

Diversity and Inclusion is an important business imperative at the Bank. The Bank is committed to achieving a diverse Board of Directors in terms of the required skills, experience, residency requirements, independence, regulatory requirements and Dell Group experience. The Bank has a Board Diversity Policy, which in line with Article 435 CRR has been disclosed at the location <http://i.dell.com/sites/doccontent/shared-content/solutions/en/Documents/Dell-Bank-International-Limited-Diversity-Policy-2015.pdf>.

The Bank aims to have a minimum of twenty (25%) percent females on the Board of Directors as opportunities arise to change composition of the Board. For the purposes of complying with Regulation 76(5) SI No. 158 of 2014 European Union (Capital Requirements) Regulations 2014, this information is made public on the website of the Bank and the “management body” is the Board of Directors of the Bank.

## 4 Key Risks

### 4.1 Credit Risk

#### Introduction

Credit risk represents a significant risk at the Bank. Credit risk refers to the risk that the Bank's customers fail to meet their scheduled payments for operating leases, finance lease and loans approved by the Bank's credit function in addition to credit risk arising from Treasury activities with other credit institutions such as placing of deposits with counterparties and from the purchase of interest rate and foreign exchange derivatives for economic hedging purposes.

The core values and main procedures governing the provision of credit are laid down in credit policy documents; these have been approved by the Board of Directors and are reviewed regularly.

#### Credit Decision

The Bank measures credit risk on an individual counterparty basis, utilising either an automated or manual credit underwriting process.

Automated credit decisions are based primarily on customer information obtained from 3rd party credit reporting agencies (Credit Bureaux and Fraud databases) and are subject to automated credit-granting rules that utilise mathematically derived and statistically based credit scorecards. An integral part of the credit-granting process is a comprehensive set of management tools and controls that dictate acceptable credit score cut-offs and risk grades.

The Bank requires all customers be graded under the internal grading system, including all new business, renewals of existing credit facilities and periodic reviews of liquidating exposures. Any change in a condition of a customer or a credit facility shall have its risk grades reviewed and adjusted accordingly.

Other specific control and mitigation measures undertaken by the Bank to mitigate credit risk include the taking of corporate guarantees, personal guarantees, Letters of Credit, Insurance & Self-insurance. In respect of all lease contracts, the Bank retains the title of underlying assets as collateral. In the event of a default the Bank reserves the right to recover the leased assets. From time to time, the Bank may accept other forms of credit risk mitigants.

#### Regulatory Credit Risk Exposures

Management of credit risk is in accordance with the Capital Requirements Regulation & Capital Requirements Directive collectively known as CRD IV.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, industry sector and country are approved quarterly by the Board of Directors. An analysis of the Bank's Credit Risk Assets is set out below.

#### Credit Risk Assets by Asset Class

*In thousands of Euro*

**Pillar I EAD<sup>4</sup>**

**Average EAD during 2014**

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<sup>4</sup> Exposure at Default ("EAD") is defined as Exposure Value less provisions and Credit Risk Mitigation Adjustments



**Credit Risk Exposure Classes**

Central Governments and Central Banks	70,895	46,587
Regional Governments	2,403	2,072
Institutions	68,033	79,588
Corporates	432,380	368,608
Default	7,128	11,171
Other Items	131,465	107,472
<b>Total</b>	<b>712,305</b>	<b>615,498</b>
<i>Of which Counterparty Credit Risk (MTM approach as per CRR Article 274)</i>	<i>8,794</i>	

**Credit Risk Assets (EAD) by Geography***In thousands of Euro***Pillar I EAD as at 31 Dec 2014**

	<b>Sovereign</b>	<b>Regional</b>	<b>Bank</b>	<b>Corporate</b>	<b>Other</b>
<b>Austria</b>	122	-	6	449	107
<b>Belgium</b>	899	21	61	3,301	1,021
<b>Switzerland</b>	67	-	444	13,340	2,116
<b>Germany</b>	18,837	247	822	58,127	14,333
<b>Denmark</b>	203	-	30	5,520	379
<b>Spain</b>	7,235	57	103	27,718	6,083
<b>Finland</b>	211	47	357	1,528	391
<b>France</b>	8,039	77	10,379	55,025	8,876
<b>Great Britain</b>	2,900	1,703	48,085	150,269	27,769
<b>Ireland</b>	7,172	-	6,406	9,767	40,474
<b>Italy</b>	6,257	26	288	34,942	4,694
<b>Luxembourg</b>		25	-	408	133
<b>Netherlands</b>	4,161	-	11	21,897	1,982
<b>Norway</b>	512	64	39	3,506	348
<b>Portugal</b>	1,669	65	-	3,836	1,065
<b>Sweden</b>	12,626	71	155	49,870	22,525
<b>Total</b>	<b>70,910</b>	<b>2,404</b>	<b>68,033</b>	<b>438,658</b>	<b>132,297</b>

