Dell Bank International

Designated Activity Company (d.a.c.)

Annual Report and Financial Statements

For the year ended 31 December 2021

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Board of Directors at 30 March 2022

William Wavro (American)	Chair
Daniel Twomey (Irish)	Executive Director
Hugh O'Donnell (Irish)	Executive Director
Donal Courtney (Irish)	Independent Non- Executive Director
Roisin Brennan (Irish)	Independent Non- Executive Director
Marie Mangan (Irish)	Independent Non- Executive Director
Julie Murphy O'Connor (Irish)	Independent Non- Executive Director
Tyler Johnson (American)	Non- Executive Director

Joint Company Secretaries

Lisa Doyle
Erica Mahon

Registered Office

Innovation House
Cherrywood Science & Technology Park
Cherrywood
Dublin 18

Registered Number

502362

Bankers

Allied Irish Banks, plc.
107 / 108 Main Street
Bray
Co. Wicklow

Deutsche Bank AG
Taunusanlage 12 60325
Frankfurt
Germany

BNP Paribas, London Branch
10 Harewood Avenue
London NW1 6AA
England

Solicitors

Arthur Cox
Ten Earlsfort Terrace
Dublin 2

Independent Auditors

PricewaterhouseCoopers
One Spencer Dock
North Wall Quay
Dublin 1

The Directors present herewith their report together with the audited consolidated financial statements of Dell Bank International d.a.c (the Group or the Bank) for the year ended 31 December 2021.

The Bank has one subsidiary, Dell Receivables Financing 2016 Designated Activity Company (the SPV), a special purpose vehicle. The Bank and its controlled SPV are collectively referred to as the Group.

Business review

The principal activity of the Bank is the provision of financing solutions to end users of products and services sold by Dell Technologies in Europe.

The Group made a net profit after tax of €48.5m in 2021 (2020: €13.5m). A business review and future developments of the Business is covered in the Business and Strategy Report section of the Annual Report.

Dividend

No dividend was declared for the financial year.

Research and development

No research and development activities were carried out by the Group during the year.

Principal risks and uncertainties

Risk management is an integral part of the Group's business process.

We continue to monitor the impact of COVID-19 (the pandemic) in Europe and globally. There is continued uncertainty with the emergence of new variants which has the potential to impact on the economic recovery. Additionally, there are inflationary pressures created by supply chain issues as a result of the pandemic. We continue to closely monitor our credit profiles and remain focused on the wellbeing of our team members and supporting our customers. Further detail is noted in the Strategic Report.

The Group continues to closely monitor any impacts arising from the UK's withdrawal from the EU ("Brexit"). The impact remains uncertain and may affect the UK economy and the wider European economy. This may have an adverse down-stream impact on our customers and on the Bank's financial performance. Further detail is noted in the Strategic Report.

The Bank has historically operated in an environment of low inflation and low interest rates. Supply chain constraints and energy price increases are driving inflationary pressures, this is being followed by a tightening of monetary policies by Central Banks with interest rates beginning to increase. We are continuing to monitor the impact of these changes on the markets we operate in.

The Group is closely monitoring the potential impact on the Group's business arising from the rapidly evolving situation in Ukraine and the sanctions imposed on Russia. The Group has no direct credit exposure to Ukraine, Russia or Belarus.

Details of the Group's Risk management objectives and policies, including the use of financial instruments are set out in the Risk management report on page 14.

Directors and Secretary

The names of the persons who were Directors and Secretary at any time during the year ended 31 December 2021 and to date are listed below. Unless otherwise indicated they served as Directors for the entire year.

Directors

William Wavro
Daniel Twomey
Hugh O'Donnell
Donal Courtney
Roisin Brennan
Tyler Johnson
Marie Mangan (appointed 14 December 2021)
Julie Murphy O'Connor (appointed 14 December 2021)
Don Berman (resigned 31 December 2021)
Frank O'Riordan (resigned 31 December 2021)

Joint Company Secretaries

Lisa Doyle
Erica Mahon

Directors' and Secretary's shareholdings

The Directors and Secretaries had no interests in the shares of the Bank or any other Group company that are required by the Companies Act 2014 to be recorded in the register of interests or disclosed in the Report of the Directors.

Events after the financial year

Events after the financial year are disclosed in Note 40.

Political donations

No political donations were made by the Group during the year to 31 December 2021.

Accounting records

The measures taken by the Directors to ensure compliance with the Group's obligation to keep adequate accounting records, as outlined in Sections 281 to 285 of the Companies Act 2014, are the use of appropriate systems and procedures and the employment of competent persons who report to the Chief Financial Officer and ensure that the requirements of the legislation are complied with.

The accounting records are kept at Innovation House, Cherrywood Science & Technology Park, Cherrywood, Dublin 18.

Disclosure notice under section 33AK of the Central Bank Act

No notice has been issued to the Bank during the year to 31 December 2021 by the Central Bank of Ireland ("CBI").

Branch

The Group operates its only branch in Spain.

Going concern

The financial statements have been prepared on a going concern basis. In concluding that the going concern basis was appropriate for the 31 December 2021 financial statements the Directors have taken various matters into account. Refer to Note 2 to the financial statements.

Future developments

The Bank continues to execute on its strategy which focuses on our customers, our culture and team members, and our product offerings.

Statement of Directors' responsibilities

The Directors are responsible for preparing the directors' report and the financial statements in accordance with Irish law.

Irish law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Under Irish law, the Directors shall not approve the financial statements unless they are satisfied that they give a true and fair view of the Group's and Bank's assets, liabilities and financial position as at the end of the financial year and the profit or loss of the Group for the financial year. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRS and ensure that the financial statements contain the additional information required by the Companies Act 2014; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to

- correctly record and explain the transactions of the Group and the Bank;
- enable, at any time, the assets, liabilities, financial position and profit or loss of the Group and the Bank to be determined with reasonable accuracy; and
- enable the Directors to ensure that the financial statements comply with the Companies Act 2014 and enable those financial statements to be audited.

The Directors are also responsible for safeguarding the assets of the Group and the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' compliance statement

The Directors acknowledge that they are responsible for securing Bank's compliance with its relevant obligations required by Section 225 of the Companies Act 2014.

The Directors confirm that;

- a compliance policy statement has been drawn up, and that appropriate arrangements and structures have been put in place that are, in the directors' opinion, designed to secure material compliance with the relevant obligations.
- a review of the arrangements and structures has been conducted during the financial year ended 31 December 2021

Disclosure of information to auditors

The Directors in office at the date of this report have each confirmed that:

- As far as the Director is aware, there is no relevant audit information of which the company's statutory auditors are unaware; and
- The Director has taken all the steps that the Director 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 Directors have established an Audit Committee as part of the governance structures of the Group. This is discussed further in the Risk Governance section of the Risk Management report.

Independent Auditors

The Auditors, PricewaterhouseCoopers, will continue in office in accordance with section 383 (2) of the Companies Act, 2014.

Approved by the Board of Directors and authorised for issue on 30 March 2022.

Director
Daniel Twomey

Director
Hugh O'Donnell

Director
William Wavro

"I am delighted to report another year of strong performance for Dell Bank International d.a.c. The Bank continues to successfully execute on its strategic priorities and our business is stronger than ever. We supported our customers and partners in times of uncertainty while delivering outstanding results.

William Wavro, Chair

Overview

I am pleased to share that the Group reported a strong performance with a profit after tax of €48.5m, an increase of €35m from 2020. The Group continued to execute on all strategic initiatives which drove business originations of €1.6bn.

With strong and dynamic leadership by the Board and Management we have successfully navigated the impacts of the pandemic with particular regard to our team members, our customers, and to risk management.

Dell Technologies

The Bank provides financing solutions, predominantly, to Dell Technologies' customers and partners in Europe. Dell Technologies is committed to transforming businesses, shaping the future of innovation, and developing technologies to drive human progress. Companies are increasingly looking for digital transformation to provide a competitive advantage; this has been accelerated due to the impacts of COVID-19. In support of this, Dell Technologies continues to provide the essential infrastructure for organisations to build their digital future, transform IT and protect one of their most important assets, information.

With this increased investment in technology, the Bank continues to support Dell Technologies to deliver the flexibility and choice in how customers finance their technology solutions.

Team Members

Our primary focus over the last year has been ensuring the wellbeing of our team members and their families and this continues. Our offices have begun phased reopening depending on a combination of national government guidance and the global policies of Dell Technologies. We are fully committed to hybrid and flexible working models that provide choice and flexibility to our team members. We believe in a work model that prioritises outcomes and connection. No matter how or where work gets done, team members can drive results and access limitless opportunities.

I am very proud and extremely appreciative of all our team members for their continued resilience, commitment and professionalism demonstrated over the last year.

There were a number of changes to the Board during the year. Don Berman and Frank O'Riordan retired as Non-Executive Directors as part of planned rotations. I would like to express my gratitude for their service and wish them well on their future endeavours. Two new directors were appointed during the year, Marie Mangan and Julie Murphy O'Connor, both serving as Independent Non-Executive Directors.

Our Customers

The pandemic has spurred the need for and enhanced the importance of technology for businesses. We have seen a range of differing needs from our customers; those wanting to fast-track their IT investment strategies; those seeking to enhance their technology to facilitate remote working capabilities; and those who want our support to manage cashflow constraints and difficulties. In response, we have a range of payment products, including as-a-service products, to enable our customers continue their IT investment strategies and support those customers who need to accelerate their digital transformation, both to manage their own costs and also to meet the ever-increasing demand of their customers to transact through digital and online platforms.

Risk Management

Since the onset of the crisis, we have put enhanced risk monitoring and oversight in place. We have focussed on the wellbeing of our team members, ensuring we maintain a robust control environment while working remotely and increased the rigour and scrutiny applied to our credit management practices. We have historically operated in an environment of low inflation and low interest rates. Supply chain constraints and energy price increases are driving inflationary pressures, this is being followed by a tightening of monetary policies by Central Banks with interest rates beginning to increase. Despite these challenges we had a year of historic low credit defaults. We remain mindful and ever vigilant of the potential impact of these changes on our existing portfolio and future business and we continue to maintain appropriate levels of provisions for credit defaults.

Business Performance

The Bank has increased profitability with over 200% growth, reflecting the ongoing growth in the portfolio. Lower than expected specific provision and credit losses were a significant driver of the year-on-year profit growth. We continue to tightly monitor the credit risk of our portfolio and maintain appropriate provisions going forward. Growth in net interest income and other operating income coupled with proactive cost management has resulted in a cost income ratio of 34% compared to 39% in 2020.

The markets continue to have confidence in the Bank's performance, and this enabled us to establish a €2 billion Euro Medium Term Note programme (EMTN) in May 2021. In October 2021, the Bank issued a €500m senior unsecured note under the newly established EMTN. This issuance continues to create more diversified funding and reduces our reliance on intercompany funding.

The Bank has continued to achieve year on year asset growth. The growth is driven by our continued support and investment in our customers and the development of innovative products.

Our Communities and Environment

We are committed to support the communities where we live and work. We take our corporate social responsibilities seriously. While hybrid and remote working can, at times, pose challenges to certain activities, our team members volunteered their time during 2021 to support numerous charities and local organisations.

We are focused on our environmental and climate change obligations. We embed sustainability and ethical practice into all that we do. We offer our customers products that support the circular economy where electronic equipment is used, reused after end of lease and recycled, thereby reducing the environment damaged caused by e-waste. The Bank focuses on core strategies to ensure our commitment to sustainability is maintained, accelerating the circular economy and protecting the planet.

Regulation

Regulatory compliance and corporate governance are key areas for the successful operation of the Bank. Strong Corporate Governance is central to enable the Board to meet the challenges and opportunities of an ever-changing landscape. The Bank is constantly monitoring upcoming regulatory changes to corporate sustainability reporting requirements and assessing their impacts.

The Bank is well capitalised and funded and we will continue to ensure that we are well placed to meet regulatory capital and liquidity requirements and that we engage professionally and constructively with all our regulators.

Outlook

2021 was a year of strong performance for the Group, and current economic forecasts are projecting further economic growth. However, despite these projections the full economic impact of the pandemic remains uncertain. The impact of increasing inflationary pressures and interest rates pose risks and challenges for our customers and the markets in which we operate. The crisis in Ukraine and the sanctions imposed on Russia adds further uncertainty to this economic outlook. We will continue to execute our strategy by focussing on new and existing customer relationships, our product offerings, and our team members. We offer a range of financing plans that can support our customers cashflow objectives in an uncertain market. While there are macro-economic and geo-political risks, the demand for technology remains robust and this gives us confidence in our business for the future.

"The Bank's continued growth in scale and profitability over the last twelve months against a background of macroeconomic uncertainty is a testament to our strategic execution and the enormous commitment of our customer focused team members."

Daniel Twomey, Managing Director

Background

The Bank's immediate parent undertaking is DFS BV, a company incorporated in the Netherlands and the Bank's ultimate parent undertaking is Dell Technologies Inc. a public company incorporated in the United States of America. Dell Technologies Inc is listed on the New York Stock Exchange (NYSE) under trading symbol "DELL".

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

The Bank provides financial services to customers based in 18 countries: Ireland, United Kingdom, Belgium, Netherlands, Luxembourg, Germany, Austria, Switzerland, France, Italy, Spain, Portugal, Denmark, Sweden, Finland, Norway, Iceland and Poland.

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 Corporate Governance Requirements for Credit Institutions 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.

COVID-19

The pandemic presented challenges for many organisations and the full economic impact remains uncertain. There are forecasted negative impacts on inflation as a result of supply chain issues caused by the pandemic. The Group has relied on existing crisis management policies and processes to navigate the crisis with a focus on supporting our teams, our customer and partners and our communities.

Strategic Developments

The Bank continues to execute on its strategy which focuses on our customers, our culture and team members, and our product offerings.

In May 2021, the Bank established a €2 billion Euro Medium Term Note Programme enabling the Bank to issue unsecured debt. In October 2021, the Bank issued a €500 million senior unsecured note under this programme.

Business Review

The Consolidated Statement of comprehensive income and the Statements of financial position, cash flows and Changes in equity of the Group and the Bank are shown on pages 33 to 41. The below table presents the summary results of the Group:

Summary of Financial Performance

Year ended 31 December	2021	2020	Variance	
In Millions of Euro				
Interest income	82.3	75.4	6.9	9%
Interest expense[1]	(29.7)	(26.1)	(3.6)	(14%)
Net interest income[1]	**52.6**	**49.3**	**3.3**	**7%**
Other operating income[2]	36.3	29.9	6.4	21%
Total income[1&2]	**88.9**	**79.2**	**9.7**	**12%**
Net FX & derivative income/(expense)[3]	4.4	(7.3)	11.7	160%
Personnel Expenses	(22.6)	(23.4)	0.8	3%
General expenses	(6.9)	(7.6)	0.7	9%
Depreciation Expenses	(1.7)	(1.8)	0.1	6%
Other operating expenses	(9.6)	(8.7)	(0.9)	(10%)
Total operating expenses[1&3]	**(40.8)**	**(41.5)**	**0.7**	**2%**
Impairment credit/(charge)	3.6	(14.1)	17.7	126%
Profit before Taxation	**56.1**	**16.3**	**39.8**	**244%**
Income tax charge	(7.6)	(2.9)	(4.7)	162%
Profit for the year	**48.5**	**13.4**	**35.1**	**262%**

1 Interest expense includes interest expense on interest rate and cross currency swap derivatives. This swap expense is included in Net trading expense in the Statement of comprehensive income.

2 Other operating income includes operating lease income (net of depreciation), net end of lease income, syndication income and net fee and commission income

3 Net FX and derivative expenses excludes swap expense which is included in interest expense

Business Review – continued

Key Performance Indicators*

Year ended 31 December	2021	2020	Variance
Cost/Assets under Management ratio	1.64%	1.85%	(0.21%)
Cost Income ratio	34.4%	39.4%	(5.0%)
Net interest margin	4.01%	3.74%	0.27%
Cost of funds	1.00%	0.90%	0.10%
Non-performing exposures ratio	2.73%	0.71%	2.02%
Credit Impairment Provision Coverage ratio	1.11%	1.43%	(0.32%)

*** Please refer to Glossary for KPI definitions.**

As per the summary table previously shown, the Group recorded a profit before taxation of €56.1m in 2021 (2020: €16.3m). After an income tax charge of €7.6m (2020: €2.9m), a profit of €48.5m (2020: €13.5m) was transferred to reserves.

The increase in profit year on year is a result of total income arising from higher average assets, an increase in end of lease revenue, and favourable movement on impairment charges and mark to market movements on derivatives.

Our total income continues to reflect the positive impact of new lending over recent years while also continuing to be influenced by the current low interest rate environment. Net interest margin has favourably increased by 0.27% year on year. A 21% growth in total assets has led to a 12% increase in total income which has been impacted by lower yields on the customer portfolio. Other operating income for the year was €36.3m compared to €29.9m in 2020. This increase of €6.4m or 21% is driven by growth in operating lease income and end of lease activities. End of lease income increased in the year due to a continuation of increased levels of buyouts and remarketing.

Interest expense for the year was €29.7m compared to €26.1m in 2020, up €3.6m or 14% driven by increased borrowings, reflecting the growth in the portfolio. The cost of funds increased marginally in the year by 0.10%.

The net FX and derivative income for the year was €4.4m (2020: expense €7.3m) marking an increase of €11.7m or 160% year on year. The variance year on year is largely driven by net foreign exchange (including cross currency swaps) movements, revaluation expense and a significant mark to market on interest rate swaps.

Total operating expenses has decreased by €0.7m for the year, an decrease of 2%. This decrease is driven by lower administrative and travel expenses offset by an increase of business support services. The Group's cost income ratio has favourably decreased by 5%.

Impairment for loans and advances to customers for the year ended 31 December 2021 is a €3.6m credit (2020: charge €14.1m). This variance is mainly driven by a decrease in the modelled ECL, due to impacts of more favourable forward looking economic data, and lower specific provisions. The movements on the modelled ECL is partially offset by management overlays which are discussed in detail in note 4.

The total provision balance has decreased to €24m (2020: €29m) which represents 1.11% of total loans and advances to customers (2020: 1.43%). This year-on-year movement is also impacted by the reduction in modelled ECL. The overall impairment coverage of 1.11% is representative of the strong credit quality of the portfolio and low levels of delinquency. Over 94% of the portfolio has a probability of default (PD) grade between 1 and 9 and are not classified as credit impaired. Contracts within this range are classified as performing in line with credit risk policies and do not exhibit potential weaknesses that required enhanced monitoring or corrective action. Approximately 3.6% of the portfolio has a PD grade between 10 and 16 and within these contracts only 6% are considered to be credit impaired. Further details of the model changes can be seen in Note 4.

The Bank's non-performing exposure ratio has increased during the year from 0.71% to 2.73%. The drivers of this decrease relate mainly to the increases in stage 3 population resulting from the changes made to the definition of default during the year to align with regulatory requirements. These changes are further outlined in Note 4.

As shown in the table below the Group has continued to grow its asset base during the year. Total assets have increased by €608m year on year. In addition, as part of the Group's funding and growth strategies a capital contribution of €50m was received from DFS BV in 2021 to fund the growth in receivables.

31 December *In Millions of Euro*	2021	2020	Variance	
Total assets	**3,538**	**2,930**	**608**	**21%**
Liabilities	2,815	2,299	516	22%
Equity	723	631	92	15%
Total liabilities and equity	**3,538**	**2,930**	**608**	**21%**
Return on assets	**1.4%**	**0.5%**	**0.9%**	**180%**

Introduction

Since the inception of the Bank, significant progress has been made under its Corporate Social Responsibility (CSR) strategy to drive human and environmental progress, creating a positive social impact through our reach, technology and people. Aligning with Dell Technologies CSR strategies, the Bank believes that creating a social and environmental impact is a business imperative, essential to its success. The Bank's commitment to CSR shapes its culture, policies and business practices.

The Bank has an ambitious, long-term set of goals that fundamentally shapes how the business operates and engages with the world. We are committed to putting technology and expertise to work, where it can do the most good for people and the planet.

Our approach to CSR operates under these four key pillars:

- Advancing Sustainability
- Cultivating Inclusion
- Transforming Lives with Technology
- Upholding Ethics and Privacy

As part of the Progress Made Real Strategy. Dell Technologies has established an ambitious set of goals to ensure measurable progress and drive accountability toward CSR goals. These targets are referred to as "Moonshot Goals". A detail listing of Moonshot Goals has been developed for each CSR pillar. The aim is for these targets to be implemented by 2030. Dell Technologies publishes an annual report "Progress Made Real" noting the performance against these targets. The Bank, as a part of the wider Dell Technologies group, plays an important role in reaching these targets.

Advancing Sustainability (Environment)

The world continues to face ever-growing environmental challenges and the need to address these challenges has become ever so critical. As the Bank finances the acquisition and use of technology, we are acutely aware that electronic equipment ultimately results in e-waste. E-waste is the fastest growing form of waste today that enters our landfills and ocean containing toxic materials and plastics that can take a thousand years to degrade. Today, only 20% of the world's e-waste is recycled or reused.

Advancing sustainability continues to be a key objective for the Bank which recognises that it has a responsibility to protect and enrich our planet

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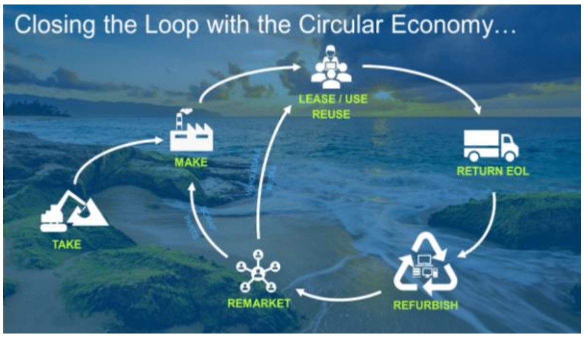
together with our customers, suppliers and communities. It is a core part of our business and we embed sustainability and ethical practices into all that we do. We hold ourselves accountable for our actions while driving improvements wherever and whenever possible.
The Bank focuses on core strategies to ensure our commitment to sustainability is maintained, accelerating the circular economy and protecting the planet.

Under the traditional linear economy, raw materials are extracted from the environment (take), manufactured (make), used, and ultimately result in waste.

The Bank is committed to supporting the transition to the circular economy where electronic equipment is used, reused after end of lease (EOL) and recycled, thereby reducing the environmental damage caused by e-waste



The Bank's contribution is to enable usage of technology assets for an optimal term, followed by extending the life of the equipment by refurbishing and reusing for a second life. This is achieved by matching financing terms to the product with flexible extension options. When there is no further use for the equipment with the primary user, it is returned into the system for reuse as soon as possible. This approach enables customers to manage their technology assets in a secure, compliant and environmentally responsible manner.

Re-use saves valuable resources and reduces landfill and carbon emissions, e.g. a laptop that is refurbished and reused for an additional 3 years saves 200kg of CO_2. In 2021, 96% of the Bank's returned leased assets were sold as re-furbished equipment in the secondary market, either via our online Dell Refurbished store or via resellers, primarily in the EU or OECD countries.

Where refurbishment or reuse is not a viable option, every reasonable effort will be made to control all e-waste and to minimize e-waste from entering landfills or incinerators. This is managed by Dell Electronic Disposition Partners (EDP's) who are contractually committed to employing environmentally responsible processes and practices in the recycling and disposal of materials as evidenced through Dell Technologies procurement and audit programs.

All exports and imports of end-of-use electronics and e-waste is handled by Dell Technologies and its EDP's, who comply with existing international environmental and waste shipment conventions, agreements, local laws and other legal requirements.

The Bank continues to monitor upcoming regulatory guidance and legislation for corporate sustainability reporting.

A significant Dell Technologies Moonshot goal for 2030 is that for every product a customer buys, an equivalent product will be reused or recycled. Additionally, 100% of packaging and 50% of product context will be made from recycled or renewable material. Additionally, Dell Technologies will reduce greenhouse gas emissions by 50% by 2030.

Cultivating Inclusion

The Board is fervently committed to attracting the most exceptional talent out there, regardless of gender, ethnicity, sexual orientation or background. The Bank believes that cultivating a culture of inclusion is a business imperative. We know that preparing and attracting the future workforce, developing and retaining an empowered workforce and then scaling for maximum impact delivers business and social value. Cultivating a diverse and inclusive environment ensures that the Bank is a place where people want to work, team members feel they belong, and our values reflect those of our customers. Creating a diverse and inclusive culture is key to how the Bank will unlock an innovative spirit that will grow its business and ensure success.

To continue to develop and retain empowered employees, the Bank is embracing differences to bring diverse employees together to drive innovation. The Bank's focus on diversity and inclusion results in an internal community that is more engaged, productive and innovative. The Bank has several initiatives in place to foster an environment of inclusion:

Flexible work environment: During the pandemic, all team members worked remotely, in line with local government restrictions and advice. The Bank is committed to supporting employees to work in a way that enhances their productivity and lifestyle. The Bank, in line with Dell Technologies, has enabled all employees to sign up to remote working permanently if desired.

The Bank encourages all employees to take part in “Be The Change”. Be the Change helps us accelerate our progress and drive our inclusive culture forward. Be the Change provides self-guided, on-demand foundational learning experiences that make it easier to deepen our understanding about unconscious bias, intersectionality, in-groups and out-groups, equity and microaggressions - and how these can show up in the workplace. Our goal is to have 100% of team members participate in this programme annually.

Leveraging Dell Technologies, the Bank also has a vast Employee Resource Groups (ERGs) network made up of several different groups across multiple countries. ERGs are communities within Dell that bring together team members with common interests or background to drive innovation, create business opportunities and develop inspiring leaders. ERG focus areas include gender, ethnicity and identity making them a force for cultivating diversity and inclusion.

All ERG groups are open to anyone who wants to participate. We also continue to see a correlation between ERG membership and Employee Net Promoter Score (eNPS), a management tool used to gauge the loyalty of a firm's employees.

Examples of the ERGs and their aims are as follows:

- GenNext: Facilitates the professional and personal growth of future Dell Technologies’ leaders
- Women in Action: Enables women to grow and thrive by creating connections and developing leadership
- Pride: Enriches the Dell Technologies experience for LGBTQ+ members
- True Ability: Educates and drives awareness and serves as a resource for team members impacted by disabilities and/or special needs

The Bank continues to expand the talent pipeline for underrepresented groups to meet our future talent needs. The Bank is finding creative new ways to remove barriers from the traditional hiring practices to leverage every individual’s unique ability to contribute.

A significant Moonshot goal for Dell Technologies is that, by 2030, 50% of the global workforce and 40% of global people leaders will be those that identify as women.

Transforming Lives with Technology

The Bank encourages and supports all staff to participate in volunteering opportunities. Despite the constraints imposed by the pandemic during 2021, Bank employees participated in various community activities such as fundraising for local and non-local charities, donations and educational programmes. Examples of the Bank’s commitment to the wider community in 2021 included collaborating with Barnardos, the Special Olympics Ireland National Games, St Vincent de Paul and Mellon Educate.

We are proud of the contributions we could make during these challenging times.

A significant Moonshot goal for Dell Technologies is that 75% of the global workforce will participate in giving or volunteerism in their communities.

Upholding Ethics and Privacy

Ethics and privacy play a critical role in establishing a strong foundation for positive social impact. In this time of rapid innovation, big data, an evolving regulatory environment and increasing expectations from our customers, team members and communities, the Bank, in alignment with Dell Technologies, is committed to continuing to lead in ethics and privacy. Our constant push to higher ethics and privacy standards are guided by three principles:

- We continue our enduring commitment to transparency
- We ignite and inspire passion for integrity in all our employees
- We drive a high standard of responsibility in our partner ecosystem

To uphold ethics, the Bank leverages the Dell Technologies Code of Conduct “How We Win” which guides how we carry out our daily activities in accordance with our culture and values, as well as in compliance with the letter and spirit of all applicable laws in the countries in which we work and serve which is further supported by a dedicated Compliance function within the Bank. Ultimately, we all adhere to one global standard: We win with integrity.

In order to uphold privacy, the Bank has put in place its own dedicated Data Privacy Manager to ensure compliance with the General Data Protection Regulation (GDPR) and other national data privacy laws in jurisdictions that we operate in.

Additionally, the Bank employs extensive data audits to ensure data wiping processes are effective with respect to our end-of-lease assets prior to resale into our secondary markets. Data privacy remains a key Bank imperative.

1. Introduction

The Group's operations involve the evaluation, acceptance and management of risk in accordance with its risk appetite. The Group has in place an appropriate Risk Management Framework to identify, assess, manage, monitor, mitigate and report on the risks it faces. The Risk Management Framework establishes the high-level principles, culture, appetite and approach to risk management in the Group including roles & responsibilities, governance arrangements, and reporting requirements. The Risk Management Framework is reviewed and approved by the Board on an annual basis or as required.

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

2. Risk Framework

The Board and Senior Management have designed the Group's Risk Management Framework and the Internal Control Framework to ensure the Group manages risks appropriately in pursuit of its strategic objectives. All key Group policies have appropriate regard to risk as an essential part of successfully operating the Group. Senior Management continually review the operations of the Group and assess the level of risk in line with the Group's Risk Appetite, its policies and procedures, changes in its products and services, and changes in the marketplace in which it operates.

Risk appetite defines the amount and type of risk the Group is prepared to accept in pursuit of its strategic objectives. The Group has in place a Risk Appetite Framework which sets out the Group's approach to all material risks expressed in both qualitative and quantitative terms. Material risks are deemed to be those risks which may impact the Group's ability to deliver on its business plan, service its customers, operate in a legal and compliant manner, impact the Group's brand and reputation or cause financial loss exceeding Risk Appetite tolerances. Non-material risks are deemed to be those risks which do not impact the Group's ability to deliver on its business plan, service its customers, operate in a legal and compliant manner, impact the Group's reputation and brand, and do not cause financial loss exceeding Risk Appetite tolerances.
The Board, as supported by Senior Management, is responsible for setting the Group'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 (CBI).

