Annual Report and Financial Statements

For the year ended 31 December 2018

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

Contents

Directors and Other Information

Board of Directors at 27 March 2019

William Wavro (American)	Chairman
Dan Twomey (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

Lisa Doyle

Registered Office

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Cherrywood
Dublin 18

Registered Number

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Bankers

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6 Bishopsgate
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England

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

Solicitors

Arthur Cox
Ten Earlsfort Terrace
Dublin 2

Auditors

PricewaterhouseCoopers
One Spencer Dock
North Wall Quay
Dublin 1

Introduction

I am pleased to report on a highly successful year for Dell Bank International Designated Activity Company (the "Bank" or DBI). 2018 saw DBI deliver a strong financial performance, achieving annual profit after tax of €19.5m, driven by €1.5bn of new business and a growth in its assets to €1.8bn. The Bank's continued growth in scale and profitability over the last twelve months is testament to its cohesive and customer focused team. *William Wavro, Chairman*

Dell Technologies

In this age of digital transformation, the world is in the early stages of a significant technology-led investment cycle. In this environment, Dell Technologies continues to provide the essential infrastructure for organisations to build their digital future, transform IT and protect their most important asset, information.

The Bank continues to support Dell Technologies through its cutting-edge flexible consumption and 'as a service' models which provide our customers with best-in-class financing solutions.

Business Performance

As the Bank celebrated its 5th anniversary since its establishment in June 2013 it has achieved its most successful year to date and continues to deliver strong but controlled growth and performance. Its growth in new business through deepening customer relationships, innovative new products and expanded markets has led to its annual profit after tax increasing to €19.5m compared to €5.5m in the previous year. This growth has been underpinned by winning business the right way and this is reflected in strong customer and employee net promoter scores.

The UK's decision to leave the European Union ("Brexit") remains a point of focus. We continue to monitor closely the impact Brexit could have on the UK and wider EU economies and, most significantly, on the Bank and our customers. Overall, the Bank does not envisage any material change in its operations or business model arising from Brexit and customer demand and portfolio performance in our core European markets continued to thrive during the year.

Our Customers

Our customers are at the heart of what we do. The Bank continues to evolve in line with the needs of our customers whether they be partners, value added resellers or end customers. Flexibility and innovation are at the core of the Bank's value proposition. We take pride in providing our customers with end-to-end financing tailored to their business needs.

Our Team Members

I want to extend my gratitude to all our team members, led by our customer-focussed and cohesive senior management team, for their unwavering professionalism and commitment to our customers, our business and our wider community. It comes as a great source of pride and confidence for the Board that we continue to see our team members conduct themselves by living our Culture Code which is the foundation of our values, behaviours and leadership principles. This results in a collaborative and energised team that is focussed on serving and delivering on our evolving customer needs as evidenced by the success of the Bank this year.

I would like to thank the non-executive Directors, who provide strategic guidance, considered opinion and robust challenge throughout the year. With sadness, on behalf of the Board, I wish to extend our deepest gratitude to our friend and Managing Director, Cormac Costelloe, who passed away during the year. He was the driving force behind the creation of the Bank and his leadership along with our team members' hard work helped create the thriving business that makes up the Bank today.

Chairman's Report - continued

Dan Twomey was appointed as Managing Director in February 2019. He brings more than 20 years of broad-based Dell Technologies experience to his new position. I am confident that his extensive career within the wider Dell organisation will bring continued success to the business.

Regulation

Regulatory compliance and corporate governance are key areas for the successful operation of the Bank. Strong Corporate Governance is central to enabling the Board to meet challenges and avail of opportunities in a landscape of continual change. The Bank is well capitalised and funded and we will continue to ensure that we are well placed to meet regulatory capital and liquidity requirements and that we engage professionally and constructively with all our regulators.

Outlook

We are keen to build on the successes of 2018 and with the continued leadership of our senior management team and the unwavering commitment of our team members I am confident that we will continue to provide best-in-class financing solutions to our customers and to deliver on our strategic plans.

Background
The Bank's immediate parent undertaking is DFS BV, a Company incorporated in the Netherlands and the Bank's ultimate parent undertaking is Dell Technologies Inc. a public company incorporated in the United States of America. On 28 December 2018, Dell Technologies returned to being publicly traded on the New York Stock Exchange (NYSE) under trading symbol "DELL" by completing an exchange of all outstanding shares of its Class V Common Stock for a combination of cash and shares of Class C Common Stock.

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").

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 is not required to comply with the additional Corporate Governance Code requirements for High Impact designated institutions.

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.

Strategic Developments
In November 2018 Dell Bank signed amendments to both the collateralised loan facility and securitisation structure in order to accommodate expected growth in receivables in the next two years. The collateralised loan facility was increased by €200m to €600m and the Securitised loan facility increased by €200m to €800m. Legal provisions were also included in both facilities to protect Dell Bank from any potential consequences of Brexit

Business Review

The Consolidated Statement of Comprehensive Income and the Statements of Financial Position, Cash Flows and Changes in Equity of the Group and the Bank are shown on pages 32 to 38. The below table presents the summary results of the Group:

Year ended 31 December	2018	2017	Variance	
In Millions of Euro				
Interest income [1]	68.6	51.6	17.0	33%
Interest expense	(12.5)	(11.5)	(1.0)	9%
Net interest income	**56.1**	**40.1**	**16.0**	**40%**
Other operating income	19.3	17.9	1.4	7%
Total income	**75.4**	**58.0**	**17.4**	**30%**
Net FX and derivative expense[2]	**(8.7)**	**(4.4)**	**(4.3)**	**98%**
Personnel expenses	(20.3)	(17.1)	(3.2)	19%
General expenses	(8.8)	(6.7)	(2.1)	31%
Depreciation expenses	(5.4)	(6.1)	0.7	-11%
Other operating expenses [3]	(6.3)	(9.0)	2.7	-30%
Total operating expenses [4]	**(40.8)**	**(38.9)**	**(1.9)**	**5%**
Impairment charges	(2.7)	(7.4)	4.7	-6.3%
Profit before taxation	**23.2**	**7.3**	**15.9**	**218%**
Income tax charge	(3.7)	(1.8)	(1.9)	106%
Profit for the year	**19.5**	**5.5**	**14.0**	**255%**

[1] 2018 Interest income reflects "Interest Income calculated using effective interest method and interest receivable and similar income" per the statement of comprehensive income.

[2] 2018 Net FX and derivative expense (including interest rate expense) comprises "Net Trading Income" per the statement of comprehensive expense of €10.9m (2017: €13.2m) together with foreign exchange gains of €2.2m (2017: 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.

[3] Other operating expenses excludes FX revaluation.

[4] Total operating expenses excludes FX revaluation.

The Group recorded a profit before taxation of €23.2m in 2018 (2017: profit of €7.3m). After an income tax charge of €3.7m (2017: tax charge of €1.8m), a profit of €19.5m (2017: profit of €5.5m) was transferred to reserves.

Net interest income for the year was €56.1m compared to €40.1m in 2017. Interest income for the year is €68.6m compared to €51.6m in 2017, up €17.0m or 33%, driven by strong growth in originations of €1,525m in 2018 (2017: €1,163m).

Interest expense for the year was €12.5m compared to €11.5m in 2017, up €1.0m or 9%, primarily driven by increased borrowings.

Other operating income for the year was €19.3m compared to €17.9m in 2017. This increase of €1.4m or 7% is driven by an increase in syndication income as a result of sales of receivables. This is offset by lower Operating lease rental income due to the run off of the portfolio of Operating leases.

The Net FX and derivative expense for the year was €8.7m (2017: €4.4m) marking an increase of €4.3m or 98% year on year. The charge for the year is largely driven by interest rate and cross currency swap expense of €4.1m (2017: €2.5m) and €3.3m of net foreign exchange trading and revaluation expense (2017: €1.9m). Mark to market on interest rate swaps ("IRS") was €1.3m of expense for the year (2017: Nil).

As per the table above, Total operating expenses for the year are €40.8m compared to €38.9m in 2017, up €1.9m or 5%. This increase is driven primarily by €3.2m higher personnel expenses and partially offset by lower consultancy fees.

The loan impairment charge for loans and advances to customers for the year ended 31 December 2018 is €2.7m (2017: €7.4m). The total provision balance has increased to €13.9m (2017: €9.7m) which represents 1% of total loans and advances to customers (2017: 0.6%).

The transition of the Bank's impairment model from an incurred loss model under IAS 39 to the new expected credit loss model under IFRS 9 resulted in an increase in impairment on 1 January 2018 of €4.6m after tax.

Year ended 31 December	2018	2017	Variance	
In Millions of Euro				
Total assets	1,818	1,502	316	21%
Liabilities	1,402	1,176	226	19%
Equity	416	326	90	27%
Total liabilities and equity	**1,818**	**1,502**	**316**	**21%**

As shown in the above table the Group has continued to grow its asset base during the year.

Total liabilities and equity have increased by €316m year on year. In addition, as part of the Group's funding strategy a capital contribution of €75m was received from DFS BV in 2018.

The Group adopted IFRS 9 'Financial Instruments' (IFRS 9) on 10 January 2018. The Group definition of credit impaired financial assets includes those when its contractual payments are 90 days past due. The delinquency status of an exposure drives a large proportion of the transfers to Stage 2 and Stage 3, with the 90 days past due criteria being a crucial element of the Bank's definition of default. However, within the Bank, delinquency is not primarily a measure of a customer's ability to repay. Delinquency does not necessarily indicate an underlying credit issue but mainly relates to administrative issues concerning the customer's timeliness of payment. As a result, administrative delinquency issues tend to inflate Stage 2, Stage 3 & POCI populations.

The table below shows a modified view of the Groups exposure by IFRS 9 staging when the delinquency status of the current portfolio as at 31 December 2018 is modified to reflect these administrative issues (ie show these exposures in administrative delinquency as being in Stage 1). For further detail on the adoption of IFRS 9 see note 1.

Administrative Deliquencies: IFRS9 v internal reporting

	Reported under IFRS9	Internal reporting*	Variance
In Millions of Euro			
Stage 1	1,175.1	1,336.3	(161.2)
Stage 2	141.4	124.1	17.3
Stage 3/POCI	150.7	6.8	143.9
Gross Lending	**1,467.2**	**1467.2**	**0.0**
ECL	(13.9)	(13.9)	0.0
Net Lending	**1,453.3**	**1,453.3**	**0.0**

*The internal reporting view shows administrative delinquencies in Stage 1

Directors' Report

The Directors present herewith their report together with the audited consolidated financial statements for the year ended 31 December 2018.

Business Review

The Group made a net profit after tax of €19.5m in 2018 (2017: a net profit after tax of €5.5m). 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 pages 13 to 24.

Directors and Secretary

The names of the persons who were Directors and Secretary at any time during the year ended 31 December 2018 and to date are listed below. Unless otherwise indicated they served as Directors for the entire year.

Directors

William Wavro
Cormac Costelloe (ceased to be a director following his death on 18 August 2018)
Dan Twomey (appointed 25 February 2019)
Hugh O'Donnell
Donal Courtney
Frank O'Riordan
Roisin Brennan
Tyler Johnson
Don Berman

Secretary

Kate Brennan (resigned 18 February 2019)
Lisa Doyle (appointed 18 February 2019)

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

There were no events after the reporting year.

Political donations

No political donations were made by the Group during the year to 31 December 2018.

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 2018 by the CBI.

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 2018 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 accounting and regulatory requirements such as IFRS 16 and CRD V.

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 2018.

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 27 March 2019.

On behalf of the Board of Directors:

Director
Hugh O'Donnell
27 March 2019

Director
Tyler Johnson
27 March 2019

Director
Donal Courtney
27 March 2019

The Bank strives to make a positive social and environmental impact – building a 'Legacy of Good'. The 'Legacy of Good' commitment is an ambitious, long-term set of goals that fundamentally shape how the Bank operates and engages with the world. The Bank is committed to putting technology and expertise to work, where it can do the most good for people and the planet. The Bank's approach to corporate social responsibility (CSR) operates under four key pillars:

- Community
- People
- Workplace
- Environment

Community

The Bank encourages and supports all staff to participate in volunteering opportunities. Examples of the Bank's commitment to the wider community in 2018 included collaborating with the Special Olympics Ireland National Games and participation in the Dublin Pride parade.

In 2018 the Bank indicated its commitment to the community by contributing:

- 4,532 volunteer hours by staff
- 876 charities impacted (including our partner charity – Barnardos)
- Involvement in 1,614 events
- 90% staff participation rate with an average of 14 hours per staff member.

These activities help build a community spirit for team members and become a stronger presence in our local community.

People

The Bank invests in and values people. The Bank places a great emphasis on education for its employees. Educational support and training is available for all employees to benefit from. A number of graduate programs which include rotations between departments and offices are also available to employees.

Employee Resource Groups (ERGs) contribute to the Bank's 'One Team, One Vision, One Plan' policy. Examples of the ERGs and their aims are as follows:

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

Workplace

People are key to the Bank's success. The Bank continually works to ensure that the culture and environment support people in the best way possible. A positive culture and environment will result in the following key aims being achieved:

- Delight Customers
- Inspire team members
- Win financially
- Grow the business

The Bank values equality legislation which promotes full equality of opportunity in all areas and complies with the provisions of the Employment Equality Acts 1998 to 2015 and the Equal Status Acts 2000 to 2015.

Environment

The Bank aims to make technology more sustainable for customers. The circular economy is a viable and scalable growth model that can radically improve resource productivity. A smarter use of resources is at the heart of the circular model, challenging vendors to find new ways to reuse, remanufacture and recycle materials. The circular economy framework provides a comprehensive, unified approach to environmental footprint reduction. The approach drives more effective use of energy and materials and enables customers to manage their technology assets in a secure, compliant, and environmentally responsible manner.

Re-usage saves valuable resources and reduces landfill and carbon emissions. The Bank promotes the reuse of technology assets which ultimately leads to a reduced carbon footprint. Typically returned devices are either sold through a UK e-commerce site or through the Dell network of wholesalers. Extending the product lifetime is key for the circular economy and something that the Bank is planning on expanding.

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, and do not cause financial loss exceeding Risk Appetite tolerances.

The Board, as supported by Senior Management, is responsible for setting the Group's Risk Appetite and risk tolerance at a level which is commensurate with its business plan, the expectations and requirements of its parent and the CBI. 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 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.

