Dell Bank International

Designated Activity Company (d.a.c.)

Annual Report and Financial Statements

For the year ended 31 December 2019

Contents

Board of Directors at 24 March 2020

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

Joint Company Secretary

Lisa Doyle
Erica Mahon

Registered Office

Innovation House
Cherrywood Science & Technology Park
Cherrywood
Dublin 18

Registered Number

502362

Bankers

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

Deutsche Bank AG
6 Bishopsgate
London EC2P 2AT
England

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

Solicitors

Arthur Cox
Ten Earlsfort Terrace
Dublin 2

Independent Auditors

PricewaterhouseCoopers
One Spencer Dock
North Wall Quay
Dublin 1

The Directors present herewith their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2019.

Business review

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

The Group made a net profit after tax of €10.3m in 2019 (2018: a net profit after tax of €19.5m). A business review and future developments of the Business is covered in the Business and Strategy Report section of the Annual Report.

Dividend

No dividend was declared for the year.

Research and development

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

Principal risks and uncertainties

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

We continue to monitor the impact of the coronavirus (COVID-19) virus in Europe and globally. We have measures in place to mitigate the potential operational and economic impacts with a particular focus on ensuring the wellbeing of our team members. See note 41 for further details.

The Group continues to closely monitor any impacts arising from the UK's decision to withdraw from the EU ("Brexit") that may affect the UK economy and the wider European economy. This may have an adverse down-stream impact on our customers and on the Bank's financial performance.

Details of the Group's Risk management objectives and policies, including the use of financial instruments are set out in the Risk management report on pages 15 to 22.

Directors and Secretary

The names of the persons who were Directors and Secretary at any time during the year ended 31 December 2019 and to date are listed below. Unless otherwise indicated they served as Directors for the entire year.

Directors

William Wavro
Hugh O'Donnell
Daniel Twomey (appointed 25 February 2019)
Roisin Brennan
Frank O'Riordan
Donal Courtney
Don Berman
Tyler Johnson

Joint Secretary

Kate Brennan (resigned 18 February 2019)
Lisa Doyle (appointed 18 February 2019)
Erica Mahon (appointed on 24 March 2020)

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 financial year

Events after the financial year are disclosed in note 41.

Political donations

No political donations were made by the Group during the year to 31 December 2019.

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 2019 by the CBI.

Branch

The Group operates its only branch in Spain.

Going concern

The financial statements have been prepared on a going concern basis. In concluding that the going concern basis was appropriate for the 31 December 2019 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 IBOR reform and Capital Requirements Directive 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.

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

Statement of Directors' responsibilities

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

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

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

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

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

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

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

Directors' compliance statement

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

The Directors confirm that;

- a compliance policy statement has been drawn up, and that appropriate arrangements and structures have been put in place that are, in the directors' opinion, designed to secure material compliance with the relevant obligations.
- a review of the arrangements and structures has been conducted during the financial year ended 31 December 2019

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 24 March 2020.

Director
Daniel Twomey

Director
Hugh O'Donnell

Director
Donal Courtney

"I am pleased to report another successful year for Dell Bank International d.a.c. The Bank delivered a strong underlying financial performance with total asset growth of 29%, to €2.3bn and profit after tax of €10.3m. During the year, the Bank achieved a number of significant milestones including achieving an investment grade credit rating and issuing its inaugural unsecured Eurobond".

William Wavro, Chairman

Dell Technologies

Dell Technologies is committed to transforming businesses, shaping the future of innovation and developing technologies to drive human progress. Companies are increasingly looking to digital transformation to provide a competitive advantage. In support of this, Dell Technologies continues to provide the essential infrastructure for organisations to build their digital future, transform IT and protect their most important asset, information.

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

Business Performance

The Bank has achieved significant milestones in the current financial year. In May 2019, the Bank obtained a standalone investment grade credit rating from Moody's. On foot of this, in October 2019, the Bank issued its inaugural unsecured bond, a €500m senior unsecured note (the "Eurobond"). This successful issuance displays the market confidence in the Bank as well as creating a more diversified funding portfolio.

The Bank has continued to achieve year on year asset growth. The growth is driven by our continued investment in our customers, innovative new products and expanded markets. The Bank recorded a profit after taxation of €10.3m in 2019 which was a year on year reduction of €9.2m.

Our Customers

Our customers are at the heart of what we do. We take pride in providing our customers with end-to-end financing tailored to their business needs. We adapt and innovate our business based on customer feedback, and we monitor this closely through regular customer satisfaction (CSAT) and loyalty (NPS) surveys. Both metrics show our customers value the financial solutions and services we provide.

Our Communities and Environment

We take our corporate social responsibilities seriously. Over 85% of team members have volunteered time during 2019 to support over 200 charities and local clubs. With our "As a Service" offerings and refresh leasing, we support the circular economy with over 94% of all product returned at end of lease being diverted from landfill. In this way we can support our customers to reduce their environmental footprint by managing this process for them.

Our Team Members

Our people are the foundation of our business, and we continue to see our team members demonstrating our culture code which is the foundation of our values, behaviours and leadership principles. We believe in cultivating a diverse and inclusive environment to ensure that the Bank continues to be a great place to work for all employees. This results in a collaborative and energised team that is focused on serving and delivering on our evolving customer needs. We continue to see an increase in our employee satisfaction (eNPS) rating.

I would like to thank all our team members for their unwavering dedication to our customers, business and our wider community. I'd also like to thank the non-executive Directors, who provide strategic guidance, considered opinion and robust challenge throughout the year.

COVID-19

We are monitoring the COVID-19 crisis very closely. Our priority is the well-being of our team members and we will continue to do all we can to ensure their safety and support them through this difficult time. We have a diverse range of measures in place to mitigate the potential operational and economic impacts as well ongoing engagement with our customers and partners.

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 an ever-changing landscape. 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

Having regard to the uncertainties relating to COVID-19, we are confident that we will build on the successes of 2019 in future years. The continued leadership of our senior management team, and the unwavering commitment of our team members will deliver best-in-class financing solutions to our customers and execute on our strategic plans.

"The positive balance sheet growth in 2019 evidences our continuing focus to enable and support technology investment and digital transformation for our customers across the region."

Daniel Twomey, Executive Director

Background

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

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

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

The Bank provides financial services to customers based in 18 countries: Ireland, United Kingdom, Belgium, Netherlands, Luxembourg, Germany, Austria, Switzerland, France, Italy, Spain, Portugal, Denmark, Sweden, Finland, Norway, Iceland and Poland. The Bank 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 which imposes minimum core standards upon all credit institutions licensed by the CBI.

The Bank is not required to comply with the additional Corporate Governance Code requirements for high impact designated institutions.

Strategic Developments

In May 2019, Moody's assigned the Bank an investment grade credit rating for the first time. The rating reflects the Bank's strong solvency due to its profitability and solid capital base.

In October 2019, the Bank issued a €500 million senior unsecured note (the "Eurobond"). The Eurobond is listed on the Global Exchange Market of Euronext Dublin ("Euronext Dublin"). The Eurobond matures, and is fully repayable, in October 2022. Interest is payable at a fixed rate on an annual basis.

In November 2019, the Bank signed amendments to the collateralised loan facility in order to accommodate expected growth in receivables in the next two years. The collateralised loan facility was extended by 18 months. The Bank also diversified the lenders in the facility.

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 31 to 38. The below table presents the summary results of the Group:

Summary of Financial Performance

Year ended 31 December	2019	2018	Variance	
In Millions of Euro				
Interest income	70.2	68.6	1.6	2%
Interest expense[1]	(19.9)	(16.5)	(3.4)	(21%)
Net interest income[1]	**50.3**	**52.1**	**(1.8)**	**(3%)**
Other operating income[2]	22.5	19.3	3.2	17%
Total income[1&2]	**72.8**	**71.4**	**1.4**	**2%**
Net FX & derivative expense[1&3]	(5.1)	(4.7)	(0.4)	(8%)
Personnel expenses	(22.6)	(20.3)	(2.3)	(11%)
General expenses	(7.8)	(8.8)	1.0	11%
Depreciation expenses[1]	(2.5)	(5.4)	2.9	54%
Other operating expenses [3]	(9.9)	(6.3)	(3.6)	(57%)
Total operating expenses[1&3]	**(42.8)**	**(40.8)**	**(2.0)**	**(5%)**
Impairment charges	(11.6)	(2.7)	(8.9)	(330%)
Profit before Taxation	**13.3**	**23.2**	**(9.9)**	**(43%)**
Income tax charge	(3.0)	(3.7)	0.7	19%
Profit for the year	**10.3**	**19.5**	**(9.2)**	**(47%)**

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

2 Other operating income includes operating lease income and depreciation on operating leased assets

3 Net FX and derivative expenses includes FX revaluation and fair value movement on derivatives. In the Statement of comprehensive income, net trading expense excludes FX revaluation and fair value movement on derivatives.

As per the summary table on page 9, the Group recorded a profit before taxation of €13.3m in 2019 (2018: profit of €23.2m). After an income tax charge of €3.0m (2018: €3.7m), a profit of €10.3m (2018: profit of €19.5m) was transferred to reserves. The decrease in profit year on year is as a result of an increase in loan impairment charges by €8.9m. This increase was partly driven by an impairment on one specific customer exposure in 2019 and a change to the Expected Credit Loss model. For further details on this model change see page 67. Notwithstanding this, the overall impairment coverage of 1.3% is representative of the strong credit quality of the portfolio. In addition, income from syndications has decreased by €3.3m following lower year on year sale of receivables (2019: €257m, 2018: €392m).

Our income continues to reflect the positive impact of new lending while also continuing to be influenced by the low interest rate environment. Net interest margin has decreased by 1% year on year. Growth in assets has led to a 2% increase in total income which has been impacted by lower margins. Other operating income for the year was €22.5m compared to €19.3m in 2018. This increase of €3.2m or 17% is driven by a growth in operating lease income and end of lease activities. In 2019, the Bank ceased purchasing residual value insurance for new originations, resulting in certain new leases being classified as an operating lease. This resulted in increased levels of operating leases recorded as property plant and equipment on the Statement of financial position and an increase in other operating income and depreciation charges in the Statement of comprehensive income.

Interest expense for the year was €19.9m compared to €16.5m in 2018, up €3.4m or 21%. This was driven by increased interest rate and cross currency swap interest expense. Increased borrowings were substantially offset by a lower average cost of borrowings as shown in the KPI table below.

The net FX and derivative expense for the year was €5.1m (2018: €4.7m) marking an increase of €0.4m or 8% year on year. The charge for the year is largely driven by net foreign exchange trading (including cross currency swaps), revaluation expense and mark to market on interest rate swaps.

Total operating expenses has increased by €2.0m for the year, an increase of 5%. This increase is driven primarily by increases in business support services. However, our Cost-Income ratio has decreased as noted in the table below.

The loan impairment charge for loans and advances to customers for the year ended 31 December 2019 is €11.6m (2018: €2.7m). In 2019, one customer exposure contributed significantly to the current year charge. In addition, changes to the Expected Credit Loss model further impacted the charge to the Statement of comprehensive income. The total provision balance has increased to €23.6m (2018: €13.9m) which represents 1.4% of total loans and advances to customers (2018: 1.0%).

The Bank's non-performing exposure ratio has decreased significantly during the year from 9.1% to 5.3%. The drivers of this decrease are further outlined in Note 4 (page 63).

Key Performance Indicators*

Year ended 31 December	2019	2018	Variance
Cost/Assets under Management ratio	2.4%	2.9%	0.5%
Cost Income ratio	46.2%	46.4%	0.2%
Cost of funds	1.3%	1.4%	0.1%
Net interest margin	4.1%	5.1%	(1.0%)
Non-performing exposures ratio	5.3%	9.1%	3.8%
Credit Impairment Provision Coverage ratio	1.3%	0.9%	(0.4%)

*** Please refer to Glossary on page 122 for KPI definitions.**

As shown in the table below the Group has continued to grow its asset base during the year. Total liabilities and equity have increased by €525m year on year. In addition, as part of the Group's funding and growth strategies a capital contribution of €140m was received from DFS BV in 2019 to fund expected growth in receivables. During 2019 the Group repaid in full both the Subordinated debt and Intercompany loan totalling €325m.

31 December	2019	2018	Variance	
In Millions of Euro				
Total assets	2,345	1,818	527	29%
Liabilities	1,779	1,402	377	27%
Equity	566	416	150	36%
Total liabilities and equity	**2,345**	**1,818**	**527**	**29%**

The Group definition of credit impaired financial assets includes those when its contractual payments are 90 days past due. However, for some customers of the Bank, delinquency is not necessarily a measure of a customer's inability to repay. Customers delinquencies can occur due to administrative issues and not an underlying credit issue. As a result, administrative delinquency issues tend to inflate Stage 2, Stage 3 & POCI populations.

From an internal reporting perspective, adjustments are made to account for the impact of administrative defaults on the staging. Administrative disclosures are classified in Stage 1 for internal reporting purposes. The resulting impact is a reduction in stage 3 exposures of €131m.

The table below shows the staging while applying the applicable IFRS 9 reporting procedures and compared this to the internal reporting metrics.

Administrative Delinquencies: IFRS9 v internal reporting

Year ended 31 December 2019	Reported under IFRS9	Internal reporting	Variance
In Millions of Euro			
Stage 1	1,502	1,672	(170)
Stage 2	120	81	39
Stage 3/POCI	146	15	131
Gross Lending	**1,768**	**1,768**	**-**
ECL	**(23)**	**(23)**	**-**
Net Lending	**1,745**	**1,745**	**-**

Administrative Delinquencies: IFRS9 v internal reporting

Year ended 31 December 2018	Reported under IFRS9	Internal reporting	Variance
In Millions of Euro			
Stage 1	1,175	1,336	(161)
Stage 2	141	124	17
Stage 3/POCI	151	7	144
Gross Lending	**1,467**	**1,467**	**-**
ECL	**(14)**	**(14)**	**-**
Net Lending	**1,453**	**1,453**	**-**

Introduction

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

The Bank has an ambitious, long-term set of goals that fundamentally shapes how the 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.

Our approach to CSR operates under the key pillars of:

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

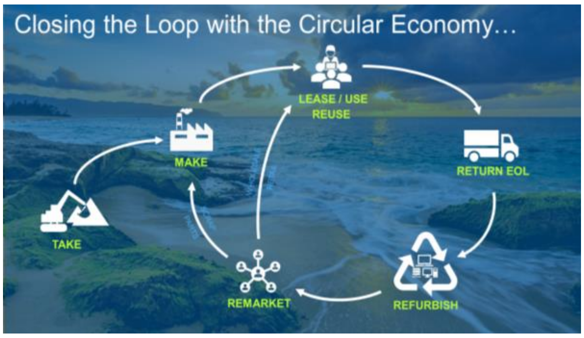
Advancing Sustainability (Environment)

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

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

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

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



The Bank's contribution is to enable usage of technology assets for an optimal term, followed by extending the life of the equipment by refurbishing and reusing for a second life. This is achieved by matching financing terms to the product with flexible extension options. When there is no further use for the equipment with the primary user, it is returned into the system for reuse as soon as possible. Time is an important factor since a 3 to 4-year-old device has a much higher re-use opportunity than a 6 to 7-year-old device. This approach 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, e.g. a laptop that is refurbished and reused for an additional 3 years saves 200kg of CO_2. In 2019, 94% of the Bank's returned leased assets were sold as re-furbished equipment in the secondary market, either via our UK online Dell Refurbished store or via resellers, primarily in the EU or OECD countries.

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

All exports and imports of end-of-use electronics and e-waste is handled by Dell Technologies and its EDP's, who comply with existing international environmental and waste shipment conventions, agreements, local laws and other legal requirements. The remaining 6% of the Bank's returned leased assets were recycled. Extending product lifetime via reuse is key to enabling the circular economy, which the Bank is commit-ted to expanding.

Cultivating Inclusion (People & Workplace)

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

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

Flexible work environment: we're focused on supporting team members to work where, how and when they are most productive. Currently, 60% of team members leverage some type of flexible work option. The Bank encourages all employees to take part in MARC (Many Advocating Real Change). The MARC programme aims to build an awareness on how unconscious bias, and other factors, could inhibit the free flow of diverse ideas. Our goal is to have 100% of team members participate in this programme.