The following table shows the Bank's credit exposure by industry sector:

**Credit Risk Assets (EAD) by Industry***In thousands of Euro*

	<b>Sovereign</b>	<b>Regional</b>	<b>Bank</b>	<b>Corporate</b>	<b>Other</b>	<b>OBS</b>
Primary Industries				1,148	395	

Manufacturing			87,052	26,303	3,642	
Electricity, Gas, Steam and Air Conditioning Supply			1,037	1,010	13	
Water Supply, Sewerage, Waste Management and Remediation Activities			675	107		
Construction			476	41	2,253	
Wholesale/Retail Trade & Repairs	12		27,974	4,942	765	
Transportation and Storage			19,000	4,175	342	
Hotels and Restaurants			8,657	105	51	
Information and Communication	2		73,287	8,658	1,003	
Financial Intermediation (Excl. Monetary Financial Institutions)			26,154	4,562	429	
Real Estate, Land and Development Activities	59		15,240	1,816	1	
Business and Administrative Services	99	-	145,556	62,992	7,794	
Other Community, Social and Personal Services	57		3,898	281	10	
Education	41		8,857	2,316	64	
Human Health and Social Work			3,122	166	2	
Public Administration and Defence	70,895	2,057		13,227	140	
Extra-Territorial Organisations and Bodies	17	65		13		
Credit Institutions			67,065	1,187	996	
<b>Total</b>	<b>70,912</b>	<b>2,391</b>	<b>67,065</b>	<b>422,134</b>	<b>132,297</b>	<b>17,506</b>
<i>Of Which SME<sup>5</sup></i>				<i>70,160</i>		

The Bank's credit exposures can be categorised into the following time bands

### Credit Risk Assets (EAD) by Maturity

*In thousands of Euro*

**Pillar I EAD as at 31 Dec 2014**

	Up to 3 months	3 - 6 months	6 months - 1 Year	1 - 2 Years	2 - 5 Years	Greater than 5 Years	No Maturity
<b>Sovereign</b>	40,787	3,241	754	3,970	20,695	1,465	
<b>Regional</b>	-	5	48	1,810	528		
<b>Bank</b>	50,293	173	719	9,890	5,942	48	
<b>Corporate</b>	4,826	4,741	22,726	98,083	289,817	1,941	
<b>Other</b>	45,759	5,189	11,304	32,036	38,008	1	
<b>Off Balance Sheet</b>							17,370
<b>Total</b>	<b>141,665</b>	<b>13,349</b>	<b>35,552</b>	<b>145,489</b>	<b>354,989</b>	<b>3,455</b>	<b>17,370</b>

### Use of External Credit Assessment Institutions ("ECAI's")

For Credit monitoring and decision making the bank uses Standard and Poor's Ratings Agency external credit assessments where available for Probability of default. Where these ratings are not available the Bank uses an internal ratings scale based on probabilities of default and ultimate loss to derive its own rating.

<sup>5</sup> SME is defined as Small Medium Enterprises as defined in Article 501 of the CRR

In respect to COREP capital calculation purposes where a counterparty classed as a credit institution is rated by an ECAI, the Bank uses the rating to calculate the required Risk Weighting. The bank uses the Moody's Investor Service and Standard and Poor's Rating Group as its nominated ECAIs for its rated exposures.

In line with the provisions of Article 120 and 136 of the CRR, the ratings are mapped to a Pillar 1 credit quality step, which in turn is mapped to a risk weight.

As at 31 December 2014 the exposure classes for which ECAIs are used by the Bank in calculating its Pillar 1 minimum capital requirements are as follows

- Credit and Counterparty Risks and free deliverables – Institutions

The following tables detail the ECAI's association with the Credit Quality Steps and the related Exposure at Default

### Short Term Exposures (Under 3 months residual maturity)

*In thousands of Euro*

Credit Rating	A+	A	A-	BB
Credit Quality Steps for Short Term Exposures	2	2	2	4
Exposure at Default	38,029,548.95	10,355,861.75	962,014.26	1,016,672.01

### Long Term Exposures (over 3 months residual maturity)

*In thousands of Euro*

Credit Rating	A+	A-	BB	BBB
Credit Quality Steps for Short Term Exposures	2	2	3	4
Exposure At Default	5,005,147.53	2,158,473.07	5,289,444.99	130,030.08

### Impairment

The Bank first determines whether evidence of impairment exists individually for financial assets that are individually significant. If the Bank determines that there is impairment of a particular financial asset then a specific provision is booked against the asset.

