

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

**Annual Report and Financial Statements**

**For the year ended 31 December 2016**

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## **DIRECTORS AND OTHER INFORMATION**

### **Board of Directors at 29 March 2017**

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

### **Company Secretary**

Kate Brennan

### **Registered Office**

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  
Earlsfort Centre  
Earlsfort Terrace  
Dublin 2

### **Auditors**

PricewaterhouseCoopers  
One Spencer Dock  
North Wall Quay  
Dublin 1

## **DIRECTORS' REPORT**

The Directors present herewith their report together with the audited financial statements for the year ended 31 December 2016.

Dell Bank International d.a.c. (the "Bank") was incorporated on 15 August 2011. The Bank's immediate parent undertaking is DFS BV ("DFS BV"), a Company incorporated in the Netherlands and the Bank's ultimate parent undertaking is Dell Technologies Inc. (formerly Denali Holdings Inc.) ("Dell"), a private company incorporated in the United States of America. The principal activity of the Bank is the provision of financing solutions to end users of products and services sold by Dell/EMC entities in Europe. This includes leases and loan arrangements, rentals and asset management facilities to all Dell business segments and with third party providers.

In 2013 Dell acquired the Dell related assets, sales, servicing functions and platform from CIT Group Finance (Ireland) and its affiliates in Europe ("CIT"). As part of the acquisition, the Company had purchased a portfolio of finance contracts relating to Dell assets from CIT (the "Acquisition").

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

The Bank provides financial services to customers based in the United Kingdom, Ireland, Belgium, the 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 both the CBI's Corporate Governance Requirements for Credit Institutions 2015 which imposes minimum core standards upon all credit institutions licensed by the CBI. The Bank is not required to comply with the additional Corporate Governance Code requirements for High Impact designated institutions.

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

On the 29 September 2016 the Bank received a capital contribution of €100m from its parent entity to fund expected growth in the portfolio whilst maintaining its strong capital adequacy.

During the year ended 31 December 2016 the Bank negotiated a securitisation transaction that was completed on 13 January 2017, with an initial draw date on 20 January 2017. A special purpose vehicle, Dell Receivables Financing 2016 Designated Activity Company (d.a.c) (the "SPV"), was incorporated on 9 September 2016 as part of this securitisation structure. The SPV is a "qualifying company" as defined in Section 110 of the Taxes Consolidation Act 1997. The Bank will sell eligible receivables to the SPV on a revolving basis. The SPV will be funded by senior loan facilities issued by a number of external banks and by a junior loan facility provided by the Bank. Operationally the Bank will remain in charge of the credit management, servicing, collection, and administration of these assets (including receivables) under a Servicing Agreement between the Bank and the SPV.

### **Business review**

The results for the year and statement of affairs of the Bank are shown on pages 24 to 25. The directors note that the Bank recorded its first period of profitability in the fourth quarter of 2016, however the overall loss for the year before taxation amounted to €4.9m (2015: loss of €10.6m). After recognising an income tax credit of €0.2m (2015: tax credit of €1.3m), a loss of €4.7m (2015: loss of €9.3m) was transferred to reserves. Total Bank assets amounted to €1,061.2m (2015: €900.6m), liabilities to €765.7m (2015: €700.3m), and equity to €295.5m (2015: €200.3m).



## **DIRECTORS' REPORT – continued**

### **Business review - continued**

Net interest income for the year is €25.2m compared to €20.1m in 2015. Interest expense for the year is €11.1m compared to €12.7m in 2015, down €1.6m or 13.1%, primarily driven by the introduction of extended payment terms with Dell, reduced funding rates and a €100m capital contribution. Interest income for the year is €36.3m compared to €32.8m in 2015, up €3.5m or 10.7%, driven by strong growth in originations. Other operating income for the year is €29.9m compared to €56.5m in 2015, down €26.7m or 47.2% as a result of reduced Operating lease rental income due to the run off of the Acquisition portfolio of Operating leases.

Operating expenses for the year is €77.2m compared to €65.8m in 2015, up €11.5m or 17%. This increase in operating expenses was primarily driven by foreign exchange losses of €23.1m during the year, representing a (€35.2m) movement year on year. This was substantially offset by a reduction in depreciation on the Acquisition portfolio of Operating leases. The Net Trading position for the year is €19.8m compared to (€16.0m) in 2015, up €35.8m or 224%. This increase is primarily driven by the euro strengthening significantly year on year against the majority of the Bank's hedged currencies. This gain is principally offset by the foreign exchange losses on retranslation of the Bank's monetary assets and liabilities. The foreign exchange losses on retranslation of the Bank's monetary assets and liabilities amounts to €23.1m for the year ended 31 December 2016 which is offset by a €20.5m gain on the corresponding fair value foreign exchange derivatives.

### **Impairment charges on loans and receivables**

The loan impairment provisions charge for loans and advances to customers for the year ended 31 December 2016 is €2.7m (2015: €5.5m). Total provision balance of €8.4m (2015: €6.7m) represents 1% of total loans and advances to customers (2015: 1.0%).

### **Dividend**

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

### **Research and development**

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

### **Principal risks and uncertainties**

Risk management is an integral part of the Bank's business process. Details of the Bank's Risk management objectives and policies are set out in the Risk management report on page 9 to 21.

### **Directors and Secretary**

The names of the persons who were Directors at any time during the year ended 31 December 2016 are listed below. Unless otherwise indicated they served as Directors for the entire year.

Cormac Costelloe  
Don Berman  
William Wavro  
Donal Courtney  
Frank O'Riordan  
Tyler Johnson  
Thomas Luttrell  
Roisin Brennan (appointed 1 July 2016)

The names of the persons who were Secretary at any time during the year ended 31 December 2016 are listed below. Unless otherwise indicated they served as Secretary for the year.

Kate Brennan

## **DIRECTORS' REPORT – continued**

### **Directors' and Secretary's shareholdings**

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

### **Events after the reporting year**

The Bank drew €216.6m, of a €600m committed loan facility under the securitisation transaction on 20 January 2017. Concurrently the bank repaid €204m of its asset backed loan facility on 20 January 2017.

### **Political donations**

No political donations were made by the Bank during the year to 31 December 2016.

### **Accounting Records**

The measures taken by the Directors to ensure compliance with the Bank'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 2016 by the Central Bank of Ireland.

### **Going concern**

The financial statements have been prepared on a going concern basis. In concluding that the going concern basis was appropriate for the Bank for the 31 December 2016 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 Bank including new regulatory and accounting requirements, such as IFRS 9 & IFRS 16 and AnaCredit reporting requirements. The Bank established an IFRS 9 Implementation Programme which has transitioned from a detailed planning phase into a design & implementation phase. The programme activities are focused on accounting policy and design decisions, while also assessing the internal system, process and data requirements. A Programme steering committee oversees decisions and external advisors have been appointed to assist with implementation. The Bank will apply IFRS 9 with an implementation date of 1 January 2018.

The Dell-EMC integration is ongoing and will remain a focus for the Bank as it aligns its strategy and operations to the overall Dell Technologies company. The merger of the Dell and EMC Corporations has provided additional growth opportunities for the Bank. Further operational synergies from the merger for the Bank are expected.

During the year ended 31 December 2016, the United Kingdom (U.K.) held a referendum in which voters approved an exit from the E.U., commonly referred to as "Brexit". As a result of the referendum, it is expected that the British government will begin negotiating the terms of the U.K.'s future relationship with the E.U., which may change the Banks operating model in the region. The potential implications of Brexit to the Bank are being closely monitored by the Board and management team.



**DIRECTORS' REPORT – continued**

**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 Bank's assets, liabilities and financial position as at the end of the financial year and of the profit or loss of the Bank 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 they contain the additional information required by the Companies Act 2014; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Bank 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 Bank;
- Enable, at any time, the assets, liabilities, financial position and profit or loss of 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 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 the company's compliance with its relevant obligations.

The directors confirm that;

- A compliance policy statement setting out the company's policies, that in our opinion are appropriate to the company, respecting compliance by the company with its relevant obligations has been drawn up.
- Appropriate arrangements or structures that are designed to secure material compliance with the company's relevant obligations have been put in place.
- A review of the arrangements and structures has been conducted during the financial year ended 31 December 2016.

**DIRECTORS' REPORT – continued**

**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 Bank. This is discussed further in the Risk Governance section of the Risk Management report,

**Auditor**

The Auditor, 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 29 March 2017.

On behalf of the Board of Directors:



Chairman  
William Wavro  
29 March 2017



Director  
Cormac Costelloe  
29 March 2017



Director  
Thomas Luttrell  
29 March 2017

**RISK MANAGEMENT REPORT**

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## RISK MANAGEMENT REPORT

### 1. Introduction

The Bank's operations involve the evaluation, acceptance and management of risk in accordance with its risk appetite. The Bank 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 Bank 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 Bank has implemented a risk culture which promotes transparency and has established a risk governance structure that is supported by an appropriate Risk Management Framework, Risk Appetite Framework, and other policies, which reflect the size, non-complex nature, and risk profile of the Bank.

### 2. Risk Framework

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

#### a) *Risk Appetite*

The Bank has in place a Risk Appetite Framework covering all material risks which is expressed in both qualitative and quantitative terms. Material risks are deemed to be those risks which may impact the Bank's ability to deliver on its business plan, service its customers, operate in a legal and compliant manner, impact the Bank's brand and reputation or cause financial loss exceeding Risk Appetite tolerances. Non-material risks are deemed to be those risks which do not impact the Bank's ability to deliver on its business plan, service its customers, operate in a legal and compliant manner, impact the Bank's reputation and brand.

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

- Credit Risk (including Credit Concentration Risk)
- Market Risk
- Funding & Liquidity Risk
- Residual Asset Value Risk
- Operational Risk
- Balance Sheet Measurement
- Reputational Risk
- Regulatory Compliance Risk
- Business & Strategy Risk
- Group Risk

## RISK MANAGEMENT REPORT – continued

For each material risk the Bank 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 Bank also monitors other risks which have been determined to be non-material.