Risks facing the Group are identified and assessed annually through the Group's risk identification and assessment process. Arising out of this process, the key material risk types are identified. The key material risks that have been identified are as follows:

- Credit Risk (including Credit Concentration Risk)
- Market Risk
- Funding & Liquidity Risk
- Residual Asset Value Risk
- Operational Risk
- Capital Adequacy Risk
- Regulatory Risk
- Business and Strategic Risk
- Reputational Risk
- Group Risk
- Environment Social and Governance (ESG) Risk

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

Three Lines of Defence

The Bank's Internal Control Framework is based on the Three Lines of Defence model to ensure that appropriate responsibility is allocated for monitoring, management, reporting and escalation where appropriate.

First Line of Defence: The Bank's first line of defence is business support and unit line management. The first line is responsible for identifying and managing the risks inherent in the Bank's products, activities, processes and systems. This includes responsibility for implementing sufficient and appropriate controls to manage risk across the Bank. Management information and formal reporting lines are used to enforce, monitor and review the effectiveness of controls throughout the Bank. Periodic Risk Assessments and Control Self Assessments are completed by the business, through the Risk and Control Self-Assessment (RCSA) framework, as relevant, to identify and evaluate risk and existing mitigating controls.

Second line of defence: The Bank's second line of defence comprises of the Risk Management Function and the Compliance Function. Both the Risk Management and Compliance Functions are established at Senior Management level, have adequate authority and responsibility to fulfil these functions and report directly to the Risk Committee. They are independent of the business and support units they monitor and control and are organisationally independent from each other. The Risk Committee reviews and approves the annual Risk Management Monitoring Plan and the annual Compliance Monitoring Plan, which is completed by the Risk Management and Compliance Functions respectively.

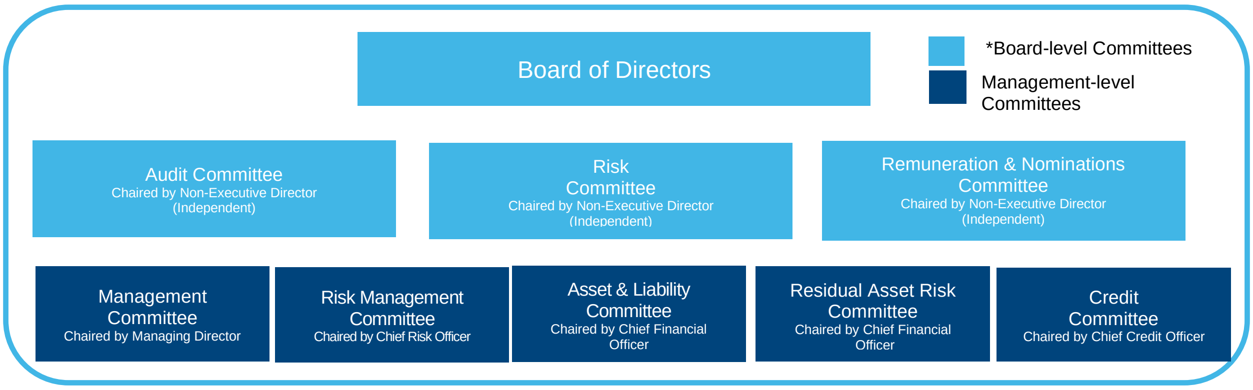
Third line of defence: The Bank's third line of defence comprises of the Internal Audit function which provides independent, reasonable assurance to management, the Audit Committee, the Board and external stakeholders. It ensures that controls are in place for identified risks, that the controls are appropriately designed and operating effectively, and that the risks are being managed in accordance with applicable laws and regulations, including compliance with internal policies and procedures. The third line of defence reviews the effectiveness of the first and second lines of defence and makes recommendations for improvement as required.

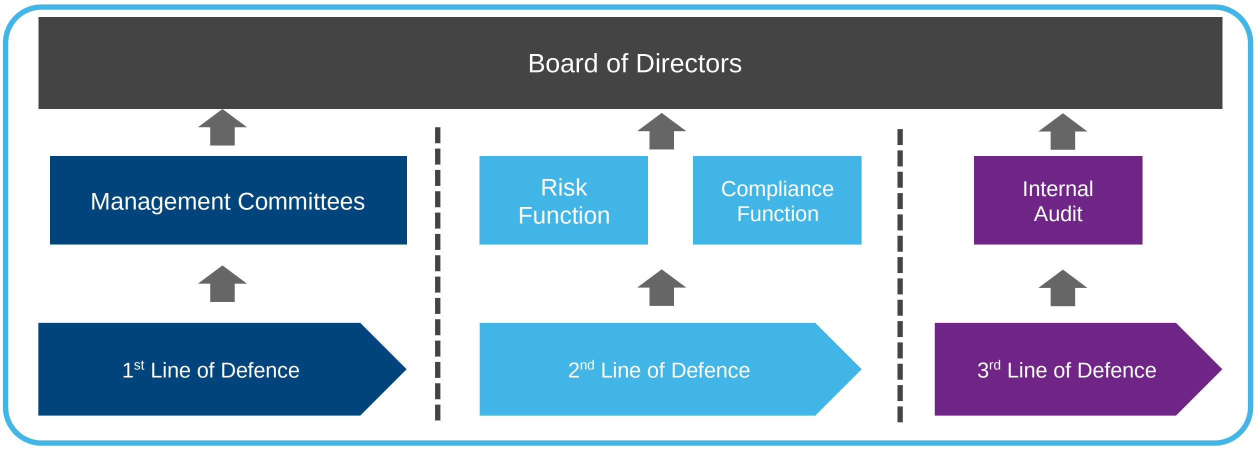
Risk Governance

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

- A documented Board Charter which sets out the matters reserved for the Board and through a Delegated Authority Matrix, matters it has delegated to Board Sub Committees and to Management
- 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 for each of the management committees.
- Head of Internal Audit reports to the Audit Committee.

The charts below illustrate the Group's three lines of defence model.





The Board Sub Committees are; Audit Committee, Risk Committee and Remuneration & Nomination

Board Committees

The Audit Committee has been delegated responsibility by the Board to provide oversight in a number of areas including, but not limited to, the financial reporting process; the quality and integrity of the Group's financial statements and Pillar III disclosures; internal control framework of the Group; and oversight of the Group's external auditors. In addition to the standard agenda items, the EBA Guidelines on Definition of Default, IFRS9 model updates and COVID-19 impact monitoring were key areas of focus for the Audit Committee during 2021.

The Internal Audit Function reports to the Audit Committee.

The Risk Committee of the Group is responsible for oversight and advice to the Board on the significant risk exposures of the Group and future risk strategy. The Risk Committee advises and makes recommendations to the Board on risk matters, including risk appetite, financial performance, capital adequacy, liquidity adequacy, recovery plans and policy. In addition to these standard agenda items climate and environmental risks are becoming a key focus area for the Risk Committee which are part of the broader ESG agenda.
The Risk Committee also oversees the Group's Risk Management Function. The Group's Risk Management Function supports the Risk Committee in carrying out its duties and responsibilities by providing appropriate reporting of the risks in the business. 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 responsibilities in overseeing risk.

The Remuneration and Nomination Committee is responsible for determining the remuneration Policy and Framework in compliance with CBI and European Banking Authority requirements. This includes identifying categories of staff with material risk-taking responsibilities and ensuring that fully compliant variable remuneration structures are in place. The Remuneration and Nomination Committee has oversight for recruitment of suitable candidates to fill the Board and Senior Management vacancies. The Remuneration and Nomination Committee is also responsible for reviewing and approving performance-based remuneration in accordance with regulatory requirements. In addition to the standard agenda items developments regarding the Individual Accountability Framework, diversity and inclusion, and impacts of COVID-19 were key areas of focus for the Remuneration & Nominations Committee during 2021.

To further strengthen governance and independence the Board has established an Independent Non-Executive Director Forum ("INED Forum"). The Senior Independent Non-Executive Director provides a report on the issues discussed at the INED Forum to the Board.

Board of Directors

Appointments to the Board

In assessing a candidate for a Board position with Dell Bank International d.a.c., 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. The Bank engaged external consultants to assist in the recruitment of two new directors in the financial year.

Composition of the Board

There were four changes made to the Board during 2021. These changes were part of two planned rotations in accordance with the Board Succession Plans. The changes comprised of the appointment of two new Independent Non-Executive Directors to replace two out-going Independent Non-Executive Directors. The timeline of these changes is noted in the Directors' Report. Changes to the Board composition are noted in the Directors Report.

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 maintains a Diversity Policy which states it will continue to review the composition as opportunities arise to change composition of the Board to ensure it moves towards targets and objectives set out in the Policy.

At close of business on 31 December 2021, the Board was comprised of eight Directors (2019: eight).

William Wavro

William Wavro joined the Dell Technologies Group in 2005 and is currently the President of Dell Financial Services ("DFS"). Prior to DFS, William served as CFO for the Global Commercial Business, supporting Dell's customers and partners in the Consumer, Small and Medium and Corporate business spaces.

William spent 3 years based in Singapore as the CFO for Dell's APJ business. He joined Dell Technologies 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, William started his career with PwC 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.

William 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. William joined Compaq in 1997 as a controller to help start up and lead Compaq Financial Services to what would eventually become a $2 billion 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 Technologies in 2005. William is a Certified Public Accountant in the State of Texas.

William holds six other directorship positions within the Dell Technologies Group.

William is the Chair of the Board of the Bank.

Daniel Twomey

Daniel Twomey joined the Dell Technologies Group in 1997 from PwC. He was appointed Managing Director for Dell Bank International d.a.c on 25 February 2019 and at the same time was appointed to the Board. In this role he is responsible for all functions of the Bank including strategic execution, sales, finance, human resources operations, asset management, credit and compliance.

Prior to joining Dell Bank, Daniel progressed through a number of finance leadership roles in Dell Technologies covering manufacturing, operations, commercial, sales, and financial planning. Daniel graduated from the University of Limerick with a Bachelor of Business Studies (First Class Honours) and is a Chartered Accountant.

Daniel holds four other directorship positions within the Dell Technologies Group.

Hugh O'Donnell

Hugh O'Donnell joined Dell Bank International d.a.c in 2017 and serves as Chief Financial Officer ("CFO") and as an Executive Director of the Bank. Hugh has responsibility for the financial functions of the Bank including accounting, financial planning, pricing, treasury, tax, and regulatory reporting and in addition has a lead role in setting and executing the strategy of the Bank.

Before joining the Bank, Hugh held the position of CFO and Executive Director for Allied Irish Bank plc's (AIB) UK Division, a UK regulated Retail and Business Bank. Over his career, Hugh's experience centred on finance leadership roles in the Capital Markets, Group and UK Group Divisions of AIB and prior to that in corporate finance and auditing with Price Waterhouse Coopers. Hugh is a Chartered Accountant and a member of the Institute of Chartered Accountants in Ireland and also holds a Master's Degree in Accounting from the Smurfit Business School and a Bachelor of Commerce degree from UCD.
Hugh holds three other directorship positions within the Dell Technologies Group.

Tyler Johnson

Tyler Johnson is currently Senior Vice President and Treasurer of Dell Technologies where his global responsibilities include debt financing and interest rate risk management, capital markets, insurance, liquidity management, cash and investment management, and customer and supplier financing solutions. Tyler worked at Dell from 1995 to 2008 and re-joined in 2013 where he assumed his current role. Prior to Dell, Tyler served as Vice President and Treasurer for Cooper Industries, a global manufacturer of electrical products headquartered in Dublin. Tyler's previous roles have included 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 options trader, firstly in Los Angeles and later relocating to New York City with short term assignments in Hong Kong and Japan. Tyler is a CFA Charter holder since 2006.

Tyler holds nine other directorship positions within the Dell Technologies Group and one external directorship.

Julie Murphy O'Connor

Julie Murphy-O'Connor joined the Board of Dell Bank International d.a.c in December 2021 as an Independent Director. Julie is a qualified solicitor. She has been a partner in the law firm Matheson since 2008, where she specialises in financial services, corporate and cross-border commercial disputes and investigations. Julie was appointed non-executive director of semi-state company, Coillte d.a.c, in 2013 and chairs its Remuneration Committee. Julie graduated with a LLM from Trinity College Dublin and qualified as a solicitor in 1999.

Julie holds two additional directorships external to the Dell Technologies Group.

Julie is the Chair of the Bank's Remuneration and Nomination Committee.

Marie Mangan

Marie Mangan joined the Board of Dell Bank International d.a.c in December 2021 as an Independent Director. Marie has over 30 years of experience in the financial services sector combining experience as a regulator, industry practitioner and advisor to a diverse range of financial institutions both domestic and international.

Marie is currently a Non-Executive Director and Chair of Risk Committee of Macquarie Bank Europe DAC (appointed February 2020) and Guggenheim Partners Europe Limited (appointed July 2020) and is also a Non-Executive Director of Muzinich & Co. (Ireland) Limited and Muzinich Alternative Investment Funds ICAV, including sub-funds (appointed November 2021).

Prior to taking up non-executive director roles, Marie was Chief Risk Officer for Elavon Financial Services DAC (a subsidiary of US Bank NA) and previously held various roles including Head of Regulatory Advisory Services at KPMG, Senior Vice President and Head of Compliance at GMAC Commercial Mortgage Bank plc and Senior Regulator at the Central Bank of Ireland.

Marie is a member of the Institute of Directors in Ireland and The Institute of Banking and holds an MSc in Investment and Treasury from Dublin City University

Marie is the Chair of the Bank's Risk Committee.

Roisin Brennan

Roisin Brennan joined the Board of Dell Bank International d.a.c in July 2016 as an Independent Director. Roisin is a former Chief Executive of IBI Corporate Finance Limited where she worked for over 20 years advising companies on a variety of transactions including IPOs and Mergers & Acquisitions. Roisin is a non-executive director of Ryanair plc and Ryanair dac, Musgrave Group plc and Musgrave Limited, Hibernia REIT plc and Glanbia plc. Roisin was a non-executive director of DCC plc from 2005 until 2016. Roisin graduated with a First-Class Honours Degree from University College Dublin and qualified as a Chartered Accountant with Arthur Andersen.

Roisin holds an additional six directorships external to the Dell Technologies Group.

Roisin is the Senior Independent Non-Executive of the Bank.

Donal Courtney

Donal Courtney qualified with an Honours Bachelor of Business Studies degree from Trinity College in 1985 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, leasing and asset financing 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 had set up an Irish operation to raise finance for aircraft development and also to acquire and lease second hand aircraft. In 2001, he joined GMAC Commercial Mortgage Bank Europe ("GMAC CM") as Senior Vice President & Chief Financial Officer for Europe. GMAC CM at this time set up a bank in Ireland and were involved in financing real estate across Europe by way of loan and securitisation products.

Donal has 30 years' experience in financial services, commercial banking, asset financing and aircraft leasing industries in Ireland and Europe. In 2009 he was awarded a Certificate in Directors Duties and Responsibilities from the Institute of Chartered Accountants in Ireland.

From 2010 to 2019, he served as a Non-Executive Director of UniCredit Bank Ireland where he was Chair of the Audit committee. In April 2016 he was appointed as a Director of IPUT plc, the Irish regulated Commercial property investment company where he also chairs the audit and risk committee and since 2019 he has served as a Non-Executive Director of IPUT Asset services Limited. In 2018 he was appointed as a Non-Executive Director of Permanent TSB plc and Permanent TSB Group Holdings plc. In his capacity as a Non-Executive Director of PTSB Donal is currently the Chair of the Risk Committee and previously served as the Chair of the Audit Committee

Donal holds an additional five directorships external to the Dell Technologies Group.

Donal is the Chair of the Bank's Audit Committee.

Management Committees

The Management Committee is responsible for the overall day to day management of the Bank in accordance its Terms of Reference and the Board Charter.

The Management Committee is charged with the development management and monitoring of strategy, change agenda and policies as appropriate, including approving changes to operational processes, procedures and internal controls and ensuring that any relevant documentation is updated to reflect such changes. It also reviews key management information in relation to the performance of the Bank, including financial performance, adherence to budgets and compliance with regulatory requirements.

In accordance with the Recovery Plan, the Management Committee will act as the crisis management team throughout the recovery period.

The Risk Management Committee ("RMC") is responsible for the monitoring and implementation of the Bank's Risk Management Framework. The RMC provides support to the Risk function and the Board Risk Committee in promoting an appropriate culture of risk awareness and overseeing the ongoing development of risk management processes across the Bank.

In addition, the RMC is supported by a number of Forums and Committees such as the Compliance Forum and Outsourcing Forum.

The Compliance Forum monitors compliance with laws and regulations and considers the impact of future legal and regulatory changes. The Outsourcing Forum oversees the management of risks arising from outsourcing certain activities.

The Asset and Liability Committee ("ALCO") is responsible for the management of the balance sheet of the Group, including capital adequacy in accordance with the risk appetite approved by the Board, the Group's Internal Capital Adequacy Assessment Process ("ICAAP") and the Group's Internal Liquidity Adequacy Assessment Process ("ILAAP"). ALCO is also responsible for leading the development of the Group's Recovery Plan. ALCO oversees the establishment and maintenance of 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 Credit Committee has been delegated responsibility by the Board to implement the credit policies and ensure procedures are in place, to oversee the Credit Function and associated credit risk management. The responsibilities of the Credit Committee include; approval of credit proposals within its delegated authority, considering reviews of the internal credit controls, credit portfolio performance monitoring, including the impact on the credit quality of the portfolio and customer risk profiles from the economic effects of the pandemic. The Credit Committee is responsible for the overall management of credit exposures of the Group.

Credit exposures include both transactional (for example: derivatives) 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.

The Credit Provision Committee is a subcommittee of the Credit Committee and is responsible for the overall management of the Group's provisions. The responsibilities include monitoring adherence to the Group's impairment policy, approval of the provisions and approval & monitoring of Expected Credit Loss (ECL) model components.

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

3. Credit Risk (audited)

Credit risk represents a significant risk at the Group. Credit risk refers to the risk that the Group's customers fail to meet their scheduled payments for operating leases, finance leases and loans approved by the Group'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.

a. Credit Risk – Measurement

The Group 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 Bureau 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.
Management recognise that system generated scores cannot take into consideration all circumstances and information available to make automated credit decisions. The purpose of the manual adjudication is to reasonably estimate the likelihood associated with a customer's probability of default ("PD"). All manual credit decisions are on a case by case basis using a range of quantitative and qualitative factors that are suitable and applicable to the assessment. This methodology is used in both the original underwriting decisions and as part of the on-going risk management of the portfolio.

The Group requires all customers to 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 may have its risk grades reviewed and adjusted accordingly.

The Group uses a sixteen-point scale in assigning PD grades of customers. This PD grade scale is referenced to externally available customer ratings. The grades provide an estimate of a customer's Probability of Default within a 12-month horizon. Quantitative and qualitative measures are used to develop a PD grade. The probability of default will increase proportionally as the grade increases. The Group uses a Loss Given Default ("LGD") which expresses the loss on a facility as a proportion of exposure. Quantitative and qualitative measures are used to inform the LGD grade. The percentage of exposure lost given a default scenario increases as the LGD grade increases. An analysis of the Group's Financial Assets by PD grade as at 31 December 2021 is set out in Note 4 of the financial statements.

b. Credit Risk Mitigation

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group 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. An analysis of the Group Financial Leased Assets by geographic segment is set out in Note 4 of the financial statements.
Some other specific control and mitigation measures undertaken by the Group to mitigate credit risk include the taking of corporate guarantees, personal guarantees, Letters of Credit, Insurance & customer own insurance. In respect of all lease contracts, the Group retains the title of underlying assets as collateral. In the event of a default the Group reserves the right to recover the leased assets. From time to time, the Group may mitigate credit risk by other acceptable forms.

c. Credit Risk Impairment and Provisioning Policies

Under IFRS 9 all credit exposures are subject to recognition of an impairment loss allowance for expected credit loss ("ECL"). The Group's approach to internal credit rating models and rating systems is set out in Note 4 of the financial statements.
ECLs are calculated through the impairment model which allocates financial instruments to stage 1, 2, 3 and POCI (Purchased or Originated Credit- impaired) and measure the appropriate 12 month or lifetime ECL.

ECLs are calculated as the sum of the marginal losses for each time period from the balance sheet date. The key components of the ECL calculation are Probability of Default ("PD"), Exposure at Default ("EAD") and Loss Given Default ("LGD") in addition to the staging criteria applied by the Bank.

d. Counterparty credit risk arising from derivatives

Transacting in over-the-counter (OTC) derivatives is governed by the European Market Infrastructure Regulation (EMIR). The Group has executed standard internationally recognised documents such as International Swaps and Derivatives Association (ISDA) agreements and Credit Support Annexes (CSAs) with all its derivative financial counterparties. CSAs serve to limit the potential cost of replacing that contract at market price in the event of a default by the financial counterparty through the receipt of collateral. The Bank's CSAs require collateral to be posted in euro cash.

4. Market Risk (audited)

Market risk is the risk of loss arising from movements in interest rates, FX rates or other market prices. The principal market risks facing the Group are interest rate risk and foreign exchange risk. The Group does not engage in any proprietary trading activities. All trading activities relate to managing and mitigating the market risk relating to the Group's lending and funding activities.

The Group has comprehensive policies for assessing, measuring and managing interest rate risk in the banking book (IRRBB) and foreign currency risk (FX). The ALCO is responsible for defining and recommending the Group's Market Risk Policy for Board Risk Committee approval.

The policy, together with the Group's Risk Appetite Framework, establishes the risk appetite and limits based are set as a percentage of the available Regulatory Capital. Both the IRRBB and FX hedging programs are in place to minimise the Group's exposure to potentially unpredictable market movements.

a. Foreign exchange risk

Foreign exchange risk is a financial risk caused by an exposure to changes in the exchange rates between two currencies. The Group is a Euro denominated entity but engages in leasing business throughout the European Economic Area ("EEA") and the UK in the following currencies: GBP, CHF, USD, DKK, SEK, NOK PLN and RON. The Group has transaction exposure as it has contractual non-Euro cash flows (receivables and payables) whose values are subject to changes in exchange rates. To manage the Euro value of the Group's foreign denominated cash flows, the Group runs an FX hedging program using FX forwards and other foreign exchange derivatives.

FX forwards converting non-Euro cash-flows to Euro are utilised to minimise the Group's FX risk exposure. The risk Framework in place is the same as that for IRRBB where the residual un-hedged exposure is measured against the prescribed targets, triggers and limits which are based on a percentage of the Group's own funds with performance reported to ALCO. Periodically, the Group may choose to obtain funding in Non-Euro currencies and will hedge these drawings accordingly with foreign exchange derivatives or through natural hedging with non-euro assets.

Further analysis of the Group's FX Risk position is detailed in Note 4 of the financial statements.

b. Interest rate risk (IRRBB)

Interest rate risk is the risk that the Group will experience deterioration in its financial position as interest rates move over time. This risk arises naturally through the conduct of business and is broken down into repricing risk, yield curve risk, basis risk and optionality risk.

The main source of this interest rate risk is re-pricing risk, which reflects the fact that the Group'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 Group's balance sheet.

The Group manages this risk by entering into interest rate related derivatives to manage the interest rate risk arising in its Banking Book.

The Group's portfolio of non-traded financial instruments principally comprises of commercial finance and operating leases, loans to customers, assignment of receivables, external loan facilities, and hedging instruments.
Further analysis of the Group's Interest Rate Risk mismatch is detailed in Note 4 of the financial statements.

Interest rate risk in the banking book is calculated on the basis of establishing the re-pricing risk ladder. The majority of asset and liability balances are profiled out by re-pricing date or contractual maturity if fixed rate.

The Group applies a range of stress scenarios to this profile to measure the overall level of interest rate risk and ensure that the exposure is optimally managed.

IRRBB is monitored daily and the positions are reported regularly to ALCO.
Further analysis of the Group's Interest Rate Risk positions is detailed in Note 4 of the financial statements.

5. Funding & Liquidity Risk (audited)

Effective liquidity risk management is central to the building of a strong and solid balance sheet and is a key pillar in the Group's core strategy.
Liquidity risk is the risk that the Group 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 Group'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.
Funding risk can occur where there is an over-reliance on a particular type of funding, a funding gap or a concentration of funding maturities.

Outflows include payments made to affiliates and Value-Added Resellers; those resellers that add features or services to existing offerings, on the origination of lease contracts, cash requirements from contractual commitments, inter-bank deposits being withdrawn or other cash outflows, such as significant operating expenditure or debt maturities.

The Group's assets are comprised primarily of lease and loan obligations. These loans have short to medium term contractual repayment profiles (typically 3-year amortisation schedules) although the credit agreements allow the lessee in general to prepay early.

In aggregate, such a pool of assets will have a reasonably predictable repayment profile, though one that may vary systematically based on a variety of market and macroeconomic factors.

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

The Liquidity Risk Framework is subject to internal oversight, challenge and governance. The ALCO has primary responsibility and reports to the Board Risk Committee. Liquidity risk is also monitored by the control functions as appropriate.

a. Liquidity Stress Testing

The strength of the Group'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.
The Group actively monitors a range of market and firm specific indicators on an on-going basis which are designed to act as early warning indicators that liquidity stresses are emerging. The stresses apply to a range of behavioural assumptions to the performance of the asset and liability products. Scenarios include assumptions about significant changes in key funding sources, credit ratings, contingent sources of funds and political and economic conditions. The Group is expected to be able to withstand these stressed conditions through its own resources. Simulated liquidity stress testing is carried out regularly and reflects the impact of firm specific and market related scenarios on the adequacy of the Group's liquid resources.

The annual ILAAP enables the Board to assess the adequacy of the Group's funding and liquidity risk management, to assess the key liquidity and funding risks to which it is exposed; and determine the level of contingent liquidity that is required to be maintained under both normal and stress scenarios.

b. Liquidity Monitoring

The Treasury function is responsible for the daily management of the liquidity buffer, monitoring and reporting of the Group's liquidity position in accordance with the Liquidity Policy. The Liquidity Coverage Ratio ("LCR") and Net Stable Funding Ratio ("NSFR") are internally modelled and monitored by the Group against Target, Trigger and Limit parameters as set out in the Risk Appetite Framework.

The Treasury function reports the results of certain liquidity scenarios to the ALCO members on a weekly 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.

The Group sources funds from five principal sources:

- Unsecured funding
- Secured funding
- Secured funding from Monetary Authority
- Affiliate borrowings
- Initial contributed equity, capital contributions and retained earnings

The mix of the above sources is intended to provide the Group with a diversified and stable funding base. Further analysis of the Group's projected outflows is detailed in Note 4 of the financial statements.

c. Assets held for Managing Liquidity Risk

The Group holds a portfolio of cash to manage its liquidity profile. Liquid assets are assets which can be quickly and easily converted into cash without incurring significant loss.

The Group's assets held for managing liquidity risk comprise of:

- Cash
- Short term bank placements

These assets in aggregate are permitted to comprise up to 100% of the Group's liquid asset holdings.

d. Liquidity Risk – Off Balance sheet items

The following items are listed as off-balance sheet items at the financial year end:

- Residual value guarantees
- Lease and loan commitments to extend credit

6. Residual Asset Value Risk

Residual value risk is the risk that the realisation based residual value set at the start of a lease is not achieved at the end of the lease. This may be due to several factors, including lower than expected equipment resale value, changes in customer behaviour or higher fulfilment costs and/ or end of lease operating expenses.
The Group seeks to minimise potential losses arising from residual value risk by understanding the equipment leased, identifying and assessing

long-term customer behaviour and applying expert judgement when setting residual values in order to provide a balanced view of expected realisation.
The Group's Asset Management End of Lease ("EOL") function analyses historic data relating to; equipment resale value, customer end of lease behaviour, end of lease fulfilment costs, and applies its expert judgement to derive Recovery Based Residuals ("RBR").

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

7. Operational Risk

The Group faces operational risks in the regular conduct of its day-to-day business objectives. Operational risk is the risk that actual losses resulting from inadequate or failed internal processes, people and systems or from external events differ from the expected losses. The Group's Operational Risk Management Framework exists to mitigate against such risks. It is structured in a three-tier approach comprising; identification and assessment, monitoring and reporting; and control and mitigation.

Operational risk specifically arises in the areas of:

- Operational resilience (including business continuity)
- Change management
- People
- Internal controls
- Information technology, cybersecurity risk
- New product development
- Outsourcing

The Group uses a range of tools to identify, assess and manage operational risk such as: business process mapping, risk and control assessments and testing, key risk indicator and key performance indicator reporting and assessments, and internal loss data, errors and control failure reporting.

Allocation of clear responsibilities for operational risk management ensures that risks are identified, monitored, managed and mitigated, in line with the Group's risk appetite.

8. Capital Adequacy Risk (audited)

Capital adequacy is assessed under the Group's ICAAP Framework. The Treasury function manages the Group's capital strategy under the guidance of the Board. The Group is committed to maintaining its sound capitalisation.

The Group has equity share capital of €50m and capital contributions received of €657.5m at 31 December 2021.

The Group's objectives when managing capital are to ensure that it always has sufficient capital to cover the risks of its business and support its strategy while at all times complying with regulatory capital requirements.

Capital adequacy and the use of regulatory capital are monitored on an ongoing basis by the Group's Regulatory Reporting function.
The Group has considered the capital and other related requirements which will apply to it through the following key legislation and requirements:

- CRR / CRD IV
- Relevant EBA guidelines and technical standards
- The CBI's Pillar III assessment
- The CBI's Licensing and Supervision Standards and Requirements

The Group holds own funds in excess of the higher of capital charges calculated under Pillar I or Pillar II.

The Group monitors a range of balance sheet metrics and limits in accordance with the Group's risk appetite. This takes into consideration the impact of CRD IV phasing arrangements. The ratios provide a mechanism to monitor compliance and include early warning triggers to allow management to take appropriate timely action should the Group approach a limit.

9. Regulatory Risk

Regulatory risk is the risk of failure to meet new or existing regulatory and / or legislative requirements and deadlines or to embed requirements into processes. Regulatory risk can impact earnings, capital and / or reputation arising from non-compliance with banking regulations, anti-money laundering, data protection, and other associated requirements.

Regulatory change or "Upstream" risk is the risk changes to existing or new laws / regulations / codes / guidance applicable to the Group are not effectively addressed and the risk that the Group fails to take timely and remedial actions.

Regulatory compliance risk is the current or prospective risk to earnings and capital arising from violations or non-compliance with laws, regulations, prescribed practices or ethical standards which can lead to fines, damages and can diminish the Group's reputation.

