Annual Report and Financial Statements

For the year ended 31 December 2017

Dell Bank International Designated Activity Company (d.a.c.)

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Directors and Other Information

Board of Directors at 28 March 2018

William Wavro (American)	Chairman
Cormac Costelloe (Irish)	Executive Director
Hugh O'Donnell (Irish)	Executive Director
Donal Courtney (Irish)	Independent Non- Executive Director
Frank O'Riordan (Irish)	Independent Non- Executive Director
Roisin Brennan (Irish)	Independent Non- Executive Director
Tyler Johnson (American)	Non- Executive Director
Don Berman (American)	Non- Executive Director

Company Secretary

Kate Brennan

Registered Office

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Cherrywood
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Registered Number

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BNP Paribas, London Branch
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Solicitors

Arthur Cox
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Earlsfort Terrace
Dublin 2

Auditors

PricewaterhouseCoopers
One Spencer Dock
North Wall Quay
Dublin 1

Chairman's Report

"The way in which technology is used and consumed is changing. Dell Technologies Inc. gives customers one company that can bring it all together and aid them in their Digital Transformation."

"The Bank is an integral part of this transformation, as customers consider how to procure and pay for this investment and look to flexible consumption models and 'as a service' models to meet their business needs."
– William Wavro, Chairman

I am pleased to report that Dell Bank International Designated Activity Company (the "Bank") delivered a successful performance in 2017, achieving its first annual profit of €5.5m, driven by €1.1bn of new business and a growth in its assets to €1.5bn. The Bank grew significantly in scale and profitability over the last twelve months as it leveraged the acquisitions by Dell Technologies of EMC and VMware in September 2016.

Dell Technologies

The Bank continues to enable the Dell Technologies 'go to market' strategy through the provision of financing solutions to our customers. Dell Technologies is a unique family of businesses that provides the essential infrastructure for organisations to build their digital future, transform IT and protect their most important asset, information.

The way in which technology is used and consumed is changing. Dell Technologies gives customers one company that can bring it all together and aid them in their Digital Transformation. The Bank is an integral part of this transformation, as customers consider how to procure and pay for this investment and look to flexible consumption models and 'as a service' models to meet their business needs.

Business Performance

Investment in our people, our infrastructure and our target markets coupled with the positive financial performance of the Bank for 2017 reflects the progress and the underlying strength of the Bank.

Economic uncertainty continues to arise from the UK's decision to leave the European Union ("Brexit") and on-going geo-political instability impacting across the EEA and from further afield. We monitor closely the impact Brexit could have on the UK and wider EU economies and in particular on the Bank and our customers. Overall, customer demand and portfolio performance in our core European market remained strong during the year.

Our Customers

A core principle of the Bank is to deliver a superior range and quality of products and services to our customers, whether they be partners, value added resellers or end customers. Our financing solutions provide our customers with the end to end ability to invest in technology in their own businesses through flexible and innovative methods of financing, tailored to meet their specific requirements.

Our Team Members

The continued growth and progress of the Bank has been achieved through the customer centric focus of our team members underpinned by a strong ethical culture. On behalf of the Board, I express my appreciation for their professionalism, dedication and collaboration.

I also wish to thank the Board, particularly our independent non-executive Directors who provide strategic thinking, constructive challenge and thoughtful insight, enabling the Bank to achieve its strategic plans.

Regulation

The regulatory landscape continues to evolve and the banking sector is subject to increased levels of oversight. This requires the Bank to adapt to and operate within a dynamic and challenging environment. The Bank maintains professional and constructive engagement with all of our regulators.

It is a key imperative of the Board of Directors that we maintain the highest standards of regulatory compliance and corporate governance.

Outlook

We made significant progress during 2017 and are confident in the Bank's prospects for 2018 and beyond. Our experienced and commercially disciplined team is well positioned to implement and deliver the Bank's strategic plans and ensure that our customers are at the heart of what we do.

Chairman, William Wavro

28 March 2018

Business and Strategic Report

Cormac Costelloe, 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. (formerly Denali Holding Inc.), a private company incorporated in the United States of America. A special purpose vehicle, Dell Receivables Financing 2016 Designated Activity Company (d.a.c.) (the "SPV"), was incorporated on 9 September 2016 as part of a securitisation structure. The Bank and its controlled SPV are collectively referred to as (the "Group").

On 7 September 2016, Dell Technologies Inc completed the acquisition of EMC Corporation. The transaction also comprised EMC's wholly and partially owned subsidiaries. The Bank began offering financing solutions in relation to products and services sold by EMC and VMware entities in Europe from September 2016.

Since the acquisition of the Dell related assets from CIT Group Finance Ireland in 2013, the principal activity of the Bank has been the provision of financing solutions to end users of products and services sold by Dell/EMC entities in Europe. This includes leases and loan arrangements, rentals and asset management facilities to all Dell business segments and with third party providers.

The Bank provides financial services to customers based in 19 countries: Ireland, United Kingdom, Belgium, Czech Republic, Netherlands, Luxembourg, Germany, Austria, Switzerland, France, Italy, Spain, Portugal, Denmark, Sweden, Finland, Norway, Iceland and Poland. The Bank operates its only branch in Spain. 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 2015 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.

Change of Ownership

On 18 October, 2017, Dell Inc. purchased 100% ownership (capital and voting rights) of DFS BV, the immediate parent of the Bank from Dell Global B.V. As a result of this transaction: (i) Dell Inc. became the 100% direct shareholder and owner of capital and voting rights of DFS BV; (ii) Dell Inc. continues to be an indirect shareholder of the Bank and continues to own (indirectly) 100% capital and voting rights in the Bank.

Strategic Developments

On 13 January 2017 the Bank completed a securitisation transaction, with an initial drawdown date of 20 January 2017. The SPV is a "qualifying company" as defined in Section 110 of the Taxes Consolidation Act 1997. The Bank began selling eligible receivables to the SPV in January 2017 and will continue to do so on a revolving basis. The SPV is funded by a senior loan facility issued by a number of external banks and by a junior loan facility provided by the Bank. Operationally the Bank remains responsible for the credit management, servicing, collection, and administration of these assets (including receivables) under a Servicing Agreement between the Bank and the SPV. Significantly, the Group retains the credit risk associated with the receivables.

The collateralised loan facility, originally entered into in December 2013 for 3 years and which was subsequently renewed and extended in April 2015, was renewed in December 2017 for a further 3 years from the date of the agreement. This Deed of Amendment and Restatement provided for a number of enhancements including the provision for increasing the type of assets eligible for secured funding through the facility. In addition, the Bank completed a number of syndicated receivable transactions during the year. These strategic developments have further diversified the Groups funding capabilities.

Business Review

The Consolidated Statement of Comprehensive Income of the Group and the Statements of Financial Position, Cash Flows and Changes in Equity of the Group and the Bank are shown on pages 29 to 35. The below table presents the summary results of the Group.

Year ended 31 December	2017	2016	Variance	
In Millions of Euro				
Interest income	51.6	36.3	15.3	42%
Interest expense	(11.5)	(11.1)	(0.4)	4%
Net interest income	**40.1**	**25.2**	**14.9**	**59%**
Other operating income	17.9	29.9	(12)	-40%
Total Income	**58.0**	**55.1**	**3.0**	**5%**
Net FX Expense*	**(4.4)**	**(3.3)**	**(1.1)**	**33%**
Personnel expenses	(17.1)	(16.3)	(0.8)	5%
General expenses	(6.7)	(6.4)	(0.3)	5%
Depreciation expenses	(6.1)	(27.0)	20.9	-77%
Other operating expenses	(9.0)	(4.4)	(4.6)	105%
Total operating expenses	**(38.9)**	**(54.1)**	**15.2**	**-28%**
Impairment charges	(7.4)	(2.7)	(4.7)	-174%
Profit/(Loss) before taxation	**7.3**	**(5.0)**	**12.3**	**246%**
Income tax (charge) / credit	(1.8)	0.3	(2.1)	-700%
Profit/(Loss) for the year	**5.5**	**(4.7)**	**10.2**	**217%**

* 2017 Net FX Derivative Expense comprises "Net Trading Income" per the statement of comprehensive income of €13.2m less foreign exchange losses of €17.6m (included within other operating expenses per the statement of comprehensive income). The Group economically hedges its FX exposure and does not apply hedge accounting, accordingly the derivatives and the FX impact are presented in separate lines in the statement of comprehensive income. By combining these amounts in the table above it shows the overall FX impact as well as enhancing comparison of other line items.

The Group recorded a profit before taxation of €7.3m in 2017 (2016: loss of €5.0m). After an income tax charge of €1.8m (2016: tax credit of €0.3m), a profit of €5.5m (2016: loss of €4.7m) was transferred to reserves.

Net interest income for the year was €40.1m compared to €25.2m in 2016. Interest income for the year is €51.6m compared to €36.3m in 2016, up €15.3m or 42%, driven by strong growth in originations. Interest expense for the year was €11.5m compared to €11.1m in 2016, up €0.4m or 4%, primarily driven by increased borrowings offset by reduced funding rates achieved following the increase in external loan facilities. Other operating income for the year was €17.9m compared to €29.9m in 2016, down €12m or 40% as a result of reduced Operating lease rental income due to the run off of the portfolio of Operating leases offset by syndication gains.

The Net Derivative Expense for the year was €4.4m (2016: €3.3m) marking an increase of €1.1m or 33% year on year. The charge for the year is largely driven by interest rate and cross currency swap expense of €2.5m (2016: €1.4m) and €1.9m of net foreign exchange trading and revaluation expense (2016: €2.7m). Mark to market on IRS was flat for 2017 (2016: €0.8m gain). Total Operating expenses for the year are €38.9m compared to €54.1m in 2016, down €15.2m or 28%. This movement is primarily driven by a reduction in depreciation on Operating leases of €20.9m year on year, which is offset by an increase in Other Operating Expenses of €4.6m attributable to consultancy costs associated with a number of Regulatory projects and system upgrades that were implemented and completed during the year.

The loan impairment provisions charge for loans and advances to customers for the year ended 31 December 2017 is €7.4m (2016: €2.7m). The increase year on year is principally driven by a large provision taken in December 2017. This has resulted in the total provision balance increasing to €9.7m (2016: €8.4m) which represents 0.6% of total loans and advances to customers (2016: 1.0%).

Balance Sheet Summary As at 31 December	2017	2016	
In Millions of Euro	Group	Group	Var.
Loans & Advances to Customers	1,191	836	42%
Total assets	**1,502**	**1,061**	**42%**
Liabilities	1,176	766	54%
Equity	326	295	10%
Total liabilities & equity	**1,502**	**1,061**	**42%**

As shown in the table above, the Group has continued to grow its asset base during the year with an increase of €441m recorded year on year. This movement is largely comprised of core business net asset growth of €355m.

Total liabilities and equity have increased by €441m year on year. The Bank diversified its funding base with the addition of a securitised loan facility in January 2017. The total drawn on this facility is €332m at the balance sheet date out of a total facility of €600m. In addition the Bank received a capital contribution of €25m from DFS BV in November 2017.

Directors' Report

The Directors present herewith their report together with the audited consolidated financial statements and bank for the year ended 31 December 2017.

Business Review

The Group made a net profit after tax of €5.5m in 2017 (2016: a net loss after tax of €4.7m). A business review and future developments of the Business is covered in the Business and Strategy Review section of the Annual Report.

Dividend

No dividend was declared for the year and no interim dividends were paid by the Directors during the year. The net gain for the year will be transferred to reserves.

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. The Group continues to closely monitor any impacts arising from the UK's decision to withdraw from the EU ("Brexit"), including foreign exchange rate and interest rate fluctuations as well as regulatory consequences. Details of the Group's Risk management objectives and policies are set out in the Risk management report on page 11 to 22.

Directors and Secretary

The names of the persons who were Directors and Secretary at any time during the year ended 31 December 2017 are listed below. Unless otherwise indicated they served as Directors for the entire year.

Directors

William Wavro
Cormac Costelloe
Hugh O'Donnell (appointed 13 September 2017)
Donal Courtney
Frank O'Riordan
Roisin Brennan
Tyler Johnson
Don Berman
Thomas Luttrell (resigned 13 September 2017)

Secretary

Kate Brennan

Assistant Secretary

Daniel Murphy (resigned 23 February 2018)
Shirley Creed (resigned 23 February 2018)
Catherine May (appointed on 28 April 2017)

Directors' and Secretary's shareholdings

The Directors and Secretary 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 reporting year

On the 15 February 2018, the intercompany loan facility was increased from €350m to €400m. On the 21 February 2018, a €25m capital contribution was provided by DFS BV to the Bank.

Political donations

No political donations were made by the Group during the year to 31 December 2017.

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 2017 by the Central Bank of Ireland.

Directors' Report Continued

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 2017 financial statements the Directors have taken various matters into account. Refer to Note 2 to the financial statements.

Future developments

Looking ahead there are a number of key focus areas for the Group including new regulatory and accounting requirements, such as IFRS 9, IFRS 16, AnaCredit reporting and General Data Protection Regulation ("GDPR").

The Bank established an IFRS 9 programme to manage the implementation of this new accounting standard. This programme was completed on time and the Bank began applying these standards from 1 January 2018.

The most significant change arising from the IFRS 9 standard for the Bank relates to loan provisioning requirements. The Bank has developed a new expected credit loss model that replaces the incurred loss impairment model used under IAS 39.

IFRS 9 also sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The Group has implemented a two-step approach as per the IFRS 9 standard in determining the classification of financial assets; that is (i) business model assessment and (ii) contractual cash flow characteristics testing. See note 1 for details around the impact of IFRS 9.

The Bank has also commenced a project to implement the changes required for the new IFRS 16, Lease Accounting standard. This is not expected to have a material impact for the Bank. This standard will be effective from 1 January 2019.

The Dell-EMC integration is ongoing and the Bank will continue to align its strategy and operations to the overall Dell Technologies group. The merger of the Dell and EMC Corporations has provided additional growth opportunities for the Bank with further operational synergies expected.

The UK is a significant market for the Bank where it provides financial services to business customers and non-consumers (typically corporates, public sector entities and small and medium enterprises) to fund the purchase of IT equipment, software and services for commercial purposes. Dell Bank products include leases, loans, hire purchase and the purchase of equipment and/or receivables under certain IT contracts

The Bank intends to continue to provide the same products to the same category of customers in the UK post-Brexit.

The UK's decision to exit the EU may negatively impact the UK economy and the wider European economy. This may have an adverse downstream impact on our customers and on the Bank's financial performance. As regards its operating model, the Bank has contingency plans which have considered statutory, regulatory and tax impacts including Anti Money Laundering (AML) and UK Data Protection requirements. The Bank continues to monitor and assess the situation as it evolves.