### b) *Three lines of defence model*

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

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

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

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



## RISK MANAGEMENT REPORT – continued

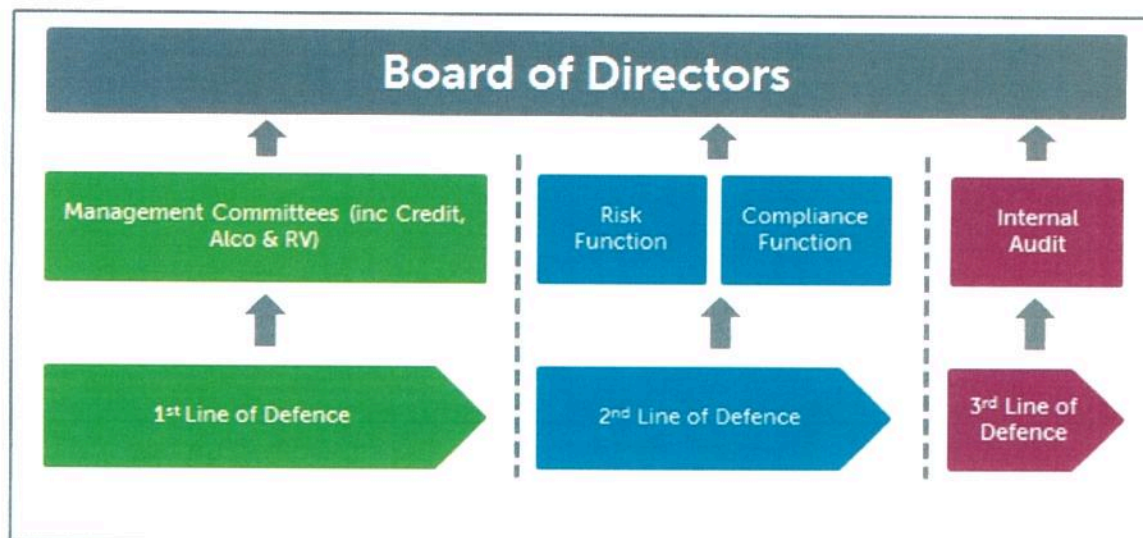
### c) Risk Governance

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

- A documented Board Charter which sets out the matters reserved for the Board and a Delegated Authority Matrix;
- Terms of References for all Board Committees\* which set out the decision making authorities and responsibilities of each Committee;
- Management Committee Terms of References which set out the responsibilities and reporting lines for each of the management committee;



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



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

## **RISK MANAGEMENT REPORT – continued**

### **Board Committees**

The Risk Committee of the Bank is responsible for oversight and advice to the Board on the significant risk exposures of the Bank and future risk strategy. The Risk Committee 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 Bank's Risk Management function. The Bank's Risk Management Function supports the Risk Committee in its activities and responsibilities. Responsibility for risk management policies and risk tolerances lies with the Board of Directors. The Board of Directors has delegated authority to the Risk Committee to take all actions necessary to perform its duties and responsibilities in overseeing risk.

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

The Remuneration and Nomination Committee is responsible for determining the remuneration policy and framework in compliance with Central Bank of Ireland and European Banking Authority requirements. This includes identifying categories of staff with material risk-taking responsibilities and ensuring that fully compliant variable remuneration structures are in place. The Remuneration and Nomination Committee has oversight for recruitment of suitable candidates to fill the board and senior management vacancies. The Remuneration and Nomination Committee is also responsible for reviewing and approving performance-based remuneration in accordance with regulatory requirements.

### **Management Committees**

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

The Asset and Liability Committee (ALCO) is responsible for the management of the balance sheet of the Bank, including capital adequacy in accordance with the risk appetite approved by the Board, the Bank's Internal Capital Adequacy Assessment Process ("ICAAP") and the Bank's Internal Liquidity Adequacy Assessment Process ("ILAAP"). ALCO is also responsible for leading the development of the Bank'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 Residual Asset Risk Committee of the Bank is responsible for the setting, validating and monitoring of residual asset risk in the Bank. The responsibilities include monitoring adherence to residual asset risk appetite and reviewing strategies and policies regarding setting of Residual Values.

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



## RISK MANAGEMENT REPORT – continued

### 3. Credit Risk (*audited*)

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

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

#### a) *Credit Risk – Measurement*

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

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

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

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

The Bank uses a 16 point scale in assigning PD grades of customers. 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 Bank uses a Loss Given Default ("LGD") scale 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 Bank's Leased Assets by PD grade as at 31 December 2016 is set out in Note 4 of the financial statements.

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



## RISK MANAGEMENT REPORT – continued

### b) *Credit Risk Mitigation*

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. An analysis of the Bank's Leased Assets by geographic segment is set out in Note 4 of the financial statements.

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

### c) *Credit Risk Impairment and Provisioning Policies*

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

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

## 4. **Market Risk (*audited*)**

Market risk is the risk relating to the uncertainty of returns attributable to fluctuations in market factors. The risk factors include interest rate risk, foreign currency risk and their associated market volatilities. The principal market risks facing the Bank are interest rate risk and foreign exchange risk.

The Bank has a comprehensive policy for assessing, measuring and managing interest rate risk and foreign currency risk (FX). The ALCO is responsible for defining and recommending the Bank's Market Risk Policy for Board Risk Committee approval. The policy, together with the Bank's Risk Appetite Framework, establishes the risk appetite and limits based on a Target / Trigger / Limit framework. Limits are set as a percentage of the available Regulatory Capital. Both the Interest Rate Risk in the Banking Book ("IRRBB") and FX hedging programs are in place in order to minimise the Bank's P&L volatility exposure to potentially unpredictable market movements.

**RISK MANAGEMENT REPORT – continued**

a) *Foreign exchange risk*

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

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

FX forwards converting non-Euro cash-flows back to a Euro basis are utilised in order to minimise the Bank's FX risk exposure. The risk framework in place is the same as that for IRRBB where the residual un-hedged P&L exposure is measured against the prescribed limits which are based on a percentage of the Bank's own funds. Periodically, the Bank may choose to obtain funding in Non-Euro currencies and will hedge these drawings accordingly with Foreign Exchange derivatives.

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

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

b) *Interest rate risk*

Interest rate risk is the risk that the Bank will experience deterioration in its financial position as interest rates move over time. The Bank does not take any proprietary positions on the interest rate markets for P&L purposes and therefore only runs non-traded interest rate risk. The Bank's portfolio of non-traded financial instruments principally comprises of commercial finance and operating leases, external loan facilities, capital and hedging instruments.

The main source of this interest rate risk is re-pricing risk, which reflects the fact that the Bank's assets and liabilities are comprised of different maturities and are priced off different interest rate bases. This is the risk that the interest earned on assets and paid on liabilities will change by different amounts if interest rates change owing to differences in the re-pricing characteristics of those assets and liabilities. The extent of the risk depends on the scale of the re-pricing maturity mismatches on the Bank's balance sheet. Further analysis of the bank's Interest rate Risk mismatch is detailed in Note 4 of the financial statements.

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

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



**RISK MANAGEMENT REPORT – continued**

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

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

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

Further analysis of the Bank's Interest rate Risk positions are detailed in Note 4 of the financial statements.

**5. Funding & Liquidity Risk (*audited*)**

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

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

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

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

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

The Bank's Liquidity Policy reflects CRD IV requirements and the Central Bank of Ireland's requirements for the Management of Liquidity Risk in addition to relevant EBA guidelines on the Internal Liquidity Adequacy Assessment Process (ILAAP).

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

## RISK MANAGEMENT REPORT – continued

### a) *Stress Testing*

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

The Bank 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 Bank 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 Bank's liquid resources.

### b) *Liquidity Monitoring*

The Treasury function is responsible for the daily management of the liquidity buffer, monitoring and reporting of the Bank's liquidity position in accordance with the Liquidity Policy. The Liquidity Coverage Ratio ("LCR") as prescribed in the Basel III accord is internally modelled and monitored by the Bank and includes Target, Trigger and Limit parameters. In addition the Net Stable Funding Ratio is also monitored and modelled by the Treasury function.

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

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

The Bank sources funds from five principal sources:

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

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

### c) *Assets held for Managing Liquidity Risk*

The Bank 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 Bank'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 Bank's liquid asset holdings.



## RISK MANAGEMENT REPORT – continued

### d) *Derivatives*

The Bank does not have any Credit Support Annexes ("CSAs") in place on its derivative portfolio and is therefore not subject to collateral calls.

### e) *Liquidity Risk – Off Balance sheet items*

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

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

## 6. Residual Asset Value Risk

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

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

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

## 7. Operational Risk

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

The Bank's Operational Risk management framework exists to mitigate against such risks. The Operational Risk management framework is structured in a three tier environment 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
- New product development
- Outsourcing



## RISK MANAGEMENT REPORT – continued

The Bank 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 Bank's risk appetite.

### 8. Balance Sheet Measurement (*audited*)

Capital adequacy is assessed under the Bank's ICAAP framework. The treasury function manages the Bank's capital strategy under the guidance of the Board. The Bank is committed to maintaining its sound capitalisation. The Bank has equity share capital of €50m and capital contributions received of €317.5m at 31 December 2016.

The Bank's objectives when managing capital are:

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

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

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

The Bank holds own funds in the form of capital which will always be more than or equal to the higher of capital charges calculated under Pillar I or Pillar II.

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

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

### 9. Reputational Risk

Reputational Risk is the risk to the Dell brand, or goodwill exhibited towards that brand, by the Bank's customers and wider market. Reputational risk includes social, ethical and environmental risks for the purpose of this Framework.

The Bank will not enter into activities that will knowingly give rise to reputational risk issues that will materially damage the Dell brand. The Bank seeks to ensure that outsourced activities meet the Bank's reputational risk standards, including the treatment and disposal of hardware.

**RISK MANAGEMENT REPORT – continued**

**10. Regulatory Compliance Risk**

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

**11. Business & Strategy Risk**

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

**12. Group Risk**

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



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

### **Report on the financial statements**

#### **Our opinion**

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

- give a true and fair view of the company's assets, liabilities and financial position as at 31 December 2016 and of its loss and 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
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

#### **What we have audited**

The financial statements, included within the Annual Report and Financial Statements, comprise:

- the Statement of financial position as at 31 December 2016;
- the Statement of comprehensive income for the year then ended;
- the Statement of cash flows for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report and Financial Statements, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is Irish law and IFRSs as adopted by the European Union.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

### **Matters on which we are required to report by the Companies Act 2014**

- 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 company were sufficient to permit the financial statements to be readily and properly audited.
- The financial statements are in agreement with the accounting records.
- In our opinion the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers, One Spencer Dock, North Wall Quay, Dublin 1, Ireland, I.D.E. Box No. 137  
T: +353 (0) 1 792 6000, F: +353 (0) 1 792 6200, [www.pwc.ie](http://www.pwc.ie)





## ***Independent auditors' report to the members of Dell Bank International Designated Activity Company – continued***

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### **Matter on which we are required to report by exception**

#### **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.

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### **Responsibilities for the financial statements and the audit**

#### **Our responsibilities and those of the directors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

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#### **What an audit of financial statements involves**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Emma Scott

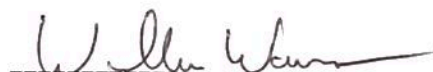
for and on behalf of PricewaterhouseCoopers  
Chartered Accountants and Statutory Audit Firm  
Dublin  
29 March 2017