If the Bank concludes that no specific indication of impairment exists for an individually assessed financial asset it includes the asset in a group of financial assets with related credit risk characteristics and includes these assets under the collective incurred but not reported ("IBNR") assessment.

A loan is considered impaired when there is objective evidence of impairment and a specific provision has been recognised in the income statement.

Past due is defined as loan/lease contracts where repayment of principal or interest are overdue by at least one day.

<i>In thousands of Euro</i>	<b>Past Due Days</b>							<b>Impaired</b>	<b>Specific Prov</b>	<b>General Prov</b>
	<b>1</b>	<b>&lt;31</b>	<b>&lt;61</b>	<b>&lt;91</b>	<b>&lt;121</b>	<b>&lt;151</b>	<b>&lt;181</b>			
<b>Sectors</b>										
1. Primary Industries	4	-	-	-	-	-	-	-	-	-
2. Manufacturing	4,396	548	170	854	31	2	24	62	57	-
3. Electricity, Gas, Steam and Air Conditioning Supply	-	0	-	-	-	-	-	-	-	-
5. Construction	6	-	-	0	-	-	-	-	-	-
6. Wholesale/Retail Trade & Repairs	1,744	246	8	5	29	8	31	107	107	-
7. Transportation and Storage	792	690	155	19	154	-	64	-	-	-
8. Hotels and Restaurants	17	5	-	-	-	-	-	-	-	-
9. Information and Communication	2,410	723	72	1	-	3	23	512	385	-
10. Financial Intermediation	1,765	345	11	-	-	-	-	118	88	-
11. Real Estate, Land and Development Activities	55	3,871	4,673	-	-	-	-	11	9	-
12. Business and Administrative Services	7,327	2,942	1,184	802	3,819	7	17	212	208	-
13. Other Community, Social and Personal Services	10	-	-	-	-	-	-	2	1	-
14. Education	363	3	5	-	-	-	-	-	-	-
15. Human Health and Social Work	111	-	181	9	-	-	25	-	-	-
17. Public Administration and Defence	349	147	1,675	7	-	17	-	2	18	-
General Provisions										2,023

<i>In thousands of Euro</i>	<b>Past Due Days</b>							<b>Impaired</b>	<b>Specific Prov</b>	<b>General Prov</b>
	<b>1</b>	<b>&lt;31</b>	<b>&lt;61</b>	<b>&lt;91</b>	<b>&lt;121</b>	<b>&lt;151</b>	<b>&lt;181</b>			
<b>Countries</b>										
Austria	19	-	-	2	-	-	6	-	-	-
Belgium	821	21	32	0	12	-	-	27	27	-
Switzerland	921	52	11	-	-	-	-	5	-	-
Germany	2,136	1,033	444	8	3	-	15	531	376	-
Denmark	241	10	-	-	-	-	-	-	-	-
Spain	1,845	215	5	10	55	19	20	-	-	-

Finland	42	-	-	-	-	-	-	-	-	-
France	516	447	326	833	154	8	65	258	283	-
Great Britain	8,414	6,175	7,134	845	3,758	1	-	54	32	-
Ireland	395	10	0	-	-	-	0	5	5	-
Italy	709	130	104	1	50	10	77	142	131	-
Luxembourg	58	-	-	-	-	-	-	-	-	-
Netherlands	1,070	1,298	-	-	-	-	-	2	2	-
Norway	296	9	-	-	-	-	1	-	-	-
Portugal	932	122	79	-	-	-	-	-	-	-
Sweden	936	-	1	-	-	-	-	2	18	-
General										2,023

The movement in the impairments for 2014 are shown below:

	<b>Specific €'000</b>	<b>IBNR €'000</b>	<b>Total €'000</b>
<b>Provision at 1 January 2014</b>	<b>1,088</b>	<b>538</b>	<b>1,595</b>
Charge against income statement	1,285	1,480	<b>2,765</b>
Recoveries	(309)		<b>(309)</b>
Amounts written off	(1,158)		<b>(1,158)</b>
Exchange adjustments		5	5
<b>Provision at 31 December 2014</b>	<b>874</b>	<b>2,023</b>	<b>2,897</b>
<b>Provision at 31 December 2013</b>	<b>1,088</b>	<b>538</b>	<b>1,595</b>

## 4.2 Counterparty credit risks

Counterparty credit risk is the risk that counterparties to derivative contracts will fail to meet their contractual obligations. Counterparty credit risk arises from Treasury activities with other credit institutions including the purchase of interest rate and foreign exchange derivatives for economic hedging purposes.

The Bank uses the Mark-to-Market Method for counterparty credit risk as outlined in Article 274 of the CRR. Under this method the positive replacement cost of a contract is added to the potential future credit exposure of a contract to arrive at the EAD. The potential future credit exposure of a contract is determined by multiplying the notional value by an add-on factor. The add-on factor is determined by reference to the contract type and residual maturity.