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

Directors' Report Continued

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.

The Directors confirm that;

- A compliance policy statement setting out the Bank's policies, that in our opinion are appropriate to the Bank, regarding compliance by the Bank with its relevant obligations has been drawn up.
- Appropriate arrangements or structures that are designed to secure material compliance with the Bank's relevant obligations have been put in place.
- A review of the arrangements and structures has been conducted during the financial year ended 31 December 2017.

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(1) of the Companies Act, 2014.

Approved by the Board of Directors and authorised for issue on 28 March 2018.

On behalf of the Board of Directors:

Chairman
William Wavro
28 March 2018

Director
Hugh O'Donnell
28 March 2018

Director
Cormac Costelloe
28 March 2018

Risk Management Report

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RISK MANAGEMENT REPORT

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 market place in which it operates.

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.

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. 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
- Reputational Risk
- Regulatory Compliance Risk
- Business & Strategy Risk
- Group 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 Group utilises a 'three lines of defence' approach to ensure that appropriate responsibility is allocated for monitoring, management, reporting and escalation where appropriate.

A key aspect of implementing a strong Internal Control Framework is the allocation of primary responsibility for identifying and managing risks to the first line of defence i.e. the functional business areas and management who are responsible for day-to-day management of the Group's material risks. The Board and Senior Management of the Bank recognise the responsibility of the first line of defence in identifying and managing the risks inherent in the Group's products, services, activities, processes and systems for which it is accountable. In accordance with the Group's Risk and Control Self-Assessment framework, functional business areas have primary responsibility for assessing and testing the operational effectiveness of the Group's controls applicable to the risks inherent in their processes. The second line of defence comprises the Risk

RISK MANAGEMENT REPORT – continued

Three Lines of Defence - continued

Management Function and the Compliance Function. The second line of defence provides independent oversight of the appropriateness and effectiveness of the risk management systems, processes and controls in the first line of defence; prudent conduct of business; reliability of financial and non-financial information reported or disclosed (both internally and externally); and compliance with laws, regulations, supervisory requirements and the Group's internal policies and procedures. It is also responsible for formulating these policies and procedures and communicating them to the first line of defence. The Group's second line of defence covers the whole organisation and the activities of all business areas, support and control units, including any outsourced activities. The Risk Management Framework and Compliance Framework underpin the second line of defence oversight processes.

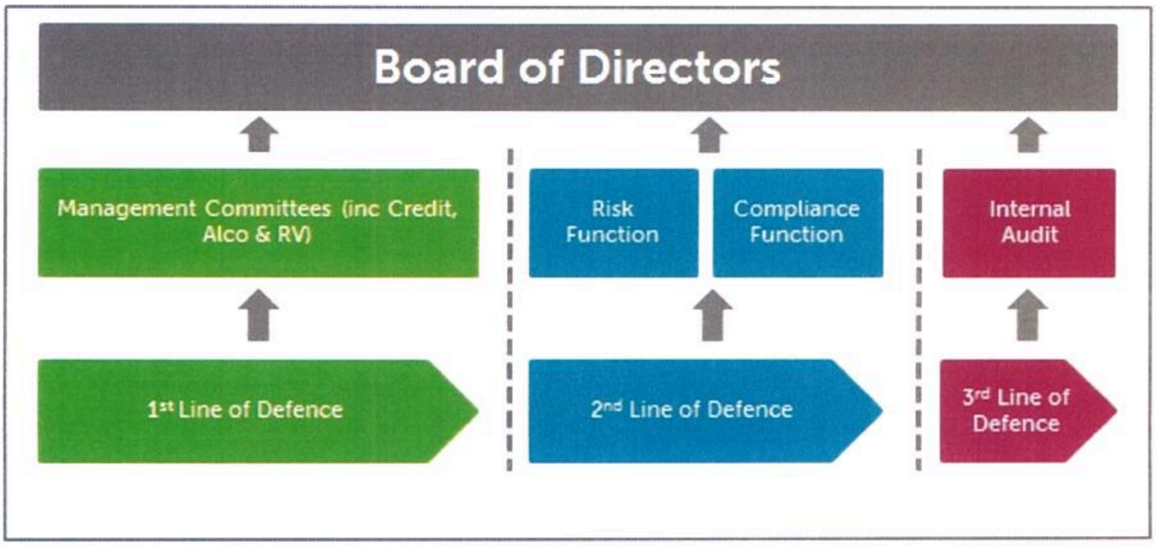
The third line of defence is the Internal Audit function, which provides independent assurance to management, the Audit Committee, the Board and external stakeholders. It ensures that controls are in place for identified risks, that the controls are appropriately designed and operating effectively, and 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 committee;

The chart below illustrates the Group's three lines of defence model.



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

Board Committees

The Audit Committee has been delegated responsibility by the Board to provide oversight in respect of the financial reporting process; the quality and integrity of the Group's financial statements and Pillar III disclosures; internal control framework of the Group; and oversight of the Group's external auditors. The Internal Audit Function reports to the Audit Committee.

The Remuneration and Nomination Committee is responsible for determining the remuneration policy and framework in compliance with Central Bank of Ireland and European Banking Authority requirements. 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.

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. 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 day to day authority to the Risk Committee to take all actions necessary to perform its duties and responsibilities in overseeing risk.

Management Committees

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

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, credit portfolio performance monitoring, and considering reviews of the internal credit controls. The Credit Committee is responsible for the overall management of credit exposures of the Group. Credit exposures include both transactional and commercial credit. The responsibilities of the Credit Committee include establishing and developing the Credit Policy and recommending it to the Risk Committee for approval; implementing the credit authorities' matrix, manual grading/rating methodologies and automated scoring thresholds approved by the Risk Committee.

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.

Management Committees - continued

In addition, the Management Committee is supported by a number of Councils and Committees such as the Risk Management Council, Compliance Council and Outsourcing Committee etc.

The Risk Management Council supports the Management Committee in understanding the risks faced by the business and taking appropriate decisions to mitigate those risks. The Compliance Council ensures compliance with laws and regulations and considers the impact of future legal and regulatory changes. The Outsourcing Committee oversees the management of risks arising from outsourcing certain activities.

As required for specific projects, such as IFRS 9, specific committees were put in place to monitor the implementation of significant changes arising from new accounting policies, regulatory changes or business initiatives. These committees report to the Management Committee and to the Board or a Board Sub Committee.

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") and the expected loss given a default event ("LGD"). 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 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 16 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 Leased Assets by PD grade as at 31 December 2017 is set out in Note 4 of the financial statements.

Management of credit risk reflects the requirements of the Capital Requirements Regulation & Capital Requirements Directive collectively known as CRD IV. The Group applies the standardised approach for calculating credit risk weighted assets and this is embedded in the Group's daily operational management.

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 Groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. An analysis of the Group's 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 & Self-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

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

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

4. Market Risk *(audited)*

Market risk is the risk relating to the uncertainty of returns attributable to fluctuations in market factors. The risk factors include interest rate risk, foreign currency risk and their associated market volatilities. 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 a comprehensive policy for assessing, measuring and managing interest rate risk 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 on a Target / Trigger / Limit framework. Limits are set as a percentage of the available Regulatory Capital. Both the Interest Rate Risk in the Banking Book ("IRRBB") and FX hedging programs are in place in order 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 unanticipated 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") region and is exposed to currency risk across the following currencies: GBP, CHF, USD, DKK, SEK, NOK and PLN. The Group has transaction exposure as it has contractual non-Euro cash flows (receivables and payables) whose values are subject to unanticipated changes in exchange rates. To manage the euro value of the Group's foreign denominated cash flows, the Group runs an FX hedging program.

Resulting from the use of derivative instruments, the Group is exposed to the risk that counterparties will fail to meet their contractual obligations. To mitigate against this risk the Group maintains risk limits that correspond to each institution's credit ratings and for certain derivatives it is eligible to receive collateral in the form of euro cash.

FX forwards converting non-Euro cash-flows back to Euro are utilised in order 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 limits which are based on a percentage of the Group's own funds. 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.

The FX risk management model transforms the net un-hedged position by currency into an implied maximum loss amount. Credit Conversion Factors ("CCF") are utilised to calculate the exposure by currency and maturity profile. The total implied FX loss by currency is then converted to a Euro equivalent base and aggregated. The resulting Euro implied FX loss aggregation is monitored against the Group's FX loss Target, Trigger and Limit on a daily basis and reported to ALCO monthly.

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

b. Interest rate risk

Interest rate risk is the risk that the Group will experience deterioration in its financial position as interest rates move over time. The Group only enters 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, external loan facilities, and hedging instruments.

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.

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 contractual maturity or re-pricing date. Non-financial asset and liabilities (mainly comprised of operating leases) are spread evenly across the risk ladder over medium and longer term maturities.

The Group applies a range of stress scenarios to this profile to measure the overall level of interest rate risk and ensure there is no exposure to the yield curve. For example, one scenario applied is the Committee of European Banking Authority ("EBA") Interest Rate Risk stress scenario based on a 200bps upward yield curve shock. The EBA guidelines provide the maturity bucket percentage weightings and the residual un-hedged risk position is then measured against prescribed risk limits.

IRRBB is monitored on a daily basis and the positions are reported regularly to ALCO. As the Group is a Euro denominated entity providing funding for its non-Euro denominated business primarily in Euro and with the FX hedging program ensuring cash-flows convert to Euro base currency, risk positions are managed and monitored on a Euro basis.

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

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

Further analysis of the Group's Interest rate Risk positions are 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 it's 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.

Outflows include payments made to affiliates and Value Added Resellers, 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 lessor in general to repay at will. In aggregate, such a pool of assets will have a reasonably predictable repayment profile, though one that is still variable and 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 Group's Liquidity Policy reflects CRD IV requirements and the Central Bank of Ireland's requirements for the Management of Liquidity Risk in addition to relevant EBA guidelines on the Internal Liquidity Adequacy Assessment Process ("ILAAP").

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.

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") as prescribed in the Basel III accord is internally modelled and monitored by the Group and includes Target, Trigger and Limit parameters. In addition the Net Stable Funding Ratio is also monitored and modelled by the Treasury function

The Treasury function reports the results of the Idiosyncratic Scenario to the ALCO members on a daily basis. The liquidity position, compliance and policy are further monitored by the Risk Management function.

Any breach or material deterioration of these metrics would set in motion a series of actions and escalations.

The Group sources funds from five principal sources:

- Initial contributed equity, capital contributions and retained earnings
- Affiliate borrowings
- External Loan facilities
- Secured funding
- Unsecured funding

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 are detailed in Note 4 of the financial statements

c. Assets held for Managing Liquidity Risk

The Group holds a portfolio of cash and money market placements 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 and money market deposits

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

d. Derivatives

The Bank has entered into a number of Credit Support Annexes ("CSAs") during 2017 with its derivative counterparties in preparation for European Market Infrastructure Regulation ("EMIR"). A CSA forms part of the ISDA Master Agreement and defines the terms under which collateral is posted or transferred between swap counterparties to mitigate the credit risk arising from "in the money" derivative positions. The Bank's CSAs require collateral to be posted in euro cash.

e. 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 a number of factors, including lower than expected equipment resale value, changes in customer behaviour or higher fulfilment costs and/ or end of lease operating expenses. The Group seeks to minimise potential losses arising from residual value risk by understanding the equipment leased, identifying long-term customer behaviour and applying expert judgement when applying residual values in order to provide a balanced view of expected realisation.

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

The Residual 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. Sources of operational risk include internal fraud; external fraud; employment practices and workplace safety; clients, products, and business practices; damage to physical assets; business disruption and system failures; cyber crime; and execution and delivery.

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:

- Business continuity
- Change management
- People
- Internal controls
- Information technology, cyber crime 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 €342.5m at 31 December 2017. The Group's objectives when managing capital are:

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

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

- CRD IV
- Relevant EBA technical standards
- The CBI Pillar II capital assessment
- Central Bank's Licensing and Supervision Standards and Requirements

The Group holds own funds in the form of capital which is more than or equal to the higher of capital charges calculated under Pillar I or Pillar II.

The Group monitors a range of ratios and limits have been set at, or in excess of its minimum regulatory requirements and are designed to reflect 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. Per the terms of the license with the Central Bank of Ireland, the Bank has committed to maintain a solvency ratio that is in excess of the minimum required under CRD IV.

The Bank did not breach any external capital ratios during the current or prior year.

9. Regulatory Compliance Risk

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

10. Business & Strategy 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.

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

Business and Strategy Risk also includes Brexit risks (risks and uncertainties arising from the UK's decision to withdraw from the EU). As well as implications for trade for both the UK and Irish economies, there are potentially negative consequences for the Group's customers as well as for its operations in terms of currency fluctuations, legal and regulatory changes and people impacts. The Group has devised contingency plans to deal with any potential impacts arising from Brexit.

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 DFS or Dell brands. 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 funding and outsourced activities. Group risk includes the risk of negative impact on the Bank from other Group entities 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.

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 2017 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 and Bank Statements of financial position as at 31 December 2017;
- the Consolidated Statement of comprehensive income for the year then ended;
- the Consolidated and Bank Statements of cash flow for the year then ended;
- the Consolidated and Bank Statements 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 and Financial Statements, 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.

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 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 2017 to 31 December 2017.

Our audit approach

Overview

Materiality

- €3.2 million – Consolidated and Bank financial statements
- Based on 1% of net assets.

Audit scope

- 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 99% of the Group's loans and advances to customers.

Key audit matters

- Recoverability of Deferred income tax asset
- Impairment provisions on loans and advances to customers

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.