## STATEMENT OF COMPREHENSIVE INCOME

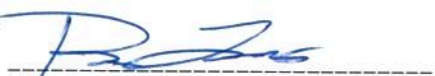
For the year ended 31 December 2016

<i>In thousands of Euro</i>		Year ended 31 December 2016	Year ended 31 December 2015
	Note		
Interest receivable and similar income	5	36,302	32,843
Interest payable and similar expense	5	(11,055)	(12,727)
<b>Net interest income</b>		<b>25,247</b>	<b>20,116</b>
Operating lease income	6	21,564	47,674
Fee and commission income	7	489	487
Fee and commission expense	7	(325)	(152)
Other Income from end of lease activities	8	8,122	8,501
<b>Other operating income</b>		<b>29,850</b>	<b>56,510</b>
<b>Net trading income/(expense)</b>	9	<b>19,822</b>	<b>(16,009)</b>
Personnel expenses	10	(16,299)	(16,165)
General and administrative expenses	12	(6,421)	(4,576)
Depreciation and amortisation expenses	13	(26,998)	(51,321)
Other operating (expenses)/income	14	(27,520)	6,309
<b>Total operating expenses</b>		<b>(77,238)</b>	<b>(65,753)</b>
<b>Total operating loss before impairment charges</b>		<b>(2,319)</b>	<b>(5,136)</b>
Impairment charges on loans and receivables	15	(2,660)	(5,478)
<b>Loss before taxation</b>	16	<b>(4,979)</b>	<b>(10,614)</b>
Income tax credit	17	240	1,266
<b>Loss for the year</b>		<b>(4,739)</b>	<b>(9,348)</b>
<b>Total comprehensive expense, net of tax</b>		<b>(4,739)</b>	<b>(9,348)</b>
<b>Total comprehensive expense, attributable to:</b>			
- Equity holders of the entity		<b>(4,739)</b>	<b>(9,348)</b>

Approved and authorised for issue by the Board:



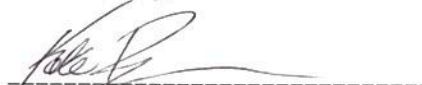
Chairman  
William Wavro  
29 March 2017



Director  
Thomas Luttrell  
29 March 2017



Director  
Cormac Costelloe  
29 March 2017



Secretary  
Kate Brennan  
29 March 2017



## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

<i>In thousands of Euro</i>		31 December 2016	31 December 2015
	Note		
<b>Assets</b>			
Cash and balances with central banks	18	40,151	40,355
Loans and advances to banks	19	64,584	55,492
Loans and advances to customers	20	836,762	682,218
Derivative financial instruments	21	11,732	2,021
Intangible assets and goodwill	22	28,013	32,642
Property, plant and equipment	23	3,651	28,005
Deferred income tax assets	25	10,444	9,453
Current tax assets	24	518	161
Other assets	26	65,388	50,219
<b>Total assets</b>		<b>1,061,243</b>	<b>900,566</b>
<b>Liabilities</b>			
Deposits from banks	28	482,489	445,248
Other liabilities	29	127,584	38,343
Derivative financial instruments	21	6,535	17,746
Amounts due to fellow subsidiaries	34	84,031	133,881
Subordinated liabilities	30	65,067	65,072
<b>Total liabilities</b>		<b>765,706</b>	<b>700,290</b>
<b>Equity</b>			
Share capital	31	50,000	50,000
Capital contribution	31	317,500	217,500
Share based payment reserve	31	-	-
Revenue reserves	31	(71,963)	(67,224)
<b>Total equity</b>		<b>295,537</b>	<b>200,276</b>
<b>Total liabilities and equity</b>		<b>1,061,243</b>	<b>900,566</b>

**Memorandum items**

Guarantees	32	1,603	858
Commitments	32	100,786	40,791

Approved and authorised for issue by the Board:



Chairman  
William Wavro  
29 March 2017



Director  
Thomas Luttrell  
29 March 2017



Director  
Cormac Costelloe  
29 March 2017



Secretary  
Kate Brennan  
29 March 2017

**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 December 2016**

<i>In thousands Of Euro</i>	Attributable to owners of the entity				
	Share Capital	Share Based Payment Reserve	Retained Earnings	Capital Contribution	Total Equity
Balance at 1 January 2015	50,000	9	(57,876)	177,500	169,633
Issue of share capital	-	-	-	-	-
Share based payment	-	(9)	-	-	(9)
Cancellation of shares	-	-	-	-	-
Capital contribution	-	-	-	40,000	40,000
Loss for the year	-	-	(9,348)	-	(9,348)
<b>Balance at 31 December 2015</b>	<b>50,000</b>	<b>-</b>	<b>(67,224)</b>	<b>217,500</b>	<b>200,276</b>

<i>In thousands Of Euro</i>	Attributable to owners of the entity				
	Share Capital	Share Based Payment Reserve	Retained Earnings	Capital Contribution	Total Equity
Balance at 1 January 2016	50,000	-	(67,224)	217,500	200,276
Issue of share capital	-	-	-	100,000	100,000
Share based payment	-	-	-	-	-
Cancellation of shares	-	-	-	-	-
Capital contribution	-	-	-	-	-
Loss for the year	-	-	(4,739)	-	(4,739)
<b>Balance at 31 December 2016</b>	<b>50,000</b>	<b>-</b>	<b>(71,963)</b>	<b>317,500</b>	<b>295,537</b>

**STATEMENT OF CASH FLOWS**  
**For the year ended 31 December 2016**

	31 December 2016	31 December 2015
<i>In thousands of Euro</i>		
<b>Cash flows from operating activities</b>		
Loss before tax	(4,979)	(10,614)
Adjustments for:		
Impairment charges on financial assets	2,660	5,478
Interest expense on subordinated liabilities and other capital instruments	2,442	4,654
Depreciation, amortisation and write-offs	26,996	51,321
Other non-cash items	-	(30)
Proceeds from disposal of operating lease	5,771	5,352
Cash generating from operating activities	32,890	56,161
Taxation (paid)	(1,105)	(889)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>	<b>31,785</b>	<b>55,272</b>
<b>Changes in operating assets and liabilities</b>		
Net decrease/(increase) in derivative financial instruments	(20,921)	4,257
Net decrease/(increase) in loans and advances to banks (lease)	(437)	945
Net (increase) in loans and advances to customers	(157,199)	(225,029)
Net (increase) in other assets	(15,169)	(6,512)
Net increase in other liabilities	89,228	21,535
Net increase in deposits from banks	37,242	194,902
Net increase/(decrease) in Intercompany balance	15,159	(18,678)
<b>Net cash provided by operating activities</b>	<b>(20,312)</b>	<b>26,692</b>
<b>Cash flows from investing activities</b>		
Additions to property, plant and equipment	(3,037)	(444)
Additions to intangible assets	(748)	(1,826)
<b>Net cash used in investing activities</b>	<b>(3,785)</b>	<b>(2,270)</b>
<b>Cash flows from financing activities</b>		
Issue of shares	-	-
Capital contribution	100,000	40,000
Proceeds from borrowed funds	40,000	60,000
Repayments of borrowed funds	(105,000)	(85,000)
Issue of subordinated debt	-	-
Interest on intercompany loan and subordinated debt	(2,457)	(2,197)
<b>Net cash provided in financing activities</b>	<b>32,543</b>	<b>12,803</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>86,781</b>	<b>49,556</b>
Net cash provided by operating activities	(20,312)	26,692
Net cash used in investing activities	(3,785)	(2,270)
Net cash provided by/(used in) financing activities	32,543	12,803
<b>Cash and cash equivalents at the end of the year</b>	<b>95,227</b>	<b>86,781</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 1. Accounting Policies

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

#### a) *Basis of preparation*

The Directors make an unreserved statement that the financial statements for the year ended 31 December 2016 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 income statement and statement of other comprehensive income shown as one statement (the statement of comprehensive income), the statement of financial position, the statement of changes in equity, the statement of cash flows, the notes to the financial statements and sections 3, 4, 5 and 8 of the risk management report.

#### b) *Basis of measurement*

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.

#### c) *Foreign currency translation*

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

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

Foreign exchange gains and losses are recognised in the income statement as "other operating expenses".



## NOTES TO THE FINANCIAL STATEMENTS – continued

### 1. Accounting Policies – continued

#### d) *Use of estimates and judgements*

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

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

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

#### e) *Interest income and expense*

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

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

#### f) *Fee and commission income and expense*

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

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

#### i) *Financial assets*

### **(1) Classification, Recognition and Measurement**

The Bank holds two categories of financial assets:

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

Management determines the classification of financial assets at initial recognition.

#### *(i) Loans and receivables*

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

## NOTES TO THE FINANCIAL STATEMENTS – continued

### 1. Accounting Policies – continued

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

#### *(ii) Financial assets at fair value through profit or loss*

In the ordinary course of business, the Bank enters into foreign exchange forwards and interest rate swaps for economic hedging purposes to manage foreign currency and interest rate risks. The Bank does not enter into derivative transactions for speculative purposes.

Derivative financial instruments are held at fair value and changes in the instrument's fair value are recognized in the income statement as 'Net trading income'. Derivatives are included as derivative financial instrument assets when the fair value is positive.

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

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

### **(2) De-recognition**

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

#### j) *Financial liabilities*

### **(1) Classification, Recognition and Measurement**

The Bank holds two categories of financial liabilities:

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

Management determines the classification of financial liabilities at initial recognition.

#### *(i) Financial liabilities at amortised cost*

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortised cost. Financial liabilities measured at amortised cost are intercompany loans, subordinated debt and deposits from banks.

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

In the ordinary course of business, the Bank enters into foreign exchange forwards and interest rate swaps for economic hedging purposes to manage foreign currency and interest rate risks. The Bank does not enter into derivative transactions for speculative purposes.

Derivative financial instruments are held at fair value and changes in the instruments' fair value are recognised in the income statement as 'Net trading expense'. Derivatives are included as derivative financial instrument liabilities when the fair value is negative.

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



## NOTES TO THE FINANCIAL STATEMENTS – continued

### 1. Accounting Policies – continued

#### (2) De-recognition

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

#### k) *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 Bank uses widely recognised valuation models for determining fair values of non-standardised financial instruments such as interest rate and currency swaps. For these financial instruments, inputs into models are market-observable.

#### l) *Loans and advances to customers*

##### (1) Finance lease

The Bank enters into finance lease arrangements as a lessor and assets held under finance lease of the Bank are presented as loans and advances to customers. As per IAS 17 Leases, under a finance lease, substantially all the risks and rewards to legal ownership are transferred by the lessor and thus the lease payment receivables are recorded as the Bank's net investment in the leases.

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

##### (2) Fees paid and costs incurred in connection with arranging leases

Initial direct and incremental costs incurred by the Bank in negotiating leases are also capitalised, offset against the lease receivable balance in the statement of financial position and recognised over the lease term as part of the effective interest rate.

#### m) *Impairment of financial assets*

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



## NOTES TO THE FINANCIAL STATEMENTS – continued

### 1. Accounting Policies – continued

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

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

The Bank performs an impairment assessment as follows:

#### **(1) Individual evaluation of impairment**

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

#### **(2) Incurred but not reported ("IBNR")**

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

#### n) *Operating lease*

Leases of which a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. The leased assets are included within property, plant and equipment on the statement of financial position and depreciation is provided on the depreciable amount of these assets on a systematic basis over their estimated useful lives. Lease income is recognised on a straight line basis over the period of the lease. Payments and future contractual payments from the lessee are recognised as receivable over the lease term only as the payments become due. Prepayments made under operating leases (net of any incentives received from the Bank) are charged to the income statement on a straight-line basis over the period of the lease.