Limits are set for specific tenors on the basis of product type. For the avoidance of doubt, the Bank cannot transact with a Treasury counterparty in the absence of an approved credit limit.

The Treasury counterparty exposure is monitored on a daily basis. On a monthly basis, the Credit function reports the level of exposure for each Treasury counterparty to the Credit Committee. Based on recommendations from the Credit function, the Credit Committee may change the internal rating of a Treasury counterparty if its financial health deteriorates or market conditions change rapidly enough to put the Bank at risk.

It is the responsibility of the Bank's Credit function to establish and maintain the Treasury counterparty Credit Limits in the Bank's systems following the credit approval process. The Credit function reports any material breach of a Treasury counterparty Credit Limit to the Credit Committee.

Breakdown of derivative contracts at 31 December 2014:

<i>In thousands of Euro</i>	<b>FX Derivatives</b>	<b>Interest Rate Swaps</b>
Gross Positive Fair Value	794	-
Potential Future Credit Exposure	6,974	1,025
Netting Benefits / Cash Collateral Received	-	-
<b>Total Subordinated Liabilities</b>	<b>7,768</b>	<b>1,025</b>

#### **4.3 Market risk - foreign exchange risk**

Foreign exchange risk is a financial risk caused by an exposure to unanticipated changes in the exchange rates between two currencies. The Bank is a Euro denominated entity but serves the funding requirements of the leasing business throughout the European Economic Area (EEA) region and is exposed to currency risk across the following currencies: GBP, CHF, USD, DKK, SEK and NOK. The Bank has transaction exposure across the non-euro countries as it has contractual cash flows (receivables and payables) whose values are subject to unanticipated market changes in exchange rates. To realize the euro value of the Bank's foreign denominated cash flows, the Bank runs an FX hedging program.

Resulting from the use of derivative instruments, the Bank is exposed to the risk that counterparties will fail to meet their contractual obligations. To mitigate against this risk the Bank maintains risk limits that correspond to each institution's credit ratings.

FX forwards converting non-euro cash-flows back to a euro basis are utilised in order to minimise the Bank's FX risk exposure. Periodically, the bank may choose to obtain funding in Non-Euro currencies and will hedge these drawings accordingly.

FX risk was managed in accordance with the Risk appetite framework for the year ended 31 December 2014 and no breaches of the Target or Trigger occurred during this period.

#### **4.4 Interest rate risk in the banking book**

Interest rate risk is the risk that the Bank will experience deterioration in its financial position as interest rates move over time. The Bank does not take any proprietary positions on the interest rate markets for P&L purposes and

therefore only runs non-traded interest rate risk. The Bank's portfolio of non-traded financial instruments principally comprises of commercial finance and operating leases, external loan facilities, capital and hedging instruments.

The main source of this interest rate risk is re-pricing risk, which reflects the fact that the Bank's assets and liabilities are comprised of different maturities and are priced off different interest rate bases. This is the risk that the interest earned on assets and paid on liabilities will change by different amounts if interest rates change owing to differences in the re-pricing characteristics of those assets and liabilities. The extent of the risk depends on the scale of the re-pricing maturity mismatches on the Bank's balance sheet.

Non-traded interest rate risk is calculated on the basis of establishing the re-pricing risk ladder. The majority of asset and liability balances are profiled out by contractual maturity or re-pricing date. Non-financial asset and liabilities (mainly comprised of operating leases, the Bank's capital and reserves) are spread evenly across the risk ladder over medium and longer term maturities.

Interest rate risk exposures are primarily identified through the use of the European Banking Authority ("EBA") Interest Rate Risk stress scenario based on a 200bps upward shock. The EBA guidelines provide the maturity bucket percentage weightings and the residual un-hedged risk position is then measured against prescribed risk limits. The result of this stress test is as follows:

	€'000
200bps upward shock stress scenario as at 31 December 2014	426
Average 200bps upward shock stress scenario for the period 1 January 2014 -31 December 2014	1032

Interest rate risk is monitored on a daily basis and the positions are reported at the monthly ALCO meeting. As the Bank is a Euro denominated entity and provides funding for its non-Euro denominated business primarily in Euros and with the FX hedging program ensuring cash-flows convert to Euro base currency, risk positions are managed and monitored on a Euro basis.

The Bank also uses an undiscounted PV01 metric as a means of interest rate risk management. The PV01 measures the P&L impact of the present value of a one basis point shift in the yield curve on the Bank's risk exposure.

Both EBA and PV01 metrics are used to determine the level of hedging required. The Bank maintains a Euro based interest rate swap portfolio to mitigate its interest rate risk exposure.