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*
Recoverability of Deferred income tax asset Refer to Note 1 (Accounting Policies), Note 3 (Critical Accounting Estimates and Judgements) Notes 18 and 26 to the financial statements. The Group has deferred tax assets of €9.6 million of which €7.2 million arise from tax losses carried forward. As set out in Note 3(a) to the financial statements 'Critical Accounting Estimates and Judgements', a deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences and unutilised tax losses can be utilised. In order for the Group to recognise an asset for unused tax losses, it	We understood the key controls over the production and approval of the projected taxable profits used to support the recognition of the deferred tax assets. We considered whether the combination of the Group's current profitability and the Board approved projections provide convincing evidence that sufficient taxable profits will be available to utilise unused tax losses. As part of our audit work, we evaluated the relevant assumptions underlying the projections for reasonableness by reference to recent performance, future plans and external data as appropriate. We considered the sustainability of the current year profits

Key audit matter	*How our audit addressed the key audit matter*
must have convincing evidence of future taxable profits against which the losses can be utilised. This relies, inter alia, on management's judgements surrounding the probability, timing and sufficiency of future taxable profits, which in turn is based on assumptions concerning future economic conditions and business performance. Detailed projections of future taxable profits for a three year period are prepared by the Group and these projections were used by management in their assessment of the probable availability of future taxable profits. The projections include assumptions relating to new business originations, yields, credit losses and operating costs. We focused on this area because the Group's deferred tax assets primarily arise from historical operating losses and a key judgement is whether there is convincing evidence of the availability of sufficient future taxable profits against which those losses can be utilised.	in the context of the assumptions for business volumes, pricing and costs. While noting the inherent uncertainty with such tax matters, we satisfied ourselves that the deferred tax met the requirements for recognition under IFRS and that it's carrying value was reasonable.
Impairment provisions on loans and advances to customers Refer to Note 1 (Accounting Policies), Note 3 (Critical Accounting Estimates and Judgements), Section 3 of the Risk Management Report and Note 4 to the Financial Statements. The Group determines whether evidence of impairment exists for an individual asset. If an asset is impaired a specific provision is calculated and applied (individually assessed provisions). The remaining assets are considered collectively and an incurred but not reported (IBNR) provision is recorded. The IBNR provision includes assumptions relating to probability of default, loss given default and the loss emergence period. We focused on this area as the identification of impaired assets, the amount of the related provisions and the assumptions underlying the calculation of incurred but not reported (IBNR) provisions requires significant judgement.	We obtained an understanding of and tested management's controls over the determination of impaired loans and the related provision. We concluded that we could place reliance on the key controls for setting impairment provisions for the purposes of our audit. We selected a sample of assets which were 'past due but not impaired' to critically assess the criteria for whether an impairment had occurred and to challenge the reasonableness of management's judgement. For provisions that are individually calculated, we evaluated management's provisions by considering the reasonableness of future cash flows underpinning the calculations. IBNR provisions are determined by modelling techniques. Historical experience and management judgement are incorporated into the model assumptions. We tested the completeness and accuracy of underlying data included in the provision models by agreeing the data to the Group's source systems. Where changes from those used in the prior year were made to the model parameters and assumptions, we understood the rationale and considered the appropriateness of such changes. We satisfied ourselves that management's methodologies and assumptions were appropriate for the purposes of estimating impairment provisions in the context of the requirements of IFRS.

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 99% of the Group's loans and advances to customers.

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 & Bank financial statements
Overall materiality	€3.2 million
How we determined it	1% of net assets
Rationale for benchmark applied	Having considered the key users of the financial statements and given the volatility in performance in the initial years of trading, 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 €0.16 million (Group and Bank audit) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

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

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

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 2017 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

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 9, 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.

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 consolidated financial statements.

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.

Use of this report

This report, including the opinions, has been prepared for and only for the Bank'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.

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.

Companies Act 2014 exception reporting

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 period ended 31 December 2012 and subsequent financial periods. The period of total uninterrupted engagement is 6 years, covering the periods ended 31 December 2012 to 31 December 2017.

Emma Scott
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin
28 March 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of Euro	Note	Year ended 31 December 2017	Year ended 31 December 2016
Interest receivable and similar income	5	51,625	36,302
Interest payable and similar expense	5	(11,537)	(11,055)
Net interest income		**40,088**	**25,247**
Operating lease income	6	8,913	21,564
Fee and commission income	7	724	489
Fee and commission expense	7	(379)	(325)
Other Income from syndications	8	4,701	-
Other Income from end of lease activities	9	4,008	8,122
Other operating income		**17,967**	**29,850**
Net trading income	10	**13,225**	**19,822**
Personnel expenses	11	(17,130)	(16,299)
General and administrative expenses	13	(6,707)	(6,421)
Depreciation and amortisation expenses	14	(6,070)	(26,998)
Other operating expenses	15	(26,643)	(27,520)
Total operating expenses		**(56,550)**	**(77,238)**
Total operating Profit / (Loss) before impairment charges		**14,730**	**(2,319)**
Impairment charges on financial assets	16	(7,386)	(2,660)
Profit / (Loss) before taxation	17	**7,344**	**(4,979)**
Income tax (charge)/ credit	18	(1,828)	240
Profit / (Loss) for the year		**5,516**	**(4,739)**
Total comprehensive income/(expense), net of tax		**5,516**	**(4,739)**
Total comprehensive income/(expense), attributable to:			
- Equity holders of the entity		**5,516**	**(4,739)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

In thousands of Euro	Note	31 December 2017	31 December 2016
Assets			
Cash and balances with central banks	19	39,974	40,151
Loans and advances to banks	20	121,988	64,584
Loans and advances to customers	21	1,190,774	836,762
Derivative financial instruments	22	11,000	11,732
Intangible assets and goodwill	23	23,837	28,013
Property, plant and equipment	24	3,347	3,651
Deferred income tax assets	26	9,631	10,444
Current tax assets	25	571	518
Other assets	27	101,252	65,388
Total assets		**1,502,374**	**1,061,243**
Liabilities			
Deposits from banks	29	760,828	482,489
Other liabilities	30	183,562	127,584
Derivative financial instruments	22	1,930	6,535
Amounts due to fellow subsidiaries	36	164,936	84,031
Subordinated liabilities	31	65,065	65,067
Total liabilities		**1,176,321**	**765,706**
Equity			
Share capital	32	50,000	50,000
Capital contribution	32	342,500	317,500
Revenue reserves	32	(66,447)	(71,963)
Total equity		**326,053**	**295,537**
Total liabilities and equity		**1,502,374**	**1,061,243**
Memorandum items			
Guarantees	33	2,080	1,603
Commitments	33	149,329	100,786

Approved and authorised for issue by the Board:

William Wavro

Chairman
William Wavro
28 March 2018

Hugh O'Donnell

Director
Hugh O'Donnell
28 March 2018

Director
Cormac Costelloe
28 March 2018

Kate B

Secretary
Kate Brennan
28 March 2018

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

In thousands of Euro	Share Capital	Retained Earnings	Capital Contribution	Total Equity
Balance at 1 January 2017	50,000	(71,963)	317,500	295,537
Capital contribution	-	-	25,000	25,000
Profit for the year	-	5,516	-	5,516
Balance at 31 December 2017	**50,000**	**(66,447)**	**342,500**	**326,053**

For the year ended 31 December 2016

In thousands of Euro	Share Capital	Retained Earnings	Capital Contribution	Total Equity
Balance at 1 January 2016	50,000	(67,224)	217,500	200,276
Capital contribution	-	-	100,000	100,000
Loss for the year	-	(4,739)	-	(4,739)
Balance at 31 December 2016	**50,000**	**(71,963)**	**317,500**	**295,537**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

In thousands of Euro	**Year ended 31 December 2017**	**Year ended 31 December 2016**
Cash flows from operating activities		
Profit / (Loss) before tax	7,344	(4,979)
Adjustments for:		
Impairment charges on financial assets (Note 16)	7,386	2,660
Interest expense on borrowed funds (Note 34)	11,313	10,773
Depreciation, amortisation and write-offs (Note 23 and 24)	6,071	26,996
(Loss)/Gain from disposal of operating lease (Note 23 and 24)	(260)	5,771
Cash generating from operating activities	**31,854**	**41,221**
Taxation paid	(1,067)	(1,105)
Cash flows from operating activities before changes in operating assets and liabilities	**30,787**	**40,116**
Changes in operating assets and liabilities		
Net (increase) in derivative financial instruments (Note 22)	(3,873)	(20,921)
Net (increase) in loans and advances to banks (lease)	(21,161)	(437)
Net (increase) in loans and advances to customers	(361,403)	(157,199)
Net (increase) in other assets (Note 27)	(35,865)	(15,180)
Net increase in other liabilities (Note 30)	55,978	89,228
Net increase in deposits from banks (Note 29)	112,030	2
Net (decrease)/increase in Intercompany balance	(9,106)	15,159
Net cash provided by operating activities	**(232,613)**	**(49,232)**
Cash flows from investing activities		
Additions to property, plant and equipment (Note 23 and 24)	(295)	(3,037)
Additions to intangible assets (Note 23 and 24)	(1,036)	(748)
Net cash used in investing activities	**(1,331)**	**(3,785)**
Cash flows from financing activities		
Capital contribution (Note 32)	25,000	100,000
Proceeds from borrowed funds (Note 34)	797,300	77,500
Repayments of borrowed funds (Note 34)	(540,848)	(105,000)
Interest payments on borrowed funds (Note 34)	(11,447)	(11,037)
Net cash provided in financing activities	**270,005**	**61,463**
Cash and cash equivalents at the beginning of the year	**95,227**	**86,781**
Net cash provided by operating activities	(232,613)	(49,232)
Net cash used in investing activities	(1,331)	(3,785)
Net cash provided by financing activities	270,005	61,463
Cash and cash equivalents at the end of the year	**131,288**	**95,227**

BANK STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

In thousands of Euro	Note	31 December 2017	31 December 2016
Assets			
Cash and balances with central banks	19	39,974	40,151
Loans and advances to banks	20	110,337	64,584
Loans and advances to customers	21	1,190,774	836,762
Derivative financial instruments	22	7,396	11,732
Intangible assets and goodwill	23	23,837	28,013
Property, plant and equipment	24	3,347	3,651
Deferred income tax assets	26	9,631	10,444
Current tax assets	25	571	518
Other assets	27	97,643	65,388
Total assets		**1,483,510**	**1,061,243**
Liabilities			
Deposits from banks	29	430,716	482,489
Other liabilities	30	183,562	127,584
Derivative financial instruments	22	1,480	6,535
Amounts due to fellow subsidiaries	36	476,635	84,031
Subordinated liabilities	31	65,065	65,067
Total liabilities		**1,157,458**	**765,706**
Equity			
Share capital	32	50,000	50,000
Capital contribution	32	342,500	317,500
Revenue reserves at beginning of year	32	(71,963)	(67,224)
Profit for the year	32	5,515	(4,739)
Total equity		**326,052**	**295,537**
Total liabilities and equity		**1,483,510**	**1,061,243**
Memorandum items			
Guarantees	33	2,080	1,603
Commitments	33	149,329	100,786

Approved and authorised for issue by the Board:

Chairman
William Wavro
28 March 2018

Director
Cormac Costelloe
28 March 2018

Director
Hugh O'Donnell
28 March 2018

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Kate Brennan
28 March 2018

BANK STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

In thousands of Euro	Share Capital	Retained Earnings	Capital Contribution	Total Equity
Balance at 1 January 2017	50,000	(71,963)	317,500	295,537
Capital contribution	-	-	25,000	25,000
Profit for the year	-	5,515	-	5,515
Balance at 31 December 2017	**50,000**	**(66,448)**	**342,500**	**326,052**

For the year ended 31 December 2016

In thousands of Euro	Share Capital	Retained Earnings	Capital Contribution	Total Equity
Balance at 1 January 2016	50,000	(67,224)	217,500	200,276
Capital contribution	-	-	100,000	100,000
Loss for the year	-	(4,739)	-	(4,739)
Balance at 30 December 2016	**50,000**	**(71,963)**	**317,500**	**295,537**

BANK STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

In thousands of Euro	Year ended 31 December 2017	Year ended 31 December 2016
Cash flows from operating activities		
Profit / (Loss) before tax	7,343	(4,979)
Adjustments for:		
Impairment charges on financial assets (Note 16)	7,386	2,660
Interest expense on borrowed funds (Note 34)	8,205	10,773
Depreciation, amortisation and write-offs (Note 23 and 24)	6,071	26,996
(Loss)/Gain from disposal of operating lease (Note 23 and 24)	(260)	5,771
Cash generating from operating activities	**28,745**	**41,221**
Taxation paid	(1,067)	(1,105)
Cash flows from operating activities before changes in operating assets and liabilities	**27,678**	**40,116**
Changes in operating assets and liabilities		
Net (increase) in derivative financial instruments (Note 22)	(719)	(20,921)
Net (increase) in loans and advances to banks (lease)	(9,515)	(437)
Net (increase) in loans and advances to customers	(361,403)	(157,199)
Net (increase) in other assets (Note 27)	(32,254)	(15,180)
Net increase in other liabilities (Note 30)	55,978	89,228
Net increase in deposits from banks (Note 29)	112,030	2
Net (decrease)/increase in Intercompany balance	(7,748)	15,159
Net cash provided by operating activities	**(215,953)**	**(49,232)**
Cash flows from investing activities		
Additions to property, plant and equipment (Note 23 and 24)	(295)	(3,037)
Additions to intangible assets (Note 23 and 24)	(1,036)	(748)
Net cash used in investing activities	**(1,331)**	**(3,785)**
Cash flows from financing activities		
Capital contribution	25,000	100,000
Proceeds from borrowed funds (Note 34)	625,747	77,500
Repayments of borrowed funds (Note 34)	(389,000)	(105,000)
Interest payments on borrowed funds (Note 34)	(8,407)	(11,037)
Net cash provided in financing activities	**253,340**	**61,463**
Cash and cash equivalents at the beginning of the year	**95,227**	**86,781**
Net cash provided by operating activities	(215,953)	(49,232)
Net cash used in investing activities	(1,331)	(3,785)
Net cash provided by financing activities	253,340	61,463
Cash and cash equivalents at the end of the year	**131,283**	**95,227**

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

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:

a) Basis of preparation

The Directors make an unreserved statement that the consolidated financial statements for the year ended 31 December 2017 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 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 period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

These financial statements are the Group's first consolidated financial statements. The Group applies IFRS 10 Consolidated Financial Statements. The consolidated financial statements include the financial statements of the Bank and all of its subsidiaries.

b) Principle of consolidation

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 period. 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.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies – continued

c) 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 income statement as "Other operating expenses".

d) 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.

e) Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in the income statement using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment) but does not consider future credit losses. The calculation includes all fees, transaction costs and all other premiums or discounts.

f) Fee and commission income and expense

Fees such as document fees and late fees are included in this category.

Commitment fees for leases and loans that are originated are deferred (together with related initial direct costs) and recognised as an adjustment to the effective interest rate on the lease or loan. Similarly 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.

g) Financial assets

Classification, Recognition and Measurement

The Group holds two categories of financial assets:

1. Accounting Policies – continued

(i) Loans and receivables, and
(ii) Financial assets at fair value through profit or loss.

Management determines the classification of financial assets at initial recognition.

(i) Loans and receivables
Loans and receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the loan including any transaction costs – and measured subsequently at amortised cost using the effective interest rate method. Loans and receivables are reported in the statement of financial position as loans and advances to customers or loans and advances to banks.

Interest on loans is included in the income statement and is reported as 'Interest Receivable and similar income'. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognised in the income statement as 'Impairment charges on Loans and Receivables'.

(ii) Financial assets at fair value through profit or loss
In the ordinary course of business, the Group enters into foreign exchange forwards and interest rate swaps for 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 are held at fair value and changes in the instrument's fair value are recognised in the income statement as 'Net trading income'. Derivatives are included as derivative financial instrument assets when the fair value is positive.

