



FC027535

Elavon Financial Services DAC

Directors' Report and Consolidated Financial Statements

31 December 2016



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELAVON FINANCIAL SERVICES DAC**

We have audited the financial statements of Elavon Financial Services DAC for the year ended 31 December 2016 which comprise the Group and Parent Company Statements of Income, the Group and Parent Company Statements of Other Comprehensive Income, the Group and Parent Company Statements of Financial Position, the Group and Parent Company Statements of Changes in Equity, the Group and Parent Company Statements of Cash Flows and the related notes 1 to 34 to the Group Company financial statements and notes A to I to the Parent Company financial statements. The financial reporting framework that has been applied in their preparation is Irish law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### ***Respective responsibilities of directors and auditors***

As explained more fully in the Directors' Responsibilities Statement on pages 4 and 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014. 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.

### ***Scope of the audit of the financial statements***

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 group's and the parent 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. In addition, we read all the financial and non-financial information in the Directors' Report 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.

*Continued /..*



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELAVON FINANCIAL SERVICES DAC (Continued)**

***Opinion on financial statements***

In our opinion the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the group and parent company as at 31 December 2016 and the group's and parent company's profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union;
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

***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 parent company financial statements to be readily and properly audited and information and returns adequate for our audit have been received from branches of the company not visited by us
- The parent company statement of financial position is in agreement with the accounting records.
- In our opinion the information given in the Directors' report is consistent with the financial statements.

***Matters on which we are required to report by exception***

We have nothing to report in respect of sections 305 to 312 of the Companies Act 2014 which require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made

Dargan FitzGerald  
for and on behalf of Ernst & Young  
Chartered Accountants and Statutory Audit Firm  
Dublin

Date 21/5/17

Table of Contents:

Directors and Other Information	1
Directors' Report	2
Consolidated Statement of Income	7
Consolidated Statement of Other Comprehensive Income	8
Consolidated Statement of Financial Position	9
Consolidated Statement of Changes in Equity	10
Consolidated Statement of Cash Flows	11
Notes to the Consolidated Financial Statements	12
Company Financial Statements	52
Notes to the Company Financial Statements	57

## Directors and Other Information

### Board of Directors

Name	Country of Residence	Other
Chris Higgins	USA	
John Dunning	USA	
Jeff Jones	USA	
Andrew Hastings	UK	Independent Non-Executive
Shailesh Kotwal	USA	
Troy Remington	USA	
Declan Lynch	Ireland	
Malcolm Towilson	Ireland	
Craig Gifford	USA	
Bryan Calder	USA	
Simon Haslam	USA	Resigned December 2016
John McNally	UK	Independent Non-Executive Resigned March 2016
John Collins	Ireland	Independent Non-Executive Resigned March 2016
Adrian Wrafter	Ireland	Independent Non-Executive Appointed January 2016

### Company Secretary

Michael Shea

### Registered Office

Building 8  
Cherrywood Business Park  
Loughlinstown  
D18 W319

### Solicitors

William Fry  
2 Grand Canal Square  
Grand Canal Dock  
Dublin 2

### Bankers

Deutsche Bank AG London  
6 Bishopsgate  
London EC2N 4DA  
United Kingdom

### Auditors

Ernst & Young  
Chartered Accountants  
Ernst & Young Building  
Harcourt Centre  
Harcourt Street  
Dublin 2

Registered Number: 418442

Elavon Financial Services DAC

## Directors' Report

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

### Principal activities and business objectives

Elavon Financial Services DAC ('the Bank'), formerly Elavon Financial Services Limited, is licensed by the Central Bank of Ireland. The Bank's ultimate parent undertaking is U.S. Bancorp, a company incorporated in Delaware, U.S.A. which is also the parent of U.S. Bank National Association ('U.S. Bank'), and the fifth largest U.S. commercial bank. As at 31 December 2016, U.S. Bancorp has assets of \$446 billion, deposits of \$335 billion and loans of \$273 billion. Further details of the Bank's parent undertakings are disclosed in note 28 to the Consolidated Financial Statements. The Bank, its branches and its subsidiaries are hereinafter referred to as 'the Group'.

The Group's primary business objective was to support the growth of U.S. Bancorp's Payments and Security Services businesses in Europe. Over the last number of years, this has been achieved through the development of relevant product sets and business models, plus through investment in both technology and people to deliver growth, improve customer experience, drive efficiencies, maintain appropriate controls and maintain a highly engaged employee base.

The Group's activities in Europe during 2016 were principally focused on the provision of:

- Elavon Merchant Services in respect of card transactions to merchants;
- Global Corporate Trust Services for structured and securitised transactions; and
- Corporate Payment Systems to merchants, multinational corporations and governments with complex payment processing needs.

Elavon Merchant Services ('EMS') is one of Europe's largest merchant acquirers and is well positioned in all of the key European acquiring markets. Merchant customers are from most areas of economic activity, including retail, hotel, restaurant, entertainment, fuel, travel and government.

Global Corporate Trust Services ('GCTS') is one of the premier providers of corporate trust services in the United States and Europe, serving private and public companies, government and tax-exempt entities, and financial services companies. It has been a provider of comprehensive corporate trust services for nearly 100 years and our European team has been active in the European corporate trust market for more than a decade. GCTS provides a wide range of trust and agency services such as corporate bond trustee, calculation/paying agent, and collateral administration.

Corporate Payment Systems ('CPS') existing business lines are focused on meeting the needs of our U.S. based multinational customers with subsidiaries located in Europe, delivering best in class travel and freight payment products and services.

### Review of development and performance of the business and position during the financial year

The Group's operation in Europe represents a significant investment on the part of the Group's ultimate parent, U.S. Bancorp, and is a key enabler of U.S. Bancorp's international growth strategy.

The Group has considered the industry uncertainties, along with competitor and internal performance analysis, to develop business strategic objectives to be delivered over 3 years, focused on new products, customer service and organic growth.

Organic growth initiatives will target distribution channels by increasing business development headcount and adding additional partnerships such as independent sales organisations. The Group will also invest in new technologies and products to increase customer experience, reduce attrition and attract new business. To ensure that these initiatives are delivered, the Group will invest in talent, recruiting experienced customer relationship and sales staff.

## Directors' Report (continued)

### Key performance indicators

The Directors are satisfied with the Group's performance and financial position for the year which are set out in the Consolidated Statement of Income and the Consolidated Statement of Financial Position on pages respectively. The Group maintained strong capital and liquidity during 2016 and the Group's financial strength, business model, prudent credit culture and focus on efficiency, has enabled profitable performance during 2016.

On a monthly basis, multiple key performance indicators ('KPI') are calculated based on internal measures and are provided to the Group's Management Committee (see note 25). The accounting basis for the internal measures differs from International Financial Reporting Standards ('IFRS').

The internal KPIs reviewed (together with their 2016 full year measures) are as follows:

- Net income for 2016 of EUR 226.6 million (2015: EUR 99.3 million)
- Total core revenue for 2016 of EUR 364.8 million (2015: EUR 337.4 million)
- Credit and debit volume for 2016 of EUR 82.7 billion (2015: EUR 87.3 billion)
- Number of employees as at 31 December 2016 of 1,714 (2015: 1,437)
- Total assets as at 31 December 2016 of EUR 8.7 billion (2015: EUR 7.4 billion)
- Return on assets as at 31 December 2016 of 2.6% (2015: 1.3%)
- Capital ratio as at 31 December 2016 of 46% (2015: 25%)

### Group outlook

It is considered that the Group's business mix, sound strategies and prudent business model puts the Group in a strong position for the years ahead. In particular, this should allow the Group to respond appropriately and effectively to the anticipated impacts of increased banking regulation, European legislation changes, political uncertainty and technological advances.

The Group, as part of its strategic planning processes, has developed business strategic objectives to be delivered over the planning horizon, focused on new products, customer service and organic growth.

### Going concern

The Directors have a reasonable expectation, having made appropriate enquiries, that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Financial Statements are prepared on a going concern basis.

### Financial risk management

Details of the Group's financial risk management objectives and policies are set out in note 25 to the Consolidated Financial Statements.