The Group has zero appetite for censure from regulatory, political, statutory or legislative bodies.

10. Business & Strategic Risk

Business & Strategic Risk arises from adverse and unexpected changes in income, costs or profitability that are due to the Group's business model, its strategy, and decisions made by Board and Senior Management.

This risk includes the risk that the Group does not make appropriate strategic decisions, does not successfully execute these decisions, or that strategic decisions do not have the intended effect.

The Group considers effective governance to be the most appropriate mitigant against this risk category. Business & Strategic Risk is included in the ICAAP assessment.

Cybersecurity risk is the probability of exposure, loss of critical asset and sensitive information, or reputational hard as a result of a cyber attached or breach within an organisations network. The Bank is a highly interconnected digital business and therefore the threat from information security and cyber risk is increasing. The Bank has robust control framework in place to help prevent, detect, and respond to such threats and also leverages the control framework established by Dell Technologies.

The pandemic presented challenges for many organisations including the Group. Ongoing economic uncertainty driven by COVID-19 continues to impact customers and different sectors are likely to recover at differing scales and speeds.

Business and strategy risk also includes Brexit and the risks arising from future changes in the trading relationship between the UK and EU which could impact the markets in which the Group operates.

The Group is closely monitoring the rapidly evolving situation in Ukraine and the sanctions imposed on Russia and the potential impact on the Group's business. The Bank has no direct credit exposure in Ukraine, Russia or Belarus.

11. Reputational Risk

Reputational Risk is the risk to the DFS brand, Dell brand, or goodwill exhibited towards these brands, by the Group's customers and wider market. Reputational risk can include social, ethical and environmental.
The Group will not enter into activities that will knowingly give rise to reputational risk issues with the potential to materially damage the Dell brand. The Group seeks to ensure that outsourced activities meet the Group's reputational risk standards, including the treatment and disposal of hardware.

12. Group Risk

Group Risk arises from reliance on Dell Technologies Inc. for financial and operational support, including certain funding facilities and outsourced services.
Group risk includes the risk of negative impact on the Bank from other Group entities or third parties which may disrupt outsourced activities of the Bank or may impact the Bank's ability to operate effectively. The Bank considers effective governance to be the most appropriate mitigant against this risk category. Group Risk is included in the ICAAP assessment.

13. Environment Social and Governance (ESG) Risk

ESG Risk is an evolving risk which materialises when the ESG Risk factors affecting the Group, it's stakeholders, and the external environment have a negative impact on the reputation, business strategy, financial performance, or solvency of the Group.

ESG Risk factors can be summarised as follows:

- Environmental and climate-related factors including both the physical effects of climate change and impact of transition to a low carbon economy
- Social factors include advancing sustainability, cultivating inclusion, transforming lives and upholding ethics and privacy
- Governance Risk factors are primarily focused on ensuring that ESG Risks are appropriately integrated into the Bank's Risk Management Framework

The Bank is monitoring upcoming regulatory changes to corporate sustainability reporting requirements and assessing their impacts.

Dell Technologies, the Bank's parent, is committed to driving human progress.

Through its reach, technology and people it strives to create a positive and lasting impact by advancing sustainability, cultivating inclusion and transforming lives around the world. Foundational to this ability to drive meaningful impact is an enduring commitment to upholding ethics and privacy.

The Bank is developing a comprehensive ESG framework that will be integrated into existing policies while also aligning with the overall Dell Technologies ESG strategy.

Independent auditors' report to the members of Dell Bank International Designated Activity Company

Report on the audit of the financial statements

Opinion

In our opinion, Dell Bank International Designated Activity Company's Consolidated financial statements and Bank financial statements (the "financial statements"):

- give a true and fair view of the Group's and the Bank's assets, liabilities and financial position as at 31 December 2021 and of the Group's profit and the Group's and the Bank's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and, as regards the Bank's financial statements, as applied in accordance with the provisions of the Companies Act 2014; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise:

- the Consolidated statement of financial position as at 31 December 2021;
- the Bank statement of financial position as at 31 December 2021;
- the Consolidated statement of comprehensive income for the year then ended;
- the Consolidated statement of other comprehensive income for the year then ended;
- the Consolidated statement of cash flows for the year then ended;
- the Bank statement of cash flows for the year then ended;
- the Consolidated statement of changes in equity for the year then ended;
- the Bank statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a description of the significant accounting policies. Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") and applicable law. Our responsibilities under ISAs (Ireland) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

a. *Independence*

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, which includes IAASA's Ethical Standard as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by IAASA's Ethical Standard were not provided to the Group or the Bank.

Other than those disclosed in note 17 to the financial statements, we have provided no non-audit services to the Group or the Bank in the period from 1 January 2021 to 31 December 2021.

Our audit approach

b. *Overview*

Materiality

- €7.2 million (2020: €6.3 million) - Consolidated and Bank financial statements
- Based on circa 1% of net assets.

Audit scope

- We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates. We performed a full scope audit of the Bank's financial statements, based on materiality levels. The Bank is the main operating entity in the Group, comprising 100% of the net assets of the Group.

Key audit matters

- Expected Credit Loss Provision.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

c. *Key audit matters*

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, 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, and any comments we make on the results of our procedures thereon, 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. This is not a complete list of all risks identified by our audit.

Key audit matter	*How our audit addressed the key audit matter*
Expected Credit Loss Provision Refer to page 47 (Accounting Policies), Note 3(a) (Critical Accounting Estimates and Judgements), Note 4(a) (Credit Risk), Note 16 (Impairment Charges on Loans and Receivables), Note 20 (Loans and Advances to Banks) and Note 21 (Loans and Advances to Customers) to the Consolidated financial statements. Expected credit loss (ECL) allowances on loans and advances to customers and banks was €23.6 million as at 31 December 2021 (2020: €29.3 million). IFRS 9 requires that credit losses are recognised on an expected, forward looking basis including reflecting the Bank's view of potential future economic events.	With the assistance of our internal credit modelling specialists, we understood and critically assessed the overall methodology applied and individual models used in the measurement of ECL for Loans and Advances to ensure provisions are estimated in accordance with IFRS 9. This included obtaining an understanding of, and evaluating the key systems and controls used in the provisioning process. We considered the overall control framework and tested certain controls relating to approval of model output and approval of post model adjustments.

Key audit matter	How our audit addressed the key audit matter
We determined the ECL calculation to be a key audit matter as it is a complex calculation, involving Probabilities of Default ('PD'), Loss Given Default ('LGD') and Exposures at Default ('EAD') which requires significant management judgement. We focussed on those areas which, in our view, required the greatest level of management judgement in estimating the ECL Provision relating to Loans and Advances to Customers and Banks as detailed below: 1. As explained in note 4(a), in line with regulatory guidance, the Group refined its definition of default in terms of how the Bank calculates days past due which is used for the purpose of its identification of credit impaired (stage 3) exposures. A key change is the removal of the 90-day grace period for non-standard payers and the use of a 90-day grace payment period for all Public Sector Entities which is applied in counting the days past due, to reflect the fact that Public Sector Entities can have payment delays that are considered administrative in nature, rather than credit risk related and that are not expected to result in a credit loss. 2. The change in the grace periods as outlined in note 4(a), also impacted the determination of when there has been a significant increase in credit risk (SICR). This is one of the key judgements in the ECL process because a SICR requires the related impairment provision to be measured using a lifetime ECL rather than 12-month ECL. The completeness of the identification of SICR triggers and their correct application has a significant impact on the overall provision. 3. The application of forward-looking information is a key element of the determination of ECL, particularly in times of uncertainty. The consideration and selection of appropriate macroeconomic variables, the determination of the appropriate economic scenarios (base, upturn and downturn) and their associated probability weightings are key drivers to the overall ECL provision. 4. The consideration of the need for and estimation of post model adjustments ("management overlays") to address known model limitations, latent risks and emerging trends. These adjustments are by their nature inherently uncertain and require significant judgement.	We tested the assumptions, model design and implementation of the methodologies in the ECL models with the assistance of our internal credit modelling specialists. This included assessing the continued appropriateness of the existing modelling methodologies and recalculating the model outcomes for PD, LGD and EAD. We tested the accuracy of critical data inputs used in the ECL models on a sample basis by agreeing inputs to source systems and supporting documentation, where appropriate. With the assistance of our internal credit modelling specialists, we assessed (a) the refinements to the Bank's definition of default used for the identification of credit impaired exposures (stage 3) and (b) the reasonableness of the assumption used regarding the 90-day grace period (for Public Sector Entities). We independently tested the logic and the revised days past due calculations used for the purposes of the identification of credit impaired (stage 3) exposures. We tested a sample of contracts to assess whether those exposures flagged in the model as 'Public Sector Entities' were consistent with the regulatory definition. We assessed whether the SICR triggers identified by management were appropriate and reasonable. We reperformed the staging logic as implemented in the Group's ECL models. We compared the forward-looking macroeconomic assumptions in the base case to publicly available information. We also considered the reasonableness of management's downturn and upturn assumptions in conjunction with the scenario weightings applied by management. We understood and assessed the appropriateness of post model adjustments made by management to adjust their model output for known limitations and specific risk aspects of the portfolio. We recalculated the management overlays and challenged the quantum of these overlays by performing independent analyses to assess the reasonableness of management's estimates. We concluded that the ECL provision for Loans and Advances to Customers and Banks is a reasonable estimate. We also considered the adequacy of the disclosures included in the financial statements.

d. *How we tailored the audit scope*

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

We performed a full scope audit of the Bank's financial statements, based on materiality levels. The Bank is the main operating entity in the Group, comprising 100% for the net assets of the Group.

e. *Materiality*

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Consolidated financial statements	***Bank financial statements***
Overall materiality	€7.2 million (2020: €6.3 million).	€7.2 million (2020: €6.3 million).
How we determined it	Circa 1% of net assets.	Circa 1% of net assets.
Rationale for benchmark applied	Dell Bank International Designated Activity Company is a wholly owned subsidiary bank within the Dell Technologies Inc. group providing financing solutions to customers and having considered the key users of the financial statements, we believe that net assets provides us with the most appropriate and consistent year on year basis for determining materiality.	Dell Bank International Designated Activity company is a wholly owned bank within the Dell Technologies Inc. group providing financing solutions to customers and having considered the key users of the financial statements, we believe that net assets provides us with the most appropriate and consistent year on year basis for determining materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €340,000 (Group audit) (2020: €315,000) and €340,000 (Bank audit) (2020: €315,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group and Bank's ability to continue to adopt the going concern basis of accounting included:

- Performing a risk assessment to identify factors that could impact the going concern basis of accounting;
- Understanding and evaluating the Group's financial forecasts and the Group's stress testing of liquidity and regulatory capital. In evaluating these forecasts, we considered the Group's financial position, historic performance, its past record of achieving strategic objectives and management's assessment of the financial performance, capital and liquidity for a period of 12 months from the date on which the financial statements are authorised for issue; and
- Reading and evaluating the adequacy of the disclosures made in the financial statements in relation to going concern.

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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's or the Bank's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the Companies Act 2014 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (Ireland) and the Companies Act 2014 require us to also report certain opinions and matters as described below:

- In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with the applicable legal requirements.
- Based on our knowledge and understanding of the Group and Bank and their environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

Responsibilities for the financial statements and the audit

f. *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view.

The directors are also responsible 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 Group's and the Bank'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 the directors either intend to liquidate the Group or the Bank or to cease operations, or have no realistic alternative but to do so.

g. *Auditors' 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 auditors' 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA website at:

https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f- a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf

This description forms part of our auditors' report.

h. *Use of this report*

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with section 391 of the Companies Act 2014 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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Other required reporting

Companies Act 2014 opinions on other matters

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the Bank were sufficient to permit the Bank financial statements to be readily and properly audited.
- The Bank Statement of Financial Position is in agreement with the accounting records.

Other exception reporting

i. *Directors' remuneration and transactions*

Under the Companies Act 2014 we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by sections 305 to 312 of that Act have not been made. We have no exceptions to report arising from this responsibility.

Appointment

We were appointed by the directors on 25 October 2012 to audit the financial statements for the year ended 31 December 2012 and subsequent financial periods. The period of total uninterrupted engagement is 10 years, covering the years ended 31 December 2012 to 31 December 2021.

Ivan McLoughlin

for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin
30 March 2022

- The maintenance and integrity of the Dell.com website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Financial Statements

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

In thousands of Euro	Note	Year ended 31 December 2021	Year ended 31 December 2020
Interest receivable and similar income	5	82,256	75,445
Interest payable and similar expense	5	(23,700)	(18,349)
Net interest income		**58,556**	**57,096**
Operating lease income	6	157,708	91,031
Fee and commission income	7	4,030	3,606
Fee and commission expense	7	(2,257)	(1,720)
Other Income from end of lease activities	8	29,944	29,193
Other Income from Syndications	9	2,287	7,361
Other operating income		**191,712**	**129,471**
Net trading expense	**10**	**(1,634)**	**(15,111)**
Personnel expenses	11	(22,625)	(23,405)
General and administrative expenses	13	(6,896)	(7,562)
Depreciation and amortisation expenses	14	(142,036)	(84,411)
Expenses from EOL activities	8	(15,087)	(16,980)
Other operating expense	15	(9,562)	(8,650)
Total operating expenses		**(196,206)**	**(141,008)**
Total operating profit before impairment charges		**52,428**	**30,448**
Impairment write-back/(charge) on loans and receivables	16	3,629	(14,133)
Profit before taxation		**56,057**	**16,315**
Income tax charge	18	(7,605)	(2,833)
Profit for the year		**48,452**	**13,482**

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

In thousands of Euro	Year ended 31 December 2021	Year ended 31 December 2020
Profit for the year	**48,452**	**13,482**
Items that may be reclassified to the income statement in subsequent years		
Cash flow hedge reserve, net of tax:		
Changes in fair value	(3,152)	1,478
Net change in cash flow hedge reserve	**(3,152)**	**1,478**
Total comprehensive income, net of tax	**45,300**	**14,960**

All amounts relate to continuing operations.

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

In thousands of Euro	Note	31 December 2021	31 December 2020
Assets			
Cash and balances with central banks	19	351,457	153,019
Derivative financial instruments	22	13,864	21,050
Loans and advances to banks	20	353,683	322,474
Loans and advances to customers	21	1,963,970	1,873,623
Debt securities at amortised cost	23	280,233	153,274
Property, plant and equipment	25	436,996	286,242
Other assets	27	121,684	99,960
Intangible assets and goodwill	24	15,053	16,741
Deferred tax assets	26	1,443	3,795
Total assets		**3,538,383**	**2,930,178**
Liabilities			
Deposit from banks	29	1,132,861	1,193,755
Derivative financial instruments	22	44,800	13,853
Amounts due to group undertakings	36	113,405	63,995
Other liabilities	31	25,456	24,903
Current tax liabilities		4,602	226
Debt Securities in Issue	30	1,494,019	1,002,564
Total liabilities		**2,815,143**	**2,299,296**
Equity			
Share capital	32	50,000	50,000
Capital contribution	32	657,500	607,500
Revenue reserves	32	20,680	(27,772)
Other Reserves	32	(4,940)	1,154
Total equity		**723,240**	**630,882**
Total liabilities and equity		**3,538,383**	**2,930,178**

Memorandum items:			
Guarantees	33	195	1,030
Commitments	33	187,642	167,299

The accompanying notes form an integral part of these financial statements.

Approved and authorised for issue by the Board on 30 March 2022:

Director
Daniel Twomey

Director
Hugh O'Donnell

Director
William Wavro

Secretary
Lisa Doyle

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

		Attributable to owners of the Group			
In thousands of Euro	**Share Capital**	**Other Reserves**	**Revenue Reserves**	**Capital Contribution**	**Total Equity**
Balance at 1 January 2021	**50,000**	**1,154**	**(27,772)**	**607,500**	**630,882**
Cashflow hedge reserve	-	(3,152)	-	-	**(3,152)**
Profit for the year	-	-	48,452	-	**48,452**
Transactions with owners of the Group:					
Share based payment reserve	-	(2,942)	-	-	**(2,942)**
Capital contribution	-	-	-	50,000	**50,000**
Balance at 31 December 2021	**50,000**	**(4,940)**	**20,680**	**657,500**	**723,240**

		Attributable to owners of the Group			
In thousands of Euro	**Share Capital**	**Other Reserves**	**Revenue Reserves**	**Capital Contribution**	**Total Equity**
Balance at 1 January 2020	**50,000**	**(324)**	**(41,254)**	**557,500**	**565,922**
Cashflow hedge reserve	-	1,478	-	-	1,478
Profit for the year	-	-	13,482	-	**13,482**
Transactions with owners of the Group:					
Capital contribution	-	-	-	50,000	**50,000**
Balance at 31 December 2020	**50,000**	**1,154**	**(27,772)**	**607,500**	**630,882**

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

In thousands of Euro	Year ended 31 December 2021	Year ended 31 December 2020
Cash flows from operating activities		
Profit before tax	56,057	16,315
Adjustments for:		
Impairment (write back) / charge on financial assets	(3,629)	14,133
Impairment (write back) / charge on Property plant and Equipment (note 25)	(155)	347
Interest expense on financing activities (Note 34)	15,747	16,276
Depreciation, amortisation and write-offs (Note 24 and 25)	142,037	84,412
Other non-cash items	(9,119)	6,036
Proceeds from disposal of Property plant and Equipment (Note 25)	14,196	1,117
Cash generating from operating activities	**215,134**	**138,636**
Taxation paid	(390)	(229)
Cash flows from operating activities before changes in operating assets and liabilities	**214,744**	**138,407**
Changes in operating assets and liabilities		
Net change in derivative financial instruments (Note 22)	38,133	(32,754)
Net decrease / (increase) in loans and advances to banks	15,504	(98,051)
Net increase in loans and advances to customers	(87,855)	(141,620)
Net increase in other assets (Note 27)	(21,723)	76,624
Additions to property, plant and equipment (Note 25)	(305,142)	(229,808)
Net increase / (decrease) in other liabilities (Note 31)	553	(24,767)
Net (decrease) / increase in derivative collateral (Note 29)	(7,240)	7,320
Net increase in Intercompany balance	49,409	3,032
Net cash outflow used by operating activities	**(103,617)**	**(301,617)**
Cash flows from investing activities		
Purchase of debt securities	(129,929)	(152,948)
Interest received on investing activities	1,915	(458)
Cash flows used in investing activities	**(128,014)**	**(153,406)**
Capital contribution (Note 32)	50,000	50,000
Proceeds from financing activities (Note 34)	1,178,055	1,284,120
Repayments of financing activities (Note 34)	(733,613)	(729,638)
Interest payments on financing activities (Note 34)	(17,206)	(12,554)
Issue costs for financing activities	(1,591)	(2,379)
Net cash inflow provided by financing activities	**475,645**	**589,549**

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

In thousands of Euro	Year ended 31 December 2021	Year ended 31 December 2020
Cash and cash equivalents at the beginning of the year	265,419	131,427
Net cash outflow by operating activities	(103,617)	(301,617)
Net cash outflow in investing activities	(128,014)	(153,406)
Net cash inflow provided by financing activities	475,645	589,549
Effect of exchange translation adjustments	689	(534)
Cash and cash equivalents at the end of the year (Note 19)	**510,122**	**265,419**

The accompanying notes form an integral part of these financial statements.

BANK STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

In thousands of Euro	Note	31 December 2021	31 December 2020
Assets			
Cash and balances with central banks	19	351,457	153,019
Derivative financial instruments	22	12,082	13,464
Loans and advances to banks	20	305,283	263,901
Loans and advances to customers	21	1,963,970	1,873,623
Debt securities at amortised cost	23	280,233	153,274
Property, plant and equipment	25	436,996	286,242
Other assets	27	121,658	99,935
Intangible assets and goodwill	24	15,053	16,741
Deferred tax assets	26	1,443	3,795
Total assets		**3,488,175**	**2,863,994**
Liabilities			
Deposit from banks	29	464,318	515,972
Derivative financial instruments	22	32,555	11,119
Amounts due to group undertakings	36	744,024	678,411
Other liabilities	31	25,422	24,825
Current tax liabilities		4,602	226
Debt Securities in Issue	30	1,494,019	1,002,564
Total liabilities		**2,764,940**	**2,233,117**
Equity			
Share capital	32	50,000	50,000
Capital contribution	32	657,500	607,500
Profit for the year	32	45,944	14,635
Other reserves	32	(3,262)	324
Revenue reserves	32	(26,947)	(41,582)
Total equity		**723,235**	**630,877**
Total liabilities and equity		**3,488,175**	**2,863,994**

Memorandum items			
Guarantees	33	195	1,030
Commitments	33	187,642	167,299

The accompanying notes form an integral part of these financial statements.

Approved and authorised for issue by the Board on 30 March 2022:

Director
Daniel Twomey

Director
Hugh O'Donnell

Director
William Wavro

Secretary
Lisa Doyle

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

	Attributable to owners of the Company				
In thousands of Euro	Share Capital	Other Reserves	Revenue Reserves	Capital Contribution	Total Equity
Balance at 1 January 2021	**50,000**	**324**	**(26,947)**	**607,500**	**630,877**
Cashflow hedge reserve	-	(644)	-	-	(644)
Profit for the financial year	-	-	45,944	-	45,944
Transactions with owners of the Company:					
Capital contribution	-	-	-	50,000	50,000
Share based payment reserve	-	(2,942)	-	-	(2,942)
Balance at 31 December 2021	**50,000**	**(3,262)**	**18,996**	**657,500**	**723,235**

	Attributable to owners of the Company				
In thousands of Euro	Share Capital	Other Reserves	Revenue Reserves	Capital Contribution	Total Equity
Balance at 1 January 2020	**50,000**	**-**	**(41,582)**	**557,500**	**565,918**
Cashflow hedge reserve	-	324	-	-	324
Profit for the financial year	-	-	14,635	-	14,635
Transactions with owners of the Company					
Capital contribution	-	-	-	50,000	50,000
Balance at 31 December 2020	**50,000**	**324**	**(26,947)**	**607,500**	**630,877**

The accompanying notes form an integral part of these financial statements.

BANK STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

In thousands of Euro	Year ended 31 December 2021	Year ended 31 December 2020
Cash flows from operating activities		
Profit before tax	53,547	17,468
Adjustments for:		
Impairment (write -back) / charge on financial assets	(1,681)	8,285
Impairment (write -back) / charge on Property, plant and equipment	(155)	347
Interest expense on borrowed funds (Note 34)	12,676	12,872
Depreciation, amortisation and write-offs (Note 24 and 25)	142,036	84,412
Other non-cash items	(8,161)	6,257
Gain from disposal of Property, plant and equipment (Note 25)	14,196	1,117
Cash generating from operating activities	**212,458**	**130,758**
Taxation paid	(390)	(229)
Cash flows from operating activities before changes in operating assets and liabilities	**212,068**	**130,529**
Changes in operating assets and liabilities		
Net increase in derivative financial instruments (Note 22)	22,818	(16,468)
Net decrease in loans and advances to banks	5,105	(67,651)
Net increase in loans and advances to customers	(89,739)	(137,163)
Additions to property, plant and equipment (Note 25)	(305,142)	(229,808)
Net increase in other assets (Note 27)	(21,724)	74,104
Net increase in other liabilities (Note 31)	597	(24,845)
Net decrease in derivative collateral(Note 29)	(7,240)	7,320
Net increase in Intercompany balance	49,560	(5,666)
Net cash outflow provided by operating activities	**(133,697)**	**(269,648)**
Cash flows from investing activities		
Purchase of debt securities	(129,929)	(152,948)
Interest received on investing activities	1,915	(458)
Net cash used in investing activities	**(128,014)**	**(153,406)**
Cash flows from financing activities		
Capital contribution (Note 32)	50,000	50,000
Proceeds from financing activities (Note 34)	835,208	812,894
Repayments of financing activities (Note 34)	(364,136)	(295,000)
Issue costs for financing activities (Note 30)	(1,382)	(1,530)
Interest payments on financing activities	(14,129)	(9,151)
Net cash inflow provided in financing activities	**505,561**	**557,213**
Cash and cash equivalents at the beginning of the year	264,876	129,859
Net cash outflow by operating activities	(133,697)	(269,648)
Net cash outflow in investing activities	(128,014)	(153,406)
Net cash inflow provided by financing activities	505,561	557,213
Effect of exchange translation adjustments	627	858
Cash and cash equivalents at the end of the year (Note 19)	**509,353**	**264,876**

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

Notes to the Financial Statements

1. Accounting Policies

Dell Bank International (d.a.c.), referred to as the Bank, is a company incorporated and domiciled in Ireland (registered number 502362). The address of its registered office is Innovation House, Cherrywood Science & Technology Park, Cherrywood, Dublin 18, Ireland. The principal activity of the Bank is the provision of financing solutions to end users of products and services. The Bank has one subsidiary, Dell Receivables Financing 2016 Designated Activity Company (the "SPV"), a special purpose vehicle. The Bank and its controlled SPV are collectively referred to as the "Group".

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies are applied consistently in the Group and Bank financial statements and have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The Directors make an unreserved statement that the consolidated financial statements for the year ended 31 December 2021 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"). The financial statements also comply with the requirements of Irish Statute comprising those parts of the Companies Act, 2014, applicable to companies reporting under IFRS.

The financial statements comprise the Consolidated statement of comprehensive income, Consolidated statement of other comprehensive income, Consolidated and Bank statements of financial position, the Consolidated and Bank statements of changes in equity, the Consolidated and Bank statements of cash flows, the notes to the financial statements and sections 3, 4, 5, and 8 of the Risk Management Report.

The financial statements have been prepared under the historical cost convention, except for financial assets and financial liabilities held at fair value through profit or loss, which have been measured at fair value. The Bank classifies its expenses by the nature of expense method.

The preparation of the financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

First time adoption of new accounting standards

The following standard(s) were effective for the financial year ended 31 December 2021.There were no material impacts to the Group following the introduction of these standards and the changes are not expected to significantly affect future periods.

- Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39). The amendments provide practical expedients related to accounting for the changes in the bases for determining contractual cash flows of financial instruments and lease contracts, arising as a direct consequence of benchmark rate (BMR) reform. The amendments also provide additional temporary exceptions from applying specific hedge accounting relationships, which will generally allow hedging accounting relationships directly affect by the BMR reform to continue.

There is no material impact on the Bank from benchmark rate reform. The Bank offers customers financing on a fixed interest rate basis and the principal funding sources of the bank are not subject to interest rates that are impacted by BMR.

Accounting standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

1. Accounting Policies- continued

Principle of consolidation

The Group applies IFRS 10 Consolidated Financial Statements. The consolidated financial statements include the financial statements of the Bank and its subsidiary.

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

A structured entity is an entity designed so that its activities are not governed by way of voting rights. The Group assesses whether it has control over such entities by considering factors such as the purpose and design of the entity; the nature of its relationship with the entity; and the size of its exposure to the variability of returns from the entity.

Assets, liabilities and results of all Group undertakings have been included in the Group financial statements on the basis of financial statements made up to the end of the financial year. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Financial assets

(i) Initial Recognition

The Group initially recognises financial assets on the date on which the group becomes a party to its contractual provisions. Financial assets are initially recorded at fair value and are classified, on initial recognition, as amortised cost or fair value through other comprehensive income ("FVOCI") or fair value through profit or loss. The initial fair value of a financial asset includes direct and incremental transaction costs.

Immediately after initial recognition, an expected credit loss allowance ("ECL") is recognised for financial assets measured at amortised cost or FVOCI which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

Financial assets measured at fair value through profit and loss ("FVTPL") are recognised initially at fair value and transaction costs are taken directly to the income statement.

Derivatives are measured initially at fair value on the date on which the derivative contract is entered into.

(ii) Classification and subsequent measurement

Derivative financial instruments are held at fair value and changes in the instrument's fair value are recognised in the income statement as Net trading income or Net trading expense. Derivatives are included as derivative financial instrument assets when the fair value is positive and as derivatives financial liabilities when the fair value is negative.
Financial assets other than derivatives include; debt securities, loans to banks and customers and other financial receivables where the Group has taken an assignment of receivables/credit in respect of financing provided to banks or customers.

1. Accounting Policies- continued

The recognition and measurement of lease receivables is governed by the leasing standard, IFRS 16 and therefore such financial assets are not in scope of the business model test under IFRS 9.2.1(b). The Group will continue to measure finance leases (under IFRS 16). Loans, financial receivables and finance leases are reported in the statement of financial position as loans and advances to customers or loans and advances to banks.

The Group determine subsequent measurement of a financial asset after initial recognition based on the two tests below

(i) The Group's business model for managing the financial asset; and
(ii) The contractual cash flow characteristics of the financial asset.

Based on these factors, the Group classifies its financial assets into one of the following categories:

Amortised Cost
Assets that have not been designated as FVTPL and are held within a 'hold-to-collect' business model whose objective is to hold assets to collect contractual cash flows; and whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest. The carrying amount of these assets is calculated using the effective interest method and is adjusted on each measurement date by the expected credit loss allowance for each asset, with movements recognised in profit or loss.

Fair value through other comprehensive income ('FVOCI')
Assets that have not been designated as FVTPL, and are held within a 'hold-to-collect-and-sell' business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI"). Movements in the carrying amount of these assets are taken through other comprehensive income ("OCI"), except for the recognition of credit impairment gains or losses, interest revenue using the effective interest method and foreign exchange gains and losses on the amortised cost of the financial asset, which are recognised in profit or loss. When a financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

Fair value through Profit and Loss ('FVTPL')
Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. Gains or losses on such assets are recognised in profit or loss on an on-going basis.

Classification and subsequent measurement of debt financial instruments depends on:

(i) Business Model
The Group makes an assessment of the objective of the business model at a portfolio level, as this reflects how the asset portfolio is managed in order to generate cashflows to achieve a particular objective, rather than management's intentions for individual assets. The focus is on whether the Group's objective is solely to collect the contractual cash flows from the assets ("Hold to Collect") or is to collect both the contractual cash flows and cash flows arising from the sale of assets ("Hold to Collect and Sell"). If the objective is neither of the above, then the portfolio is classified as part of a portfolio that is measured at fair value through profit and loss.