The Group does not apply hedge accounting to any of its derivative assets.

The Group uses the trade date for accounting purposes when recording financial asset transactions.

De-recognition

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred.

h) Financial liabilities

Classification, Recognition and Measurement

The Group holds two categories of financial liabilities:

(i) Financial liabilities at amortised cost, and
(ii) Financial liabilities at fair value through profit or loss.

Management determines the classification of financial liabilities at initial recognition.

(i) 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. Financial liabilities measured at amortised cost are intercompany loans, subordinated debt and deposits from banks.

(ii) Financial liabilities at fair value through profit or loss

1. Accounting Policies – continued

In the ordinary course of business, the Group enters into foreign exchange forwards and interest rate swaps for 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 are held at fair value and changes in the instruments' fair value are recognised in the income statement as 'Net trading income'. Derivatives are included as derivative financial instrument liabilities when the fair value is negative.

The Group does not apply hedge accounting to any of its derivative financial liabilities.

De-recognition

Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

i) 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, LIBOR yield curve, 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 non-standardised financial instruments such as interest rate and currency swaps. For these financial instruments, inputs into models are market-observable.

j) Loans and advances to customers

Finance lease

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 IAS 17 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.

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 regulated 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 effective interest rate.

k) Impairment of financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired. A financial asset or a Group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after an initial recognition of the asset (a 'loss event').That loss event should have an impact on the estimated future cash flows of the Group's financial asset that can be reliably estimated.

1. Accounting Policies – continued

Objective evidence that a financial asset or Group of financial assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

(i) Delinquency in contractual payments of the leases;
(ii) Cash flow difficulties;
(iii) Uneven payment streams;
(iv) Breach of lease or loan conditions;
(v) Initiation of bankruptcy proceedings;
(vi) External and internal rating downgrade below an acceptable level, and
(vii) National and local economic conditions that correlate with defaults on the assets in the portfolio.

The Group performs an impairment assessment as follows:

Individual evaluation of impairment

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

Incurred but not reported ("IBNR")

If the Group concludes that no specific indication of impairment exists for an individually assessed financial asset, it includes the asset in a Group of financial assets with related credit risk characteristics and includes these assets under the collective IBNR assessment.

l) **Operating lease**

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 and future contractual payments from the lessee are recognised as receivable over the lease term only as the payments become due. Prepayments made under operating leases (net of any incentives received from the Group) are charged to the income statement on a straight-line basis over the period of the lease.

m) **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. Lease term ranges from 12 – 60 months, with the average term being 36 months.

1. Accounting Policies – continued

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. Gains and losses on operating leases equipment is included as part of "other operating income" in the income statement.

n) 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.

To the extent that settlement of all or any part of a business combination is deferred, the fair value of the deferred component is determined through discounting the amounts payable to their present value at the date of exchange. The discount component is unwound as an interest charge in the Income Statement over the life of the obligation. Where a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the amount of the adjustment is included in the cost at the acquisition date at fair value. The fair value of contingent consideration at acquisition date is arrived at through discounting the expected payment to present value. In general, in order for contingent consideration to become payable, pre-defined profit and/or profit/net asset ratios must be exceeded. Subsequent changes to the fair value of the contingent consideration will be recognised in profit or loss unless the contingent consideration is classified as equity, in which case it is not re-measured and settlement is accounted for within equity.

o) 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 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.

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.

1. Accounting Policies – continued

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 its 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.

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.

p) Financial guarantee contracts

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee is given. Typically, the fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised.

Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with IAS 18 and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgement of management. The fee income earned is recognised on a straight-line basis over the life of the guarantee.

Any increase in the liability relating to guarantees is reported in the statement of comprehensive income within other operating expenses.

q) 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 obselence provision. This provision is calculated based on the ageing of inventory from when it was initially recorded.

r) Provisions and other 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.

1. Accounting Policies – continued

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.

s) 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 accruals 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 Incentive Program ("LTI")
The LTI is a retention tool used by Dell to retain key staff. The employees' awards will vest in the same way as Restricted Stock Units ("RSUs") or Performance-Based Restricted Stock Units ("PBUs"), but at the time of vesting, the employees will receive a cash payment, rather than receive shares of stock. The LTI is based on combination of employees' eligibility, award target and individual performance. As per IFRS 2 an entity measures the fair value of the goods and services received based on the fair value of the liability. The ultimate cost of a cash settled award is the cash paid to the employee, which is the fair value at the settlement date.

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.

t) 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.

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.

1. Accounting Policies – continued

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.

u) 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.

v) 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.

w) Accounting for syndications

During the year ended 31 December 2017, the Bank entered into a number of syndication transactions. The customer exposure has been derecognised at the point of sale as the Bank has satisfied the derecognition criteria under IAS 39. Significantly, the Bank has transferred the contractual rights to receive the cash flows of the financial assets to syndication parties. Furthermore, the Bank has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original assets. Syndication gains have been recorded under Other Income.

x) Impact of new accounting standards

The following standards, amendments and interpretations become effective in 2018 or later years and will be relevant to the Group. These standards have not been applied in preparing the financial statements for the year ended 31 December 2017. The Group's initial view of the impact of these accounting changes is noted below.

NOTES TO THE FINANCIAL STATEMENTS – continued

1. Accounting Policies – continued

Standard / interpretation	Content	Applicable for financial years beginning on/after
IFRS 9	Financial instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018

IFRS 9 - Financial instruments

IFRS 9, 'Financial instruments', (effective for financial periods beginning on or after 1 January 2018). IFRS 9 sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non- financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 replaces the rules based model in IAS 39 with an approach which bases classification and measurement on the business model of an entity, and the cash flows associated with each financial asset. Financial liabilities are largely unchanged from IAS 39 standard whereby financial instruments held for trading being measured at fair value through profit and loss and most others at amortised cost. However one key change on financial liabilities where IFRS 9 introduce a requirement for changes in fair value related to an entity's own credit risk to be recorded in Other Comprehensive Income and not profit and loss. The majority of the Group's "Loans and Advances to Customers" are lease receivables which are outside the scope of the classification and measurement requirements of IFRS 9.

IFRS 9 sets out new forward looking 'expected loss' impairment model which replaces the incurred loss model in IAS 39 and applied to Financial assets measured at amortised cost. Under the IFRS 9 'expected loss' model, a credit event (or impairment 'trigger') no longer has to occur before credit losses are recognised. An entity will now always recognise (at a minimum) 12-month expected credit losses in profit or loss. Lifetime expected losses will be recognised on assets for which there is a significant increase in credit risk after initial recognition.

The Group established an IFRS 9 Implementation Programme to manage the implementation of this change. This programme was completed on time and the Group has commenced applying the new standard requirements with effect from 1 January 2018. The most significant impact of IFRS 9 is the increase in impairment provisions as a result of the move from incurred losses to the expected loss model. The first time adoption pre-tax impact equates approximately to a 2% reduction in total equity.

IFRS 15 - Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers is effective for financial periods beginning on or after 1st January 2018. IFRS 15 will replace IAS 18 Revenue and IAS 11 Construction Contracts. IFRS 15 replaces the current model under which revenue is recognised based on whether the risks and rewards of ownership have been transferred to the customer, with a five-step model which specifies that revenue is recognised when control of goods and services has been transferred. A modified retrospective approach for the adoption of IFRS 15 is permitted. Under this transition method, entities need not restate the comparative period; transitional adjustments in retained earnings will be recognised on the date of initial application. The new rules are only required to be applied to contracts that are not completed contracts at the date of initial application.

There will be minimal or no impact to the Group and Bank from the implementation of IFRS 15 because the standard excludes contracts that are captured under IAS 17 or IFRS 16 and IFRS 9.

IFRS 16 - Leases

IFRS 16 Leases is effective for financial periods beginning on or after 1 January 2019. IFRS 16 will replace IAS 17 Leases. The objective of this standard is to report information that faithfully represents lease transactions and provides a basis for users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases.

1. Accounting Policies – continued

IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months unless the lease relates to individual assets under a specified threshold (indicatively €5,000) whereby they can continue to be treated as operating leases.

IFRS 16 carries similar requirement from IAS 17 Leases for lessors. Lessors shall classify each leases as an operating or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise a lease is classified as an operating lease.This is not expected to have a material impact for the Group or Bank.

IFRIC 22 - Foreign Currency Transactions and Advance Consideration
IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. Effective for annual periods beginning on or after 1 January 2018.

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 2017 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.

The Directors note that the Group recorded its first year of profitability in 2017. As at 31 December 2017, the Group had total assets of €1,502m (2016: €1,061m); with a post-tax profit of €5.5m (2016: loss of €4.7m). The Group is expected to continue to maintain a positive cash position for the foreseeable future. The Bank reduced the collateralised loan facility from €600m to €300m in January 2017 and subsequently increased it to €400m in December 2017. In January 2017, the Bank entered into a Securitised loan structure for a committed facility of €600m. The Bank has a diverse funding structure, comprising the following funding sources:

- Subordinated Debt with Dell Global BV
- Intercompany Loan with Dell Global BV
- Collateralised Loan Facility
- Securitised Loan
- Parent Guarantees
- Multi-Currency Notional Pool

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) Deferred tax asset

The Group has recognised a deferred tax asset of €9.6m at 31 December 2017 (2016: €10.4m). The most significant judgement relates to the Group's assessment of the recoverability of the portion of the deferred tax asset relating to trading losses. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences and unutilised tax losses can be utilised. In order for the Group to recognise an asset for unutilised losses it must have convincing evidence of sufficient future taxable profits against which the losses can be utilised. The recognition of a deferred tax asset relies on management's judgements surrounding the probability and sufficiency of future taxable profits, and the future reversals of existing taxable temporary differences.

To the extent that the recognition of a deferred tax asset is dependent on sufficient future profitability, a degree of estimation and the use of assumptions are required. Under current Irish legislation there is no time limit on the utilisation of these losses. The Board's judgement takes into consideration the impact of both positive and negative evidence including historical financial performance, projections of future taxable income and future reversals of existing taxable temporary differences.

The deferred tax asset has been recognised on the basis that it is probable that the trading losses from previous years will be recovered. On the basis of the Group's business activity, profitability projections, and ICAAP, the Board is satisfied that it is probable that the Group will have sufficient future taxable profits against which the deferred tax assets can be utilised.

b) Impairment charges on loans and advances to customers

The Group reviews its loan portfolio for impairment on an ongoing basis. The Group first assesses whether objective evidence of impairment exists.

All contracts in the portfolio are considered for specific provisioning. The amount of the impairment provision is calculated by reducing the carrying amount of an exposure to the estimated recoverable amount. All customers will be fully provided for when a loss is evident. Specific review is performed on contracts that have aged to 150 days past due and where required, a reserve is recorded.

Impairment provisions are recognised for losses not specifically identified but which, experience and observable data indicate, are present in the portfolio / Group of exposures at the date of assessment. These are described as incurred but not reported provisions ("IBNR").

c) Assessment for the impairment of Goodwill and Intangible Assets arising on acquisition

Goodwill of €13.2m was recognised in the financial statements for the year ended 31 December 2013 as a result of the acquisition and the external fair valuation of the Dell related assets, sales, servicing functions and platform from CIT Vendor Finance Europe.

As per IFRS 3 Business Combinations, goodwill is capitalised and reviewed annually for impairment or more frequently when there are indications that impairment may have occurred in accordance with IAS 36 Impairment of Assets. The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by the Board covering a three-year period. Cash flows beyond the three year period are extrapolated using the estimated growth rates. Based on the fact that the projected value in use of the Group's business is significantly in excess of the carrying value of goodwill, no impairment is required. In the event of changes to profitability assumptions underlying the value in use calculation in the future, the goodwill recognised may be adjusted.

As a result of the acquisition and the external fair valuation of the Dell related assets, sales, servicing functions and platform from CIT Vendor Finance Europe, intangible assets were identified and accounted for in accordance with IAS 38 Intangible Assets. The Group is carrying acquired intangible assets in relation to brand name and customer relations. These assets are being amortised over a finite life of 10 years. Management have concluded that the estimated useful life over which the assets are being amortised is reasonable.

4. Financial Risk Management

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 and from the purchase of interest rate and foreign exchange derivatives for economic hedging purposes.

In respect of all finance and operating 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.

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)

4. Financial Risk Management - continued

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-Dec-17 Group €'000	31-Dec-16 Group €'000
Cash and Balances with Central Banks	19	39,974	40,151
Loans and Advances to Banks	20	121,988	64,584
Loans and Advances to Customers	21	1,190,774	836,762
Derivative Financial Instruments	22	11,000	11,732
		1,363,736	**953,229**

	Note	31-Dec-17 Bank €'000	31-Dec-16 Bank €'000
Cash and Balances with Central Banks	19	39,974	40,151
Loans and Advances to Banks	20	110,337	64,584
Loans and Advances to Customers	21	1,190,774	836,762
Derivative Financial Instruments	22	7,396	11,732
		1,348,481	**953,229**

The following table outlines the Group's exposure to credit risk by asset class:

Group	**31-Dec-17**			**31-Dec-16**		
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
S&P Grade	**Cash**	**Loans and Advances to Banks**	**Derivatives**	**Cash**	**Loans and Advances to Banks**	**Derivatives**
AA	39,974	2,144	-	-	26	-
AA-	-	-	1,669	-	-	-
A+	-	-	-	40,151	-	-
A	-	12,815	5,675	-	634	824
A-	-	95,369	-	-	749	7,822
BBB+	-	620	3,654	-	54,039	764
BBB	-	453	-	-	120	-
BBB-	-	9,913	2	-	6,613	2,322
BB+	-	213	-	-	1,237	-
BB	-	78	-	-	499	-
BB-	-	251	-	-	231	-
B+	-	132	-	-	184	-
B	-	-	-	-	71	-
B-	-	-	-	-	177	-
D	-	-	-	-	4	-
	39,974	**121,988**	**11,000**	**40,151**	**64,584**	**11,732**

4. Financial Risk Management - continued

The following table outlines the Bank's exposure to credit risk by asset class:

Bank	31-Dec-17			31-Dec-16		
	€'000	€'000	€'000	€'000	€'000	€'000
S&P Grade	Cash	Loans and Advances to Banks	Derivatives	Cash	Loans and Advances to Banks	Derivatives
AA	39,974	2,144	-	-	26	-
AA-	-	-	676	-	-	-
A+	-	-	-	40,151	-	-
A	-	1,169	3,066	-	634	824
A-	-	95,364	-	-	749	7,822
BBB+	-	620	3,654	-	54,039	764
BBB	-	453	-	-	120	-
BBB-	-	9,913	-	-	6,613	2,322
BB+	-	213	-	-	1,237	-
BB	-	78	-	-	499	-
BB-	-	251	-	-	231	-
B+	-	132	-	-	184	-
B	-	-	-	-	71	-
B-	-	-	-	-	177	-
D	-	-	-	-	4	-
	39,974	**110,337**	**7,396**	**40,151**	**64,584**	**11,732**

4. Financial Risk Management - continued

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 and finance leases assets) and operating lease contracts with customers. Operating lease assets are classified as Property, Plant and Equipment for accounting purposes. The credit risk associated with operating lease contracts is similar to finance leases and is monitored by the Group in the same way. Accordingly operating lease assets are included in the disclosures below.