### Principal risks and uncertainties

Risk management is an integral part of the Group's business process. Risk management and governance arrangements have been described in note 25. The risks and uncertainties which are currently judged to have the largest impact on the Group's performance are noted below:

- General economic conditions may negatively affect consumer spending, resulting in declines in retail sales. A worsening of the current financial market conditions could materially and adversely affect the Group's business, financial conditions and results of operations;
- The Group faces strong competition in its various markets and if it fails to compete successfully, market share and profitability may decline;
- The Group is subject to changes in government and regulatory compliance regulations, as well as card scheme membership requirements. Ensuring adherence to these regulations and requirements could result in increased compliance costs for the Group and adversely affect operations and profitability;
- Movements in foreign currency exchange rates may adversely affect the Group. The management of this risk is detailed in note 25 to the Consolidated Financial Statements;

## Directors' Report (continued)

### Principal risks and uncertainties (continued)

- The success of the Group is built upon a strong effective management team committed to achieving a superior performance in each of our divisions. The loss of key personnel could for a time have a significant impact on business performance;
- In addition to the above, the Group is subject to numerous operational risks. These include technology and systems execution risk, protection of cardholder data, information security breaches and data protection compliance, compliance with card schemes, payment card Industry standards, business continuity planning and disaster recovery.

### Directors' and Secretary's shareholdings

The names of the persons who were Directors at any time during the year ended 31 December 2016 are listed on page 1. Unless otherwise indicated, they served as Directors for the entire year.

The Directors and their families had no interests in the shares of the Bank as at 31 December 2016. As at 31 December 2016 the following Directors held stock, restricted stock and options to purchase ordinary shares in U.S. Bancorp.

Total outstanding as at 31 December	2016			2015		
	Stock	Stock Options	Restricted Stock	Stock	Stock Options	Restricted Stock
Bryan Calder	-	18,357	3,678	-	18,357	31,213
John Dunning	-	-	1,783	-	-	-
Craig Gifford	1,140	45,890	35,280	14,039	45,890	31,909
Simon Haslam	-	-	28,820	-	-	26,750
Chris Higgins	7,253	8,277	24,900	2,942	8,277	21,958
Jeff Jones	-	14,468	15,913	-	26,622	15,492
Shailesh Kotwal	-	67,682	48,372	-	30,227	25,500
Declan Lynch	-	-	11,259	-	-	8,363
Troy Remington	-	6,063	4,190	-	4,119	2,476
Malcolm Towison	1,261	-	1,403	764	-	2,391
Michael Shea (Secretary)	489	-	571	292	-	961

No other Directors (nor the Secretary) had shareholdings in U.S. Bancorp group companies. The stock options and restricted stock are subject to minimum vesting periods for which they must be held before exercise or sale is permitted.

### Directors' responsibilities statement

The Directors are responsible for preparing the Directors' Report and the Financial Statements in accordance with Irish law and regulations.

Irish company law requires the Directors to prepare the Financial Statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with IFRS as adopted by the EU. Under company law, the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Group at the financial year end date and of the profit or loss of the Group for the financial year and otherwise comply with the Companies Act 2014.

In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business;
- state whether the Financial Statements have been prepared in accordance with applicable accounting standards, identify those standards and note the effect and the reasons for any material departure from those standards.



## **Directors' Report (continued)**

### **Directors' responsibilities statement (continued)**

The Directors are responsible for ensuring that the Group keeps, or causes to be kept, adequate accounting records which correctly explain and record the transactions of the Group, enable at any time the assets, liabilities, financial position and profit or loss of the Group to be determined with reasonable accuracy, enable them to ensure that the Financial Statements and Directors' Report comply with the Companies Act 2014 and enable the Financial Statements to be audited. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In the case of each of the Directors at the time the report is approved:

- so far as the Directors are aware, there is no relevant audit information of which the Group's statutory auditors are unaware, and
- the Directors have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group's statutory auditors are aware of that information.

### **Directors' Compliance Statement Pursuant to Section 225 of the Companies Act 2014**

The Directors' acknowledge that they are responsible with securing the Group's compliance with its relevant obligations; and, state as follows:

For the year covered by this report it is confirmed that the Group's arrangements or structures which support the achievement of the objectives of the Group's Compliance Policy Statement have been reviewed and it has been affirmed that the Group maintains a register of all relevant policies, framework documents, terms of reference, guidelines and processes which are designed to secure material compliance with, and support the conclusion that, the Group is in compliance with all its relevant obligations (collectively the "Applicable Compliance Policies"). The Directors have been issued with a report compiled in conjunction with its professional advisors setting out these Applicable Compliance Policies and the relevant obligations to which they apply. The Group has utilised this review and report as the means of ascertaining that the appropriate arrangements and structures are present to insure compliance with the Group's relevant obligations.

### **Modern Slavery Statement**

The Modern Slavery Statement by the Group is made pursuant to Section 54, Part 6 of the Modern Slavery Act 2015 and sets out the steps that the Group is taking to ensure that slavery and human trafficking is not taking place in the Group's supply chains or in any part of the business. The Group complies with all relevant Employment laws including laws relating to working conditions of staff and has relevant policies and procedures in place to ensure the requirements are followed.

This statement was approved by the Board of Directors on 8 December 2016 and can be found at [www.elavon.co.uk](http://www.elavon.co.uk).

### **Dividend**

No dividend is proposed for the year (2015: nil). The Directors do not recommend any transfer to reserves.

### **Research and development**

No research and development activities have been carried out by the Group during 2016.

### **Branches outside the State**

The Bank has branches, within the meaning of EU Council Directive 89/666/EEC, in the United Kingdom, Germany, Poland, Norway, Spain and Belgium.

### **Events after the reporting period**

There were no significant events after 31 December 2016.

### **Political donations**

No political donations, which require disclosure in accordance with the Electoral Acts, 1997 to 2002 were made by the Group during the year.

## Directors' Report (continued)

### Corporate governance

The Group is subject to the provisions of the Central Bank of Ireland's Corporate Governance Code for Credit Institutions and Insurance Undertakings ('the Code'). The Group is not classified as a "high impact designated credit institution" for the purposes of the Code and is therefore not subject to the additional requirements of Appendix 1 of the Code.

### Subsidiary companies

Details of the subsidiaries are set out in note 29 to the Consolidated Financial Statements in accordance with the Companies Act 2014.

### Board Audit Committee

The Board Audit Committee has been delegated authority to provide assistance to the Board in fulfilling its responsibility to the shareholders with respect to its oversight of the financial reporting process and the quality and integrity of the Group's financial statements; the Group's internal controls and compliance with legal and regulatory requirements; the statutory audit of the annual and consolidated accounts; the independence of the Group's auditor, and the provision of additional services to the Group; and the effectiveness of the Group's Internal Audit function.

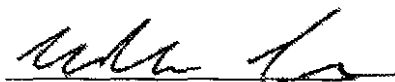
### Accounting records

The measures taken by the Directors to ensure compliance with the Group's obligation to keep proper accounting records, as outlined in Section 281-285 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 1<sup>st</sup> Floor, Building 8, Cherrywood Business Park, Loughlinstown, D18 W319.

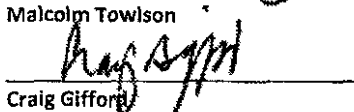
### Auditors

Ernst & Young, Statutory Auditor for the year ended 31<sup>st</sup> December 2016, will be replaced by Mazars for the year ended 31<sup>st</sup> December 2017 in order to comply with legislation S.I. No. 312 of 2016.


Approved and authorised for issue on 23 March 2017.



Malcolm Towlson



Craig Gifford



Declán Lynch



Michael Shea (Secretary)

<b>Elavon Financial Services DAC</b>			
<b>Consolidated Statement of Income for the year ended 31 December</b>			
<i>In thousands of Euro</i>	<b>Note</b>	<b>2016</b>	<b>2015</b>
Fee and commission income	<b>3</b>	830,371	860,114
Fee and commission expense	<b>3</b>	(539,865)	(595,300)
<b>Net fee and commission income</b>		<b>290,506</b>	<b>264,814</b>
Interest income	<b>4</b>	5,669	4,793
Interest expense	<b>4</b>	(892)	(671)
<b>Net interest income</b>		<b>4,777</b>	<b>4,122</b>
Other operating income	<b>5</b>	207,854	10,385
Share in Profit of Joint Venture	<b>11</b>	4,066	2,175
<b>Total operating income</b>		<b>507,203</b>	<b>281,496</b>
Operating expense	<b>7</b>	(195,369)	(163,864)
Foreign exchange loss	<b>7</b>	(2,681)	(4,034)
<b>Total other operating expense</b>		<b>(198,050)</b>	<b>(167,898)</b>
<b>Profit for the year from continuing operations before taxation</b>		<b>309,153</b>	<b>113,598</b>
Income tax expense	<b>8</b>	(82,552)	(14,295)
<b>Profit for the year from continuing operations, net of tax</b>		<b>226,601</b>	<b>99,303</b>