The assessment considers the following:

- How the performance of the business model is evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model and how those risks are managed;
- How managers of the business are compensated; and
- The frequency, volume and timing of sales in prior years, the reasons for such sales and expectations about future sales activity.

The Group has three categories of financing, namely loans, finance lease receivables and assignment of receivables/credit ("AOR/AOC"). Finance lease are accounted for in line with the requirements of IFRS 16 and fall outside the scope of the classification rules under IFRS 9.

Directors and Other Information
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Notes to the Financial Statements

1. Accounting Policies- continued

The Group has identified the following business models as follows:

- Loans and AOR/AOC that are originated and retained on the balance sheet and which are classified as a hold to collect business model, and
- AOR/AOC that are originated and syndicated in full within a short period and which are classified in a hold for sale business model
- Debt securities that are purchased and held to maturity and which are classified as a hold to collect business model

Certain loans are included within the securitised portfolio; however, such loans do not meet the derecognition criteria of IFRS 9 and as such are retained on the balance sheet of the Bank and fall within hold to collect business model.

Syndicated loans are classified as hold-to-sell. The Group considers that it does not substantially retain all the risk and rewards of ownership on syndicated loans. Therefore, syndicated loans are de-recognised as per the IFRS 9 standard. The Group continues to service these loans on behalf of the purchasing entity. As the Group has transferred the contractual right to receive the cashflows from the customer, all cashflows received is transferred to the new owner of the assets.

(ii) Contractual cash flow characteristics
The Group also performed an assessment ('SPPI test') on all financial assets at origination that are held within a hold-to-collect business model to determine whether the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. For the purpose of this assessment, 'principal' is defined as the fair value of the financial assets at initial recognition and may change over the life of the financial asset, for example, due to repayments. 'Interest' is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding, and other basic lending risks and costs.

In performing the SPPI assessment, the Group considers:

- Features that modify the time value of money element of interest
- Terms providing for prepayment and extension;
- Contractually linked instruments;
- Sub-ordination;
- Leverage features;
- Principal and interest deferral; and
- Foreign exchange risks;

The Group has also made a judgement on all financial assets under AOR/AOC where this pool of assets is classified as receivables. These receivables have a significant financing component for the following reasons;

- There is an implied interest rate which equates to a rate that is similar to prevailing market interest rates;
- There is a significant length of time between when the promised goods or services are transferred to the end-customer and when the end-customer pays for those goods and services; and
- There is a difference between the cash selling price of the goods and services and the amount of promised consideration through the financing.

Based on the above analysis, the AOR/AOCs do not meet the characteristics of trade receivables and should be included within the scope of the SPPI assessment above.

The Group engages in syndication activities whereby the pool of financial assets is sold on a non-recourse basis to third party entities. The group maintains the servicing for these assets and payment for servicing is received at the time of the sale. Fee revenue for servicing paid in advance is deferred and amortised to income over the expected servicing term.

1. Accounting Policies- continued

The Group carries out the SPPI test based on an assessment of the contractual features of each product on origination and subsequently at every reporting year. Derivative instruments are not covered by this assessment as they are held at fair value through profit or loss

(iii) Derecognition

The Group will derecognise a financial asset when, and only when, either:

(a) the contractual rights to the cash flows from the financial asset expire, or
(b) it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

If the contractual cash flows on a financial asset are modified, an assessment is required as to whether that financial asset should be derecognised, and a new asset recognised. If the restructure is considered to be a modification not requiring de-recognition, the credit risk at initial recognition is unchanged and the Group calculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original EIR (or credit- adjusted EIR for purchased or originated credit-impaired financial assets).

Where modification leads to de-recognition, the modified loan is a ‘new’ financial asset and is recognised at fair value and recalculates a new EIR for the asset. Under IFRS 9, the date of renegotiation of the new financial asset is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

The Group considers, the factors below when assessing for modifications:

- If the borrower is in financial difficulties, whether the modification merely reduces the contractual cash flows to amounts the borrowers is expected to be able to pay;
- Whether substantially new terms are introduced,
- Whether there has been a significant extension of the loan term when the borrower is not in financial difficulty.
- Whether there has been a significant change in the interest rate.
- Whether there has been a change in the loan currency
- Whether there has been an insertion of collateral, other security or credit enhancements that significantly impacts the credit risk associated with the loan.

The Group has assessed the modified loan contracts and considers the impact is immaterial.

(iv) Impairment of financial assets

The Group recognises loss allowances for expected credit losses at each balance sheet date for the following financial assets that are not measured at FVTPL:
- Financial assets at amortised cost;
- Finance lease receivables recognised under IFRS 16 ‘Leases’; and
- Loan commitments issued.

1. Accounting Policies- continued

The Group discloses expected credit losses (ECL) in 4 categories as below:

(i) Stage 1 includes financial assets that have not had a significant increase in credit risk since initial recognition. The Group will recognise the 12-month expected credit loss for these financial assets. 12-month ECL is the expected credit losses that result from default events that are possible within 12 months of the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12 months. Therefore, all financial assets in scope will have an impairment provision equal to at least 12-month ECL.

(ii) Stage 2 is where a financial asset shows a significant increase in credit risk but are not credit impaired. For these assets, the Group recognises lifetime expected credit loss being the expected credit losses that result from all possible default events over the expected life of the financial instrument.

(iii) Stage 3 is where financial assets are credit impaired (i.e. have objective evidence of impairment at the reporting date). The Group recognises lifetime expected credit losses for these financial assets, although the provision may already have been recognised if the loan has migrated from Stage 2.

(iv) Purchased or originated credit-impaired financial assets (POCI) are financial assets that were credit impaired at initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised on a credit-adjusted EIR basis. ECLs are only recognised or released to the extent that there is a subsequent change in expected credit losses.

With the exception of POCI financial assets, a financial instrument may migrate between stages from one reporting date to the next.

In determining if a financial instrument has experienced a significant increase in credit risk (SICR) since initial recognition, the Group assesses whether the risk of default over the remaining expected life of the financial instrument is significantly higher than had been anticipated at initial recognition, considering changes in prepayment expectations where relevant. The Group uses reasonable and supportable information available without undue cost or effort at the reporting date, including forward-looking information.

When measuring ECL, the Group considers:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group has adopted an ECL framework based on a component approach using probability of default models (PD), Loss given default models (LGD) and Exposure at default models (EAD). The expected cashflows included in the ECL models are derived from the loan/lease contracts or on disposal of the collateral assets to which the financing relates. The ECL provisions are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: the present value of the difference between all contractual cash flows due to the Group in accordance with the contract and all the cash flows the Group expects to receive.
- Financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows.
- Undrawn commitments: the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn and the cash flows that the Group expects to receive.

1. Accounting Policies- continued

The amount of ECLs recognised as a loss allowance depends on the extent of credit deterioration since initial recognition. There are two measurement bases:

- 12-month ECLs (Stage 1), which applies to all items as long as there is no significant deterioration in credit quality since initial recognition; and
- Lifetime ECLs
  - Stages 2, which applies when a significant increase in credit risk has occurred on an individual or collective basis;
  - Stage 3, which applies when an asset is impaired;
  - POCI, which applies when a new asset is originated to a customer who is credit impaired.

The 12-month ECL is the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL is the expected credit losses that result from all possible default events over the expected life of a financial instrument.

In the case of Stage 2, credit risk on the financial instrument has increased significantly since initial recognition but the instrument is not considered credit impaired. The Group defines credit impaired financial assets when its contractual payments are 90 days past due (after allowing for grace periods in respect of certain customers as described in note 4) or when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. For a financial instrument in Stage 3, credit risk has increased significantly since initial recognition and the instrument is considered credit impaired. Financial assets are allocated to stages dependent on the credit quality relative to when the asset was originated.

A financial asset can only originate in either Stage 1 or as purchased or originated credit impaired (“POCI”). The ECL held against an asset depends on several factors, one of which is its stage allocation. Assets allocated to Stage 2 and Stage 3 have lifetime ECLs.

Purchased or originated credit impaired (“POCI”) financial assets are those that are credit-impaired on initial recognition. The Group may originate a credit-impaired financial asset following a substantial modification of a distressed financial asset that resulted in derecognition of the original financial asset.

Effective Interest Rate

The discount rate used by the Group in measuring ECL is the effective interest rate (or ‘credit-adjusted effective interest rate’ for a purchased or originated credit-impaired financial assets) or an approximation thereof. For commitments it is the effective interest rate, or an approximation thereof, that will be applied when recognising the financial asset resulting from the loan commitment.

Write off

The Group writes off an impaired financial asset and the related impairment allowance, either in part or its entirety, when there is no realistic prospect of recovery. In circumstances where the net realisable value of any financial assets has been determined and there is no reasonable expectation of further recovery, write-off may be earlier than financial assets realisation.

Further details are disclosed in Note 4 under section credit risk.

Foreign currency translation

The financial statements are presented using the functional currency of Euro (also referred to as “EUR” and “€”), being the currency of the primary economic environment in which the Group operates. The figures shown in the financial statements are rounded to thousands (‘000), unless otherwise stated.

Foreign currency transactions are translated to Euro using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate prevailing at the year end. Non-monetary items that are measured in terms of historical cost in foreign currencies are translated using the exchange rates at the dates of the initial transaction.

Foreign exchange gains and losses are recognised in the Statement of comprehensive Income as Net trading income or Net trading expense.

1. Accounting Policies- continued

Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of certain assets, liabilities, revenues and expenses and disclosures of contingent assets and liabilities.

The estimates and assumptions are based on management's experience and various other factors that are believed to be reasonable under the circumstances. Since management's judgement involves making estimates concerning the likelihood of future events, the actual results could differ from those estimates. Estimates and judgements are continually evaluated and revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

Interest income and expense

Interest income and expense for all interest-bearing financial instruments continued to be recognised within "interest income" and "interest expense" in the statement of comprehensive income using the effective interest method ("EIR"). The Group presents interest resulting from negative effective interest rates on financial liabilities as interest income rather than as an offset against interest expense.

The EIR is the rate that exactly discount estimated future cash payments or receipts through the expected life of the financial instruments or shorter period if appropriate, to the gross carrying amount of the financial asset or the amortised cost of the financial liability.

When calculating the EIR for the financial instruments other than purchases or originated credit impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instruments, but not ECL. For purchased or originated credit impaired ('POCI') financial assets, a credit adjustment EIR is calculated using estimated future cash flows including ECL.

The calculation of the EIR includes transaction costs, premiums, discounts, and fees paid or received that are an integral part of the EIR. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income is calculated by applying the EIR to the gross carrying amount of the financial assets. For assets that are credit impaired the EIR is applied to the net book value measured at amortised cost. Where loans are POCI a credit adjusted EIR is applied to the net book value, which is measured at amortised cost.

Interest income and expenses on derivative financial instruments are included in Net trading income or Net trading expense.

Fee and commission income and expense

As outlined above, fees and commission income and expense that are integral to the EIR on a financial asset or liability, are included in the measurement of the EIR. Similarly, fees that are integral to the constant rate of return on finance leases are included in the net investment in finance leases.

Where the Group has arranged loan facilities for funding purposes any commitment or arrangement fees are deferred and recognised as an adjustment to the effective interest rate of the debt facility.

Other fees and commission income are recognised as the related services are performed. Other fees and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received. Document fees and late fees are included in this category as income.

1. Accounting Policies- continued

Financial liabilities

Classification, Recognition and Measurement

The Group initially recognise financial liabilities on the date on which the group becomes a party to the contractual provisions.

Financial liabilities are measured initially at fair value. The fair value of the financial liability is normally the transaction price, i.e. the fair value of the consideration received net of transaction costs. Where financial liabilities are classified as trading, they are also initially recognised at fair value with the related transaction costs taken directly to the income statement.

The Group holds two categories of financial liabilities:

- Financial liabilities at amortised cost
- Financial liabilities at fair value through profit or loss

Management determines the classification of financial liabilities at initial recognition.

Financial liabilities at amortised cost
Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortised cost on an EIR basis. Financial liabilities measured at amortised cost are; debt securities in issue, deposits from banks, and intercompany loans.

Certain debt securities in issue have been entered into fair value hedge relationships. The carrying amounts of debt securities in issue held at amortised cost that are hedged via fair value hedges are adjusted to record changes in the fair values attributable to the risks that are being hedged. For more details refer to note 22.

Financial liabilities at fair value through profit or loss
In the ordinary course of business, the Group enters into foreign exchange forwards, interest rate swaps and cross currency interest rate swaps for both hedging and economic hedging purposes to manage foreign currency and interest rate risks. The Group does not enter into derivative transactions for speculative purposes.

Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date on which the contract is entered and are subsequently remeasured at their fair value at each reporting date. Derivatives are included as derivative financial instrument assets when the fair value is positive and as derivatives financial liabilities when the fair value is negative. The method of recognising the resulting gain or loss on derivatives depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group designates certain derivatives as either:

- Hedges of the fair value of recognised liabilities (fair value hedges)
- Hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probably forecast transaction (cash flow hedges)

At inception of the hedge relationship, the group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The group documents its risk management objective and strategy for undertaking its hedge transactions.

The fair values of derivative financial instruments designated in hedge relationships are disclosed in note 22. Movements in the cashflow hedging reserve in shareholders' equity are shown in note 32. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

The Group has made the accounting policy choice allowed under IFRS 9 to continue to apply the hedge accounting requirements of IAS 39.

1. Accounting Policies- continued

Cash flow hedges that qualify for hedge accounting

The effective portion of the changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within the statement of changes in equity. The gain or loss relating to the ineffective portion is recognised immediately in the Consolidated statement of comprehensive income in Net trading expense or income.

Fair value hedge

When a derivative is designated as the hedging instrument in a fair value hedge, changes in fair value are recorded in the Consolidated statement of comprehensive income within Net trading expense or income, together with any changes in fair value of the hedged asset or liability that are attributable to the hedged risk.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the Consolidated statement of comprehensive income under 'Net trading income' or 'Net trading expense'.

Determination of fair value

For all financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, yield curves, FX rates and counterparty spreads) existing at the dates of the statement of financial position.

The Group uses widely recognised valuation models for determining fair values of interest rate and currency swaps. For these financial instruments, inputs into models are market observable.

Finance Leases

The Group enters into finance lease arrangements as a lessor and assets held under finance lease of the Group are presented as loans and advances to customers and loans and advances to banks. As per IFRS 16 Leases, under a finance lease, substantially all the risks and rewards to legal ownership are transferred by the lessor and thus the lease payment receivables are recorded as the Group's net investment in the leases and included in Loans and advances to customers or Loans and advances to banks as appropriate.
The net investment of the leases consists of the sum of minimum lease term payments plus the residual value amount, reduced by any deferred income for interest not yet earned. The Group will recognise finance income based on a pattern reflecting a constant periodic rate of return on the net investment outstanding in respect of the finance leases.

The Group also enters into leasing arrangements with other financial institutions which are presented as loans and advances to banks in the statement of financial position.

Fees paid, and costs incurred in connection with arranging leases
Initial direct and incremental costs incurred by the Group in negotiating leases are also capitalised, offset against the lease receivable balance in the statement of financial position and recognised over the lease term as part of the constant rate of return on the net investment in the finance lease.

Operating leases

Leases of which a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. The leased assets are included within property, plant and equipment on the statement of financial position and depreciation is provided on the depreciable amount of these assets on a systematic basis over their estimated useful lives. Lease income is recognised on a straight-line basis over the period of the lease. Payments from the lessee are recognised as receivable over the lease term only as they fall due.

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1. Accounting Policies- continued

Property, plant and equipment

Own use:
Property, plant and equipment are stated at cost, or deemed cost; less accumulated depreciation and accumulated impairment, if any. Additions and subsequent expenditure are capitalised only to the extent that they enhance the future economic benefits expected to be derived from the asset.

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful economic lives. Depreciation is calculated based on the gross carrying amount, less the estimated residual value (in the majority of cases deemed to be nil) at the end of the assets' economic lives.
The Group uses the following useful lives when calculating depreciation:

Class	*Useful Life*
Computer equipment – Own use	30 months

Operating lease equipment:
Equipment on customer based operating leases is depreciated over the term of the lease on a straight line basis. Depreciation is calculated based on the gross carrying amount, less the estimated residual value at the end of the lease term. Lease term ranges from 12 – 60 months, with the average term being 36 months.

The Group reviews its depreciation rates regularly, at least annually, to take account of any change in circumstances. When deciding on useful lives and methods, the principal factors that the Group takes into account are the expected rate of technological developments, expected market requirements for and the expected pattern of usage of the assets. Impairment is assessed on an annual basis.

Gains and losses on sales of operating leases equipment are included as part of "Other operating income" in the income statement.

Business combinations

The Group applies the acquisition method in accounting for business combinations. The cost of an acquisition is measured as the aggregate of the consideration transferred (excluding amounts relating to the settlement of pre-existing relationships), the amount of any non-controlling interest in the acquiree and, in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously-held equity interest in the acquiree. Transaction costs that the Group incurs in connection with a business combination are expensed as incurred.

Intangible assets

Goodwill
Goodwill represents the excess of the fair value of the consideration paid in a business combination over the acquired interests in the fair value of the identifiable assets, liabilities and contingent liabilities at the date of acquisition.

For the purpose of calculating goodwill, fair values of acquired assets, liabilities and contingent liabilities are determined by reference to market values or by discounting expected future cash flows to present value. This discounting is performed either using market rates or by using risk-free rates and risk adjusted expected future cash flows.

Goodwill was recognised as part of the business acquisition and fair valued on Dell related assets, sales, servicing functions and platform from CIT Vendor Finance Europe which cannot be sold, purchased or transferred separately and as a result the Group assess goodwill with indefinite useful life.
Goodwill is capitalised and reviewed annually for impairment, or more frequently when there are indications that impairment may have occurred. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The Group is considered to be one cash- generating unit.

1. Accounting Policies- continued

Computer software
Computer software arising on a business acquisition is capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives, which is normally five years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group and which will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development, employee costs and an appropriate portion of relevant overheads. These costs are reflected in "Assets under Construction" and not amortised until they are brought into use in the business, at which point they are transferred to software.

Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives.

Computer software is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if it carrying amount is greater than its estimated recoverable amount. The estimated recoverable amount is the higher of the asset's fair value less costs to sell and its value in use.

Other intangible assets
Other intangible assets were externally purchased as part of the business acquisition and fair valued on initial recognition. They are subsequently measured at cost less amortisation and impairment, if any and, are amortised on a straight-line basis over 10 years. Amortisation methods and periods relating to these intangible assets are reviewed annually. The amortisation of intangible assets is reported in the Statement of comprehensive income under depreciation and amortisation expenses.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Other intangible assets are reviewed for impairment when there is an indication that the asset may be impaired. Intangible assets not yet available for use are reviewed for impairment on an annual basis.

Inventory

Inventory includes assets held for sale in the ordinary course of business. Inventory relates to returned equipment at the end of lease that has not yet been sold through the re-marketing process and is stated at the lower of cost and net realisable value after deduction of an obsolete provision. This provision is calculated based on the ageing of inventory from when it was initially recorded.

Provisions and contingent liabilities

Provisions are made where the Group has present legal or constructive obligations as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reasonably estimated. The Group recognises no provisions for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events giving rise to present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured. They are not recognised but are disclosed in the notes to the financial statements unless they are remote.

1. Accounting Policies- continued

Employee benefits

Short term employee benefits

Short-term employee benefits, such as wages and salaries, social security costs and other benefits are accounted for on an accrual's basis over the period during which employees have provided services. Bonuses are recognised to the extent that the Group has a legal or constructive obligation to its employees that can be measured reliably.

Long Term Incentives ("LTI")

For selected staff the Bank offers long term incentives to retain key staff. LTIs are classified into two categories: conditional variable equity payments and previously conditional fixed cash payments.

Conditional variable share based payments (equity settled) are awarded based on a combination of employees' eligibility, and award targets. The awards granted are time-based awards that vest equally over a three-year period, each year one-third of the award granted becomes unconditional. At the vesting date, employees receive shares of Dell Technologies. The value of the share-based payments made are directly linked to the price of Dell Technologies' Class C Common Stock as listed on New York Stock Exchange (NYSE). Share based payments are measured in line with IFRS 2. Under IFRS 2, the Bank recognises the expense for these awards over the vesting period based on the fair value at the grant date and a corresponding entry to equity in the share-based payment reserve. A recharge agreement is currently in place with Dell Technologies based on the fair value of the awards at the vesting date. The Bank recognise a liability for this recharge on the grant date and remeasures the liability at each reporting date in line with the share price movement of Dell Technologies Inc. A corresponding entry is made to Equity. The recharge amount is then settled following the vesting of the awards annually.

Conditional fixed cash payments (cash settled) were previously awarded to employees based on a combination of employees' eligibility and award targets. The awards granted are time-based awards that vest equally over a three and four year periods, each year an equal portion of the remuneration becomes unconditional. Conditional fixed cash payments are accounted for in line with IAS 19 Employee Benefits. Until the liability is settled the Group remeasures the fair value of the liability at the end of the financial year with any changes of the fair value of the liability recognised in the income statement. The ultimate cost of a cash settled award is the cash paid to the employee, which is the fair value at the settlement date. No new cash settled awards have been granted in the current financial year.

Pension obligations

The Bank operates a defined contribution plan. A defined contribution plan is a pension plan under which the Bank pays fixed contributions into a separately administered fund. The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For the defined contribution plans, the Bank pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Income tax, including deferred tax

Current income tax

Income tax payable on profits is calculated on the basis of the applicable tax law in each relevant jurisdiction and is recognised as an expense in the period in which the profits arise. The Group does not offset income tax liabilities and current income tax assets, unless they are in the same jurisdiction

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the country where the Group operates and generates taxable income.

1. Accounting Policies- continued

Deferred income tax

Deferred tax is provided in full, using the liability method, on temporary differences at the reporting date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets and current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise amounts due from banks. They are convertible into cash with an insignificant risk of changes in value and with original maturities of less than three months.

Shareholders' equity

Share capital

Share capital represents funds raised by issuing shares in return for cash or other consideration. Share capital comprises ordinary shares of the Bank.

Capital contribution

Capital contributions represent the receipt of non-demandable considerations arising from transactions with the parent company, DFS BV. The contributions are classified as equity and may be either distributable or non-distributable. Capital contributions are distributable if the assets received are in the form of cash or another asset that is readily convertible to cash. Otherwise, they are treated as non-distributable.

Revenue reserves

Revenue reserves represent retained earnings or loss of the parent company and subsidiaries.

1. Accounting Policies- continued

Other reserves

Other reserves represent the cash flow hedge reserve and share based payment reserve.

Accounting for syndications

The Bank enters into syndication transactions where the Bank has transferred the contractual rights to receive the cash flows of the financial assets to syndication parties. The asset is derecognised at the date the Bank is satisfied that the derecognition criteria under IFRS 9 are met. The difference between the consideration received and the carrying amount of the transferred asset is recognised as a gain or loss in the Income Statements and included in Other income from syndications.

2. Going Concern

The Directors have considered a period of twelve months from the date of approval of these financial statements in evaluating the appropriateness of preparing the financial statements for the year ended 31 December 2021 on a going concern basis.

In making this assessment, the Directors considered the Group's business activity, profitability projections, ICAAP, and liquidity and solvency projections, which are all scheduled over a three-year period, as well as the continuing support of the ultimate parent.

As at 31 December 2021, the Group had total assets of €3,538m (2020: €2,930m); with a post-tax profit of €48.5m (2020: profit of €13.5m) and net assets of €723m (2020: €631m). The Group is expected to continue to maintain a positive cash position for the foreseeable future. In 2021, the Group established a €2bn Euro Medium Term Note (EMTN) on Euronext Global Exchange Market (GEMs). At the financial year end, the Bank had issued one €500m under the EMTN programme. The EMTN will be used to issue further bonds as existing bonds reach maturity. The Bank has a diverse funding structure, comprising the following funding sources:

- Unsecured debt securities in issue
- Securitised loan
- Collateralised loan facility
- Long-term refinancing operation
- Interbank deposits
- Intercompany Loan with Dell Global BV
- Multi-Currency Notional Pool
- Letter of support from its ultimate parent

Further detail of the Group's liquidity, including details of total committed funding, is disclosed in Note 4.

Management considered its ability to maintain access to funding and absorb future losses and concluded, that based on their current funding and capital position, as well as the continuing support from its ultimate parent, that the Bank has no material uncertainties which would cast significant doubt on the going concern assumption.

On the basis of all of the above, the Directors consider it appropriate to prepare the financial statements on a going concern basis having concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern over the period of assessment.

3. Critical Accounting Estimates and Judgements

The Group's financial statements and its financial results are influenced by accounting policies, assumptions, estimates and management judgement, which necessarily have to be made in the course of preparation of the financial statements. As management judgement involves an estimate of the likelihood of future events, actual results could differ from those estimates, which could affect the future reported amounts of assets and liabilities. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Accounting policies and management's judgements for certain items are especially critical for the Group's results and financial situation due to their materiality and are set out below.

a) Credit Impairment losses on loans and advances to customers

The Group reviews its loans and leases portfolio for credit impairment on an ongoing basis. The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 4 Credit Risk under section expected credit loss, which also sets out the key sensitivities of the ECL. The calculation of the Group's ECL under IFRS 9 requires the Group to make a number of judgements, assumptions and estimates. The most significant are set out below:

Judgements	Estimates
Determining criteria for significant increase in credit risk	Choosing appropriate assumptions and parameters for the measurement of ECL
Choosing appropriate models for the measurement of ECL	Establishing the scenario macro-economic forecasts and the number and relative weightings of each scenario for each type of financial asset and the associated ECL
Establishing groups of similar financial assets for the purpose of measuring ECL	Establishing management overlays, where required, due to known limitations of ECL models

Detailed information about the judgements and estimates made by the Group in the above areas is set out in Note 4 Credit Risk.

Management Overlays

Management overlays are defined as those adjustments which are made by management directly to the outputs of the expected credit loss models. Due to the known limitations in the IFRS 9 modelling output, the Group have provided for additional provision in the form of management overlays. The overlays should not be considered in isolation for appropriateness, rather the total overlay is assessed as a whole in assessing the reasonableness of the total ECL coverage for the portfolio. All overlays are reviewed as required as part of the ECL governance process by the Credit Provisioning Committee, a subcommittee reporting directly to the Credit Committee.

During the year, the Group had a number of overlays, a summary of these is noted below:

For 2021, the total management overlay was €9.9m (2020: €5.4m) broken down by the three components detailed below:

i. COVID-19

An estimated economic impact of COVID-19 has been incorporated into the current baseline scenario. This enabled the removal of the prior year COVID-19 overlay. However, the impact from the Omicron variant of COVID-19 was not incorporated into the economic forecasting of the baseline scenario as the variant only became prevalent in late 2021. The Group has therefore incorporated an overlay to account for this. To estimate this overlay the Group utilised a sensitivity analysis with a more adverse set of economic scenarios with a view to considering the negative impact of Omicron (and other Covid related economic effects) and the resulting impact on the modelled ECL calculations. This overlay will be reviewed regularly as the economic impact of Omicron becomes more evident and/or new macroeconomic projections that contain a full account of the impacts are obtained.

3. Critical Accounting Estimates and Judgements- continued

ii. Single Name Concentration

The Group's portfolio has a high concentration of large customers. Consideration was therefore given to the impact on losses in the hypothetical scenario that a number of these large single name customers went into default. The Group's relatively low loan loss history resulted in a low modelled ECL as such the Group has incorporated an overlay to account for the risk arising from the Single Name Concentration in the portfolio. The method used to size the range of the overlay utilises a top-down assessment of ECL for the bank's largest customers, deriving an adjusted ECL from this assessment and comparing this to the modelled ECL. The overlay is calculated as a difference between the adjusted ECL and the modelled IFRS 9 ECL figure'.

iii. Brexit and the Northern Ireland Protocol

At the financial year end, the UK Government and the EU are currently engaged in a dispute over the Northern Ireland protocol which could lead to the UK Government triggering Article 16, effectively suspending the negotiated withdrawal agreement. The possibility of a collapse of the withdrawal agreement is not currently accounted for in the baseline macro projections from the OECD. The UK market is a largest country exposure for the Bank and therefore Management have considered the potential economic impact on their portfolio arising from the possible update to the withdrawal agreement and, by reference to an economic sensitivity analysis, have included an overlay to reflect the impact on the ECL provision.

For 2020, the Group had a management overlay of €5.4m broken down by the two components detailed below:

i. COVID-19

An estimated economic impact of COVID-19 was incorporated into the modelled ECL estimate, via the baseline scenario. However, the impact from the third wave of COVID-19 was not incorporated into the economic forecasting of the baseline scenario. The baseline scenario economic data was based on double-hit scenario. As the third wave became prevalent in late 2020 and therefore it was not practicable to incorporate into the Groups existing models and forecasts. The Group therefore incorporated an overlay to account for this.

ii. Single Name Concentration

The Group's portfolio has a high concentration of large customers. Consideration was therefore given to the impact on losses in the hypothetical scenario that a number of these large single name customers went into default. The Group's relatively low loan loss history resulted in a low modelled ECL. The Group has therefore incorporated an overlay to account for this.

4. Financial Risk Management

(a) Credit Risk

Credit risk represents a significant risk to the Group. Credit risk refers to the risk that the Group's customers fail to meet their scheduled payments for operating leases, finance lease, hire purchase and loans approved by the Group's credit function in addition to credit risk arising from Treasury activities with other credit institutions such as placing of deposits with counterparties, the purchase of debt securities and from the purchase of interest rates and foreign exchange derivatives for economic hedging purposes. The Bank retains title where the asset financed is hardware related. The Bank does not hold collateral where the asset financed is software related.

Details of the Group's procedures and policies relating to credit risk are outlined in the Credit section of the Risk management report (Section 3).