		31-Dec-17 Group & Bank €'000 Loans & Advances to Customers	31-Dec-17 Group & Bank €'000 Operating Leased Assets	31-Dec-16 Group & Bank €'000 Loans & Advances to Customers	31-Dec-16 Group & Bank €'000 Operating Leased Assets
	PD Grade				
Pass	1-9	1,068,791	3,133	672,607	3,598
Special Mention	10-11	26,497	-	33,458	-
Substandard	12-15	12,066	185	9,033	32
Doubtful	16	66	-	311	-
Neither Past due nor impaired		**1,107,420**	**3,318**	**715,409**	**3,630**
Past due but not impaired		85,362	-	122,843	-
Impaired		7,680	-	6,938	-
		1,200,462	**3,318**	**845,190**	**3,630**
Specific Provision		(7,404)	-	(6,292)	-
IBNR		(2,284)	-	(2,136)	-
		1,190,774	**3,318**	**836,762**	**3,630**

Past due but not impaired is defined as loan/lease contracts where repayment of principal or interest are overdue by at least one day but which are not impaired. A loan is considered impaired when there is objective evidence of impairment and a specific provision has been recognised in the income statement. Credit classifications based on Probability of Default (PD) ranking are explained below:

Special Mention – 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. Special Mention assets do not expose an institution to sufficient risk to warrant negative classification.

Substandard - Inadequately protected by the current sound worth and paying capacity of the obligor or the collateral pledged, if any. 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 institution will sustain some loss if the deficiencies are not corrected.

Doubtful - Has all the weaknesses inherent in one classified Substandard, with the added characteristic that the weaknesses make repayment of the debt or realisation of any collaterla, on the basis of current analysis and data, highly questionable and improbable.

4. Financial Risk Management - continued

The Group and Bank's Loans to customers and operating lease assets which are past due but not impaired are analysed into:

Days Past Due	31-Dec-17 Group & Bank Loans & Advances to Customers €'000	31-Dec-17 Group & Bank Operating Leased Assets €'000	31-Dec-16 Group & Bank Loans & Advances to Customers €'000	31-Dec-16 Group & Bank Operating Leased Assets €'000
1-30	49,531	-	96,104	-
31-60	22,996	-	16,764	-
61-90	5,536	-	6,248	-
91+	7,299	-	3,727	-
	85,362	**-**	**122,843**	**-**

For the purposes of disclosures required, the Group considers it impractical to provide an estimate of the fair value of the assets held as collateral on those finance leases which are past due or impaired.

The Group's and Bank's maximum exposure to credit risk by geographic region is set out below:

Country by Exposure	31-Dec-17 €'000 Loans and Advances to Customers €'000	31-Dec-17 €'000 Operating Leased Assets €'000	31-Dec-16 €'000 Loans and Advances to Customers €'000	31-Dec-16 €'000 Operating Leased Assets €'000
United Kingdom	264,939	2,075	178,102	1,043
France	199,252	-	125,985	4
Germany	223,950	-	146,644	10
Italy	104,017	-	78,460	2
Spain	86,630	17	75,836	78
Netherlands	84,235	-	49,706	1
Ireland	61,366	65	60,394	497
Sweden	61,268	424	62,097	1,616
Other Countries	114,805	737	67,966	379
Total	**1,200,462**	**3,318**	**845,190**	**3,630**
Provision for Impaired Loans	(9,688)	-	(8,428)	-
	1,190,774	**3,318**	**836,762**	**3,630**

4. Financial Risk Management - continued

Market Risk – 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 and DKK. 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 period was:

	2017 Group €'000	2016 Group €'000
FX Risk position as at 31 December	1,874	2,659
Average FX Risk position for the reporting period	1,820	1,504
Maximum FX Risk position during the reporting period	2,929	2,958

Market Risk – 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.

4. Financial Risk Management - continued

The Group maintains a Euro based interest rate swap portfolio to mitigate its interest rate risk exposure.

The Non Traded Interest Rate Risk position during the course of the reporting period was:

	2017 Group €'000	**2016 Group €'000**
200bps upward shock stress scenario as at 31 December	2,232	3,096
Average 200bps upward shock stress scenario for the reporting period	1,525	1,201
Maximum 200bps upward shock stress scenario during the reporting period	3,272	3,096

Market Risk – 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 2017	€'000's	€'000's	€'000's	€'000's	€'000's	€'000's
			Group			
Interest bearing Assets	Less than 3 months	3-6mths	6-12 months	1-5yrs	More than 5 years	Carrying Value
Cash and balances with central banks	39,974	-	-	-	-	39,974
Cash in Bank	102,960	-	-	-	-	102,960
Loans and advances to banks	2,830	2,739	4,347	9,112	-	19,028
Loans and advances to customers	182,755	147,836	245,762	613,721	700	1,190,774
	328,519	150,575	250,109	622,833	700	1,352,736
Interest bearing Liabilities						
Amounts due to fellow subsidiaries	(164,936)	-	-	-	-	(164,936)
Deposits from Banks	(760,828)	-	-	-	-	(760,828)
Subordinated liabilities	(65,065)	-	-	-	-	(65,065)
	(990,829)	-	-	-	-	(990,829)
Interest Rate Swap Nominals						
Pay Fixed	(105,386)	(89,149)	(169,754)	(425,486)	(7)	(789,782)
Receive floating	789,782	-	-	-	-	789,782
	684,396	(89,149)	(169,754)	(425,486)	(7)	-
Interest Sensitivity gap	22,086	61,426	80,355	197,348	693	361,907

Bank - As at 31 December 2017	€'000's	€'000's	€'000's	€'000's	€'000's	€'000's
			Bank			
Interest bearing Assets	Less than 3 months	3-6mths	6-12 months	1-5yrs	More than 5 years	Carrying Value
Cash and balances with central banks	39,974	-	-	-	-	39,974
Cash in Bank	91,309	-	-	-	-	91,309
Loans and advances to banks	2,830	2,739	4,347	9,112	-	19,028
Loans and advances to customers	182,755	147,836	245,762	613,721	700	1,190,774
	316,868	150,575	250,109	622,833	700	1,341,085
Interest bearing Liabilities						
Amounts due to fellow subsidiaries	(476,635)	-	-	-	-	(476,635)
Deposits from Banks	(430,716)	-	-	-	-	(430,716)
Subordinated liabilities	(65,065)	-	-	-	-	(65,065)
	(972,416)	-	-	-	-	(972,416)
Interest Rate Swap Nominals						
Pay Fixed	(25,000)	(15,000)	(35,000)	(385,200)	-	(460,200)
Receive floating	460,200	-	-	-	-	460,200
	435,200	(15,000)	(35,000)	(385,200)	-	-
Interest Sensitivity gap	(220,348)	135,575	215,109	237,633	700	368,669

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.

As at 31 December 2016	€'000's	€'000's	€'000's	€'000's	€'000's	€'000's
				Group & Bank		
Interest bearing Assets	Less than 3 months	3-6mths	6-12 months	1-5yrs	More than 5 years	Carrying Value
Cash and balances with central banks	40,151	-	-	-	-	40,151
Cash in Bank	55,076	-	-	-	-	55,076
Loans and advances to banks	1,731	1,070	1,991	4,716	-	9,508
Loans and advances to customers	128,161	114,453	187,112	406,663	373	836,762
	225,119	115,523	189,103	411,379	373	941,497
Interest bearing Liabilities						
Amounts due to fellow subsidiaries	(84,031)	-	-	-	-	(84,031)
Deposits from Banks	(482,489)	-	-	-	-	(482,489)
Subordinated liabilities	(65,067)	-	-	-	-	(65,067)
	(631,587)	-	-	-	-	(631,587)
Interest Rate Swap Nominals						
Pay Fixed	(40,000)	(40,000)	(100,000)	(220,000)	-	(400,000)
Receive floating	400,000	-	-	-	-	400,000
	360,000	(40,000)	(100,000)	(220,000)	-	-
Interest Sensitivity gap	(46,468)	75,523	89,103	191,379	373	309,910

Liquidity Risk – Financial Liabilities

The tables below summarise the maturity profile of the Group's financial liabilities at 31 December 2017 and at 31 December 2016 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 2017	Up to 1 Mth	1- 3 Mths	3 -12 Mths	1- 5 Yrs	Over 5 Yrs	Gross Cashflows
			Group			
	€'000	€'000	€'000	€'000	€'000	€'000
Financial Liabilities:						
Deposits from Banks	446,354	31,050	114,694	174,232	-	766,330
Amounts due to fellow subsidiaries	(5,087)	235	716	170,703	-	166,567
Other Liabilities	90,552	93,010	-	-	-	183,562
Subordinated debt	-	393	1,201	6,383	65,664	73,641
Residual Value Guarantees	84	168	755	1,073	-	2,080
Commitments	149,329	-	-	-	-	149,329
Total cash outflow	**681,232**	**124,856**	**117,366**	**352,391**	**65,664**	**1,341,509**
Derivative Financial Instruments:						
FX Inflows	(523)	(1,821)	(2,343)	(2,691)	-	(7,378)
FX Outflows	131	176	433	478	-	1,218
Interest rate swaps	-	1	39	(3,067)	9	(3,018)
Total cash outflow	**(392)**	**(1,644)**	**(1,871)**	**(5,280)**	**9**	**(9,178)**

Bank As at 31 December 2017	Up to 1 Mth	1- 3 Mths	3 -12 Mths	1- 5 Yrs	Over 5 Yrs	Gross Cashflows
			Bank			
	€'000	€'000	€'000	€'000	€'000	€'000
Financial Liabilities:						
Deposits from Banks	431,954	-	-	-	-	431,954
Amounts due to fellow subsidiaries	(6,136)	235	716	483,451	-	478,266
Other Liabilities	90,552	93,010	-	-	-	183,562
Subordinated debt	-	393	1,201	6,383	65,664	73,641
Residual Value Guarantees	84	168	755	1,073	-	2,080
Commitments	149,329	-	-	-	-	149,329
Total cash outflow	**665,783**	**93,806**	**2,672**	**490,907**	**65,664**	**1,318,832**
Derivative Financial Instruments:						
FX Inflows	(523)	(1,821)	(2,343)	(2,691)	-	(7,378)
FX Outflows	131	176	433	478	-	1,218
Interest rate swaps	-	1	39	145	-	185
Total cash outflow	**(392)**	**(1,644)**	**(1,871)**	**(2,068)**	**-**	**(5,975)**

The collateralised loan facility was €400m as at 31 December 2017. The facility has 3 year to maturity but rolls and reprices on a quarterly basis. There was €261m drawn on the facility as at 31 December 2017; with €308m of encumbered receivables. The undrawn amount of the facility was €139m as at 31 December 2017. The collateralised loan facility reduces the concentration risk of intercompany funding.

The securitised loan facility was €600m as at 31 December 2017. The facility has over one year to maturity. There was €333m drawn on the facility as at 31 December 2017; with €411m of encumbered receivables. The undrawn amount of the facility was €267m as at 31 December 2017. Similar to the collateralised loan the securitised loan facility reduces the concentration risk of intercompany funding.

Of the €350m Intercompany loan capacity, €170m was drawn as at 31 December 2017. Dell Inc is committed to ensure the Group always has sufficient liquidity.

As at 31 December 2016	Up to 1 Mth	1- 3 Mths	3 -12 Mths	1- 5 Yrs	Over 5 Yrs	Gross Cashflows
			Group & Bank			
	€'000	€'000	€'000	€'000	€'000	€'000
Financial Liabilities:						
Deposits from Banks	42,009	442,329	-	-	-	484,338
Amounts due to fellow subsidiaries	4,026	107	80,215	-	-	84,348
Other Liabilities	29,199	79,798	-	-	-	108,997
Subordinated debt	-	401	1,204	8,030	65,678	75,313
Residual Value Guarantees	27	80	217	1,279	-	1,603
Commitments	100,786	-	-	-	-	100,786
Total cash outflow	**176,047**	**522,715**	**81,636**	**9,309**	**65,678**	**855,385**
Derivative Financial Instruments:						
FX Inflows	(1,912)	(687)	(5,644)	(3,448)	-	(11,691)
FX Outflows	66	371	3,495	1,663	-	5,595
Interest rate swaps	-	23	318	399	-	740
Total cash outflow	**(1,846)**	**(293)**	**(1,831)**	**(1,386)**	**-**	**(5,356)**

5. Net Interest Income

	Year ending 31 December 2017 Group €'000	Year ending 31 December 2016 Group €'000
Interest income		
Loans and advances to customers		
- Loans	5,544	5,487
- Lease receivables	45,245	30,209
	50,789	**35,696**
Loans and advances to banks		
- Loans	30	117
- Lease receivables	806	489
Total Interest income	**51,625**	**36,302**
Interest expense		
Intercompany loan interest	(914)	(760)
Subordinated debt	(1,608)	(1,682)
Collateralised loan	(5,683)	(8,331)
Securitised loan	(3,108)	-
Other interest	(224)	(282)
Total Interest expense	**(11,537)**	**(11,055)**
Total net interest income	**40,088**	**25,247**

6. Operating Lease Income

	Year ended 31 December 2017 Group €'000	Year ended 31 December 2016 Group €'000
Operating Lease Income		
- Lease to customers	8,871	21,384
- Lease to banks	42	180
Total Operating Lease Income	**8,913**	**21,564**

7. Net Fee and Commission Income

	Year ended 31 December 2017 Group €'000	Year ended 31 December 2016 Group €'000
Portfolio and other management fees	724	489
Other fees	(379)	(325)
Total Net Fee and Commission Income	**345**	**164**

8. Other Income from syndications

The Bank entered into four syndication deals during the year; with €185m of receivables sold. The total gain recognised from these transactions was €4.7m.