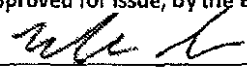
<b>Elavon Financial Services DAC</b>			
<b>Consolidated Statement of Other Comprehensive Income for the year ended 31 December</b>			
<i>In thousands of Euro</i>	<b>Note</b>	<b>2016</b>	<b>2015</b>
Profit for the year		226,601	99,303
<b>Other comprehensive income that may be reclassified to the Consolidated Statement of Income</b>			
Foreign currency translation recognised directly in equity		(28,433)	9,400
Tax effect		-	-
Foreign currency translation recognised directly in equity, net of tax		(28,433)	9,400
Unrealised gain on financial assets available for sale		100,512	94,560
Realised gain reclassified to the Consolidated Statement of Income	5	(200,129)	-
Tax effect		33,822	(31,205)
Unrealised gain on financial assets available for sale, net of tax		(65,795)	63,355
<b>Other comprehensive income that will not be reclassified to the Consolidated Statement of Income</b>			
Re-measurement of defined benefit plans	22	(1,897)	(759)
Tax effect		237	94
Re-measurement of defined benefit plans, net of tax		(1,660)	(665)
Other comprehensive income/(loss), net of tax		(95,888)	72,090
Total comprehensive income, net of tax		130,713	171,393

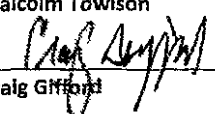
**Elavon Financial Services DAC**

**Consolidated Statement of Financial Position as at 31 December**

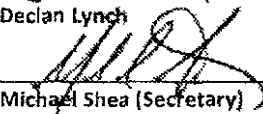
<i>In thousands of Euro</i>	<b>Note</b>	<b>2016</b>	<b>2015</b>
<b>Assets</b>			
Balances at central banks	9	6,225,513	1,641,120
Due from banks	9	295,925	469,680
Investments with affiliates	10	1,229,745	4,568,049
Investment in joint venture	11	92,510	88,444
Merchant receivables	12	64,415	56,009
Receivables from issuing banks	13	478,794	265,045
Security services receivables	14	11,032	7,230
Finance lease receivables	15	70	782
Financial assets available for sale	26	17,902	100,449
Intangible assets - goodwill	16	131,222	140,120
Intangible assets - other	17	15,886	20,414
Property, plant and equipment	18	38,278	36,835
Current tax asset		177	38
Deferred tax asset	8	4,091	5,213
Other assets	19	47,105	31,042
<b>Total assets</b>		<b>8,652,665</b>	<b>7,440,470</b>
<b>Liabilities</b>			
Overdrafts	9	784	66
Due to banks		646	2,481
Corporate trust deposits	20	6,774,151	6,079,226
Merchant payables		717,173	357,482
Current tax liability		39,635	1,636
Deferred tax liability	8	9,429	37,244
Other liabilities	21	101,858	84,059
<b>Total liabilities</b>		<b>7,643,676</b>	<b>6,562,194</b>
<b>Equity</b>			
Share capital	23	6,400	6,400
Capital contribution	24	589,389	589,389
Retained earnings		452,946	226,345
Foreign currency translation reserve		(34,276)	(5,843)
Pension re-measurement reserve		(6,418)	(4,758)
Available for sale reserve		948	66,743
<b>Total equity</b>		<b>1,008,989</b>	<b>878,276</b>
<b>Total liabilities and equity</b>		<b>8,652,665</b>	<b>7,440,470</b>

Approved for issue, by the Board, on 23 March 2017.

  
Malcolm Towilson

  
Craig Gifford

  
Declan Lynch

  
Michael Shea (Secretary)

**Elavon Financial Services DAC**

**Consolidated Statement of Changes in Equity for the year ended 31 December**

*In thousands of Euro*

	Share capital	Capital contribution	Retained earnings	Foreign currency translation reserve	Pension re-measurement reserve	Available for sale reserve	Total Equity
<b>Balance as at 1 January 2015</b>	6,400	589,389	127,042	(15,243)	(4,093)	3,388	706,883
Profit for the year	-	-	99,303	-	-	-	99,303
Other comprehensive income, net of tax	-	-	-	9,400	(665)	63,355	72,090
Total comprehensive income, net of tax	-	-	99,303	9,400	(665)	63,355	171,393
Management re-charge for share-based payment (Note 7)	-	(995)	-	-	-	-	(995)
Capital Contribution (Note 24)	-	995	-	-	-	-	995
<b>Balance as at 31 December 2015</b>	6,400	589,389	226,345	(5,843)	(4,758)	66,743	878,276
Profit for the year	-	-	226,601	-	-	-	226,601
Other comprehensive loss, net of tax	-	-	-	(28,433)	(1,660)	(65,795)	(95,888)
Total comprehensive income, net of tax	-	-	226,601	(28,433)	(1,660)	(65,795)	130,713
Management re-charge for share-based payment (Note 7)	-	(1,274)	-	-	-	-	(1,274)
Capital contribution (Note 24)	-	1,274	-	-	-	-	1,274
<b>Balance as at 31 December 2016</b>	6,400	589,389	452,946	(34,276)	(6,418)	948	1,008,989

**Elavon Financial Services DAC**

**Consolidated Statement of Cash Flows for the year ended 31 December**

<i>In thousands of Euro</i>	<b>Note</b>	<b>2016</b>	<b>2015</b>
<b>Cash flows from operating activities</b>			
Profit before tax		309,153	113,598
Adjustments to reconcile profit before tax to net cash			
Depreciation, amortisation and impairment losses	<b>7</b>	17,104	15,923
Losses on disposal of property, plant and equipment		245	115
Share in profit of joint venture	<b>11</b>	(4,066)	(2,175)
Realised gain on sale of financial assets*		(200,129)	-
Interest income		(5,523)	(4,826)
Interest expense		873	671
Dividend income on available for sale financial assets		(405)	(54)
<b>Working Capital adjustments</b>			
Increase in prepayments and other receivables	<b>19</b>	(374)	(2,229)
Increase in accruals and sundry creditors	<b>21</b>	535	1,914
Net change in balances at central banks	<b>9</b>	(4,584,393)	(1,590,480)
Net change in receivables from issuing banks	<b>13</b>	(213,749)	(27,704)
Net change in merchant receivables	<b>12</b>	1,594	(7,213)
Net change in security services receivables	<b>14</b>	(3,802)	(700)
Net change in other assets		1,551	(1,960)
Net change in due to other banks	<b>25</b>	(1,835)	2,389
Net change in merchant payables	<b>25</b>	359,691	10,638
Net change in corporate trust deposits		694,925	1,182,245
Net change in other liabilities		16,878	21,907
Interest paid on short term borrowings	<b>4</b>	(215)	(414)
Interest paid on corporate trust deposits		(658)	(257)
Taxation paid		(39,540)	(14,785)
<b>Net cash used in operating activities</b>		<b>(3,652,140)</b>	<b>(303,397)</b>
<b>Cash flows from investing activities</b>			
Interest received on investments and cash balances		5,523	4,826
Net decrease in investment with affiliates	<b>10</b>	3,338,304	418,145
Proceeds from sale of financial assets		168,508	-
Dividend income on available for sale financial assets		405	54
Additions to property, plant and equipment	<b>18</b>	(15,961)	(16,236)
Disposal of property, plant and equipment		948	754
Additions to intangible fixed assets	<b>17</b>	(1,535)	(2,858)
<b>Net cash provided by investing activities</b>		<b>3,496,192</b>	<b>404,685</b>
<b>Cash flows from financing activities</b>			
Payments for Parent Company re-charges for share-based payments	<b>24</b>	(1,274)	(995)
<b>Net cash used in financing activities</b>		<b>(1,274)</b>	<b>(995)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>(17,251)</b>	<b>5,116</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(174,473)</b>	<b>105,409</b>
Cash and cash equivalents at the beginning of the year	<b>9</b>	469,614	364,205
<b>Cash and cash equivalents at the end of the year</b>	<b>9</b>	<b>295,141</b>	<b>469,614</b>

\*Realised gain on sale of financial assets includes receipt of Visa shares (Note 26) and deferred cash consideration receivable (Note 19).

## Notes to the Consolidated Financial Statements

### 1 Basis of Preparation

#### Reporting entity

Elavon Financial Services DAC is a company incorporated and domiciled in Ireland. The address of the Bank's registered office is Building 8, Cherrywood Business Park, Loughlinstown, D18 W319.

The Consolidated Financial Statements include the accounts of Elavon Financial Services DAC, its branches and its subsidiary undertakings and include all activity through to the end of the financial year.