Interest Rate risk was managed in accordance with the Risk appetite framework for the year ended 31 December 2014 and no breaches of the Target or Trigger occurred during this period.

#### **4.5 Liquidity risk**

Effective liquidity risk management is central to the building of a strong and solid balance sheet and is a key pillar in the Bank's core strategy.

Liquidity risk is the risk that the Bank is unable to meet its on and off balance sheet obligations when they fall due without incurring significant costs. Liquidity risk is highly dependent on the Bank's balance sheet characteristics such as the maturity profile of the assets and liabilities, the quality of its liquidity buffer, broader market conditions and access to sufficient market funding.

The Bank has a robust and comprehensive policy for assessing, measuring and managing liquidity risk. ALCO is responsible for defining and approving the Bank's liquidity policy in accordance with the broader Risk Policies established by the Risk Committee.

The Bank's Liquidity Policy reflects the Central Bank of Ireland's requirements for the Management of Liquidity Risk and Basel III developments. The liquidity risk framework is subject to internal oversight, challenge and governance at all levels from the ALCO through to Board level via internal control functions such as internal audit.

#### **a) Stress Testing**

The strength of the Bank's liquidity risk management is evaluated based on its ability to survive under stress. Effective management of liquidity involves assessing this potential mismatch under a variety of stress scenarios. Stress testing is used to help inform a broader understanding of liquidity risk as well as to model specific liquidity risk events.

#### **b) Liquidity Monitoring**

The Treasury function is responsible for the daily management of the liquidity buffer, monitoring and reporting of the Bank's liquidity position in accordance with the Liquidity Policy. The Liquidity Coverage Ratio (LCR) as prescribed in the Basel III accord is fully implemented within the Bank and includes Target, Trigger and Limit parameters.

Treasury reports the results of the Idiosyncratic Scenario to the ALCO members on a daily basis. The liquidity position, compliance and policy are further monitored by the Risk Management function. Any breach or material deterioration of these metrics would set in motion a series of actions and escalations.

### **4.6 Operational risk**

The Bank faces operational risks in the regular conduct of its day to day business objectives. Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Sources of operational risk include internal fraud; external fraud; employment practices and workplace safety; clients, products, and business practices; damage to physical assets; business disruption and system failures; and execution, delivery and system failures. The Bank's Operational Risk management framework exists to mitigate against such risks.

The Bank uses the Basic Indicator Approach (BIA) to calculate operational risk capital requirements under Pillar I. Under the BIA the capital requirement for operational risk is 15% of the three year average of gross income as defined by Article 315 of the CRR. As the Bank has not been operating for three years, forecasts of gross income for future years will be used until such time as sufficient historical data is available.

### **4.7 Residual asset value risk**

Residual value risk is the risk that the residual value set at the start of a lease is not achieved at the end of the lease. This may be due to a number of factors, including lower than expected equipment resale value, changes in customer behaviour or higher fulfilment costs and/ or end of lease operating expenses. The Bank seeks to minimise losses arising



from residual value risk by understanding the equipment leased, identifying long-term customer behaviour and applying expert judgement when applying residual values in order to provide a balanced view of expected realisation.

The Bank's Asset Management End of Lease (EOL) function utilises analysis on historic remarketing, renewal and extension data to determine the average end of lease recovery. The function utilises knowledge and the global experience of Management to apply expert judgement to the historically achieved remarketing values to derive Recovery Based Residuals (RBR).

The Residual Value Asset Risk Committee is responsible for the setting, validation and monitoring of the residual risk for the Bank. The Bank has established internal controls, with defined limits and regular reporting for residual value risk exposures within and across its portfolios.

## **4.8 Other risks**

### **a) Balance Sheet Measurement**

The treasury function manages the Bank's capital strategy under the guidance of the Board. The Bank is committed to maintaining its sound capitalisation. The Bank's objectives when managing capital are:

- To comply with the capital requirements set by the Regulator;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- To maintain a strong capital base to support the development of its business.
- To meet the financial covenant on our revolving credit facility.

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's Regulatory function. The Bank holds own funds in the form of capital which will always be more than or equal to the higher of capital charges calculated under Pillar I or Pillar II.

The Bank has set a range of ratios which have been at, or in excess of its minimum regulatory requirements and are designed to reflect the Bank's risk appetite. The ratios provide a mechanism to monitor compliance and include early warning triggers to allow management to take appropriate timely action should the Bank approach a limit.