9. Other Income from end of lease activities

	Year ended 31 December 2017 Group €'000	Year ended 31 December 2016 Group €'000
Remarketing Revenue	9,467	9,959
Remarketing Cost of Goods Sold	(5,459)	(1,837)
Other Income from end of lease activities	**4,008**	**8,122**

10. Net Trading Income

	Year ended 31 December 2017 Group €'000	Year ended 31 December 2016 Group €'000
Net realised and unrealised gains on FX derivatives	14,997	20,451
Net realised gains on Cross Currency Swaps	734	
Net unrealised gain/(loss) on Interest rate derivatives	(49)	756
Net interest accrual on Interest rate derivatives	(2,457)	(1,385)
Net Trading Income	**13,225**	**19,822**

Net trading income 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. The derivatives have not been designated in a qualifying hedge relationship. The nominal amounts and associated fair values of these derivatives are outlined in Note 22. Losses on the revaluation of the monetary assets are included in other operating expenses (Note 15).

11. Personnel Expenses

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

	2017	2016
IT	9	8
Credit	11	9
Finance & Treasury	28	28
Legal, Compliance & Risk	17	15
Sales & Operations	77	85
Total	**142**	**145**

Total personnel costs comprised of:

	Year ended 31 December 2017 Group €'000	Year ended 31 December 2016 Group €'000
Wages and salaries	10,012	9,616
Other employee benefits	4,359	4,303
Social security costs	1,549	1,311
Pension costs	935	830
Directors' fees (note 12)	275	239
Total	**17,130**	**16,299**

There were no amounts of personnel expenses capitalised into assets in the current year (2016: Nil).

12. Directors' Remuneration

Directors' remuneration is comprised of:

	Year ended 31 December 2017 Group €'000	Year ended 31 December 2016 Group €'000
Directors' remuneration for other services	1,320	1,036
Fees for services as director	275	239
Long-term incentives (cash, shares, other assets)	557	590
Retirement Contributions to:	-	-
- defined contributions schemes	27	34
Total	**2,179**	**1,899**

The number of Directors to whom retirement contributions are accruing under defined contributions scheme is 2 (2016: 2), and defined benefit schemes is Nil (2016: Nil). There were no amounts paid to persons connected with a Director in the current year.

13. General and Administrative Expenses

	Year ended 31 December 2017 Group €'000	Year ended 31 December 2016 Group €'000
Administrative expenses	4,257	4,025
IT and software costs	1,429	1,637
Travel and entertainment	740	632
Recruitment and training	281	127
Total	**6,707**	**6,421**

14. Depreciation and Amortisation Expenses

	Year ended 31 December 2017 Group €'000	Year ended 31 December 2016 Group €'000
Depreciation on own use property plant and equipment (Note 24)	19	26
Depreciation and impairment on operating leases (Note 24)	840	21,593
Amortisation of software and other intangible assets (Note 23)	5,211	5,377
Write-downs	-	2
Total	**6,070**	**26,998**

The €21m decrease in the depreciation expense year on year is primarily driven by the run-off of the Group's operating lease assets. In addition to this during the year the basis of depreciation was reviewed, this resulted in a one-off gain of €5.4m which has been booked in the income statement. This is not expected to reoccur.

15. Other Operating Expenses

	Year ended 31 December 2017 Group €'000	Year ended 31 December 2016 Group €'000
Business support services	4,052	2,062
Consultancy fees	4,410	1,792
Auditors' remuneration (Note 17)	549	519
Foreign exchange losses	17,632	23,147
Total	**26,643**	**27,520**

The foreign exchange losses for the year ended 31 December 2017 and 2016 resulted from the revaluation of the Group's monetary assets and liabilities. The Group economically hedges foreign exchange risk related to financial assets and liabilities denominated in currencies other than Euro. The net impact of foreign exchange activities on the income statement of the Group is shown below:

	Year ended 31 December 2017 €'000	Year ended 31 December 2016 €'000
Net Trading Income (Note 10)	13,225	19,822
Foreign Exchange Losses	(17,632)	(23,148)
Net Cost of FX	**(4,407)**	**(3,326)**

The Group uses foreign exchange derivatives to manage its exposure to foreign currency risk. Gains/Losses arising from these derivative contracts are included in net trading income (Note 10).

16. Impairment Charges on Financial Assets

	Specific Group €'000	IBNR Group €'000	Total Group €'000
Provision at 1 January 2017	**6,297**	**2,136**	**8,433**
Charge in statement of comprehensive income	7,712	148	**7,860**
Recoveries	(474)	-	**(474)**
Contracts terminated	(6,291)	-	**(6,291)**
Exchange adjustments	160	-	**160**
Provision at 31 December 2017	**7,404**	**2,284**	**9,688**

	Specific Group €'000	IBNR Group €'000	Total Group €'000
Provision at 1 January 2016	**4,206**	**2,469**	**6,675**
Charge in statement of comprehensive income	4,022	(333)	**3,689**
Recoveries	(1,029)	-	**(1,029)**
Contracts terminated	(918)	-	**(918)**
Exchange adjustments	16	-	**16**
Provision at 31 December 2016	**6,297**	**2,136**	**8,433**

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

17. Profit / Loss before Taxation

The following items are included in the profit / loss before taxation:

	Year ended 31 December 2017 Group €'000	Year ended 31 December 2016 Group €'000
Depreciation on property, plant, equipment and operating leases (Note 14)	859	21,593
Amortisation of intangible assets (Note 14)	5,211	5,377
Foreign exchange gains (Note 15)	17,632	23,147
Auditors' remuneration for Group and Bank (exclusive of VAT)		
- Statutory audit	355	294
- Other assurance services	174	150
- Non- Audit services	20	75
Total auditors' remuneration (Note 15)	**549**	**519**

Other assurance services includes the audits of the Spanish Branch and the securitisation entity, Group reporting procedures and procedures performed in relation to the Group's loan facilities.

The 2016 comparatives for auditors' remuneration have been amended to ensure consistent presentation with the current year.

18. Income Tax Charge/ (Credit)

	Year ended 31 December 2017 Group €'000	Year ended 31 December 2016 Group €'000
Current taxes on income for the reporting period		
Irish Corporation tax	-	-
Foreign tax	-	12
Current taxes referring to previous periods	305	
Reclassification between Current and Deferred Taxes relating to prior period	9	186
Withholding tax	701	553
Total current tax	**1,015**	**751**
Deferred tax	942	(631)
Adjustments for prior periods	(120)	(174)
Reclassification between Current and Deferred Taxes relating to prior period	(9)	(186)
Total deferred tax (Note 26)	**813**	**(991)**
Income tax charge / (credit)	**1,828**	**(240)**

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 / (loss) 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 2017 Group €'000	Year ended 31 December 2016 Group €'000
Profit / (Loss) before taxation	**7,344**	**(4,979)**
Theoretical tax charge / (credit) at statutory rate 12.5% (2016: 12.5%)	918	(622)
Effects of:		
– Adjustments for prior periods	184	(174)
– Other	(42)	-
– Expenses not deductible for tax purposes	82	11
– Impact of difference in tax rate for Spanish Branch	(15)	(23)
– Withholding Tax	701	568
Income tax charge / (credit)	**1,828**	**(240)**

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

	Year ended 31 December 2017 Group & Bank €'000	Year ended 31 December 2016 Group & Bank €'000
Tax effect of taxable timing differences		
Temporary differences	(2,394)	(1,807)
Tax losses carried forward	(7,237)	(8,637)
Recognised deferred tax asset	**(9,631)**	**(10,444)**

At the end of the reporting period, the Group had tax losses of €58m (2016: €69m) available for utilisation against future operating profits of the business. The Directors are satisfied that the Group will have sufficient future taxable profits against which the deferred tax losses can be recognised. Under current Irish tax legislation there is no time restriction on the utilisation of these losses.

19. Cash and Cash Equivalents

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

	31 December 2017 Group €'000	31 December 2016 Group €'000
Cash and balances with central banks	39,974	40,151
Cash and balances with banks	102,960	55,076
	142,934	**95,227**
Restricted cash included in loans and advances to banks repayable on demand	(11,646)	-
Cash and Cash Equivalents	**131,288**	**95,227**

	Year ended 31 December 2017 Bank €'000	Year ended 31 December 2016 Bank €'000
Cash and balances with central banks	39,974	40,151
Cash and balances with banks	91,309	55,076
Cash and Cash Equivalents	**131,283**	**95,227**

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

Since 1 October 2015 the Central Bank of Ireland introduced the Liquidity Coverage Ratio (hereafter LCR). The LCR requires banks to hold a minimum amount of high quality liquid assets to overcome short-term liquidity disruptions in a specified stress scenario over a 30 day period. The Bank has elected to place cash with the Central Bank of Ireland to address this.

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

20. Loans and Advances to Banks

	Year ended 31 December 2017 Group €'000	Year ended 31 December 2016 Group €'000
Cash and balances with banks	102,960	55,076
Loans and advances to banks	19,028	9,513
Less: allowance for impairment	-	(5)
Net Loans and Advances to Banks	**121,988**	**64,584**

	Year ended 31 December 2017 Bank €'000	Year ended 31 December 2016 Bank €'000
Cash and balances with banks	91,309	55,076
Loans and advances to banks	19,028	9,513
Less: allowance for impairment	-	(5)
Net Loans and Advances to Banks	**110,337**	**64,584**

20. Loans and Advances to Banks - continued

Cash and balances with banks of €91.3m (2016: €55.1m). Loans and advances to banks represent finance leases and loans with counterparties holding banking licences.

Analysis of Loans and Advances to Banks

	Year ended 31 December 2017 Group & Bank €'000	Year ended 31 December 2016 Group & Bank €'000
Finance lease receivables	16,504	8,490
Loans	2,524	1,023
Less; Allowance for Impairment	-	(5)
Included in cash and cash equivalents	**19,028**	**9,508**

Analysis of leases to banks	Year ended 31 December 2017 Group & Bank €'000	Year ended 31 December 2016 Group & Bank €'000
- Not later than 1 year	7,741	4,373
- Later than 1 year and not later than 5 years	9,492	4,556
- Later than 5 years	-	-
	17,233	**8,929**
Less: unearned finance income on finance lease	(729)	(434)
Less: allowance for impairment	-	(5)
Present value of minimum lease payments, receivable	**16,504**	**8,490**
- Not later than 1 year	7,469	4,204
- Later than 1 year and not later than 5 years	9,035	4,286
- Later than 5 years	-	-
	16,504	**8,490**

21. Loans and Advances to Customers

	Year ended 31 December 2017 Group & Bank €'000	Year ended 31 December 2016 Group & Bank €'000
Finance lease receivables	824,280	640,533
Hire purchase receivables	61,692	57,971
Loans	314,490	146,686
	1,200,462	**845,190**
Less: allowance for impairment	(9,688)	(8,428)
Net Loans and Advances to Customers	**1,190,774**	**836,762**

21.Loans and Advances to Customers - continued

Analysis of Loans and Advances to Customers
Loans and advances to customers include finance lease and hire purchase receivables as follows:

	Year ended 31 December 2017 Group & Bank €'000	Year ended 31 December 2016 Group & Bank €'000
- Not later than 1 year	448,096	375,521
- Later than 1 year and not later than 5 years	472,866	349,813
- Later than 5 years	60	48
	921,022	**725,382**
Less: unearned finance income on finance lease	(35,050)	(26,878)
Present value of minimum lease payments, receivable	**885,972**	**698,504**
- Not later than 1 year	434,826	364,515
- Later than 1 year and not later than 5 years	451,094	333,944
- Later than 5 years	52	45
	885,972	**698,504**

	Year ended 31 December 2017 Group & Bank €'000	Year ended 31 December 2016 Group & Bank €'000
Loans receivable:		
- Not later than 1 year	148,100	69,600
- Later than 1 year and not later than 5 years	165,742	74,405
- Later than 5 years	648	2,681
	314,490	**146,686**

There were €719m of encumbered receivables as at 31 December 2017 relating to the Securitised and Collateralised Loan Facilities (Note 29).

22. Derivative Financial Instruments

	Year ended 31 December 2017 Group €'000	Year ended 31 December 2016 Group €'000
Fair value of derivative financial instruments		
FX Forward Derivatives	7,378	11,671
Cross Currency Swaps	3,597	-
Interest Rate Swaps	25	61
Total derivative financial instrument asset	**11,000**	**11,732**
FX Forward Derivatives	(1,219)	(5,599)
Cross Currency Swaps	(511)	-
Interest Rate Swaps	(200)	(936)
Total derivative financial instrument liabilities	**(1,930)**	**(6,535)**

	Year ended 31 December 2017 Bank €'000	Year ended 31 December 2016 Bank €'000
Fair value of derivative financial instruments		
FX Forward Derivatives	7,378	11,671
Interest Rate Swaps	18	61
Total derivative financial instrument asset	**7,396**	**11,732**
FX Forward Derivatives	(1,219)	(5,599)
Interest Rate Swaps	(261)	(936)
Total derivative financial instrument liabilities	**(1,480)**	**(6,535)**

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. The derivatives have not been designated in a qualifying hedge relationship. However, they do form part of economic hedge relationships.

As at 31 December 2017, the notional principal amounts, by residual maturity of Interest rate derivatives were as follows:

Group	Notional Amount €'000	Less than 1 year €'000	Between 1 and 5 years €'000	More than 5 years €'000
Interest Rate Derivatives				
Interest Rate Swaps	650,773	75,000	539,583	36,190
Total Notional of Interest Rate Swaps	**650,773**	**75,000**	**539,583**	**36,190**

Bank	Notional Amount €'000	Less than 1 year €'000	Between 1 and 5 years €'000	More than 5 years €'000
Interest Rate Derivatives				
Interest Rate Swaps	460,200	75,000	385,200	-
Total Notional of Interest Rate Swaps	**460,200**	**75,000**	**385,200**	**-**

22. Derivative Financial Instruments - continued

As at 31 December 2016, the notional principal amounts, by residual maturity, of Interest rate derivatives were as follows:

Group & Bank	Notional Amount €'000	Less than 1 year €'000	Between 1 and 5 years €'000	More than 5 years €'000
Interest Rate Derivatives				
Interest Rate Swaps	400,000	180,000	220,000	-
Total Notional of Interest Rate Swaps	**400,000**	**180,000**	**220,000**	**-**

As at 31 December 2017, the notional principal amounts, by residual maturity, of Foreign exchange derivatives were as follows:

Group	Notional Amount €'000	Less than 1 year €'000	Between 1 year and 5 years €'000	More than 5 years €'000
Foreign Exchange Derivatives				
FX forward derivatives	215,316	102,874	112,442	-
Total Notional of Foreign Exchange Derivatives	**215,316**	**102,874**	**112,442**	**-**

Bank	Notional Amount €'000	Less than 1 year €'000	Between 1 year and 5 years €'000	More than 5 years €'000
Foreign Exchange Derivatives				
FX forward derivatives	215,316	102,874	112,442	-
Total Notional of Foreign Exchange Derivatives	**215,316**	**102,874**	**112,442**	**-**

As at 31 December 2016, the notional principal amounts, by residual maturity, of Foreign exchange derivatives were as follows:

Group & Bank	Notional Amount €'000	Less than 1 year €'000	Between 1 year and 5 years €'000	More than 5 years €'000
Foreign Exchange Derivatives				
FX forward derivatives	240,974	171,002	69,972	-
Total Notional of Foreign Exchange Derivatives	**240,974**	**171,002**	**69,972**	**-**

22. Derivative Financial Instruments - continued

As at 31 December 2017, the notional principal amounts, by residual maturity, of combined Interest rate and foreign exchange derivatives were as follows:

Group	Notional Amount €'000	Less than 1 year €'000	Between 1 year and 5 years €'000	More than 5 years €'000
Interest Rate/Foreign Currency Derivatives				
Cross Currency Swaps	131,034	-	131,034	-
Total Notional of Interest Rate/Foreign Currency Derivatives	**131,034**	**-**	**131,034**	**-**

As at 31 December 2016, the notional principal amounts, by residual maturity, of combined Interest rate and foreign exchange derivatives were as follows:

Group	Notional Amount €'000	Less than 1 year €'000	Between 1 year and 5 years €'000	More than 5 years €'000
Interest Rate/Foreign Currency Derivatives				
Cross Currency Swaps	-	-	-	-
Total Notional of Interest Rate/Foreign Currency Derivatives	**-**	**-**	**-**	**-**

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 2017. 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 exchange and interest rates and quoted ask market prices.