The Bank commenced operations on 8 December 2006. Its ultimate parent undertaking is U.S. Bancorp, a company incorporated in Delaware, U.S.A. The Bank and its subsidiaries serve as the European platform for U.S. Bancorp's card acquiring and processing operations while also supporting additional payment service business lines. The Group has been primarily involved in merchant acquiring operations. Since 2010, when the Group acquired a book of business from Bank of America, the Group has been involved in the corporate trust business

#### Statement of compliance

The Consolidated Financial Statements are presented in accordance with IFRS as adopted by the EU and applicable at 31 December 2016. The accounting policies have been consistently applied by Group entities. The Consolidated Financial Statements also comply with the requirements of Irish Statute comprising the Companies Acts 2014 and the S.I. No. 266 of 2015 (European Union (Credit Institutions: Financial Statements) Regulations 2015).

#### Basis of measurement

The Consolidated Financial Statements have been prepared on a historical cost basis, except for pension plans, derivative financial instruments and available for sale financial assets that have been measured at fair value.

#### Functional and presentation currency

The Consolidated Financial Statements of the Group are presented in Euro (also referred to as 'EUR' and '€') rounded to the nearest thousand ('000'). The Euro is the functional and presentation currency of the Group. For other Group entities (i.e. branches and subsidiaries), the functional currency is the local currency in the country in which they operate.

#### Use of estimates and assumptions

The preparation of the Group's Consolidated Financial Statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Group's exposure to risks and uncertainties includes:

- Capital management Note 31
- Risk management and policies Note 25
- Sensitivity analysis tables for Foreign Exchange Risk and Interest Rate Risk Note 25

#### Basis of consolidation

A subsidiary is an entity where the Group has the power, exposure or rights to variable returns and the ability to use its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group until the date that control ceases. If the Group loses control over a subsidiary, it derecognises the related assets, liabilities and non-controlling interest and other components of equity while any gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value. Subsidiaries have the same reporting period as the Group and the same accounting policies. Intra-group transactions, balances and unrealised gains arising from intra-group transactions are eliminated upon consolidation.



## Notes to the Consolidated Financial Statements

### 2 Summary of Significant Accounting Policies

The significant accounting policies that Elavon Financial Services DAC and its subsidiary undertakings applied in the preparation of the Group Consolidated Financial Statements for the year ended 31 December 2016 are set out below. These accounting policies have been applied consistently to all years presented, unless otherwise stated.

#### Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree as appropriate.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration liability will be recognised in the Consolidated Statement of Income. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

#### Interests in joint ventures

The Group's investments in its joint venture ('JV') are accounted for using the equity method. Under the equity method, the investment in a JV is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the JV since the acquisition date. Goodwill relating to the JV is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The Consolidated Statement of Income reflects the Group's share of the results of operations of the JV. Any change in other comprehensive income ('OCI') of the JV is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the JV, the Group recognises its share of any changes, when applicable, in the Consolidated Statement of Changes in Equity.

The aggregate of the Group's share of profit or loss of a JV is shown on the face of the Consolidated Statement of Income as operating income and represents profit or loss after tax and non-controlling interests in the subsidiaries of the JV. The Financial Statements of the JV are prepared for the same reporting period as the Group.

The Group shall, if necessary, recognise an impairment loss on its investment in its JV. At each reporting date, the Group determines whether there is objective evidence that the investment in the JV is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the JV and its carrying value, and then recognises the loss as 'Share of loss of a JV' in the Consolidated Statement of Income.

#### Foreign currency translation

##### *Group companies*

As at the reporting date, assets and liabilities of subsidiaries denominated in a foreign currency are translated into the Group's presentation currency, (EUR), at the exchange rate on the Consolidated Statement of Financial Position. Exchange differences arising on translation are recorded directly to OCI. On disposal of a subsidiary, deferred cumulative amounts are recognised in realised exchange gain or loss in the Consolidated Statement of Income. The Consolidated Statement of Income is translated to the Group's presentation currency at the respective functional currency spot rates at the date the transaction first qualifies for recognition.

## Notes to the Consolidated Financial Statements

### **2 Summary of Significant Accounting Policies (continued)**

#### *Transactions and balances*

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. Non-monetary items measured at fair value in foreign currencies are translated using the exchange rates at the date when the fair value is determined.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the retranslation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Income.

#### **Interest income and expense**

Interest income and expense are recognised in the Consolidated Statement of Income for all interest bearing financial instruments using the effective interest method.

#### **Other operating income**

Other operating income consists primarily of foreign exchange gains on non-trading assets and liabilities and gains in derivatives' fair values. Other operating income also includes income received on investments.

#### **Leases**

##### *Finance leases*

As a lessee, the Group recognises leased point-of-sale terminal equipment and related liability for future lease payments on its Consolidated Statement of Financial Position. As a lessor, amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

##### *Operating leases*

As a lessor, lease income on point-of-sale terminal equipment, is recognised in fee and commission income on a straight line basis over the life of the lease. Payments made under operating leases are recognised in the Consolidated Statement of Income on a straight line basis over the term of the lease. Lease incentives received, or premiums paid at inception of the lease, are recognised over the term of the lease.

#### **Staff costs**

##### *Short-term employee benefits*

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

##### *Long-term incentive benefit*

U.S. Bancorp grants certain employees shares in U.S. Bancorp as a retention incentive, whereby employees render services as consideration for equity instruments (equity-settled transactions). The number of shares awarded is dependent on the annual award to the employee and the market price of the shares on the award date. The vesting period of the shares is four years. Ownership is transferable to employees after a four year period if they remain in employment within the Group.

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognised in Staff Costs expense (Note 7), together with a corresponding increase in equity through Capital Contribution, over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). U.S. Bancorp subsequently recharges the cost to the Group.

## Notes to the Consolidated Financial Statements

### 2 Summary of Significant Accounting Policies (continued)

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the Consolidated Statement of Income for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

#### *Pensions*

The Group provides employees with post-retirement benefits mainly in the form of pensions - defined contribution and defined benefit pension plans. The cost of the Group's defined contribution plans is charged to the Consolidated Statement of Income in the accounting period in which it is incurred. Any contributions unpaid at the end of the reporting period are recorded as a liability. The Group has no further obligation under these plans once these contributions have been paid. For defined benefit pension plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period.

Defined benefit costs are split into three categories:

- Current service cost, past service cost, gains and losses on curtailments and settlements;
- Net interest expense or income;
- Re-measurement.

The Group presents the first two components of defined benefit costs in the line item "Pension Costs – defined benefit plans" within Operating Expenses in the Consolidated Statement of Income. Curtailment gains or losses are accounted for as past service costs. Re-measurement is recorded in OCI.

Re-measurement comprising of actuarial gains and losses, are recognised immediately in the Consolidated Statement of Financial Position with a gain/loss to OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods. Past service cost is recognised in profit or loss in the period of plan amendment. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

The retirement benefit obligation recognised in the Consolidated Statement of Financial Position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

#### **Legal claims and other contingent liabilities**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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 Consolidated Financial Statements unless they are remote.

## Notes to the Consolidated Financial Statements

### 2 Summary of Significant Accounting Policies (continued)

#### Income tax, including deferred tax

Current income tax relating to items recognised directly in equity is recognised in equity and not in the Consolidated Statement of Income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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 countries where the Group operates and generates taxable income. Deferred tax is provided 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 liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or 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;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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 profit 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;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 net current tax assets and current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if incurred during the measurement period or in profit or loss.

## Notes to the Consolidated Financial Statements

### 2 Summary of Significant Accounting Policies (continued)

#### Financial assets

The Group holds four categories of financial assets:

- loans and receivables;
- financial assets at fair value through profit or loss;
- financial assets available for sale and
- cash investments.

Purchases and sales of financial assets are recognised on trade date, being the date on which the Group commits to purchase or sell the assets. Transaction costs arising from financial assets that are immaterial from the perspective of the Group are treated as an expense. Loans are recognised when cash is advanced to the borrowers. While measurement criteria differ for each of these categories, the carrying amount is a reasonable approximation of fair value for all financial assets. See note 26.

#### *Loans and receivables*

Loans and receivables include receivables from issuing banks, merchant receivables and Corporate Trust receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as available for sale. They arise when the Group provides money or services directly to a customer with no intention of trading the loan. Loans and receivables are initially recognised at fair value including direct and incremental transaction costs and are subsequently measured at amortised cost less impairment.