Leveraging Dell Technologies, the Bank also has a vast Employee Resource Group (ERG) network made up of several different groups across multiple countries. ERG focus areas include gender, ethnicity and identity making them a force for cultivating diversity and inclusion.

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

Examples of the ERGs and their aims are as follows:

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

The Bank continues to expand the talent pipeline for underrepresented groups to meet our future talent needs. The Bank is finding creative new ways to remove barriers from the traditional hiring practices to leverage every individual's unique ability to contribute. An example being the newly launched Neurodiversity Hiring Programme.

Transforming Lives with Technology

The Bank encourages and supports all staff to participate in volunteering opportunities. During the year 2019, Bank employees participated in various community activities such as fundraising for local and non-local charities, donations and educational programmes. Examples of the Bank's commitment to the wider community in 2019 included collaborating with Barnardos, the Special Olympics Ireland National Games, St Vincent de Paul and Mellon Educate.

In 2019, the Bank supported communities by contributing:

- Approximately 4,500 volunteer hours by staff
- Over 200 charities impacted
- Involvement in over 800 events
- 87% staff participation rate

These activities help foster a community spirit amongst our team members and further connects the Bank within our local communities.

Upholding Ethics and Privacy

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

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

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

In order to uphold privacy, in 2018 the Bank put in place its own dedicated Data Privacy Manager to ensure compliance with the General Data Protection Regulation (GDPR) and other national data privacy laws in jurisdictions that we operate in.

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

1. Introduction

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

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

2. Risk Framework

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

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

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

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

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

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

Three Lines of Defence

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

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

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

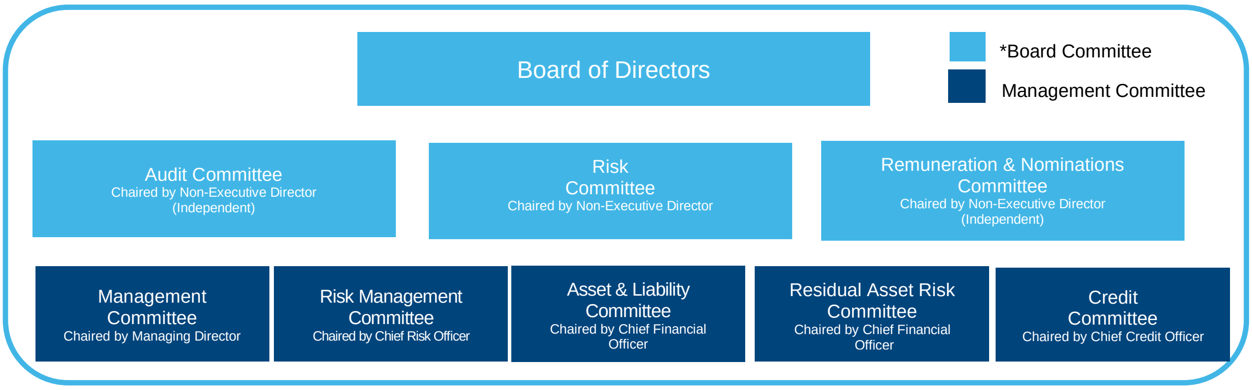
Third line of defence: The Bank's third line of defence comprises of the Internal Audit function which provides independent, reasonable assurance to management, the Audit Committee, the Board and external stakeholders. It ensures that controls are in place for identified risks, that the controls are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

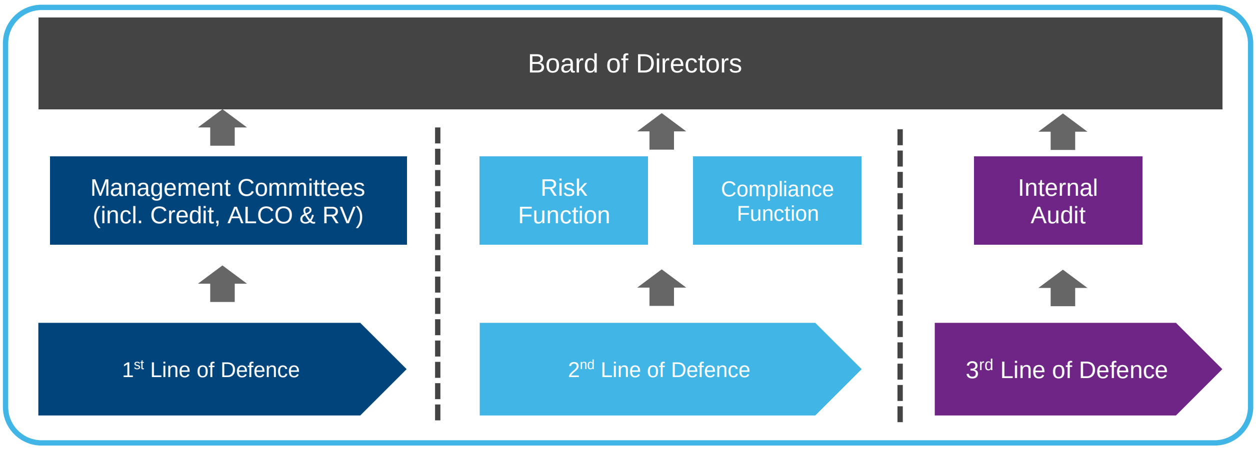
Risk Governance

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

- A documented Board Charter which sets out the matters reserved for the Board and through a Delegated Authority Matrix, matters it has delegated to Board Sub Committees and to Management
- Terms of References for all Board Committees* which set out the decision-making authorities and responsibilities of each Committee;
- Management Committee Terms of References which set out the responsibilities and reporting lines for each of the management committees.
- Head of Internal Audit reports to the Audit Committee.

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





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

Board Committees

The Audit Committee has been delegated responsibility by the Board to provide oversight in a number of areas including, but not limited to, the financial reporting process; the quality and integrity of the Group's financial statements and Pillar III disclosures; internal control framework of the Group; and oversight of the Group's external auditors. The Internal Audit Function reports to the Audit Committee.

The Risk Committee of the Group is responsible for oversight and advice to the Board on the significant risk exposures of the Group and future risk strategy. The Risk Committee advises and makes recommendations to the Board on risk matters, including risk appetite, financial performance, capital adequacy, liquidity adequacy, recovery plans and policy. 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.

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.

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

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

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

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

The Asset and Liability Committee ("ALCO") is responsible for the management of the balance sheet of the Group, including capital adequacy in accordance with the risk appetite approved by the Board, the Group's Internal Capital Adequacy Assessment Process ("ICAAP") and the Group's Internal Liquidity Adequacy Assessment Process ("ILAAP"). ALCO is also responsible for leading the development of the Group's Recovery Plan. ALCO oversees the establishment and maintenance of appropriate procedures for the management of liquidity risk, market risk and contingency funding that are consistent with the strategy and policy approved by the Board.

The Credit Committee has been delegated responsibility by the Board to implement the credit policies and ensure procedures are in place, to oversee the Credit Function and associated credit risk management. The responsibilities of the Credit Committee include approval of credit proposals within its delegated authority, 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 Committee is responsible for the overall management of credit exposures of the Group.

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

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

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

3. Credit Risk (audited)

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

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

a. Credit Risk – Measurement

The Group measures credit risk on an individual counterparty basis, utilising either an automated or manual credit underwriting process.
Automated credit decisions are based primarily on customer information obtained from 3rd party credit reporting agencies (Credit Bureau and Fraud databases) and are subject to automated credit-granting rules that utilise mathematically derived and statistically based credit scorecards. An integral part of the credit-granting process is a comprehensive set of management tools and controls that dictate acceptable credit score cut-offs and risk grades.

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

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

The Group uses a sixteen-point scale in assigning PD grades of customers. This PD grade scale is referenced to externally available customer ratings. The grades provide an estimate of a customer's Probability of Default within a 12-month horizon. Quantitative and qualitative measures are used to develop a PD grade. The probability of default will increase proportionally as the grade increases. The Group uses a Loss Given Default ("LGD") which expresses the loss on a facility as a proportion of exposure. Quantitative and qualitative measures are used to inform the LGD grade. The percentage of exposure lost given a default scenario increases as the LGD grade increases. An analysis of the Group's Financial Assets by PD grade as at 31 December 2019 is set out in Note 4 of the financial statements.

b. Credit Risk Mitigation

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

c. Credit Risk Impairment and Provisioning Policies

Under IFRS 9 all credit exposures are subject to recognition of an impairment loss allowance for

expected credit loss ("ECL"). The Group's approach to internal credit rating models and rating systems is unchanged since 2018 and is set out in Note 4 of the financial statements.
ECLs are calculated through the impairment model which allocates financial instruments to stage 1, 2, 3 and POCI (Purchased or Originated Credit- impaired) and measure the appropriate 12 month or lifetime ECL.

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

d. Counterparty credit risk arising from derivatives

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

4. Market Risk (audited)

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

The Group has comprehensive policies for assessing, measuring and managing interest rate risk in the banking book (IRRBB) and foreign currency risk (FX). The ALCO is responsible for defining and recommending the Group's Market Risk Policy for Board Risk Committee approval. The policy, together with the Group's Risk Appetite Framework, establishes the risk appetite and limits based are set as a percentage of the available Regulatory Capital. Both the IRRBB and FX hedging programs are in place to minimise the Group's exposure to potentially unpredictable market movements.

a. Foreign exchange risk

Foreign exchange risk is a financial risk caused by an exposure to changes in the exchange rates between two currencies. The Group is a Euro denominated entity but engages in leasing business throughout the European Economic Area ("EEA") in 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 using FX forwards and foreign exchange derivatives.

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

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

b. Interest rate risk (IRRBB)

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

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

The Group manages this risk by entering into interest rate related derivatives to manage the interest rate risk arising in its Banking Book. The Group's portfolio of non-traded financial instruments principally comprises of commercial finance and operating leases, external loan facilities, and hedging instruments.
Further analysis of the Group's Interest Rate Risk mismatch is detailed in Note 4 of the financial statements.

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

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

IRRBB is monitored daily and the positions are reported regularly to ALCO.

Further analysis of the Group's Interest Rate Risk positions is detailed in Note 4 of the financial statements.

5. Funding & Liquidity Risk (audited)

Effective liquidity risk management is central to the building of a strong and solid balance sheet and is a key pillar in the Group's core strategy. Liquidity risk is the risk that the Group is unable to meet its on and off-balance sheet obligations when they fall due without incurring significant costs. Liquidity risk is highly dependent on the Group's balance sheet characteristics such as the maturity profile of the assets and liabilities, the quality of its liquidity buffer, broader market conditions and access to sufficient market funding. Funding risk can occur where there is an over-reliance on a particular type of funding, a funding gap or a concentration of funding maturities.

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

The Group's assets are comprised primarily of lease and loan obligations. These loans have short to medium term contractual repayment profiles (typically 3-year amortisation schedules) although the credit agreements allow the lessee in general to prepay early. In aggregate, such a pool of assets will have a reasonably predictable repayment profile, though one that may vary systematically based on a variety of market and macroeconomic factors.

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

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

a. Liquidity Stress Testing

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

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

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

b. Liquidity Monitoring

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

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

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

The Group sources funds from five principal sources:

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

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

c. Assets held for Managing Liquidity Risk

The Group holds a portfolio of cash 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. Liquidity Risk – Off Balance sheet items

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

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

6. Residual Asset Value Risk

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

The Group's Asset Management End of Lease ("EOL") function analyses historic data relating to; equipment resale value, customer end of lease behaviour, end of lease fulfilment costs, and applies its expert judgement to derive Recovery Based Residuals ("RBR").

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

7. Operational Risk

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

Operational risk specifically arises in the areas of:

- 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 €557.5m at 31 December 2019.

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

8. 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 Risk

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

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

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

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

10. Business & Strategic Risk

Business & Strategic Risk arises from adverse and unexpected changes in income, costs or profitability that are due to the Group's business model, its strategy, and decisions made by Board and senior management.
The Group considers effective governance to be the most appropriate mitigant against this risk category. Business & Strategic Risk is included in the ICAAP assessment.

Business and Strategy Risk also includes Brexit risks (risks and uncertainties arising from the UK's decision to withdraw from the EU). With the transition period due to end on 31 December 2020 uncertainties regarding the final outcome of Brexit remain heightened. 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. Ongoing uncertainty may lead to increased FX and interest rate volatility which can impact the translation of the Group's GBP denominated assets, profit and lower than expected equipment resale value which could adversely impact end of lease income.

The Group's Brexit Steering Group continues to identify, monitor and mitigate risks associated with various outcomes of Brexit. 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 Dell brand. The Group seeks to ensure that outsourced activities meet the Group's reputational risk standards, including the treatment and disposal of hardware.

12. Group Risk

Group Risk arises from reliance on Dell Technologies Inc. for financial and operational support, including certain funding facilities and outsourced services.

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

Independent Auditors Report

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 2019 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 2019;
- the Bank statement of financial position as at 31 December 2019;
- 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, 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 listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other than those disclosed in note 17 to the financial statements, we have provided no non-audit services to the Group or the Bank in the period from 1 January 2019 to 31 December 2019.

Our audit approach

Overview

Materiality

- €4.8 million (2018: €4.1 million) - Consolidated and Bank financial statements
- Based on C. 1% of net assets.

Audit scope

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

Key audit matters

- Expected Credit Loss Provision.

The scope of our audit

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

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	*How our audit addressed the key audit matter*
Expected Credit Loss Provision Refer to page 41 (Group accounting policies), Note 3(a) (Critical Accounting Estimates and Judgements), Note 4, Note 16, Note 20, Note 21 and Note 41 to the consolidated financial statements. Expected credit loss (ECL) allowances on loans and advances to customers and banks was €23.5 million at 31 December 2019 (2018: €13.9 million). 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 between "Administrative Defaults" and "Credit risk 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 4 the Group considers two 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. During the year the Probability of Administrative Default parameter was updated for the "Small" segment portfolio (exposures < EUR1m) resulting in higher ECL provision. 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. 3. The consideration of the need for post model adjustments to address known model limitations and latent risks. These adjustments are by their nature inherently uncertain and judgmental. We also focused on the adequacy of the disclosures including the disclosures made in note 41 " Events after the financial year" relating to Covid -19.	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 ECL 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. Specifically, we assessed the reasonableness of the updated parameter for the Probability of Administrative Default for the "Small segment" portfolio during 2019. We assessed whether the SICR triggers identified by management were appropriate and reasonable. We reperformed the staging logic as implemented in the Bank's ECL models and tested the classification of a sample of contracts within each stage. 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 adequacy of the disclosures included in the financial statements relating to ECL provisions and post balance sheet events relating to Covid - 19 and concluded that they were appropriate.

How we tailored the audit scope

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

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	€4.8 million (2018: €4.1 million).	€4.8 million (2018: €4.1 million).
How we determined it	C. 1% of net assets.	C. 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 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.

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 2019 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 the 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, 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 company's members as a body in accordance with section 391 of the Companies Act 2014 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2014 opinions on other matters

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

Other exception reporting

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 8 years, covering the years ended 31 December 2012 to 31 December 2019.