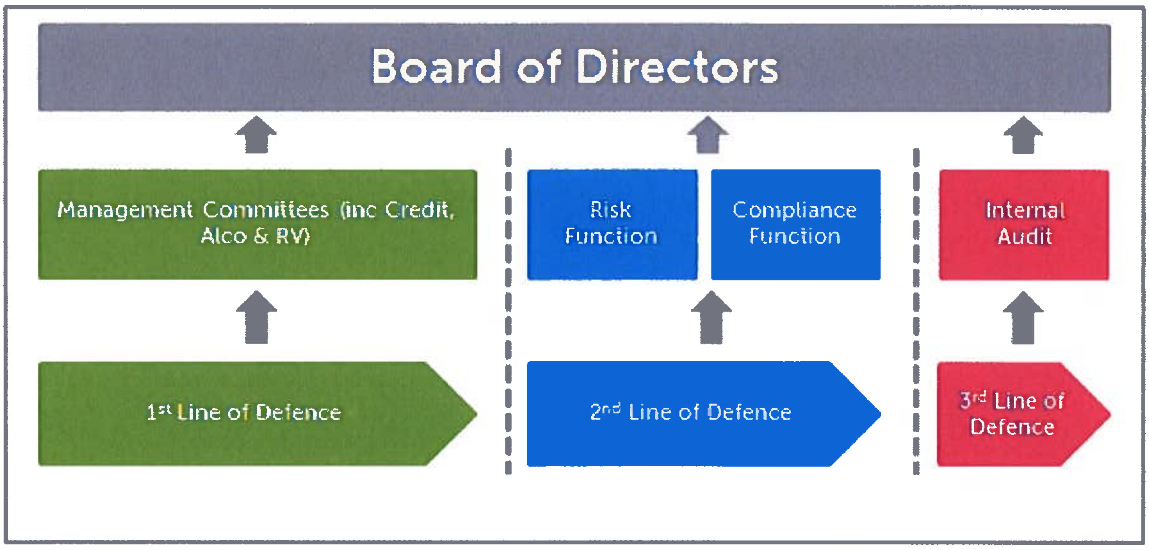
Risk Management Report - continued

Risk Governance

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

- A documented Board Charter which sets out the matters reserved for the Board and through a Delegated Authority Matrix, matters it has delegated to Board Sub Committees and to Management
- Terms of References for all Board Committees* which set out the decision making authorities and responsibilities of each Committee;
- Management Committee Terms of References which set out the responsibilities and reporting lines for each of the management committees.
- The Head of Internal Audit reports to the Audit 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 diagram 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 CBI and European Banking Authority requirements. This includes identifying categories of staff with material risk-taking responsibilities and ensuring that fully compliant variable remuneration structures are in place. The Remuneration and Nomination Committee has oversight for recruitment of suitable candidates to fill the Board and Senior Management vacancies. The Remuneration and Nomination Committee is also responsible for reviewing and approving performance-based remuneration in accordance with regulatory requirements.

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 (for example: derivatives) and commercial credit. The responsibilities of the Credit Committee include establishing and developing the Credit Policy and recommending it to the Risk Committee for approval; implementing the credit authorities' matrix, manual grading/rating methodologies and automated scoring thresholds.

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

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

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, specific committees are 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 indirectly 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"). All manual credit decisions are on a case by case basis using a range of quantitative and qualitative factors that are suitable and applicable to the assessment. This methodology is used in both the original underwriting decisions and as part of the on-going risk management of the portfolio.

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

The Group uses a sixteen point scale in assigning PD grades of customers. This PD grade scale is referenced to externally available customer ratings. The grades provide an estimate of a customer's Probability of Default within a 12 month horizon. Quantitative and qualitative measures are used to develop a PD grade. The probability of default will increase proportionally as the grade increases. The Group uses a Loss Given Default ("LGD") which expresses the loss on a facility as a proportion of exposure. Quantitative and qualitative measures are used to inform the LGD grade. The percentage of exposure lost given a default scenario increases as the LGD grade increases. An analysis of the Group's Financial Assets by PD grade as at 31 December 2018 is set out in Note 5 of the financial statements.

b. Credit Risk Mitigation

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. An analysis of the Group Financial Leased Assets by geographic segment is set out in Note 5 of the financial statements.

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

c. Credit Risk Impairment and Provisioning Policies

On 1 January 2018, IFRS 9 Financial Instruments replaced IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes a revised classification and measurement model and a forward looking expected credit loss ("ECL") impairment methodology. The Group's approach to internal credit rating models and rating systems is unchanged and is set out below in section 4.

ECLs are calculated through the impairment model which allocates financial instruments to stage 1, 2, 3 and POCI (Purchased or Originated Credit- impaired) and measure the appropriate 12 month or lifetime ECL.

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

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 foreign currency risk, interest rate 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 to minimise the Group's exposure to potentially unpredictable market movements.

a. Foreign exchange risk

Foreign exchange risk is a financial risk caused by an exposure to changes in the exchange rates between two currencies. The Group is a Euro denominated entity but engages in leasing business throughout the European Economic Area ("EEA") 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 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 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 5 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 5 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 assets 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 that the exposure is optimally managed. 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.

Further analysis of the Group's Interest Rate Risk positions is detailed in Note 5 of the financial statements.

5. Funding & Liquidity Risk *(audited)*

Effective liquidity risk management is central to the building of a strong and solid balance sheet and is a key pillar in the Group's core strategy. Liquidity risk is the risk that the Group is unable to meet its on and off balance sheet obligations when they fall due without incurring significant costs. Liquidity risk is highly dependent on the Group's balance sheet characteristics such as the maturity profile of the assets and liabilities, the quality of its liquidity buffer, broader market conditions and access to sufficient market funding.

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

The Group's assets are comprised primarily of lease and loan obligations. These loans have short to medium term contractual repayment profiles (typically 3 year amortisation schedules) although the credit agreements allow the lessee in general to prepay early. In aggregate, such a pool of assets will have a reasonably predictable repayment profile, though one that 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 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 certain liquidity scenarios to the ALCO members on a weekly basis. The liquidity position, compliance and policy are further monitored by the Risk Management function.

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

The Group sources funds from five principal sources:

- 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 is detailed in Note 5 of the financial statemen

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
Where relevant, the Bank continues to enter into Credit Support Annexes ("CSAs") with its derivative counterparties for European Market Infrastructure Regulation ("EMIR") purposes. 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 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. 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, cybercrime 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 €417.5m at 31 December 2018. The Group's objectives when managing capital are to:

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

The Bank did not breach any regulatory capital ratio requirements during the current or prior year.

Capital Adequacy Risk (unaudited)

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

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

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

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

9. Regulatory 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 & Strategic Risk

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

The Group considers effective governance to be the most appropriate mitigate 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 and partners as well as for its operations in terms of legal and regulatory changes and people impacts. Other effects may include changes in official interest rate policy in both the UK and Eurozone, which can impact the Group's revenues, FX rate volatility, which can impact the translation of the Group's UK net assets, profits and capital adequacy and lower than expected equipment resale value which could adversely impact end of lease income.

The Group has established a comprehensive Brexit programme to identify, monitor and mitigate risks associated with various outcomes of Brexit (principally a hard Brexit, defined as no deal and no transition period). The Board and senior management receive regular updates on the Group's Brexit preparations ensuring close monitoring and management of the specific risks and challenges associated with same.

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 certain funding facilities and outsourced services. Group risk includes the risk of negative impact on the Bank from other Group entities or third parties which may disrupt outsourced activities of the Bank or may impact the Bank's ability to operate effectively. The Bank considers effective governance to be the most appropriate mitigate against this risk category. Group Risk is included in the ICAAP assessment.

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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 2018 and of the Group's profit and the Group's and the Bank's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and, as regards the Bank's financial statements, as applied in accordance with the provisions of the Companies Act 2014; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

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

- the Consolidated statement of financial position as at 31 December 2018;
- the Bank statement of financial position as at 31 December 2018;
- the Consolidated statement of comprehensive income for the year then ended;
- the Consolidated statement of cash flows for the year then ended;
- the Bank statement of cash flows for the year then ended;
- the Consolidated statement of changes in equity for the year then ended;
- the Bank statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a description of the significant accounting policies.

Certain required disclosures have been presented elsewhere in the Annual Report 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 18 to the financial statements, we have provided no non-audit services to the Group or the Bank in the period from 1 January 2018 to 31 December 2018.

Our audit approach

Materiality

- **€4.1 million (2017: €3.2 million)** - Consolidated and Bank financial statements
- Based on 1% of net assets.

Audit scope

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

Key audit matters

- Expected Credit Loss Provision.
- Recoverability of Deferred income tax asset.

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.

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Key audit matter	*How our audit addressed the key audit matter*
Expected Credit Loss Provision Refer to page 37 (Group accounting policies), Note 3(a) (Critical Accounting Estimates and Judgements), Note 4, Note 5, Note 17, Note 21 and Note 22 to the consolidated financial statements. 2018 is the first year of adoption of IFRS 9 which, as set out in the financial statements, introduces significant changes including new impairment models where losses are recognised on an expected, forward looking basis which includes reflecting the Group's view of potential future economic events. As a result, a new methodology encompassing estimates and judgements is required to calculate impairment provisions under IFRS 9, and there are new disclosure requirements. Expected credit loss (ECL) allowances on loans and advances to customers and banks was €13.9 million at 31 December 2018. The ECL calculation is a complex estimation, involving Probabilities of Default ('PD'), Loss Given Default ('LGD') and Exposures at Default ('EAD'), and which requires significant management judgement. We focussed on those areas which, in our view, required the greatest level of management judgement in estimating the ECL Provision relating to Loans and Advances to Customers and Banks including: 1. The classification of Stage 3 exposures as "Administrative Defaults" and the key assumption "Probability of Administrative Default" used to estimate the proportion of future "Administrative Defaults" for Stage 1 and 2 exposures. As set out in Note 5 the Group considers 2 types of default events when measuring ECL being (i) "Administrative Defaults" and (ii) "Credit Risk Defaults". As the Group policy attributes lower LGDs to "Administrative Defaults" on the basis that the defaults will rectify with no material credit loss, the classification of Stage 3 exposures by default type and the assumption relating to Probability of Administrative Default have a significant impact on ECL. 2. The determination of when there has been a significant increase in credit risk (SICR). This is one of the key judgements in the ECL process because a SICR requires the related impairment provision to be measured using a lifetime ECL rather than 12 month ECL. The completeness of the identification of SICR triggers and their correct application has a significant impact on the overall provision.	We understood and critically assessed, with the assistance of our internal credit modelling specialists, the overall methodology applied and individual models used in the measurement of ECL for Loans and Advances to ensure that the provision methodology and calculation was in accordance with IFRS 9. We considered the overall control framework and tested key controls over model output and approval of post model adjustments. We tested the assumptions and formulas used in the ECL models with the assistance of our internal credit modelling specialists. This included assessing the appropriateness of model design and formulas used, considering consistency of modelling techniques with market practice and recalculating the PD, LGD and EAD for each of the models. We tested the accuracy of critical data inputs used in the ECL models on a sample basis by agreeing inputs to source systems and supporting documentation, where appropriate. Given the impact of Administrative Defaults on the Bank's ECL, we undertook an End to End assessment of the process for flagging which Stage 3 exposures are defaulted for credit reasons and which are administrative defaults, and • tested a sample of contracts to ensure that those flagged as administrative defaults were consistent with the supporting credit assessment documentation maintained by management and • substantively tested the model logic to ensure that all contracts had the appropriate LGD applied to them in the calculation of ECLs for Stage 3 within the ECL engine. We assessed the reasonableness of the assumption made within the ECL models for Stage 1 and 2 exposures regarding the proportion of future defaults expected to be administrative and the expected loss which would arise from such administrative defaults. We assessed whether the SICR triggers identified by management were appropriate and reasonable. We re-performed the staging logic as implemented in the Bank's ECL models and tested the classification of a sample of contracts within each stage.

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<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>3. The consideration of the need for post model adjustments to address known model limitations, latent risks and emerging trends. These adjustments are by their nature inherently uncertain and judgmental.

We focused on impairment provisions on Loans and Advances given the level of judgement to determine the required ECL.</td><td>We understood and assessed the appropriateness of material post model adjustments made by management to adjust their model output for known limitations and specific risk aspects of the portfolio.

We concluded that the ECL provision for Loans and Advances to Customers and Banks was within an acceptable range of reasonable estimates.

We considered the disclosures and concluded that they are reasonable.</td></tr>
<tr><td>Recoverability of Deferred income tax asset
Refer to Note 1 (Accounting Policies), Note 3 (Critical Accounting Estimates and Judgements) and Notes 19 and 27 to the financial statements.

The Group has deferred tax assets of €7.4 million of which €5.1 million arise from tax losses carried forward.

As set out in Note 3(b) 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 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.</td><td>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 in the context of the assumptions for business volumes, pricing and costs. We tested the calculation supporting the carrying value of the deferred taxation asset.

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.</td></tr>
</table>

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.

For the Group financial statements we performed an audit of the full financial information of the Bank as this accounts for 100% of the net assets of the Group. The nature and extent of audit procedures was determined by our risk assessment for each account balance.

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:

	Group financial statements	*Bank financial statements*
Overall materiality	€4.1 million (2017: €3.2 million).	€4.1 million (2017: €3.2 million)
How we determined it	1% of net assets	1% of net assets
Rationale for benchmark applied	Given that Dell Bank International Designated Activity Company is a wholly owned bank within the Dell Technologies Inc. group providing financing solutions to customers and having considered the key users of the financial statements, we believe that net assets provides us with the most appropriate and consistent year on year basis for determining materiality.	Given that Dell Bank International Designated Activity Company is a wholly owned bank for Dell Technologies Inc. group providing financing solutions to customers and having considered the key users of the financial statements, we believe that net assets provides us with the most appropriate and consistent year on year basis for determining materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €0.2 million (Group audit) (2017: €0.16 million) and €0.2 million (Bank audit) (2017: €0.16 million) 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 and Financial Statements 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 2018 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 10, 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 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.

pwc

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 year ended 31 December 2012 and subsequent financial periods. The period of total uninterrupted engagement is 7 years, covering the years ended 31 December 2012 to 31 December 2018.

Ivan McLoughlin

Ivan McLoughlin
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin
27 March 2019

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

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

In thousands of Euro	Note	Year ended 31 December 2018	Year ended 31 December 2017
Interest income calculated using effective interest method	6	5,301	-
Interest receivable and similar income	6	63,328	51,625
Interest payable and similar expense	6	(12,473)	(11,537)
Net interest income		**56,156**	**40,088**
Operating lease income	7	2,975	8,913
Fee and commission income	8	642	724
Fee and commission expense	8	(626)	(379)
Other income from syndications	9	12,168	4,701
Other income from end of lease activities	10	4,105	4,008
Other operating income		**19,264**	**17,967**
Net trading (expense)/income	**11**	**(10,930)**	**13,225**
Personnel expenses	12	(20,327)	(17,130)
General and administrative expenses	14	(8,833)	(6,707)
Depreciation and amortisation expenses	15	(5,381)	(6,070)
Other operating expenses	16	(4,047)	(26,643)
Total operating expenses		**(38,588)**	**(56,550)**
Total operating profit before impairment charges		**25,902**	**14,730**
Credit impairment charges	17	(2,715)	(7,386)
Profit before taxation	18	**23,187**	**7,344**
Income tax charge	19	(3,732)	(1,828)
Profit for the year		**19,455**	**5,516**
Total comprehensive income, net of tax		**19,455**	**5,516**
Total comprehensive income, attributable to:			
Equity holders of the entity		**19,455**	**5,516**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

In thousands of Euro	Note	Year ended 31 December 2018	Year ended 31 December 2017
Assets			
Cash and balances with central banks	20	44,805	39,974
Loans and advances to banks	21	134,688	121,988
Loans and advances to customers	22	1,453,290	1,190,774
Derivative financial instruments	23	6,463	11,000
Intangible assets and goodwill	24	20,895	23,837
Property, plant and equipment	25	2,384	3,347
Deferred income tax assets	27	7,422	9,631
Current tax assets	26	329	571
Other assets	28	147,905	101,252
Total assets		**1,818,181**	**1,502,374**
Liabilities			
Deposits from banks	30	971,530	760,828
Other liabilities	31	89,725	183,562
Derivative financial instruments	23	9,072	1,930
Amounts due to fellow subsidiaries	37	266,832	164,936
Subordinated liabilities	32	65,066	65,065
Total liabilities		**1,402,225**	**1,176,321**
Equity			
Share capital	33	50,000	50,000
Capital contribution	33	417,500	342,500
Revenue reserves	33	(51,544)	(66,447)
Total equity		**415,956**	**326,053**
Total liabilities and equity		**1,818,181**	**1,502,374**
Memorandum items			
Guarantees	34	2,078	2,080
Commitments	34	156,905	149,329

Approved and authorised for issue by the Board:

Director
Hugh O'Donnell
27 March 2019

Director
Tyler Johnson
27 March 2019

Director
Donal Courtney
27 March 2019

Secretary
Lisa Doyle
27 March 2019

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

In thousands of Euro	Share Capital	Revenue Reserves	Capital Contribution	Total Equity
Balance at 31 December 2017	50,000	(66,447)	342,500	326,053
Impact of adopting IFRS 9 at 1 January 2018		(4,552)	-	(4,552)
Restated balance at 1 January 2018	**50,000**	**(70,999)**	**342,500**	**321,501**
Capital contribution	-	-	75,000	75,000
Profit for the year	-	19,455	-	19,455
Balance at 31 December 2018	**50,000**	**(51,544)**	**417,500**	**415,956**

For the year ended 31 December 2017

In thousands of Euro	Share Capital	Revenue Reserves	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**

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2018

In thousands of Euro	**Year ended 31 December 2018**	**Year ended 31 December 2017**
Cash flows from operating activities		
Profit before tax	23,187	7,344
Adjustments for:		
Impairment charges on financial assets (Note 17)	2,715	7,386
Interest expense on borrowed funds (Note 35)	12,283	11,313
Depreciation, amortisation and write-offs (Note 24 and 25)	5,381	6,071
Other non cash items	-	-
(Loss)/Gain from disposal of operating lease (Note 25)	495	(260)
Cash generating from operating activities	**44,061**	**31,854**
Taxation paid	(724)	(1,067)
Cash flows from operating activities before changes in operating assets and liabilities	**43,337**	**30,787**
Changes in operating assets and liabilities		
Net (decrease)/ increase in derivative financial instruments (Note 23)	11,679	(3,873)
Net (increase) in loans and advances to banks	(22,490)	(21,161)
Net (increase) in loans and advances to customers	(270,433)	(361,403)
Net (increase) in other assets (Note 28)	(46,653)	(35,865)
Net (decrease)/ increase in other liabilities (Note 31)	(93,837)	55,978
Net (decrease)/ increase in deposits from banks (Note 30)	(21,954)	112,030
Net increase/ (decrease) in Intercompany balance	11,883	(9,106)
Net cash provided by operating activities	**(388,468)**	**(232,613)**
Cash flows from investing activities		
Additions to property, plant and equipment (Note 25)	(881)	(295)
Additions to intangible assets (Note 24)	(1,089)	(1,036)
Net cash used in investing activities	**(1,970)**	**(1,331)**
Cash flows from financing activities		
Capital contribution (Note 33)	75,000	25,000
Proceeds from borrowed funds (Note 35)	632,200	797,300
Repayments of borrowed funds (Note 35)	(309,645)	(540,848)
Interest payments on borrowed funds (Note 35)	(12,168)	(11,447)
Net cash provided in financing activities	**385,387**	**270,005**
Cash and cash equivalents at the beginning of the year	**131,288**	**95,227**
Net cash outflow by operating activities	(388,468)	(232,613)
Net cash outflow in investing activities	(1,970)	(1,331)
Net cash provided by financing activities	385,387	270,005
Cash and cash equivalents at the end of the year (Note 20)	**126,237**	**131,288**

BANK STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

In thousands of Euro	Note	Year ended 31 December 2018	Year ended 31 December 2017
Assets			
Cash and balances with central banks	20	44,805	39,974
Loans and advances to banks	21	117,091	110,337
Loans and advances to customers	22	1,453,290	1,190,774
Derivative financial instruments	23	3,668	7,396
Intangible assets and goodwill	24	20,895	23,837
Property, plant and equipment	25	2,384	3,347
Deferred income tax assets	27	7,422	9,631
Current tax assets	26	329	571
Other assets	28	144,730	97,643
Total assets		**1,794,614**	**1,483,510**
Liabilities			
Deposits from banks	30	484,439	430,716
Other liabilities	31	89,725	183,562
Derivative financial instruments	23	6,788	1,480
Amounts due to fellow subsidiaries	37	732,642	476,635
Subordinated liabilities	32	65,066	65,065
Total liabilities		**1,378,660**	**1,157,458**
Equity			
Share capital	33	50,000	50,000
Capital contribution	33	417,500	342,500
Revenue reserves at beginning of year	33	(71,000)	(71,963)
Profit for the year	33	19,454	5,515
Total equity		**415,954**	**326,052**
Total liabilities and equity		**1,794,614**	**1,483,510**
Memorandum items			
Guarantees	34	2,078	2,080
Commitments	34	156,905	149,329

Approved and authorised for issue by the Board:

Director
Hugh O'Donnell
27 March 2019

Director
Tyler Johnson
27 March 2019

Director
Donal Courtney
27 March 2019

Secretary
Lisa Doyle
27 March 2019

BANK STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

In thousands of Euro	Share Capital	Revenue Reserves	Capital Contribution	Total Equity
Balance at 31 December 2017	50,000	(66,448)	342,500	326,052
Impact of adopting IFRS 9 at 1 January 2018	-	(4,552)	-	(4,552)
Restated balance at 1 January 2018	**50,000**	**(71,000)**	**342,500**	**321,500**
Capital contribution	-	-	75,000	75,000
Profit for the year	-	19,454	-	19,454
Balance at 31 December 2018	**50,000**	**(51,546)**	**417,500**	**415,954**

For the year ended 31 December 2017

In thousands of Euro	Share Capital	Revenue Reserves	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**

BANK STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

In thousands of Euro	Year ended 31 December 2018	Year ended 31 December 2017
Cash flows from operating activities		
Profit before tax	23,188	7,343
Adjustments for:		
Impairment charges on financial assets (Note 17)	2,715	7,386
Interest expense on borrowed funds (Note 35)	7,982	8,205
Depreciation, amortisation and write-offs (Note 24 and 25)	5,381	6,071
Other non cash items	-	-
(Loss)/Gain from disposal of operating lease (Note 25)	495	(260)
Cash generating from operating activities	**39,761**	**28,745**
Taxation paid	(724)	(1,067)
Cash flows from operating activities before changes in operating assets and liabilities	**39,037**	**27,678**
Changes in operating assets and liabilities		
Net (decrease)/increase in derivative financial instruments (Note 23)	9,036	(719)
Net (increase) in loans and advances to banks	(9,639)	(9,515)
Net (increase) in loans and advances to customers	(270,433)	(361,403)
Net (increase) in other assets (Note 28)	(47,087)	(32,254)
Net (decrease)/increase in other liabilities (Note 31)	(93,837)	55,978
Net (decrease)/increase in deposits from banks (Note 30)	(21,954)	112,030
Net (decrease)/increase in Intercompany balance	37,126	(7,748)
Net cash provided by operating activities	**(357,751)**	**(215,953)**
Cash flows from investing activities		
Additions to property, plant and equipment (Note 25)	(881)	(295)
Additions to intangible assets (Note 24)	(1,089)	(1,036)
Net cash used in investing activities	**(1,970)**	**(1,331)**
Cash flows from financing activities		
Capital contribution (Note 33)	75,000	25,000
Proceeds from borrowed funds (Note 35)	387,453	625,747
Repayments of borrowed funds (Note 35)	(93,000)	(389,000)
Interest payments on borrowed funds (Note 35)	(7,877)	(8,407)
Net cash provided in financing activities	**361,576**	**253,340**
Cash and cash equivalents at the beginning of the year	**131,283**	**95,227**
Net cash outflow by operating activities	(357,751)	(215,953)
Net cash outflow in investing activities	(1,970)	(1,331)
Net cash provided by financing activities	361,576	253,340
Cash and cash equivalents at the end of the year (Note 20)	**133,138**	**131,283**

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 2018 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.

The Group adopted IFRS 9 'Financial Instruments' (IFRS 9) on 1 January 2018. The new accounting policies arising from adoption of IFRS 9 that the Group applied in the preparation of the financial statements for the year ended 31 December 2018 is set out below. Comparative figures for 2017 were prepared under IAS 39 Financial Instruments: Recognition and Measurement and were not restated for IFRS 9 as permitted by IFRS 9 transition rules.

IFRS 9 amends IAS 1 'Presentation of financial statements' to require certain items to be presented as line items in the income statement, including impairment gains or losses, gains or losses arising from the derecognition of financial assets measured at amortised cost and interest revenue calculated using the effective interest method. Accordingly, interest income on financial assets calculated using the effective interest method is now presented separately from interest income on finance leases, recognised based on a pattern reflecting a constant periodic rate of return on the net investment in the lease.

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.

1. Accounting Policies

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.

c) Financial assets

IFRS 9
The Group adopted IFRS 9 as issued by the IASB in July 2014. The date of transition was 1 January 2018. The adoption of IFRS 9 resulted in changes in accounting policies and an adjustment to the previously recognised credit impairment provision in the financial statements. The Group did not early adopt IFRS 9 in previous comparative figures. For more information on the adoption of IFRS 9, please refer to Note 4 – "Transition to IFRS 9"

The adoption of IFRS 9 has resulted in changes in accounting policies for initial recognition, classification and subsequent measurement of financial assets and liabilities and impairment of financial assets. A summary of these policies is set out below:

(i) Initial Recognition

Policy applicable post 1 January 2018

The Group initially recognises financial assets on the date on which the group becomes a party to its contractual provisions.

Financial assets are recorded at fair value and are classified, on initial recognition, as amortised cost or fair value through other comprehensive income ("FVOCI") and fair value through profit or loss. The initial fair value of a financial asset includes direct and incremental transaction costs.

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

Financial assets measured at fair value through profit or loss ("FVTPL") are recognised initially at fair value and transaction costs are taken directly to the income statement.
Derivatives are measured initially at fair value on the date on which the derivative contract is entered into.

Policy applicable pre 1 January 2018

The Group determines the classification of financial assets at initial recognition as stated in section (ii) classifications and subsequent measurement.

(ii) Classification and subsequent measurement

Policy applicable post 1 January 2018

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 and as derivatives financial liabilities when the fair value is negative.

Financial assets other than derivatives include loans to banks and customers and other financial receivables where the Group has taken an assignment of receivables/credit in respect of financing provided to banks or customers.

1. Accounting Policies

The recognition and measurement of lease receivables is governed by the leasing standard, IAS 17 (to be replaced by IFRS 16 from 1 January 2019) and therefore such financial assets are not in scope of the business model test under IFRS 9.2.1(b). The Group will continue to measure finance leases (under IAS 17 as set in accounting policy j). Loans, financial receivables and finance leases are reported in the statement of financial position as loans and advances to customers or loans and advances to banks.

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

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

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

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

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

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

Classification and subsequent measurement of debt financial instruments depends on:

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

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

The Group has three categories of financing, namely loans, finance lease receivables and assignment of receivables/credit ("AOR/AOC"). Finance lease are accounted for in line with the requirements of IAS 17 and fall outside the scope of the classification rules under IFRS 9.

The Group has identified two business models that are

1. Accounting Policies

(i) Loans and AOR/AOC that are originated and retained on the balance sheet and which are classified as a hold to collect business model, and
(ii) AOR/AOC that are originated and syndicated in full within a short period and which are classified in a hold for sale business model.

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

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

(ii) Contractual cash flow characteristics

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

In performing the SPPI assessment, the Group considers:

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

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

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

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

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

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

Policy applicable pre 1 January 2018

1. Accounting Policies

The Group held two categories of financial assets:

(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.

(iii) Derecognition

Policy applicable post 1 January 2018

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

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

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

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

The Group considers, the factors below when assessing for modifications:
- If the borrower is in financial difficulties, whether the modification merely reduces the contractual cash flows to amounts the borrowers is expected to be able to pay;
- Whether substantially new terms are introduced,

1. Accounting Policies

- Whether there has been a significant extension of the loan term when the borrower is not in financial difficulty.
- Whether there has been a significant change in the interest rate.
- Whether there has been a change in the loan currency
- Whether there has been an insertion of collateral, other security or credit enhancements that significantly impacts the credit risk associated with the loan.

The Group has assessed the modified loan contracts and considers the impact is immaterial and has no movements to the stages as a result of the modifications.

Policy applicable pre 1 January 2018

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.

(iv) Impairment of financial assets

Policy applicable post 1 January 2018

IFRS 9 sets out a new forward looking 'expected loss' impairment model which replaces the incurred loss model in IAS 39 (Incurred but not reported ("IBNR")) and applies to all 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.

The Group recognises loss allowances for expected credit losses at each balance sheet date for the following financial assets that are not measured at FVTPL:

- Financial assets at amortised cost;
- Finance lease receivables recognised under IAS 17 'Leases'; and
- Loan commitments issued.

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

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

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

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

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

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

1. Accounting Policies

In determining if a financial instrument has experienced a significant increase in credit risk (SICR) since initial recognition, the Group assesses whether the risk of default over the remaining expected life of the financial instrument is significantly higher than had been anticipated at initial recognition, taking into account changes in prepayment expectations where relevant. The Group uses reasonable and supportable information available without undue cost or effort at the reporting date, including forward-looking information. Further details provided in Note 5 section (iii).

When measuring ECL, the Group takes into account:

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

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

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

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

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

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

In the case of Stage 2, credit risk on the financial instrument has increased significantly since initial recognition but the instrument is not considered credit impaired. The Group defines credit impaired financial assets when its contractual payments are 90 days past due. For a financial instrument in Stage 3, credit risk has increased significantly since initial recognition and the instrument is considered credit impaired.
Financial assets are allocated to stages dependent on the credit quality relative to when the asset was originated.

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

Purchased or originated credit impaired ("POCI") financial assets are those that are credit-impaired on initial recognition. The Group may originate a credit-impaired financial asset following a substantial modification of a distressed financial asset that resulted in derecognition of the original financial asset. The Group's financial assets that fall in this category is primarily driven by administrative defaults. More details regarding administrative defaults provided in Note 4 -Transition to IFRS 9.

1. Accounting Policies

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

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

Further details are disclosed in Note 5 under section credit loss allowances.

Policy applicable pre 1 January 2018

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.

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.

d) Foreign currency translation

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

Foreign currency transactions are translated to Euro using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate prevailing at the year end. Non-monetary items that are measured in terms of historical cost in foreign currencies are translated using the exchange rates at the dates of the initial transaction.
Foreign exchange gains and losses are recognised in the Statement of Comprehensive Income as "Other operating expenses".

1. Accounting Policies

e) 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.

f) Interest income and expense

Policy applicable post 1 January 2018

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

The effective interest rate ("EIR") is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset; or the amortised cost of the financial liability.

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

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

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

Interest income and expenses on derivative financial instruments is included in Net Trading Income.

Policy applicable pre 1 January 2018

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.

1. Accounting Policies

g) Fee and commission income and expense

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

Where the Group has arranged loan facilities for funding purposes any commitment or arrangement fees are deferred and recognised as an adjustment to the effective interest rate of the debt facility.
Other fees and commission income are recognised as the related services are performed. Other fees and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received. Document fees and late fees are included in this category as income.

The Group have assessed the impact of IFRS 15 to this income and concluded that there is no material changes to the income previously reported under IAS 18.

h) Financial liabilities

Classification, Recognition and Measurement

The Group initially recognise finanical liabilities on the date on which the group becomes a party to the contractual provisions.
Financial liabilities are measured initially at fair value. The fair value of the financial liability is normally the transaction price, i.e. the fair value of the consideration received net of transaction costs. Where financial liabilities are classified as trading they are also initially recognised at fair value with the related transaction costs taken directly to the income statement.
The Group holds two categories of financial liabilities:
- (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 on an EIR basis. 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
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' or 'Net trading expense'. Derivatives are included as derivative financial instrument assets when the fair value is positive and as derivatives financial liabilities when the fair value is negative.

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

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

1. Accounting Policies

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) Finance Leases

The Group enters into finance lease arrangements as a lessor and assets held under finance lease of the Group are presented as loans and advances to customers and loans and advances to banks. As per 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 and included in Loans and advances to customers or Loans and advances to banks as appropriate.