### **b) Regulatory Risk**

Regulatory risk is the risk to earnings, capital and reputation arising from non-compliance with banking regulations, anti-money laundering, data protection, and other associated requirements. Upstream risk is the risk arising from a new regulatory measure that the Bank is currently unaware of or from regulations becoming applicable due to a change in the nature or scope of the Bank's activities. The Bank has zero appetite for censure from regulatory, political or legislative bodies

### **c) Reputational Risk**

Reputational risk is defined as the risk to the Dell brand, or goodwill exhibited towards that brand, by the Bank's customers and wider market. For the purposes of risk appetite reputational risk includes social, ethical and environmental risks. The Bank will not enter into activities that will knowingly give rise to reputational risk issues that will materially damage the Dell brand. The Bank seeks to ensure that outsourced activities meet the Bank's reputational risk standards, including the treatment and disposal of hardware.

## 5 Encumbered Assets

An asset should be treated as encumbered if it has been pledged or if it is subject to any form of arrangement to secure, collateralise or credit-enhance any on-balance-sheet or off-balance-sheet transaction from which it cannot be freely withdrawn (for instance, to be pledged for funding purposes).

The Bank signed a notional pooling agreement in August 2014 ("Collateralised Loan Facility"). The Banks access to the funds in the notional pool is reliant on cash being made available by other Dell entities to support the drawdown within the facility. Dell bank will have access to draw funds from the pool but will not contribute to the pool. Repayment of the facility is at Dell Banks discretion.

The collateralised Loan facility was €340m as at 31 December 2014. This was extended from €200m on 11<sup>th</sup> November 2014. There was €217m drawn on the Facility (€218m was the committed nominal amount) as at 31<sup>st</sup> December 2014; with €276m of encumbered receivables.

The following table splits the bank's balance sheet by asset type and encumbered and unencumbered assets.

### Encumbered and unencumbered assets as at 31 December 2014

<i>In thousands of Euro</i>	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
<b>Assets of the reporting institution</b>				
Equity instruments	275,734		410,272	
Debt securities				
Other assets	275,734		410,272	

The following table covers the amount of selected financial liabilities

## Liabilities associated with encumbered assets as at 31 December 2014

<i>In thousands of Euro</i>	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	217,800 <sup>6</sup>	275,734

## 6 Remuneration disclosures

The Bank's strategy with regards to remuneration of employees and members of the Board of Directors is to attract, retain and motivate the talent needed to drive the growth of the business. The Bank executes this strategy by: providing market-competitive base and incentive pay; motivating performance toward key company objectives; and supporting and enhancing our strong meritocracy – the Bank values accountability and seeks to reward team and team members who continually improve their capability and increase their contribution.

The Bank's approach to remuneration includes the following factors: the Bank's business strategy and business plan performance; the performance of the Dell Group; market factors; Dell Group governance and standards, including group remuneration policies and standards; and applicable regulatory requirements & standards.

### 6.1 Remuneration components

The Bank's remuneration components are derived from the individual job role, including responsibility and job complexity, performance and benchmarking to relevant market data, pay and conditions. The key remuneration components include: base pay remuneration; performance-based remuneration; pension scheme; other benefits; and severance schemes.

#### Base pay remuneration

Base pay or "fixed" remuneration is determined primarily by the job role definition, employee individual performance and external market benchmarking.

#### Performance-based remuneration

Performance-based or "variable" remuneration is awarded in a manner which promotes sound risk management and does not induce excessive risk-taking while maintaining an appropriate balance of fixed and variable remuneration.

Performance based remuneration also takes account of the Bank's business plan performance and that of the performance of the Dell Group, including modifiers or a percentage multiplier which reflects performance of , the Dell group and individual performance.

It is to be noted that variable compensation may not be payable in full or in part on the basis of unsustainable results.

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<sup>6</sup> Carrying amount of matching liabilities refers to the amount drawn by DBIL on the collateralised loan. The total loan commitments received in respect of the pledged assets is €218,983.

## 6.2 Identified Staff

Identified Staff are defined as those individuals whose professional activities have a material impact on the Bank's risk profile. The Remuneration and Nominations Committee shall be responsible for determining those groups, categories of employees or individuals that fall within the definition of Identified Staff.

In determining those individuals to be included as Identified Staff the Remuneration and Nominations Committee will at a minimum consider the following staff members;

- Executive members of the Bank's corporate bodies
- Senior management with responsibility for day-to-day management
- Staff with responsibility for independent control functions
- Other risk takers
- Staff whose total remuneration is in the same bracket as senior managers and risk-takers

The following roles are currently deemed identified staff:

- Directors of the Bank
- Managing Director
- Chief Financial Officer
- Chief Risk Officer
- Chief Credit Officer
- Chief Compliance Officer
- Legal Director
- Treasurer
- Head of Internal Audit
- Chief Information Officer
- Operations Director
- Branch manager
- Marketing Director
- Business Excellence Director
- Business Development Director