Ivan McLoughlin
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin
24 March 2020

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

Financial Statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

In thousands of Euro	Note	Year ended 31 December 2019	Year ended 31 December 2018
Interest receivable and similar income	5	70,167	68,629
Interest payable and similar expense	5	(12,936)	(12,473)
Net interest income		**57,231**	**56,156**
Operating lease income	6	23,975	2,975
Fee and commission income	7	3,287	642
Fee and commission expense	7	(815)	(626)
Other Income from end of lease activities	9	8,616	4,105
Other Income from Syndications	8	8,877	12,168
Other operating income		**43,940**	**19,264**
Net trading expense	**10**	**(29,514)**	**(10,930)**
Personnel expenses	11	(22,603)	(20,327)
General and administrative expenses	13	(7,792)	(8,833)
Depreciation and amortisation expenses	14	(23,879)	(5,381)
Other operating income/(expense)	15	7,571	(4,047)
Total operating expenses		**(46,703)**	**(38,588)**
Total operating profit before impairment charges		**24,954**	**25,902**
Impairment charges on loans and receivables	16	(11,635)	(2,715)
Profit before taxation		**13,319**	**23,187**
Income tax charge	18	(3,029)	(3,732)
Profit for the year		**10,290**	**19,455**

In thousands of Euro	Year ended 31 December 2019	Year ended 31 December 2018
Profit for the year	**10,290**	**19,455**
Items that may be reclassified to the income statement in subsequent years		
Cash flow hedge reserve, net of tax:		
Changes in fair value	(324)	-
Transfer to income statement	-	-
Net change in cash flow hedge reserve	(324)	-
Total comprehensive income, net of tax	**9,966**	**19,455**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

In thousands of Euro	Note	31 December 2019	31 December 2018
Assets			
Cash and balances with central banks	19	44,636	44,805
Loans and advances to banks	20	208,722	134,688
Loans and advances to customers	21	1,744,965	1,453,290
Derivative financial instruments	22	5,537	6,463
Intangible assets and goodwill	23	18,479	20,895
Property, plant and equipment	24	140,660	2,384
Deferred income tax assets	26	5,624	7,422
Other assets	27	176,584	147,905
Current Tax assets	25	114	329
Total assets		**2,345,321**	**1,818,181**
Liabilities			
Deposit from banks	29	1,132,457	971,530
Debt Securities in Issue	30	495,944	-
Other liabilities	31	49,669	89,725
Derivative financial instruments	22	31,095	9,072
Amounts due to fellow subsidiaries	37	70,234	266,832
Subordinated liabilities	32	-	65,066
Total liabilities		**1,779,399**	**1,402,225**
Equity			
Share capital	33	50,000	50,000
Capital contribution	33	557,500	417,500
Revenue reserves	33	(41,254)	(51,544)
Other Reserves	33	(324)	-
Total equity		**565,922**	**415,956**
Total liabilities and equity		**2,345,321**	**1,818,181**
Memorandum items			
Guarantees	34	1,570	2,078
Commitments	34	165,609	156,905

Approved and authorised for issue by the Board on 24 March 2020:

Director
Daniel Twomey

Director
Hugh O'Donnell

Director
Donal Courtney

Secretary
Erica Mahon

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

In thousands of Euro	Share Capital	Other Reserves	Revenue Reserves	Capital Contribution	Total Equity
Balance as 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**
Balance at 1 January 2019	**50,000**	**-**	**(51,544)**	**417,500**	**415,956**
Cashflow Hedge Reserve	-	(324)	-	-	**(324)**
Capital contribution	-	-	-	140,000	**140,000**
Profit for the year	-	-	10,290	-	**10,290**
Balance at 31 December 2019	**50,000**	**(324)**	**(41,254)**	**557,500**	**565,922**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

In thousands of Euro	Year ended 31 December 2019	Year ended 31 December 2018
Cash flows from operating activities		
Profit before tax	13,319	23,187
Adjustments for:		
Impairment charges on financial assets	11,635	2,715
Impairment charges on Property plant and Equipment (note 24)	90	-
Interest expense on financing activities (Note 35)	9,108	12,283
Depreciation, amortisation and write-offs (Note 23 and 24)	23,879	5,381
Other non-cash items (Note 22)	(3,150)	-
Proceeds from disposal of Property plant and Equipment (Note 24)	1,389	495
Cash generating from operating activities	**56,270**	**44,061**
Taxation paid	(1,144)	(724)
Cash flows from operating activities before changes in operating assets and liabilities	**55,126**	**43,337**
Changes in operating assets and liabilities		
Net change in derivative financial instruments (Note 22)	22,949	11,679
Net increase in loans and advances to banks	(59,405)	(22,490)
Net increase in loans and advances to customers	(304,076)	(270,433)
Net increase in other assets (Note 27)	(28,679)	(46,653)
Additions to property, plant and equipment (Note 24)	(161,217)	(881)
Net decrease in other liabilities (Note 31)	(40,056)	(93,837)
Net decrease in deposits from banks (Note 29)	(140,075)	(21,954)
Net increase in Intercompany balance	54,168	11,883
Net cash outflow used by operating activities	**(601,265)**	**(389,349)**
Cash flows from investing activities		
Additions to intangible assets (Note 23)	-	(1,089)
Cash flows used in investing activities	**(-)**	**(1,089)**
Capital contribution (Note 33)	140,000	75,000
Proceeds from financing activities (Note 35)	1,184,600	632,200
Repayments of financing activities (Note 35)	(708,383)	(309,645)
Interest payments on financing activities (Note 35)	(8,771)	(12,168)
Issue costs for financing activities	(1,884)	-
Net cash inflow used in financing activities	**605,562**	**385,387**
Cash and cash equivalents at the beginning of the year	126,237	131,288
Net cash outflow by operating activities	(601,265)	(389,349)
Net cash outflow in investing activities	(-)	(1,089)
Net cash inflow used by financing activities	605,562	385,387
Effect of exchange translation adjustments	893	-
Cash and cash equivalents at the end of the year (Note 19)	**131,427**	**126,237**

BANK STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

In thousands of Euro	Note	31 December 2019	31 December 2018
Assets			
Cash and balances with central banks	19	44,636	44,805
Loans and advances to banks	20	179,525	117,091
Loans and advances to customers	21	1,744,965	1,453,290
Derivative financial instruments	22	4,927	3,668
Intangible assets and goodwill	23	18,479	20,895
Property, plant and equipment	24	140,660	2,384
Deferred income tax assets	26	5,624	7,422
Other assets	27	174,038	144,730
Current Tax assets	25	114	329
Total assets		**2,312,968**	**1,794,614**
Liabilities			
Deposit from banks	29	473,113	484,439
Debt Securities in Issue	30	495,944	-
Other liabilities	31	49,670	89,725
Derivative financial instruments	22	19,050	6,788
Amounts due to fellow subsidiaries	37	709,273	732,642
Subordinated liabilities	32	-	65,066
Total liabilities		**1,747,050**	**1,378,660**
Equity			
Share capital	33	50,000	50,000
Capital contribution	33	557,500	417,500
Profit for the year	33	9,964	19,454
Revenue reserves	33	(51,546)	(71,000)
Total equity		**565,918**	**415,954**
Total liabilities and equity		**2,312,968**	**1,794,614**

Memorandum items			
Guarantees	34	1,570	2,078
Commitments	34	165,609	156,905

Approved and authorised for issue by the Board on 24 March 2020:

Director
Daniel Twomey

Director
Hugh O'Donnell

Director
Donal Courtney

Secretary
Erica Mahon

BANK STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

In thousands of Euro	Share Capital	Revenue Reserves	Capital Contribution	Total Equity
Balance at 1 January 2018	**50,000**	**(71,000)**	**342,500**	**321,500**
Capital contribution	-	-	75,000	75,000
Profit for the financial year	-	19,454	-	19,454
Balance at 31 December 2018	**50,000**	**(51,546)**	**417,500**	**415,954**
Balance at 1 January 2019	**50,000**	**(51,546)**	**417,500**	**415,954**
Capital contribution	-	-	140,000	140,000
Profit for the financial year	-	9,964	-	9,964
Balance at 31 December 2019	**50,000**	**(41,582)**	**557,500**	**565,918**

BANK STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

In thousands of Euro	Year ended 31 December 2019	Year ended 31 December 2018
Cash flows from operating activities		
Profit before tax	12,992	23,188
Adjustments for:		
Impairment charges on financial assets	5,869	2,715
Impairment charges on Property, plant and equipment	90	-
Interest expense on borrowed funds (Note 35)	5,912	7,982
Depreciation, amortisation and write-offs (Note 23 and 24)	23,879	5,381
Other non-cash items (Note 22)	(2,826)	-
Gain from disposal of operating lease (Note 24)	1,389	495
Cash generating from operating activities	**47,305**	**39,761**
Taxation paid	(1,144)	(724)
Cash flows from operating activities before changes in operating assets and liabilities	**46,161**	**39,037**
Changes in operating assets and liabilities		
Net increase in derivative financial instruments (Note 22)	11,003	9,036
Net increase in loans and advances to banks	(56,273)	(9,639)
Net increase in loans and advances to customers	(298,335)	(270,433)
Additions to property, plant and equipment (Note 24)	(161,217)	(881)
Net increase in other assets (Note 27)	(29,308)	(47,087)
Net decrease in other liabilities (Note 31)	(40,055)	(93,837)
Net decrease in deposits from banks (Note 29)	(140,075)	(21,954)
Net increase in Intercompany balance	36,934	37,126
Net cash outflow provided by operating activities	**(631,165)**	**(397,669)**
Cash flows from investing activities		
Additions to intangible assets (Note 23)	-	(1,089)
Net cash used in investing activities	**(-)**	**(1,089)**
Cash flows from financing activities		
Capital contribution (Note 33)	140,000	75,000
Proceeds from financing activities (Note 35)	875,462	387,453
Repayments of financing activities (Note 35)	(381,000)	(93,000)
Issue costs for financing activities (Note 30)	(1,889)	-
Interest payments on financing activities	(5,607)	(7,877)
Net cash inflow provided in financing activities	**626,966**	**361,576**
Cash and cash equivalents at the beginning of the year	133,138	131,283
Net cash outflow by operating activities	(631,165)	(358,632)
Net cash outflow in investing activities	-	(1,089)
Net cash inflow used by financing activities	626,966	361,576
Effect of exchange translation adjustments	920	-
Cash and cash equivalents at the end of the year (Note 19)	**129,859**	**133,138**

Notes to the Financial Statements

1. Accounting Policies

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

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

Basis of preparation

The Directors make an unreserved statement that the consolidated financial statements for the year ended 31 December 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"). The financial statements also comply with the requirements of Irish Statute comprising those parts of the Companies Act, 2014, applicable to companies reporting under IFRS.

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

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

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

First time adoption of new accounting standards

A number of new accounting standards were introduced for periods commencing 1 January 2019. Other than IFRS 16 no other new standards had a material impact on the Group for the year ended 31 December 2019. The impact of IFRS 16 is set out below. No new accounting stands were early adopted for the year commencing 1 January 2019.

IFRS 16 Leases

The Group adopted IFRS 16 Leases ("IFRS 16") on 1 January 2019. Comparative figures for 2018 were prepared under IAS 17 Leases and were not restated for IFRS 16 as permitted by IFRS 16 transition rules.

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.

From a lessee perspective, the Group performed an assessment on the agreements currently in place and determined that the Group did not have any operating leases that required reclassification under IFRS 16. The Group determined that the introduction of the new standard did not have a material impact for the Group or Bank.

1. Accounting Policies- continued

The following standards were also effective for the financial year ended 31 December 2019. There were no material impacts to the Group following the introduction of these standards.

- Amendment to IAS 19 'Plan Amendment, Curtailment or Settlement'
- Amendments to IAS 28 'Investments in Associates'
- IFRIC 23 "Uncertainty over Income Tax Treatment" Amendment to IAS 19 'Plan Amendment, Curtailment or Settlement'
- Annual improvements 2015 to 2017 - These amendments include minor changes to the following standards: IAS 12 'Income Taxes', IFRS 3 'Business Combinations' , IFRS 11 'Joint Arrangements' and IAS 23 'Borrowing Costs'

Principle of consolidation

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

Subsidiaries

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

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

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

Financial assets

(i) Initial Recognition

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

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

Financial assets measured at fair value through profit 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.

(ii) Classification and subsequent measurement

Derivative financial instruments are held at fair value and changes in the instrument's fair value are recognised in the income statement as 'Net trading income'. 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- continued

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

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

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

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

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

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

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

Classification and subsequent measurement of debt financial instruments depends on:

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

The assessment considers the following:

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

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

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1. Accounting Policies- continued

The Group has identified two business models as follows:

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

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 year. Derivative instruments are not covered by this assessment as they are held at fair value through profit or loss.

1. Accounting Policies- continued

(iii) Derecognition

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

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

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

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

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

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

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

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

(iv) Impairment of financial assets

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

1. Accounting Policies- continued

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

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

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

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

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

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

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

When measuring ECL, the Group considers:

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

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

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

1. Accounting Policies- continued

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

- 12-month ECLs (Stage 1), which applies to all items as long as there is no significant deterioration in credit quality since initial recognition; and
- Lifetime ECLs
  - Stages 2, which applies when a significant increase in credit risk has occurred on an individual or collective basis;
  - Stage 3, which applies when 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 or when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. For a financial instrument in Stage 3, credit risk has increased significantly since initial recognition and the instrument is considered credit impaired. Financial assets are allocated to stages dependent on the credit quality relative to when the asset was originated.

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

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

Effective Interest Rate

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

Write off

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

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

Foreign currency translation

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

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

Foreign exchange gains and losses are recognised in the Statement of comprehensive Income as "Other operating expenses".

1. Accounting Policies- continued

Use of estimates and judgements

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

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

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

Interest income and expense

Interest income and expense for all interest-bearing financial instruments continued to be recognised within "interest income" and "interest expense" in the income statement using the effective interest method ("EIR").

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

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

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

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

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

Fee and commission income and expense

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

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

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

1. Accounting Policies- continued

Financial liabilities

Classification, Recognition and Measurement

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

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

The Group holds two categories of financial liabilities:
- Financial liabilities at amortised cost
- Financial liabilities at fair value through profit or loss

Management determines the classification of financial liabilities at initial recognition.

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

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 and hedge accounting

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

The Group designates certain derivatives as either:

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

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

The fair values of derivative financial instruments designated in hedge relationships are disclosed in note 22. Movements in the cashflow hedging reserve in shareholders' equity are shown in note 33. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

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

1. Accounting Policies- continued

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

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

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

Determination of fair value

For all financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, 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 interest rate and currency swaps. For these financial instruments, inputs into models are market-observable.

Finance Leases

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

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

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

Operating 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.

1. Accounting Policies- continued

Property, plant and equipment

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

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

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

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

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

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

Business combinations

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

Intangible assets

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

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

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1. Accounting Policies- continued

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 it carrying amount is greater than its estimated recoverable amount. The estimated recoverable amount is the higher of the asset’s fair value less costs to sell and its value in use.

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

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

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

Inventory

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

1. Accounting Policies- continued

Provisions and contingent liabilities

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

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

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

Employee benefits

Short term employee benefits

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

Long Term Incentives ("LTI")

For identified staff the Bank offers cash based long term incentives to retain key staff. LTIs are classified into two categories; conditional fixed cash payments and conditional variable cash payments.

Conditional fixed cash payments (cash settled) are awarded to employees based on a combination of employees' eligibility, award targets and individual performance. The awards vest equally over a three-year period, each year one-third of the remuneration becomes unconditional. Conditional fixed cash payments are accounted for in line with IAS 19 Employee Benefits. Until the liability is settled the Group remeasures the fair value of the liability at the end of the financial year with any changes of the fair value of the liability recognised in the income statement. The ultimate cost of a cash settled award is the cash paid to the employee, which is the fair value at the settlement date.

Conditional variable share based payments (equity settled) are awarded based on a combination of employees' eligibility, award targets and individual performance. The awards vest equally over a three-year period, each year one-third of the remuneration becomes unconditional. The value of the share based payments made are directly linked to the price of Dell Technologies' Class C Common Stock as listed on New York Stock Exchange (NYSE). Share based payments are measured in line with IFRS 2.

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.

1. Accounting Policies- continued

Income tax, including deferred tax

Current income tax

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

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

Deferred income tax

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

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

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

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

Cash and cash equivalents

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

Shareholders' equity

Share capital

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

Capital contribution

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

Revenue reserves

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

1. Accounting Policies- continued

Other reserves

Other reserves represent the cash flow hedge reserve.

Accounting for syndications

During the year ended 31 December 2019 and 2018, the Bank entered into syndication transactions where the Bank has transferred the contractual rights to receive the cash flows of the financial assets to syndication parties. The asset is derecognised at the date the Bank is satisfied that the derecognition criteria under IFRS 9 are met. The difference between the consideration received and the carrying amount of the transferred asset is recognised as a gain or loss in the Income Statements and included in Other income from syndications.