Group	Total Fair value	Level 1	Level 2	Level 3
	€'000	€'000	€'000	€'000
Fair value of Derivative financial instruments				
FX Forward Derivatives	6,159	-	6,159	-
Cross Currency Swaps	3,086	-	3,086	-
Interest Rate Swaps	(175)	-	(175)	-
Fair value of Derivative financial instruments as at 31 December 2017	**9,070**	**-**	**9,070**	**-**

Bank	Total Fair value	Level 1	Level 2	Level 3
	€'000	€'000	€'000	€'000
Fair value of Derivative financial instruments				
FX Forward Derivatives	6,159	-	6,159	-
Cross Currency Swaps	-	-	-	-
Interest Rate Swaps	(243)	-	(243)	-
Fair value of Derivative financial instruments as at 31 December 2017	**5,916**	**-**	**5,916**	**-**

22. Derivative Financial Instruments - continued

Group & Bank	Total Fair value	Level 1	Level 2	Level 3
	€'000	€'000	€'000	€'000
Fair value of Derivative financial instruments				
FX Forward Derivatives	6,072	-	6,072	-
Cross Currency Swaps				
Interest Rate Swaps	(875)	-	(875)	-
Fair value of Derivative financial instruments as at 31 December 2016	**5,197**	**-**	**5,197**	**-**

23. Intangible Assets and Goodwill

Group & Bank	Goodwill	Other Intangible Assets (External Purchase)	Software	Assets under construction	Total
	€'000	€'000	€'000	€'000	€'000
Costs					
Balance at 1 January 2017	13,226	7,121	27,047	-	47,394
Additions / Internally developed	-	-	-	1,036	1,036
Deletions / Disposals	-	-	-	-	-
Transfer					
Balance at 31 December 2017	**13,226**	**7,121**	**27,047**	**1,036**	**48,430**
Accumulated Amortisation					
Balance at 1 January 2017	-	(2,467)	(16,914)	-	(19,381)
Charge for the year	-	(723)	(4,489)	-	(5,212)
Deletions / Disposals	-	-	-	-	-
Balance at 31 December 2017	**-**	**(3,190)**	**(21,403)**	**-**	**(24,593)**
Net book value at 31 December 2017	**13,226**	**3,931**	**5,644**	**1,036**	**23,837**

23. Intangible Assets - continued

Group & Bank	Goodwill	Other Intangible Assets (External Purchase)	Software	Assets under construction	Total
	€'000	€'000	€'000	€'000	€'000
Costs					
Balance at 1 January 2016	13,226	7,121	24,088	2,211	46,646
Additions / Internally developed	-	-	-	748	748
Deletions / Disposals	-	-	-	-	-
Transfer	-	-	2,959	(2,959)	-
Balance at 31 December 2016	**13,226**	**7,121**	**27,047**	**-**	**47,394**
Accumulated Amortisation					
Balance at 1 January 2016	-	(1,745)	(12,259)	-	(14,004)
Charge for the year	-	(722)	(4,655)	-	(5,377)
Deletions / Disposals	-	-	-	-	-
Balance at 31 December 2016	**-**	**(2,467)**	**(16,914)**	**-**	**(19,381)**
Net book value at 31 December 2016	**13,226**	**4,654**	**10,133**	**-**	**28,013**

Intangible assets and goodwill were recognised as a result of the acquisition in 2013.
Goodwill is reviewed annually for impairment, or more frequently when there are indications that impairment may have occurred. In line with IAS 36 Impairment of Assets, we have completed a quantitative goodwill impairment exercise. There was no impairment identified for the financial year ended 31 December 2017. The transfer from assets under construction to software relates to the systems that the Group developed to support its ongoing activities.

24. Property, Plant and Equipment

Group & Bank	Leased Equipment €'000	Computer Equipment €'000	Total €'000
Cost			
Balance at 1 January 2017	41,383	276	41,659
Additions	268	-	268
Additions – own use	-	27	27
Disposal of operating lease equipment	(27,902)	-	(27,902)
Disposal of own use computer equipment	-	(13)	(13)
Balance at 31 December 2017	**13,749**	**290**	**14,039**
Accumulated depreciation			
Balance at 1 January 2017	(37,753)	(255)	(38,008)
Additions – provisions	-	-	-
Charge for the year	(840)	(19)	(859)
Disposal of operating lease equipment	28,162	-	28,162
Disposal of own use computer equipment	-	13	13
Balance at 31 December 2017	**(10,431)**	**(261)**	**(10,692)**
Net book value at 31 December 2017	**3,318**	**29**	**3,347**

During the year the basis of depreciation was reviewed, this resulted in a one-off credit of €5.4m which has been booked in the income statement. This is not expected to recur.

24. Property, Plant and Equipment - continued

Group & Bank	Leased Equipment €'000	Computer Equipment €'000	Total €'000
Cost			
Balance at 1 January 2016	96,258	272	96,530
Additions	3,027	-	3,027
Additions – own use	-	10	10
Disposal of operating lease equipment	(57,902)	-	(57,902)
Disposal of own use computer equipment	-	(6)	(6)
Balance at 31 December 2016	**41,383**	**276**	**41,659**
Accumulated depreciation			
Balance at 1 January 2016	(68,291)	(234)	(68,525)
Additions – provisions	-	-	-
Charge for the year	(21,593)	(26)	(21,619)
Disposal of operating lease equipment	52,131	-	52,131
Disposal of own use computer equipment	-	5	5
Balance at 31 December 2016	**(37,753)**	**(255)**	**(38,008)**
Net book value at 31 December 2016	**3,630**	**21**	**3,651**

Leased equipment cost analysed as follows:

	Year ended 31 December 2017 Group & Bank €'000	Year ended 31 December 2016 Group & Bank €'000
On operating lease for periods:		
- Not later than 1 year	6,028	31,001
- Later than 1 year and not later than 5 years	7,721	10,382
- Later than 5 years	-	-
Total	**13,749**	**41,383**

Future minimum lease payments analysed as follows:

	Year ended 31 December 2017 Group & Bank €'000	Year ended 31 December 2016 Group & Bank €'000
On operating lease for periods:		
- Not later than 1 year	6,072	4,760
- Later than 1 year and not later than 5 years	3,184	2,195
- Later than 5 years	94	210
Total	**9,350**	**7,165**

25. Current Tax Assets

	31 December 2017 Group & Bank €'000	31 December 2016 Group & Bank €'000
Current income tax assets	571	518
Total current income tax assets	**571**	**518**
Current income tax assets:		
- Current tax asset to be recovered within 1 year	571	518
- Current tax asset to be recovered after more than 1 year	-	-

26. Deferred Income Tax Assets

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

	31 December 2017 Group & Bank €'000	31 December 2016 Group & Bank €'000
Opening Balance	10,444	9,453
Income statement charge / (credit) (Note 18)	(813)	991
At 31 December	**9,631**	**10,444**

Deferred income tax assets are attributable to the following items:

	31 December 2017 Group & Bank €'000	31 December 2016 Group & Bank €'000
Tax losses carried forward	7,237	8,637
Temporary differences	2,394	1,807
Total deferred income tax assets	**9,631**	**10,444**
Deferred tax assets to be recovered within 12 months	2,225	-
Deferred tax assets to be recovered after 12 months	7,406	10,444

27. Other Assets

	31 December 2017 Group €'000	31 December 2016 Group €'000
VAT receivable	90,561	55,069
Prepayments	1,581	2,003
Other debtors	9,110	8,316
Total other assets	**101,252**	**65,388**
Other assets are analysed as follows:		
Within 1 year	99,139	65,388
After 1 year	2,113	-
	101,252	**65,388**

	31 December 2017 Bank €'000	31 December 2016 Bank €'000
VAT receivable	90,561	55,069
Prepayments	1,581	2,003
Other debtors	5,501	8,316
Total other assets	**97,643**	**65,388**
Other assets are analysed as follows:		
Within 1 year	96,792	65,388
After 1 year	851	-
	97,643	**65,388**

28. Pension Costs

The pension entitlements of certain employees 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 accruals basis. The cost to the Bank for the year was €0.9m (2016: €0.8m).

The total amount owing to the pension scheme at 31 December 2017 was €nil (2016: €nil).

29. Deposits from Banks

	31 December 2017 Group €'000	31 December 2016 Group €'000
Secured funding	593,774	427,465
Multi-Currency Notional Pool	167,054	42,008
Time deposits	-	13,016
Deposits from Banks	**760,828**	**482,489**

	31 December 2017 Bank €'000	31 December 2016 Bank €'000
Secured funding	263,662	427,465
Multi-Currency Notional Pool	167,054	42,008
Time deposits	-	13,016
Deposits from Banks	**430,716**	**482,489**

With respect to the Bank, Secured funding represents the drawn amount of the collateralised loan facility of €261.2m with external parties; together with €2.4m of cash owing to the SPV. Dell Inc is acting as guarantor for the collateralised loan which is secured by receivables.

With respect to the Group, Secured Funding of €593.8m represents €332.6m relating to the securitised loan facility and €261.2m relating to the collateralised loan facility. The Bank reduced the collateralised loan facility from €600m to €300m in January 2017 and subsequently increased to €400m in December 2017. In January 2017 the Bank entered into a Securitised loan structure for a committed facility of €600m. Dell Inc. is acting as guarantor for this loan. Please also refer to note 40 Events after the Reporting period.

Time deposits are short term contractual deposits from bank counterparties with a maturity of 6 months or less.

The Bank signed a notional pooling agreement in August 2014. The Bank's access to the funds in the notional pool is reliant on cash being made available by other Dell entities to support the drawdown within the facility. Dell Bank has access to draw funds from the pool but will not contribute to the pool.

30. Other Liabilities

	31 December 2017 Group & Bank €'000	31 December 2016 Group & Bank €'000
Accounts payable	153,046	105,287
Creditors and accruals	2,335	2,726
Income tax deducted under PAYE/PRSI	284	994
Value added tax	10	(10)
Deferred income	27,887	18,587
Total other liabilities	**183,562**	**127,584**
Other liabilities (excluding deferred Income) are analysed as follows:		
Within 1 year	155,675	108,997
After 1 year	-	-
Total other liabilities (excluding deferred Income)	**155,675**	**108,997**

31. Subordinated Liabilities

Group & Bank	Reference rate	Maturity	31-Dec-17
			€'000
Subordinated Loan	3mth Euro Libor	June 2023	65,000
Accrued interest payable			65
Total Subordinated Liabilities			**65,065**

Group & Bank	Reference rate	Maturity	31-Dec-16
			€'000
Subordinated Loan	3mth Euro Libor	June 2023	65,000
Accrued interest payable			67
Total Subordinated Liabilities			**65,067**

The subordinated loan interest rate Euro LIBOR plus 280 Bps. The Bank's dated subordinated notes are repayable in 2023 in full. The Bank has not had any defaults of principal, interest or other breaches with respect to their liabilities during the year. The loan is subordinated to other debt held. The Bank's subordinated debt is issued to DGBV, the parent company of DFS BV.

32. Equity and Reserves

	31 December 2017 Group €'000	31 December 2016 Group €'000
Share capital	50,000	50,000
Capital contribution	342,500	317,500
Other reserves	-	-
Retained Earnings	(66,447)	(71,963)
Total equity reserve	**326,053**	**295,537**

	31 December 2017 Bank €'000	31 December 2016 Bank €'000
Share capital	50,000	50,000
Capital contribution	342,500	317,500
Other reserves	-	-
Retained Earnings	(66,448)	(71,963)
Total equity reserve	**326,052**	**295,537**

Share capital

The Group has authorised ordinary share capital of 50,000,001 shares (2016: 50,000,001 shares) at a value 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 recevied by the Bank from its parent company were in the form of cash and are fully distributable.

The parent entity of Bank has made an additional cash capital contribution of €25m in November 2017 (2016: €100m).

The Bank did not declare a dividend on its share capital during the year (2016: nil).

33. Contingent Liabilities and Commitments

Contingent liabilities

The Bank has appealed an assessment from a tax authority in one jurisdiction within which the Bank operates. The Bank considers that it has a robust position in relation to the matter, the outcome of which is currently uncertain. The Bank's maximum exposure in relation to this matter is €1m.