#### o) *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 Bank uses the following useful lives when calculating depreciation:

<i>Class</i>	<i>Useful Life</i>
Computer equipment – Own use	30 months

##### *Operating lease equipment:*

Equipment on operating leases is depreciated over the term of the lease, typically 36 months. Lease term ranges from 12 – 60 months.

## NOTES TO THE FINANCIAL STATEMENTS – continued

### 1. Accounting Policies – continued

The Bank 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 Bank takes into account are the expected rate of technological developments, expected market requirements for and the expected pattern of usage of the assets. Gains and losses on operating leases equipment is included as part of "other operating income" in the income statement.

#### p) *Business combinations*

The Bank 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 Bank incurs in connection with a business combination are expensed as incurred.

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

#### q) *Intangible assets*

##### *Goodwill*

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

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

Goodwill is capitalised and reviewed annually for impairment, or more frequently when there are indications that impairment may have occurred. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The Bank 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 Bank 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.



## NOTES TO THE FINANCIAL STATEMENTS – continued

### 1. Accounting Policies – continued

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

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

#### *Other intangible assets*

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

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

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

#### r) *Financial guarantee contracts*

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

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

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

#### s) *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.

#### t) *Provisions and other contingent liabilities*

Provisions are made where the Bank 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 Bank 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.



## NOTES TO THE FINANCIAL STATEMENTS – continued

### 1. Accounting Policies – continued

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

#### u) *Employee benefits*

##### **(1) Short term employee benefits**

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

##### **(2) Long Term Incentive Program ("LTI")**

The LTI is a retention tool used by Dell to retain key staff. The employees' awards will vest in the same way as Restricted Stock Units ("RSUs") or Performance-Based Restricted Stock Units ("PBUs"), but at the time of vesting, the employees will receive a cash payment, rather than receive shares of stock. The LTI is based on combination of employees' eligibility, award target and individual performance.

##### **(3) 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.

#### v) *Income tax, including deferred tax*

##### **(1) 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 Bank 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 Bank operates and generates taxable income.

##### **(2) 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

## NOTES TO THE FINANCIAL STATEMENTS – continued

### 1. Accounting Policies – continued

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

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

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

#### w) *Cash and cash equivalents*

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

#### x) *Shareholders' equity*

##### **(1) 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.

##### **(2) Capital contribution**

Capital contributions represent the receipt of non-demandable considerations arising from transactions with the parent company, DFS BV (Note 31). 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.

##### **(3) Revenue reserves**

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

##### **(4) Share based payment reserves**

The share based payment expense charged to the income statement is credited to the share based payment reserve over the vesting period of the shares and options.

#### y) *Impact of new accounting standards*

The following standards, amendments and interpretations become effective in 2017 or later years and will be relevant to the Bank. These standards have not been applied in preparing the financial statements for the year ended 31 December 2016. The Bank's initial view of the impact of these accounting changes is noted below.



## NOTES TO THE FINANCIAL STATEMENTS – continued

## 1. Accounting Policies – continued

Standard / interpretation	Content	Applicable for financial years beginning on/after
IFRS 9	Financial instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019

IFRS 9, 'Financial instruments', (effective for financial periods beginning on or after 1 January 2018). This standard was endorsed by the EU in November 2016. IFRS 9 is the first step in the process to replace IAS 39, 'financial instruments: recognition and measurement'.

IFRS 9 introduces new requirements for classifying and measuring financial assets and will not significantly affect the Bank's current classification of its financial assets. IFRS 9 replaces the four measurement categories in IAS 39 with a new model containing three measurement categories: amortised cost, fair value through profit or loss and fair value through OCI (Other Comprehensive Income). Classification under IFRS 9 is driven by the entity's business model for managing financial assets and the contractual characteristics of the financial assets. The majority of the bank's "Loans and Advances to Customers" are lease receivables which are outside the scope of the classification and measurement requirements of IFRS 9. IFRS 9 will introduce a substantially-reformed model for hedge accounting, with improved disclosures about risk management activity. IFRS 9 requires entities to estimate and account for expected credit losses for all relevant financial assets, starting from when they first acquire a financial instrument. When measuring expected credit losses, entities will be required to use all relevant information that is available to them (without undue cost or effort).

The Bank established an IFRS 9 Implementation Programme which has transitioned from a detailed planning phase into a design & implementation phase. The programme activities are focused on accounting policy and design decisions, while also assessing the internal system, process and data requirements. A Programme steering committee oversees decisions and external advisors have been appointed to assist with implementation. The Bank will apply IFRS 9 with an implementation date of 1 January 2018.

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

IFRS 16 Leases is effective for financial periods beginning on or after 1 January 2019. This standard is still subject to EU endorsement. IFRS 16 will replace IAS 17 Leases. Management are reviewing the potential impact of this standard on the Bank's financial statements.



## NOTES TO THE FINANCIAL STATEMENTS – continued

### 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 2016 on a going concern basis.

In making this assessment, the Directors considered the Bank's business, profitability projections, liquidity, funding, solvency projections and capital plans as well as the continuing support of the ultimate parent.

The Directors note that the Bank recorded its first period of profitability in the fourth quarter of 2016. As at 31 December 2016, the Bank had total assets of €1,061.2m (2015: €900.6m), having incurred a post-tax loss of €4.7m (2015: loss of €9.3m). The Bank is expected to continue to maintain a positive cash position for the foreseeable future. The Bank signed an accordion to the collateralised loan facility for €260m on 30 July 2015 and entered into a Securitised loan structure in 2016 for a committed facility of €600m. The Bank has a diverse funding structure, comprised of the following funding sources:

- Subordinated debt with Dell Global BV
- Intercompany Loan with Dell Global BV
- Collateralised Loan Facility
- Interbank Deposits
- Parent Guarantees
- Multi-Currency Notional Pool

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

### 3. Critical Accounting Estimates and Judgements

The Bank'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 Bank's results and financial situation due to their materiality are set out below.

#### a) *Deferred tax asset*

The Bank has recognised a deferred tax asset of €10.4 million at 31 December 2016 (2015: €9.5m). The most significant judgement relates to the Bank's assessment of the recoverability of the portion of the deferred tax asset relating to trading losses. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences and unutilised tax losses can be utilised. In order for the Bank to recognise an asset for unutilised losses it must have convincing evidence of sufficient future taxable profits against which the losses can be utilised. The recognition of a deferred tax asset relies on management's judgements surrounding the probability and sufficiency of future taxable profits, and the future reversals of existing taxable temporary differences.

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

The deferred tax asset has been recognised on the basis that it is probable the trading losses will be recovered as Board is satisfied that it is probable that the Bank will have sufficient future taxable profits against which the deferred tax assets can be utilised.



## NOTES TO THE FINANCIAL STATEMENTS – continued

b) *Impairment charges on loans and advances to customers*

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

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

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

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

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

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

As a result of the acquisition and the external fair valuation of the Dell related assets, sales, servicing functions and platform from CIT Vendor Finance Europe, intangible assets were identified and accounted for in accordance with IAS 38 Intangible Assets.

The Bank is carrying acquired intangible assets in relation to brand name and customer relations. These assets are being amortised over a finite life of 10 years. Management have concluded that the estimated useful life over which the assets are being amortised is reasonable.

## 4. Financial Risk Management

### (1) Credit Risk

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

In respect of all finance and operating lease contracts, the Bank retains the title of underlying assets as collateral. In the event of a default the Bank reserves the right to recover the leased assets.

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

**NOTES TO THE FINANCIAL STATEMENTS – continued**Maximum exposure to credit risk before collateral held or other credit enhancements

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

	Note	31-Dec-16 €'000	31-Dec-15 €'000
Cash and Balances with Central Banks	18	40,151	40,355
Loans and Advances to Banks	19	64,584	55,492
Loans and Advances to Customers	20	836,762	682,218
Derivative Financial Instruments	21	11,732	2,021
		<b>953,229</b>	<b>780,086</b>

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

S&P Grade	31-Dec-16			31-Dec-15		
	€'000	€'000	€'000	€'000	€'000	€'000
	Cash	Loans and Advances to Banks	Derivatives	Cash	Loans and Advances to Banks	Derivatives
AA	-	26	-	-	64	-
A+	40,151	-	-	-	20,975	-
A	-	634	824	40,355	24,568	619
A-	-	749	7,822	-	850	1,150
BBB+	-	54,039	764	-	642	-
BBB	-	120	-	-	(222)	252
BBB-	-	6,613	2,322	-	85	-
BB+	-	1,237	-	-	7,022	-
BB	-	499	-	-	102	-
BB-	-	231	-	-	1,289	-
B+	-	184	-	-	89	-
B	-	71	-	-	27	-
B-	-	177	-	-	1	-
D	-	4	-	-	-	-
	<b>40,151</b>	<b>64,584</b>	<b>11,732</b>	<b>40,355</b>	<b>55,492</b>	<b>2,021</b>

The table below outlines the Bank's exposure to credit risk in respect of its loans and advances to customers (hire purchases, loans and finance leases assets) and operating lease contracts with customers. Operating lease assets are classified as Property, Plant and Equipment for accounting purposes. The credit risk associated with operating lease contracts is similar to finance leases and is monitored by the Bank in the same way. Accordingly operating lease assets are included in the disclosures below.