Accounting standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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 2019 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 2019, the Group had total assets of €2,345m (2018: €1,818m); with a post-tax profit of €10.3m (2018: profit of €19.5m) and net assets of €566m (2018: €416m). The Group is expected to continue to maintain a positive cash position for the foreseeable future, which has been supported by an extension to the existing maturity of the collateralised loan and by issuing €500m senior unsecured note on the Euronext Dublin in 2019. The Bank has a diverse funding structure, comprising the following funding sources:

- Unsecured debt securities in issue
- Securitised Loan
- Collateralised Loan Facility
- Letter of Support from its ultimate parent
- Intercompany Loan with Dell Global BV
- Interbank deposits
- Multi-Currency Notional Pool

In light of the recent emergence of and spread of COVID-19 which is having a significant impact on financial markets with longer term macroeconomic implications, the extent of which the impact on global economic conditions is uncertain, Management has updated its assessment of the Bank's ability to continue as a going concern. Management considered the principal risks and uncertainties as they might pertain to the Going Concern assumption, regarding the Bank's liquidity position and capital position. While the impact of COVID-19 is uncertain, Management considered its ability to maintain access to funding and absorb future losses and concluded, that based on their current funding and capital position, as well as the continuing support from its ultimate parent, that the Bank has no material uncertainties which would cast significant doubt on the going concern assumption.

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

3. Critical Accounting Estimates and Judgements

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

a) Credit Impairment losses on loans and advances to customers

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

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

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

Management Overlays

Management overlays are defined as those adjustments which are made by management directly to the outputs of the expected credit loss models. Due to the known limitations in the IFRS 9 modelling output, the Group have provided for additional provision in the form of management overlays. All overlays are reviewed as required as part of the ECL governance process by the Credit Provisioning Committee, a subcommittee reporting directly to the Credit Committee.

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 are not incorporated into the IFRS 9 ECL model components. There is significant correlation between each type of overlay and the three overlays should not be considered in isolation for appropriateness, rather the total overlay is assessed as a whole in assessing the reasonableness of the total ECL coverage for the portfolio.

The total management overlay was €5.8m (2018: €5.8m) broken down by the three components detailed below:

i. Economic impact of Brexit

The Group's IFRS 9 model was initially 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.

3. Critical Accounting Estimates and Judgements- continued

ii. Lack of historical loss data

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 the low volume of loss data. 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. The Group has assumed an increase in its observed default rate in order to apply a suitable overlay adjustment.

iii. Single name concentration

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

b) Deferred tax asset

The Group has recognised a deferred tax asset of €5.6m at 31 December 2019 (2018: €7.4m). Given the continued and forecasted profitability of the Group, the recoverability of the deferred tax asset is no longer considered a critical accounting judgement.

c) Assessment for the impairment of intangible assets and goodwill

The Group has recognised an asset of €18.5m relating to intangible assets at 31 December 2019 (2018: €20.9m). Given the continued and forecasted profitability of the Group, the recognition of these assets is no longer considered a critical accounting judgement.

4. Financial Risk Management

(a) Credit Risk

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

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

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

	Note	31 December 2019 Group €'000	31 December 2018 Group €'000
Cash and Balances with Central Banks	19	44,636	44,805
Loans and Advances to Banks	20	208,722	134,688
Loans and Advances to Customers	21	1,744,965	1,453,290
Derivative Financial Instruments	22	5,537	6,463
Commitments	34	165,609	156,905
		2,169,469	**1,796,151**

	Note	31 December 2019 Bank €'000	31 December 2018 Bank €'000
Cash and Balances with Central Banks	19	44,636	44,805
Loans and Advances to Banks	20	179,525	117,091
Loans and Advances to Customers	21	1,744,965	1,453,290
Derivative Financial Instruments	22	4,927	3,668
Commitments	34	165,609	156,905
		2,139,662	**1,775,759**

4. Financial Risk Management – continued

(a) Credit Risk - continued

The following table outlines the exposure to credit risk by asset class as at 31 December 2019:

Group	31 December 2019		
	€'000	€'000	€'000
S&P Grade	Cash with Central Banks	Cash and Balances with Banks*	Derivatives
AA	44,636	-	-
AA-	-	-	-
A+	-	30,740	2,926
A	-	8,272	1,250
A-	-	-	297
BBB+	-	95,409	27
BBB	-	3,110	1,037
	44,636	**137,531**	**5,537**

Bank	31 December 2019		
	€'000	€'000	€'000
S&P Grade	Cash with Central Banks	Cash and Balances with Banks*	Derivatives
AA	44,636	-	-
AA-	-	-	-
A+	-	3,111	2,686
A	-	8,272	1,177
A-	-	-	-
BBB+	-	93,841	27
BBB	-	3,110	1,037
	44,636	**108,334**	**4,927**

Group & Bank

	31 December 2019 Loans and Advances to Banks (Leases and Loans*)				
	€'000	€'000	€'000	€'000	€'000
	Not credit impaired	Not credit impaired	Credit impaired	Credit impaired	
S&P Grade	Subject to 12-month ECL	Subject to life-time ECL	Excluding POCI	POCI	Total
AA	191	-	-	-	191
AA-	-	-	-	-	-
A-	24,951	1	43	-	24,995
BBB+	320	110	1	-	431
BBB	7,260	-	13	-	7,273
BBB-	34,664	105	60	235	35,064
BB+	1,270	-	2	-	1,272
BB	970	3	868	-	1,841
BB-	66	-	-	-	66
B+	105	-	-	-	105
B	-	-	-	-	-
D	-	-	4	-	4
	69,797	**219**	**991**	**235**	**71,242**

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

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

4. Financial Risk Management – continued

(a) Credit Risk - continued

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

Group	31 December 2018			Bank	31 December 2018		
	€'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	-
	44,805	**105,930**	**6,463**		**44,805**	**88,333**	**3,668**

Group & Bank	31 December 2018				
	Loans and Advances to Banks (Leases and Loans)				
	€'000	€'000	€'000	€'000	€'000
	Not credit impaired	Not credit impaired	Credit impaired	Credit impaired	
S&P Grade	Subject to 12-month ECL	Subject to lifetime ECL	Excluding POCI	POCI	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**

4. Financial Risk Management – continued

(a) Credit Risk - continued

The Group requires all customers to be graded under the internal grading system, including all new business, renewals of existing credit facilities and periodic reviews of 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.

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

PD 10-11: Having potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in the deterioration of the repayment prospects for the asset or in the institution's credit position at some future date. These assets do not expose an institution to sufficient risk to warrant negative classification.

PD 12-15: 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.

PD 16: Has all the weaknesses inherent to be considered 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.

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. Operating lease assets are classified as Property, Plant and Equipment for accounting purposes.

Group & Bank	31 December 2019 Loans and Advances to Customers				
	€'000	€'000	€'000	€'000	€'000
	Not credit impaired	Not credit impaired	Credit impaired	Credit impaired	
PD Grade	Subject to 12-month ECL	Subject to lifetime ECL	Excluding POCI	POCI	Total
1-9	1,470,534	89,652	48,877	80,419	1,689,482
10-11	29,802	27,124	455	1,186	58,567
12-15	1,325	3,351	1,144	175	5,995
16	-	52	13,968	416	14,436
ECL	(7,887)	(1,704)	(13,257)	(667)	(23,515)
	1,493,774	**118,475**	**51,187**	**81,529**	**1,744,965**

4. Financial Risk Management – continued

(a) Credit Risk - continued

Group & Bank	31 December 2018				
	Loans and Advances to Customers				
	€'000	€'000	€'000	€'000	€'000
	Not credit impaired	Not credit impaired	Credit impaired	Credit impaired	
PD Grade	Subject to 12-month ECL	Subject to lifetime ECL	Excluding POCI	POCI	Total
1-9	1,148,368	131,106	64,900	68,130	1,412,504
10-11	26,171	9,587	1,293	1,877	38,928
12-15	515	695	1,357	11	2,578
16	-	5	12,404	750	13,159
ECL	(6,030)	(797)	(6,522)	(530)	(13,879)
	1,169,024	**140,596**	**73,432**	**70,238**	**1,453,290**

4. Financial Risk Management – continued

(a) Credit Risk - continued

	31 December 2019	31 December 2018
	Loans and Advances to Customers	Loans and Advances to Customers
Country by Exposure	€'000	€'000
United Kingdom	348,822	298,782
Germany	392,026	248,570
France	254,483	232,305
Italy	177,336	156,939
Netherlands	134,695	133,771
Spain	119,164	105,227
Sweden	70,144	71,083
Ireland	68,374	70,433
Switzerland	54,708	41,181
Other Countries*	148,118	108,878
Total	**1,768,480**	**1,467,169**
ECL	(23,515)	(13,879)
	1,744,965	**1,453,290**

**No balances greater than 1% of the total portfolio*

Expected Credit Loss

(i) Movement between stages

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

- Stage 1: 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.

4. Financial Risk Management – continued

(a) Credit Risk - continued

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 must be met:

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

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. The probation period will start from the date on which none of the default triggers exists.

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, novation 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 assumes that 95% of the large segment (>€1m exposure) and 60% for the small segment 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 (see page 66).

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 into four geographic regions; UK, France, Germany and Rest of Europe (ROE)

4. Financial Risk Management – continued

(a) Credit Risk - continued

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

- PD grade/PD rating: the assessment of the probability of default of the customer mapped to the Group's PD master scale. PD grades range from 1 being the lowest credit risk to 16 being default.
- 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 material downgrade if 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.

The following table 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.

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4. Financial Risk Management – continued

	# 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

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4. Financial Risk Management – continued

(a) Credit Risk - 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 year ended 31 December 2019 three key changes were applied to the ECL model, as set out below:

- Change to the probability of administrative default: As set out in Note 4, the Group considers two types of default events when measuring ECL being Administrative Defaults and Credit Risk Defaults. The Group attributes lower LGDs to Administrative Defaults on the basis that the defaults will not result in a material credit loss. The Group estimated in 2018, that 95% of both large and small segment contracts are in default due to administrative payment delinquencies. In 2019, a key change, reflecting historic data, was made to the model by applying an assumption that 60% of small segment customers are in default as a result of administrative payment delinquencies whilst holding the probability of large segment administrative default constant at 95%. The impact of this change in estimate was an increase in ECL of €2.4m.

- Change in probationary period: The assumption applied to the period for which contract stays in probation has been updated to allow for contract to exit probation after 90 days as opposed to three payments. The original estimate was deemed to be overly conservative in relation to contracts that have a semi-annual or annual payment frequency. The Group's largest customer contracts predominantly have a quarterly, semi-annual or annual payment frequency. Therefore, the previous three payment methodology was overstating the level of defaults as the majority of defaults on these contracts are due to administrative issues.

- Change in definition of default: In 2018, customer defaults were measured on a daily basis. However, considering administrative defaults, this was not an appropriate measurement for our business model and resulted in overstating the level of defaults. Therefore, in 2019 the Bank amended the default definition from daily to monthly to give a more accurate reflection of default levels.

4. Financial Risk Management – continued

(a) Credit Risk - continued

(iv) Forward- looking information

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

The Group's estimation of expected credit losses in 12 months and lifetime consider three future macroeconomic scenarios. Upside and downside outcomes are set relative to a base case outcome based on reasonably possible alternative macroeconomic conditions. Scenario updates occur on an annual basis or more frequently if required. These scenarios utilise Bank of England and OECD forecast models.

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 2019 and 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 is set based on the segment the obligor falls into; 95% for the large segment (>€1m exposure) and 60% for the small segment. The table below shows the impact on the full ECL figure of changing this parameter value. In 2018 the PAD was set to 95% for all segments.

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4. Financial Risk Management – continued

(a) Credit Risk - continued

Large Segment			Small Segment		
Probability of Administrative Default	ECL Impact €'000	ECL Impact %	Probability of Administrative Default	ECL Impact €'000	ECL Impact %
95%	-	0.0%	60%	-	0.0%
85%	2,400	13.5%	54%	400	2.4%
76%	4,800	26.0%	48%	900	4.8%
66%	7,200	40.4%	42%	1,300	7.2%
57%	9,600	53.8%	36%	1,700	9.5%
48%	11,800	67.3%	30%	2,100	11.9%

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 Down-turn	Upturn	ECL Impact €	ECL Impact %
30%	60%	10%	-	0%
10%	80%	10%	0.3m	1.5%
30%	10%	60%	(0.8m)	(4.8%)

(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.

4. Financial Risk Management – continued

(a) Credit Risk - continued

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

	Stage 1	Stage 2	Stage 3		
Loans and Advances to Customers	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**POCI**	**Total**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**
Loss allowance as at 1 January 2019	6,030	797	6,522	530	13,879
Transfers to 12-month ECL not credit-impaired (stage 1)	1,377	(811)	(566)	-	-
Transfers to lifetime ECL not credit-impaired (stage 2)	(357)	548	(191)	-	-
Transfers to lifetime ECL credit-impaired (stage 3)	(55)	(330)	385	-	-
Reclassification*	132	17	(47)	(102)	-
Net remeasurement of im-pairment loss allowance	277	1,619	11,992	(21)	13,867
Loans/leases originations	994	238	289	709	2,230
Repayments and disposals	(491)	(371)	(1,660)	(309)	(2,831)
Write-offs	-	-	(3,424)	(128)	(3,552)
Foreign exchange and other movements	(20)	(3)	(43)	(12)	(78)
Loss allowance as at 31 December 2019	**7,887**	**1,704**	**13,257**	**667**	**23,515**

**See Note 4 (a) (iii) for further information on reclassifications that occurred during the year driven by changes to the ECL model*

	Stage 1	Stage 2	Stage 3		
Loans and Advances to Banks	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**POCI**	**Total**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**
Loss allowance as at 1 January 2019	9	2	79	1	91
Transfers to 12-month ECL not credit-impaired (stage 1)	94	(7)	(87)	-	-
Transfers to lifetime ECL not credit-impaired (stage 2)	(4)	4	-	-	-
Transfers to lifetime ECL credit-impaired (stage 3)	-	(6)	6	-	-
Reclassification*	-	-	11	(11)	-
Net remeasurement of im-pairment loss allowance	(70)	11	1	-	(58)
Loans/leases originations	54	-	-	10	64
Repayments and disposals	(40)	(3)	(3)	-	(46)
Foreign exchange and other movements	(2)	-	2	-	-
Loss allowance as at 31 December 2019	**41**	**1**	**9**	**-**	**51**

**See Note 4 (a) (iii) for further information on reclassifications that occurred during the year driven by changes to the ECL model*

4. Financial Risk Management – continued

(a) Credit Risk - continued

	Stage 1	Stage 2	Stage 3		
Loans and Advances to Customers	12-month ECL	Lifetime ECL	Lifetime ECL	POCI	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)
Write-offs	-	-	(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**

	Stage 1	Stage 2	Stage 3		
Loans and Advances to Banks	12-month ECL	Lifetime ECL	Lifetime ECL	POCI	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**

4. Financial Risk Management – continued

(a) Credit Risk - continued

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

Loans and Advances to Customers	Stage 1 12-month ECL €'000	Stage 2 Lifetime ECL €'000	Stage 3 Lifetime ECL €'000	POCI €'000	Total €'000
Gross carrying amount as at 1 January 2019	**1,175,054**	**141,393**	**79,954**	**70,768**	**1,467,169**
Transfers to 12-month ECL not credit-impaired (stage 1)	352,882	(276,966)	(75,916)	-	-
Transfers to lifetime ECL not credit-impaired (stage 2)	(338,424)	363,060	(24,636)	-	-
Transfers to lifetime ECL credit-impaired (stage 3)	(87,719)	(59,684)	147,403	-	-
Reclassifications*	22,321	3,171	5,585	(31,077)	-
Loans/leases originations	1,172,045	66,129	1,005	95,904	1,335,083
Repayments and disposals	(805,216)	(117,448)	(67,685)	(54,224)	(1,044,573)
Write-offs	-	-	(3,423)	(128)	(3,551)
Foreign exchange and other movements	10,718	524	2,157	953	14,352
Gross carrying amount as at 31 December 2019	**1,501,661**	**120,179**	**64,444**	**82,196**	**1,768,480**

**See Note 4 (a) (iii) for further information on reclassifications that occurred during the year driven by changes to the ECL model*