Maximum exposure to credit risk before collateral held or other credit enhancements

The following table outlines the maximum exposure to credit risk before collateral held or other credit enhancements in respect of the Group's financial assets as at the statement of financial position date:

	Note	31 December 2021 Group €'000	31 December 2020 Group €'000
Cash and Balances with Central Banks	19	351,457	153,019
Loans and Advances to Banks	20	353,683	322,474
Debt securities at amortised cost	23	280,233	153,274
Loans and Advances to Customers	21	1,963,970	1,873,623
Derivative Financial Instruments	22	13,864	21,050
Commitments	33	187,642	167,299
		3,150,849	**2,690,739**

	Note	31 December 2021 Bank €'000	31 December 2020 Bank €'000
Cash and Balances with Central Banks	19	351,457	153,019
Loans and Advances to Banks	20	305,283	263,901
Debt securities at amortised cost	23	280,233	153,274
Loans and Advances to Customers	21	1,963,970	1,873,623
Derivative Financial Instruments	22	12,082	13,464
Commitments	33	187,642	167,299
		3,100,667	**2,624,580**

4. Financial Risk Management – continued

(a) Credit Risk – continued

The following table outlines the exposure to credit risk by asset class as at 31 December 2021:

Group

S&P Grade	Cash with Central Banks €'000	Cash and Balances with Banks* €'000	Derivatives €'000	Debt Securities at Amortised cost €'000
AA	351,457	-	-	504
AA-	-	-	-	59,390
A+	-	58,017	3,884	30,042
A	-	330	1,356	87,839
A-	-	167,053	8,011	40,921
BBB+	-	5	226	30,458
BBB	-	1,410	387	31,079
	351,457	**226,815**	**13,864**	**280,233**

Bank

S&P Grade	Cash with Central Banks €'000	Cash and Balances with Banks* €'000	Derivatives €'000	Debt Securities at Amortised cost €'000
AA	351,457	-	-	504
AA-	-	-	-	59,390
A+	-	10,387	3,733	30,042
A	-	330	1,356	87,839
A-	-	166,283	6,380	40,921
BBB+	-	5	226	30,458
BBB	-	1,410	377	31,079
	351,457	**178,415**	**12,082**	**280,233**

**These cash balances are included in the Statement of financial position within loans and advances to banks.*

4. Financial Risk Management – continued

(a) Credit Risk - continued

Group & Bank	Loans and Advances to Banks (Leases and Loans*)				
	Not credit impaired	Not credit impaired	Credit impaired	Credit impaired	
	Subject to 12-month ECL	Subject to lifetime ECL	Excluding POCI	POCI	Total
S&P Grade	€'000	€'000	€'000	€'000	€'000
AA	-	-	-	-	**-**
AA-	-	-	-	-	**-**
A-	21,207	-	-	-	**21,207**
BBB+	8,804			541	**9,345**
BBB	87,975	1,785	-	-	**89,760**
BBB-	809	-	1,943	-	**2,752**
BB+	100	-	-	-	**100**
BB	851	-	-	-	**851**
BB-	1,525	45	-	-	**1,570**
B+	1,388	-	-	-	**1,388**
B-	-	-	-	-	**-**
B	125	-	-	-	**125**
D	-	-	10	-	**10**
	122,784	**1,830**	**1,953**	**541**	**127,108**

**These loans and leases are included in the Statement of financial position within loans and advances to banks*.

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4. Financial Risk Management – continued

(a) Credit Risk - continued

The following table outlines the exposure to credit risk by asset class as at 31 December 2020:

Group

S&P Grade	Cash with Central Banks €'000	Cash and Balances with Banks* €'000	Derivatives €'000	Debt Securities at Amortised cost €'000
AA	153,019	-	-	506
AA-	-	-	-	74,812
A+	-	58,781	8,862	11,163
A	-	586	514,	25,338
A-	-	9,048	11,135	41,455
BBB+	-	102,325	-	-
BBB	-	2,600	539	-
	153,019	**173,340**	**21,050**	**153,274**

Bank

S&P Grade	Cash with Central Banks €'000	Cash and Balances with Banks* €'000	Derivatives €'000	Debt Securities at Amortised cost €'000
AA	153,019	-	-	506
AA-	-	-	-	74,812
A+	-	752	7,046	11,163
A	-	586	514	25,338
A-	-	9,048	5,365	41,455
BBB+	-	101,781	-	-
BBB		2,600	539	-
	153,019	**114,767**	**13,464**	**153,274**

4. Financial Risk Management – continued

(a) Credit Risk - continued

Bank	Loans and Advances to Banks (Leases and Loans*)				
	Not credit impaired Subject to 12-month ECL	Not credit impaired Subject to lifetime ECL	Credit impaired Excluding POCI	Credit impaired POCI	Total
S&P Grade	€'000	€'000	€'000	€'000	€'000
AA	-	-	-	-	-
AA-	-	-	-	-	-
A-	26,689	-	-	-	26,689
BBB+	8,968	-	-	725	9,693
BBB	2,445	-	-	-	2,445
BBB-	106,855	-	-	14	106,869
BB+	478	-	-	-	478
BB	619	-	-	-	619
BB-	2,993	-	-	-	2,993
B+	36	-	-	-	36
B	1	-	-	-	1
D	-	-	-	-	-
	149,084	**-**	**-**	**739**	**149,823**

4. Financial Risk Management – continued

(a) Credit Risk - continued

The Group requires all customers to be graded under the internal grading system, including all new business, renewals of existing credit facilities and periodic reviews of exposures. Any change in a condition of a customer or a credit facility may have its risk grades reviewed and adjusted accordingly. The Group uses a sixteen-point scale in assigning Probability of Default (PD) grades to customers. This PD grade scale is referenced to externally available customer ratings. The grades provide an estimate of a customer's Probability of Default within a 12-month horizon. Quantitative and qualitative measures are used to assign PD grade. The probability of default will increase proportionally as the grade increases.

A description of the PD grades 10 to 16 is noted below.

PD 10-11: Having potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in the deterioration of the repayment prospects for the asset or in the institution's credit position at some future date.

PD 12-15: Increased concern regarding the credit worthiness of the obligor or the value of the collateral where pledged. Assets so classified must have a well-defined weakness or weaknesses that jeopardise the repayment of the debt or realisation of any collateral. They are characterised by the distinct possibility that the Group may sustain some loss if the deficiencies are not corrected.

PD 16: Has all the weaknesses inherent to be considered as substandard, with the added characteristic that the weaknesses make full repayment of the debt or realisation of any collateral, on the basis of current analysis and information, highly questionable and improbable.

The table below outlines the Group and Bank's exposure to credit risk in respect of its loans and advances to customers (hire purchases, loans including AOR/AOC (Assignment of Receivables/ Credit) and finance lease assets). Operating lease assets are classified as Property, Plant and Equipment for accounting purposes.

Group & Bank	31 December 2021 Loans and Advances to Customers				
	Not credit impaired Subject to 12-month ECL	Not credit impaired Subject to lifetime ECL	Credit impaired Excluding POCI	Credit impaired POCI	Total
PD Grade	€'000	€'000	€'000	€'000	€'000
1-9	1,825,600	19,925	43,121	26,716	1,915,361
10-11	57,321	5,230	1,310	379	64,241
12-15	4,216	1,096	191	136	5,639
16	-	-	1,979	94	2,073
ECL	(17,377)	(902)	(4,583)	(482)	(23,344)
	1,869,760	**25,349**	**42,018**	**26,843**	**1,963,970**

4. Financial Risk Management – continued

(a) Credit Risk - continued

Group & Bank	31 December 2020 Loans and Advances to Customers				
	Not credit impaired Subject to 12-month ECL	Not credit impaired Subject to lifetime ECL	Credit impaired Excluding POCI	Credit impaired POCI	Total
PD Grade	€'000	€'000	€'000	€'000	€'000
1-9	1,692,284	35,570	2,828	58,820	1,789,502
10-11	57,729	25,120	275	2,474	85,598
12-15	13,120	3,817	166	1,506	18,609
16	-	-	8,240	260	8,500
ECL	(17,025)	(2,819)	(7,659)	(1,083)	(28,586)
	1,746,108	**61,688**	**3,850**	**61,977**	**1,873,623**

4. Financial Risk Management – continued

(a) Credit Risk - continued

Country by Exposure	31 December 2021 Loans and Advances to Customers €'000	31 December 2020 Loans and Advances to Customers €'000
United Kingdom	488,020	462,168
Germany	384,448	397,044
France	224,773	232,949
Italy	155,224	168,214
Netherlands	141,095	130,008
Spain	135,495	159,919
Sweden	86,832	53,383
Luxembourg	80,804	46,244
Switzerland	64,103	45,276
Ireland	60,276	47,402
Belgium	42,642	43,198
Finland	24,481	17,548
Portugal	22,838	18,618
Austria	21,978	17,655
Norway	21,388	28,504
Other Countries*	32,915	34,078
Total	**1,987,314**	**1,902,209**
ECL	(23,344)	(28,586)
	1,963,970	**1,873,623**

**For 2021 all exposures by country that have a balance greater than 1% of the total portfolio have been presented separately. The 2020 comparative has been presented on a basis consistent with 2021.*

Expected Credit Loss

(i) Movement between stages

Financial assets are allocated to stages dependent on credit quality relative to when the assets were originated. The group holds an ECL provision against an asset depending on several factors, one of which is its stage allocation. Below are the characteristics identified by the Group:

- Stage 1: financial instruments are classified as Stage 1 at origination, unless purchased or originated credit impaired (POCI), with a 12-month ECL being recognised and remain in Stage 1 unless there has been a significant increase in credit risk.
- Stage 2: financial instruments where there has been a 'significant increase in credit risk (SICR)' since initial recognition but do not have objective evidence of credit impairment and for these assets, lifetime ECLs are recognised. SICR may be due to significant deterioration in the PD grade since initial recognition or due to the exposure being currently 30 days past due, allowing for grace periods as set out in individual contracts. Exceptions apply for certain customers (as outlined below), whereby a 30-day and 90-day grace periods are applied after the contractual due date and before the days past due calculation commences.
- Stage 3: financial instruments which are defaulted or credit impaired.

4. Financial Risk Management – continued

(a) Credit Risk – continued

(ii) Definition of default

Definition of default for the purpose of determining credit impaired assets is informed by the Regulatory Capital CRR Article 178 definition of default. The criteria below have been applied to loans and advances to customers and banks held by the Group:

- The borrower is more than 90 days past due on its contractual payments (with some exceptions on immaterial amounts and specific customers, further detail noted below);
- Internal PD grading- the PD grade could be a default trigger in 2 situations:
    - An application rating model gives PD16 based on the credit bureau data
    - Underwriters can assign PD16 to reflect the unlikeliness to pay (for example if there is information in the public domain that indicates default)
- There are specific legal status codes used to designate a borrower as being in default
- There is a specific provision taken against part or all of the borrower's exposure and
- A forbearance measure has been applied to part or all of the borrower's exposure.

The Group has also set materiality thresholds on the past due amounts, noted below, for which the delinquency is not deemed to be material. There are two materiality thresholds that must be met at the obligor level:

- Absolute: total past due amount greater than €500
- Relative: total past due amount greater than 1% of the total on-balance-sheet exposures to the obligor

When both thresholds are breached, the days past due count begins for the purposes of identifying when default will be triggered at obligor (lessee code) level. An asset is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria after the probation period. The length of the probation period will vary depending on the default trigger:

- In case of borrowers with forbearance measures applied, the probation period is 1 year, or 6 payments made (for at least one exposure), whichever takes longer. The probation period will start from the date the forbearance measure was applied.
- In case of all other borrowers, the probation period is 3 months. The probation period will start from the date on which none of the default triggers exist.

For the purposes of problem debt management and ECL measurement the Group considers two classifications of default events:

- Administrative defaults where customers are in default as per the Group's definition of default but the reason for default is not related to the underlying credit risk. Instead, the reason for default is of an administrative nature but due to the regulatory requirements the resulting delinquencies are categorised as defaults, and hence reported under Stage 3. The typical reasons for administrative defaults are payments delinquencies related to; invoice & purchase order issues, special end of lease T&Cs, novation or first & special payment conditions.
- Credit risk defaults where customers are in default due to the underlying credit risk and evidence of impairment.

4. Financial Risk Management – continued

(a) Credit Risk - continued

Taking into consideration the European Banking Authority (EBA) guidelines on default definition, which applied from 2021, the Bank reviewed its' definition of default methodology for determining credit impaired assets and made the following changes to the days past due (DPD) calculation:

In 2020, a 90-day grace period for non-standard customers was introduced. Non-standard customers are customers who make repayments via invoices rather than direct debits. For these customers a 90-day grace period was applied after the contractual due date and before the DPD calculation commences to allow for administrative issues. In 2021, in line with regulatory guidance and communications the 90-day grace period for non-standard customers was removed. For 2021, Administrative delinquencies do not contribute to the amount past due within the materiality threshold assessment for the DPD calculation, i.e. a Lessee will not be considered past due if their only delinquencies are administrative in nature. For 2020, the days past due referred to the age of the oldest overdue invoice for a given obligor.

- For 2021, an amendment was made to the DPD calculation for public sector entities (PSEs). A 90-day grace period is applied in the DPD calculation for all PSEs. The impact of this change is a reduction in the Stage 3 balances as these customers are not classified as defaulted, unless the delinquency remains after the grace period elapses, as such late payments are not considered to relate to underlying credit risk.

- For 2021 an amendment was made to the DPD calculation for certain Assignment of Receivables (AORs). A 30-day grace period is applied after the contractual due date and before the DPD calculation commences. This amendment applies to AORs where the Bank collects the repayments from an intermediary. Once the intermediary has received the funds the credit risk with the customer is removed. The 30-day grace periods allows time for the intermediary to transfer the receivable to the Group. The impact of this change is a reduction in the Stage 3 balances as these customers are afforded 30 extra days to pay before they are classified as defaulted, as such the late payments do not relate to underlying credit risk.

The Collection, Problem Debt Management and Credit functions have the responsibility of identifying the administrative and credit defaults.

The Group splits the portfolio into 5 segments in line with the segmentation in the IFRS 9 PD model:
- Large customers with total exposure of €1m or more to the Group
- The remaining customers are split based into four geographic regions: UK, France, Germany and Rest of Europe (ROE)

The Group defines below for the purpose of explaining the Staging criteria methodology:

- PD grade/PD rating: the assessment of the probability of default of the customer mapped to the Group's PD master scale. PD grades range from 1 being the lowest credit risk to 16 being default.
- IFRS 9 PD grades: PD grades that are generated from the IFRS 9 PD model. The IFRS 9 PD model takes as one of the inputs the PD grades and transforms them into forward-looking 12-month and lifetime IFRS 9 PD grades

4. Financial Risk Management – continued

(a) Credit Risk - continued

Significant increase in credit risk (SICR)

As defined above in section (i) and (ii), Stage 3 and POCI categories are related to the default definition. Hence, the criteria for inclusion are driven by the default definition. Stage 1 consists of contracts that are not classified as any other category (i.e. performing and not in default, and with no significant increase in credit risk since origination). Therefore, the Group focused primarily on the classification rules for Stage 2, in particular on the concept of the Significant Increase in Credit Risk (SICR). There are two triggers of Significant Increase in Credit Risk.

- Backstop of more than 30 days past due, with an exception on specific contracts as outlined above, whereby 90 and 30 day grace periods are applied
- Material downgrade of implied IFRS 9 PD grade for the remaining contract life accompanied with credit rating downgrade

A material downgrade is defined as a downgrade by a number of notches. Specific thresholds for downgrades are established by the Group. The thresholds are tiered, and their value depends on the PD grade at initial recognition.

The material downgrade of IFRS 9 PD grade will be verified based on the difference between the remaining asset lifetime IFRS 9 implied PD grade at initial recognition and at the time of reporting date.

4. Financial Risk Management – continued

(a) Credit Risk - continued

The following table shows the materiality thresholds for the IFRS 9 PD rating downgrade that triggers significant increase in credit risk. The thresholds are tiered and depend on the PD rating at origination and on the customer exposure segment. The Small Segment relates to customers with total exposure below €1m and the Large Segment relates to customers with total exposure of €1m or more.

	# of Notches Downgrade that trigger SICR	
PD Grade	Small Segment	Large Segment
1	5	6
2	4	5
3	4	5
4	4	5
5	3	4
6	2	3
7	2	3
8	2	3
9	2	3
10	2	3
11	2	2
12	1	1
13	0	0
14	0	0
15	0	0
16	0	0

(iii) Measuring ECL

The ECL is measured on either 12 months (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit impaired. The measurement of expected credit losses will primarily be based on the product of the instrument's probability of default (PD), loss given default (LGD) and Exposure at Default (EAD)
An expected credit loss estimate will be produced for each individual exposure; however, the relevant parameters will be modelled on a collective basis using largely the same underlying data pool supporting our stress testing and regulatory capital expected loss processes.

The PD model provides estimates of probabilities of default at the borrower level over a 12 month and lifetime basis. The model also incorporates forward looking macroeconomic data into PD calculations.

4. Financial Risk Management – continued

(a) Credit Risk - continued

The 12 month and lifetime LGDs are determined based on the default type and the factors which impact the recoveries made post default. These vary based on the type of assets in the contract and various factors such as cure rates on defaults, depreciation curves on assets which show how their values evolve over the term of a contract, haircuts taken on asset values in the event of a default (based on macroeconomic data), recovery costs and business process.

The 12 month and lifetime EADs are determined based on the expected payment profile, which varies by product type. For amortising product and repayment loans, this is based on the contractual repayments owed by the borrower over a 12 month or lifetime basis.

The forward-looking economic information is also included in determining the 12 month and lifetime PD and LGD. Economic information was considered also in the EAD model development but no relationship between the economic variables and EAD was established based on the historical data. For the PD model the macro economic assumptions vary by the model segments: Large (exposure > €1m), UK, Germany, France and Rest of Europe (“ROE"). These assumptions vary by internal model segments.

During the year ended 2021, the following changes were applied to the ECL measurement approach:

- Updated Staging Framework: The SICR criteria was updated to take into account the changes to grace period for specific customers. The SICR is based on 30 days past due with the following expectations: a 90-day grace payment period is applied to PSEs and 30-day grace period is applied to specific AOR customers (as described previously). The 90-day grace period for non-standard customers was removed during 2021. The result of these changes is an increase in stage 3 balances in 2021 when compared with 2020.

4. Financial Risk Management – continued

(a) Credit Risk - continued

(iv) Forward- looking information

The measurement of expected credit losses for each stage and the assessment of SICR must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgment. PD and LGD models used to estimate 12 months and lifetime expected credit losses reflect forward looking macroeconomic variables.

The Group's considers three forward looking macroeconomic scenarios. Upside and downside outcomes are set relative to a base case outcome based on reasonably possible alternative macroeconomic conditions. Scenario updates occur on an annual basis or more frequently if required. These scenarios utilise OECD forecast models.

The quantitative assessment of SICR is performed using a scenario-weighted lifetime PD. This determines whether a performing (non POCI) financial instrument is classified as Stage 1 or Stage 2. Following this assessment, the Group measures ECL as either a probability weighted 12-month ECL (stage 1), or probability weighted lifetime ECL (stage 2 and 3). Probability weighted ECLs are determined estimating ECL for each scenario and then multiplying the ECL outcome (by scenarios) by the appropriate scenarios weighting.

The weights that have been applied for the Group's portfolio as at 31 December are:

Scenario	Year ended 31 December 2021	Scenario	Year ended 31 December 2020
Base	60%	Base	60%
Upturn	10%	Upturn	10%
Downturn	30%	Downturn	30%

The Baseline scenario reflects assumptions with respect to the continued impact and uncertainty around COVID-19 and has been informed by external economic publications. Key macroeconomic variables forecasted include GDP, unemployment, interest rates and a measure of financial market volatility. For each of the 5 segments (Large, UK, France, Germany and Rest Europe) a combination of these macroeconomic variable is applied.

The table below shows the mean average forecast values used for the key macroeconomic variables in the baseline scenario for each segment for the forecast period 2021 to 2025.

	Euro Area	France	Germany	UK
GDP Growth	2.5%	2.1%	2.6%	3.4%
Unemployment rate	8.7%	8.9%	4.7%	5.4%
Short-term interest rate	(0.5%)	(0.5%)	(0.5%)	0.1%

The scenario weights of 60% Baseline, 30% Downturn & 10% Upturn are deemed to be the most appropriate. It should be noted that the baseline scenario is sourced from the OECD, while the alternate scenarios are model driven by applying a shock to the baseline scenario. As a result, it is logical to heavily weight the baseline scenario. It is also justified to apply a higher probability to the downturn scenario than to the upturn one due to the current level of uncertainty in the macroeconomy. To further account for the uncertain macroeconomic climate the Group added two management overlays, detail of these overlay are outlined in Note 4.

4. Financial Risk Management – continued

(a) Credit Risk - continued

(iv) Forward- looking information

While the OECD baseline scenario incorporates the impact of the pandemic there is uncertainty regarding the impact of another wave, availability/uptake of vaccines outside of developed economies and the roll off of government supports. It is felt that the chosen scenario weighting reflects the right balance of the economic trajectory. Also considered was the fact that the economic outlook may change at any point and that there are mostly downward pressures; economic growth can slow down and there are severe supply chain issues that could drive price pressure and inflation. Hence, the upturn scenario is minimally weighted.

From a sensitivity perspective, the ECL does vary with the scenario weights. If a weighting of 30% base, 60% downturn and 10% upturn was applied, the ECL would increase by approx. €3m. In comparison, if the scenario weights were set at 10% base, 80% downturn and 10% upturn, the ECL would increase by approx. €5m.

(iv) Loss Allowance

The loss allowance recognised in the period is impacted by a variety of factors as described below:

- Transfers between IFRS 9 stages due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit impaired in the period, and the consequent 'step up' (or 'step down') between 12 Month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on measurement of ECL due to changes made to models and assumptions, including the incorporation of new macroeconomic forecasts;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements.

4. Financial Risk Management – continued

(a) Credit Risk - continued

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

Loans and Advances to Customers

	Stage 1 12-month ECL €'000	Stage 2 Lifetime ECL €'000	Stage 3 Lifetime ECL €'000	POCI €'000	Total €'000
Loss allowance as at 1 January 2021	17,025	2,820	7,659	1,082	28,586
Transfers to 12-month ECL not credit-impaired (stage 1)	2,698	(1,972)	(726)	-	-
Transfers to lifetime ECL not credit-impaired (stage 2)	(631)	1,639	(1,008)	-	-
Transfers to lifetime ECL credit-impaired (stage 3)	(153)	(196)	349	-	-
Net remeasurement of impairment loss allowance	(3,709)	518	4,164	(308)	665
Loans/leases originations	7,863	82	127	84	8,156
Repayments and disposals	(5,362)	(1,951)	(2,927)	(302)	(10,542)
Write-offs	-	-	(2,810)	(52)	(2,862)
Foreign exchange and other movements	(354)	(38)	(245)	(22)	(659)
Loss allowance as at 31 December 2021	**17,377**	**902**	**4,583**	**482**	**23,344**

Loans and Advances to Banks

	Stage 1 12-month ECL €'000	Stage 2 Lifetime ECL €'000	Stage 3 Lifetime ECL €'000	POCI €'000	Total €'000
Loss allowance as at 1 January 2020	686	0	0	3	689
Transfers to 12-month ECL not credit-impaired (stage 1)	2	(2)	-	-	-
Transfers to lifetime ECL not credit-impaired (stage 2)	(4)	4	-	-	-
Transfers to lifetime ECL credit-impaired (stage 3)	(3)	-	3	-	-
Net remeasurement of impairment loss allowance	(368)	6	11	(1)	(352)
Loans/leases originations	90	-	-	-	90
Repayments and disposals	(151)	(1)	-	(1)	(153)
Write-offs	-	-	-	-	-
Foreign exchange and other movements	(34)	-	-	-	(34)
Loss allowance as at 31 December 2021	**220**	**6**	**13**	**1**	**240**

4. Financial Risk Management – continued

(a) Credit Risk - continued

Loans and Advances to Customers

	Stage 1 12-month ECL €'000	Stage 2 Lifetime ECL €'000	Stage 3 Lifetime ECL €'000	POCI €'000	Total €'000
Loss allowance as at 1 January 2020	7,887	1,704	13,257	667	23,515
Transfers to 12-month ECL not credit-impaired (stage 1)	3,992	(3,062)	(930)	-	-
Transfers to lifetime ECL not credit-impaired (stage 2)	(1,339)	1,612	(273)	-	-
Transfers to lifetime ECL credit-impaired (stage 3)	(161)	(397)	558	-	-
Net remeasurement of impairment loss allowance	4,415	4,213	6,672	254	15,554
Loans/leases originations	4,074	196	300	459	5,029
Repayments and disposals	(1,902)	(1,475)	(2,654)	(150)	(6,181)
Write-offs	-	-	(9,516)	(158)	(9,674)
Foreign exchange and other movements	59	29	245	10	343
Loss allowance as at 31 December 2020	**17,025**	**2,820**	**7,659**	**1,082**	**28,586**

Loans and Advances to Banks

	Stage 1 12-month ECL €'000	Stage 2 Lifetime ECL €'000	Stage 3 Lifetime ECL €'000	POCI €'000	Total €'000
Loss allowance as at 1 January 2020	41	1	9	-	51
Transfers to 12-month ECL not credit-impaired (stage 1)	87	(49)	(38)	-	-
Transfers to lifetime ECL not credit-impaired (stage 2)	(33)	33	-	-	-
Transfers to lifetime ECL credit-impaired (stage 3)	(1)	(9)	10	-	-
Net remeasurement of impairment loss allowance	495	40	32	(2)	565
Loans/leases originations	174	-	-	5	179
Repayments and disposals	(81)	(16)	(6)	-	(103)
Write-offs	-	-	(8)	-	(8)
Foreign exchange and other movements	4	-	1	0	5
Loss allowance as at 31 December 2020	**686**	**(0)**	**(0)**	**3**	**689**

4. Financial Risk Management – continued

(a) Credit Risk - continued

The following table further explains the changes in the gross carrying amount of the different portfolio group to help explain their significance to the changes in the loss allowance for the same portfolio as discussed

Loans and Advances to Customers

	Stage 1 12-month ECL €'000	Stage 2 Lifetime ECL €'000	Stage 3 Lifetime ECL €'000	POCI €'000	Total €'000
Gross carrying amount as at 1 January 2021	**1,763,131**	**64,509**	**11,509**	**63,060**	**1,902,209**
Transfers to 12-month ECL not credit-impaired (stage 1)	115,984	(107,116)	(8,869)	-	-
Transfers to lifetime ECL not credit-impaired (stage 2)	(121,715)	125,403	(3,688)	-	-
Transfers to lifetime ECL credit-impaired (stage 3)	(49,839)	(8,456)	58,295	-	-
Loans/leases originations	1,301,417	3,093	172	1,234	1,305,916
Repayments and disposals	(1,156,863)	(52,434)	(8,165)	(37,948)	(1,255,410)
Write-offs	-	-	(2,810)	(52)	(2,862)
Foreign exchange and other movements	35,021	1,252	158	1,030	37,461
Gross carrying amount as at 31 December 2021	**1,887,137**	**26,251**	**46,602**	**27,324**	**1,987,314**

Loans and Advances to Banks

	Stage 1 12-month ECL €'000	Stage 2 Lifetime ECL €'000	Stage 3 Lifetime ECL €'000	POCI €'000	Total €'000
Gross carrying amount as at 1 January 2021	**149,084**	**-**	**-**	**739**	**149,823**
Transfers to 12-month ECL not credit-impaired (stage 1)	401	(401)	-	-	-
Transfers to lifetime ECL not credit-impaired (stage 2)	(2,469)	2,469	-	-	-
Transfers to lifetime ECL credit-impaired (stage 3)	(2,430)	(10)	2,440	-	-
Loans/leases originations	14,067	-	-	-	14,067
Repayments and disposals	(42,145)	(237)	(481)	(229)	(43,092)
Write-offs	-	-	-	-	-
Foreign exchange and other movements	6,276	9	(6)	31	6,310
Gross carrying amount as at 31 December 2021	**122,784**	**1,830**	**1,953**	**541**	**127,108**

4. Financial Risk Management – continued

Loans and Advances to Customers

Customers	Stage 1 12-month ECL €'000	Stage 2 Lifetime ECL €'000	Stage 3 Lifetime ECL €'000	POCI €'000	Total €'000
Gross carrying amount as at 1 January 2020	1,501,661	120,179	64,444	82,196	1,768,480
Transfers to 12-month ECL not credit-impaired (stage 1)	465,959	(368,614)	(97,345)	-	-
Transfers to lifetime ECL not credit-impaired (stage 2)	(484,382)	503,020	(18,638)	-	-
Transfers to lifetime ECL credit-impaired (stage 3)	(67,522)	(47,788)	115,310	-	-
Loans/leases originations	1,367,416	14,152	966	30,685	1,413,219
Repayments and disposals	(993,873)	(153,436)	(42,289)	(48,098)	(1,237,696)
Write-offs	-	-	(9,516)	(158)	(9,674)
Foreign exchange and other movements	(26,128)	(3,004)	(1,423)	(1,565)	(32,120)
Gross carrying amount as at 31 December 2020	**1,763,131**	**64,509**	**11,509**	**63,060**	**1,902,209**

Loans and Advances to Banks

	Stage 1 12-month ECL €'000	Stage 2 Lifetime ECL €'000	Stage 3 Lifetime ECL €'000	POCI €'000	Total €'000
Gross carrying amount as at 1 January 2020	69,797	219	991	235	71,242
Transfers to 12-month ECL not credit-impaired (stage 1)	9,986	(4,933)	(5,053)	-	-
Transfers to lifetime ECL not credit-impaired (stage 2)	(8,599)	8,599	-	-	-
Transfers to lifetime ECL credit-impaired (stage 3)	(3,321)	(1,775)	5,096	-	-
Loans/leases originations	203,925	9	-	739	204,673
Repayments and disposals	(118,086)	(2,110)	(969)	(223)	(121,389)
Write-offs	-	-	(8)	-	(8)
Foreign exchange and other movements	(4,618)	(8)	(56)	(12)	(4,695)
Gross carrying amount as at 31 December 2020	**149,084**	**-**	**-**	**739**	**149,823**

4. Financial Risk Management – continued

(a) Credit Risk - continued

(v) Write- off policy

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Group's recovery method is foreclosing on the portfolio is such that there is no reasonable expectation of recovering in full.