The net investment of the leases consists of the sum of minimum lease term payments plus the residual value amount, reduced by any deferred income for interest not yet earned. The Group will recognise finance income based on a pattern reflecting a constant periodic rate of return on the net investment outstanding in respect of the finance leases.

The Group also enters into leasing arrangements with other 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 constant rate of return on the net investment in the finance lease.

k) 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.

1. Accounting Policies

l) 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.
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.

m) 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.

n) 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.

1. Accounting Policies

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

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

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

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

Computer software is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if 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. The amortisation of intangible assets is reported in the Statement of Comprehensive Income under depreciation and amortisation expenses.

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

Other intangible assets are reviewed for impairment when there is an indication that the asset may be impaired. Intangible assets not yet available for use are reviewed for impairment on an annual basis.
Any increase in the liability relating to guarantees is reported in the statement of comprehensive income within other operating expenses.

o) 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.

1. Accounting Policies

p) Provisions and contingent liabilities

Provisions are made where the Group has present legal or constructive obligations as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reasonably estimated. The Group recognises no provisions for future operating losses. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

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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.

q) 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 a 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. Until the liability is settled the Group remeasures the fair value of the liability at the end of the reporting period with any changes of the fair value of the liability recognised in the income statement.The ultimate cost of a cash settled award is the cash paid to the employee, which is the fair value at the settlement date.
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.

r) Income tax, including deferred tax

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

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

1. Accounting Policies

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

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

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

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

s) 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.

t) 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.

u) Accounting for syndications

During the year ended 31 December 2018 and 2017, the Bank entered into a number of syndication transactions where the Bank has transferred the contractual rights to receive the cash flows of the financial assets to syndication parties. For the syndications of finance leases, this included the transfer of the associated residual value of the lease. The customer exposure has been derecognised at the date the Bank has satisfied the derecognition criteria under IAS 39/IFRS 9. The difference between the consideration received and the carrying amount of the transferred asset is recognised as a gain or loss in the Income Statement and included in Other income from syndications.

1. Accounting Policies

v) IFRS 15

The effective date for IFRS 15 Revenue from Contracts with Customers was 1 January 2018 and was adopted by the Group on that date. IFRS 15 specifies how and when an entity recognises revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard does not impact income recognition related to financial instruments within the scope of IFRS 9 and leases within the scope of IAS 17.

The Group has applied this standard retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application. IFRS 15 did not have a material impact on the Group's consolidated financial statements.

w) Impact of new accounting standards

The following standards, amendments and interpretations become effective in 2019 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 2018. The Group's initial view of the impact of these accounting changes is noted below.

Standard / interpretation	Content	Applicable for financial years beginning on/after
IFRS 16	Leases	1 January 2019

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.

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 lease 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.

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 2018 on a going concern basis.

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

As at 31 December 2018, the Group had total assets of €1,818m (2017: €1,502m); with a post-tax profit of €19.5m (2017: profit of €5.5m) and net assets of €416m (2017: €326m). The Group is expected to continue to maintain a positive cash position for the foreseeable future, which has been supported by increases in the securitised and collateralised loan facilites in 2018. 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
- Interbank deposits
- 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) Credit Impairment losses on loans and advances to customers

The Group reviews its loans and leases portfolio for credit impairment on an ongoing basis.
The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 5- Credit Risk under section expected credit loss, which also sets out the key sensitivities of the ECL.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining critieria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward looking scenarios for each type of financial asset and the associated ECL; and
- Establishing groups of similar financial assets for the purpose of measuring ECL.

3. Critical Accounting Estimates and Judgements - continued

Detailed information about the judgements and estimates made by the Group in the above areas is set out in Note 5- Credit Risk under section expected credit loss.
Management overlays are defined as those adjustments which are made by management directly to the outputs of the expected credit loss models. Due to the known limitations in the IFRS 9 modelling output, the Group have provided for additional provision in the form of management overlays. These overlays were made through the standard ECL process and were reported as IFRS 9 transition adjustments.

All overlays are reviewed as required as part of the ECL governance process by the Credit Provisioning Committee, a sub committee reporting directly to the Credit Committee. An overlay review was undertaken twice in respect of the FY2018.

Taking into consideration the nature of the business and the business model, the Group has determined that three categories of management overlays should be used. These categories could not be incorporated into the IFRS 9 ECL model components. The total management overlay was €5.8m broken down by the three components detailed below:

- **Accounting for the economic impact of Brexit**
  The Group's IFRS 9 model was initally developed using historical macroeconomic data and statistical methodologies whilst also incorporating forward looking economic information and multiple scenarios called Forward Economic Guidance (FEG) models. The Group acknowledges that macroeconomic models built on some historical information and do not include any provision for either a 'soft' or 'hard' Brexit. Alternate scenarios are derived statistically from the baseline economic scenario. As this is based on historical data, no provision for any form of Brexit is included. Consequently, an overlay to the IFRS 9 ECL has been applied to account specifically for Brexit.

  As at the year end, the Group has determined that the impact of Brexit cannot be forecasted with any greater clarity than when the original overlay was made and therefore no adjustment to the original overlay applied on transition to IFRS 9 has been made.

- **The lack of historical loss data**
  The Group had less than four years of portfolio data available when developing the IFRS 9 model. Since inception, the Group has experienced an extremely low loss rate and the loss rate has tended to be dominated by a relatively small number of single loss events. As a result of these circumstances, the models that the Group built are developed based on low volume. This has introduced uncertainty into the ECL models as the ECL results would be unpredictable in the event of a significant change in the overall payment or loss profile. Consideration was also given to the impact of the EMC merger in September 2016 and the lack of historic data associated with receivables derived from the EMC business. The Group has assumed an increase in it's observed default rate in order to apply a suitable overlay adjustment.

  At the year end the Group concluded that both the methodology and quantum of the overlay that was applied on transition to IFRS 9 remains appropriate.

- **Single Name Concentration**
  The Group's portfolio has a high concentration of large customers. As at 1 January 2018, the top 20 customers in the portfolio accounted for 33% of the total exposure and the largest single name exposure was 4% of the total portfolio. Consideration was therefore given to the impact on losses in the hypothetical scenario that one of these large single name customers went into default. The Group's relatively low loss history resulted in a low modelled ECL. The Group has therefore incorporated an overlay to account for this.

  As at the year end, the quantum of the Group's top 20 customers remained materially unchanged and the overlay that was applied on transition to IFRS 9 remains reasonable.

The Group also concludes that there is significant correlation between each of the types of overlays. For example, it can reasonably be assumed that there is some overlap between the overlays for Brexit and the Single Name Concentration. Any large Brexit impact will significantly impact the Group's macro economies

3. Critical Accounting Estimates and Judgements - continued

factors and will affect all segments of the portfolio. Similarly, lack of historical loss data runs throughout the portfolio as a whole. As a result, the three overlays should not be considered in isolation for appropriateness, rather the overall number as a whole should be assessed.

The relatively low value of the overlays, their coverage of the past loss experience, together with the short timeframe since IFRS 9 go live and the continued uncertainty around Brexit, result in no requirement to adjust the existing overlays as at year ended 31 December 2018.

b) Deferred tax asset

The Group has recognised a deferred tax asset of €6.8m at 31 December 2018 (2017: €9.6m). 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.

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. Transition to IFRS 9

Introduction

IFRS 9 was issued by the IASB in July 2014, and the Group adopted it on on 1 January 2018. This transition to IFRS 9 resulted in changes in accounting policies and an adjustment to the previously recognised provision in the financial statements. The Group did not early adopt IFRS 9 in previous periods. As permitted by the transitional provisions of IFRS 9, the Group elected not to restate the comparatives figures. Any adjustments to the carrying amounts of the financial assets and liabilities at the date of transition were recognised in the opening revenue reserves in the current year. Consequently for notes disclosures, the amendments to IFRS 7 disclosures have also been applied to the current year. The comparative period notes disclosures repeat those disclosures made in the prior year.

IFRS 9, Financial Instruments, replaced IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 includes a revised classification and measurement model for financial assets, a forward looking expected credit loss ("ECL") impairment methodology and modifies the approach to hedge accounting.

The business model assessment test required by IFRS 9 was performed as at the date of initial application. This classification applies retrospectively. The Group assessed whether the financial assets met the conditions for recognising a change in the classification and measurement basis at that date.

Impairment losses were measured at the date of initial application under the 'expected credit loss model' set out in IFRS 9.

The impact for the Group and Bank to revenue reserves on transition to IFRS 9 was €4.55 million after tax arising from an increase in total credit impairment provisions (€5.20m) due to the adoption of an expected credit loss approach and the related tax adjustment (€0.65m).

The below table provides the key IFRS 9 terms and differences to IAS 39.

Attribute	IFRS 9	IAS 39
Default Definition	A new definition of default that is based on EBA guidelines was implemented and used to identify Stage 3 contracts.	Default aligned to loss events where impairment event has taken place on financial assets.Measured at 100% probability of default and an internal asset quality grade.
Credit Impairment	Assets that are defaulted are shown as credit impaired. The Group uses 90 days past due threshold on its contractual payments consistently across all financial assets.	Impaired financial assets are those for which there is an objective evidence of impairment. No provision was made for the financial assets that were categorised as potential problem.
Probability of Default (PD)	ECL calculation is based on the term structure of probabilities of default that incorporate forward economic guidance.	PDs are not adjusted to incorporate forward economic guidance.
Loss Given Default (LGD)	LGDs are determined based on the default type, the type of assets in the contract and other factors (including forward economic guidance).	Segmented portfolio level LGD's were used.
Exposure at Default (EAD)	Expected balance sheet exposure at default.	Based on current draw down balance plus future committed drawdowns.

4. Transition to IFRS 9 continued

Significant increase in credit risk (SICR)	SICR test takes account of the material deterioration in PD estimates (including the material deterioration in IFRS 9 forward-looking PDs) and 30 days past due backstop. The staging assessment requires a definition of when a SICR has occurred: this moves loss calculation from a 12 month horizon to lifetime horizon.	Not applicable
Forward looking and multiple scenarios	Forward-looking information is included in the PD and LGD estimates.	No forward-looking information is used.
Date at initial recognition	The credit risk at initial recognition is a key factor in determining whether an asset has experienced a significant increase in credit risk. Recognition of a new facility in the place of an old facility resets credit risk at initial recognition for staging purposes.	Not applicable for impairment but defined as the date when the entity becomes a party to the contractual provisions of the instrument.
Modification	A modification occurs when the contractual cash flows of the financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in derecognition.A modification requires immediate recognition in the income statement of any impact on the carrying value and effective interest rate.	Modification is not separately defined but accounting impact arises as an EIR adjustment on changes that are not derecognition or impairment events.
POCI	Purchased or Originated Credit Impaired assets in the Group's context are contracts that are originated for customers who are in default due to the administrative delinquencies at the time of contract booking.	Not applicable

Impact of transition to IFRS 9

As previously outlined, transition to IFRS 9 impacts Classification and Measurement and Impairment. This note sets out the detail of the impact of implementation of IFRS 9 on 1 January 2018 under each of the two areas.

i. **Classification and Measurement**- The standard requires an assessment of (i) the purpose of which the financial instrument is held and (ii) the cashlows associated with the instruments (SPPI). As a result of the assessment, only the Group's loan portfolio, which includes assignment of credit/ receivables are in scope for IFRS 9 classification and measurement.

4. Transition to IFRS 9 continued

ii. **Impairment**- The move to expected current loss accounting model resulted in number of changes to the Group's impairment approach that is set out in Note 5 Credit Risk section. All loans and leases originated, including assignment of credit/receivables ("AOC"/ "AOR") are in scope for impairment for at least 12 months of expected loss allowances or lifetime expected losses if in stage 2 or 3 or POCI. The standard requires the Group to calculate and maintain lifetime inputs, such as lifetime PD, LGD and EAD.

Reconciliation of IAS 39 to IFRS 9

The adoption of IFRS 9 has resulted in changes in accounting policies for initial recognition, classification and subsequent measurement of financial assets and liabilities and impairment of financial assets. A summary of these policies is set out in Note 1 Accounting Policies.

The measurement category and the carrying amount of the Group's financial assets and liabilities in accordance with IAS 39 and IFRS 9 at 1 January 2018 are compared as follows:

	IAS 39		**IFRS 9**	
	Measurement category	Carrying amount	Measurement category	Carrying amount
Financial Assets		€'000		€'000
Cash and balances with central bank	Amortised cost (Cash with Central Banks)	39,974	Amortised cost	39,974
Cash and balances with banks	Amortised cost (Loans and receivables)	102,960	Amortised cost	102,960
Loans and advances to banks*	Amortised cost (Loans and receivables)	2,524	Amortised cost	2,522
Loans and advances to customers*	Amortised cost (Loans and receivables)	312,285	Amortised cost	311,764
Derivative financial instruments	FVPL	11,000	FVPL	11,000
Carrying amount under IAS 17				
Loans and advances to banks and customers(Leases)	Amortised cost (Loans and receivables)	894,994	Amortised cost	890,315

There were no changes in the classification of financial liabilities.

**For the purpose of classification, IFRS 9 is applicable for the loan portfolio and excludes finance leases under IAS 17, Leases. Impairment for finance leases is now measured under IFRS 9, having previously measured under IAS 39. See table in page 62 for the remeasurement impact.*

There is no separate 'Bank' table as all figures except Cash and balances with banks and Derivative financial instruments are the same between the Group and the Bank. Neither Cash and balances with banks or Derivative financial instruments are impacted by IFRS 9.

4. Transition to IFRS 9 continued

The following table reconciles the carrying amounts of financial assets from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 January 2018.

	Carrying amount 31 December 2017 €'000	Reclassifications €'000	Remeasurement* €'000	Carrying amount 1 January 2018 €'000
Amortised cost				
Carrying amount under IAS 39				
Cash and balances with central bank				
Opening balance under IAS 39 and closing balance under IFRS 9	39,974	-	-	39,974
Cash and balances with banks				
Opening balance under IAS 39 and closing balance under IFRS 9	102,960	-	-	102,960
Loans and advances to banks (loans)				
Opening balance under IAS 39**	2,524	-	-	2,524
Remeasurement: ECL allowance		-	(2)	(2)
Closing balance under IFRS 9				2,522
Loans and advances to customers (loans)				
Opening balance under IAS 39**	312,285	-	-	312,285
Remeasurement: ECL allowance		-	(521)	(521)
Closing balance under IFRS 9				311,764
Derivative financial instruments				
Opening balance under IAS 39 and closing balance under IFRS 9	11,000	-	-	11,000
Carrying amount under IAS 17				
Loans and advances to banks and customers				
Opening balance under IAS 17**	894,994	-	-	894,994
Remeasurement: ECL allowance	-	-	(4,679)	(4,679)
Closing balance under IAS 17				890,315

**Gross impact of the IFRS 9 transition is €5.202m and related tax of €0.652m with a net impact of €4.550m reported in equity.*

*** Opening balances as at 31 December 2017 reported on net basis.*

4. Transition to IFRS 9 - continued

The following table reconciles the impairment provisions as at 31 December 2017, presented on an IAS 39 basis, to impairment allowances on 1 January 2018 presented on an IFRS 9 basis on the Group's loan portfolio.

	IAS 39 carrying amount 31 December 2017 €'000	Reclassifications €'000	Remeasurement €'000	IFRS 9 carrying amount 1 January 2018 €'000
Impairment allowances				
Loans and advances to banks at amortised cost	-	-	(2)	(2)
Loans and advances to customers at amortised cost	(2,206)	-	(521)	(2,727)
Total	**(2,206)**	**-**	**(523)**	**(2,729)**
Gross carrying amount				
Loans and advances to banks at amortised cost	2,524	-	-	2,524
Loans and advances to customers at amortised cost	314,491	-	-	314,491
Total	**317,015**	**-**	**-**	**317,015**

	IAS 17 carrying amount 31 December 2017 €'000	Reclassifications €'000	Remeasurement €'000	IFRS 9 carrying amount 1 January 2018 €'000
Impairment allowances				
Loans and advances to banks and customers at amortised cost	(7,482)	-	(4,679)	(12,161)
Gross carrying amount				
Loans and advances to banks and customers at amortised cost	902,476	-	-	902,476
Total	**894,994**	**-**	**(4,679)**	**890,315**

5. 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.