Loans and Advances to Banks	Stage 1 12-month ECL €'000	Stage 2 Lifetime ECL €'000	Stage 3 Lifetime ECL €'000	POCI €'000	Total €'000
Gross carrying amount as at 1 January 2019	15,897	1,219	11,040	693	28,849
Transfers to 12-month ECL not credit-impaired (stage 1)	15,593	(3,632)	(11,961)	-	-
Transfers to lifetime ECL not credit-impaired (stage 2)	(5,654)	5,659	(5)	-	-
Transfers to lifetime ECL credit-impaired (stage 3)	-	(1,114)	1,114	-	-
Reclassification*	72	-	1,437	(1,509)	-
Loans/leases originations	183,574	8	34	1,340	184,956
Repayments and disposals	(141,552)	(1,926)	(395)	(288)	(144,161)
Write-offs	-	-	-	-	-
Foreign exchange and other movements	1,867	5	(273)	(1)	1,598
Gross carrying amount as at 31 December 2019	**69,797**	**219**	**991**	**235**	**71,242**

**See Note 4 (a) (iii) for further information on reclassifications that occurred during the year driven by changes to the ECL model*

4. Financial Risk Management – continued

	Stage 1	Stage 2	Stage 3		
Loans and Advances to Customers	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**POCI**	**Total**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**
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**

	Stage 1	Stage 2	Stage 3		
Loans and Advances to Banks	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**POCI**	**Total**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**
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**

4. Financial Risk Management – continued

(a) Credit Risk - continued

(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 2019 was €3.6m (2018 €3.6m). 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

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

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

4. Financial Risk Management - continued

(b) Market Risk

(i) FX Risk

Details of the Groups' policies and procedures in relation to the management of market risk are detailed in Section 4 of the Risk Management report. FX Risk is measured using a conversion factor matrix method, utilising the CRD IV articulated conversion factors. The Group has transactional FX Risk in the following currencies GBP, USD, CHF, SEK, NOK, PLN 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 year was:

	2019 Group €'000	2018 Group €'000
FX Risk position as at 31 December	770	1,351
Average FX Risk position for the financial year	2,090	1,850
Maximum FX Risk position during the financial year	3,731	3,280

(ii) Interest Rate Risk

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

Interest Rate Risk position during the financial year was:

	2019 Group €'000	2018 Group €'000
200bps upward shock stress scenario as at 31 December	1,020	637
Average 200bps upward shock stress scenario for the financial year	915	751
Maximum 200bps upward shock stress scenario during the financial year	3,230	2,540

4. Financial Risk Management - continued

(b) Market Risk – continued

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

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

Group As at 31 December 2019	€'000	€'000	€'000	€'000	€'000	€'000
Interest bearing Assets	**Less than 3 months**	**3-6 months**	**6-12 months**	**1-5 years**	**More than 5 years**	**Carrying Value**
Cash and balances with central banks	44,636	-	-	-	-	44,636
Cash in bank	137,531	-	-	-	-	137,531
Loans and advances to banks	5,536	4,764	9,399	50,998	494	71,191
Loans and advances to customers	267,419	224,106	388,300	865,036	104	1,744,965
	455,122	**228,870**	**397,699**	**916,034**	**598**	**1,998,323**
Interest bearing Liabilities						
Amounts due to fellow subsidiaries	(70,234)	-	-	-	-	(70,234)
Deposits from banks	(1,132,457)	-	-	-	-	(1,132,457)
Debt securities in issue	-	-	-	(495,944)	-	(495,944)
Subordinated liabilities	-	-	-	-	-	-
	(1,202,691)	**-**	**-**	**(495,944)**	**-**	**(1,698,635)**
Interest Rate Swap Nominals						
Pay Fixed	(230,168)	(151,147)	(269,619)	(763,504)	-	(1,414,438)
Receive Floating	1,414,438	-	-	-	-	1,414,438
Receive Fixed	-	-	-	500,000	-	500,000
Pay Floating	(500,000)	-	-	-	-	(500,000)
	684,270	**(151,147)**	**(269,619)**	**(263,504)**	**-**	**-**
Interest Sensitivity gap	**(63,299)**	**77,723**	**128,080**	**156,586**	**598**	**299,688**

4. Financial Risk Management - continued

(b) Market Risk - continued

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

Bank As at 31 December 2019	€'000	€'000	€'000	€'000	€'000	€'000
Interest bearing Assets	**Less than 3 months**	**3-6 months**	**6-12 months**	**1-5 years**	**More than 5 years**	**Carrying Value**
Cash and balances with central banks	44,636	-	-	-	-	44,636
Cash in bank	108,334	-	-	-	-	108,334
Loans and advances to banks	5,536	4,764	9,399	50,998	494	71,191
Loans and advances to customers	267,419	224,106	388,300	865,036	104	1,744,965
	425,925	**228,870**	**397,699**	**916,034**	**598**	**1,969,126**
Interest bearing Liabilities						
Amounts due to fellow subsidiaries	(709,273)	-	-	-	-	(709,273)
Deposits from banks	(473,113)	-	-	-	-	(473,113)
Debt securities in issue	-	-	-	(495,944)	-	(495,944)
Subordinated liabilities	-	-	-	-	-	-
	(1,182,386)	**-**	**-**	**(495,944)**	**-**	**(1,678,330)**
Interest Rate Swap Nominals						
Pay Fixed	-	-	(38,109)	(682,600)	-	(720,709)
Receive Floating	720,709	-	-	-	-	720,709
Receive Fixed	-	-	-	500,000	-	500,000
Pay Floating	(500,000)	-	-	-	-	(500,000)
	220,709	**-**	**(38,109)**	**(182,600)**	**-**	**-**
Interest Sensitivity gap	**(535,752)**	**228,870**	**359,590**	**237,490**	**598**	**290,796**

4. Financial Risk Management - continued

(b) Market Risk - continued

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

Group As at 31 December 2018	€'000	€'000	€'000	€'000	€'000	€'000
Interest bearing Assets	Less than 3 months	3-6 months	6-12 months	1-5 years	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)
Debt securities in issue	-	-	-	-	-	-
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
Receive Fixed	-	-	-	-	-	-
Pay Floating	-	-	-	-	-	-
	945,242	**(135,486)**	**(215,327)**	**(594,425)**	**(4)**	**-**
Interest Sensitivity gap	**23,815**	**54,086**	**100,765**	**150,378**	**311**	**329,355**

4. Financial Risk Management - continued

(b) Market Risk - continued

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

Bank **As at 31 December 2018**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Interest bearing Assets	**Less than 3 months**	**3-6 months**	**6-12 months**	**1-5 years**	**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)
Debt securities in issue	-	-	-	-	-	-
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
Receive Fixed	-	-	-	-	-	-
Pay Floating	-	-	-	-	-	-
	575,645	**(55,000)**	**(14,336)**	**(506,309)**	**-**	**-**
Interest Sensitivity gap	**(342,096)**	**134,572**	**301,756**	**238,492**	**315**	**333,039**

4. Financial Risk Management - continued

(c) Liquidity Risk – Financial Liabilities

The tables below summarise the maturity profile of the Group's financial liabilities at 31 December 2019 and at 31 December 2018 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.

	€'000	€'000	€'000	€'000	€'000	€'000
Group As at 31 December 2019	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**More than 5 years**	**Gross Cash flows**
Financial Liabilities:						
Deposits from banks	506,029	58,031	226,098	349,443	1	1,139,602
Debt Securities in Issue	265	505	2,354	505,599	-	508,723
Amounts due to fellow sub-sidiaries	70,234	-	-	-	-	70,234
Other Liabilities	6,369	43,300	-	-	-	49,669
Subordinated debt	-	-	-	-	-	-
Residual Value Guarantees	580	79	398	513	-	1,570
Commitments	165,609	-	-	-	-	165,609
Total cash outflow	**749,086**	**101,915**	**228,850**	**855,555**	**1**	**1,935,407**
Derivative Financial Instruments:						
FX Inflows	(36,732)	(39,194)	(183,184)	(308,763)	-	(567,873)
FX Outflows	38,529	41,497	194,724	321,969	-	596,719
Interest rate swaps	313	305	1,577	3,123	-	5,318
Total cash outflow	**2,110**	**2,608**	**13,117**	**16,329**	**-**	**34,164**

	€'000	€'000	€'000	€'000	€'000	€'000
Bank As at 31 December 2019	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**More than 5 years**	**Gross Cash flows**
Financial Liabilities:						
Deposits from Banks	474,257	-	-	-	-	474,257
Debt Securities in Issue	265	505	2,354	505,599	-	508,723
Amounts due to fellow sub-sidiaries	79,611	-	-	629,755	-	709,366
Other Liabilities	6,370	43,300	-	-	-	49,670
Subordinated debt	-	-	-	-	-	-
Residual Value Guaran-tees	580	79	398	513	-	1,570
Commitments	165,609	-	-	-	-	165,609
Total cash outflow	**726,692**	**43,884**	**2,752**	**1,135,867**	**-**	**1,909,195**
Derivative Financial Instruments:						
FX Inflows	(29,358)	(14,698)	(93,563)	(170,045)	-	(307,664)
FX Outflows	30,571	15,245	99,610	178,946	-	324,372
Interest rate swaps	264	176	1,212	2,898	-	4,550
Total cash outflow	**1,477**	**723**	**7,259**	**11,799**	**-**	**21,258**

4. Financial Risk Management - continued

(c) Liquidity Risk – Financial Liabilities- continued

The collateralised loan facility was €600m as at 31 December 2019. The facility matures June 2022 and rolls and reprices on a quarterly basis. In relation to the collateralised loan facility the amount of drawn funding resets depending on the size of the pool and the drawn amount is adjusted up or down each month reflecting movements in the pool of receivables. For the purposes of the above table the drawn funding is shown in the time bucket of up to 1 month, however an amount only becomes repayable if the size of the pool reduces, or the Bank decides not to draw on the facility. There was €468m drawn on the facility as at 31 December 2019; with €539m of encumbered receivables. The undrawn amount of the facility was €132m as at 31 December 2019. The collateralised loan facility reduces the concentration risk of intercompany funding.

The securitised loan facility was €800m as at 31 December 2019. The facility matures in November 2020. There was €659m drawn on the facility as at 31 December 2019; with €748m of encumbered receivables. The undrawn amount of the facility was €141m as at 31 December 2019. Similar to the collateralised loan the securitised loan facility reduces the concentration risk of intercompany funding.

On 17 October 2019, the Bank issued €500 million Senior Unsecured 0.625% Notes maturing on 16 October 2022. The notes bear interest on the outstanding nominal amount, payable annually in arrears on 16 October each year. The Notes are listed on the Global Exchange Market of Euronext Dublin.

Of the €400m Intercompany loan capacity, there was no balance drawn down as at 31 December 2019. Dell Technologies Inc is committed to ensure the Group always has sufficient liquidity.

4. Financial Risk Management - continued

(c) Liquidity Risk – Financial Liabilities- continued

Group As at 31 December 2018	€'000 Up to 1 month	€'000 1- 3 months	€'000 3 -12 months	€'000 1-5 years	€'000 Over 5 years	€'000 Gross Cashflows
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	€'000 Up to 1 month	€'000 1- 3 months	€'000 3 -12 months	€'000 1-5 years	€'000 Over 5 years	€'000 Gross Cashflows
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. Net Interest Income

	Year ended 31 December 2019 Group €'000	Year ended 31 December 2018 Group €'000
Interest income		
Loans and advances to customers		
Loans	12,435	4,969
Lease receivables	55,138	62,301
Total	**67,573**	**67,270**
Loans and advances to banks		
Loans	164	332
Lease receivables	2,430	1,027
Total	**2,594**	**1,359**
Total Interest income	**70,167**	**68,629**
Interest income calculated using effective interest method	12,599	5,301
Other interest receivable and similar income calculated using effective interest method	57,568	63,328
Total Interest income	**70,167**	**68,629**
Interest expense		
Collateralised loan	(5,042)	(3,677)
Securitised loan	(4,674)	(4,301)
Intercompany loan	(1,726)	(2,702)
Debt Securities in Issue	(791)	-
Subordinated debt	(505)	(1,603)
Other interest	(198)	(190)
Total Interest expense	**(12,936)**	**(12,473)**
Total net interest income	**57,231**	**56,156**

For the year ended 2018, certain fee related income of €2.2m was included in net interest income.

For the purposes of IFRS 8 "Operating Segments" , the Group has only one revenue segment.

6. Operating Lease Income

	Year ended 31 December 2019 Group €'000	Year ended 31 December 2018 Group €'000
Lease to customers	23,973	2,975
Lease to banks	2	-
Total Operating Lease Income	**23,975**	**2,975**

In 2019 the Bank ceased purchasing residual value insurance for new originations. As a result, there has been an increase in contracts accounted for as Operating leases in 2019 compared to 2018. Operating leases are disclosed as Property Plant and Equipment in the Statement of financial position.

7. Fees and Commission

	Year ended 31 December 2019 Group €'000	Year ended 31 December 2018 Group €'000
Insurance income	2,629	-
Portfolio and other management fees	658	642
Total Fee and Commission Income	**3,287**	**642**
Fees and Commission Expense	(815)	(626)
Total Net Fee and Commission Income	**2,472**	**16**

For the year ended 2018, certain fee related income of €2.2m was included in net interest income.
Fees and commission expense includes charges from CBI relating to negative interest rates.

8. Other Income from syndications

During the year, the Bank entered into several syndication deals with €257m (2018: €392m) of receivables originated and sold.

The total gain recognised from these transactions was €8.9m (2018: €12.2m).

9. Other Income from end of lease activities

	Year ended 31 December 2019 Group €'000	Year ended 31 December 2018 Group €'000
Remarketing Revenue	24,197	9,787
Remarketing Cost of Goods Sold	(15,581)	(5,682)
Other Income from end of lease activities	**8,616**	**4,105**

10. Net Trading Expense

	Year ended 31 December 2019 Group €'000	Year ended 31 December 2018 Group €'000
Net loss on FX forwards	(9,175)	(4,420)
Net gain/(loss) on Cross currency swaps	(13,295)	(1,108)
Net gain/(loss) on Interest rate swaps	1	(1,247)
Net interest expense on derivatives	(7,045)	(4,155)
Net Trading Expense	**(29,514)**	**(10,930)**

Comparatives have been presented on a basis consistent with the current year presentation format

Net trading expense includes the gains and losses on financial instruments at fair value through profit or loss. It includes the gains and losses arising on the purchase and sale of these instruments, the fair value movement on these instruments and the interest accrual. The Group economically hedges foreign exchange risk related to financial assets and liabilities denominated in currencies other than Euro. The Group uses foreign exchange derivatives to manage its exposure to foreign currency risk and uses interest rate derivatives to manage exposure to interest rate risk. A number of swaps have been designated into qualifying cashflow hedge and fair value hedge relationships. The nominal amounts and associated fair values of these derivatives are outlined in Note 22. Losses on the revaluation of the monetary assets and liabilities are included in other operating expenses (Note 15).

11. Personnel Expenses

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

	2019	2018
IT	12	10
Credit	14	12
Finance & Treasury	43	38
Legal, Compliance & Risk	20	19
Sales & Operations	82	82
Total	**171**	**161**

11. Personnel Expenses - continued

Total personnel costs comprised of:

	Year ended 31 December 2019 Group €'000	Year ended 31 December 2018 Group €'000
Wages and salaries	13,213	11,492
Other employee benefits	5,644	5,740
Social security costs	2,046	1,716
Pension costs	1,418	1,101
Directors' fees (note 12)	282	278
Total	**22,603**	**20,327**

There were no amounts of personnel expenses capitalised into assets in the current year (2018: €Nil).

12. Directors' Remuneration

Directors' remuneration is comprised of:

	Year ended 31 December 2019 Group €'000	Year ended 31 December 2018 Group €'000
Directors' remuneration for other services	906	669
Fees for services as Director	282	278
Long-term incentives (cash, shares, other assets)	229	1,075
Retirement Contributions to:		
- defined contributions schemes	32	24
Total	**1,449**	**2,046**

The number of Directors to whom retirement contributions are accruing under defined contributions scheme is 2 (2018: 2), and defined benefit schemes is €Nil (2018: €Nil).

There were no amounts paid to persons connected with a Director in the current year (2018: €Nil).