The outstanding contractual amounts that were written off during the year ended 31 December 2021 was €2.8m (2020 €9.7m). The Group still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

(vi) Modification of financial assets

The Group sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery. Such restructuring activities include extended payment terms arrangements, payment holidays and payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. From assessments performed during the year, there was no material modifications as any modifications during the year did not result in derecognition of the original assets.

As a response to the negative impact the pandemic may have on the EU banking sector a number of countries introduced a broad range of measures, such as legislative moratoria on loan repayments. In 2020, the Bank granted payment breaks to customers for periods of three and six months on loans amounting to €35m. No further payment moratoriums were granted in 2021. At the financial year end, there were no amounts outstanding on contracts which had been granted payment moratoriums (2020: €16m).

Modifications from payment moratoriums resulted in no material modifications in 2020 due to the short-term nature of the moratorium periods.

4. Financial Risk Management - continued

(b) Market Risk

(i) FX Risk

Details of the Groups' policies and procedures in relation to the management of market risk are detailed in Section 4 of the Risk Management report. FX Risk is measured using a conversion factor matrix method, utilising the CRD IV articulated conversion factors. The Group has transactional FX Risk in the following currencies GBP, USD, CHF, SEK, NOK, PLN, DKK and RON. The future foreign currency cash-flows are time bucketed into a maturity ladder and netted against the Group's FX derivative positions. This net un-hedged long or short position by currency is used to calculate the total implied FX loss on a Euro basis which is monitored against prescribed risk limits which are linked to the regulatory capital position on a daily basis.

The FX Mismatch Risk position during the course of the reporting year was:

	2021 Group €'000	2020 Group €'000
FX Risk position as at 31 December	3,002	3,559
Average FX Risk position for the financial year	2,585	2,151
Maximum FX Risk position during the financial year	4,262	4,089

(ii) Interest Rate Risk

IRRBB exposure is primarily identified through the use of the standardised interest rate risk framework as set out by the Basel Committee on Banking Supervision. In the first instance the economic value of interest rate sensitive assets and liabilities and their associated derivatives are subjected to a 200bps parallel shift with the result measured against prescribed limits. The Bank also applies a number of stress scenarios to test the shape and steepness of the yield curve, the purpose being to measure exposure to the curve. The Group maintains an interest rate swap portfolio to mitigate its interest rate risk exposure.

Interest Rate Risk position during the financial year was:

	2021 Group €'000	2020 Group €'000
200bps upward shock stress scenario as at 31 December	(1,450)	(321)
Average 200bps upward shock stress scenario for the financial year	242	(219)
Maximum positive 200bps upward shock stress scenario during the financial year	4,441	3,876
Maximum negative 200bps upward shock stress scenario during the financial year	(4,694)	(3,853)

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4. Financial Risk Management - continued

(b) Market Risk – continued

(iii) Interest Rate Risk (Interest re-pricing)

The table below sets out the carrying value of interest earning assets and interest-bearing liabilities and the earlier of the time periods in which they mature or re-price.

Group as at 31 December 2021	Less than 3 months €'000	3-6 months €'000	6-12 months €'000	1-5 years €'000	More than 5 years €'000	Carrying Value €'000
Interest bearing Assets						
Cash and balances with central banks	351,457	-	-	-	-	351,457
Cash in bank	226,815	-	-	-	-	226,815
Debt Securities at Amortised cost	-	-	-	280,233	-	280,233
Loans and advances to banks	10,076	9,408	18,283	78,975	10,126	126,868
Loans and advances to customers	253,291	218,054	383,508	1,103,889	5,228	1,963,970
	841,639	**227,462**	**401,791**	**1,463,097**	**15,354**	**2,949,343**
Interest bearing Liabilities						
Amounts due to group undertakings	(113,405)	-	-	-	-	(113,405)
Deposits from banks	(1,132,861)	-	-	-	-	(1,132,861)
Debt securities in issue	-	-	(500,109)	(993,910)	-	(1,494,019)
	(1,246,266)	**-**	**(500,109)**	**(993,910)**	**-**	**(2,740,285)**
Interest Rate Swap Nominals*						
Pay Fixed	(383,808)	(205,621)	(311,729)	(1,259,585)	(10,080)	(2,170,823)
Receive Floating	2,170,823	-	-	-	-	2,170,823
Receive Fixed	-	-	500,000	1,000,000	-	1,500,000
Pay Floating	(1,500,000)	-	-	-	-	(1,500,000)
	287,015	**(205,621)**	**188,271**	**(259,585)**	**(10,080)**	**-**
Interest Sensitivity gap	**(117,612)**	**21,841**	**89,953**	**209,602**	**5,274**	**209,058**

**including cross currency interest rate swaps*

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4. Financial Risk Management - continued

(b) Market Risk - continued

The table below sets out the carrying value of interest earning assets and interest-bearing liabilities and the earlier of the time periods in which they mature or re-price.

Bank as at 31 December 2021	Less than 3 months €'000	3-6 months €'000	6-12 months €'000	1-5 years €'000	More than 5 years €'000	Carrying Value €'000
Interest bearing Assets						
Cash and balances with central banks	351,457	-	-	-	-	351,457
Cash in bank	178,415	-	-	-	-	178,415
Debt Securities at Amortised cost	-	-	-	280,233	-	280,233
Loans and advances to banks	10,076	9,408	18,283	78,975	10,126	126,868
Loans and advances to customers	253,291	218,054	383,508	1,103,889	5,228	1,963,970
	793,239	**227,462**	**401,791**	**1,463,097**	**15,354**	**2,900,943**
Interest bearing Liabilities						
Amounts due to Group undertakings	(744,024)	-	-	-	-	(744,024)
Deposits from banks	(464,318)	-	-	-	-	(464,318)
Debt securities in issue	-	-	(500,109)	(993,910)	-	(1,494,019)
	(1,208,342)	**-**	**(500,109)**	**(993,910)**	**-**	**(2,702,361)**
Interest Rate Swap Nominals*						
Pay Fixed	(269,448)	(116,099)	(163,209)	(890,605)	(10,080)	(1,449,441)
Receive Floating	1,449,441	-	-	-	-	1,449,441
Receive Fixed	-	-	500,000	1,000,000	-	1,500,000
Pay Floating	(1,500,000)	-	-	-	-	(1,500,000)
	(320,007)	**(116,099)**	**336,791**	**109,395**	**(10,080)**	**-**
Interest Sensitivity gap	**(735,110)**	**111,363**	**238,473**	**578,582**	**5,274**	**198,582**

including cross currency interest rate swaps

4. Financial Risk Management - continued

(b) Market Risk - continued

The table below sets out the carrying value of interest earning assets and interest-bearing liabilities and the earlier of the time periods in which they mature or re-price.

Group as at 31 December 2020	Less than 3 months €'000	3-6 months €'000	6-12 months €'000	1-5 years €'000	More than 5 years €'000	Carrying Value €'000
Interest bearing Assets						
Cash and balances with central banks	153,019	-	-	-	-	153,019
Cash in bank	173,340	-	-	-	-	173,340
Debt Securities at Amortised cost	-	-	-	153,274	-	153,274
Loans and advances to banks	9,714	9,537	17,925	91,641	20,317	149,134
Loans and advances to customers	272,503	218,346	368,466	1,011,011	3,297	1,873,623
	608,576	**227,883**	**386,391**	**1,255,926**	**23,614**	**2,502,391**
Interest bearing Liabilities						
Amounts due to group undertakings	(63,995)	-	-	-	-	(63,995)
Deposits from banks	(1,193,755)	-	-	-	-	(1,193,755)
Debt securities in issue	-	-	-	(1,002,564)	-	(1,002,564)
	(1,257,750)	-	**-**	**(1,002,564)**	-	**(2,260,314)**
Interest Rate Swap Nominals*						
Pay Fixed	(306,869)	(187,027)	(291,448)	(1,085,708)	(4)	(1,871,056)
Receive Floating	1,871,056	-	-	-	-	1,871,056
Receive Fixed	-	-	-	1,000,000	-	1,000,000
Pay Floating	(1,000,000)	-	-	-	-	(1,000,000)
	564,187	**(187,027)**	**(291,448)**	**(85,708)**	**(4)**	**0**
Interest Sensitivity gap	**(84,987)**	**40,856**	**94,943**	**167,655**	**23,610**	**242,076**

**including cross currency interest rate swaps*

4. Financial Risk Management - continued

(b) Market Risk - continued

The table below sets out the carrying value of interest earning assets and interest-bearing liabilities and the earlier of the time periods in which they mature or re-price

Bank as at 31 December 2020	Less than 3 months €'000	3-6 months €'000	6-12 months €'000	1-5 years €'000	More than 5 years €'000	Carrying Value €'000
Interest bearing Assets						
Cash and balances with central banks	153,019	-	-	-	-	153,019
Cash in bank	114,767	-	-	-	-	114,767
Debt Securities at Amortised cost	-	-	-	153,274	-	153,274
Loans and advances to banks	9,714	9,537	17,925	91,641	20,317	149,134
Loans and advances to customers	272,503	218,346	368,466	1,011,011	3,297	1,873,623
	550,003	**227,883**	**386,391**	**1,255,926**	**23,614**	**2,443,817**
Interest bearing Liabilities						
Amounts due to group undertakings	(678,411)	-	-	-	-	(678,411)
Deposits from banks	(515,972)	-	-	-	-	(515,972)
Debt securities in issue	-	-	-	(1,002,564)	-	(1,002,564)
	(1,194,383)	**-**	**-**	**(1,002,564)**	**-**	**(2,196,947)**
Interest Rate Swap Nominals*						
Pay Fixed	(156,998)	(83,989)	(136,402)	(695,670)	-	(1,073,059)
Receive Floating	1,073,059	-	-	-	-	1,073,059
Receive Fixed	-	-	-	1,000,000	-	1,000,000
Pay Floating	(1,000,000)	-	-	-	-	(1,000,000)
	(83,939)	**(83,989)**	**(136,402)**	**304,330**	**-**	**-**
Interest Sensitivity gap	**(728,319)**	**143,894**	**249,989**	**557,692**	**23,614**	**246,871**

**including cross currency interest rate swaps*

4. Financial Risk Management - continued

(c) Liquidity Risk – Financial Liabilities

The tables below summarise the maturity profile of the Group's financial liabilities at 31 December 2021 and at 31 December 2020 on the basis of its contractual undiscounted repayment obligations. The Group does not manage liquidity risk on the basis of contractual maturity. Instead the Group manages liquidity risk based on expected cash flows. The balances will not agree directly to the statement of financial position as the table incorporates all cash flows, on an undiscounted basis, related to both principal and interest payments. Details of the Groups policies and procedures in relation to management of liquidity risk are detailed in section 5 of the Risk Management Report.

Group as at 31 December 2021	Up to 1 month €'000	1-3 months €'000	3-12 months €'000	1-5 years €'000	More than 5 years €'000	Gross Cash flows €'000
Financial Liabilities:						
Deposits from banks	278,038	65,667	236,034	562,758	-	1,142,497
Debt Securities in Issue	-	-	513,750	1,026,250	-	1,540,000
Amounts due to group undertakings	109,356	4,049	-	-	-	113,405
Other Liabilities	13,358	12,098	4,602	-	-	30,058
Residual Value Guarantees	87	66	42	-	-	195
Commitments	187,642	-	-	-	-	187,642
Total cash outflow	**588,481**	**81,880**	**754,428**	**1,589,008**	**-**	**3,013,797**
Derivative Financial Instruments:						
FX Inflows*	(169,172)	(136,897)	(321,902)	(479,946)	(8)	(1,107,925)
FX Outflows*	173,133	143,244	342,234	493,194	15	1,151,820
Interest rate swaps	240	1,766	614	3,558	-	6,178
Total cash outflow	**4,201**	**8,113**	**20,946**	**16,806**	**7**	**50,073**

Bank As at 31 December 2021	Up to 1 month €'000	1-3 months €'000	3-12 months €'000	1-5 years €'000	More than 5 years €'000	Gross Cash flows €'000
Financial Liabilities:						
Deposits from Banks	243,984	5,020	-	217,026	-	466,030
Debt Securities in Issue	-	-	513,750	1,026,250	-	1,540,000
Amounts due to group undertakings	110,186	4,049	-	629,790	-	744,024
Other Liabilities	13,324	12,098	4,602	-	-	30,024
Residual Value Guarantees	87	66	42	-	-	195
Commitments	187,642	-	-	-	-	187,642
Total cash outflow	**555,223**	**21,233**	**518,394**	**1,873,066**	**-**	**2,967,915**
Derivative Financial Instruments:						
FX Inflows*	(159,367)	(106,489)	(200,504)	(312,821)	(8)	(779,189)
FX Outflows*	162,661	111,035	214,510	322,899	15	811,120
Interest rate swaps	218	1,725	517	3,582	-	6,042
Total cash outflow	**3,512**	**6,271**	**14,524**	**13,660**	**7**	**37,974**

**includes cross currency interest rate swaps and fx forwards*

4. Financial Risk Management - continued

(c) Liquidity Risk – Financial Liabilities- continued

The collateralised loan facility was €600m (2020: €600m) as at 31 December 2021. The facility matures December 2023 and rolls and reprices on a monthly basis. In relation to the collateralised loan facility, the amount of drawn funding resets depending on the size of the pool and the drawn amount is adjusted up or down each month reflecting movements in the pool of receivables. For the purposes of the above table the drawn funding is shown in the time bucket of up to 1 month, however an amount only becomes repayable if the size of the pool reduces, or the Bank decides not to draw on the facility. There was €200m (2020: €370m) drawn on the facility as at 31 December 2021; with €232m (2020: €421m) of encumbered receivables. The undrawn amount of the facility was €400m as at 31 December 2021 (2020: €230m).

The securitised loan facility was €800m (2020: €800m) as at 31 December 2021. The facility matures in December 2022 and is expected to be extended prior to maturity. The maturity date does not require full repayment of the outstanding loan by the Group. The final maturity date falls two years after the end of the initial term of the last maturing contract. There was €669m (2020: €680m) drawn on the facility as at 31 December 2021; with €747m (2020: €736m) of encumbered receivables. The undrawn amount of the facility was €131m (2020: €120m) as at 31 December 2021.

On 17 October 2019, the Bank issued €500 million Senior Unsecured 0.625% Notes maturing in October 2022. The notes bear interest on the outstanding nominal amount, payable annually in arrears. The Notes are listed on the Global Exchange Market of Euronext Dublin.

On 24 June 2020, the Bank issued €500 million Senior Unsecured 1.625% Notes maturing in June 2024. The notes bear interest on the outstanding nominal amount, payable annually in arrears. The Notes are listed on the Global Exchange Market of Euronext Dublin.

On 27 October 2021, the Bank issued €500 million Senior Unsecured 0.5% Notes maturing in October 2026. The notes bear interest on the outstanding nominal amount, payable annually in arrears. The Notes are listed on the Global Exchange Market of Euronext Dublin and were issued under the €2bn EMTN programme established in 2021.

The Group has a long-term borrowing facility from an affiliate, Dell Global BV. The total funding available is €400m with an additional €100m of contingency funding. The maturity date of the facility is 28 September 2023.There was no balance drawn down as at 31 December 2021 (2020: € Nil).

4. Financial Risk Management - continued

(c) Liquidity Risk – Financial Liabilities- continued

Group As at 31 December 2020	Up to 1 month €'000	1- 3 months €'000	3 -12 months €'000	1-5 years €'000	Over 5 years €'000	Gross Cashflows €'000
Financial Liabilities:						
Deposits from banks	402,723	63,994	275,942	455,615	-	1,198,274
Debt Securities in Issue	-	-	11,250	1,027,500	-	1,038,750
Amounts due to group undertakings	53,714	-	-	-	-	53,714
Other Liabilities	13,446	28,305	-	-	-	41,751
Residual Value Guarantees	500	174	235	120	-	1,029
Commitments	167,299	-	-	-	-	167,299
Total cash outflow	**637,682**	**92,473**	**287,427**	**1,483,235**	**-**	**2,500,817**
Derivative Financial Instruments:						
FX Inflows*	(50,693)	(60,058)	(157,244)	(212,221)	-	(480,216)
FX Outflows*	51,560	61,476	162,167	217,705	-	492,908
Interest rate swaps	121	647	1,180	707	-	2,655
Total cash outflow	**988**	**2,065**	**6,103**	**6,191**	**-**	**15,347**

Bank As at 31 December 2020	Up to 1 month €'000	1- 3 months €'000	3 -12 months €'000	1-5 years €'000	Over 5 years €'000	Gross Cashflows €'000
Financial Liabilities:						
Deposits from Banks	371,679	5,022	-	134,900	-	511,601
Debt Securities in Issue	-	-	11,250	1,027,500	-	1,038,750
Amounts due to group undertakings	54,947	-	-	614,120	-	669,067
Other Liabilities	11,317	-	-	-	-	11,317
Residual Value Guarantees	500	174	235	120		1,029
Commitments	167,299	-	-	-	-	167,299
Total cash outflow	**605,742**	**5,196**	**11,485**	**1,776,640**	**-**	**2,399,063**
Derivative Financial Instruments:						
FX Inflows*	(47,740)	(42,765)	(107,948)	(117,032)	-	(315,485)
FX Outflows*	48,530	43,687	112,065	122,127	-	326,409
Interest rate swaps	79	463	830	389	-	1,761
Total cash outflow	**869**	**1,385**	**4,947**	**5,484**	**-**	**12,685**

**includes cross currency interest rate swaps and fx forwards*

The 2020 comparative layout has been amended to ensure consistent presentation.

5. Net Interest Income

	Year ended 31 December 2021 Group €'000	Year ended 31 December 2020 Group €'000
Interest income		
Financial instruments measured at amortised cost		
Loans and advances to customers	26,843	23,250
Loans and advances to banks	2,087	910
Negative interest on financial liabilities	1,890	510
Interest income on financial assets measured at amortised cost	**30,820**	**24,670**
Interest income on finance lease receivables	**51,436**	**50,775**
Total Interest income	**82,256**	**75,445**
Interest income calculated using effective interest method	30,820	24,673
Other interest receivable and similar income calculated using effective interest method	51,436	50,772
Total Interest income	**82,256**	**75,445**
Interest expense		
Collateralised loan	(3,920)	(4,261)
Securitised loan	(5,367)	(5,037)
Intercompany loan	(43)	(361)
Debt Securities in Issue	(13,596)	(8,547)
Other interest	(774)	(143)
Total Interest expense	**(23,700)**	**(18,349)**
Total Net interest income	**58,556**	**57,096**

For the purposes of IFRS 8 Operating Segments the Group has only one revenue segment being the provisioning of IT equipment financing. As a result, within the Group, reporting segments are not used in internal reporting when assessing performance and allocating resources by the Chief Operating Decision Maker (CODM). Similarly financial statements and internal financial reports are not produced using segmented information.

The Group has no reliance on one major customer, during the year, revenues from a single external customer did not account for 10% or more of net interest income.

A breakdown of the Group's Loans and Advances to Customers by region can be seen in note 4 Credit Risk.

6. Operating Lease Income

	Year ended 31 December 2021 Group €'000	Year ended 31 December 2020 Group €'000
Lease to customers	157,565	91,001
Lease to banks	143	30
Total Operating Lease Income	**157,708**	**91,031**

Assets held for operating lease are disclosed as Property Plant and Equipment in the Statement of financial position.

7. Fees and Commission

	Year ended 31 December 2021 Group €'000	Year ended 31 December 2020 Group €'000
Insurance income	3,284	2,876
Portfolio and other management fees	746	730
Total Fee and Commission Income	**4,030**	**3,606**
Fees and Commission Expense	(2,257)	(1,720)
Total Net Fee and Commission Income	**1,773**	**1,886**

8. Net Income from End of Lease Activities

	Year ended 31 December 2021 Group €'000	Year ended 31 December 2020 Group €'000
Remarketing Revenue	15,193	15,148
Buyout Revenue	14,751	14,045
Other Income from End of Lease Activities	**29,944**	**29,193**
Remarketing Cost of Goods Sold	(6,912)	(9,389)
Buyout Cost of Goods Sold	(8,175)	(7,591)
Expenses from End of Lease Activities	**(15,087)**	**(16,980)**
Net income from End of Lease Activities	**14,857**	**12,213**

9. Other Income from syndications

During the year, the Bank entered into several syndication deals with €106.6m (2020: €250m) of receivables originated or purchased and sold.

The total gain recognised from these transactions was €2.3m (2020: €7.4m).

10. Net Trading Expense

	Year ended 31 December 2021 Group €'000	Year ended 31 December 2020 Group €'000
Net (loss)/gain on FX forwards	(25,022)	10,541
Net (loss)/gain on Cross currency swaps	(19,165)	21,415
Net gain/(loss) on Interest rate swaps	4,057	(842)
Net interest expense on derivatives	(6,024)	(7,814)
Foreign exchange profit/(loss)	44,520	(38,411)
Net Trading Expense	**(1,634)**	**(15,111)**

The 2020 comparative layout has been amended to ensure consistent presentation.

Net trading expense includes the gains and losses on financial instruments at fair value through profit or loss. It includes the gains and losses arising on the purchase and sale of these instruments, the fair value movement on these instruments and the interest accrual. The Group economically hedges foreign exchange risk related to financial assets and liabilities denominated in currencies other than Euro. The Group uses foreign exchange derivatives to manage its exposure to foreign currency risk and uses interest rate derivatives to manage exposure to interest rate risk. A number of swaps have been designated into qualifying cashflow hedge and fair value hedge relationships. The nominal amounts and associated fair values of these derivatives are outlined in Note 22.

11. Personnel Expenses

The average number of persons employed by the Group within each category during the year was:

	2021	2020
IT	13	13
Credit	15	14
Finance & Treasury	42	43
Legal, Compliance & Risk	22	24
Sales & Operations	80	86
Total	**172**	**180**

11. Personnel Expenses - continued

Total personnel costs comprised of:

	Year ended 31 December 2021 Group €'000	Year ended 31 December 2020 Group €'000
Wages and salaries	13,733	14,787
Other employee benefits	5,407	5,151
Social security costs	2,040	2,069
Pension costs	1,128	1,109
Directors' fees (note 12)	317	289
Total	**22,625**	**23,405**

There were no amounts of personnel expenses capitalised into assets in the current year (2020: €Nil).

Included in other employee benefits are equity settled share-based payments to eligible employees. The awards granted are time-based awards that vest equally over a three-year period, each year one-third of the award granted becomes unconditional. At the vesting date, employees receive shares of Dell Technologies. The value of the share-based payments made are directly linked to the price of Dell Technologies' Class C Common Stock as listed on New York Stock Exchange (NYSE). Share based payments are measured in line with IFRS 2. Under IFRS 2, the Bank recognises the expense for these awards over the vesting period based on the fair value at the grant date and a corresponding entry to equity in the share-based payment reserve. A recharge agreement is currently in place with Dell Technologies based on the fair value of the awards at the vesting date. The Bank recognise a liability for this recharge on the grant date and remeasures the liability at each reporting date in line with the share price movement of Dell Technologies Inc. A corresponding entry is made to Equity. The recharge amount is then settled following the vesting of the awards annually.

During the financial year, Dell Technologies completed a planned spin-off of its 81% equity ownership interest in VMware (VWM) resulting in two separate standalone listed companies. As a result of this transaction, the number of unvested employee share awards was adjusted to offset any decline in the original value of the awards granted. Terms and conditions applicable to employee awards remain unchanged. The conversion ratio was determined by dividing the closing Dell Technologies share price on 1 November 2021 (pre-spin) by the opening Dell Technologies share price on November 2 2021 (post-spin).

A reconciliation of the shares pre and post-spin is noted below:

	Number of shares
Unvested shares at 1 November	78,371
Conversion ratio	1.9688
Unvested shares at 2 November	154,297

The table below is completed based on the post-spin number of shares.

	2021	
	Number of shares	Average share price at vesting
Outstanding at 1 January	155,289	
Vested during the year	(44,795)	$45.75
Granted during the year	44,573	$45.51
Fortified during the year	(2,928)	
Outstanding at 31 December	**154,138**	

11. Personnel Expenses - continued

During the year, an expense of €0.95m (2020: €1.9m) was recorded in relation to the share-based payment awards.

12. Directors' Remuneration

Directors' remuneration is comprised of:

	Year ended 31 December 2021 Group €'000	Year ended 31 December 2020 Group €'000
Directors' remuneration for other services	1,120	953
Fees for services as Director	317	289
Long-term incentives (cash, shares, other assets)	762	1,019
Retirement Contributions to:		
- defined contributions schemes	39	38
Total	**2,238**	**2,299**

The number of Directors to whom retirement contributions are accruing under defined contributions scheme is 2 (2020: 2), and defined benefit schemes is €Nil (2020: €Nil).

There were no amounts paid to persons connected with a Director in the current year (2020: €Nil).

13. General and Administrative Expenses

	Year ended 31 December 2021 Group €'000	Year ended 31 December 2020 Group €'000
Administrative expenses	5,418	5,692
IT and software costs	1,326	1,372
Travel and entertainment	82	384
Recruitment and training	70	114
Total	**6,896**	**7,562**

14. Depreciation and Amortisation Expenses

	Year ended 31 December 2021 Group €'000	Year ended 31 December 2020 Group €'000
Depreciation on own use property plant and Equipment (Note 25)	34	35
Depreciation and impairment on operating leases (Note 25)	140,314	82,638
Amortisation of software and other intangible assets (Note 24)	1,688	1,738
Total	**142,036**	**84,411**

15. Other Operating Expense

	Year ended 31 December 2021 Group €'000	Year ended 31 December 2020 Group €'000
Business support services	6,083	5,633
Consultancy fees	2,908	2,491
Auditors' remuneration	571	526
Total	**9,562**	**8,650**

16. Impairment charges on loans and receivables

Movement in impairment loss allowances	Year ended 31 December 2021 Group €'000	Year ended 31 December 2020 Group €'000
Loans & advances to customers & banks	(3,207)	15,105
Other receivables	(95)	(131)
Release of credit loss provisions	(2,739)	(9,412)
Write off	2,861	9,683
Recoveries of amounts written off in previous years and write back of provisions	(449)	(1,112)
Net impairment losses on financial instruments	**(3,629)**	**14,133**

All of the above relates to loans and advances to customers and banks under both finance leases and loans.

Expected credit loss on commitments and placements with banks is immaterial.

17. Profit before Taxation

The following items are included in the profit before taxation:

	Year ended 31 December 2021 Group €'000	Year ended 31 December 2020 Group €'000
Depreciation on property, plant, equipment and operating leases (Note 25)	140,349	82,673
Amortisation of intangible assets (Note 24)	1,688	1,738
Auditors' remuneration for Group and Bank (exclusive of VAT)		
- Statutory audit of bank, branch and securitisation entity	441	438
- Other non-audit services	260	145

Statutory audit fee of €382k relates to the audit of the Bank. In respect of the remaining audit fees of €59k, an amount of €17k was payable to PwC Spain in relation to the audit of the Spanish branch and an amount of €42K was payable to PwC Ireland in respect of the statutory audits of the Spanish Branch and the SPV entity.

Other non-audit services represent fees payable to PwC Ireland for agreed upon procedures in relation to the Group's funding facilities and comfort letters relating to debt listings and issuances.

18. Income Tax Charge

	Year ended 31 December 2021 Group €'000	Year ended 31 December 2020 Group €'000
Current taxes on income for the reporting year		
Irish Corporation tax	4,912	-
Foreign tax	-	358
Current taxes referring to previous years	(241)	160
Reclassification between Current and Deferred Taxes relating to prior years		-
Withholding tax	582	486
Total current tax	**5,254**	**1,004**
Deferred tax	2,064	1,900
Adjustments for prior years	288	(71)
Reclassification between Current and Deferred Taxes relating to prior year	-	-
Total deferred tax (Note 26)	**2,352**	**1,829**
Income tax charge	**7,605**	**2,833**

18. Income Tax Charge – continued

The income tax charge comprises the following:

Further information about deferred income tax is presented in Note 26. The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the basic tax rate of the Group as follows:

	Year ended 31 December 2021 Group €'000	Year ended 31 December 2020 Group €'000
Profit before taxation	56,057	16,315
Theoretical tax charge at statutory rate 12.5% (2020: 12.5%)	7,007	2,039
Effects of:		
Adjustments for prior years	47	90
Other	(4)	8
Group hedge accounting adjustment not taxable	(313)	-
Expenses not deductible for tax purposes	48	39
Impact of difference in tax rate for Spanish Branch	239	171
Withholding Tax	582	486
Income tax charge	**7,605**	**2,833**

Deferred tax as included on the statement of financial position is as follows:

	31 December 2021 Group & Bank €'000	31 December 2020 Group & Bank €'000
Tax effect of taxable timing differences		
Temporary differences	1,443	2,181
Tax losses carried forward	-	1,614
Recognised deferred tax asset	**1,443**	**3,795**

At the end of the financial year, the Group had tax losses of Nil (2020: €12m) available for utilisation against future operating profits of the business.

19. Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following balances:

	31 December 2021 Group €'000	31 December 2020 Group €'000
Cash and balances with central banks	351,457	153,019
Cash and balances with banks	226,815	173,340
	578,272	**326,359**
Restricted cash included in loans and advances to banks repayable on demand	(68,150)	(60,940)
Cash and Cash Equivalents	**510,122**	**265,419**

	31 December 2021 Bank €'000	31 December 2020 Bank €'000
Cash and balances with central banks	351,457	153,019
Cash and balances with banks	178,415	114,767
	529,872	**267,786**
Restricted cash included in loans and advances to banks repayable on demand	**(20,520)**	**(2,910)**
Cash and Cash Equivalents	**509,353**	**264,876**

The Bank is required to maintain balances with the CBI which are disclosed under cash and balances with central banks in the statement of financial position. Restricted cash reflects the SPV cash balances and other restricted cash balances including cash collateral on derivatives. The Group does not have full autonomy over payment execution on these accounts.

Operating cash is presented as loans and advances to banks in the statement of financial position (Note 20).

20. Loans and Advances to Banks

	31 December 2021 Group €'000	31 December 2020 Group €'000
Cash and balances with banks	226,815	173,340
Loans and advances to banks	127,108	149,823
Less: allowance for impairment	(240)	(689)
Net Loans and Advances to Banks	**353,683**	**322,474**

	31 December 2021 Bank €'000	31 December 2020 Bank €'000
Cash and balances with banks	178,415	114,767
Loans and advances to banks	127,108	149,823
Less: allowance for impairment	(240)	(689)
Net Loans and Advances to Banks	**305,283**	**263,901**

Loans and advances to banks represent finance leases and loans.