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

	31 December 2017 Group & Bank €'000	31 December 2016 Group & Bank €'000
Residual value guarantees	2,080	1,603
	2,080	**1,603**
Not later than 1 year	1,007	535
Later than 1 year and not later than 5 years	1,073	1,068
Later than 5 years	-	-

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

Commitments

The Group had off balance sheet financial commitments to customers as well as maintenance fees associated with the regulatory reporting software as follows:

	31 December 2017 Group & Bank €'000	31 December 2016 Group & Bank €'000
Lease funding commitments	149,329	100,786
Other commitments	-	-
	149,329	**100,786**
Not later than 1 year	149,329	100,786
Later than 1 year and not later than 5 years	-	-
Later than 5 years	-	-

34. Changes in liabilities arising from financing activities

As at year ended 31 December 2017 - Group

	Subordinated Liabilities	Collateralised Loan	Securitised Loan	Intercompany Loan	Total	Interest on Subordinated Liabilities	Interest on Collateralised Liabilities	Interest on Securitised Liabilities	Interest on Intercompany Loan	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
At 1 January 2017	(65,000)	(427,000)	-	(80,000)	(572,000)	(67)	(447)	-	(6)	(520)
Cash flows										
Drawdowns on debt facilities	-	(108,000)	(484,300)	(205,000)	(797,300)	-	-	-	-	-
Repayment of Debt liabilities	-	274,000	151,848	115,000	540,848	-	-	-	-	-
Interest paid on liabilities	-	-	-	-	-	1,610	5,899	3,041	897	11,447
Non-cash changes										
Charge to income statement	-	-	-	-	-	(1,608)	(5,683)	(3,108)	(914)	(11,313)
At 31 December 2017	**(65,000)**	**(261,000)**	**(332,452)**	**(170,000)**	**(828,452)**	**(65)**	**(231)**	**(67)**	**(23)**	**(386)**

34. Changes in liabilities arising from financing activities - continued

As at year ended 31 December 2017 - Bank

	Subordinated Liabilities €'000	Collateralised Loan €'000	Intercompany Loan €'000	Total €'000	Interest on Subordinated Liabilities €'000	Interest on Collateralised Liabilities €'000	Interest on Intercompany Loan €'000	Total €'000
At 1 January 2017	(65,000)	(427,000)	(80,000)	(572,000)	(67)	(447)	(6)	(520)
Cash flows								
Drawdowns on debt facilities	-	(108,000)	(517,747)	(625,747)	-	-	-	-
Repayment of Debt liabilities	-	274,000	115,000	389,000	-	-	-	-
Interest paid on liabilities	-	-	-	-	1,610	5,900	897	8,407
Non-cash changes								
Charge to income statement	-	-	-	-	(1,608)	(5,683)	(914)	(8,205)
At 31 December 2017	**(65,000)**	**(261,000)**	**(482,747)**	**(808,747)**	**(65)**	**(230)**	**(23)**	**(318)**

34. Changes in liabilities arising from financing activities - continued

As at year ended 31 December 2016 – Group & Bank

	Subordinated Liabilities €'000	Collateralised Loan €'000	Intercompany Loan €'000	Total €'000	Interest on Subordinated Liabilities €'000	Interest on Collateralised Liabilities €'000	Interest on Intercompany Loan €'000	Total €'000
At 1 January 2016	(65,000)	(389,500)	(145,000)	(599,500)	(72)	(697)	(15)	(784)
Cash flows								
Drawdowns on debt facilities	-	(37,500)	(40,000)	(77,500)	-	-	-	-
Repayment of Debt liabilities	-	-	105,000	105,000	-	-	-	-
Interest paid on liabilities	-	-	-	-	1,687	8,581	769	11,037
Non-cash changes								
Charge to income statement	-	-	-	-	(1,682)	(8,331)	(760)	(10,773)
At 31 December 2016	**(65,000)**	**(427,000)**	**(80,000)**	**(572,000)**	**(67)**	**(447)**	**(6)**	**(520)**

The 2016 'financing activities' cash flows in the consolidated statement of cash flows have been amended to include the collateralised loan cash flows (previously included in movements in deposits from banks within 'operating activities') to be consistent with the current year presentation of 'financing activities' per the tables above.

35. Immediate and Ultimate Parent Undertaking

The Bank'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 Bank's ultimate parent undertaking is Dell Technologies Inc., a private 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. Related party transactions are on terms equivalent to arm's length transactions.

a) Loans and advances to related parties

	31 December 2017 Group & Bank €'000	31 December 2016 Group & Bank €'000
Loans outstanding at 1 January	-	-
Loans issued during the year	-	-
Loan repayments during the year	-	-
Loans outstanding at 31 December	**-**	**-**

b) Loans from related parties

<u>Loan Facility</u>

	31 December 2017 Group €'000	31 December 2016 Group €'000
Loans outstanding at 1 January	80,005	145,014
Loans issued during the year	205,000	40,000
Loan repayments during the year	(114,982)	(105,009)
Loans outstanding at 31 December	**170,023**	**80,005**
Interest expense paid	**1,082**	**988**

	31 December 2017 Bank €'000	31 December 2016 Bank €'000
Loans outstanding at 1 January	80,005	145,014
Loans issued during the year	517,747	40,000
Loan repayments during the year	(114,983)	(105,009)
	482,769	**80,005**
Interest expense paid	**1,082**	**988**

36. Related party transactions - continued

The Bank initially received long term borrowings from an affiliate, Dell Global BV of €250m during the year 2013. The Bank has borrowed an additional of €205m (2016: €40m) during the current year. The Bank has also repaid €115m during the year (2016: €105m). All interest expense paid is in respect of long term borrowings. An amendment to the revolving term loan agreement agreed on 10 June 2015 provided for an increase in available credit from €300m to €350m and this is the current total available credit. In addition there is €150m of contingency to borrow on this facility. On 26 December 2017 the fixed element of interest charged on the loan was increased to 1.30% from 0.85%. Based on the most recent addendum, the current maturity date of the facility is 27 September 2019; being 732 days hence.

Subordinated Debt

The subordinated loan entered into June 2013 bears interest at rates fixed in advance for periods of three months. The Bank's dated subordinated notes are repayable in 2023 in full. The Bank has not had any defaults of principal, interest or other breaches with respect to their liabilities during the year. The loan is subordinated to other debt held. The Bank's subordinated debt is issued by DGBV, a subsidiary of Dell Technologies. The fixed element of interest charged on the loan is 2.80% (Note 31).

Other

The Bank 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 Bank's behalf, allocation charges for facilities and other operating costs, inclusive of an arm's length mark up. All amounts are interest free to the extent that settlements are made on time.

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

	31 December 2017 Group €'000	31 December 2016 Group €'000
Recharges outstanding at 1 January	4,026	(11,133)
Purchases of equipment	569,583	201,589
Recharges during the year (Other)	(5,087)	4,026
Payments during the year	(573,609)	(190,456)
Balances outstanding at 31 December	**(5,087)**	**4,026**
Loans outstanding at 31 December	**164,936**	**84,031**

	31 December 2017 Bank €'000	31 December 2016 Bank €'000
Recharges outstanding at 1 January	4,026	(11,133)
Purchases of equipment	569,583	201,589
Recharges during the year (Other)	(6,136)	4,026
Payments during the year	(573,609)	(190,456)
Balances outstanding at 31 December	**(6,136)**	**4,026**
Loans outstanding at 31 December	**476,635**	**84,031**

36. Related party transactions - continued

c) Transaction 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 or companies controlled by key management personnel. 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.

	31 December 2017 Group €'000	31 December 2016 Group €'000
Salaries and other short term employee benefits	4,397	4,511
Directors fees	275	239
Post-employment benefits	102	107
Termination benefits	-	90
Total key management compensation	**4,774**	**4,947**

For the purposes of IAS 24: Related Party Disclosures, key management personnel of 17 (2016:18) comprise the Directors and other key management of the Bank.

36. Related party transactions - continued

d) 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. 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:

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.

Financial assets and financial liabilities recognised and subsequently measured at fair value.

Derivative financial instruments

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

Financial assets and liabilities held at amortised cost

For financial assets and financial liabilities which are not subsequently measured at fair value in the statement of financial position, the Group discloses their fair value in a way that permits them to be compared to their carrying amounts.

Cash and Balances at Central Banks

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

Loans and Advances

Loans and advances to banks and loans and advances to customers are carried net of provisions for impairment. Loans and advances are initially recognised at fair value, which is the cash consideration to originate or purchase the loan including any transaction costs and subsequently measured at amortised cost using the effective interest rate method. The estimated fair value of money market placements and operating cash is the amount repayable on demand.The fair value assessment excludes leasing transactions as per IAS 17. For the purposes of this disclosure, the fair value is deemed to be equivalent of the carrying value.

37. Fair Values of Assets and Liabilities - continued

Subordinated Liabilities

The subordinated debt is recorded at level 2, as the observable input is 3 month Euro Libor adjusted for relevant credit default swap prices.

The fair value of the subordinated debt has been calculated using the appropriate reference rate at the balance sheet date.

Amounts due to Fellow Subsidiaries

The Intercompany Loan is recorded at level 2, as the observable input is 3 month Euro Libor adjusted for relevant credit default swap prices. The remaining balance is also recorded at level 2, as there are no unobservable inputs.

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2017 and 2016.

See Note 22 for further information on the disclosures of derivatives that are measured at 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 values approximate to their respective fair values.

The following table sets out the carrying amount and fair value assessment of the financial assets and liabilities at 31 December 2017:

Group	Carrying amount in statement of financial position			Fair value hierarchy			
	At fair value €'000	At amortised cost €'000	Total €'000	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Financial assets measured at fair value							
Derivative financial instruments							
Exchange rate derivatives	7,378	-	7,378	-	7,378	-	7,378
Interest rate derivatives	3,597	-	3,597	-	3,597	-	3,597
Cross currency swap derivatives	25	-	25	-	25	-	25
Financial assets not measured at fair value							
Cash and balances at central banks	-	39,974	39,974	39,974	-	-	39,974
Loans and advances to banks *	-	2,524	2,524	-	2,524	-	2,524
Loans and advances to customers *	-	312,285	312,285	-	312,285	-	312,285
	11,000	**354,783**	**365,783**	**39,974**	**325,809**	**-**	**365,783**
Financial liabilities measured at fair value							
Derivative financial instruments							
Exchange rate derivatives	1,219	-	1,219	-	1,219	-	1,219
Interest rate derivatives	511	-	511	-	511	-	511
Cross currency swap derivatives	200	-	200	-	200	-	200
Financial liabilities not measured at fair value							
Deposits by banks	-	760,828	760,828	-	760,828	-	760,828
Subordinated liabilities	-	65,065	65,065	-	65,065	-	65,065
Amounts due to fellow subsidiaries	-	164,936	164,936	-	164,936	-	164,936
	1,930	**990,829**	**992,759**	**-**	**992,759**	**-**	**992,759**

* Excludes leasing transactions within the scope of IAS 17 leases

Bank	Carrying amount in statement of financial position			Fair value hierarchy			
	At fair value	At amortised cost	Total	Level 1	Level 2	Level 3	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Financial assets measured at fair value							
Derivative financial instruments							
Exchange rate derivatives	7,378	-	7,378	-	7,378	-	7,378
Interest rate derivatives	18	-	18	-	18	-	18
Cross currency swap derivatives	-	-	-	-	-	-	-
Financial assets not measured at fair value							
Cash and balances at central banks	-	39,974	39,974	39,974	-	-	39,974
Loans and advances to banks *	-	2,524	2,524	-	2,524	-	2,524
Loans and advances to customers *	-	312,285	312,285	-	312,285	-	312,285
	7,396	**354,783**	**362,179**	**39,974**	**322,205**	**-**	**362,179**
Financial liabilities measured at fair value							
Derivative financial instruments							
Exchange rate derivatives	1,219	-	1,219	-	1,219	-	1,219
Interest rate derivatives	261	-	261	-	261	-	261
Cross currency swap derivatives	-	-	-	-	-	-	-
Financial liabilities not measured at fair value							
Deposits by banks	-	430,716	430,716	-	430,716	-	430,716
Subordinated liabilities	-	65,065	65,065	-	65,065	-	65,065
Amounts due to fellow subsidiaries	-	476,635	476,635	-	476,635	-	476,635
	1,480	**972,416**	**973,896**	**-**	**973,896**	**-**	**973,896**

The following table sets out the carrying amount and fair value assessment of the financial assets and liabilities at 31 December 2016:

Group & Bank	Carrying amount in statement of financial position			Fair value hierarchy			
	At fair value	At amortised cost	Total	Level 1	Level 2	Level 3	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Financial assets measured at fair value							
Derivative financial instruments							
Exchange rate derivatives	11,671	-	11,671	-	11,671	-	11,671
Interest rate derivatives	61	-	61	-	61	-	61
Financial assets not measured at fair value							
Cash and balances at central banks	-	40,151	40,151	40,151	-	-	40,151
Loans and advances to banks *	-	1,018	1,018	-	1,018	-	1,018
Loans and advances to customers *	-	145,711	145,711	-	145,711	-	145,711
	11,732	**186,880**	**198,612**	**40,151**	**158,461**	**-**	**198,612**
Financial liabilities measured at fair value							
Derivative financial instruments							
Exchange rate derivatives	5,599	-	5,599	-	5,599	-	5,599
Interest rate derivatives	936	-	936	-	936	-	936
Financial liabilities not measured at fair value							
Deposits by banks	-	482,489	482,489	-	482,489	-	482,489
Subordinated liabilities	-	65,067	65,067	-	65,104	-	65,104
Amounts due to fellow subsidiaries	-	84,031	84,031	-	84,031	-	84,031
	6,535	**631,587**	**638,122**	**-**	**638,159**	**-**	**638,159**

* Excludes leasing transactions within the scope of IAS 17 leases

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 2017:

	31-Dec-17 Gross Amount Presented in Statement of Financial Position **Group & Bank** **€'000**	**31-Dec-17** Net Amount with Offsetting applied **Group & Bank** **€'000**
Financial Assets		
Derivatives with Positive Fair Value	11,000	9,070
Total	**11,000**	**9,070**
Financial Liabilities		
Derivatives with Negative Fair Value	(1,930)	-
Total	**(1,930)**	**-**
Total	**9,070**	**9,070**

	31-Dec-16 Gross Amount Presented in Statement of Financial Position **Group & Bank** **€'000**	**31-Dec-16** Net Amount with Offsetting applied **Group & Bank** **€'000**
Financial Assets		
Derivatives with Positive Fair Value	11,732	5,197
Total	**11,732**	**5,197**
Financial Liabilities		
Derivatives with Negative Fair Value	(6,535)	-
Total	**(6,535)**	**-**
Total	**5,197**	**5,197**

39. Special Purpose Vehicle Accounting

Dell Receivables Financing 2016 Designated Activity Company (d.a.c.) (the "SPV"), was incorporated on 9 September 2016 as part of a securitisation structure. On 13 January 2017 the Bank completed a securitisation transaction, with an initial drawdown date of 20 January 2017. The Bank has retained control of the receivables and therefore these assets are not derecognised and remain on the Bank's Statement of Financial Position. Amounts due to fellow subsidiaries 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 29.

40. Events after the Reporting period

On 15 February 2018, the intercompany loan facility was increased from €350m to €400m. On 21 February 2018, a €25m capital contribution was provided by DFS BV to the Bank.

41. Profit of Reporting Entity

In accordance with section 304 of Companies Act 2014, the Bank has availed of the exemption from filing its income statement with the Registrar of Companies. The Bank's profit after tax for the year ended 31 December 2017, determined in accordance with IFRS, is €5.5m (2016: Loss €4.7m).

42. Approval of Financial Statements

The financial statements were approved by the Board of Directors on 28 March 2018.