13. General and Administrative Expenses

	Year ended 31 December 2019 Group €'000	Year ended 31 December 2018 Group €'000
Administrative expenses	4,929	6,125
IT and software costs	1,492	1,658
Travel and entertainment	1,207	845
Recruitment and training	164	205
Total	**7,792**	**8,833**

14. Depreciation and Amortisation Expenses

	Year ended 31 December 2019 Group €'000	Year ended 31 December 2018 Group €'000
Depreciation on own use property plant and Equipment (Note 24)	40	15
Depreciation and impairment on operating leases (Note 24)	21,422	1,335
Amortisation of software and other intangible assets (Note 23)	2,417	4,031
Total	**23,879**	**5,381**

15. Other Operating (Income)/Expense

	Year ended 31 December 2019 Group €'000	Year ended 31 December 2018 Group €'000
Business support services	6,304	3,836
Consultancy fees	2,997	1,924
Auditors' remuneration	554	560
Foreign exchange profit	(17,426)	(2,273)
Total	**(7,571)**	**4,047**

The foreign exchange profit for the year ended 31 December 2019 and 2018 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 in the following table:

	Year ended 31 December 2019 €'000	Year ended 31 December 2018 €'000
Net FX Trading Losses	(22,470)	(5,528)
Foreign Exchange Profit	17,426	2,273
Net FX and derivative expense	**(5,044)**	**(3,255)**

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 expense.

16. Impairment charges on loans and receivables

Movement in impairment loss allowances	Year ended 31 December 2019 Group €'000	Year ended 31 December 2018 Group €'000
Loans & advances to customers & banks	13,355	6,432
Other receivables	508	-
Release of credit loss provisions	(3,904)	(3,575)
Write off	3,915	3,600
Recoveries of amounts written off in previous years and write back of provisions	(2,239)	(3,742)
Net impairment losses on financial instruments	**11,635**	**2,715**

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

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

The 2018 comparative layout has been adjusted to ensure consistent presentation.

17. Profit before Taxation

The following items are included in the profit before taxation:

	Year ended 31 December 2019 Group €'000	Year ended 31 December 2018 Group €'000
Depreciation on property, plant, equipment and operating leases (Note 24)	21,462	1,350
Amortisation of intangible assets (Note 23)	2,417	4,031
Foreign exchange losses/(gains) (Note 15)	(17,426)	(2,273)
Auditors' remuneration for Group and Bank (exclusive of VAT)		
- Statutory audit of bank, branch and securitisation entity	438	438
- Other assurance services	171	122

Statutory audit fee of €382k relates to the audit of the Bank.
Other assurance services include Group reporting procedures and procedures performed in relation to the Group's loan facilities and comfort letter relating to the bond issuance.

18. Income Tax Charge

	Year ended 31 December 2019 Group €'000	Year ended 31 December 2018 Group €'000
Current taxes on income for the reporting year		
Irish Corporation tax	**-**	**-**
Foreign tax	157	-
Current taxes referring to previous years	-	-
Reclassification between Current and Deferred Taxes relating to prior years	23	-
Withholding tax	1,051	873
Total current tax	**1,231**	**873**
Deferred tax	1,792	2,810
Adjustments for prior years	29	49
Reclassification between Current and Deferred Taxes relating to prior year	(23)	-
Total deferred tax (Note 26)	**1,798**	**2,859**
Income tax charge	3,029	3,732

18. Income Tax Charge – continued

The income tax charge comprises the following:

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

	Year ended 31 December 2019 Group €'000	Year ended 31 December 2018 Group €'000
Profit before taxation	**13,319**	**23,187**
Theoretical tax charge at statutory rate 12.5% (2018: 12.5%)	1,665	2,898
Effects of:		
Adjustments for prior years	29	49
Other	28	92
Expenses not deductible for tax purposes	48	20
Impact of difference in tax rate for Spanish Branch	208	(200)
Withholding Tax	1,051	873
Income tax charge	**3,029**	**3,732**

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

	31 December 2019 Group & Bank €'000	31 December 2018 Group & Bank €'000
Tax effect of taxable timing differences		
Temporary differences	(2,058)	(2,325)
Tax losses carried forward	(3,566)	(5,097)
Recognised deferred tax asset	**(5,624)**	**(7,422)**

At the end of the financial year, the Group had tax losses of €27m (2018: €36m) available for utilisation against future operating profits of the business. The Directors are satisfied that the Group will have sufficient future taxable profits against which the deferred tax losses can be recognised. Under current Irish tax legislation there is no time restriction on the utilisation of these losses.

19. Cash and Cash Equivalents

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

	31 December 2019 Group €'000	31 December 2018 Group €'000
Cash and balances with central banks	44,636	44,805
Cash and balances with banks	137,531	105,930
	182,167	**150,735**
Restricted cash included in loans and advances to banks repayable on demand	(50,740)	(24,498)
Cash and Cash Equivalents	**131,427**	**126,237**

	31 December 2019 Bank €'000	31 December 2018 Bank €'000
Cash and balances with central banks	44,636	44,805
Cash and balances with banks	108,334	88,333
	152,970	**133,138**
Restricted cash included in loans and advances to banks repayable on demand	**(23,111)**	**-**
Cash and Cash Equivalents	**129,859**	**133,138**

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

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

20. Loans and Advances to Banks

	31 December 2019 Group €'000	31 December 2018 Group €'000
Cash and balances with banks	137,531	105,930
Loans and advances to banks	71,242	28,849
Less: allowance for impairment	(51)	(91)
Net Loans and Advances to Banks	**208,722**	**134,688**

	31 December 2019 Bank €'000	31 December 2018 Bank €'000
Cash and balances with banks	108,334	88,333
Loans and advances to banks	71,242	28,849
Less: allowance for impairment	(51)	(91)
Net Loans and Advances to Banks	**179,525**	**117,091**

Cash and balances with banks of €137.5m (2018: €105.9m). Loans and advances to banks represent finance leases and loans.

20. Loans and Advances to Banks - continued

The following tables show the gross carrying amount and impairment loss allowances subject to 12 month and lifetime Expected Credit Losses (ECL) on loans and advances to banks at amortised cost at 31 December 2019.

2019 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)	67,221	259	2,317	69,797
Stage 2 - Lifetime ECL (not credit impaired)	219	-	-	219
Stage 3 - Lifetime ECL (credit impaired)	991	-	-	991
Purchased or Originated credit impaired	235	-	-	235
Gross carrying amount at 31 December 2019	**68,666**	**259**	**2,317**	**71,242**

2019 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)	(25)	(1)	(15)	(41)
Stage 2 - Lifetime ECL (not credit impaired)	(1)	-	-	(1)
Stage 3 - Lifetime ECL (credit impaired)	(9)	-	-	(9)
Purchased or Originated credit impaired	-	-	-	-
Impairment loss allowance at 31 December 2019	**(35)**	**(1)**	**(15)**	**(51)**

2018 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)	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**

2018 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)	(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)**

20. Loans and Advances to Banks – continued

Credit impairment provision coverage ratio*	Total Group & Bank 31 December 2019	Total Group & Bank 31 December 2018
Stage 1	0.05%	0.06%
Stage 2	0.39%	0.16%
Stage 3	0.65%	0.72%

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

Analysis of finance leases and hire purchases receivables to banks	Year ended 31 December 2019 Group & Bank €'000
Not later than 1 year	18,887
Later than 1 year and not later than 2 years	16,838
Later than 2 year and not later than 3 years	14,739
Later than 3 year and not later than 4 years	12,013
Later than 4 year and not later than 5 years	6,273
Later than 5 years	533
	69,283
Less: unearned finance income on finance lease	(358)
Present value of minimum lease payments, receivable	**68,925**
Not later than 1 year	18,766
Later than 1 year and not later than 2 years	16,735
Later than 2 year and not later than 3 years	14,682
Later than 3 year and not later than 4 years	12,006
Later than 4 year and not later than 5 years	6,240
Later than 5 years	496
	68,925

The value of unguaranteed residual values included in the carrying amount at 31 December 2019 was €1.4m (2018: €0.9m).

	31 December 2018 Group & Bank €'000
Not later than 1 year	11,657
Later than 1 year and not later than 5 years	15,848
Later than 5 years	-
	27,505
Less: unearned finance income on finance lease	(684)
Present value of minimum lease payments, receivable	**26,821**
Not later than 1 year	11,452
Later than 1 year and not later than 5 years	15,369
Later than 5 years	-
	26,821

21. Loans and Advances to Customers

The following tables show the gross carrying amount and impairment loss allowances subject to 12 month and lifetime Expected Credit Losses (ECL) on loans and advances to customers at amortised cost at 31 December 2019.

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)	815,586	57,446	628,629	1,501,661
Stage 2 - Lifetime ECL (not credit impaired)	86,108	3,180	30,891	120,179
Stage 3 - Lifetime ECL (credit impaired)	46,193	1,302	16,949	64,444
Purchased or Originated credit impaired	62,766	933	18,497	82,196
Gross carrying amount at 31 December 2019	**1,010,653**	**62,861**	**694,966**	**1,768,480**

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)	(5,265)	(505)	(2,117)	(7,887)
Stage 2 - Lifetime ECL (not credit impaired)	(1,384)	(62)	(258)	(1,704)
Stage 3 - Lifetime ECL (credit impaired)	(8,405)	(642)	(4,210)	(13,257)
Purchased or Originated credit impaired	(577)	(53)	(37)	(667)
Impairment loss allowance at 31 December 2019	**(15,631)**	**(1,262)**	**(6,622)**	**(23,515)**
Loans and Advances to Customers	**995,022**	**61,599**	**688,344**	**1,744,965**

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)	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	Hire purchase receivables	Loans	Total Group & Bank
	€'000	€'000	€'000	€'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**

21. Loans and Advances to Customers - continued

Credit impairment provision coverage ratio*	Total Group & Bank 31 December 2019	Total Group & Bank 31 December 2018
Stage 1	0.53%	0.51%
Stage 2	1.42%	0.56%
Stage 3	20.57%	8.16%

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

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

	31 December 2019 Group & Bank €'000
Not later than 1 year	533,534
Later than 1 year and not later than 2 years	327,806
Later than 2 year and not later than 3 years	163,749
Later than 3 year and not later than 4 years	70,956
Later than 4 year and not later than 5 years	19,056
Later than 5 years	75
	1,115,176
Less: unearned finance income on finance lease	(41,662)
Present value of minimum lease payments, receivable	**1,073,514**
Not later than 1 year	517,959
Later than 1 year and not later than 2 years	315,107
Later than 2 year and not later than 3 years	155,873
Later than 3 year and not later than 4 years	66,688
Later than 4 year and not later than 5 years	17,815
Later than 5 years	72
	1,073,514

21. Loans and Advances to Customers - continued

	31 December 2018 Group & Bank €'000
Not later than 1 year	507,192
Later than 1 year and not later than 5 years	567,784
Later than 5 years	86
	1,075,062
Less: unearned finance income on finance lease	(42,618)
Present value of minimum lease payments, receivable	**1,032,444**
Not later than 1 year	491,206
Later than 1 year and not later than 5 years	541,159
Later than 5 years	79
	1,032,444

	31 December 2019 Group & Bank €'000	31 December 2018 Group & Bank €'000
Loans receivable:		
Not later than 1 year	379,122	243,081
Later than 1 year and not later than 5 years	315,811	191,403
Later than 5 years	33	241
	694,966	**434,725**

There were €1,287m of encumbered receivables as at 31 December 2019 (2018: €938m) relating to the Securitised and Collateralised Loan Facilities (Note 29).

The value of unguaranteed residual values included in the carrying amount at 31 December 2019 was €109.2m (2018: €122.1m).

22. Derivative Financial Instruments

Group Year Ended 31 December 2019	Notional	Asset	Liability
Fair value of derivative financial instruments	**€'000**	**€'000**	**€'000**
FX Forward Derivatives	482,360	4,149	(14,212)
Cross Currency Swaps	255,206	386	(10,909)
Interest Rate Swaps	1,146,649	976	(2,583)
Total derivative financial instrument assets Trading	**1,884,215**	**5,511**	**(27,704)**
Interest Rate Swaps designated as fair value hedges	500,000	-	(3,040)
Cross Currency Swaps designated as cash flow hedges	12,582	26	(351)
Total derivative financial instrument assets	**2,396,797**	**5,537**	**(31,095)**

Group Year Ended 31 December 2018	Notional	Asset	Liability
Fair value of derivative financial instruments	**€'000**	**€'000**	**€'000**
FX Forward Derivatives	241,166	3,666	(5,792)
Cross Currency Swaps	189,420	2,795	(1,675)
Interest Rate Swaps	895,508	2	(1,605)
Total derivative financial instrument assets trading	**1,326,094**	**6,463**	**(9,072)**
Interest Rate Swaps designated as fair value hedges	-	-	-
Cross Currency Swaps designated as cash flow hedges	-	-	-
Total derivative financial instrument assets	**1,326,094**	**6,463**	**(9,072)**

Bank Year Ended 31 December 2019	Notional	Asset	Liability
Fair value of derivative financial instruments	**€'000**	**€'000**	**€'000**
FX Forward Derivatives	482,360	4,149	(14,212)
Interest Rate Swaps	720,709	778	(1,798)
Total derivative financial instrument assets trading	**1,203,069**	**4,927**	**(16,010)**
Interest Rate Swaps	500,000	-	(3,040)
Total derivative financial instrument assets	**1,703,069**	**4,927**	**(19,050)**

Bank Year Ended 31 December 2018	Notional	Asset	Liability
Fair value of derivative financial instruments	**€'000**	**€'000**	**€'000**
FX Forward Derivatives	241,166	3,666	(5,792)
Interest Rate Swaps	590,645	2	(996)
Total derivative financial instrument assets trading	**831,811**	**3,668**	**(6,788)**
Interest Rate Swaps designated as fair value hedges	-	-	-
Total derivative financial instrument assets	**831,811**	**3,668**	**(6,788)**

Held for trading

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

At 31 December 2019, cash collateral of €13.8 million (2018: €1.7 million) was placed against these liabilities and is reported within loans and advances to banks (note 20).

During the year ended 31 December 2019, the Group designated certain derivatives as hedging instruments, details of which are noted in the following tables.

22. Derivative Financial Instruments - continued

Fair value hedges

Fair value hedges are used by the Group to protect it against changes in the fair value of financial liabilities due to movements in interest rates. The financial instrument hedged is a €500m fixed rate debt issue.

Group	2019	2018
	€'000	€'000
(Losses) on hedging instruments	(3,040)	-
Gains on hedged items attributable to hedged risk	2,826	-
Hedge ineffectiveness	**(214)**	**-**

Cash flow hedges

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

As at 31 December 2019, the notional amounts, by residual maturity of derivatives were as follows:

As at 31 December 2019	Notional Amount	Less than 1 year	Between 1 and 5 years	More than 5 years
Group	€'000	€'000	€'000	€'000
FX Forward Derivatives	482,360	234,744	247,616	-
Cross Currency Swaps	255,206	-	255,206	-
Interest Rate Swaps	1,146,649	38,109	1,108,540	-
Total derivative financial instrument assets trading	1,884,215	272,853	1,611,362	-
Interest Rate Swaps designated as fair value hedges	500,000	-	500,000	-
Cross Currency Swaps designated as cash flow hedges	12,582	-	12,582	-
Total Derivative Financial Instruments	**2,396,797**	**272,853**	**2,123,944**	**-**

As at 31 December 2018	Notional Amount	Less than 1 year	Between 1 and 5 years	More than 5 years
Group	€'000	€'000	€'000	€'000
FX Forward Derivatives	241,166	117,275	123,891	-
Cross Currency Swaps	189,420	1,885	187,535	-
Interest Rate Swaps	895,508	120,336	696,871	78,301
Total derivative financial instrument assets trading	**1,326,094**	**239,496**	**1,008,297**	**78,301**
Interest Rate Swaps designated as fair value hedges	-	-	-	-
Cross Currency Swaps designated as cash flow hedges	-	-	-	-
Total Derivative Financial Instruments	**1,326,094**	**293,496**	**1,008,297**	**78,301**

22. Derivative Financial Instruments - continued

As at 31 December 2019, the notional principal amounts, by residual maturity of derivatives were as follows:

As at 31 December 2019 Bank	Notional Amount €'000	Less than 1 year €'000	Between 1 and 5 years €'000	More than 5 years €'000
FX Forward Derivatives	482,360	234,744	247,616	-
Interest Rate Swaps	720,709	38,109	682,600	-
Total derivative financial instrument assets trading	1,203,069	272,853	930,216	-
Interest Rate Swaps designated as fair value hedges	500,000	-	500,000	-
Total Derivative Financial Instruments	1,703,069	272,853	1,430,216	-

As at 31 December 2018, the notional principal amounts, by residual maturity of derivatives were as follows:

. As at 31 December 2018 Bank	Notional Amount €'000	Less than 1 year €'000	Between 1 and 5 years €'000	More than 5 years €'000
FX Forward Derivatives	241,166	117,275	123,891	-
Interest Rate Swaps	590,645	120,336	470,309	-
Total derivative financial instrument assets trading	**831,811**	**237,611**	**594,200**	**-**
Interest Rate Swaps designated as fair value hedges	-	-	-	-
Total Derivative Financial Instruments	**831,811**	**237,611**	**594,200**	**-**

22. Derivative Financial Instruments - continued

The below table analyses derivative financial instruments measured at fair value at the end of the reporting period by the fair value hierarchy into which the fair value measurement is categorised as at 31 December 2019. The fair value of the below over the counter derivatives is calculated using discounted cash flow valuation techniques which use observable market data such as foreign exchanges, interest rates and quoted asking market prices.