Interest is calculated using the effective interest method and credited to the Consolidated Statement of Income. Impairment losses and translation differences on monetary items are recognised in the Consolidated Statement of Income. Loans and receivables are de-recognised when the rights to receive cash flows from the financial assets have expired or when the Group has transferred substantially all the risks and rewards of ownership and transfer qualifies for de-recognition in accordance with IAS 39, Financial Instruments: Recognition and Measurement.

#### *Financial assets at fair value through profit or loss*

Derivative financial instruments are held at fair value through the profit and loss. Derivatives are carried as assets and included in other assets when the fair value is positive, and are carried as liabilities and included in other liabilities when the fair value is negative.

In the ordinary course of business, the Group enters into foreign exchange forwards for hedging purposes to manage foreign currency risks. The Group does not enter into derivative transactions for speculative purposes. Further information on the Group's financial risk management is presented in note 25. All derivatives are recorded at fair value on the date on which the contract is entered into. Subsequent changes in a derivative's fair value are recognised in other operating income or expense.

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation. Fair value is 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. Management has used available market information in estimating the fair value of financial instruments.

#### *Financial assets available for sale*

Financial assets classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. The assets are measured initially at fair value on the date of receipt, and are subsequently re-measured at fair value with changes being recognised in equity and credited in the available for sale reserve until the investment is de-recognised, at which time the cumulative gain or loss is recognised in other operating income, or if the investment is determined to be impaired then the cumulative loss is reclassified from the available for sale reserve to the Consolidated Statement of Income. The fair value is obtained from the quoted market prices in active markets where available.

## Notes to the Consolidated Financial Statements

### 2 Summary of Significant Accounting Policies (continued)

#### *Cash investments*

In the ordinary course of business, the Group places cash on deposit in the open market. Due to large exposure rules and requirements, if the Group is unable to place all cash on deposit in the market, the Group will place the cash on deposit with affiliates instead.

#### **Impairment of financial assets**

It is Group policy to make provisions for impairment of financial assets to reflect the losses inherent in those assets at the end of the reporting period. The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a portfolio of financial assets is impaired.

A financial asset or portfolio of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset on or before the end of the reporting period, ('a loss event') and that loss event or events has had an impact such that the estimated present value of future cash flows is less than the current carrying value of the financial asset, or portfolio of financial assets.

Following impairment, interest income is recognised using the original effective rate of interest which was used to discount the future cash flows for the purpose of measuring the impairment loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the Consolidated Statement of Income.

#### **Intangible assets**

##### *Goodwill*

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units ('CGU') that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

##### *Other intangible assets*

Intangible assets acquired separately are capitalised at cost and those identified in a business acquisition are capitalised at fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at amortised cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. There were no intangible assets with indefinite lives other than goodwill in 2015 or 2016. Intangible assets with finite lives are amortised on a cash flow basis and this expense is included on the Consolidated Statement of Income within operating expense. Amortisation methods and periods relating to these intangible assets are reviewed annually. Intangible assets with finite lives must be tested for impairment where either there is an indicator of impairment or, in the case of material intangible assets, 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 Consolidated Statement of Income when the asset is de-recognised.

## Notes to the Consolidated Financial Statements

### 2 Summary of Significant Accounting Policies (continued)

#### *Amortisation*

The Group uses the following useful lives when calculating amortisation:

Class	Useful life
Goodwill	Infinite
Computer Software	
- Software Purchased or Developed	3 - 10 years
- Software Licences	1 - 5 years
Contracts	
- Merchant Contracts	3 - 25 years
- Non-Compete Contracts	4 years
- Corporate Trust Contracts	8 years

#### *Impairment of goodwill and other intangible assets*

The Group's impairment test for goodwill and intangible assets is based on value in use calculations that use a cash flow model. The cash flows are derived from the forecast for 2017 and assumptions based on historical volumes and revenue. The recoverable amount is most sensitive to the average revenue margins applied in the cash flow model as well as the expected future cash inflows and the volume/margin attrition rates applied for extrapolation purposes. The key assumptions used to determine the recoverable amounts are further explained in notes 16 and 17.

The recoverable amount of an asset is the higher of its fair value less cost to sell, and its value in use. Value in use is the present value of the expected future cash flows from a CGU. If the recoverable amount is less than the carrying value, an impairment loss is charged to the Consolidated Statement of Income.

For other intangible assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the Group estimates the assets or CGU's recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods.

#### **Property, plant and equipment**

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment, if any. Additions and subsequent expenditures 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.

Terminals under operating leases to customers, less accumulated depreciation, are included in property, plant and equipment. Leasehold leases are amortised on a straight line basis over the lease term and amortisation is included in depreciation expense.

## Notes to the Consolidated Financial Statements

### 2 Summary of Significant Accounting Policies (continued)

The Group uses the following useful lives when calculating depreciation:

Class	Useful life
Premises and leasehold improvements	
- Freehold buildings	40 years
- Leasehold property	Life of lease, up to 40 years
- Leasehold improvements	Life of lease, up to 15 years
Office and computer equipment	
- Computers and similar equipment	3 – 5 years
- Furniture, fittings and other equipment	3 – 10 years
- Terminals leased to customers	5 years
Motor vehicles	3 – 5 years

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate. When reviewing residual values, the Group estimates the amount that it would currently obtain for the disposal of the asset, after deducting the estimated cost of disposal if the asset were already of the age and condition expected at the end of its useful life. Gains and losses on disposal of property, plant and equipment are included as part of "other operating income" in the Consolidated Statement of Income.

An asset retirement obligation is recognised at the same time as the leasehold improvements, i.e. when alterations to property are made. The obligation is therefore an expense related to the leasehold improvement and is depreciated over the term of the lease.

#### *Assets leased to customers*

Assets leased to customers, comprising point-of-sale terminals, are classified as operating leases if the lease agreements do not transfer substantially all the risks and rewards of ownership. The leased assets and their associated installation costs are included within property, plant and equipment on the Group's Consolidated 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.

#### **Financial liabilities**

Financial liabilities include amounts due to banks, merchant payables and Corporate Trust deposits. Issued financial instruments or their components are classified as liabilities where the substance of the contractual arrangement results in the Group having a present obligation to either deliver cash or another financial asset to the holder, to exchange financial instruments on terms that are potentially unfavourable or to satisfy the obligation otherwise than by the exchange of a fixed amount of cash or another financial asset for a fixed number of equity shares.

Financial liabilities are initially recognised at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred.

Financial liabilities are subsequently measured at amortised cost, any difference between the proceeds net of transaction costs and the redemption value is recognised in the Consolidated Statement of Income using the effective interest method. The carrying value of financial liabilities is a reasonable approximation of fair value. The Group de-recognises a financial liability when its contractual obligations are discharged, cancelled or expired.

#### **Shareholders' equity**

##### *Share capital*

Share capital refers to the funds that a company raises in exchange for issuing an ownership interest in the company in the form of shares. It is presented as equity and represents 6,400,001 ordinary shares of €1 each.



## Notes to the Consolidated Financial Statements

### 2 Summary of Significant Accounting Policies (continued)

#### *Capital contribution*

Capital contributions represent amounts received from U.S. Bancorp (via its subsidiary U.S. Bank National Association) which are non-refundable and for which neither U.S. Bancorp nor U.S. Bank National Association receives shares.

#### *Retained earnings*

Retained earnings represent the undistributed accumulated profits of the Bank, its branches and its subsidiaries.

#### *Other reserves*

The other reserves are made up of the foreign currency translation reserves, the available for sale financial assets reserve and the pension re-measurement reserve. The foreign currency translation reserve represents the cumulative gains and losses on the translation of the Group's net investment in foreign operations. The available for sale financial assets reserve represents the cumulative gains and losses on changes of fair value of available for sale financial assets. The pension re-measurement reserve represents actuarial gains and losses of the Group's defined benefit plans.

#### **Cash and cash equivalents**

For the purposes of the Consolidated 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 seven days. The Group does not consider investment with affiliates and balances at central banks as part of cash and cash equivalents. The balances that we hold with central banks are held as investments and to comply with regulatory requirements.

#### **Changes in accounting policy and disclosures**

The accounting policies adopted are consistent with those of the previous financial year, except for the new and amended IFRS EU and International Financial Reporting Interpretations Committee ('IFRIC') interpretations effective as of 1 January 2016 listed below. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Although these new standards and amendments applied for the first time in 2016, they did not have an impact on the annual Consolidated Financial Statements of the Group.