## NOTES TO THE FINANCIAL STATEMENTS – continued

		31-Dec-16 €'000 Loans & Advances to Customers	31-Dec-16 €'000 Operating Leased Assets	31-Dec-15 €'000 Loans & Advances to Customers	31-Dec-15 €'000 Operating Leased Assets
	<b>PD Grade</b>				
Pass	1-9	672,607	3,598	584,163	24,552
Special Mention	10-11	33,458	-	58,667	925
Substandard	12-15	9,033	32	6,388	317
Doubtful	16	311	-	5,522	-
Neither Past due nor impaired		<b>715,409</b>	<b>3,630</b>	<b>654,740</b>	<b>25,794</b>
Past due but not impaired		122,843	-	29,654	2,173
Impaired		6,938	-	4,500	-
		<b>845,190</b>	<b>3,630</b>	<b>688,894</b>	<b>27,967</b>
Specific Provision		(6,292)	-	(4,207)	-
IBNR		(2,136)	-	(2,469)	-
		<b>836,762</b>	<b>3,630</b>	<b>682,218</b>	<b>27,967</b>

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

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

Substandard - Inadequately protected by the current sound worth and paying capacity of the obligor or the collateral pledged, if any. Assets so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful - Has all the weaknesses inherent in one classified Substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

## NOTES TO THE FINANCIAL STATEMENTS – continued

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

Days Past Due	31-Dec-16 €'000	31-Dec-16 €'000	31-Dec-15 €'000	31-Dec-15 €'000
	Loans & Advances to Customers €'000	Operating Leased Assets €'000	Loans & Advances to Customers €'000	Operating Leased Assets €'000
1-30	96,104	-	16,181	1,748
31-60	16,764	-	8,245	269
61-90	6,248	-	3,312	59
91+	3,727	-	1,916	97
	<b>122,843</b>	<b>-</b>	<b>29,654</b>	<b>2,173</b>

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

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

Country by Exposure	31-Dec-16 €'000	31-Dec-16 €'000	31-Dec-15 €'000	31-Dec-15 €'000
	Loans and Advances to Customers €'000	Operating Leased Assets €'000	Loans and Advances to Customers €'000	Operating Leased Assets €'000
United Kingdom	178,102	1,043	199,096	3,881
France	125,985	4	96,276	595
Germany	146,644	10	92,834	3,441
Italy	78,460	2	54,802	122
Spain	75,836	78	48,768	810
Netherlands	49,706	1	40,217	112
Ireland	60,394	497	52,118	2,661
Sweden	62,097	1,616	55,650	14,453
Other Countries	67,966	379	49,132	1,892
<b>Total</b>	<b>845,190</b>	<b>3,630</b>	<b>688,893</b>	<b>27,967</b>
Provision for Impaired Loans	(8,428)	-	(6,675)	-
	<b>836,762</b>	<b>3,630</b>	<b>682,218</b>	<b>27,967</b>



## NOTES TO THE FINANCIAL STATEMENTS – continued

## (2) Market Risk – FX Risk

Details of the Banks' 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 Bank 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 Bank's FX Forward positions. The FX risk management model transforms the net un-hedged long or short position by currency into an implied maximum loss amount. The Risk Conversion Factors ("RCF") are utilized to calculate the exposure by currency and maturity profile. The total implied FX loss by currency is then converted to a Euro basis and aggregated. The resulting Euro implied FX loss aggregation is monitored against prescribed risk limits which are linked to the regulatory capital position on a daily basis.

The FX Risk position during the course of the reporting period was:

	2016 €'000	2015 €'000
FX Risk position as at 31 December	2,659	801
Average FX Risk position for the reporting period	1,504	1,059
Maximum FX Risk position during the reporting period	2,958	1,722

## (3) Market Risk – Interest Rate Risk

IRRBB exposure is primarily identified through the use of the standardised interest rate risk framework as set out by the Basel Committee on Banking Supervision. All assets, liabilities and derivatives which are sensitive to changes in interest rates are slotted into a maturity ladder. The calculation process involves netting the asset and liability positions in each time band, resulting in a single asset or liability exposure. The next step is to weight the resulting positions by a factor that is designed to reflect the time band sensitivity to an assumed change in interest rates. The set of weightings applied are based on an assumed parallel shift of 200 basis points throughout the time spectrum. The final step is to sum the resulting time band weighted positions to determine the overall risk on the banking book. The open risk position is then measured against prescribed risk limits which are linked to the banks regulatory capital on a daily basis.

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

	2016 €'000	2015 €'000
200bps upward shock stress scenario as at 31 December	3,096	1,530
Average 200bps upward shock stress scenario for the reporting period	1,201	1,036
Maximum 200bps upward shock stress scenario during the reporting period	3,096	2,140

## NOTES TO THE FINANCIAL STATEMENTS – continued

## (4) Market Risk – Interest Rate Risk (Interest re-pricing)

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

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

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

As at 31 December 2015	€'000's Less than 3 months	€'000's 3-6mths	€'000's 6-12 months	€'000's 1-5yrs	€'000's More than 5 years	€'000's Carrying Value
<b>Interest bearing Assets</b>						
Cash and balances with central banks	40,355	-	-	-	-	40,355
Cash in Bank	46,426	-	-	-	-	46,426
Loans and advances to banks	1,259	1,259	2,518	4,030	-	9,066
Loans and advances to customers	79,230	79,230	158,459	365,271	28	682,218
	167,270	80,489	160,977	369,301	28	778,065
<b>Interest bearing Liabilities</b>						
Amounts due to fellow subsidiaries	(133,882)	-	-	-	-	(133,882)
Deposits from Banks	(445,248)	-	-	-	-	(445,248)
Subordinated liabilities	(65,072)	-	-	-	-	(65,072)
	(644,202)	-	-	-	-	(644,202)
<b>Interest Rate Swap Nominals</b>						
Pay Fixed	(10,000)	(65,000)	(95,000)	(220,000)	-	(390,000)
Receive floating	390,000	-	-	-	-	390,000
	380,000	(65,000)	(95,000)	(220,000)	-	-
Interest Sensitivity gap	(96,932)	15,489	65,977	149,301	28	133,863



## NOTES TO THE FINANCIAL STATEMENTS – continued

## (5) Liquidity Risk – Financial Liabilities

The tables below summarise the maturity profile of the Bank's financial liabilities at 31 December 2015 and at 31 December 2016 on the basis of its contractual undiscounted repayment obligations. The Bank does not manage liquidity risk on the basis of contractual maturity. Instead the Bank 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 Banks policies and procedures in relation to management of liquidity risk are detailed in section 5 of the Risk Management Report.

<b>As at 31 December 2016</b>	Up to 1 Mth	1- 3 Mths	3 -12 Mths	1- 5 Yrs	Over 5 Yrs	Gross Cashflows
	€'000	€'000	€'000	€'000	€'000	€'000
<b>Financial Liabilities:</b>						
Deposits from Banks	42,009	442,329	-	-	-	484,338
Amounts due to fellow subsidiaries	4,026	107	80,215	-	-	84,348
Other Liabilities	29,199	79,798	-	-	-	108,997
Subordinated debt	-	401	1,204	8,030	65,678	75,313
Residual Value Guarantees	27	80	217	1,279	-	1,603
Commitments	100,786	-	-	-	-	100,786
<b>Total cash outflow</b>	<b>176,047</b>	<b>522,716</b>	<b>81,636</b>	<b>9,309</b>	<b>65,678</b>	<b>855,385</b>
<b>Derivative Financial Instruments:</b>						
FX Inflows	(1,912)	(687)	(5,644)	(3,448)	-	(11,691)
FX Outflows	66	371	3,495	1,663	-	5,595
Interest rate swaps	-	23	318	399	-	740
<b>Total cash outflow</b>	<b>(1,846)</b>	<b>(293)</b>	<b>(1,831)</b>	<b>(1,386)</b>	<b>-</b>	<b>(5,356)</b>

The collateralised loan facility was €600m as at 31 December 2016. The facility has over one year to maturity but rolls and reprices on a quarterly basis. There was €427m drawn on the facility as at 31 December 2016; with €505.6m of encumbered receivables. The collateralised loan facility reduces the concentration risk of intercompany funding. There is an undrawn credit facility with respect to the collateralised loan facility of €173m as at 31 December 2016.

€80m of the €350m Intercompany loan facility was utilised as at 31 December 2016. A parental guarantee is in place from Dell Inc. whereby Dell Inc. agrees and acknowledges that, it shall not request and, shall procure that no affiliate requests, the early repayments or prepayment of any existing committed or uncommitted intercompany loan funding to the Bank to the extent that the result of such repayment or prepayment would have the effect of placing the Bank in a position where it would reasonably be expected to cause the Bank to breach its liquidity requirements.

During the years ended 31 December 2016 the Bank changed its payments terms with local Dell entities in EMEA such that payments for assets is made after 90 days with the exception of France where payment is made after 60 days.

## NOTES TO THE FINANCIAL STATEMENTS – continued

As at 31 December 2015	Up to 1 Mth	1- 3 Mths	3 -12 Mths	1- 5 Yrs	Over 5 Yrs	Gross Cashflows
	€'000	€'000	€'000	€'000	€'000	€'000
<b>Financial Liabilities:</b>						
Deposits from Banks	42,006	403,452	-	-	-	445,458
Amounts due to fellow subsidiaries	(11,133)	330	-	145,663	-	134,860
Other Liabilities	38,182	-	-	-	-	38,182
Subordinated debt	-	463	1,390	9,269	67,637	78,759
Residual Value Guarantees	119	111	111	518	-	859
Commitments	40,791	-	-	-	-	40,791
<b>Total cash outflow</b>	<b>109,965</b>	<b>404,356</b>	<b>1,501</b>	<b>155,450</b>	<b>67,637</b>	<b>738,909</b>
<b>Derivative Financial Instruments:</b>						
FX Inflows	(17)	(217)	(764)	(1,008)	-	(2,007)
FX Outflows	118	3,610	5,967	23,017	-	32,712
Interest rate swaps	-	18	509	(527)	-	-
<b>Total cash outflow</b>	<b>101</b>	<b>3,411</b>	<b>5,712</b>	<b>21,482</b>	<b>-</b>	<b>30,705</b>

## 5. Net Interest Income

	Year ending 31 December 2016 €'000	Year ending 31 December 2015 €'000
<b>Interest income</b>		
Loans and advances to customers		
- Loans	5,487	2,455
- Lease receivables	30,209	29,876
	<b>35,696</b>	<b>32,331</b>
Loans and advances to banks		
- Loans	117	127
- Lease receivables	489	385
<b>Total Interest income</b>	<b>36,302</b>	<b>32,843</b>
<b>Interest expense</b>		
Intercompany loan interest	(760)	(1,500)
Subordinated debt	(1,682)	(3,154)
Collateralised loan	(8,331)	(8,016)
Other interest	(282)	(57)
<b>Total Interest expense</b>	<b>(11,055)</b>	<b>(12,727)</b>
<b>Total net interest income</b>	<b>25,247</b>	<b>20,116</b>



## NOTES TO THE FINANCIAL STATEMENTS – continued

## 6. Operating Lease Income

	Year ended 31 December 2016 €'000	Year ended 31 December 2015 €'000
Operating Lease Income		
- Lease to customers	21,384	47,372
- Lease to banks	180	302
<b>Total Operating Lease Income</b>	<b>21,564</b>	<b>47,674</b>

## 7. Net Fee and Commission Income

	Year ended 31 December 2016 €'000	Year ended 31 December 2015 €'000
Portfolio and other management fees	489	487
Other fees	(325)	(152)
<b>Total Net Fee and Commission Income</b>	<b>164</b>	<b>335</b>

## 8. Other Income from end of lease activities

	Year ended 31 December 2016 €'000	Year ended 31 December 2015 €'000
<b>Other Income from end of lease activities</b>	<b>8,122</b>	<b>8,501</b>

## 9. Net Trading Income/(Expense)

	Year ended 31 December 2016 €'000	Year ended 31 December 2015 €'000
Net realized and unrealized gains/(losses) on FX derivatives	20,451	(14,731)
Net unrealized gain/(loss) on Interest rate derivatives	756	(294)
Net interest accrual on Interest rate derivatives	(1,385)	(984)
<b>Net Trading Income/(Expense)</b>	<b>19,822</b>	<b>(16,009)</b>

**NOTES TO THE FINANCIAL STATEMENTS – continued**

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 Bank economically hedges foreign exchange risk related to financial assets and liabilities denominated in currencies other than the Euro. The Bank uses foreign exchange derivatives to manage its exposure to foreign currency risk and uses interest rate derivatives to manage exposure to interest rate risk. The derivatives have not been designated in a qualifying hedge relationship. The nominal amounts and associated fair values of these derivatives are outlined in Note 21. Profits on the revaluation of the monetary assets are included in other operating expenses (Note 14).