Aggregate quantitative data on remuneration for those members of staff in employment as at 31 December 2014 and whose professional activities are considered to have a material impact on DBIL's risk profile are detailed below;

<i>In thousands of Euro</i>	<b>Finance &amp; Management</b>	<b>Control Functions</b>	<b>Operations and Other</b>
<b>Total Fixed Remuneration<sup>7</sup></b>	621	613	645
<b>Total Variable Remuneration</b>	534	148	229
<b>Ratio between fixed and variable remuneration</b>	86%	24%	36%

<sup>7</sup> Excluding Non-Executive Directors fee's and pension

<i>In thousands of Euro</i>	<b>Senior Management</b>	<b>Other</b>
Number of Identified Staff	11	1
<b>Total Fixed Remuneration</b>	<b>1,764</b>	<b>116</b>
Variable Remuneration		
Cash	283	35
2014 Awards that will vest between 2015 - 2017	593	0
<b>Total Variable Remuneration</b>	<b>876</b>	<b>35</b>

### **Remuneration over €1m**

During the course of 2014, one individual member of staff designated as identified staff received remuneration over €1 million. Below details the pay band relating to this individual;

Number of Individuals	1
Pay-Band	€1m – €1.5m

### **Sign-On Bonuses**

There were no sign-on bonuses paid out during 2014 to designated identified staff.

### **Severance Payment**

During the course of 2014, one individual designated as identified staff was paid a severance package with a value of €46,021

### **6.3 Remuneration Governance**

The Board of Directors is the ultimate decision making body for the Bank. It has delegated certain responsibilities to the Bank's Remuneration and Nominations Committee. This committee meets at the same frequency as the main Board. In general the Bank implements the Remuneration Policies and practices of the Dell Group with the oversight of the Remuneration Committee and the Board of Directors. Board directors that are not part of Dell Group receive a fixed annual fee. Directors employed by the Dell Group receive no fee for Board membership.

## **7. Appendices**

Appendix 1 – Own Funds Disclosure

	Own funds disclosure template	EURO
Common Equity Tier 1 (CET1) capital: instruments and reserves		
1	Capital instruments and the related share premium accounts	50,018,000
	of which: Instrument type 1	
	of which: Instrument type 2	
	of which: Instrument type 3	
2	Retained earnings	(51,366,702)
3	Accumulated other comprehensive income (and other reserves)	177,500,000
3a	Funds for general banking risk	
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	
5	Minority interests (amount allowed in consolidated CET1)	
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	
<b>6</b>	<b>Common Equity Tier 1 (CET1) capital before regulatory adjustments</b>	<b>176,151,298</b>
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	
8	Intangible assets (net of related tax liability) (negative amount)	(37,459,029)
9	Empty set in the EU	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	
11	Fair value reserves related to gains or losses on cash flow hedges	
12	Negative amounts resulting from the calculation of expected loss amounts	
13	Any increase in equity that results from securitised assets (negative amount)	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	
15	Defined-benefit pension fund assets (negative amount)	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	

18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	
20	Empty set in the EU	
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	
20b	of which: qualifying holdings outside the financial sector (negative amount)	
20c	of which: securitisation positions (negative amount)	
20d	of which: free deliveries (negative amount)	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	
22	Amount exceeding the 15% threshold (negative amount)	
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	
24	Empty set in the EU	
25	of which: deferred tax assets arising from temporary differences	
25a	Losses for the current financial year (negative amount)	(6,398,081)
25b	Foreseeable tax charges relating to CET1 items (negative amount)	
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	
<b>28</b>	<b>Total regulatory adjustments to Common Equity Tier 1 (CET1)</b>	<b>(43,857,110)</b>
<b>29</b>	<b>Common Equity Tier 1 (CET1) capital</b>	<b>132,294,188</b>
<b>Additional Tier 1 (AT1) capital: instruments</b>		
30	Capital instruments and the related share premium accounts	
31	of which: classified as equity under applicable accounting standards	

32	of which: classified as liabilities under applicable accounting standards	
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	
35	of which: instruments issued by subsidiaries subject to phase out	
36	Additional Tier 1 (AT1) capital before regulatory adjustments	
<b>Additional Tier 1 (AT1) capital: regulatory adjustments</b>		
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	
41	Empty set in the EU	
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	
44	Additional Tier 1 (AT1) capital	
<b>45</b>	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>132,294,188</b>
<b>Tier 2 (T2) capital: instruments and provisions</b>		
46	Capital instruments and the related share premium accounts	65,000,000
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	1,494,333