20. Loans and Advances to Banks - continued

The following tables show the gross carrying amount and impairment loss allowances subject to 12 month and lifetime Expected Credit Losses (ECL) on loans and advances to banks at amortised cost at 31 December 2021.

2021 Gross carrying amount at amortised cost (before impairment losses allowance)	Finance lease receivables €'000	Hire purchase receivables €'000	Loans €'000	Total Group & Bank €'000
Stage 1 - 12 months ECL (not credit impaired)	40,260	524	82,000	122,784
Stage 2 - Lifetime ECL (not credit impaired)	1,787	-	43	1,830
Stage 3 - Lifetime ECL (credit impaired)	1,943	10	-	1,953
Purchased or Originated credit impaired	541	-	-	541
Gross carrying amount at 31 December 2021	**44,531**	**534**	**82,043**	**127,108**

2021 Impairment loss allowance	Finance lease receivables €'000	Hire purchase receivables €'000	Loans €'000	Total Group & Bank €'000
Stage 1 - 12 months ECL (not credit impaired)	(49)	(4)	(168)	(221)
Stage 2 - Lifetime ECL (not credit impaired)	(5)	-	-	(5)
Stage 3 - Lifetime ECL (credit impaired)	(3)	(10)	-	(13)
Purchased or Originated credit impaired	(1)	-	-	(1)
Impairment loss allowance at 31 December 2021	**(58)**	**(14)**	**(168)**	**(240)**

2020 Gross carrying amount at amortised cost (before impairment losses allowance)	Finance lease receivables €'000	Hire purchase receivables €'000	Loans €'000	Total Group & Bank €'000
Stage 1 - 12 months ECL (not credit impaired)	68,982	375	79,727	149,084
Stage 2 - Lifetime ECL (not credit impaired)	-	-	-	-
Stage 3 - Lifetime ECL (credit impaired)	-	-	-	-
Purchased or Originated credit impaired	342	2	395	739
Gross carrying amount at 31 December 2020	**69,324**	**377**	**80,122**	**149,823**

2020 Impairment loss allowance	Finance lease receivables €'000	Hire purchase receivables €'000	Loans €'000	Total Group & Bank €'000
Stage 1 - 12 months ECL (not credit impaired)	(2)	(453)	(231)	(686)
Stage 2 - Lifetime ECL (not credit impaired)	-	-	-	-
Stage 3 - Lifetime ECL (credit impaired)	-	-	-	-
Purchased or Originated credit impaired	-	-	(3)	(3)
Impairment loss allowance at 31 December 2020	**(2)**	**(453)**	**(234)**	**(689)**

20. Loans and Advances to Banks – continued

Credit impairment provision coverage ratio*	Total Group & Bank 31 December 2021	Total Group & Bank 31 December 2020
Stage 1	0.18%	0.46%
Stage 2	0.27%	0.00%
Stage 3	0.67%	0.00%
POCI	0.18%	0.40%

** Credit impairment provision coverage ratio is calculated as loss allowance/gross loan balance as a percentage*

Analysis of finance leases and hire purchases receivables to banks	Year ended 31 December 2021 Group & Bank €'000	Year ended 31 December 2020 Group & Bank €'000
Not later than 1 year	19,093	23,622
Later than 1 year and not later than 2 years	16,042	19,586
Later than 2 year and not later than 3 years	8,528	15,796
Later than 3 year and not later than 4 years	1,531	9,337
Later than 4 year and not later than 5 years	320	1,626
Later than 5 years	-	156
	45,514	**70,123**
Less: unearned finance income on finance lease	(442)	(421)
Present value of minimum lease payments, receivable	**45,072**	**69,702**
Not later than 1 year	18,952	23,467
Later than 1 year and not later than 2 years	15,942	19,468
Later than 2 year and not later than 3 years	8,431	15,754
Later than 3 year and not later than 4 years	1,447	9,304
Later than 4 year and not later than 5 years	300	1,562
Later than 5 years	-	147
	45,072	**69,702**

The unguaranteed residual values included in the carrying amount at 31 December 2021 was €0.9m (2020: €1.1m).

21. Loans and Advances to Customers

The following tables show the gross carrying amount and impairment loss allowances subject to 12 month and lifetime Expected Credit Losses (ECL) on loans and advances to customers at amortised cost at 31 December 2021.

Gross carrying amount at amortised cost (before impairment losses allowance)	Finance lease receivables	Hire purchase receivables	Loans	Total Group & Bank
	€'000	€'000	€'000	€'000
Stage 1 - 12 months ECL (not credit impaired)	981,416	100,634	805,087	1,887,135
Stage 2 - Lifetime ECL (not credit impaired)	9,673	161	16,417	26,251
Stage 3 - Lifetime ECL (credit impaired)	24,014	2,442	20,145	46,601
Purchased or Originated credit impaired	14,079	1,432	11,814	27,325
Gross carrying amount at 31 December 2021	**1,029,182**	**104,669**	**853,463**	**1,987,314**

Impairment loss allowance	Finance lease receivables	Hire purchase receivables	Loans	Total Group & Bank
	€'000	€'000	€'000	€'000
Stage 1 - 12 months ECL (not credit impaired)	(11,653)	(1,083)	(4,641)	(17,377)
Stage 2 - Lifetime ECL (not credit impaired)	(614)	(18)	(270)	(902)
Stage 3 - Lifetime ECL (credit impaired)	(3,762)	(276)	(545)	(4,583)
Purchased or Originated credit impaired	(340)	(82)	(60)	(482)
Impairment loss allowance at 31 December 2021	**(16,369)**	**(1,459)**	**(5,516)**	**(23,344)**
Loans and Advances to Customers	**1,012,813**	**103,210**	**847,947**	**1,963,970**

Gross carrying amount at amortised cost (before impairment losses allowance)	Finance lease receivables	Hire purchase receivables	Loans	Total Group & Bank
	€'000	€'000	€'000	€'000
Stage 1 - 12 months ECL (not credit impaired)	972,592	93,426	697,116	1,763,134
Stage 2 - Lifetime ECL (not credit impaired)	35,584	3,418	25,505	64,507
Stage 3 - Lifetime ECL (credit impaired)	6,348	610	4,550	11,508
Purchased or Originated credit impaired	34,786	3,341	24,933	63,060
Gross carrying amount at 31 December 2020	**1,049,310**	**100,795**	**752,104**	**1,902,209**

Impairment loss allowance	Finance lease receivables	Hire purchase receivables	Loans	Total Group & Bank
	€'000	€'000	€'000	€'000
Stage 1 - 12 months ECL (not credit impaired)	(10,323)	(1,100)	(5,602)	(17,026)
Stage 2 - Lifetime ECL (not credit impaired)	(2,531)	(84)	(204)	(2,819)
Stage 3 - Lifetime ECL (credit impaired)	(6,010)	(536)	(1,112)	(7,658)
Purchased or Originated credit impaired	(827)	(126)	(130)	(1,083)
Impairment loss allowance at 31 December 2020	**(19,691)**	**(1,846)**	**(7,048)**	**(28,586)**
Loans and Advances to Customers	**1,029,619**	**98,949**	**745,056**	**1,873,623**

21. Loans and Advances to Customers - continued

Credit impairment provision coverage ratio*	Total Group & Bank 31 December 2021	Total Group & Bank 31 December 2020
Stage 1	0.92%	0.97%
Stage 2	3.44%	4.37%
Stage 3	9.83%	66.54%
POCI	1.76%	1.72%

** Credit impairment provision coverage ratio is calculated as loss allowance/gross loan balance as a percentage*

The change in the definition of default (as outlined in Note 4(a)) has resulted in an increased number of defaulted balances which are administrative in nature to be included within stage 3. As administrative delinquencies attract a lower ECL provision as compared to true credit delinquencies, the impact of both the increased stage 3 balances and the relative lower ECL on these balances results in a lower stage 3 provision coverage ratio year on year. The ratio has also been impacted by reduced specific provisions during the year which typically have high coverage levels.

Analysis of Loans and Advances to Customers

Loans and advances to customers include finance lease and hire purchase receivables as follows:

	31 December 2021 Group & Bank €'000	31 December 2020 Group & Bank €'000
Not later than 1 year	499,679	547,432
Later than 1 year and not later than 2 years	346,920	333,857
Later than 2 year and not later than 3 years	205,006	197,447
Later than 3 year and not later than 4 years	91,112	83,070
Later than 4 year and not later than 5 years	24,245	24,722
Later than 5 years	4,273	2,212
	1,171,236	**1,188,740**
Less: unearned finance income on finance lease	(37,385)	(38,635)
Present value of minimum lease payments receivable	**1,133,851**	**1,150,105**
Not later than 1 year	487,219	533,940
Later than 1 year and not later than 2 years	335,909	322,787
Later than 2 year and not later than 3 years	196,827	189,304
Later than 3 year and not later than 4 years	86,635	78,674
Later than 4 year and not later than 5 years	23,015	23,301
Later than 5 years	4,246	2,099
	1,133,851	**1,150,105**

21. Loans and Advances to Customers - continued

	31 December 2021 Group & Bank €'000	31 December 2020 Group & Bank €'000
Loans receivable:		
Not later than 1 year	378,052	338,493
Later than 1 year and not later than 5 years	474,417	412,362
Later than 5 years	994	1,249
	853,463	**752,104**

There were €979m of encumbered receivables as at 31 December 2021 (2020: €1,159m) relating to the Securitised and Collateralised Loan Facilities (Note 29).

The unguaranteed residual values included in the carrying amount at 31 December 2021 was €48.3m (2020: €188.8m).

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22. Derivative Financial Instruments

Group Year Ended 31 December 2021 Fair value of derivative financial instruments	Notional €'000	Asset €'000	Liability €'000
FX Forward Derivatives	455,402	6,075	(25,618)
Cross Currency Swaps	383,279	1,314	(13,355)
Interest Rate Swaps	1,385,933	2,571	(597)
Total derivative financial instrument assets Trading	**2,224,614**	**9,960**	**(39,570)**
Interest Rate Swaps designated as fair value hedges	1,773,500	3,849	(3,178)
Cross Currency Swaps designated as cash flow hedges	97,350	55	(2,052)
Total derivative financial instrument assets	**4,095,464**	**13,864**	**(44,800)**

Group Year Ended 31 December 2020 Fair value of derivative financial instruments	Notional €'000	Asset €'000	Liability €'000
FX Forward Derivatives	502,370	6,455	(9,149)
Cross Currency Swaps	316,391	6,635	(1,702)
Interest Rate Swaps	1,331,345	4,421	(2,415)
Total derivative financial instrument assets Trading	**2,150,105**	**17,511**	**(13,266)**
Interest Rate Swaps designated as fair value hedges	1,149,000	1,966	(168)
Cross Currency Swaps designated as cash flow hedges	74,320	1,573	(419)
Total derivative financial instrument assets	**3,373,425**	**21,050**	**(13,853)**

Bank Year Ended 31 December 2021 Fair value of derivative financial instruments	Notional €'000	Asset €'000	Liability €'000
FX Forward Derivatives	455,402	6,075	(25,618)
Cross Currency Swaps	143,479	-	(2,936)
Interest Rate Swaps	999,000	2,105	(451)
Total derivative financial instrument assets trading	**1,597,881**	**8,180**	**(29,005)**
Interest Rate Swaps designated as fair value hedges	1,773,500	3,849	(3,178)
Cross Currency Swaps designated as cash flow hedges	33,462	53	(372)
Total derivative financial instrument assets	**3,404,843**	**12,082**	**(32,555)**

Bank Year Ended 31 December 2020 Fair value of derivative financial instruments	Notional €'000	Asset €'000	Liability €'000
FX Forward Derivatives	502,370	6,455	(9,149)
Cross Currency Swaps	5,271	3	(4)
Interest Rate Swaps	902,366	4,414	(1,496)
Total derivative financial instrument assets trading	**1,410,007**	**10,872**	**(10,649)**
Interest Rate Swaps designated as fair value hedges	1,149,000	1,966	(168)
Cross Currency Swaps designated as cash flow hedges	16,422	626	(302)
Total derivative financial instrument assets	**2,575,429**	**13,464**	**(11,119)**

22. Derivative Financial Instruments - continued

Held for trading

The loans and advances to banks and customers have been economically hedged by using interest rate swaps as part of a macro interest rate risk management strategy. The Group economically hedges foreign exchange risk related to financial assets and liabilities denominated in currencies other than Euro. The Group uses foreign exchange derivatives to manage its exposure to foreign currency risk and uses interest rate derivatives to manage exposure to interest rate risk. Other than noted below, the derivatives have not been designated in a qualifying hedge relationship. However, they do form part of economic hedge relationships.

At 31 December 2021, cash collateral of €20.5 million (2020: €2.9 million) was placed against these assets and is reported within loans and advances to banks (note 20).

During the year ended 31 December 2021, the Group designated certain derivatives as hedging instruments, details of which are noted in the following tables.

Fair value hedges

Fair value hedges are used by the Group to protect it against changes in the fair value of financial assets and liabilities due to movements in interest rates. The financial instruments hedged are three €500m fixed rate debt issuances and a number of fixed rate investment bonds.

Group	2021	2020
	€'000	€'000
(Loss)/Gain on hedging instruments	(4,620)	1,798
Gain/(Loss) on hedged items attributable to hedged risk	4,482	(1,938)
Hedge ineffectiveness	**(138)**	**(140)**

Cash flow hedges

The Group designates certain currency derivatives in cash flow hedge relationships in order to hedge the exposure to variability in future cash flows arising from operating leases in a foreign currency. Movements in the cash flow hedge reserve are shown in the Consolidated statement of changes in equity.

22. Derivative Financial Instruments - continued

As at 31 December 2021, the notional amounts, by residual maturity of derivatives were as follows:

As at 31 December 2021 Group	Notional Amount €'000	Less than 1 year €'000	Between 1 and 5 years €'000	More than 5 years €'000
FX Forward Derivatives	455,402	306,812	148,590	-
Cross Currency Swaps	383,279	572	351,771	30,936
Interest Rate Swaps	1,385,933	270,088	1,115,845	-
Total derivative financial instrument assets trading	**2,224,614**	**577,472**	**1,616,206**	**30,936**
Interest Rate Swaps designated as fair value hedges	1,773,500	500,000	1,273,500	-
Cross Currency Swaps designated as cash flow hedges	97,350	-	97,350	-
Total Derivative Financial Instruments	**4,095,464**	**1,077,472**	**2,987,056**	**30,936**

As at 31 December 2020 Group	Notional Amount €'000	Less than 1 year €'000	Between 1 and 5 years €'000	More than 5 years €'000
FX Forward Derivatives	502,370	343,109	159,261	-
Cross Currency Swaps	316,391	1,433	306,835	8,122
Interest Rate Swaps	1,331,345	95,640	1,235,705	-
Total derivative financial instrument assets trading	**2,150,105**	**440,182**	**1,701,801**	**8,122**
Interest Rate Swaps designated as fair value hedges	1,149,000	-	1,149,000	-
Cross Currency Swaps designated as cash flow hedges	74,320	-	73,450	870
Total Derivative Financial Instruments	**3,373,425**	**440,182**	**2,924,251**	**8,992**

22. Derivative Financial Instruments - continued

As at 31 December 2021, the notional principal amounts, by residual maturity of derivatives were as follows:

As at 31 December 2021 Bank	Notional Amount €'000	Less than 1 year €'000	Between 1 and 5 years €'000	More than 5 years €'000
FX Forward Derivatives	455,402	306,812	148,590	-
Cross Currency Swaps	143,479	-	112,543	30,936
Interest Rate Swaps	999,000	268,000	731,000	-
Total derivative financial instrument assets trading	**1,597,881**	**574,812**	**992,133**	**30,936**
Interest Rate Swaps designated as fair value hedges	1,773,500	500,000	1,273,500	-
Cross Currency Swaps designated as cash flow hedges	33,462	-	33,462	-
Total Derivative Financial Instruments	**3,404,843**	**1,074,812**	**2,299,095**	**30,936**

As at 31 December 2020, the notional principal amounts, by residual maturity of derivatives were as follows:

As at 31 December 2020 Bank	Notional Amount €'000	Less than 1 year €'000	Between 1 and 5 years €'000	More than 5 years €'000
FX Forward Derivatives	502,370	343,109	159,261	-
Cross Currency Swaps	5,271	-	5,271	-
Interest Rate Swaps	902,366	4,414	1,496	-
Total derivative financial instrument assets trading	**1,410,007**	**347,523**	**166,028**	-
Interest Rate Swaps designated as fair value hedges	1,149,000	-	1,149,000	-
Cross Currency Swaps designated as cash flow hedges	16,422	-	16,422	-
Total Derivative Financial Instruments	**2,575,429**	**347,523**	**1,331,450**	-

22. Derivative Financial Instruments - continued

The below table analyses derivative financial instruments measured at fair value at the end of the reporting period by the fair value hierarchy into which the fair value measurement is categorised as at 31 December 2021. The fair value of the below over the counter derivatives is calculated using discounted cash flow valuation techniques which use observable market data such as foreign exchanges, interest rates and quoted asking market prices.

As at 31 December 2021 Group	Total Fair value €'000	Level 1 €'000	Level 2 €'000	Level 3 €'000
Fair value of Derivative Financial Instruments				
Assets				
FX Forward Derivatives	6,075	-	6,075	-
Cross Currency Swaps	1,314	-	1,314	-
Interest Rate Swaps	2,571	-	2,571	-
Total Derivative Financial Instrument Assets Trading	**9,960**	**-**	**9,960**	**-**
Interest Rate Swaps designated as fair value hedges	3,849	-	3,849	-
Cross Currency Swaps designated as cash flow hedges	55	-	55	-
Fair value of Derivative Financial Assets	**13,864**	**-**	**13,864**	**-**
Liabilities				
FX Forward Derivatives	(25,618)	-	(25,618)	-
Cross Currency Swaps	(13,355)	-	(13,355)	-
Interest Rate Swaps	(597)	-	(597)	-
Total Derivative Financial Instrument Liabilities Trading	**(39,570)**	**-**	**(39,570)**	**-**
Interest Rate Swaps designated as fair value hedges	(3,178)	-	(3,178)	-
Cross Currency Swaps designated as cash flow hedges	(2,052)	-	(2,052)	-
Fair value of Derivative Financial Liabilities	**(44,800)**	**-**	**(44,800)**	**-**

As at 31 December 2021 Bank	Total Fair value €'000	Level 1 €'000	Level 2 €'000	Level 3 €'000
Fair value of Derivative Financial Instruments				
Assets				
FX Forward Derivatives	6,075	-	6,075	-
Cross Currency Swaps	-	-	-	-
Interest Rate Swaps	2,105	-	2,105	-
Total Derivative Financial Instrument Assets Trading	**8,180**	**-**	**8,180**	**-**
Interest Rate Swaps designated as fair value hedges	3,849	-	3,849	-
Cross Currency Swaps designated as cash flow hedges	53	-	53	-
Fair value of Derivative Financial Assets	**12,082**	**-**	**12,082**	**-**
Liabilities				
FX Forward Derivatives	(25,618)	-	(25,618)	-
Cross Currency Swaps	(2,936)	-	(2,936)	-
Interest Rate Swaps	(451)	-	(451)	-
Total Derivative Financial Instrument Liabilities Trading	**(29,005)**	**-**	**(29,005)**	**-**
Interest Rate Swaps designated as fair value hedges	(3,178)	-	(3,178)	-
Cross Currency Swaps designated as cash flow hedges	(372)	-	(372)	-
Fair value of Derivative Financial Liabilities	**(32,555)**	**-**	**(32,555)**	**-**

22. Derivative Financial Instruments - continued

As at 31 December 2020 Group	Total Fair value €'000	Level 1 €'000	Level 2 €'000	Level 3 €'000
Fair value of Derivative Financial Instruments				
Assets				
FX Forward Derivatives	6,455	-	6,455	-
Cross Currency Swaps	6,635	-	6,635	-
Interest Rate Swaps	4,421	-	4,421	-
Total Derivative Financial Instrument Assets Trading	**17,511**	**-**	**17,511**	-
Interest Rate Swaps designated as fair value hedges	1,966	-	1,966	-
Cross Currency Swaps designated as cash flow hedges	1,573	-	1,573	-
Fair value of Derivative Financial Assets	**21,050**	**-**	**21,050**	**-**
Liabilities				
FX Forward Derivatives	(9,149)	-	(9,149)	-
Cross Currency Swaps	(1,702)	-	(1,702)	-
Interest Rate Swaps	(2,415)	-	(2,415)	-
Total Derivative Financial Instrument Liabilities Trading	**(13,266)**	**-**	**(13,266)**	-
Interest Rate Swaps designated as fair value hedges	(168)	-	(168)	-
Cross Currency Swaps designated as cash flow hedges	(419)	-	(419)	-
Fair value of Derivative Financial Liabilities	**(13,853)**	-	**(13,853)**	-

As at 31 December 2020 Bank	Total Fair value €'000	Level 1 €'000	Level 2 €'000	Level 3 €'000
Fair value of Derivative Financial Instruments				
Assets				
FX Forward Derivatives	6,455	-	6,455	-
Cross Currency Swaps	3	-	3	-
Interest Rate Swaps	4,414	-	4,414	-
Total Derivative Financial Instrument Assets Trading	**10,872**	**-**	**10,872**	-
Interest Rate Swaps designated as fair value hedges	1,966	-	1,966	-
Cross Currency Swaps designated as cash flow hedges	626	-	626	-
Fair value of Derivative Financial Assets	**13,464**	**-**	**13,464**	**-**
Liabilities				
FX Forward Derivatives	(9,149)	-	(9,149)	-
Cross Currency Swaps	(4)	-	(4)	-
Interest Rate Swaps	(1,496)	-	(1,496)	-
Total Derivative Financial Instrument Liabilities Trading	**(10,649)**	**-**	**(10,649)**	**-**
Interest Rate Swaps designated as fair value hedges	(168)	-	(168)	-
Cross Currency Swaps designated as cash flow hedges	(302)	-	(302)	-
Fair value of Derivative Financial Liabilities	**(11,119)**	**-**	**(11,119)**	**-**

23. Debt Securities at amortised cost

	31 December 2021 Group & Bank €'000	31 December 2020 Group & Bank €'000
Debt securities at amortised cost	280,233	153,274
Total debt securities at amortised cost	**280,233**	**153,274**

The movement on debt securities at amortised cost is analysed as follows:

	31 December 2021 Group €'000	31 December 2020 Group €'000
Balance at 1 January	153,274	-
Purchased during the year	126,000	149,500
Other movements*	959	3,774
Balance at 31 December	**280,233**	**153,274**

**other movements primarily relate to fair value hedge adjustments, accrued interest and deferred costs*

During the year, the Group purchased a number of debt securities. The debt securities are subsequently measured at amortised cost, as adjusted to reflect that the debt securities have been designated into fair value hedge relationships. The carrying amounts of recognised assets and liabilities that are hedged via fair value hedges are adjusted to record changes in the fair values attributable to the risks that are being hedged. For more details please refer to note 22.

Where required, debt securities are pledged as collateral in line with the terms and conditions of the ECB's TLTRO facility. The Group did not dispose of any debt securities during the period.

There were no significant changes in the impairment loss allowance on debt securities at amortised cost, assets are Stage 1. The asset quality of debt securities at amortised cost is set out in note 4.

24. Intangible Assets and Goodwill

Group & Bank 2021	Goodwill €'000	Assets (External Purchase) €'000	Software €'000	Total €'000
Costs				
Balance at 1 January 2021	13,266	7,121	28,453	48,800
Additions / Internally developed	-	-	-	-
Disposals	-	-	-	-
Transfer	-	-	-	-
Balance at 31 December 2021	**13,266**	**7,121**	**28,453**	**48,800**
Accumulated Amortisation				
Balance at 1 January 2021	-	(5,357)	(26,702)	(32,059)
Charge for the year	-	(722)	(966)	(1,688)
Disposals	-	-	-	-
Balance at 31 December 2021	**13,266**	**(6,079)**	**(27,668)**	**(33,745)**
Net book value at 31 December 2021	**13,266**	**1,042**	**785**	**15,053**

24. Intangible Assets and Goodwill- continued

Group & Bank 2020	Goodwill €'000	Assets (External Purchase) €'000	Software €'000	Total €'000
Costs				
Balance at 1 January 2020	13,226	7,121	28,453	48,800
Additions / Internally developed	-	-	-	-
Disposals	-	-	-	-
Transfer	-	-	-	-
Balance at 31 December 2020	**13,226**	**7,121**	**28,453**	**48,800**
Accumulated Amortisation				
Balance at 1 January 2020	-	(4,635)	(25,686)	(30,321)
Charge for the year	-	(722)	(1,016)	(1,738)
Disposals	-	-	-	-
Balance at 31 December 2020	**-**	**(5,357)**	**(26,702)**	**(32,059)**
Net book value at 31 December 2020	**13,226**	**1,764**	**1,751**	**16,741**

Intangible assets and goodwill were recognised as a result of the acquisition in 2013.

Impairment review of goodwill

Goodwill is reviewed annually for impairment, or more frequently if events or circumstance indicate that impairment may have occurred by comparing the carrying value of the goodwill to its recoverable amount. An impairment charge arises if the carrying value exceeds the recoverable amount.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value-in-use (VIU), where the VIU is the present value of the future cash flows expected to be derived from the assets.

No impairment losses on goodwill were recognised during the year ended 31 December 2021 (2020: Nil).

Impairment testing of goodwill

Goodwill is allocated to cash generating unit (CGU) at a level which represents the smallest identifiable group of assets that generate largely independent cash flows. The Group has one CGU. The calculation of the recoverable amount of goodwill for the CGU is based upon a value in use calculation. A discounted cash flow (DCF) model is applied in order to calculate the value in use. The two key parameters in application of the DCF are the discount rate and the cash flow forecast. The values assigned to key assumptions reflect past experience, performance of the business to date and management judgement.

- Cash flow forecasts

For this purpose, the best estimate of the value in use is determined on the basis of a cash flow forecast as derived from the Group's annual planning cycle. This plan reflects management's best estimates of market conditions, growth in operations and other relevant factors. Projections are made for a three-year period. A terminal growth rate of 2% is applied for the period into perpetuity.

- Discount rates

The pre-tax discount rate is used to determine the present value of forecasted cash flows in order to derive the value in use of the CGU. A rate of 9.8% has been used in the model.

The key assumptions described above may change as economic and market conditions change. The Group estimates that reasonably possible changes in these assumptions would not cause the recoverable amount of either CGU to decline below the carrying amount.

25. Property, Plant and Equipment

Group & Bank 2021	Leased Equipment €'000	Computer Equipment €'000	Fixtures and Fittings €'000	Total €'000
Cost				
Balance at 1 January 2021	390,862	41	140	391,043
Additions	305,134	8	-	305,142
Disposal of operating lease equipment	(20,555)	-	-	(20,555)
Disposal of own use computer equipment	-	-	-	-
Balance at 31 December 2021	**675,441**	**49**	**140**	**675,631**
Accumulated depreciation				
Balance at 1 January 2021	(104,712)	(32)	(56)	(104,801)
Charge for the year	(140,314)	(6)	(28)	(140,349)
Disposal of operating lease equipment	6,359	-	-	6,359
Disposal of own use computer equipment	-	-	-	-
Operating lease impairment	155	-	-	155
Balance at 31 December 2021	**(238,512)**	**(38)**	**(84)**	**(238,635)**
Net book value at 31 December 2021	**436,929**	**11**	**56**	**436,996**

Group & Bank 2020	Leased Equipment €'000	Computer Equipment €'000	Fixtures and Fittings €'000	Total €'000
Cost				
Balance at 1 January 2020	164,159	103	140	164,402
Additions	229,808	-	-	229,808
Disposal of operating lease equipment	(3,105)	-	-	(3,105)
Disposal of own use computer equipment	-	(62)	-	(62)
Balance at 31 December 2020	**390,862**	**41**	**140**	**391,043**
Accumulated depreciation				
Balance at 1 January 2020	(23,626)	(88)	(28)	(23,742)
Charge for the year	(82,638)	(7)	(28)	(82,673)
Disposal of operating lease equipment	1,898	-	-	1,898
Disposal of own use computer equipment	-	62	-	62
Operating lease impairment	(347)	-	-	(347)
Balance at 31 December 2020	**(104,713)**	**(32)**	**(56)**	**(104,801)**
Net book value at 31 December 2020	**286,149**	**9**	**84**	**286,242**

25. Property, Plant and Equipment - continued

Leased equipment net book value analysed as follows:

	31 December 2021 Group & Bank €'000	31 December 2020 Group & Bank €'000
On operating lease for periods:		
- Not later than 1 year	140,981	133,217
- Later than 1 year and not later than 5 years	295,948	151,620
- Later than 5 years	-	-
Total	**436,929**	**284,837**

26. Deferred Income Tax Assets

The movement on the deferred income tax account is as follows:

	31 December 2021 Group & Bank €'000	31 December 2020 Group & Bank €'000
At 1 January	3,795	5,624
Income statement charge (Note 18)	(2,352)	**(1,829)**
At 31 December	**1,443**	**3,795**

Deferred income tax assets are attributable to the following items:

	31 December 2021 Group & Bank €'000	31 December 2020 Group & Bank €'000
Tax losses carried forward	-	1,614
Temporary differences	1,443	2,181
Total deferred income tax assets	**1,443**	**3,795**
Deferred tax assets expected to be recovered within 12 months	130	2,030
Deferred tax assets expected to be recovered after 12 months	1,313	1,765

27. Other Assets

	31 December 2021 Group €'000	31 December 2020 Group €'000
VAT receivable	94,566	90,586
Other debtors	27,118	9,374
Total other assets	**121,684**	**99,960**
Other assets are analysed as follows:		
Due within 1 year	119,006	96,873
Due after 1 year	2,678	3,087
	121,684	**99,960**

27. Other Assets - continued

	31 December 2021 Bank €'000	31 December 2020 Bank €'000
VAT receivable	94,561	90,586
Other debtors	27,098	9,348
Total other assets	**121,658**	**99,934**
Other assets are analysed as follows:		
Due within 1 year	118,977	93,847
Due after 1 year	2,681	3,087
	121,658	**99,934**

The Bank provides leasing services from a cross border perspective, VAT is generally not charged on the rentals issued to customers. The purchase of equipment from local suppliers is however subject to local VAT. For this reason, the Bank is in a significant VAT recoverable position in most countries where it provides finance.