5. Financial Risk Management

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). Given the short term nature of commitments, the ECL on commitments is not material at the date of transition to IFRS9.

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-18 Group €'000	31-Dec-17 Group €'000
Cash and Balances with Central Banks	20	44,805	39,974
Loans and Advances to Banks	21	134,688	121,988
Loans and Advances to Customers	22	1,453,290	1,190,774
Derivative Financial Instruments	23	6,463	11,000
Commitments	34	156,905	149,329
		1,796,151	**1,513,065**

	Note	31-Dec-18 Bank €'000	31-Dec-17 Bank €'000
Cash and Balances with Central Banks	20	44,805	39,974
Loans and Advances to Banks	21	117,091	110,337
Loans and Advances to Customers	22	1,453,290	1,190,774
Derivative Financial Instruments	23	3,668	7,396
Commitments	34	156,905	149,329
		1,775,759	**1,497,810**

The following table outlines the exposure to credit risk by asset class as at 31 December 2018:

	Group	31-Dec-18		Bank	31-Dec-18	
	€'000	€'000	€'000	€'000	€'000	€'000
S&P Grade	Cash with Central Banks	Cash and Balances with Banks*	Derivatives	Cash with Central Banks	Cash and Balances with Banks*	Derivatives
AA	44,805	-	-	44,805	-	-
AA-	-	-	1,106	-	-	734
A+	-	-	941	-	-	810
A	-	26,718	4,416	-	2,221	2,124
A-	-	-	-	-	-	-
BBB+	-	78,352	-	-	85,252	-
BBB	-	860	-	-	860	-
BBB-	-	-	-	-	-	-
BB+	-	-	-	-	-	-
BB	-	-	-	-	-	-
BB-	-	-	-	-	-	-
B+	-	-	-	-	-	-
B	-	-	-	-	-	-
B-	-	-	-	-	-	-
	-	-	-	-	-	-
	44,805	**105,930**	**6,463**	**44,805**	**88,333**	**3,668**

This is included in the Statement of Financial position within loans and advances to banks.

5. Financial Risk Management continued

Group & Bank	31-Dec-18 Loans and Advances to Banks (Leases and Loans)				
	Not credit impaired €'000	Not credit impaired €'000	Credit impaired €'000	Credit impaired €'000	
S&P Grade	Subject to 12-month ECL	Subject to lifetime ECL	Excluding POCI	POCI	Grand Total
AA	-	-	-	-	-
AA-	-	-	-	-	-
A-	299	741	11,069	129	12,238
BBB+	1,823	-	-	-	1,823
BBB	5,698	-	-	-	5,698
BBB-	6,514	177	(29)	564	7,226
BB+	154	301	-	-	455
BB	1,312	-	-	-	1,312
BB-	36	-	-	-	36
B+	61	-	-	-	61
B	-	-	-	-	-
D	-	-	-	-	-
	15,897	**1,219**	**11,040**	**693**	**28,849**

The following table outlines the exposure to credit risk by asset class as at 31 December 2017:

	Group	31-Dec-17		Bank	31-Dec-17	
	€'000	€'000	€'000	€'000	€'000	€'000
S&P Grade	Cash with Central Banks	Loans and Advances to Banks	Derivatives	Cash with Central Banks	Loans and Advances to Banks	Derivatives
AA	39,974	2,144	-	39,974	2,144	-
AA-	-	-	1,669	-	-	676
A+	-	-	-	-	-	-
A	-	12,815	5,675	-	1,169	3,066
A-	-	95,369	-	-	95,364	-
BBB+	-	620	3,654	-	620	3,654
BBB	-	453	-	-	453	-
BBB-	-	9,913	2	-	9,913	-
BB+	-	213	-	-	213	-
BB	-	78	-	-	78	-
BB-	-	251	-	-	251	-
B+	-	132	-	-	132	-
B	-	-	-	-	-	-
B-	-	-	-	-	-	-
	-	-	-	-	-	-
	39,974	**121,988**	**11,000**	**39,974**	**110,337**	**7,396**

5. 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 including AOR/AOC (Assignment of Receivables/ Credit) and finance leases assets):

Group & Bank		31-Dec-18	31-Dec-18	31-Dec-18	31-Dec-18	31-Dec-18
		€'000	€'000	€'000	€'000	€'000
Loans and Advances to Customers		Not credit impaired	Not credit impaired	Credit impaired	Credit impaired	
		Subject to 12-month ECL	Subject to lifetime ECL	Excluding POCI	POCI	Grand Total
	PD Grade					
Pass	1-9	1,148,368	131,106	64,900	68,130	1,412,504
Special mention	10-11	26,171	9,587	1,293	1,877	38,928
Substandard	12-15	515	695	1,357	11	2,578
Doubtful	16	-	5	12,404	750	13,159
		1,175,054	141,393	79,954	70,768	1,467,169
ECL		(6,030)	(797)	(6,522)	(530)	(13,879)
		1,169,024	**140,596**	**73,432**	**70,238**	**1,453,290**

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 – Increased concern regarding the credit worthiness of the obligor or the value of 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 may sustain some loss if the deficiencies are not corrected.

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

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 in the below table.

5. Financial Risk Management - continued

The table below outlines the Group and the 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 as at 31 December 2017. Operating lease assets are classified as Property, Plant and Equipment for accounting purposes.

		31-Dec-17 Group & Bank €'000
		Loans & Advances to Customers
		PD Grade
Pass	1-9	1,068,791
Special Mention	10-11	26,497
Substandard	12-15	12,066
Doubtful	16	66
Neither Past due nor impaired		**1,107,420**
Past due but not impaired		85,362
Impaired		7,680
		1,200,462
Specific Provision		(7,404)
IBNR		(2,284)
		1,190,774

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

	31-Dec-18 €'000 Loans and Advances to Customers	31-Dec-17 €'000 Loans and Advances to Customers
Country by Exposure	**€'000**	**€'000**
United Kingdom	298,782	264,939
France	232,305	199,252
Germany	248,570	223,950
Italy	156,939	104,017
Spain	105,227	86,630
Netherlands	133,771	84,235
Ireland	70,433	61,366
Sweden	71,083	61,268
Other Countries	150,059	114,805
Total	**1,467,169**	**1,200,462**
IBNR and Specific Provision	-	(9,688)
ECL	(13,879)	-
	1,453,290	**1,190,774**

5. Financial Risk Management - continued

Expected Credit Loss

(i) Movement between stages

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

Stage 1- obligations are classified as Stage 1 at origination, unless purchased or originated credit impaired (POCI), with a 12 month ECL being recognised and remain in Stage 1 unless there has been a significant increase in credit risk.
Stage 2- obligations where there has been a 'significant increase in credit risk (SICR)' since initial recognition but do not have objective evidence of credit impairment and for these assets, lifetime ECLs are recognised. SICR may be due to significant deterioration in the PD grade since initial recognition or due to the exposure being currently 30 days past due.
Stage 3- obligations where the loans are defaulted or credit impaired.

(ii) Definition of default

Definition of default for the purpose of determining ECLs has been aligned to the Regulatory Capital CRR Article 178 definition of default. The criteria below have been applied to all financial instruments held by the Group.

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

The Group has also set some materiality thresholds on the sum of past due amounts from assets and in the case of the below threshold limits, the delinquency is not deemed to be material. There are two materiality thresholds that have to be met:

- Absolute – total past due amount > EUR 500
- Relative – total past due amount > 1% of the total on-balance-sheet exposures to the obligor

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

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

5. Financial Risk Management - continued

The Group considers two types of default events:

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

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

The Group's analysis concludes that the administrative delinquencies primarily drives the total delinquencies exposure in Stage 3 and POCI. Accordingly, with the ECL model the Group assume that 95% of defaulted contracts are in default due to administrative payment delinquencies and applies a lower LGD to such contracts to reflect the lower expected losses on such contracts.

The Group splits the portfolio into 5 segments in line with the segmentation in the IFRS 9 PD model:

- Large customers – with total exposure of €1m or more

The remaining customers are split based on the geographical region into:

- UK
- France
- Germany
- Rest of Europe (ROE)

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

- **PD grade/ PD rating** – the assessmentof the probability of default of the customer mapped to the Group's PD master scale. PD grades range from 1 being the lowest credit risk to 16 being default.
- **Non-IFRS 9 PD grades** – PD grades that are generated as part of the credit underwriting processes. The rating process is done automatically by models or manually performed by underwriters.
- **IFRS 9 PD grades** – PD grades that are generated from the IFRS 9 PD model. The IFRS 9 PD model takes as one of the inputs the non-IFRS 9 PD grades and transforms them into forward-looking 12-month and lifetime IFRS 9 PD grades

Significant increase in credit risk (SICR)

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

- Backstop of more than 30 days past due;
- Material downgrade of non-IFRS 9 PD grade and
- Material downgrade of implied IFRS 9 PD grade for the remaining contract life accompanied by the downgrade of non-IFRS 9 PD grade (by at least one notch).

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following criteria have been met:

5. Financial Risk Management - continued

PD rating downgrade:
The material downgrade is defined as downgrade by the number of notches that is not lower than the threshold determined by the Group. The thresholds are tiered, and their value depends on the PD grade at initial recognition.

The **material downgrade of non-IFRS 9 PD grade** will be verified based on the difference between the 12-month PD grades assigned to the borrower at initial recognition date and at the time of reporting date.

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

As a result, the Group uses IFRS 9 PD grades that represent the probability of default during the remaining asset life.

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

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

5. Financial Risk Management - continued

(iii) Measuring ECL

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

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

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

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

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

During the reporting period the following changes were made in estimation techniques and assumptions:

- FEG was reviewed and updated.
- The methodology to identify administrative defaults was improved.

(iv) Forward- looking information

The measurement of expected credit losses for each stage and the assessment of SICR must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgment.

PD and LGD inputs used to estimate 12 months and lifetime credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables).

The Group's estimation of expected credit losses in 12 months and lifetime will be a discounted probability-weighted ECL that considers a minimum of three future macroeconomic scenarios. Upside and downside outcomes are set relative to our base case outcome based on reasonably possible alternative macroeconomic conditions. Scenario update occurs on at least an annual basis or will be conducted as needed. The base scenario is primarily based on the baseline macroeconomic scenario in the Bank of England 2018 Stress Test. Some additional variable paths are based on the OECD forecast.

5. Financial Risk Management - continued

The assessment of SICR is performed using the lifetime PD under each of the base, and the other outcomes, multiplied by the associated outcome weighting. This determines whether the whole financial instruments are in Stage 1, Stage 2 or Stage 3 and hence whether 12 month or Lifetime ECL should be recorded. Following this assessment, the Group measures ECL as either a probability weighted 12 month ECL (stage 1), or probability weighted lifetime ECL (stage 2 and 3). These probability weighted ECLs are determined by running each outcome through the relevant ECL model and multiplying it by the appropriate outcome weighting.

The Group considers these forecasts to represent its best estimate of the possible outcomes.

The weights that have been applied for the Group's portfolio as at 31 December 2018 are:

Scenario	**Weighting**
Base	30%
Positive	10%
Negative	60%

The higher weighting for the negative scenario reflects the Group's expectation that the credit cycle turns in the future given the current benign economic conditions.

(v) Measurement of uncertainty and sensitivity analysis of ECL

The recognition and measurement of ECL is highly complex and involves the use of significant judgement and estimation. This includes the formulation and incorporation of multiple forward-looking economic conditions into ECL to meet the measurement objective of IFRS 9.

The key assumption that has the highest impact on the ECL is the assumption related to the Probability of Administrative Default ("PAD"). The PAD is the parameter used in the LGD model to reflect the fact that the majority of Stage 3 contracts is related to administrative rather than credit risk defaults. The PAD was set to 95% and this value is in line with the administrative delinquency rate observed at year end date. The table below shows the impact on the full ECL figure of changing this parameter value.

Probability of Administrative Default	ECL Impact €	ECL Impact %
95%	-	0.0
94%	0.2m	2.3
90%	1.0m	11.3
86%	2.1m	23.7

The component of ECL calculation that required a significant judgement was the probability weighting of macroeconomic scenarios. The table below shows the impact of changing these assumptions on the ECL figure.

Baseline	Probability of Downturn	Upturn	ECL Impact €	ECL Impact %
30%	60%	10%	-	0.0
10%	80%	10%	0.1m	0.9
30%	10%	60%	(0.2) m	(2.6)

5. Financial Risk Management - continued

(vi) Loss Allowance

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

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit impaired in the period, and the consequent 'step up' (or 'step down') between 12 Month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on measurement of ECL due to changes made to models and assumptions;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements.

5. Financial Risk Management continued

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

	Stage 1	Stage 2	Stage 3		
Loans and Advances to Customers	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Purchased Originated credit- impaired**	**Total**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**
Loss allowance as at 1 January 2018	5,825	626	8,146	213	14,810
Transfers to 12-month ECL not credit-impaired (stage 1)	2,761	(581)	(2,180)	-	-
Transfers to lifetime ECL not credit-impaired (stage 2)	(240)	826	(586)	-	-
Transfers to lifetime ECL credit-impaired (stage 3)	(58)	(157)	215	-	-
Net remeasurement of impairment loss allowance	(2,734)	49	5,191	(979)	1,527
Loans/leases originations	903	262	15	1,218	2,398
Repayments and disposals	(426)	(228)	(3,442)	91	(4,005)
Terminations	-	-	(826)	(12)	(838)
Foreign exchange and other movements	(1)	-	(11)	(1)	(13)
Loss allowance as at 31 December 2018	**6,030**	**797**	**6,522**	**530**	**13,879**

The originations in POCI is primarily driven by customers who are in default due to administrative delinquencies. In this case, the Group will provide forward looking expected losses that will result from the default events occurring anytime during the lifetime of the contract.