**10. Personnel Expenses**

The average number of persons employed during the year was 145 (2015: 160). The average number of persons employed within each category during the year was:

- IT: 8 (2015: 9)
- Credit: 9 (2015: 8)
- Finance & Treasury: 28 (2015: 32)
- Legal, Compliance and Risk: 15 (2015: 12)
- Sales & Operations: 85 (2015: 99)

Total personnel costs comprised of:

	Year ended 31 December 2016	Year ended 31 December 2015
	€'000	€'000
Wages and salaries	9,616	10,375
Other employee benefits	4,303	3,918
Share based payments	-	(486)
Social security costs	1,311	1,409
Pension costs	830	759
Directors' fees (note 11)	239	190
<b>Total</b>	<b>16,299</b>	<b>16,165</b>

There were no amounts of personnel expenses capitalised into assets in the current year (2015: Nil). Sales, Finance and Operations headcount has decreased from 2015 as the Bank has outsourced some operations activities to a third party.



## NOTES TO THE FINANCIAL STATEMENTS – continued

## 11. Directors' Remuneration

Directors' remuneration is comprised of:

	Year ended 31 December 2016	Year ended 31 December 2015
	€'000	€'000
Directors' remuneration for other services	1,036	1,219
Fees for services as director	239	190
Pensions	34	44
Share options exercised	-	-
Long-term incentives (cash, shares, other assets)	590	539
Retirement Contributions to:	-	-
- defined contributions schemes	-	-
- defined benefit schemes	-	-
Termination payments	-	-
Retirement benefits of past directors:	-	-
- in respect of services as director	-	-
- in respect of other services	-	-
<b>Total</b>	<b>1,899</b>	<b>1,992</b>

The number of Directors to who retirement contributions are accruing under defined contributions scheme is Nil (2015: Nil), and defined benefit schemes Nil (2015: Nil). There were no amounts paid to persons connected with a director in the current year.

## 12. General and Administrative Expenses

	Year ended 31 December 2016	Year ended 31 December 2015
	€'000	€'000
Administrative expenses	4,025	2,585
IT and software costs	1,637	1,386
Travel and entertainment	632	520
Recruitment and training	127	85
<b>Total</b>	<b>6,421</b>	<b>4,576</b>

## 13. Depreciation and Amortisation

	Year ended 31 December 2016	Year ended 31 December 2015
	€'000	€'000
Depreciation on own use property plant and equipment (Note 23)	26	68
Depreciation and impairment on operating leases (Note 23)	21,593	45,106
Amortisation of software and other intangible assets (Note 22)	5,377	6,147
Impairment of intangible assets	-	-
Write-downs	2	-
<b>Total</b>	<b>26,998</b>	<b>51,321</b>

## NOTES TO THE FINANCIAL STATEMENTS – continued

## 14. Other Operating Expenses

	Year ended 31 December 2016 €'000	Year ended 31 December 2015 €'000
Business support services	2,062	2,427
Consultancy fees	1,792	2,945
Auditors' remuneration (Note 16)	519	361
Foreign exchange (gains)/losses	23,147	(12,042)
<b>Total</b>	<b>27,520</b>	<b>(6,309)</b>

The foreign exchange loss for the year ended 31 December 2016 and the gain recorded in 2015 resulted from the revaluation of the Bank's monetary assets and liabilities. The Bank economically hedges foreign exchange risk related to financial assets and liabilities denominated in currencies other than the Euro.

The Bank uses foreign exchange derivatives to manage its exposure to foreign currency risk. Losses arising from these derivative contracts are included in net trading expenses (Note 9).

## 15. Impairment Charges on Loans and Receivables

	Specific €'000	IBNR €'000	Total €'000
<b>Provision at 1 January 2016</b>	<b>4,206</b>	<b>2,469</b>	<b>6,675</b>
Charge in statement of comprehensive income	4,022	(333)	3,689
Recoveries	(1,029)	-	(1,029)
Contracts terminated	(918)	-	(918)
Exchange adjustments	16	-	16
<b>Provision at 31 December 2016</b>	<b>6,297</b>	<b>2,136</b>	<b>8,433</b>
	Specific €'000	IBNR €'000	Total €'000
<b>Provision at 1 January 2015</b>	<b>874</b>	<b>2,023</b>	<b>2,897</b>
Charge in statement of comprehensive income	6,450	308	6,758
Recoveries	(1,280)	-	(1,280)
Contracts terminated	(1,765)	-	(1,765)
Exchange adjustments	(73)	138	65
<b>Provision at 31 December 2015</b>	<b>4,206</b>	<b>2,469</b>	<b>6,675</b>

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



## NOTES TO THE FINANCIAL STATEMENTS – continued

## 16. Loss before Taxation

The following items are included in the loss before taxation:

	Year ended 31 December 2016 €'000	Year ended 31 December 2015 €'000
Depreciation on property, plant, equipment and operating leases (Note 13)	21,593	45,174
Amortisation of intangible assets (Note 13)	5,377	6,147
Foreign exchange gains (Note 14)	23,147	(12,042)
Auditors' remuneration (exclusive of VAT)		
- Statutory audit	304	252
- Other assurance services	140	109
- Tax advisory services	-	-
Other non-audit services	75	-
<b>Total auditors' remuneration (Note 14)</b>	<b>519</b>	<b>361</b>

Other assurance services included audit of the Spanish Branch and procedures performed in relation to the Bank's collateralised loan facility and the Bank's securitisation programme.

## 17. Income Tax Credit

	Year ended 31 December 2016 €'000	Year ended 31 December 2015 €'000
Current taxes on income for the reporting period		
Irish Corporation tax	-	-
Foreign tax	12	25
Current taxes referring to previous periods		14
Reclassification between Current and Deferred Taxes relating to prior period	186	462
Withholding tax	553	297
<b>Total current tax</b>	<b>751</b>	<b>798</b>
Deferred tax	(631)	(1,240)
Adjustments for prior periods	(174)	(362)
Reclassification between Current and Deferred Taxes relating to prior period	(186)	(462)
<b>Total deferred tax (Note 25)</b>	<b>(991)</b>	<b>(2,064)</b>
<b>Income tax credit</b>	<b>(240)</b>	<b>(1,266)</b>

## NOTES TO THE FINANCIAL STATEMENTS – continued

## 17. Income Tax Credit – continued

The income tax credit comprises the following:

Further information about deferred income tax is presented in Note 25. The tax on the Bank's loss before income tax differs from the theoretical amount that would arise using the basic tax rate of the Bank as follows:

	Year ended 31 December 2016 €'000	Year ended 31 December 2015 €'000
<b>Loss before income tax</b>	<b>(4,979)</b>	<b>(10,614)</b>
Theoretical tax credit at statutory rate 12.5% (2015: 12.5%)	(622)	(1,327)
Effects of:		
– Adjustments for prior periods	(174)	(348)
– Tax Timing Adjustment	-	-
– Expenses not deductible for tax purposes	11	97
– Impact of difference in tax rate for Spanish Branch	(23)	15
– Withholding Tax	568	297
<b>Income tax credit</b>	<b>(240)</b>	<b>(1,266)</b>

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

	Year ended 31 December 2016 €'000	Year ended 31 December 2015 €'000
<b>Tax effect of taxable timing differences</b>		
Temporary differences	(1,807)	(1,448)
Tax losses carried forward	(8,637)	(8,005)
<b>Recognised deferred tax asset</b>	<b>(10,444)</b>	<b>(9,453)</b>

At the end of the reporting period, the Bank had tax losses of €69m (2015: €64m) available for utilisation against future operating profits of the business. The Directors are satisfied that the Bank 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.



## NOTES TO THE FINANCIAL STATEMENTS – continued

## 18. Cash and Cash Equivalents

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

	Year ended 31 December 2016	Year ended 31 December 2015
	€'000	€'000
Cash and balances with central banks	40,151	40,355
Cash and balances with banks	55,076	46,426
<b>Cash and Cash Equivalents</b>	<b>95,227</b>	<b>86,781</b>

The Bank is required to maintain balances with the Central Bank of Ireland which are disclosed under cash and balances with central banks in the statement of financial position.

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

Money market placements and operating cash are presented as loans and advances to banks in the statement of financial position (Note 19).

## 19. Loans and Advances to Banks

	Year ended 31 December 2016	Year ended 31 December 2015
	€'000	€'000
Cash and balances with banks	55,076	46,426
Included in cash and cash equivalents	<b>55,076</b>	<b>46,426</b>
Loans and advances to banks	9,513	9,066
Less: allowance for impairment	(5)	-
<b>Net Loans and Advances to Banks</b>	<b>64,584</b>	<b>55,492</b>

Cash and balances with banks of €55.1m (2015: €46.4m) includes short term money market placements, with an original maturity of less than three months.

Loans and advances to banks represent finance leases and loans with counterparties holding banking licences.

## Analysis of Loans and Advances to Banks

	Year ended 31 December 2016	Year ended 31 December 2015
	€'000	€'000
Finance lease receivables	8,490	7,700
Loans	1,023	1,366
Less: Allowance for Impairment	(5)	-
Included in cash and cash equivalents	<b>9,508</b>	<b>9,066</b>

## NOTES TO THE FINANCIAL STATEMENTS – continued

## 19. Loans and Advances to Banks - continued

Analysis of leases to banks	Year ended 31 December 2016 €'000	Year ended 31 December 2015 €'000
- Not later than 1 year	4,373	4,392
- Later than 1 year and not later than 5 years	4,556	3,962
- Later than 5 years	-	-
	<b>8,929</b>	<b>8,354</b>
Less: unearned finance income on finance lease	(434)	(654)
Less: allowance for impairment	(5)	-
<b>Present value of minimum lease payments, receivable</b>	<b>8,490</b>	<b>7,700</b>
- Not later than 1 year	4,204	3,769
- Later than 1 year and not later than 5 years	4,286	3,931
- Later than 5 years	-	-
	<b>8,490</b>	<b>7,700</b>

## 20. Loans and Advances to Customers

	Year ended 31 December 2016 €'000	Year ended 31 December 2015 €'000
Finance lease receivables	640,533	534,171
Hire purchase receivables	57,971	50,752
Loans	146,686	103,970
	<b>845,190</b>	<b>688,893</b>
Less: allowance for impairment	(8,428)	(6,675)
<b>Net Loans and Advances to Customers</b>	<b>836,762</b>	<b>682,218</b>

## Analysis of Loans and Advances to Customers

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

	Year ended 31 December 2016 €'000	Year ended 31 December 2015 €'000
- Not later than 1 year	375,521	285,381
- Later than 1 year and not later than 5 years	349,813	332,999
- Later than 5 years	48	26
	<b>725,382</b>	<b>618,406</b>
Less: unearned finance income on finance lease	(26,878)	(33,483)
<b>Present value of minimum lease payments, receivable</b>	<b>698,504</b>	<b>584,923</b>
- Not later than 1 year	364,515	259,081
- Later than 1 year and not later than 5 years	333,944	325,820
- Later than 5 years	45	22
	<b>698,504</b>	<b>584,923</b>

## NOTES TO THE FINANCIAL STATEMENTS – continued

	Year ended 31 December 2016 €'000	Year ended 31 December 2015 €'000
Loans receivable:		
- Not later than 1 year	69,600	49,911
- Later than 1 year and not later than 5 years	74,405	54,059
- Later than 5 years	2,681	-
	<b>146,686</b>	<b>103,970</b>

There were €505.6m of encumbered receivables as at 31 December 2016 (2015: €439.8m) relating to the Secured Loan Facility (Note 28).