28. Pension Costs

Pension entitlements arise under a defined contribution pension scheme and are secured by contributions by the Bank to a separately administered pension fund. Annual contributions are charged to the income statement on an accrual's basis. The cost to the Bank for the year was €1.13m (2020: €1.1m).

The total amount owing to the pension scheme at 31 December 2021 was €Nil (2020: €Nil).

29. Deposit from Banks

	31 December 2021 Group €'000	31 December 2020 Group €'000
Secured funding	867,799	1,047,020
Monetary Authority secured funding	217,026	134,390
Derivative collateral	-	7,240
Time deposits	5,005	5,006
Multi-Currency Notional Pool	43,030	99
Total	**1,132,861**	**1,193,755**

	31 December 2021 Bank €'000	31 December 2020 Bank €'000
Secured funding	199,257	369,237
Monetary Authority secured funding	217,026	134,390
Derivative collateral	-	7,240
Time deposits	5,005	5,006
Multi-Currency Notional Pool	43,030	99
Total	**464,318**	**515,972**

29. Deposit from Banks – continued

Included in Secured funding of €868m is €669m (2020: €680m) relating to the Securitised loan facility and €199m (2020: €370m) relating to the collateralised loan facility. With respect to the Bank, the secured funding of €199m (2020: €370m) is exclusively related to the collateralised loan facility. Dell Technologies Inc. is acting as guarantor for the secured funding. During the financial year the maturity of the collateralised loan was extended from June 2022 to December 2023.

During the financial year, the Group continued to avail of Targeted Long-Term Refinancing Operation ("TLTRO") funding from the ECB, through the Central Bank of Ireland. This is categorised as Monetary Authority secured funding. The funding is repayable in line with the terms of the individual tranches of debt.

Time deposits are short term contractual deposits from bank counterparties with a maturity of 3 months or less.

The Bank has access to draw funds from a notional pool. The notional pool is reliant on cash being made available by other Dell entities to support the drawdown within the facility. Dell Bank has access to draw funds from the pool but does not contribute to the pool.

Further detail of the Groups funding sources and maturity dates is included in note 4.

30. Debt Securities in Issue

	31 December 2021 Group & Bank €'000	31 December 2020 Group & Bank €'000
Debt securities in issue	1,494,019	1,002,564
Total debt securities in issue	**1,494,019**	**1,002,564**

The movement on debt securities in issue is analysed as follows:

	31 December 2021 Group & Bank €'000	31 December 2020 Group & Bank €'000
Balance at 1 January	1,002,564	495,944
Issued during the year	500,000	500,000
Other movements*	(8,545)	6,620
Balance at 31 December	**1,494,019**	**1,002,564**

**other movements primarily relate to fair value hedge adjustments, accrued interest and deferred costs*

In October 2021, the Bank issued €500 million Senior Unsecured 0.5% Notes maturing in October 2026. The notes bear interest on the outstanding nominal amount, payable annually in arrears. The Notes are listed on the Global Exchange Market of Euronext Dublin. The issuance was completed under the €2bn EMTN programme established in 2021.

In June 2020, the Bank issued €500 million Senior Unsecured 1.625% Notes maturing in June 2024. The notes bear interest on the outstanding nominal amount, payable annually in arrears. The Notes are listed on the Global Exchange Market of Euronext Dublin.

In October 2019, the Bank issued €500 million Senior Unsecured 0.625% Notes maturing in October 2022. The notes bear interest on the outstanding nominal amount, payable annually in arrears. The Notes are listed on the Global Exchange Market of Euronext Dublin.

The debt securities were designated into a qualifying hedge relationship at inception and the Group has determined that it expects the hedge to be highly effective over the life of the hedging instrument.

The hedged interest rate risk is measured at fair value through profit or loss. The debt securities are fair valued through profit or loss with respect to the hedged interest rate.

31. Other Liabilities

	31 December 2021 Group €'000	31 December 2020 Group €'000
Accounts payable	20,444	17,411
Creditors and accruals	3,132	4,901
Deferred income	777	529
Income tax deducted under PAYE/PRSI	735	1,380
Value added tax	367	682
Total other liabilities	**25,456**	**24,903**

Other liabilities (excluding deferred income) are analysed as follows:

Within 1 year	24,679	24,373
After 1 year	-	-
Total other liabilities (excluding deferred income)	**24,679**	**24,373**

	31 December 2021 Bank €'000	31 December 2020 Bank €'000
Accounts payable	20,410	17,333
Creditors and accruals	3,132	4,901
Deferred income	777	529
Income tax deducted under PAYE/PRSI	735	1,380
Value added tax	367	682
Total other liabilities	**25,423**	**24,825**

Other liabilities (excluding deferred income) are analysed as follows:

Within 1 year	24,645	24,295
After 1 year	-	-
Total other liabilities (excluding deferred income)	**24,645**	**24,295**

32. Equity

	31 December 2021 Group €'000	31 December 2020 Group €'000
Share capital	50,000	50,000
Capital contribution	657,500	607,500
Other reserves	(4,940)	1,154
Revenue reserves	20,681	(27,772)
Total equity reserve	**723,240**	**630,882**

32. Equity - continued

	31 December 2021 Bank €'000	31 December 2020 Bank €'000
Share capital	50,000	50,000
Capital contribution	657,500	607,500
Other reserves	(3,262)	324
Revenue reserves	18,995	(26,947)
Total equity reserve	**723,233**	**630,877**

Share capital
The Group has authorised ordinary share capital of 50,000,001 shares (2020: 50,000,001 shares) at a nominal amount of €1 each. All the ordinary shares are fully paid.

Capital contribution
Capital contributions represent the receipt of non-demandable considerations arising from transactions with the parent company, DFS BV. The contributions are classified as equity and may be either distributable or non-distributable. Capital contributions are distributable if the assets received are in the form of cash or another asset that is readily convertible to cash. Otherwise, they are treated as non-distributable. All the capital contributions received by the Bank from its parent company were in the form of cash and are fully distributable. The parent entity of the Bank made an additional cash capital contribution of €50m in 2021 (2020: €50m). The Bank did not declare a dividend on its share capital during the year (2020: €Nil).

Other reserves
The Group designates certain currency derivatives in cash flow hedge relationships in order to hedge the exposure to variability in future cash flows arising from operating leases in a foreign currency. Movements in the cash flow hedge reserve are shown in the Cash flow hedge reserve.

The Group has a recharge agreement with its ultimate parent company, Dell Technologies Inc relating to share based payment awards with employees. The awards granted are time-based awards that vest equally over a three-year period, each year one-third of the award granted becomes unconditional. At the vesting date, employees receive shares of Dell Technologies. The value of the share-based payments made are directly linked to the price of Dell Technologies' Class C Common Stock as listed on New York Stock Exchange (NYSE). Share based payments are measured in line with IFRS 2. Under IFRS 2, the Bank recognises the expense for these awards over the vesting period based on the fair value at the grant date and a corresponding entry to Other Reserves in Equity. A recharge agreement is currently in place with Dell Technologies based on the fair value of the awards at the vesting date. The Bank recognise a liability for this recharge on the grant date and remeasures the liability at each reporting date in line with the share price movement of Dell Technologies Inc. A corresponding entry is made to Other Reserves in Equity. The recharge amount is then settled following the vesting of the awards annually.

33. Contingent Liabilities and Commitments

Contingent liabilities

The Group has committed to future minimum payments in respect of non-cancellable agreements as follows:

	31 December 2021 Group & Bank €'000	31 December 2020 Group & Bank €'000
Residual value guarantees	195	1,030
	195	**1,030**
Not later than 1 year	195	910
Later than 1 year and not later than 5 years	-	120
Later than 5 years	**-**	**-**

The residual value guarantees relate to agreements in place with third party vendors.

Commitments

The Group had the following off-balance sheet financial commitments to customers due within one year:

	31 December 2021 Group & Bank €'000	31 December 2020 Group & Bank €'000
Lease and loan funding commitments	187,642	167,299
	187,642	**167,299**

34. Changes in liabilities arising from financing activities

As at year ended 31 December 2021

Group	Deposits by banks* €'000	Debt securities in issue €'000	Intercompany loan €'000	Total €'000
At 1 January 2021	**(1,189,792)**	**(1,000,000)**	**-**	**(2,189,792)**
Drawdown on debt facilities	(680,565)	(500,000)	-	(1,244,591)
Repayment of debt facilities	733,613	-	-	797,639
At 31 December 2021	**(1,136,744)**	**(1,500,000)**	**-**	**(2,636,744)**

	Interest on Deposits by banks* €'000	Interest on Debt securities in issue €'000	Intercompany loan €'000	Total €'000
At 1 January 2021	**341**	**(4,903)**	**-**	**(4,562)**
Interest paid	5,956	11,250	-	17,206
Charge to income statement	(4,052)	(11,696)	-	(15,748)
At 31 December 2021	**2,245**	**(5,349)**	**-**	**(3,104)**

**Deposits by banks consists of the Collateralised loan, Securitised loan facilities, Monetary Authority secured funding, MCNP and corporate deposits*

Bank	Deposits by banks* €'000	Debt securities in issue €'000	Intercompany loan €'000	Total €'000
At 1 January 2021	**(509,906)**	**(1,000,000)**	**(613,736)**	**(2,123,642)**
Drawdown on debt facilities	(321,665)	(500,000)	(16,053)	(837,718)
Repayment of debt facilities	364,136	-	-	364,136
At 31 December 2021	**(467,435)**	**(1,500,000)**	**(629,789)**	**(2,597,224)**

	Interest on Deposits by banks* €'000	Interest on Debt securities in issue €'000	Interest on Intercompany loan €'000	Total €'000
At 1 January 2021	**454**	**(4,903)**	**-**	**(4,449)**
Interest paid	2,879	11,250	-	14,129
Charge to income statement	(981)	(11,695)	-	(12,676)
At 31 December 2021	**2,350**	**(5,349)**	**-**	**(2,995)**

**Deposits by banks consists of the Collateralised loan, Monetary Authority secured funding, MCNP and corporate deposits*

34. Changes in liabilities arising from financing activities- continued

As at year ended 31 December 2020*

Group	Deposits by banks** €'000	Debt securities in issue €'000	Intercompany loan €'000	Total €'000
At 1 January 2020	**(1,127,224)**	**(500,000)**	**-**	**(1,627,224)**
Drawdown on debt facilities	(792,206)	(500,000)	-	(1,292,206)
Repayment of debt facilities	729,638	-	-	729,638
At 31 December 2020	**(1,189,792)**	**(1,000,000)**	**-**	**(2,189,792)**

	Interest on Deposits by banks** €'000	Interest on Debt securities in issue €'000	Interest on Intercompany loan €'000	Total €'000
At 1 January 2020	**(187)**	**(651)**	**-**	**(838)**
Interest paid	9,428	3,125	-	12,553
Charge to income statement	(8,900)	(7,377)	-	(16,277)
At 31 December 2020	**341**	**(4,903)**	**-**	**(4,562)**

**The prior year comparative has been updated for consistent presentation year on year*
***Deposits by banks consists of the Collateralised loan, Securitised loan facilities, Monetary Authority secured funding, MCNP and corporate deposits*

Bank	Deposits by banks** €'000	Debt securities in issue €'000	Intercompany loan €'000	Total €'000
At 1 January 2020	**(468,000)**	**(500,000)**	**(629,662)**	**(1,597,662)**
Drawdown on debt facilities	(336,906)	(500,000)	-	(836,906)
Repayment of debt facilities	295,000	-	15,926	310,926
At 31 December 2020	**(509,906)**	**(1,000,000)**	**(613,736)**	**(2,123,642)**

	Interest on Deposits by banks** €'000	Interest on Debt securities in issue €'000	Interest on Intercompany loan €'000	Total €'000
At 1 January 2020	**(77)**	**(651)**	**-**	**(728)**
Interest paid	6,026	3,125	-	9,151
Charge to income statement	(5,495)	(7,377)	-	(12,872)
At 31 December 2020	**454**	**(4,903)**	**-**	**(4,449)**

**The prior year comparative has been updated for consistent presentation year on year*
***Deposits by banks consists of the Collateralised loan, Securitised loan facilities, Monetary Authority secured funding, MCNP and corporate deposits*

35. Immediate and Ultimate Parent Undertaking

The Group's immediate parent undertaking is DFS BV, a Company incorporated in the Netherlands, with a registered office at Transformatorweg 38-72, 1014 AK Amsterdam, Netherlands.

The Group's ultimate parent undertaking is Dell Technologies Inc., a publicly traded company with a registered office at 2711 Centerville Road, Suite 400, Wilmington DE 19808, United States.

36. Related party transactions

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. All related party transactions are settled in cash with the exception of share based payments which are equity settled with the ultimate parent, refer to note 11 for further details.

a) Loans and advances from/to related parties

The Group has a long-term borrowing facility from an affiliate, Dell Global BV. The total funding available is €400m with an additional €100m of contingency funding. The maturity date of the facility is 28 September 2023.

At the year end, the balance outstanding to Dell Global BV was €Nil (2020: €Nil).

	31 December 2021 Group €'000	31 December 2020 Group €'000
Loans outstanding at 1 January	-	-
Loans issued during the year	-	-
Loan repayments during the year	-	-
Loans outstanding at 31 December	**-**	**-**
Interest expense paid	-	-
Commitment fees paid	40	361

Loans to Subsidiaries
The Group has one wholly owned subsidiary, Dell Receivables Financing 2016 DAC (the 'SPV'). The SPV is an Irish registered company and qualifies for the regime contained in Section 110 of the Irish Tax Consolidation Act, 1997 (the "TCA").

The Bank provides funding to the SPV by way of a junior loan. The junior loan agreement between the Bank and the SPV provides for an interest amount payable to the Bank for an amount equal to the SPV's profit less a monthly amount of €100. The interest income on the junior loan in 2021 was €19.7m (2020: €2.5m). As at 31 December 2021, the gross amount of the junior loan was €151m (2020: €135m). The SPV purchased lease and loan receivables from the Bank during the financial year. The carrying amount of the lease receivables associated asset was €781m (2020: €748m) at the year end. The carrying amount of the lease and loan receivables (net of the junior loan) which is accounted for as a deemed loan between the SPV and the Bank amounted to €630m as at 31 December 2021 (2020: €613m). Refer to the 'Loans outstanding' in the table below.

Other than the SPV funding noted above, the Group did not have any loans and advances to related parties (2020: €Nil).

36. Related party transactions - continued

Other

The Group also entered into day to day transactions with other Dell Group companies, mainly comprising the purchase of lease equipment and recharges of other various costs incurred on the Group's behalf, allocation charges for facilities and other operating costs. All amounts are interest free to the extent that settlements are made on time.

The allocation charges and other recharges during the year are analysed as:

	2021 Group €'000	2020 Group €'000
Recharges outstanding at 1 January	63,995	70,234
Purchases of equipment	1,748,452	2,065,033
Recharges during the year (Other)	16,261	(747)
Payments during the year	(1,715,303)	(2,070,525)
Balances outstanding at 31 December	**113,405**	**63,995**
Amounts due to group undertakings at 31 December	**113,405**	**63,995**

	31 December 2021 Bank €'000	31 December 2020 Bank €'000
Loans outstanding at 1 January	613,736	629,698
Loans issued during the year	16,054	-
Loan repayments during the year	-	(15,962)
Loans outstanding at 31 December	**629,790**	**613,736**
Interest expense paid	**-**	**1,506**

	31 December 2021 Bank €'000	31 December 2020 Bank €'000
Recharges outstanding at 1 January	64,674	79,575
Purchases of equipment	1,748,452	2,065,034
Recharges during the year (Other)	16,411	(9,409)
Payments during the year	(1,715,303)	(2,070,525)
Balances outstanding at 31 December	**114,234**	**64,675**
Amounts due to group undertakings at 31 December	**744,024**	**678,411**

During the year, the Bank entered into a novation agreement with Dell Financial Services International Ireland DAC (DFSII), a related party. The ultimate parent of DFSII is Dell Technologies Inc. DFSII transferred full title of lease receivables totalling €89.7m (2020: €90.7m) to the Bank in 2021 in line with the terms of the novation agreement. The novated lease receivables were subsequently syndicated to a third party prior to the year end.

36. Related party transactions - continued

b) Transactions with Directors and Key Management Personnel

Except for the compensation information detailed below, the Bank did not enter into any transactions and arrangements during the year with either key management personnel and connected persons or companies controlled by key management personnel and connected persons. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity.

	Year ended 31 December 2021 Group €'000	Year ended 31 December 2020 Group €'000
Salaries and other short-term employee benefits	3,526	3,282
Directors fees	317	282
Post-employment benefits	133	123
Share-based payments	1,069	1,655
Total key management compensation	**5,045**	**5,342**

For the purposes of IAS 24: Related Party Disclosures, key management personnel of 17 (2020:17) comprise the Directors and other key management of the Bank.

As described in note 1, Accounting policies, specified staff received fixed and variable conditional cash payments. At 31 December 2021, a liability of €4.1m (2020: €2.4m) was included in respect of these conditional cash payments. Total compensation paid in 2021 in relation to the variable cash payments was €1.9m. The number of conditional variable cash payments outstanding to KMP and Directors is presented in the following table:

	31 December 2021 Group No. units of stock
Opening balance at 1 January	106,499
Granted during the year	31,585
Vested during the year	(25,219)
Forfeited during the year	(2,928)
Closing balance at 31 December	**109,937**

c) Loans and deposits transactions with Directors, key management and connected persons.

There were no loans, deposits, quasi-loans, credit transactions, guarantees or security entered into or agreed to enter into by the Bank with or for its Directors, key management and connected persons in the current year or prior year. There were no assignments or assumptions by the Bank of any rights, obligations or liabilities under a transaction, and no arrangements under which another person enters into transaction which, if it had been entered into by the Bank would have fallen into section 307(1) or 307(2) of the Companies Act, 2014.

37. Fair Values of Assets and Liabilities

The fair value of a financial instrument is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where possible, the Group calculates fair value using observable market prices. Where market prices are not available, fair values are determined using valuation techniques which may include discounted cash flow models or comparisons to instruments with characteristics either identical or similar to those of the instruments held by the Group or of recent arm's length market transactions. These fair values are classified within a three level fair value hierarchy, based on the inputs used to value the instrument.

Where the inputs might be categorised within different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The levels are defined as:

37. Fair Values of Assets and Liabilities - continued

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

A description of the methods and assumptions used to calculate fair values of these assets and liabilities is set out below.

Derivative financial instruments
Note 22 details the fair value assessment of derivative financial instruments.

Cash and Balances at Central Banks
The estimated fair value of cash and balances at Central Banks is the amount repayable on demand.

Debt securities at amortised cost
Debt securities in issues are recorded as Level 2. The fair value is obtained using Bloomberg valuations.

Amounts due to Group Undertakings
For the purposes of this disclosure, the directors estimate that the fair value is equivalent to the carrying value. Given the relatively short-term average maturity of the portfolio, the carrying amount of the amounts due to group undertakings is deemed to equate to its fair value.

Deposits by banks
Bank Deposits are recorded as level 2. Due to their relative short-term nature and regular repricing, management are of the view that the carrying amount approximates to their respective fair values.

Debt securities in issue
Debt securities in issues are recorded as Level 2. The fair value is obtained using Bloomberg valuations.

37. Fair Values of Assets and Liabilities - continued

The following table sets out the carrying amount and fair value assessment of the financial assets and liabilities at 31 December 2021:

Group	Carrying Amount €'000	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Financial assets measured at fair value					
Derivative financial instruments					
Exchange rate derivatives	6,075	-	6,075	-	6,075
Interest rate derivatives	6,420	-	6,420	-	6,420
Cross currency swap derivatives	1,369	-	1,369	-	1,369
Financial assets not measured at fair value					
Cash and balances at central banks	351,457	-	351,457	-	351,457
Debt securities at amortised cost	280,233	-	279,936	-	279,936
Total	**645,554**	**-**	**645,257**	**-**	**645,257**
Financial liabilities measured at fair value					
Derivative financial instruments					
Exchange rate derivatives	25,618	-	25,618	-	25,618
Interest rate derivatives	3,775	-	3,775	-	3,775
Cross currency swap derivatives	15,407	-	15,407	-	15,407
Financial liabilities not measured at fair value					
Deposits by banks	1,132,861	-	1,132,861	-	1,132,861
Debt securities in issue	1,494,019	-	1,518,060	-	1,518,060
Amounts due to group undertakings	113,405	-	113,405	-	113,405
Total	**2,785,085**	**-**	**2,809,126**	**-**	**2,809,126**

37. Fair Values of Assets and Liabilities - continued

Bank	Carrying Amount €'000	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Financial assets measured at fair value					
Derivative financial instruments					
Exchange rate derivatives	6,075	-	6,075	-	6,075
Interest rate derivatives	5,954	-	5,954	-	5,954
Cross currency swap derivatives	53	-	53	-	53
Financial assets not measured at fair value					
Cash and balances at central banks	351,457	-	351,457	-	351,457
Debt securities at amortised cost	280,233	-	279,936	-	279,936
Total	**643,772**	**-**	**643,475**	**-**	**643,475**
Financial liabilities measured at fair value					
Derivative financial instruments					
Exchange rate derivatives	25,618	-	25,618	-	25,618
Interest rate derivatives	3,629	-	3,629	-	3,629
Cross currency swap derivatives	3,308	-	3,308	-	3,308
Financial liabilities not measured at fair value					
Deposits by banks	464,318	-	464,318	-	464,318
Debt securities in issue	1,494,019	-	1,518,060	-	1,518,060
Amounts due to group undertakings	744,024	-	744,024	-	744,024
Total	**2,734,916**	**-**	**2,758,957**	**-**	**2,758,957**

37. Fair Values of Assets and Liabilities - continued

The following table sets out the carrying amount and fair value assessment of the financial assets and liabilities at 31 December 2020:

Group	Carrying Amount €'000	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Financial assets measured at fair value					
Derivative financial instruments					
Exchange rate derivatives	6,455	-	6,455	-	6,455
Interest rate derivatives	6,388	-	6,388	-	6,388
Cross currency swap derivatives	8,208	-	8,208	-	8,208
Financial assets not measured at fair value					
Cash and balances at central banks	153,019	-	153,019	-	153,019
Debt securities at amortised cost	153,274	-	149,605	-	149,605
Total	**327,344**	**-**	**323,675**	**-**	**323,675**
Financial liabilities measured at fair value					
Derivative financial instruments					
Exchange rate derivatives	9,149	-	9,149	-	9,149
Interest rate derivatives	2,583	-	2,583	-	2,583
Cross currency swap derivatives	2,121	-	2,121	-	2,121
Financial liabilities not measured at fair value					
Deposits by banks	1,193,755	-	1,193,755	-	1,193,755
Debt securities in issue	1,002,564	-	1,002,032	-	1,002,032
Amounts due to group undertakings	63,995	-	63,995	-	63,995
Total	**2,274,167**	**-**	**2,273,635**	**-**	**2,273,635**

37. Fair Values of Assets and Liabilities - continued

Bank	Carrying Amount €'000	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Financial assets measured at fair value					
Derivative financial instruments					
Exchange rate derivatives	6,455	-	6,455	-	6,455
Interest rate derivatives	6,388	-	6,388	-	6,388
Cross currency swap derivatives	629	-	629	-	629
Financial assets not measured at fair value					
Cash and balances at central banks	153,019	-	153,019	-	153,019
Debt securities at amortised cost	153,274	-	149,605	-	149,605
Total	**319,758**	**-**	**316,088**	**-**	**316,088**
Financial liabilities measured at fair value					
Derivative financial instruments					
Exchange rate derivatives	9,149	-	9,149	-	9,149
Interest rate derivatives	1,664	-	1,664	-	1,664
Cross currency swap derivatives	306	-	306	-	306
Financial liabilities not measured at fair value					
Deposits by banks	515,972	-	515,972	-	515,972
Debt securities in issue	1,002,564	-	1,002,032	-	1,002,032
Amounts due to group undertakings	678,411	-	678,411	-	678,411
Total	**2,208,066**	**-**	**2,207534**	**-**	**2,207,534**

38. Offsetting Financial Assets and Financial Liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the statement of financial position.

The Group has a number of ISDA Master Agreements (netting agreements) in place which allows it to net the termination values of derivative contracts upon the occurrence of an event of default with respect to its counterparties.

The following tables show financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements at 31 December 2021:

	31 December 2021 Gross Financial Asset/(Liability) Group €'000	31 December 2021 Cash collateral Group €'000	31 December 2021 Net Amount with Offsetting permissible Group €'000
Derivatives with Positive Fair Value	13,864	-	13,864
Total	**13,864**	**-**	**13,864**
Derivatives with Negative Fair Value	(44,800)	20,520	(24,280)
Total	**(44,800)**	**20,520**	**(24,280)**

	31 December 2020 Gross Financial Asset/(Liability) Group €'000	31 December 2020 Cash collateral Group €'000	31 December 2020 Net Amount with Offsetting permissible Group €'000
Derivatives with Positive Fair Value	21,050	6,182	14,868
Total	**21,050**	**6,182**	**14,868**
Derivatives with Negative Fair Value	(13,853)	2,689	(11,164)
Total	**(13,853)**	**2,689**	**(11,164)**

	31 December 2021 Gross Financial Asset/(Liability) Bank €'000	31 December 2021 Cash collateral Bank €'000	31 December 2021 Net Amount with Offsetting permissible Bank €'000
Derivatives with Positive Fair Value	12,082	-	12,082
Total	**12,082**	-	**12,082**
Derivatives with Negative Fair Value	(32,555)	20,163	(12,392)
Total	**(32,555)**	**20,163**	**(12,392)**

	31 December 2020 Gross Financial Asset/(Liability) Bank €'000	31 December 2020 Cash collateral Bank €'000	31 December 2020 Net Amount with Offsetting permissible Bank €'000
Derivatives with Positive Fair Value	13,464	6,035	7,429
Total	**13,464**	**6,035**	**7,429**
Derivatives with Negative Fair Value	(11,119)	2,689	(8,430)
Total	**(11,119)**	**2,689**	**(8,430)**

39. Special Purpose Vehicle Accounting

The Bank retains control of the receivables transferred to the SPV and therefore these assets are not derecognised and remain on the Bank's Statement of financial position. Amounts due to group undertakings in the Bank's Statement of financial position includes a deemed loan representing the financing received from the SPV in relation to the securitised receivables. Refer to Note 36 for further information.

40. Events after the financial year

The Organisation for Economic Co-operation and Development (OECD) released the 15% minimum effective tax rate Model Rules on 20 December 2021. These Model Rules are the first of three expected sets of guidance: the Model Rules; an explanatory Commentary, expected in early 2022; and a more detailed Implementation Framework, expected later in 2022. It is currently expected that the new rules will be brought into Irish law in late 2022, to be effective from 1 January 2023 and it is likely that the change will increase the Group's tax charge in future periods. There is no impact on the measurement of current or deferred taxation assets & liabilities at 31 December 2021. The Group will monitor the evolving legislation and recognise and disclose the impact, if any, on the deferred tax asset in the year ending 31 December 2022 as it is currently too early to indicate the possible quantitative effects.

There are no other events after the financial year end that require disclosure in the financial statements.

41. Profit of Reporting Entity

In accordance with section 304 of Companies Act 2014, the Bank has availed of the exemption from filing its Statement of comprehensive income with the Registrar of Companies. The Bank's profit after tax for the year ended 31 December 2021, determined in accordance with IFRS, is €45.9m (2020: €14.6m).

42. Approval of Financial Statements

The financial statements were approved by the Board of Directors on 30 March 2022.

Glossary of Terms

This section is an additional disclosure and does not form an integral part of the audited financial statements.

Cost-Asset under management ratio

Cost-Asset under Management ratio is calculated as total operating expenses divided by average volumes of interest-bearing assets based on monthly balances throughout the year. Interest-bearing assets reflects assets which are held on balance sheet as either finance lease, loans or property plant and equipment on operating leases to customers (net of depreciation).

Cost income ratio

Cost income ratio is calculated as total operating expenses divided by Interest income and Other operating income as reported in the "Summary of Financial Performance" contained in the Business and Strategic Report.

Net interest margin

Net interest margin (NIM) is stated as net interest income, as reported in the Summary of Financial Performance plus operating lease income (less depreciation) divided by the average volumes of the interest-bearing assets. The average volumes of interest-bearing assets are based on monthly balances throughout the year.

Cost of funds

Cost of funds is calculated as the total interest expense recognised in the statement of comprehensive income divided by the average volumes of the funding liabilities which includes deposits from banks and debt securities in issue. The average volumes of the funding liabilities are based on the monthly balances throughout the year.

Non-performing ratio

Non-performing exposures are exposures which are more than 90 days past due. There are some exceptions to these where specific customers are given additional grace periods. These exceptions and changes during the financial year are further explained in note 4. The non-performing ratio is calculated as the non-performing element of the book divided by the total amount of exposures. The credit impaired exposure referenced in Note 20 Loans and advances to Banks and Note 21 Loans and advances to Customers differs from the non-performing exposure balance as not all POCI exposures are defined as non-performing.

All amounts in €'000	2021	2020
Gross carrying amount of Loans and advances to banks (note 20)	127,108	149,823
Gross carrying amount of Loans and advances to customers (note 21)	1,987,314	1,902,209
Total exposure	2,114,422	2,052,032
Split as:		
Performing exposures (see comment above)	2,056,620	2,037,469
Non performing exposures (see comment above)	57,805	14,563
Non performing ratio (Non performing exposures/Total exposures)	2.73%	0.71%

Credit impairment provision coverage ratio

The coverage ratio is calculated by expressing the total expected loss allowance as a percentage of the gross carrying amount of loans and advances to banks and customers.

Return on Assets (ROA)

Return on assets is calculated by dividing the net profit after tax by total assets on the statement of financial position.