#### **New and amended standards and interpretations**

##### *IAS 27 Consolidated and Separate Financial Statements*

The amendment is applied retrospectively and allows entities the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. This amendment did not have a material impact to the Company Financial Statements, which has changed its recognition of the investment in joint venture from the cost method to the equity method. The Group did not elect to apply the equity method option to its investments in subsidiaries and associates.

##### *IAS 16 Property, Plant & Equipment & IAS 38 Intangible Assets*

The amendment is applied prospectively and clarifies that a depreciation/amortization method that reflects a pattern of generation of economic benefits from the asset rather than a pattern of consumption of the asset's economic benefits is not an appropriate method of depreciation/amortization. The Group has adopted the amendment under the rebuttable presumption provided in the IAS 38 amendments which allows revenue based models to continue to be utilized if demonstrated that revenue and the consumption of the intangible is highly correlated. For these assets which are cash flow producing assets the revenue based model continues to be appropriate. This amendment did not have a material impact on the Group.

##### *IAS 1 Presentation of Financial Statements*

The amendment provides clarifications to enhance comparability and understandability of the financial statements including: considerations of materiality and aggregation of items presented on both the face of the financial statements and the notes, the use of subtotals in the statement of financial position, profit and loss and other comprehensive income, and the structure of the notes to the financial statements including significant accounting policies. This amendment did not have a material impact on the Group.

## Notes to the Consolidated Financial Statements

### 2 Summary of Significant Accounting Policies (continued)

#### New and amended standards and interpretations (continued)

##### *IFRS 10, IFRS 12 & IAS 28 Investment entities: Applying the Consolidation Exception*

The amendment clarifies that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. This amendment did not impact the Group's accounting policy.

##### *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements Cycle 2012-2014)*

This improvement intends to clarify that in circumstances where an entity reclassifies an asset directly from held for sale (or vice versa) that the presentation, classification and measurement provisions of IFRS 5 shall continue to be applied. Adopting the amendments does not have a material impact on the Group's Consolidated Financial Statements.

##### *IFRS 7 Financial Instruments: Disclosures - Servicing Contracts (Annual Improvements Cycle 2012-2014)*

This amendment clarifies how an entity should apply the guidance regarding continuing involvement to a servicing contract to decide whether a servicing contract constitutes continuing involvement for the purposes of applying disclosure requirements in paragraphs 42E-42H of IFRS 7. Adopting the amendment does not have a material impact on the Consolidated Financial Statements.

##### *IFRS 7 Financial Instruments: Disclosures – Applicability of the Amendments to IFRS 7 to Condense Interim Financial Statements (Annual Improvements Cycle 2012-2014)*

This amendment clarifies that the additional disclosure required by the amendments to IFRS 7 (*Disclosure – Offsetting Financial Assets and Financial Liabilities*) is not specifically required to be provided in condensed interim financial statements that are prepared in accordance with IAS 34 when its inclusion would be required by the requirements of IAS 34. This amendment does not have a material impact on the Group.

##### *IAS 19 Employee Benefits (Annual Improvements Cycle 2012-2014)*

This amendment clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. Consequently, the depth of the market for high quality corporate bonds should be assessed at the currency level. This is consistent with the Group's current accounting policy and, thus, this amendment did not impact the Group's accounting policy.

##### *IAS 34 Interim Financial Reporting (Annual Improvements Cycle 2012-2014)*

This amendment clarifies the meaning of disclosure of information "elsewhere in the interim financial report" and requires the inclusion of a cross-reference from the interim financial statements to the location of this information. This amendment is not applicable to the Group.

#### **New accounting pronouncements with a future effective date**

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's Consolidated Financial Statements are disclosed below. As at the Consolidated Financial Statements' effective date, the Group is assessing impacts if any.

##### *IFRS 9 Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Group does not anticipate that this will have a material impact on the Group Consolidated Financial Statements.

## Notes to the Consolidated Financial Statements

### 2 Summary of Significant Accounting Policies (continued)

#### New accounting pronouncements with a future effective date (continued)

##### *IFRS 15 Revenue from Contracts with Customers*

IFRS 15 Revenue from Contracts with customers defines principles for recognizing revenue and will be applicable to all contracts with customers. However, interest and fee income integral to financial instruments and leases will continue to fall outside the scope of IFRS 15 and will be regulated by other applicable standards. This standard is effective for periods beginning on 1 January 2018. The Group does not anticipate early adopting IFRS 15 and does not anticipate its impact to be material.

##### *IFRS 16 Leases*

The new standard does not significantly change the accounting for leases for lessors. However, it does require lessees to recognize most leases on their balance sheets as lease liabilities, with the corresponding right-of-use assets. IFRS 16 is effective for annual periods beginning on or after 1 January 2019 with early adoption permitted, provided the new Revenue standard, IFRS 15, is applied on the same date. The Group does not anticipate early adopting IFRS 16 and is currently evaluating its impact.

##### *IAS 7 Statement of Cash Flows (amendments)*

The amendment is applied prospectively and intends to improve disclosures of financing activities and help users to better understand the reporting entities' liquidity positions. Under the new requirements, entities will need to disclose changes in their financial liabilities as a result of financing activities such as changes from cash flows and non-cash items. This amendment is applicable for annual periods beginning 1 January 2017. This amendment will have an impact on prospective application of disclosures; however, no comparative disclosures are required in the initial year of application.

##### *IAS 12 Income Taxes (amendments)*

The amendment is applied prospectively and clarifies the accounting treatment of deferred tax assets of debt instruments measured at fair value for accounting, but measured at cost for tax purposes. This amendment is applicable for annual periods beginning 1 January 2017. The Group does not anticipate that adopting the amendments would have a material impact on its Consolidated Financial Statements.

##### *IFRS 2 Clarifications of Classifications and Measurements (amendments)*

The amendment specifies that a share-based payment transaction in which the entity settles the share-based payments arrangement net, by withholding a specified portion of the equity instruments to meet the employee tax obligation, should be classified as equity-settled in its entirety, if the entire share-based payment would otherwise be classified as equity-settled without the net settlement feature. This amendment is effective for periods beginning 1 January 2018 with early application permitted. This amendment is not expected to have a material impact to the Group Consolidated Financial Statements.

##### *IFRS 4 Insurance Contracts (amendments)*

Both IFRS 9 – Financial Instruments and the new Insurance Contracts Standard, which will replace IFRS 4, are relevant to companies that issue insurance contracts. The replacement of IFRS 4 will have an effective date no earlier than 2020. As the Group doesn't have any insurance operations, there is no expected impact to the Group.

#### New accounting pronouncements with a future effective date (continued)

##### *IAS 40 Transfer of Investment Property (amendments)*

IAS 40 Investment Property prescribes the accounting for property held to earn rentals, for capital appreciation, or both. The effective date of this amendment is 1 January 2018. This amendment will have no impact on the Group as the Group does not hold 'investment property'.

#### Annual improvements cycle 2014-2016

- |           |                                   |
|-----------|-----------------------------------|
| • IFRS 1  | Deletion of short term exemptions |
| • IFRS 12 | Interest in other entities        |
| • IAS 28  | Option of fair value through P&L  |

## Notes to the Consolidated Financial Statements

### 3 Fee and Commission Income and Expense

<b>Fee and Commission Income and Expense</b>		
<i>In thousands of Euro</i>	<b>2016</b>	<b>2015</b>
<b>Fee and commission income</b>		
Merchant processing services - discount income	652,764	681,633
Merchant processing services - merchant fees	117,118	132,598
Merchant processing services - services to joint venture	7,213	6,355
Fee and commission income - terminal rental income	20,276	21,539
Fee and commission income - corporate payment products revenue	4,197	2,984
Fee and commission income - finance lease income	42	313
Fee and commission income - corporate trust revenue	28,761	14,692
<b>Total fee and commission income</b>	<b>830,371</b>	<b>860,114</b>
<b>Fee and commission expense</b>		
Merchant processing services - interchange and assessment expense	435,052	485,865
Merchant processing services - rebates and residuals expense	38,036	34,525
Merchant processing services - other expense	51,994	58,248
Fee and commission expense - other	6,429	5,117
Fee and commission expense - other terminal expense	7,605	9,448
Fee and commission expense - corporate payment products expense	749	2,097
<b>Total fee and commission expense</b>	<b>539,865</b>	<b>595,300</b>
<b>Net fee and commission income</b>	<b>290,506</b>	<b>264,814</b>

#### *Elavon Merchant Services*

EMS fee and commission income is earned from discount fees charged to a merchant. For processing credit and debit card transactions for merchants, interchange and assessment fees are paid to card issuers, and are included in fee and commission expense. EMS revenue is recognised on an accruals basis in the financial year in which the services are provided.