## 21. Derivative Financial Instruments

	Year ended 31 December 2016 €'000	Year ended 31 December 2015 €'000
<b>Fair value of derivative financial instruments</b>		
FX derivatives	11,671	2,021
Interest rate swaps	61	-
<b>Total derivative financial instrument asset</b>	<b>11,732</b>	<b>2,021</b>
FX derivatives	(5,599)	(16,066)
Interest rate swaps	(936)	(1,680)
<b>Total derivative financial instrument liabilities</b>	<b>(6,535)</b>	<b>(17,746)</b>

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 Bank economically hedges foreign exchange risk related to financial assets and liabilities denominated in currencies other than the Euro. The Bank uses foreign exchange derivatives to manage its exposure to foreign currency risk and uses interest rate derivatives to manage exposure to interest rate risk. The derivatives have not been designated in a qualifying hedge relationship. However, they do form part of economic hedge relationships.



## NOTES TO THE FINANCIAL STATEMENTS – continued

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

	Notional Amount €'000	Less than 1 year €'000	Between 1 and 5 years €'000	More than 5 years €'000
<b>Interest Rate Derivatives</b>				
Interest rate swaps	400,000	180,000	220,000	-
<b>Total Notional of Interest Rate Swaps</b>	<b>400,000</b>	<b>180,000</b>	<b>220,000</b>	<b>-</b>

As at 31 December 2015, the notional principal amounts, by residual maturity, of Interest rate derivatives were as follows:

	Notional Amount €'000	Less than 1 year €'000	Between 1 and 5 years €'000	More than 5 years €'000
<b>Interest Rate Derivatives</b>				
Interest rate swaps	390,000	170,000	220,000	-
<b>Total Notional of Interest Rate Swaps</b>	<b>390,000</b>	<b>170,000</b>	<b>220,000</b>	<b>-</b>

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

	Notional Amount €'000	Less than 1 year €'000	Between 1 year and 5 years €'000	More than 5 years €'000
<b>Foreign Exchange Derivatives</b>				
FX forward derivatives	240,974	171,002	69,972	-
<b>Total Notional of Foreign Exchange Derivatives</b>	<b>240,974</b>	<b>171,002</b>	<b>69,972</b>	<b>-</b>

As at 31 December 2015, the notional principal amounts, by residual maturity, of Foreign exchange derivatives were as follows:

	Notional Amount €'000	Less than 1 year €'000	Between 1 year and 5 years €'000	More than 5 years €'000
<b>Foreign Exchange Derivatives</b>				
FX forward derivatives	281,341	152,483	128,858	-
<b>Total Notional of Foreign Exchange Derivatives</b>	<b>281,341</b>	<b>152,483</b>	<b>128,858</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS – 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 2015. The fair value of the below over the counter derivatives is calculated using discounted cash flow valuation techniques which use observable market data such as foreign exchange and interest rates and quoted ask market prices.

	Total Fair value	Level 1	Level 2	Level 3
	€'000	€'000	€'000	€'000
<b>Fair value of Derivative financial instruments</b>				
FX Derivatives	6,072	-	6,072	-
Interest Rate Swaps	(875)	-	(875)	-
<b>Fair value of Derivative financial instruments as at 31 December 2016</b>	<b>5,197</b>	<b>-</b>	<b>5,197</b>	<b>-</b>

	Total Fair value	Level 1	Level 2	Level 3
	€'000	€'000	€'000	€'000
<b>Fair value of Derivative financial instruments</b>				
FX Derivatives	(14,045)	-	(14,045)	-
Interest Rate Swaps	(1,680)	-	(1,680)	-
<b>Fair value of Derivative financial instruments as at 31 December 2015</b>	<b>(15,725)</b>	<b>-</b>	<b>(15,725)</b>	<b>-</b>

## 22. Intangible Assets

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

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

**NOTES TO THE FINANCIAL STATEMENTS – continued**

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 2016.

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

	Goodwill	Other Intangible Assets (Externally Purchased)	Software	Assets under construction	Total
	€'000	€'000	€'000	€'000	€'000
<b>Costs</b>					
Balance at 1 January 2015	13,226	7,121	24,158	315	44,820
Additions / Internally developed	-	-	-	1,826	1,826
Deletions / Disposals	-	-	-	-	-
Transfer	-	-	(70)	70	-
<b>Balance at 31 December 2015</b>	<b>13,226</b>	<b>7,121</b>	<b>24,088</b>	<b>2,211</b>	<b>46,646</b>
<b>Accumulated Amortisation</b>					
Balance at 1 January 2015	-	(1,023)	(6,834)	-	(7,857)
Charge for the year	-	(722)	(5,425)	-	(6,147)
Deletions / Disposals	-	-	-	-	-
<b>Balance at 31 December 2015</b>	<b>-</b>	<b>(1,745)</b>	<b>(12,259)</b>	<b>-</b>	<b>(14,004)</b>
<b>Net book value at 31 December 2015</b>	<b>13,226</b>	<b>5,376</b>	<b>11,829</b>	<b>2,211</b>	<b>32,642</b>

**23. Property, Plant and Equipment**

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



## NOTES TO THE FINANCIAL STATEMENTS – continued

	Leased Equipment €'000	Computer Equipment €'000	Total €'000
<b>Cost</b>			
Balance at 1 January 2015	130,680	255	130,935
Additions	410	-	410
Additions – own use	-	34	34
Disposal of operating lease equipment	(34,832)	-	(34,832)
Disposal of own use computer equipment	-	(17)	(17)
<b>Balance at 31 December 2015</b>	<b>96,258</b>	<b>272</b>	<b>96,530</b>
<b>Accumulated depreciation</b>			
Balance at 1 January 2015	(52,665)	(183)	(52,847)
Additions – provisions	-	-	-
Charge for the year	(45,106)	(68)	(45,174)
Disposal of operating lease equipment	29,480	-	29,480
Disposal of own use computer equipment	-	17	17
<b>Balance at 31 December 2015</b>	<b>(68,291)</b>	<b>(234)</b>	<b>(68,525)</b>
<b>Net book value at 31 December 2015</b>	<b>27,967</b>	<b>38</b>	<b>28,005</b>

Leased equipment cost analysed as follows:

	Year ended 31 December 2016 €'000	Year ended 31 December 2015 €'000
On operating lease for periods:		
- Not later than 1 year	31,001	84,247
- Later than 1 year and not later than 5 years	10,382	12,011
- Later than 5 years	-	-
<b>Total</b>	<b>41,383</b>	<b>96,258</b>

Future minimum lease payments analysed as follows:

	Year ended 31 December 2016 €'000	Year ended 31 December 2015 €'000
On operating lease for periods:		
- Not later than 1 year	4,760	20,171
- Later than 1 year and not later than 5 years	2,195	8,785
- Later than 5 years	210	-
<b>Total</b>	<b>7,165</b>	<b>28,956</b>

## NOTES TO THE FINANCIAL STATEMENTS – continued

## 24. Current Income Tax Assets

	31 December 2016 €'000	31 December 2015 €'000
Current income tax assets	518	161
<b>Total current income tax assets</b>	<b>518</b>	<b>161</b>
Current income tax assets:		
- Current tax asset to be recovered within 1 year	518	161
- Current tax asset to be recovered after more than 1 year	-	-

## 25. Deferred Income Tax Assets and Liabilities

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

	31 December 2016 €'000	31 December 2015 €'000
Opening Balance	9,453	7,389
Income statement credit (Note 17)	991	2,064
<b>At 31 December</b>	<b>10,444</b>	<b>9,453</b>

Deferred income tax assets are attributable to the following items:

	31 December 2016 €'000	31 December 2015 €'000
Tax losses carried forward	8,637	8,005
Temporary differences	1,807	1,448
Other provisions	-	-
<b>Total deferred income tax assets</b>	<b>10,444</b>	<b>9,453</b>
Deferred tax assets to be recovered within 12 months	-	-
Deferred tax assets to be recovered after 12 months	10,444	9,453

## NOTES TO THE FINANCIAL STATEMENTS – continued

## 26. Other Assets

	31 December 2016	31 December 2015
	€'000	€'000
VAT receivable	55,069	37,836
Prepayments	2,003	1,875
Other debtors	8,316	10,508
<b>Total other assets</b>	<b>65,388</b>	<b>50,219</b>
Other assets are analysed as follows:		
Within 1 year	65,388	47,814
After 1 year		2,405
	<b>65,388</b>	<b>50,219</b>

## 27. Pension Costs

The pension entitlements of certain employees arise under a defined contribution pension scheme and are secured by contributions by the Bank to a separately administered pension fund. Annual contributions are charged to the income statement on an accruals basis. The cost to the Bank for the year was €0.8m (2015: €0.8m).

The total amount owing to the pension scheme at 31 December 2016 was €nil (2015: €nil).

## 28. Deposits from Banks

	31 December 2016	31 December 2015
	€'000	€'000
Secured funding	427,465	390,226
Multi-Currency Notional Pool	42,008	42,006
Time deposits	13,016	13,016
<b>Deposits from Banks</b>	<b>482,489</b>	<b>445,248</b>

Secured funding represents the drawn amount of the collateralised loan facility with external parties. Dell Global B.V is acting as guarantor for this Loan which is secured by receivables. In April 2015 an amended facility agreement was signed extending the facility to 14<sup>th</sup> of February 2018. In July 2015 the facility increased from €340m to €600m. Please also refer to note 37 Events after the Reporting period.