5. Financial Risk Management continued

Loans and Advances to Banks	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	Total
	€'000	€'000	€'000	€'000	€'000
Loss allowance as at 1 January 2018	24	-	54	2	80
Transfers to 12-month ECL not credit-impaired (stage 1)	56	(7)	(49)	-	-
Transfers to lifetime ECL not credit-impaired (stage 2)	(2)	3	(1)	-	-
Transfers to lifetime ECL credit-impaired (stage 3)	(1)	-	1	-	-
Net remeasurement of impairment loss allowance	(54)	2	91	(5)	34
Loans/leases originations	6	5	-	7	18
Repayments and disposals	(20)	(1)	(16)	(3)	(40)
Foreign exchange and other movements	-	-	(1)	-	(1)
Loss allowance as at 31 December 2018	**9**	**2**	**79**	**1**	**91**

**€39m of loans and advances have been reclassified from loans and advances to customers to loans and advances to banks in the current year.*

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

Loans and Advances to Customers	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	Total
	€'000	€'000	€'000	€'000	€'000
Gross Carrying amount as at 31 December 2017					1,200,463
Reclassifications*					(39,409)
Gross carrying amount as at 1 January 2018	**986,248**	**78,244**	**61,630**	**34,932**	**1,161,054**
Transfers to 12-month ECL not credit-impaired (stage 1)	250,807	(177,748)	(73,059)	-	-
Transfers to lifetime ECL not credit-impaired (stage 2)	(277,747)	297,289	(19,542)	-	-
Transfers to lifetime ECL credit-impaired (stage 3)	(125,301)	(53,595)	178,896	-	-
Loans/leases originations	1,052,128	79,725	2,158	62,421	1,196,432
Repayments and disposals	(711,161)	(82,912)	(68,137)	(26,351)	(888,561)
Write-offs	-	-	(3,362)	(213)	(3,575)
Foreign exchange and other movements	80	390	1,370	(21)	1,819
Gross carrying amount as at 31 December 2018	**1,175,054**	**141,393**	**79,954**	**70,768**	**1,467,169**

**€39m of loans and advances have been reclassified from loans and advances to customers to loans and advances to banks in thecurrent year.*

5. Financial Risk Management - continued

Loans and Advances to Banks	Stage 1 12-month ECL €'000	Stage 2 Lifetime ECL €'000	Stage 3 Lifetime ECL €'000	Purchased credit- impaired €'000	Total €'000
Gross Carrying amount as at 31 December 2017					19,028
Reclassifications*					39,408
Gross carrying amount as at 1 January 2018	**50,750**	**20**	**7,393**	**273**	**58,436**
Transfers to 12-month ECL not credit-impaired (stage 1)	13,664	(6,876)	(6,788)	-	-
Transfers to lifetime ECL not credit-impaired (stage 2)	(8,015)	8,196	(181)	-	-
Transfers to lifetime ECL credit-impaired (stage 3)	(11,621)	(566)	12,187	-	-
Loans/leases originations	17,435	1,478	20	1,017	19,950
Repayments and disposals	(46,599)	(1,042)	(1,765)	(596)	(50,002)
Write-offs	-	-	-	-	-
Foreign exchange and other movements	283	9	174	(1)	465
Gross carrying amount as at 31 December 2018	**15,897**	**1,219**	**11,040**	**693**	**28,849**

**€39m of loans and advances have been reclassified from loans and advances to customers to loans and advances to banks in the current year.*

(vii) Write- off policy

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

The outstanding contractual amounts that were written off during the year ended 31 December 2018 was €4m. The Group still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

(viii) Modification of financial assets

The Group sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery.

Such restructuring activities include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review.

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

5. 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:

	2018 Group €'000	2017 Group €'000
FX Risk position as at 31 December	1,351	1,874
Average FX Risk position for the reporting period	1,850	1,820
Maximum FX Risk position during the reporting period	3,280	2,929

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.

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:

	2018 Group €'000	2017 Group €'000
200bps upward shock stress scenario as at 31 December	637	2,232
Average 200bps upward shock stress scenario for the reporting period	751	1,525
Maximum 200bps upward shock stress scenario during the reporting period	2,540	3,272

5. Financial Risk Management continued

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 2018	€'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	44,805	-	-	-	-	44,805
Cash in bank	105,930	-	-	-	-	105,930
Loans and advances to banks	3,285	3,241	5,500	16,732	-	28,758
Loans and advances to customers	227,981	186,331	310,592	728,071	315	1,453,290
	382,001	189,572	316,092	744,803	315	1,632,783
Interest bearing Liabilities						
Amounts due to fellow subsidiaries	(266,832)	-	-	-	-	(266,832)
Deposits from banks	(971,530)	-	-	-	-	(971,530)
Subordinated liabilities	(65,066)	-	-	-	-	(65,066)
	(1,303,428)	-	-	-	-	(1,303,428)
Interest Rate Swap Nominals						
Pay Fixed	(139,687)	(135,486)	(215,327)	(594,425)	(4)	(1,084,929)
Receive floating	1,084,929	-	-	-	-	1,084,929
	945,242	(135,486)	(215,327)	(594,425)	(4)	-
Interest Sensitivity gap	23,815	54,086	100,765	150,378	311	329,355

Bank - As at 31 December 2018	€'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	44,805	-	-	-	-	44,805
Cash in bank	88,333	-	-	-	-	88,333
Loans and advances to banks	3,286	3,241	5,500	16,731	-	28,758
Loans and advances to customers	227,982	186,331	310,592	728,070	315	1,453,290
	364,406	189,572	316,092	744,801	315	1,615,186
Interest bearing Liabilities						
Amounts due to fellow subsidiaries	(732,642)	-	-	-	-	(732,642)
Deposits from banks	(484,439)	-	-	-	-	(484,439)
Subordinated liabilities	(65,066)	-	-	-	-	(65,066)
	(1,282,147)	-	-	-	-	(1,282,147)
Interest Rate Swap Nominals						
Pay Fixed	(15,000)	(55,000)	(14,336)	(506,309)	-	(590,645)
Receive floating	590,645	-	-	-	-	590,645
	575,645	(55,000)	(14,336)	(506,309)	-	-
Interest Sensitivity gap	(342,096)	134,572	301,756	238,492	315	333,039

5. Financial Risk Management continued

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	197,347	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

5. Financial Risk Management continued

Liquidity Risk – Financial Liabilities

The tables below summarise the maturity profile of the Group's financial liabilities at 31 December 2018 and at 31 December 2017 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 2018	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	504,347	47,598	165,505	261,533	-	978,983
Amounts due to fellow subsidiaries	6,797	672	196,522	67,330	-	271,321
Other Liabilities	53,847	35,878	-	-	-	89,725
Subordinated debt	-	397	1,214	70,511	-	72,122
Residual Value Guarantees	674	104	444	856	-	2,078
Commitments	156,905	-	-	-	-	156,905
Total cash outflow	**722,570**	**84,649**	**363,685**	**400,230**	**-**	**1,571,134**
Derivative Financial Instruments:						
FX Inflows	(57,830)	(33,247)	(67,645)	(111,766)	-	(270,488)
FX Outflows	58,329	34,756	69,979	117,084	-	280,148
Interest rate swaps	280	795	2,578	1,921	-	5,574
Total cash outflow	**779**	**2,304**	**4,912**	**7,239**	**-**	**15,234**

Bank as at 31 December 2018	**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	484,741	-	-	-	-	484,741
Amounts due to fellow subsidiaries	33,406	672	196,522	506,531	-	737,131
Other Liabilities	53,847	35,878	-	-	-	89,725
Subordinated debt	-	397	1,214	70,511	-	72,122
Residual Value Guarantees	674	104	444	856	-	2,078
Commitments	156,905	-	-	-	-	156,905
Total cash outflow	**729,573**	**37,051**	**198,180**	**577,898**	**-**	**1,542,702**
Derivative Financial Instruments:						
FX Inflows	(57,830)	(33,247)	(67,645)	(111,766)	-	(270,488)
FX Outflows	58,329	34,756	69,979	117,084	-	280,148
Interest rate swaps	43	175	589	221	-	1,028
Total cash outflow	**542**	**1684**	**2,923**	**5,539**	**-**	**10,688**

5. Financial Risk Management continued

The collateralised loan facility was €600m as at 31 December 2018. The facility has 2 years to maturity but rolls and reprices on a quarterly basis. There was €339m drawn on the facility as at 31 December 2018; with €411m of encumbered receivables. The undrawn amount of the facility was €261m as at 31 December 2018. The collateralised loan facility reduces the concentration risk of intercompany funding.

The securitised loan facility was €800m as at 31 December 2018. The facility has 2 years to maturity. There was €487m drawn on the facility as at 31 December 2018; with €592m of encumbered receivables.

The undrawn amount of the facility was €313m as at 31 December 2018. Similar to the collateralised loan the securitised loan facility reduces the concentration risk of intercompany funding.

Of the €400m Intercompany loan capacity, €260m was drawn as at 31 December 2018. Dell Technologies Inc is committed to ensure the Group always has sufficient liquidity.

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)**

6. Net Interest Income

	Year ending 31 December 2018 Group €'000	Year ending 31 December 2017 Group €'000
Interest income		
Loans and advances to customers		
- Loans	4,969	5,544
- Lease receivables	62,301	45,245
	67,270	**50,789**
Loans and advances to banks		
- Loans	332	30
- Lease receivables	1,027	806
Total Interest income	**68,629**	**51,625**
Interest income calculated using effective interest method	5,301	-
Interest receivable and similar income	63,328	51,625
Total Interest income	**68,629**	**51,625**

IFRS 9 amends IAS 1 'Presentation of financial statements' to require certain items to be presented as line items in the income statement, including impairment gains or losses, gains or losses arising from the derecognition of financial assets measured at amortised cost and interest revenue calculated using the effective interest method. Accordingly, interest income on financial assets calculated using the effective interest method is now presented separately from interest income on finance leases, recognised based on a pattern reflecting a constant periodic rate of return on the net investment in the lease.

Interest expense		
Intercompany loan interest	(2,702)	(914)
Subordinated debt	(1,603)	(1,608)
Collateralised loan	(3,677)	(5,683)
Securitised loan	(4,301)	(3,108)
Other interest	(190)	(224)
Total Interest expense	**(12,473)**	**(11,537)**
Total net interest income	**56,156**	**40,088**

7. Operating Lease Income

	Year ended 31 December 2018 Group €'000	Year ended 31 December 2017 Group €'000
Operating Lease Income		
- Lease to customers	2,975	8,871
- Lease to banks	-	42
	2,975	**8,913**

8. Fees and Commission

	Year ended 31 December 2018 Group €'000	Year ended 31 December 2017 Group €'000
Portfolio and other management fees	642	724
Other fees	(626)	(379)
Total Net Fee and Commission Income	**16**	**345**

9. Other Income from syndications

The Bank entered into 11 syndication deals (2017: 4) during the year; with €392m (2017: €185m) of receivables sold. The total gain recognised from these transactions was €12.2m (2017: €4.7m).

10. Other Income from end of lease activities

	Year ended 31 December 2018 Group €'000	Year ended 31 December 2017 Group €'000
Remarketing Revenue	9,787	9,467
Remarketing Cost of Goods Sold	(5,682)	(5,459)
Other Income from end of lease activities	**4,105**	**4,008**

11. Net Trading Income/(Expense)

	Year ended 31 December 2018 Group €'000	Year ended 31 December 2017 Group €'000
Net realised and unrealised gains on derivatives	(6,512)	14,997
Net realised gains on Cross Currency Swaps	984	734
Net unrealised loss on Interest rate derivatives	(1,247)	(49)
Net interest accrual on Interest rate derivatives	(4,155)	(2,457)
Net Trading Income/(Expense)	**(10,930)**	**13,225**

Net trading income/(expense) includes the gains and losses on financial instruments at fair value through profit or loss. It includes the gains and losses arising on the purchase and sale of these instruments, the fair value movement on these instruments and the interest accrual. The Group economically hedges foreign exchange risk related to financial assets and liabilities denominated in currencies other than Euro. The Group uses foreign exchange derivatives to manage its exposure to foreign currency risk and uses interest rate derivatives to manage exposure to interest rate risk. 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 23. Losses on the revaluation of the monetary assets are included in other operating expenses (Note 16).

12. Personnel Expenses

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

	2018	2017
IT	10	9
Credit	12	11
Finance & Treasury	38	28
Legal, Compliance & Risk	19	17
Sales & Operations	82	77
Total	**161**	**142**

Total personnel costs comprised of:

	Year ended 31 December 2018 Group €'000	Year ended 31 December 2017 Group €'000
Wages and salaries	11,492	10,012
Other employee benefits	5,740	4,359
Social security costs	1,716	1,549
Pension costs	1,101	935
Directors' fees (note 13)	278	275
Total	**20,327**	**17,130**

There were no amounts of personnel expenses capitalised into assets in the current year (2017: Nil).

13. Directors' Remuneration

Directors' remuneration is comprised of:

	Year ended 31 December 2018 Group €'000	Year ended 31 December 2017 Group €'000
Directors' remuneration for other services	669	1,320
Fees for services as Director	278	275
Long-term incentives (cash, shares, other assets)	1,075	557
Retirement Contributions to:		
- defined contributions schemes	24	27
Total	**2,046**	**2,179**

The number of Directors to whom retirement contributions are accruing under defined contributions scheme is 2 (2017: 2), and defined benefit schemes is Nil (2017: Nil). There were no amounts paid to persons connected with a Director in the current year (2017: Nil).

14. General and Administrative Expenses

	Year ended 31 December 2018 Group €'000	Year ended 31 December 2017 Group €'000
Administrative expenses	6,125	4,257
IT and software costs	1,658	1,429
Travel and entertainment	845	740
Recruitment and training	205	281
Total	**8,833**	**6,707**

15. Depreciation and Amortisation Expenses

	Year ended 31 December 2018 Group €'000	Year ended 31 December 2017 Group €'000
Depreciation on own use property plant and equipment (Note 25)	15	19
Depreciation and impairment on operating leases (Note 25)	1,335	840
Amortisation of software and other intangible assets (Note 24)	4,031	5,211
Write-downs	-	-
Total	**5,381**	**6,070**

16. Other Operating Expenses

	Year ended 31 December 2018 Group €'000	Year ended 31 December 2017 Group €'000
Business support services	3,836	4,052
Consultancy fees	1,924	4,410
Auditors' remuneration (Note 18)	560	549
Foreign exchange (Profit)/ Losses	(2,273)	17,632
Total	**4,047**	**26,643**

The foreign exchange profit/losses for the year ended 31 December 2018 and 2017 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 2018 €'000	Year ended 31 December €'000
Net Interest Rate Trading (Losses) (Note 11)	(5,402)	(2,506)
Net FX Trading Income/(Losses) (Note 11)	(5,528)	15,731
Foreign Exchange Profit/ (Losses)	2,273	(17,632)
Net FX and derivative expense	**(8,657)**	**(4,407)**

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 11)

17. Credit impairment losses on financial instruments

IFRS 9	Measured at amortised cost	Measured at FVOCI	Total Group
	€'000	€'000	€'000
Provision at 31 December 2017	**9,688**	**-**	**9,688**
Initial application of IFRS 9 on equity (pre tax)	5,202	-	5,202
Net remeasurement of loss allowance at 1 January 2018	**14,890**	**-**	**14,890**
Write offs	(3,575)	-	(3,575)
Exchange adjustments	(60)	-	(60)
Charges in statement of comprehensive income:			
Loans and advances to banks	52	-	49
Loans and advances to customers	6,405	-	6,408
Recoveries of amounts written off in previous years	(3,742)	-	(3,742)
Net Credit impairment losses at 31 December 2018	**13,970**	**-**	**13,970**

IAS 39	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)**
Write offs	(6,291)	-	**(6,291)**
Exchange adjustments	160	-	**160**
Provision at 31 December 2017	**7,404**	**2,284**	**9,688**

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

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

18. Profit before Taxation

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

	Year ended 31 December 2018 Group €'000	Year ended 31 December 2017 Group €'000
Depreciation on property, plant, equipment and operating leases (Note 15)	1,349	859
Amortisation of intangible assets (Note 15)	4,031	5,211
Foreign exchange (losses)/gains (Note 16)	(2,273)	17,632
Auditors' remuneration for Group and Bank (exclusive of VAT)		
- Statutory audit	438	355
- Other assurance services	122	194
Total auditors' remuneration (Note 16)	**560**	**549**

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 2017 comparatives for auditors' remuneration have been amended to ensure consistent presentation with the current year.