#### *Global Corporate Trust Services*

The Group earns trust fee income from a diverse range of services. GCTS fees are all fees earned by the Group in respect of Special Purpose Vehicles ('SPVs'), under the relevant Governing Instruments and include: Trustee, Principal Paying Agent, Transfer Agent, Calculation Agent, Agent Bank, Custodian, Cash Manager, Reporting Agent and other roles. GCTS revenue is recognised on an accruals basis in the financial year in which the services are provided. These fees are determined in accordance with contracts between the Group or the Group's subsidiaries and their clients.

#### *Corporate Payment Systems*

CPS generates its income from two lines of business: Corporate Card Issuance and Freight Payment Solutions. The Freight payment solutions provide a streamlined global payment network which automates the invoicing and payment process. Fee income is generated by charging the buyer a fee for this service. Discount fees are also earned on counterparty finance, whereby a percentage is deducted off the amount paid to the seller. Corporate Card Issuance acts as the issuing bank that offers bank cards to customers. Fee income is generated by charging interchange fees on transactions.

## Notes to the Consolidated Financial Statements

### 4 Interest Income and Expense

<b>Interest Income and Expense</b>			
<i>In thousands of Euro</i>	<b>Note</b>	<b>2016</b>	<b>2015</b>
<b>Interest income</b>			
Interest from central banks		25	68
Interest from other banks		2,782	1,140
Interest income from affiliate companies	30	2,862	3,585
<b>Total interest income</b>		<b>5,669</b>	<b>4,793</b>
<b>Interest expense</b>			
Interest expense on overdraft		215	414
Interest expense on Corporate Trust deposits		677	257
<b>Total interest expense</b>		<b>892</b>	<b>671</b>
<b>Net interest income</b>		<b>4,777</b>	<b>4,122</b>

### 5 Other Operating Income

<b>Other Operating Income</b>			
<i>In thousands of Euro</i>	<b>Note</b>	<b>2016</b>	<b>2015</b>
Dividend income on available for sale financial assets		406	54
Realised gain on sale of financial assets	26	200,129	-
Services provided to affiliate companies		7,114	10,239
Other operating income - Other		151	92
Recovery of finance lease losses		54	-
<b>Other operating income</b>		<b>207,854</b>	<b>10,385</b>

The realised gain on sale of financial assets relates to the sale of Visa Shares in 2016.

### 6 Staff Numbers

<b>Staff Numbers</b>		
<i>Average number of employees during the year</i>	<b>2016</b>	<b>2015</b>
Sales	253	268
Operations	1,005	901
Finance and administration	439	370
<b>Total staff numbers</b>	<b>1,697</b>	<b>1,539</b>

## Notes to the Consolidated Financial Statements

### 7 Other Operating Expense

In 2013, the Group amended its long term incentive plan. This amendment enabled U.S. Bancorp to grant certain employees shares in U.S. Bancorp as a retention incentive. As at 31 December, the charge for these awards in 2016 was EUR 1,274 thousand (2015: EUR 995 thousand). As at 31 December 2016, EUR 119 thousand was payable (2015: EUR 88 thousand).

The Group has not capitalised wages, social insurance, and other retirement benefits during the year.

<b>Other Operating Expenses</b>			
<i>In thousands of Euro</i>	<b>Note</b>	<b>2016</b>	<b>2015</b>
<b>Staff Costs</b>			
Wages and salaries		92,003	85,471
Social security costs		10,235	8,842
Pension costs – defined contribution plans	22	3,949	3,783
Pension costs – defined benefit plans	22	459	457
Staff costs - other		7,971	7,983
<b>Auditor's Remuneration</b>			
Statutory Audit		936	752
Taxation services		1,568	1,255
<b>Other</b>			
Depreciation of property, plant and equipment	18	11,889	10,287
Amortisation of intangible assets	17	5,215	5,636
Losses from disposals of fixed assets		245	115
Marketing and business development		9,887	9,668
Occupancy and equipment		10,477	9,013
Other operating expenses - Other		6,918	2,151
Referral expenses		-	3
Bank processing fees*		15,361	986
Provision for finance lease losses		-	77
Postage, printing and supplies		2,465	2,261
Professional services		8,760	8,235
Technology and communications		7,031	6,889
<b>Total operating expenses</b>		<b>195,369</b>	<b>163,864</b>
Foreign exchange loss		2,681	4,034
<b>Total other operating expense</b>		<b>198,050</b>	<b>167,898</b>

\*Bank processing fees has increased in 2016 as a result of additional bank charges from affiliated companies and central banks due to negative interest rates.

*Directors' emoluments are analysed as follows:*

<i>In thousands of Euro</i>	<b>2016</b>	<b>2015</b>
Remuneration in respect of services as Director	193	140
Remuneration in connection with management	1,241	1,639
Pension costs – defined contribution plans (other than in respect of services as Director)	43	53
<b>Total Directors' emoluments</b>	<b>1,477</b>	<b>1,832</b>

No payments have been paid to past Directors during the current or prior year.

## Notes to the Consolidated Financial Statements

### 8 Income Taxes

<b>Income Taxes</b>			
<i>In thousands of Euro</i>	<i>Rate</i>	<b>2016</b>	<b>2015</b>
<b>Income Tax</b>			
Current tax		76,080	15,121
Prior year tax expense/(credit)		597	(639)
Deferred tax income/(expense)		5,875	(187)
<b>Income tax expense for the year</b>		<b>82,552</b>	<b>14,295</b>
<b>Profit before tax</b>			
		309,153	113,598
Theoretical tax charge at statutory rate	12.5%	38,644	14,200
Tax effect of items which are not deductible or assessable for taxation purposes:			
Addition/(reversal) of prior year tax		597	(639)
Non-deductible expenses		(273)	(128)
Total temporary differences not accounted for in deferred tax		(455)	(79)
Overseas profits taxed at a higher rate		2,322	1,453
Losses recognised		384	(485)
Current year profits taxed at higher rate		1,362	-
Uncertain tax provision		34,492	-
Deferred tax on Visa Preferred shares		5,578	-
Other adjustments		(99)	(27)
<b>Income tax expense for the year</b>		<b>82,552</b>	<b>14,295</b>
<b>Deferred Tax Liability</b>			
<i>In thousands of Euro</i>		<b>2016</b>	<b>2015</b>
<b>Deferred Tax Liability</b>			
Tax effect of taxable temporary differences			
Other intangibles: amortisation		(2,114)	(2,481)
Financial assets available for sale: unrealised gain on Visa		(5,907)	(32,875)
Asset timing differences		(1,484)	(1,849)
Foreign exchange differences		76	(39)
<b>Recognised deferred tax liability</b>		<b>(9,429)</b>	<b>(37,244)</b>
<b>Deferred Tax Asset</b>			
<i>In thousands of Euro</i>		<b>2016</b>	<b>2015</b>
<b>Deferred Tax Asset</b>			
Tax effect of deductible temporary differences			
Asset timing differences		3,403	3,890
Losses in foreign markets		76	485
Re-measurement of Defined Benefit Plan		922	685
Exchange Movements		(310)	153
<b>Recognised deferred tax asset</b>		<b>4,091</b>	<b>5,213</b>

Underlying profit before tax for the year ended 31 December 2016 includes a gain on sale of shares in VISA Europe, as discussed in Notes 5 and 26 to the Consolidated Financial Statements. For the purposes of taxation this gain has been considered trading income in nature subject to Irish corporate tax at the rate of 12.5%. The Group recognises that the Irish tax authorities may challenge this tax treatment at some future point and hence an uncertain tax provision has been included within current income tax expense above in respect of this uncertain position. This represents the difference between the taxation of the gain as a trading receipt versus a capital receipt.

## Notes to the Consolidated Financial Statements

### 9 Cash Balances

The Group is required to comply with regulatory liquidity requirements of the Single Supervisory Mechanism and the requirements of local regulators in those jurisdictions that the Group operates. Such requirements include Capital Requirements Directives ('CRD') IV regulations which introduce minimum liquidity requirements for the Group including the Liquidity Coverage Ratio which requires banks to have sufficient high quality liquid assets to withstand a 30 day stressed funding scenario. A minimum ratio of 60% applies from October 2015, rising to a minimum 100% ratio from January 2018.

The Group has remained in full compliance and as at 31 December 2016 maintained a buffer significantly higher than regulatory requirements. The Group has met its high quality liquid asset requirement by placing cash with the Central Bank of Ireland and the Bank of England.