## NOTES TO THE FINANCIAL STATEMENTS – continued

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

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

## 29. Other Liabilities

	31 December 2016 €'000	31 December 2015 €'000
Accounts payable	105,287	17,774
Creditors and accruals	2,726	4,386
Income tax deducted under PAYE/PRSI	994	259
Value added tax	(10)	91
Deferred income	18,587	15,833
<b>Total other liabilities</b>	<b>127,584</b>	<b>38,343</b>
Other liabilities (excluding deferred Income) are analysed as follows:		
Within 1 year	108,997	38,111
After 1 year	-	232
<b>Total other liabilities (excluding deferred Income)</b>	<b>108,997</b>	<b>38,343</b>

During the years ended 31 December 2016 the Bank changed its payments terms with local Dell entities in EMEA such that payments for assets is made after 90 days with the exception of France where payment is made after 60 days. This change in payment terms is the primary driver of the annual growth in Accounts payable.

## 30. Subordinated Debt

	Reference rate	Maturity	31-Dec-16 €'000
Subordinated Loan	3mth Euro Libor	June 2023	65,000
Accrued interest payable			67
<b>Total Subordinated Liabilities</b>			<b>65,067</b>
	Reference rate	Maturity	31-Dec-15 €'000
Subordinated Loan	3mth Euro Libor	June 2023	65,000
Accrued interest payable			72
<b>Total Subordinated Liabilities</b>			<b>65,072</b>

The subordinated loan agreement was amended on 15 September 2015 whereby the interest rate has changed from Euro LIBOR plus 560Bps to Euro LIBOR plus 280 Bps. The Bank's dated subordinated notes are repayable in 2023 in full. The Bank has not had any defaults of principal, interest or other breaches with respect to their liabilities during the year. The loan is subordinated to other debt held. The Bank's subordinated debt is issued to DGBV, the parent company of DFS BV.

## NOTES TO THE FINANCIAL STATEMENTS – continued

## 31. Equity and Reserves

	31 December 2016 €'000	31 December 2015 €'000
Share capital	50,000	50,000
Capital contribution	317,500	217,500
Other reserves	-	-
Retained earnings	(71,963)	(67,224)
<b>Total equity reserve</b>	<b>295,537</b>	<b>200,276</b>

**Share capital**

The Bank has authorised ordinary share capital of 50,000,001 (2015: 50,000,001) 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.

The parent entity of Bank has made an additional capital contribution of €100,000,000 in September 2016 (2015: €40,000,000).

The Bank did not declare a dividend on its share capital during the year (2015: nil).

## 32. Contingent Liabilities and Commitments

**Contingent liabilities**

The Bank has appealed an assessment from a revenue authority in one jurisdiction within which the Bank operates. The Bank considers that it has a robust position in relation to the matter, the outcome of which is currently uncertain. The Bank's maximum exposure is €988k.

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

	31 December 2016 €'000	31 December 2015 €'000
Residual value guarantees	1,603	858
	<b>1,603</b>	<b>858</b>
Not later than 1 year	535	340
Later than 1 year and not later than 5 years	1,068	518
Later than 5 years	-	-

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

**NOTES TO THE FINANCIAL STATEMENTS – continued****Commitments**

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

	<b>31 December 2016</b>	<b>31 December 2015</b>
	<b>€'000</b>	<b>€'000</b>
Lease funding commitments	100,786	40,791
Other commitments	-	-
	<b>100,786</b>	<b>40,791</b>
Not later than 1 year	100,786	40,791
Later than 1 year and not later than 5 years	-	-
Later than 5 years	-	-

**33. Immediate and Ultimate Parent Undertaking**

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

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

**34. Related party transactions**

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

**a) Loans and advances to related parties**

	<b>31 December 2016</b>	<b>31 December 2015</b>
	<b>€'000</b>	<b>€'000</b>
Loans outstanding at 1 January	-	-
Loans issued during the year	-	-
Loan repayments during the year	-	-
<b>Loans outstanding at 31 December</b>	<b>-</b>	<b>-</b>



## NOTES TO THE FINANCIAL STATEMENTS – continued

## Interest income earned

b) *Loans from related parties*Loan Facility

	31 December 2016 €'000	31 December 2015 €'000
Loans outstanding at 1 January	145,014	170,021
Loans issued during the year	40,000	60,000
Loan repayments during the year	(105,009)	(85,007)
	<b>80,005</b>	<b>145,014</b>
Interest expense paid	<b>988</b>	<b>1,499</b>

The Bank initially received long term borrowings from an affiliate, Dell Global BV of €250m during the year 2013 and repaid €32.5m in that year. The Bank has borrowed an additional of €40m during the current year. The Bank has also repaid €105m during the year (2015:€85m). All interest expense paid is in respect of long term borrowings. An amendment to the revolving term loan agreement agreed on 10<sup>th</sup> June 2015 provided for an increase in available credit from €300m to €350m.

Subordinated Debt

The subordinated loan entered into June 2013 bears interest at rates fixed in advance for periods of three months. The Bank's dated subordinated notes are repayable in 2023 in full. The Bank has not had any defaults of principal, interest or other breaches with respect to their liabilities during the year. The loan is subordinated to other debt held. The Bank's subordinated debt is issued by DGBV, the parent company of DFS BV. An amendment to the subordinated loan agreement issued on 7 September 2015 and effective from 15 September 2015 reduced the fixed element of interest charged on the loan from 5.60% to 2.80% (Note 30).

Other

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

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

	31 December 2016 €'000	31 December 2015 €'000
Recharges outstanding at 1 January	(11,133)	7,545
Purchases of equipment	201,589	269,007
Recharges during the year (Other)	4,026	(11,133)
Payments during the year	(190,456)	(276,552)
<b>Balances outstanding at 31 December</b>	<b>4,026</b>	<b>(11,133)</b>
<b>Loans outstanding at 31 December</b>	<b>84,031</b>	<b>133,881</b>

**NOTES TO THE FINANCIAL STATEMENTS – continued****c) *Transaction with Directors and Key Management Personnel***

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

	<b>31 December 2016</b>	<b>31 December 2015</b>
	<b>€'000</b>	<b>€'000</b>
Salaries and other short term employee benefits	4,511	4,142
Directors fees	239	190
Post-employment benefits	107	118
Termination benefits	90	-
Other long term benefits	-	-
Share-based payments	-	-
<b>Total key management compensation</b>	<b>4,947</b>	<b>4,450</b>

For the purposes of IAS 24: Related Party Disclosures, key management personnel of 18 (2015:16) comprise the Directors and other key management of the Bank.

**d) *Loans and deposits transactions with directors, key management and connected persons.***

There were no loans, deposits, quasi-loans, credit transactions, guarantees or security entered into or agreed to enter into by the Bank with or for its directors, key management and connected persons in the current year. 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.

**35. 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 Bank 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 Bank or of recent arm's length market transactions. These fair values are classified within a three level fair value hierarchy, based on the inputs used to value the instrument. Where the inputs might be categorised within different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The levels are defined as:

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

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

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



## NOTES TO THE FINANCIAL STATEMENTS – continued

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

### **(a) Financial assets and financial liabilities recognised and subsequently measured at fair value**

#### **Derivative financial instruments**

Note 21 details the fair value assessment of derivative financial instruments.

### **(b) Financial assets and liabilities held at amortised cost**

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

#### **Cash and Balances at Central Banks**

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

#### **Loans and Advances**

Loans and advances to banks and loans and advances to customers are carried net of provisions for impairment. Loans and advances are initially recognised at fair value, which is the cash consideration to originate or purchase the loan including any transaction costs and subsequently measured at amortised cost using the effective interest rate method.

The estimated fair value of money market placements and operating cash is the amount repayable on demand.

The fair value assessment excludes leasing transactions as per IAS 17.

#### **Subordinated Liabilities**

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

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

#### **Amounts due to Fellow Subsidiaries**

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

The following table presents the Bank's financial assets and liabilities that are measured at fair value at 31 December 2016 and 2015.

See Note 21 for further information on the disclosures of derivatives that are measured at fair value.

#### **Deposits by Banks**

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



## NOTES TO THE FINANCIAL STATEMENTS – continued

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

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

\* Excludes leasing transactions within the scope of IAS 17 leases

## NOTES TO THE FINANCIAL STATEMENTS – continued

The following table sets out the carrying amount and fair value assessment of the financial assets and liabilities at 31 December 2015:

Carrying amount in statement of financial position					Fair value hierarchy		
	At fair value €'000	At amortised cost €'000	Total €'000	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
<b>Financial assets measured at fair value</b>							
Derivative financial instruments							
Exchange rate derivatives	2,021	-	2,021	-	2,021	-	2,021
Interest rate derivatives	-	-	-	-	-	-	-
<b>Financial assets not measured at fair value</b>							
Cash and balances at central banks	-	40,355	40,355	40,355	-	-	40,355
Loans and advances to banks *	-	1,366	1,366	-	1,366	-	1,366
Loans and advances to customers *	-	103,970	103,970	-	103,970	-	103,970
	<b>2,021</b>	<b>145,691</b>	<b>147,712</b>	<b>40,355</b>	<b>107,357</b>	<b>-</b>	<b>147,712</b>
<b>Financial liabilities measured at fair value</b>							
Derivative financial instruments							
Exchange rate derivatives	16,066	-	16,066	-	16,066	-	16,066
Interest rate derivatives	1,680	-	1,680	-	1,680	-	1,680
<b>Financial liabilities not measured at fair value</b>							
Deposits by banks	-	445,248	445,248	-	445,248	-	445,248
Subordinated liabilities	-	65,072	65,072	-	65,072	-	65,072
Amounts due to fellow subsidiaries	-	133,381	133,381	-	133,381	-	133,381
	<b>17,746</b>	<b>643,701</b>	<b>661,447</b>	<b>-</b>	<b>661,447</b>	<b>-</b>	<b>661,447</b>

\* Excludes leasing transactions within the scope of IAS 17 leases

## NOTES TO THE FINANCIAL STATEMENTS – continued

## 36. 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 Bank 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 2016:

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

	<b>31-Dec-15</b> Gross Amount Presented in Statement of Financial Position <b>Bank</b> <b>€'000</b>	<b>31-Dec-15</b> Net Amount with Offsetting applied <b>Bank</b> <b>€'000</b>
<b>Financial Assets</b>		
Derivatives with Positive Fair Value	2,021	-
<b>Total</b>	<b>2,021</b>	<b>-</b>
<b>Financial Liabilities</b>		
Derivatives with Negative Fair Value	(17,746)	(15,725)
<b>Total</b>	<b>(17,746)</b>	<b>(15,725)</b>
<b>Total</b>	<b>(15,725)</b>	<b>(15,725)</b>



**NOTES TO THE FINANCIAL STATEMENTS – continued**

**37. Events after the Reporting period**

The Bank drew €216.6m, of a €600m committed loan facility under the securitisation transaction on 20 January 2017. Concurrently on 20 January 2017, the bank repaid €204m of its collateralised loan facility (refer to note 28) and resized this facility to €300m from €600m.

**38. Approval of the Financial Statements**

The financial statements were approved by the Board of Directors on 29 March 2017.