19. Income Tax Charge

	Year ended 31 December 2018 Group €'000	Year ended 31 December 2017 Group €'000
Current taxes on income for the reporting period		
Irish Corporation tax	-	-
Foreign tax	-	-
Current taxes referring to previous periods	-	305
Reclassification between Current and Deferred Taxes relating to prior period	-	9
Withholding tax	873	701
Total current tax	**873**	**1,015**
Deferred tax	2,810	942
Adjustments for prior periods	49	(120)
Reclassification between Current and Deferred Taxes relating to prior period	-	(9)
Total deferred tax (Note 27)	**2,859**	**813**
Income tax charge	**3,732**	**1,828**

19. Income Tax Charge - continued

The income tax charge comprises the following:

Further information about deferred income tax is presented in Note 27. The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the basic tax rate of the Group as follows:

	Year ended 31 December 2018 Group €'000	Year ended 31 December 2017 Group €'000
Profit before taxation	**23,187**	**7,344**
Theoretical tax charge at statutory rate 12.5% (2017: 12.5%)	2,898	918
Effects of:		
– Adjustments for prior periods	49	184
– Other	92	(42)
– Expenses not deductible for tax purposes	20	82
– Impact of difference in tax rate for Spanish Branch	(200)	(15)
– Withholding Tax	873	701
Income tax charge	**3,732**	**1,828**

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

	31 December 2018 Group & Bank €'000	31 December 2017 Group & Bank €'000
Tax effect of taxable timing differences		
Temporary differences	(2,325)	(2,394)
Tax losses carried forward	(5,097)	(7,237)
Recognised deferred tax asset	**(7,422)**	**(9,631)**

At the end of the reporting period, the Group had tax losses of €36m (2017: €58m) 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.

20. Cash and Cash Equivalents

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

	31 December 2018 Group €'000	31 December 2017 Group €'000
Cash and balances with central banks	44,805	39,974
Cash and balances with banks	105,930	102,960
	150,735	**142,934**
Restricted cash included in loans and advances to banks repayable on demand	(24,498)	(11,646)
Cash and Cash Equivalents	**126,237**	**131,288**

	31 December 2018 Bank €'000	31 December 2017 Bank €'000
Cash and balances with central banks	44,805	39,974
Cash and balances with banks	88,333	91,309
Cash and Cash Equivalents	**133,138**	**131,283**

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

Since 1 October 2015 the CBI 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 CBI to address this.

Operating cash is presented as loans and advances to banks in the statement of financial position (Note 21).

21. Loans, HP and Advances to Banks

	31 December 2018 Group €'000	31 December 2017 Group €'000
Cash and balances with banks	105,930	102,960
Loans and advances to banks	28,849	19,028
Less: allowance for impairment	(91)	-
Net Loans and Advances to Banks	**134,688**	**121,988**

	31 December 2018 Bank €'000	31 December 2017 Bank €'000
Cash and balances with banks	88,333	91,309
Loans and advances to banks	28,849	19,028
Less: allowance for impairment	(91)	-
Net Loans and Advances to Banks	**117,091**	**110,337**

21. Loans, HP and Advances to Banks - continued

Cash and balances with banks of €105.9m (2017: €103.0m). Loans and advances to banks represent finance leases and loans.

The following tables show the gross carrying amount and impairment loss allowances subject to 12 month and lifetime Expected Credit Losses (ECL) on loans and advances to banks at amortised cost at 31 December 2018. There was no comparative restatement of 31 December 2017 positions.

Gross carrying amount at amortised cost (before impairment losses allowance)	**Finance lease receivables**	**Hire purchase receivables**	**Loans**	**Total Group & Bank**
	€'000	**€'000**	**€'000**	**€'000**
Stage 1 - 12 months ECL (not credit impaired)	13,662	207	2,028	15,897
Stage 2 - Lifetime ECL (not credit impaired)	1,219	-	-	1,219
Stage 3 - Lifetime ECL (credit impaired)	11,040	-	-	11,040
Purchased or Originated credit impaired	693	-	-	693
Gross carrying amount at 31 December 2018	**26,614**	**207**	**2,028**	**28,849**

Impairment loss allowance	**Finance lease receivables**	**Hire purchase receivables**	**Loans**	**Total Group & Bank**
	€'000	**€'000**	**€'000**	**€'000**
Stage 1 - 12 months ECL (not credit impaired)	(7)	-	(2)	(9)
Stage 2 - Lifetime ECL (not credit impaired)	(2)	-	-	(2)
Stage 3 - Lifetime ECL (credit impaired)	(79)	-	-	(79)
Purchased or Originated credit impaired	(1)	-	-	(1)
Impairment loss allowance at 31 December 2018	**(89)**	**-**	**(2)**	**(91)**

Provision coverage ratio*	**Total Group & Bank 31 December 2018**
	%
Stage 1	0.06%
Stage 2	0.16%
Stage 3	0.72%

** Provision coverage ratio is calculated as loss allowance/gross loan balance as a percentage*

Analysis of Loans and Advances to Banks

	Year ended 31 December 2017 Group & Bank
	€'000
Finance lease receivables	16,504
Loans	2,524
Less; Allowance for Impairment	-
Included in cash and cash equivalents	**19,028**

21. Loans, HP and Advances to Banks - continued

Analysis of leases to banks	Year ended 31 December 2018 Group & Bank €'000	Year ended 31 December 2017 Group & Bank €'000
- Not later than 1 year	11,657	7,741
- Later than 1 year and not later than 5 years	15,848	9,492
- Later than 5 years	-	-
	27,505	**17,233**
Less: unearned finance income on finance lease	(684)	(729)
Present value of minimum lease payments, receivable	**26,821**	**16,504**
- Not later than 1 year	11,452	7,469
- Later than 1 year and not later than 5 years	15,369	9,035
- Later than 5 years	-	-
	26,821	**16,504**

22. Loans and Advances to Customers

The following tables show the gross carrying amount and impairment loss allowances subject to 12 month and lifetime Expected Credit Losses (ECL) on loans and advances to customers at amortised cost at 31 December 2018. There was no comparative restatement of 31 December 2017 positions.

Gross carrying amount at amortised cost (before impairment losses allowance)	Finance lease receivables €'000	Hire purchase receivables €'000	Loans €'000	Total Group & Bank €'000
Stage 1 - 12 months ECL (not credit impaired)	732,635	55,979	386,440	1,175,054
Stage 2 - Lifetime ECL (not credit impaired)	106,708	3,871	30,814	141,393
Stage 3 - Lifetime ECL (credit impaired)	66,607	1,369	11,978	79,954
Purchased or Originated credit impaired	64,378	897	5,493	70,768
Gross carrying amount at 31 December 2018	**970,328**	**62,116**	**434,725**	**1,467,169**

Impairment loss allowance	Finance lease receivables €'000	Hire purchase receivables €'000	Loans €'000	Total Group & Bank €'000
Stage 1 - 12 months ECL (not credit impaired)	(3,853)	(406)	(1,771)	(6,030)
Stage 2 - Lifetime ECL (not credit impaired)	(576)	(36)	(185)	(797)
Stage 3 - Lifetime ECL (credit impaired)	(5,305)	(655)	(562)	(6,522)
Purchased or Originated credit impaired	(310)	(7)	(213)	(530)
Impairment loss allowance at 31 December 2018	**(10,044)**	**(1,104)**	**(2,731)**	**(13,879)**
Loans and Advances to Customers	**960,284**	**61,012**	**431,994**	**1,453,290**

22. Loans and Advances to Customers - continued

Provision coverage ratio*	Total Group & Bank 31 December 2018 %
Stage 1	0.51%
Stage 2	0.56%
Stage 3	8.16%

** Provision coverage ratio is calculated as loss allowance/gross loan balance as a percentage*

	Year ended 31 December 2017 Group & Bank €'000
Finance lease receivables	824,280
Hire purchase receivables	61,692
Loans	314,490
	1,200,462
Less: allowance for impairment	(9,688)
Net Loans and Advances to Customers	**1,190,774**

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 2018 Group & Bank €'000	Year ended 31 December 2017 Group & Bank €'000
- Not later than 1 year	507,192	448,096
- Later than 1 year and not later than 5 years	567,784	472,866
- Later than 5 years	86	60
	1,075,062	**921,022**
Less: unearned finance income on finance lease	(42,618)	(35,050)
Present value of minimum lease payments, receivable	**1,032,444**	**885,972**
- Not later than 1 year	491,206	434,826
- Later than 1 year and not later than 5 years	541,159	451,094
- Later than 5 years	79	52
	1,032,444	**885,972**

	Year ended 31 December 2018 Group & Bank €'000	Year ended 31 December 2017 Group & Bank €'000
Loans receivable:		
- Not later than 1 year	243,081	148,100
- Later than 1 year and not later than 5 years	191,403	165,742
- Later than 5 years	241	648
	434,725	**314,490**

22. Loans and Advances to Customers - continued

There were €938m of encumbered receivables as at 31 December 2018 relating to the Securitised and Collateralised Loan Facilities (Note 30).

23. Derivative Financial Instruments

	Year ended 31 December 2018 Group €'000	Year ended 31 December 2017 Group €'000
Fair value of derivative financial instruments		
FX Forward Derivatives	3,666	7,378
Cross Currency Swaps	2,795	3,597
Interest Rate Swaps	2	25
Total derivative financial instrument assets	**6,463**	**11,000**
FX Forward Derivatives	(5,792)	(1,219)
Cross Currency Swaps	(1,675)	(511)
Interest Rate Swaps	(1,605)	(200)
Total derivative financial instrument liabilities	**(9,072)**	**(1,930)**

	Year ended 31 December 2018 Bank €'000	Year ended 31 December 2017 Bank €'000
Fair value of derivative financial instruments		
FX Forward Derivatives	3,666	7,378
Interest Rate Swaps	2	18
Total derivative financial instrument assets	**3,668**	**7,396**
FX Forward Derivatives	(5,792)	(1,219)
Interest Rate Swaps	(996)	(261)
Total derivative financial instrument liabilities	**(6,788)**	**(1,480)**

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.

23. Derivative Financial Instruments - continued

As at 31 December 2018, 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	895,508	120,336	696,871	78,301
Total Notional of Interest Rate Swaps	**895,508**	**120,336**	**696,871**	**78,301**

Bank	Notional Amount €'000	Less than 1 year €'000	Between 1 and 5 years €'000	More than 5 years €'000
Interest Rate Derivatives				
Vanilla Interest Rate Swaps	590,645	120,336	470,309	-
Total Notional of Interest Rate Swaps	**590,645**	**120,336**	**470,309**	**-**

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**	**-**

As at 31 December 2018, 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	241,166	117,275	123,891	-
Total Notional of Foreign Exchange Derivatives	**241,166**	**117,275**	**123,891**	**-**

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	241,166	117,275	123,891	-
Total Notional of Foreign Exchange Derivatives	**241,166**	**117,275**	**123,891**	**-**

23. Derivative Financial Instruments - continued

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
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
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 2018, 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
Interest Rate/Foreign Currency Derivatives			
Cross Currency Swaps	189,420	1,885	187,535
Total Notional of Interest Rate/Foreign Currency Derivatives	**189,420**	**1,885**	**187,535**

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
Interest Rate/Foreign Currency Derivatives			
Cross Currency Swaps	131,034	-	131,034
Total Notional of Interest Rate/Foreign Currency Derivatives	**131,034**	**-**	**131,034**

23. Derivative Financial Instruments - continued

The below table analyses derivative financial instruments measured at fair value at the end of the reporting period by the fair value hierarchy into which the fair value measurement is categorised as at 31 December 2018. 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 as at 31 December 2018	Total Fair value	Level 1	Level 2	Level 3
	€'000	€'000	€'000	€'000
Fair value of Derivative financial instruments				
Assets				
FX Forward Derivatives	3,666	-	3,666	-
Cross Currency Swaps	2,795	-	2,795	-
Interest Rate Swaps	2	-	2	-
Fair value of Derivative financial assets	**6,463**	-	**6,463**	-
Liabilities				
FX Forward Derivatives	(5,792)	-	(5,792)	-
Cross Currency Swaps	(1,675)	-	(1,675)	-
Interest Rate Swaps	(1,605)	-	(1,605)	-
Fair value of Derivative financial liabilities	**(9,072)**	-	**(9,072)**	-

Bank as at 31 December 2018	Total Fair value	Level 1	Level 2	Level 3
	€'000	€'000	€'000	€'000
Fair value of Derivative financial instruments				
Assets				
FX Forward Derivatives	3,666	-	3,666	-
Cross Currency Swaps		-		-
Interest Rate Swaps	2	-	2	-
Fair value of Derivative financial assets	**3,668**	-	**3,668**	-
Liabilities				
FX Forward Derivatives	(5,792)	-	(5,792)	-
Cross Currency Swaps	-	-	-	-
Interest Rate Swaps	(996)	-	(996)	-
Fair value of Derivative financial liabilities	**(6,788)**	-	**(6,788)**	-

23. Derivative Financial Instruments - continued

Group as at 31 December 2017	**Total Fair value**	**Level 1**	**Level 2**	**Level 3**
	€'000	**€'000**	**€'000**	**€'000**
Fair value of Derivative financial instruments				
Assets				
FX Forward Derivatives	7,378		7,378	
Cross Currency Swaps	3,597		3,597	
Interest Rate Swaps	25		25	
Liabilities				
FX Forward Derivatives	(1,219)	-	(1,219)	-
Cross Currency Swaps	(511)	-	(511)	-
Interest Rate Swaps	(200)	-	(200)	-
Fair value of Derivative financial instruments	**9,070**	**-**	**9,070**	**-**

Bank as at 31 December 2017	**Total Fair value**	**Level 1**	**Level 2**	**Level 3**
	€'000	**€'000**	**€'000**	**€'000**
Fair value of Derivative financial instruments				
Assets				
FX Forward Derivatives	7,378		7,378	
Cross Currency Swaps				
Interest Rate Swaps	18		18	
Liabilities				
FX Forward Derivatives	(1,219)	-	(1,219)	-
Cross Currency Swaps	-	-	-	-
Interest Rate Swaps	(261)	-	(261)	-
Fair value of Derivative financial instruments	**5,916**	**-**	**5,916**	**-**

24. Intangible Assets and Goodwill

Group & Bank 2018	Goodwill	Other Intangible Assets (External Purchase)	Software	Assets under construction	Total
	€'000	€'000	€'000	€'000	€'000
Costs					
Balance at 1 January 2018	13,226	7,121	27,047	1,036	48,430
Additions / Internally developed	-	-	1,089	-	1,089
Deletions / Disposals	-	-	(719)	-	(719)
Transfer	-	-	1,036	(1,036)	-
Balance at 31 December 2018	**13,226**	**7,121**	**28,453**	**-**	**48,800**
Accumulated Amortisation					
Balance at 1 January 2018	-	(3,190)	(21,403)	-	(24,593)
Charge for the year	-	(723)	(3,308)	-	(4,031)
Deletions / Disposals	-	-	719	-	719
Balance at 31 December 2018	**-**	**(3,913)**	**(23,992)**	**-**	**(27,905)**
Net book value at 31 December 2018	**13,226**	**3,208**	**4,461**	**-**	**20,895**

Group & Bank 2017	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**

24. Intangible Assets and Goodwill - continued

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 2018. The transfer from assets under construction to software relates to the systems that the Group developed to support its ongoing activities.