48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	
49	of which: instruments issued by subsidiaries subject to phase out	
50	Credit risk adjustments	
51	Tier 2 (T2) capital before regulatory adjustments	66,494,333
<b>Tier 2 (T2) capital: regulatory adjustments</b>		
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	
56	Empty set in the EU	
57	Total regulatory adjustments to Tier 2 (T2) capital	
58	Tier 2 (T2) capital	66,494,333
59	Total capital (TC = T1 + T2)	198,788,521
60	Total risk weighted assets	707,358,524
<b>Capital ratios and buffers</b>		
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	18.70%
62	Tier 1 (as a percentage of total risk exposure amount)	18.70%
63	Total capital (as a percentage of total risk exposure amount)	28.10%

64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer expressed as a percentage of risk exposure amount)	
65	of which: capital conservation buffer requirement	
66	of which: countercyclical buffer requirement	
67	of which: systemic risk buffer requirement	
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	
69	[non relevant in EU regulation]	
70	[non relevant in EU regulation]	
71	[non relevant in EU regulation]	
<b>Amounts below the thresholds for deduction (before risk weighting)</b>		
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	
74	Empty set in the EU	
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	
<b>Applicable caps on the inclusion of provisions in Tier 2</b>		
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)</b>		

80	Current cap on CET1 instruments subject to phase out arrangements	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	
82	Current cap on AT1 instruments subject to phase out arrangements	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	
84	Current cap on T2 instruments subject to phase out arrangements	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	

## Appendix 2 – Capital Instruments Disclosure

	CapitalType 2
	EURO
Issuer	DGBV
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
Governing law(s) of the instrument	Courts of Ireland
<i>Regulatory treatment</i>	
Transitional CRR rules	Tier 2
Post-transitional CRR rules	Tier 2
Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & Consolidated

Instrument type (types to be specified by each jurisdiction)	Subordinated Loan
Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	€65,000,000
Nominal amount of instrument	€65,000,000
Issue price	€65,000,000
Redemption price	€65,000,000
Accounting classification	Liability – amortised cost
Original date of issuance	4th June 2013
Perpetual or dated	Dated
Original maturity date	1st June 2023
Issuer call subject to prior supervisory approval	NO
Optional call date, contingent call dates and redemption amount	N/A
Subsequent call dates, if applicable	N/A
<i>Coupons / dividends</i>	
Fixed or floating dividend/coupon	Floating
Coupon rate and any related index	3 month Euro Libor + 560bps
Existence of a dividend stopper	N/A
Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
Existence of step up or other incentive to redeem	N/A
Noncumulative or cumulative	N/A
Convertible or non-convertible	Nonconvertible
If convertible, conversion trigger(s)	N/A
If convertible, fully or partially	N/A
If convertible, conversion rate	N/A
If convertible, mandatory or optional conversion	N/A
If convertible, specify instrument type convertible into	N/A
If convertible, specify issuer of instrument it converts into	N/A
Write-down features	NO
If write-down, write-down trigger(s)	N/A
If write-down, full or partial	N/A
If write-down, permanent or temporary	N/A
If temporary write-down, description of write-up mechanism	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Ranks ahead of the holders of shares from time to time issued by the Borrower in the share capital of the Borrower and rank junior

	to all Senior Liabilities.
Non-compliant transitioned features	NO
If yes, specify non-compliant features	N/A

Appendix 3 – Own Funds and Audit Financial Statements Reconciliation

	<b>Audited Financial Statements 31 December 2014</b>	<b>Own Funds 31 Dec 2014</b>	<b>Variance</b>	<b>Comments</b>
Share Premium	50,000,001	50,018,000	18,000	Variance relates to additional share premium held at the consolidated level. Financial Statements are audited at solo level (DBIL)

<sup>8</sup> Audit adjustments made to the balance sheet post regulatory return submission fall below the Bank's internal materiality threshold.

Paid In Capital	177,500,000	177,500,000	0	
Reserves	(51,359,786)	(51,366,702)	(6,916)	Variance in reserve is a result of the financials being audits at solo level and the Pillar III disclosures at consolidated level.
Intangible Assets	(36,963,283)	(37,459,029)	(495,746)	Variance relates to Fair Value Audit Adjustments
Year-end losses	(6,516,281)	(6,398,081)	118,200	Variance is a result of audit adjustments and the basis of preparation
<b>Core Equity Tier 1</b>	<b>132,660,651</b>	<b>132,294,188</b>	<b>(366,463)</b>	<b>Total of above</b>
Subordinated Debt	65,000,000	65,000,000	0	
IBNR provisions with CRR Transitional adjustment (80%)	1,618,934	1,494,333	(124,601)	Variance relates to Audit Adjustments
<b>Tier 2</b>	<b>66,618,934</b>	<b>66,494,333</b>	<b>(124,601)</b>	<b>Total of above</b>
<b>Total Capital</b>	<b>199,279,585</b>	<b>198,788,521</b>	<b>(491,064)</b>	