As at 31 December 2019 Group	Total Fair value €'000	Level 1 €'000	Level 2 €'000	Level 3 €'000
Fair value of Derivative Financial Instruments				
Assets				
FX Forward Derivatives	4,149	-	4,149	-
Cross Currency Swaps	386	-	386	-
Interest Rate Swaps	976	-	976	-
Total Derivative Financial Instrument Assets Trading	**5,511**	-	**5,511**	-
Interest Rate Swaps designated as fair value hedges	-	-	-	-
Cross Currency Swaps designated as cash flow hedges	26	-	26	-
Fair value of Derivative Financial Assets	**5,537**	-	**5,537**	-
Liabilities				
FX Forward Derivatives	(14,212)	-	(14,212)	-
Cross Currency Swaps	(10,909)	-	(10,909)	-
Interest Rate Swaps	(2,583)	-	(2,583)	-
Total Derivative Financial Instrument Liabilities Trading	**(27,704)**	-	**(27,704)**	-
Interest Rate Swaps designated as fair value hedges	(3,040)	-	(3,040)	-
Cross Currency Swaps designated as cash flow hedges	(351)	-	(351)	-
Fair value of Derivative Financial Liabilities	**(31,095)**	-	**(31,095)**	-

As at 31 December 2019 Bank	Total Fair value €'000	Level 1 €'000	Level 2 €'000	Level 3 €'000
Fair value of Derivative Financial Instruments				
Assets				
FX Forward Derivatives	4,149	-	4,149	-
Interest Rate Swaps	778	-	778	-
Total Derivative Financial Instrument Assets Trading	**4,927**	-	**4,927**	-
Interest Rate Swaps designated as fair value hedges	-	-	-	-
Fair value of Derivative Financial Assets	**4,927**	-	**4,927**	-
Liabilities				
FX Forward Derivatives	(14,212)	-	(14,212)	-
Interest Rate Swaps	(1,798)	-	(1,798)	-
Total Derivative Financial Instrument Liabilities Trading	**(16,010)**	-	**(16,010)**	-
Interest Rate Swaps designated as fair value hedges	(3,040)	-	(3,040)	-
Fair value of Derivative Financial Liabilities	**(19,050)**	-	**(19,050)**	-

22. Derivative Financial Instruments - continued

As at 31 December 2018 Group	Total Fair value €'000	Level 1 €'000	Level 2 €'000	Level 3 €'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	-
Total Derivative Financial Instrument Assets Trading	**6,463**	-	**6,463**	-
Interest Rate Swaps designated as fair value hedges	-	-	-	-
Cross Currency Swaps designated as cash flow hedges	-	-	-	-
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)	-
Total Derivative Financial Instrument Liabilities Trading	**(9,072)**	-	**(9,072)**	-
Interest Rate Swaps designated as fair value hedges	-	-	-	-
Cross Currency Swaps designated as cash flow hedges	-	-	-	-
Fair value of Derivative Financial Liabilities	**(9,072)**	-	**(9,072)**	-

As at 31 December 2018 Bank	Total Fair value €'000	Level 1 €'000	Level 2 €'000	Level 3 €'000
Fair value of Derivative Financial Instruments				
Assets				
FX Forward Derivatives	3,666	-	3,666	-
Interest Rate Swaps	2	-	2	-
Total Derivative Financial Instrument Assets Trading	**3,668**	-	**3,668**	-
Interest Rate Swaps designated as fair value hedges	-	-	-	-
Fair value of Derivative Financial Assets	**3,668**	-	**3,668**	-
Liabilities				
FX Forward Derivatives	(5,792)	-	(5,792)	-
Interest Rate Swaps	(996)	-	(996)	-
Total Derivative Financial Instrument Liabilities Trading	**(6,788)**	-	**(6,788)**	-
Interest Rate Swaps designated as fair value hedges	-	-	-	-
Fair value of Derivative Financial Liabilities	**(6,788)**	-	**(6,788)**	-

23. Intangible Assets and Goodwill

Group & Bank 2019	Goodwill €'000	Assets (External Purchase) €'000	Software €'000	Assets under construction €'000	Total €'000
Costs					
Balance at 1 January 2019	13,226	7,121	28,453	-	48,800
Additions / Internally developed	-	-	-	-	-
Disposals	-	-	-	-	-
Transfer	-	-	-	-	-
Balance at 31 December 2019	**13,226**	**7,121**	**28,453**	**-**	**48,800**
Accumulated Amortisation					
Balance at 1 January 2019	-	(3,913)	(23,992)	-	(27,905)
Charge for the year	-	(722)	(1,695)	-	(2,417)
Disposals	-	-	1	-	1
Balance at 31 December 2019	**-**	**(4,635)**	**(25,686)**	**-**	**(30,321)**
Net book value at 31 December 2019	**13,226**	**2,486**	**2,767**	**-**	**18,479**

Group & Bank 2018	Goodwill €'000	Assets (External Purchase) €'000	Software €'000	Assets under construction €'000	Total €'000
Costs					
Balance at 1 January 2018	13,226	7,121	27,047	1,036	48,430
Additions / Internally developed	-	-	1,089	-	1,089
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)
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**

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 2019. The transfer from assets under construction to software in 2018 relates to the systems that the Group developed to support its ongoing activities.

24. Property, Plant and Equipment

Group & Bank 2019	Leased Equipment €'000	Computer Equipment €'000	Fixtures and Fittings €'000	Total €'000
Cost				
Balance at 1 January 2019	4,554	289	140	4,983
Additions	161,205	12	-	161,217
Disposal of operating lease equipment	(1,600)	-	-	(1,600)
Disposal of own use computer equipment	-	(198)	-	(198)
Balance at 31 December 2019	**164,159**	**103**	**140**	**164,402**
Accumulated depreciation				
Balance at 1 January 2019	(2,325)	(274)	-	(2,599)
Charge for the year	(21,422)	(12)	(28)	(21,462)
Disposal of operating lease equipment	211	-	-	211
Disposal of own use computer equipment	-	198	-	198
Operating lease impairment	(90)	-	-	(90)
Balance at 31 December 2019	**(23,626)**	**(88)**	**(28)**	**(23,742)**
Net book value at 31 December 2019	**140,533**	**15**	**112**	**140,660**

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**

24. Property, Plant and Equipment - continued

Leased equipment cost analysed as follows:

	Year ended 31 December 2019 Group & Bank €'000	Year ended 31 December 2018 Group & Bank €'000
On operating lease for periods:		
- Not later than 1 year	56,826	1,011
- Later than 1 year and not later than 5 years	83,707	1,218
- Later than 5 years	-	-
Total	**140,533**	**2,229**

Future minimum lease payments analysed as follows:

	31 December 2019 Group & Bank €'000	31 December 2018 Group & Bank €'000
On operating lease for periods:		
- Not later than 1 year	75,220	1,192
- Later than 1 year and not later than 5 years	146,717	1,308
- Later than 5 years	112	-
Total	**222,049**	**2,500**

25. Current Tax Assets

	31 December 2019 Group & Bank €'000	31 December 2018 Group & Bank €'000
Current income tax assets	114	329
Total current income tax assets	**114**	**329**
Current income tax assets:		
Current tax asset to be recovered within 1 year	114	329
Current tax asset to be recovered after more than 1 year	**-**	**-**

26. Deferred Income Tax Assets

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

	31 December 2019 Group & Bank €'000	31 December 2018 Group & Bank €'000
At 1 January	7,422	9,631
Impact of adopting IFRS 9 at 1 January	-	650
Restated balance at 1 January	**7,422**	**10,281**
Income statement charge (Note 18)	(1,798)	(2,859)
At 31 December 2019	**5,624**	**7,422**

Deferred income tax assets are attributable to the following items:

	31 December 2019 Group & Bank €'000	31 December 2018 Group & Bank €'000
Tax losses carried forward	3,566	5,097
Temporary differences	2,058	2,325
Total deferred income tax assets	**5,624**	**7,422**
Deferred tax assets expected to be recovered within 12 months	1,805	3,625
Deferred tax assets expected to be recovered after 12 months	3,819	3,797

27. Other Assets

	31 December 2019 Group €'000	31 December 2018 Group €'000
VAT receivable	160,350	134,912
Prepayments	668	-
Inventory	1,936	732
Other debtors	13,630	12,261
Total other assets	**176,584**	**147,905**
Other assets are analysed as follows:		
Within 1 year	173,986	147,141
After 1 year	2,598	764
	176,584	**147,905**

	31 December 2019 Bank €'000	31 December 2018 Bank €'000
VAT receivable	160,350	134,912
Prepayments	668	(2)
Inventory	1,830	567
Other debtors	11,190	9,253
Total other assets	**174,038**	**144,730**
Other assets are analysed as follows:		
Within 1 year	172,642	143,991
After 1 year	1,396	739
	174,038	**144,730**

27. Other Assets continued

The Bank provides leasing services from a cross border perspective, VAT is generally not charged on the rentals issued to customers. The purchase of equipment from local suppliers is however subject to local VAT. For this reason, the Bank is in a significant VAT recoverable position in most countries where it provides finance. Post year end the Bank has received €89.2m in VAT refunds from revenue authorities which related to amounts receivable at the financial year end.

28. Pension Costs

Pension entitlements arise under a defined contribution pension scheme and are secured by contributions by the Bank to a separately administered pension fund. Annual contributions are charged to the income statement on an accrual's basis. The cost to the Bank for the year was €1.4m (2018: €1.1m).

The total amount owing to the pension scheme at 31 December 2019 was €Nil (2018: €Nil).

29. Deposit from Banks

	31 December 2019 Group €'000	31 December 2018 Group €'000
Secured funding	1,127,432	826,430
Multi-Currency Notional Pool	19	140,096
Time deposits	5,006	5,004
Deposits from Banks	**1,132,457**	**971,530**

	31 December 2019 Bank €'000	31 December 2018 Bank €'000
Secured funding	468,088	339,339
Multi-Currency Notional Pool	19	140,096
Time deposits	5,006	5,004
Deposits from Banks	**473,113**	**484,439**

Included in Secured funding of €1,127m is €659m (2018: €487m) relating to the Securitised loan facility and €468m (2018: €339m) relating to the collateralised loan facility. With respect to the Bank, the secured funding of €468m (2018: 339m) is exclusively related to the collateralised loan facility. Dell Technologies Inc. is acting as guarantor for the secured funding. During the financial year the maturity of the collateralised loan was extended from December 2020 to June 2022.

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

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

30. Debt Securities in Issue

	31 December 2019 Group & Bank €'000	31 December 2018 Group & Bank €'000
Principal	500,000	-
Accrued interest	651	-
Fair value hedge adjustment	(2,826)	-
Unamortised finance costs	(1,881)	-
Total debt securities in issue	**495,944**	**-**

On 17 October 2019, the Bank issued €500 million Senior Unsecured 0.625% Notes (Eurobond) maturing on 16 October 2022. The notes bear interest on the outstanding nominal amount, payable annually in arrears on 16 October each year. The Notes are listed on the Global Exchange Market of Euronext Dublin.

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

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

31. Other Liabilities

	31 December 2019 Group & Bank €'000	31 December 2018 Group & Bank €'000
Accounts payable	41,310	85,688
Creditors and accruals	4,658	2,912
Income tax deducted under PAYE/PRSI	693	258
Value added tax	2,091	643
Deferred income	917	224
Total other liabilities	**49,669**	**89,725**
Other liabilities (excluding deferred income) are analysed as follows:		
Within 1 year	48,752	89,501
After 1 year	-	-
Total other liabilities (excluding deferred income)	**48,752**	**89,501**

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32. Subordinated Liabilities

Group & Bank	Reference rate	Maturity	31 December 2019 €'000
Subordinated Loan	3mth Euro Libor	June 2023	-
Accrued interest payable			-
Total Subordinated Liabilities			**-**

Group & Bank	Reference rate	Maturity	31 December 2018 €'000
Subordinated Loan	3mth Euro Libor	June 2023	65,000
Accrued interest payable			66
Total Subordinated Liabilities			**65,066**

During the financial year, the Group repaid the subordinated loan in full.

33. Equity

	31 December 2019 Group €'000	31 December 2018 Group €'000
Share capital	50,000	50,000
Capital contribution	557,500	417,500
Other reserves	(324)	-
Revenue reserves	(41,254)	(51,544)
Total equity reserve	**565,922**	**415,956**

	31 December 2019 Bank €'000	31 December 2018 Bank €'000
Share capital	50,000	50,000
Capital contribution	557,500	417,500
Profit for the year	9,964	19,454
Revenue reserves	(51,546)	(71,000)
Total equity reserve	**565,918**	**415,954**

Share capital
The Group has authorised ordinary share capital of 50,000,001 shares (2018: 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 received by the Bank from its parent company were in the form of cash and are fully distributable. The parent entity of the Bank made additional cash capital contributions of €140m in 2019 (2018: €75m). The Bank did not declare a dividend on its share capital during the year (2018: €Nil).

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

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34. Contingent Liabilities and Commitments

Contingent liabilities

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

	31 December 2019 Group & Bank €'000	31 December 2018 Group & Bank €'000
Residual value guarantees	1,570	2,078
	1,570	**2,078**
Not later than 1 year	1,057	1,223
Later than 1 year and not later than 5 years	513	855
Later than 5 years	-	-

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

At 31 December 2019, the Group discloses a contingent liability relating to VAT receivable totalling €3.1m. The Group is in the process of appealing decisions by two Revenue Authorities in relation to this contingent liability.