25. Property, Plant and Equipment

Group & Bank 2018	**Leased Equipment €'000**	**Computer Equipment €'000**	**Fixtures and Fittings €'000**	**Total €'000**
Cost				
Balance at 1 January 2018	13,749	290	-	14,039
Additions	741	-	140	881
Disposal of operating lease equipment	(9,936)		-	(9,936)
Disposal of own use computer equipment	-	(1)	-	(1)
Balance at 31 December 2018	**4,554**	**289**	**140**	**4,983**
Accumulated depreciation				
Balance at 1 January 2018	(10,431)	(261)	-	(10,692)
Charge for the year	(1,335)	(15)	-	(1,350)
Disposal of operating lease equipment	9,441	-	-	9,441
Disposal of own use computer equipment	-	2	-	2
Balance at 31 December 2018	**(2,325)**	**(274)**	**-**	**(2,599)**
Net book value at 31 December 2018	**2,229**	**15**	**140**	**2,384**

Group & Bank 2017	**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**

25. Property, Plant and Equipment - continued

Leased equipment cost analysed as follows:

	Year ended 31 December 2018 Group & Bank €'000	Year ended 31 December 2017 Group & Bank €'000
On operating lease for periods:		
- Not later than 1 year	1,011	6,028
- Later than 1 year and not later than 5 years	1,218	7,721
- Later than 5 years	-	-
Total	**2,229**	**13,749**

Future minimum lease payments analysed as follows:

	Year ended 31 December 2018 Group & Bank €'000	Year ended 31 December 2017 Group & Bank €'000
On operating lease for periods:		
- Not later than 1 year	1,192	6,072
- Later than 1 year and not later than 5 years	1,308	3,184
- Later than 5 years	-	94
Total	**2,500**	**9,350**

26. Current Tax Assets

	31 December 2018 Group & Bank €'000	31 December 2017 Group & Bank €'000
Current income tax assets	329	571
Total current income tax assets	**329**	**571**
Current income tax assets:		
- Current tax asset to be recovered within 1 year	329	571
- Current tax asset to be recovered after more than 1 year	-	-

27. Deferred Income Tax Assets

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

	31 December 2018 Group & Bank €'000	31 December 2017 Group & Bank €'000
At 1 January	9,631	10,444
Impact of adopting IFRS 9 at 1 January 2018	650	-
Restated balance at 1 January 2018	**10,281**	**10,444**
Income statement charge (Note 19)	(2,859)	(813)
At 31 December	**7,422**	**9,631**

Deferred income tax assets are attributable to the following items:

	31 December 2018 Group & Bank €'000	31 December 2017 Group & Bank €'000
Tax losses carried forward	5,097	7,237
Temporary differences	2,325	2,394
Total deferred income tax assets	**7,422**	**9,631**
Deferred tax assets to be recovered within 12 months	3,625	2,225
Deferred tax assets to be recovered after 12 months	3,797	7,406

28. Other Assets

	31 December 2018 Group €'000	31 December 2017 Group €'000
VAT receivable	134,912	90,561
Prepayments	-	1,581
Other debtors	12,993	9,110
Total other assets	**147,905**	**101,252**
Other assets are analysed as follows:		
Within 1 year	147,141	99,139
After 1 year	764	2,113
	147,905	**101,252**

28. Other Assets - continued

	31 December 2018 Bank €'000	31 December 2017 Bank €'000
VAT receivable	134,911	90,561
Prepayments	- -	1,581
Other debtors	9,819	5,501
Total other assets	**144,730**	**97,643**
Other assets are analysed as follows:		
Within 1 year	143,991	96,792
After 1 year	739	851
	144,730	**97,643**

29. 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 €1.1m (2017: €0.9m).

The total amount owing to the pension scheme at 31 December 2018 was €nil (2017: €nil).

30. Deposits from Banks

	31 December 2018 Group €'000	31 December 2017 Group €'000
Secured funding	826,430	593,774
Multi-Currency Notional Pool	140,096	167,054
Time deposits	5,004	-
Deposits from Banks	**971,530**	**760,828**

	31 December 2018 Bank €'000	31 December 2017 Bank €'000
Secured funding	339,339	263,662
Multi-Currency Notional Pool	140,096	167,054
Time deposits	5,004	-
Deposits from Banks	**484,439**	**430,716**

Secured funding represents the drawn amount of the collateralised loan facility with external parties. In November 2018, the Bank increased the Collateralised loan facility and Securitised loan structure by €200m, bringing the loan facilties to €600m and €800m respectively. Included in Secured funding of €826m is €487m relating to the Securitised loan facility and €339m relating to the collateralised loan facility. With respect to the Bank, the secured funding of €339m is exclusively related to the collateralised loan facility. Dell Technologies Inc. is acting as guarantor for the secured funding.

30. Deposits from Banks - continued

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 does not contribute to the pool.

31. Other Liabilities

	31 December 2018 Group & Bank €'000	31 December 2017 Group & Bank €'000
Accounts payable	85,688	153,046
Creditors and accruals	2,912	2,335
Income tax deducted under PAYE/PRSI	258	284
Value added tax	643	10
Deferred income	224	27,887
Total other liabilities	**89,725**	**183,562**
Other liabilities (excluding deferred income) are analysed as follows:		
Within 1 year	89,501	155,675
After 1 year	-	-
Total other liabilities (excluding deferred income)	**89,501**	**155,675**

Unearned subsidy which was previously presented under deferred income has been reclassified into loans and advances to customers in 2018, as Management has determined that it more accurately reflects the substance of the balance.

32. Subordinated Liabilities

Group & Bank	**Reference rate**	**Maturity**	**31-Dec-18 €'000**
Subordinated Loan	3mth Euro Libor	June 2023	65,000
Accrued interest payable			66
Total Subordinated Liabilities			**65,066**

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**

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 Dell Global B.V, the parent company of DFS B.V.

33. Equity and Reserves

	31 December 2018 Group €'000	31 December 2017 Group €'000
Share capital	50,000	50,000
Capital contribution	417,500	342,500
Revenue reserves	(51,544)	(66,447)
Total equity reserve	**415,956**	**326,053**

	31 December 2018 Bank €'000	31 December 2017 Bank €'000
Share capital	50,000	50,000
Capital contribution	417,500	342,500
Revenue reserves	(51,546)	(66,448)
Total equity reserve	**415,954**	**326,052**

Share capital

The Group has authorised ordinary share capital of 50,000,001 shares (2017: 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 the Bank made additional cash capital contributions of €75m in 2018 (2017: €25m).

The Bank did not declare a dividend on its share capital during the year (2017: nil).

34. Contingent Liabilities and Commitments

Contingent liabilities

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

	31 December 2018 Group & Bank €'000	31 December 2017 Group & Bank €'000
Residual value guarantees	2,078	2,080
	2,078	**2,080**
Not later than 1 year	1,223	1,007
Later than 1 year and not later than 5 years	855	1,073
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:

	31 December 2018 Group & Bank €'000	31 December 2017 Group & Bank €'000
Lease funding commitments	156,905	149,329
Other commitments	-	-
	156,905	**149,329**
Not later than 1 year	156,905	149,329
Later than 1 year and not later than 5 years	-	-
Later than 5 years	-	-

35. Changes in liabilities arising from financing activities

As at year ended 31 December 2018 - 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 2018	(65,000)	(261,000)	(332,452)	(170,000)	(828,452)	(65)	(231)	(67)	(23)	(386)
Cash flows										
Drawdowns on debt facilities	-	(131,000)	(371,200)	(130,000)	(632,200)	-	-	-	-	-
Repayment of debt liabilities	-	53,000	216,645	40,000	309,645	-	-	-	-	-
Interest paid on liabilities	-	-	-	-	-	1,602	3,586	4,291	2,689	12,168
Non-cash changes										
Charge to income statement	-	-	-	-	-	(1,603)	(3,677)	(4,301)	(2,702)	(12,283)
At 31 December 2018	**(65,000)**	**(339,000)**	**(487,007)**	**(260,000)**	**(1,151,007)**	**(66)**	**(322)**	**(77)**	**(36)**	**(501)**

35. Changes in liabilities arising from financing activities - continued

As at year ended 31 December 2018 - 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 2018	(65,000)	(261,000)	(482,747)	(808,747)	(65)	(230)	(23)	(318)
Cash flows								
Drawdowns on debt facilities	-	(131,000)	(256,453)	(387,453)	-	-	-	-
Repayment of debt liabilities	-	53,000	40,000	93,000	-	-	-	-
Interest paid on liabilities	-	-	-	-	1,602	3,586	2,689	7,877
Non-cash changes								
Charge to income statement	-	-	-	-	(1,603)	(3,677)	(2,702)	(7,982)
At 31 December 2018	**(65,000)**	**(339,000)**	**(699,200)**	**(1,103,200)**	**(66)**	**(321)**	**(36)**	**(423)**

35. Changes in liabilities arising from financing activities - continued

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)**

35. 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)**

36. Immediate and Ultimate Parent Undertaking

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

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

On 28 December 2018, Dell Technologies returned to being publicly traded through a buy- back of shares.

37. Related party transactions

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. All related party transactions are settled in cash.

a) Loans and advances to related parties

	31 December 2018 Group & Bank €'000	31 December 2017 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

Loan Facility

	31 December 2018 Group €'000	31 December 2017 Group €'000
Loans outstanding at 1 January	170,023	80,005
Loans issued during the year	130,000	205,000
Loan repayments during the year	(39,986)	(114,982)
Loans outstanding at 31 December	**260,037**	**170,023**
Interest expense paid	**2,825**	**1,082**

	31 December 2018 Bank €'000	31 December 2017 Bank €'000
Loans outstanding at 1 January	482,769	80,005
Loans issued during the year	256,467	517,747
Loan repayments during the year	(40,000)	(114,983)
	699,236	**482,769**
Interest expense paid	**2,825**	**1,082**

37. Related party transactions - continued

The Group initially received long term borrowings from an affiliate, Dell Global BV of €250m during the year 2013. The Group has borrowed an additional amount of €130m (2017: €205m) during the current year. The Group has also repaid €40m during the year (2017: €115m). 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, this was further increased in February 2018 to €400m. In addition there is €100m of contingency to borrow on this facility. Based on the most recent addendum, the current maturity date of the facility is 28 September 2021.

Subordinated Debt

The subordinated loan entered into June 2013 bears interest at rates fixed in advance for periods of three months. The Group's dated subordinated notes are repayable in 2023 in full. The Group 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 Group's subordinated debt is issued by Dell Global BV, a subsidiary of Dell Technologies Inc. The fixed element of interest charged on the loan is 2.80% (Note 32).

Other

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

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

	2018 Group €'000	**2017 Group €'000**
Recharges outstanding at 1 January	(5,087)	4,026
Purchases of equipment	691,349	569,583
Recharges during the year (Other)	6,796	(5,087)
Payments during the year	(686,263)	(573,609)
Balances outstanding at 31 December	**6,795**	**(5,087)**
Loans outstanding at 31 December	**266,832**	**164,936**

	31 December 2018 Bank €'000	**31 December 2017 Bank €'000**
Recharges outstanding at 1 January	(6,136)	4,026
Purchases of equipment	691,349	569,583
Recharges during the year (Other)	34,456	(6,136)
Payments during the year	(686,263)	(573,609)
Balances outstanding at 31 December	**33,406**	**(6,136)**
Loans outstanding at 31 December	**732,642**	**476,635**

37. 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 and connected persons or companies controlled by key management personnel and connected persons. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity.

	31 December 2018 Group €'000	31 December 2017 Group €'000
Salaries and other short term employee benefits	4,110	4,397
Directors fees	278	275
Post-employment benefits	106	102
Total key management compensation	**4,494**	**4,774**

For the purposes of IAS 24: Related Party Disclosures, key management personnel of 14 (2017:17) comprise the Directors and other key management of the Bank.

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 or prior year. There were no assignments or assumptions by the Bank of any rights, obligations or liabilities under a transaction, and no arrangements under which another person enters into transaction which, if it had been entered into by the Bank would have fallen into section 307(1) or 307(2) of the Companies Act, 2014.

38. 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.

38. Fair Values of Assets and Liabilities - continued

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 23 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.

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 2018 and 2017.

See Note 23 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.

38. Fair Values of Assets and Liabilities - continued

The following table sets out the carrying amount and fair value assessment of the financial assets and liabilities at 31 December 2018:

Group	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	3,666	-	3,666	-	3,666	-	3,666
Interest rate derivatives	2	-	2	-	2	-	2
Cross currency swap derivatives	2,795	-	2,795	-	2,795	-	2,795
Financial assets not measured at fair value							
Cash and balances at central banks	-	44,805	44,805	44,805	-	-	44,805
Loans and advances to banks *	-	107,958	107,958	-	107,958	-	107,958
Loans and advances to customers *	-	424,538	424,538	-	424,538	-	424,538
	6,463	**577,301**	**583,764**	**44,805**	**538,959**	**-**	**583,764**
Financial liabilities measured at fair value							
Derivative financial instruments							
Exchange rate derivatives	5,792	-	5,792	-	5,792	-	5,792
Interest rate derivatives	1,605	-	1,605	-	1,605	-	1,605
Cross currency swap derivatives	1,675	-	1,675	-	1,675	-	1,675
Financial liabilities not measured at fair value							
Deposits by banks	-	971,530	971,530	-	971,530	-	971,530
Subordinated liabilities	-	65,066	65,066	-	65,066	-	65,066
Amounts due to fellow subsidiaries	-	266,832	266,832	-	266,832	-	266,832
	9,072	**1,303,428**	**1,312,500**	**-**	**1,312,500**	**-**	**1,312,500**

* Excludes leasing transactions within the scope of IAS 17 leases

38. Fair Values of Assets and Liabilities - continued

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	3,666	-	3,666	-	3,666	-	3,666
Interest rate derivatives	2	-	2	-	2	-	2
Cross currency swap derivatives	-	-	-	-	-	-	-
Financial assets not measured at fair value							
Cash and balances at central banks	-	44,805	44,805	44,805	-	-	44,805
Loans and advances to banks *	-	90,362	90,362	-	90,362	-	90,362
Loans and advances to customers *	-	424,538	424,538	-	424,538	-	424,538
	3,668	**559,705**	**563,373**	**44,805**	**518,568**	**-**	**563,373**
Financial liabilities measured at fair value							
Derivative financial instruments							
Exchange rate derivatives	5,792	-	5,792	-	5,792	-	5,792
Interest rate derivatives	996	-	996	-	996	-	996
Cross currency swap derivatives	-	-	-	-	-	-	-
Financial liabilities not measured at fair value							
Deposits by banks	-	484,439	484,439	-	484,439	-	484,439
Subordinated liabilities	-	65,066	65,066	-	65,066	-	65,066
Amounts due to fellow subsidiaries	-	732,643	732,643	-	732,643	-	732,643
	6,788	**1,282,148**	**1,288,936**	**-**	**1,288,936**	**-**	**1,288,936**

* Excludes leasing transactions within the scope of IAS 17 leases

38. Fair Values of Assets and Liabilities - continued

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

Group	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	25	-	25	-	25	-	25
Cross currency swap derivatives	3,597	-	3,597	-	3,597	-	3,597
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 *	-	105,482	105,482	-	105,482	-	105,482
Loans and advances to customers *	-	312,285	312,285	-	312,285	-	312,285
	11,000	**457,741**	**468,741**	**39,974**	**428,767**	**-**	**468,741**
Financial liabilities measured at fair value							
Derivative financial instruments							
Exchange rate derivatives	1,219	-	1,219	-	1,219	-	1,219
Interest rate derivatives	200	-	200	-	200	-	200
Cross currency swap derivatives	511	-	511	-	511	-	511
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

38. Fair Values of Assets and Liabilities - continued

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 *	-	93,833	93,833	-	93,833	-	93,833
Loans and advances to customers *	-	312,285	312,285	-	312,285	-	312,285
	7,396	**446,092**	**453,488**	**39,974**	**413,514**	**-**	**453,488**
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**

39. 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 2018:

	31-Dec-18 Gross Amount Presented in Consolidated Statement of Financial Position **Group & Bank** **€'000**	**31-Dec-18** Net Amount with Offsetting applied **Group & Bank** **€'000**
Financial Assets		
Derivatives with Positive Fair Value	6,463	-
Total	**6,463**	**-**
Financial Liabilities		
Derivatives with Negative Fair Value	(9,072)	(2,609)
Total	**(9,072)**	**(2,609)**
Total	**(2,609)**	**(2,609)**

	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**

40. 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 30.

The junior loan finances the acquisition of receivables to the extent not financed through the proceeds of the senior facility. The junior loan agreement between the Bank and the SPV provides for an interest amount payable to the Bank for the value of the SPV's profit less a monthly amount of €100.

41. Events after the Reporting period

There are no events after the reporting period.

42. 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 2018, determined in accordance with IFRS, is €19.5m (2017: Profit €5.5m).

43. Approval of Financial Statements

The financial statements were approved by the Board of Directors on 27 March 2019.