Commitments

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

	31 December 2019 Group & Bank €'000	31 December 2018 Group & Bank €'000
Lease funding commitments	165,609	156,905
	165,609	**156,905**

35. Changes in liabilities arising from financing activities

As at year ended 31 December 2019

Group	Deposits by banks* €'000	Debt securities in issue €'000	Subordinated liabilities €'000	Intercompany loan €'000	Total €'000
At 1 January 2019	**(826,007)**	**-**	**(65,000)**	**(260,000)**	**(1,151,007)**
Drawdown on debt facilities	(684,600)	(500,000)	-	-	(1,184,600)
Repayment of debt facilities	383,383	-	65,000	260,000	708,383
At 31 December 2019	**(1,127,224)**	**(500,000)**	**-**	**-**	**(1,627,224)**

	Interest on Deposits by banks* €'000	Interest on Debt securities in issue €'000	Interest on Subordinated liabilities €'000	Interest on Intercompany loan €'000	Total €'000
At 1 January 2019	**(399)**	**-**	**(66)**	**(36)**	**(501)**
Interest paid	6,694	-	571	1,506	8,771
Charge to income statement	(6,482)	(651)	(505)	(1,470)	(9,108)
At 31 December 2019	**(187)**	**(651)**	**-**	**-**	**(838)**

**Deposits by banks consists of the Collateralised loan and Securitised loan facilities*

Bank	Deposits by banks* €'000	Debt securities in issue €'000	Subordinated liabilities €'000	Intercompany loan €'000	Total €'000
At 1 January 2019	**(339,000)**	**-**	**(65,000)**	**(699,200)**	**(1,103,200)**
Drawdown on debt facilities	(185,000)	(500,000)	-	(190,462)	(875,462)
Repayment of debt facilities	56,000	-	65,000	260,000	381,000
At 31 December 2019	**(468,000)**	**(500,000)**	**-**	**(629,662)**	**(1,597,662)**

	Interest on Deposits by banks* €'000	Interest on Debt securities in issue €'000	Interest on Subordinated liabilities €'000	Interest on Intercompany loan €'000	Total €'000
At 1 January 2019	**(321)**	**-**	**(66)**	**(36)**	**(423)**
Interest paid	3,530	-	571	1,506	5,607
Charge to income statement	(3,286)	(651)	(505)	(1,470)	(5,912)
At 31 December 2019	**(77)**	**(651)**	**-**	**-**	**(728)**

**Deposits by banks consists of the Collateralised loan facility*

35. Changes in liabilities arising from financing activities continued

As at year ended 31 December 2018

Group	Deposits by banks* €'000	Debt securities in issue €'000	Subordinated liabilities €'000	Intercompany loan €'000	Total €'000
At 1 January 2018	**(593,452)**	**-**	**(65,000)**	**(170,000)**	**(828,452)**
Drawdown on debt facilities	(502,200)	-	-	(130,000)	(632,200)
Repayment of debt facilities	269,645	-	-	40,000	309,645
At 31 December 2018	**(826,007)**	**-**	**(65,000)**	**(260,000)**	**(1,151,007)**

	Interest on Deposits by banks* €'000	Interest on Debt securities in issue €'000	Interest on Subordinated liabilities €'000	Interest on Intercompany loan €'000	Total €'000
At 1 January 2018	**(298)**	**-**	**(65)**	**(23)**	**(386)**
Interest paid	7,877	-	1,602	2,689	12,168
Charge to income statement	(7,978)	-	(1,603)	(2,702)	(12,283)
At 31 December 2018	**(399)**	**-**	**(66)**	**(36)**	**(501)**

**Deposits by banks consists of the Collateralised loan and Securitised loan facilities*

Bank	Deposits by banks* €'000	Debt securities in issue €'000	Subordinated liabilities €'000	Intercompany loan €'000	Total €'000
At 1 January 2018	**(261,000)**	**-**	**(65,000)**	**(482,747)**	**(808,747)**
Drawdown on debt facilities	(131,000)	-	-	(256,453)	(387,453)
Repayment of debt facilities	53,000	-	-	40,000	93,000
At 31 December 2018	**(339,000)**	**-**	**(65,000)**	**(699,200)**	**(1,103,200)**

	Interest on Deposits by banks* €'000	Interest on Debt securities in issue €'000	Interest on Subordinated liabilities €'000	Interest on Intercompany loan €'000	Total €'000
At 1 January 2018	**(230)**	**-**	**(65)**	**(23)**	**(318)**
Interest paid	3,586	-	1,602	2,689	7,877
Charge to income statement	(3,677)	-	(1,603)	(2,702)	(7,982)
At 31 December 2018	**(321)**	**-**	**(66)**	**(36)**	**(423)**

**Deposits by banks consists of the Collateralised loan facility*

Comparatives have been presented on a basis consistent with the current year presentation format.

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 publicly traded company with a registered office at 2711 Centerville Road, Suite 400, Wilmington DE 19808, United States.

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 2019 Group & Bank €'000	31 December 2018 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

The Group has a long-term borrowing facility from an affiliate, Dell Global BV. The total funding available is €400m with an additional €100m of contingency funding. The maturity date of the facility is 28 September 2021.

During the year, the Group repaid €260m (2018: €40m) to Dell Global BV. At the year end, the balance outstanding to Dell Global BV was €Nil (2018: €130m).

Subordinated Debt
The subordinated debt was fully repaid in 2019.

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).

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

The Bank provides funding to the SPV by way of a junior loan. The junior loan agreement between the Bank and the SPV provides for an interest amount payable to the Bank for the value of the SPV's profit less a monthly amount of €100. The interest income on the junior loan in 2019 was €8.1m (2018: €12.0m). As at 31 December 2019, the gross value of the junior loan was €135m (2018: €95.6m). The SPV purchased finance receivables from the Bank during the financial year. The carrying value of the lease receivables associated asset was €765m (2018: €562.3m) at the year end.

37. Related party transactions - continued

Other

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

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

	31 December 2019 Group €'000	31 December 2018 Group €'000
Loans outstanding at 1 January	260,037	170,023
Loans issued during the year	-	130,000
Loan repayments during the year	(260,037)	(39,986)
Loans outstanding at 31 December	**-**	**260,037**
Interest expense paid	1,506	2,825

	2019 Group €'000	2018 Group €'000
Recharges outstanding at 1 January	6,795	(5,087)
Purchases of equipment	1,592,530	691,349
Recharges during the year (Other)	(3,233)	6,796
Payments during the year	(1,525,858)	(686,263)
Balances outstanding at 31 December	**70,234**	**6,795**
Amounts due to fellow subsidiaries at 31 December	**70,234**	**266,832**

	31 December 2019 Bank €'000	31 December 2018 Bank €'000
Loans outstanding at 1 January	699,236	482,769
Loans issued during the year	190,462	256,467
Loan repayments during the year	(260,000)	(40,000)
Loans outstanding at 31 December	**629,698**	**699,236**
Interest expense paid	**1,506**	**2,825**

	31 December 2019 Bank €'000	31 December 2018 Bank €'000
Recharges outstanding at 1 January	33,406	(6,136)
Purchases of equipment	1,592,530	691,349
Recharges during the year (Other)	(12,942)	34,456
Payments during the year	(1,533,419)	(686,263)
Balances outstanding at 31 December	**79,575**	**33,406**
Amounts due to fellow subsidiaries at 31 December	**709,273**	**732,642**

37. Related party transactions - continued

a) 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.

	Year ended 31 December 2019 Group €'000	Year ended 31 December 2018 Group €'000
Salaries and other short-term employee benefits	2,953	4,110
Directors fees	282	278
Post-employment benefits	99	106
Other long-term benefits	538	-
Total key management compensation	**3,872**	**4,494**

For the purposes of IAS 24: Related Party Disclosures, key management personnel of 17 (2018:14) comprise the Directors and other key management of the Bank.

As described in note 1, Accounting policies, specified staff received fixed and variable conditional cash payments. At 31 December 2019, a liability of €1.0m was included in respect of these conditional cash payments. Total compensation paid in 2019 in relation to the variable cash payments was €Nil. The number of conditional variable cash payments outstanding to KMP and Directors is presented in the following table:

	31 December 2019 Group No. units of stock	31 December 2018 Group No. units of stock
Opening balance at 1 January	-	-
Awarded during the year	7,575	-
Paid in cash during the year	-	-
Closing balance at 31 December	**7,575**	**-**

b) 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:

38. Fair Values of Assets and Liabilities- continued

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

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

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

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

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

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

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 IFRS 16. For the purposes of this disclosure, the directors estimate that the fair value is equivalent to the carrying value. Given the relatively short-term average maturity of the portfolio, the carrying value of the finance lease is deemed to equate to its fair 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.

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.

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

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 2019:

Group	Carrying Amount €'000	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Financial assets measured at fair value					
Derivative financial instruments					
Exchange rate derivatives	4,149	-	4,149	-	4,149
Interest rate derivatives	976	-	976	-	976
Cross currency swap derivatives	412	-	412	-	412
Financial assets not measured at fair value					
Cash and balances at central banks	44,636	44,636	-	-	44,636
Loans and advances to banks*	139,833	-	139,833	-	139,833
Loans and advances to customers*	688,344	-	688,344	-	688,344
Total	**878,350**	**44,636**	**833,714**	**-**	**878,350**
Financial liabilities measured at fair value					
Derivative financial instruments					
Exchange rate derivatives	14,212	-	14,212	-	14,212
Interest rate derivatives	5,623	-	5,623	-	5,623
Cross currency swap derivatives	11,260	-	11,260	-	11,260
Financial liabilities not measured at fair value					
Deposits by banks	1,132,457	-	1,132,457	-	1,132,457
Debt securities in issue	495,944	-	497,174	-	497,174
Subordinated liabilities	-	-	-	-	-
Amounts due to fellow subsidiaries	70,234	-	70,234	-	70,234
Total	**1,729,730**	**-**	**1,730,960**	**-**	**1,730,960**

** Excludes leasing transactions within the scope of IFRS 16 leases*

38. Fair Values of Assets and Liabilities - continued

Bank	Carrying Amount €'000	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Financial assets measured at fair value					
Derivative financial instruments					
Exchange rate derivatives	4,149	-	4,149	-	4,149
Interest rate derivatives	778	-	778	-	778
Financial assets not measured at fair value					
Cash and balances at central banks	44,636	44,636	-	-	44,636
Loans and advances to banks*	110,636	-	110,636	-	110,636
Loans and advances to customers*	688,344	-	688,344	-	688,344
Total	**848,543**	**44,636**	**803,907**	**-**	**848,543**
Financial liabilities measured at fair value					
Derivative financial instruments					
Exchange rate derivatives	14,212	-	14,212	-	14,212
Interest rate derivatives	4,838	-	4,838	-	4,838
Financial liabilities not measured at fair value					
Deposits by banks	473,113	-	473,113	-	473,113
Debt securities in issue	495,944	-	497,174	-	497,174
Subordinated liabilities	-	-	-	-	-
Amounts due to fellow subsidiaries	709,273	-	709,273	-	709,273
Total	**1,697,380**	**-**	**1,698,610**	**-**	**1,698,610**

** Excludes leasing transactions within the scope of IFRS 16 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 2018:

Group

	Carrying Amount €'000	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Financial assets measured at fair value					
Derivative financial instruments					
Exchange rate derivatives	3,666	-	3,666	-	3,666
Interest rate derivatives	2	-	2	-	2
Cross currency swap derivatives	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
Loans and advances to banks*	107,958	-	107,958	-	107,958
Loans and advances to customers*	424,538	-	424,538	-	424,538
Total	**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
Interest rate derivatives	1,605	-	1,605	-	1,605
Cross currency swap derivatives	1,675	-	1,675	-	1,675
Financial liabilities not measured at fair value					
Deposits by banks	971,530	-	971,530	-	971,530
Debt securities in issue	-	-	-	-	-
Subordinated liabilities	65,066	-	65,066	-	65,066
Amounts due to fellow subsidiaries	266,832	-	266,832	-	266,832
Total	**1,312,500**	**-**	**1,312,500**	**-**	**1,312,500**

** Excludes leasing transactions within the scope of IFRS 16 leases*

38. Fair Values of Assets and Liabilities - continued

Bank

	Carrying Amount €'000	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Financial assets measured at fair value					
Derivative financial instruments					
Exchange rate derivatives	3,666	-	3,666	-	3,666
Interest rate derivatives	2	-	2	-	2
Financial assets not measured at fair value					
Cash and balances at central banks	44,805	44,805	-	-	44,805
Loans and advances to banks*	90,362	-	90,362	-	90,362
Loans and advances to customers*	424,538	-	424,538	-	424,538
Total	**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
Interest rate derivatives	996	-	996	-	996
Financial liabilities not measured at fair value					
Deposits by banks	484,439	-	484,439	-	484,439
Debt securities in issue	-	-	-	-	-
Subordinated liabilities	65,066	-	65,066	-	65,066
Amounts due to fellow subsidiaries	732,643	-	732,643	-	732,643
Total	**1,288,936**	**-**	**1,288,936**	**-**	**1,288,936**

** Excludes leasing transactions within the scope of IFRS 16 leases*

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 2019:

	31 December 2019 Gross Financial Asset Group €'000	31 December 2019 Cash collateral Group €'000	31 December 2019 Net Amount with Offsetting applied Group €'000
Derivatives with Positive Fair Value	5,537	-	5,537
Total	**5,537**	**-**	**5,537**
Derivatives with Negative Fair Value	(31,095)	13,196	(17,899)
Total	**(31,095)**	**13,196**	**(17,899)**

	31 December 2018 Gross Financial Asset Group €'000	31 December 2018 Cash collateral Group €'000	31 December 2018 Net Amount with Offsetting applied Group €'000
Derivatives with Positive Fair Value	6,463	-	6,463
Total	**6,463**	**-**	**6.463**
Derivatives with Negative Fair Value	(9,072)	1,680	(7,392)
Total	**(9,072)**	**1,680**	**(7,392)**

	31 December 2019 Gross Financial Asset Bank €'000	31 December 2019 Cash collateral Bank €'000	31 December 2019 Net Amount with Offsetting applied Bank €'000
Derivatives with Positive Fair Value	4,927	-	4,927
Total	**4,927**	**-**	**4,927**
Derivatives with Negative Fair Value	(19,050)	13,130	(5,920)
Total	**(19,050)**	**13,130**	**(5,920)**

	31 December 2018 Gross Financial Asset Bank €'000	31 December 2018 Cash collateral Bank €'000	31 December 2018 Net Amount with Offsetting applied Bank €'000
Derivatives with Positive Fair Value	3,668	-	3,668
Total	**3,668**	**-**	**3,668**
Derivatives with Negative Fair Value	(6,788)	-	(6,788)
Total	**(6,788)**	**-**	**(6,788)**

Comparatives have been presented on a basis consistent with the current year presentation format.

40. Special Purpose Vehicle Accounting

The Bank retains control of the receivables transferred to the SPV and therefore these assets are not de-recognised and remain on the Bank's Statement of financial position. Amounts due to fellow subsidiaries in the Bank's Statement of financial position includes a deemed loan representing the financing received from the SPV in relation to the securitised receivables. Refer to Note 29 for further information.

41. Events after the financial year

Post year end, the Group is monitoring the impact of COVID-19. The emergence and spread of the COVID-19 is having a significant impact on financial markets with longer term macroeconomic implications and the extent of the impact on global economic conditions is uncertain.

As this is a non-adjusting event, its post year end impact has not been taken account of, in the measurement of the impairment of financial assets held at amortised cost.

The Group has a diverse range of measures in place to mitigate the potential operational and economic impacts from COVID-19. It is too early to assess the potential adverse impact on the Group's future business performance which could be material. While the impact of COVID-19 is uncertain, Management has considered its ability to maintain access to funding and absorb future losses, as well as the continuing support from its ultimate parent.

The Bank provides leasing services from a cross border perspective, VAT is generally not charged on the rentals issued to customers. The purchase of equipment from local suppliers is however subject to local VAT. For this reason, the Bank is in a significant VAT recoverable position in most countries where it provides finance. Post year end the Bank has received €89.2m in VAT refunds from revenue authorities which related to amounts receivable at the financial year end.

There were no other significant events after the financial year.

42. Profit of Reporting Entity

In accordance with section 304 of Companies Act 2014, the Bank has availed of the exemption from filing its Statement of comprehensive income with the Registrar of Companies. The Bank's profit after tax for the year ended 31 December 2019, determined in accordance with IFRS, is €10.0m (2018: €19.5m).

43. Approval of Financial Statements

The financial statements were approved by the Board of Directors on 24 March 2020.

Glossary of terms

Cost-Asset under Management ratio
Cost-Asset under Management ratio is calculated as Total operating expenses divided by average volumes of interest bearing assets based on monthly balances throughout the year.

Cost income ratio
Cost income ratio is calculated as Total operating expenses divided by Interest income and Other operating income.

Net interest margin
Net interest margin (NIM) is stated as Net interest income plus operating lease income (less depreciation) divided by the average volumes of the interest-bearing assets. The average volumes of interest-bearing assets are based on monthly balances throughout the year.

Cost of funds
Average cost of funds represents the underlying interest expense recognised in the statement of comprehensive income related to the average volumes of the funding liabilities.

Non performing ratio
Non performing exposures are material exposures which are more than 90 days past due or where the debtor is assessed as unlikely to pay its credit obligations. The non performing ratio is calculated as the non performing element of the book divided by the total amount of exposures. The credit impaired exposure referenced in Note 20 Loans and advances to Banks and Note 21 Loans and advances to Customers differs from the non performing exposure balance as not all POCI exposures are defined as non performing.

All amounts in €'000	**2019**
Gross carrying amount of Loans and advances to banks (note 20)	71,242
Gross carrying amount of Loans and advances to customers (note 21)	1,768,480
Total exposure	1,839,722
Split as:	
Performing exposures (see comment above)	1,741,667
Non performing exposures (see comment above)	98,055
Non performing ratio (Non performing exposures/Total exposures)	**5.3%**

Credit impairment provision coverage ratio
The coverage ratio is calculated by expressing the expected loss allowance as a percentage of the gross carrying amount of loans and advances.