In addition to Liquidity Coverage Ratio, the Group is also required to place cash with the Central Bank of Ireland, the Central Bank of Poland, and the Bank of England to meet minimum reserve and cash deposit ratio requirements; as at 31 December 2016 balances were EUR 76,437 thousand (2015: EUR 76,798 thousand). All amounts held at central banks are not available to finance the Group's day-to-day operations and therefore are not part of cash and cash equivalents.

With exception for the Group's investments with affiliates and balances at central banks, all investing or financing transactions during 2016 and 2015 involved the use of cash or cash equivalents.

<b>Cash Balances</b>		
<i>In thousands of Euro</i>	<b>2016</b>	<b>2015</b>
<b>Cash and cash equivalents</b>		
Cash and balances with banks	137,159	130,749
Money market placements	99,234	89,066
Cash with affiliates	59,532	249,865
Total cash with banks and affiliates	295,925	469,680
Overdrafts	(784)	(66)
<b>Total cash and cash equivalents</b>	<b>295,141</b>	<b>469,614</b>
<b>Balances at central banks</b>	<b>6,225,513</b>	<b>1,641,120</b>

### 10 Investments with Affiliates

Investments with affiliates represent fixed term deposits with U.S. Bancorp, which amounted to EUR 1,229,745 thousand (2015: EUR 4,568,049 thousand). These deposits are interest bearing short-term deposits, normally mature within 7 days, and no longer than 30 days. None of the investments with affiliates were past due or deemed to be impaired.



## Notes to the Consolidated Financial Statements

### 11 Investment in Joint Venture

On 12 April 2013, the Group entered into a JV agreement with Banco Santander. Santander Elavon Merchant Services ('SEMS') is a jointly controlled entity, incorporated in Spain and involved in the provision of payment solutions to businesses in Spain. The Group has a 51% interest in SEMS. The Group's interest is accounted for using the equity method in the Consolidated Financial Statements.

The Group undertook an impairment assessment of the investment in the JV as at 31 December 2016 and 2015. No impairment charge was recognised.

Summarised financial information of the JV, based on its Spanish GAAP Financial Statements and reconciliation with the carrying amount of the investment in the Consolidated Financial Statements are set out below:

<b>Investment in Joint Venture</b>			
<i>In thousands of Euro</i>	<b>Rate</b>	<b>2016</b>	<b>2015</b>
Cash and cash equivalents		60,088	33,206
Other current assets		139,123	127,912
Noncurrent assets		133,305	142,529
Current liabilities		(151,124)	(130,228)
<b>Equity</b>		<b>181,392</b>	<b>173,419</b>
<b>Carrying amount of investment adjusted for the Group's ownership</b>	<b>51%</b>	<b>92,510</b>	<b>88,444</b>
<i>In thousands of Euro</i>	<b>Rate</b>	<b>2016</b>	<b>2015</b>
<b>Summarised Statement of Profit or Loss</b>			
Fee and commission income		129,901	122,249
Fee and commission expense		(83,707)	(80,819)
Depreciation and amortisation		(10,997)	(12,571)
Other administration expenses		(24,332)	(23,633)
Interest expense		(428)	(637)
<b>Profit or Loss before Tax</b>		<b>10,437</b>	<b>4,589</b>
<b>Income tax expense</b>		<b>(2,464)</b>	<b>(325)</b>
<b>Profit or Loss after Tax</b>		<b>7,973</b>	<b>4,264</b>
<b>Group's share of profit or loss</b>	<b>51%</b>	<b>4,066</b>	<b>2,175</b>

All transactions are accounted for similarly under Spanish GAAP and IFRS with the exception of Goodwill which is amortised under Spanish GAAP, but not under IFRS.

The JV had no contingent liabilities or capital commitments as at 31 December 2016 (2015: nil). SEMS cannot distribute its profits until it obtains consent from the two venture partners. There was no dividend paid in 2016 (2015: nil).

### 12 Merchant Receivables

As at 31 December 2016, the value of receivables from merchants was EUR 64,415 thousand (2015: EUR 66,009 thousand).

### 13 Receivables from Issuing Banks

As at 31 December 2016 the value of receivables from issuing banks was EUR 478,794 thousand (2015: EUR 265,045 thousand). The fair value of collateral held against receivables from issuing banks was nil at 31 December 2016 (2015: nil). None of the issuing bank receivables are deemed to be past due or impaired.

## Notes to the Consolidated Financial Statements

### 14 Security Services Receivables

<b>Security Services Receivables</b>		
<i>In thousands of Euro</i>	<b>2016</b>	<b>2015</b>
Loans and advances - receivable from GCTS	423	423
GCTS fee receivables	10,602	6,797
Receivables from clearing houses - Clearstream	7	10
<b>As at 31 December</b>	<b>11,032</b>	<b>7,230</b>

Due to the nature of the GCTS business and the structure of the deals in place, it is ensured that the Group will always be paid before a loan fully redeems. Therefore, none are deemed to be past due or impaired.

### 15 Finance Lease Receivables

The Group has entered into point-of-sale terminal equipment leases. The Group leases these devices to customers under a non-cancellable agreement. At the end of the lease agreement there is an option to return the equipment. If the customer decides to keep the equipment, the agreement is extended to a monthly rental.

All terminal equipment leases (except certain finance leases in the UK) are classified as operating leases. Finance lease receivables relate to certain point-of-sale terminal equipment leases in UK. Minimum lease payments receivable under finance leases are:

<b>Finance Lease Receivables</b>				
<i>In thousands of Euro</i>	<b>2016 Carrying Value</b>	<b>2016 Fair Value</b>	<b>2015 Carrying Value</b>	<b>2015 Fair Value</b>
Within one year	70	70	790	790
In the second to fifth years inclusive	-	-	44	44
Less unearned finance income	-	-	(52)	(52)
<b>As at 31 December</b>	<b>70</b>	<b>70</b>	<b>782</b>	<b>782</b>

The present values of minimum lease payments are:

<i>In thousands of Euro</i>	<b>2016</b>	<b>2015</b>
Within one year	70	743
In the second to fifth years inclusive	-	39
<b>As at 31 December</b>	<b>70</b>	<b>782</b>

### 16 Goodwill

The carrying amount of goodwill allocated to each CGU is:

<i>In thousands of Euro</i>	<b>Merchant Services CGU</b>	<b>Corporate Trust CGU</b>	<b>Total Goodwill</b>
<b>Cost</b>			
As at 1 January 2016	140,109	11	140,120
Exchange rate movements	(8,897)	(1)	(8,898)
<b>As at 31 December 2016</b>	<b>131,212</b>	<b>10</b>	<b>131,222</b>
<b>Cost</b>			
As at 1 January 2015	136,790	10	136,800
Exchange rate movements	3,319	1	3,320
<b>As at 31 December 2015</b>	<b>140,109</b>	<b>11</b>	<b>140,120</b>

#### *Impairment testing of goodwill*

There was no impairment of goodwill recognised during the year (2015: nil).

## Notes to the Consolidated Financial Statements

### 16 Goodwill (continued)

The Group's impairment test in respect of goodwill allocated to a CGU is performed as at 31 October each year. In line with the accounting policy set out in note 2, goodwill is also retested for impairment whenever there is an indication that goodwill may be impaired.

For the purpose of impairment testing, the Elavon Europe CGU represents the lowest level at which goodwill is monitored by key management personnel. EMS CGU comprises the total merchant processing business across Europe, and is the sole CGU for the purpose of impairment testing for this business line. An additional impairment test is performed for the GCTS CGU. The basis of the recoverable amount is the value in use for both business lines.

For a CGU, the value in use is calculated by discounting management's cash flow projections for the CGU. The discount rate of 12% (2015: 13%) used in the calculation represents the cost of capital that the Group's ultimate parent undertaking allocates to investments in Europe.

A long-term growth rate of 5% (2015: 5%) was used to extrapolate the cash flows. The growth rate is achievable in the longer term based on customer initiatives implemented, low attrition levels, and past experience showing that growth rates of the portfolios have exceeded GDP growth rates. An expense reduction rate was used to reduce the direct expense by 1% over a five year period to 40% (2015: 44%).

The recoverable amount for goodwill in 2016 is calculated to be EUR 1,395,462 thousand (2015: EUR 962,717 thousand). As a result of these figures no impairment of goodwill was recognised in either 2016 or 2015. If any of the inputs were to be reasonably changed, the recoverable amount does not go below the carrying amount.

### 17 Intangible Assets – Other

<b>Intangible Assets - Other</b>					
<i>In thousands of Euro</i>	<b>Computer Software</b>	<b>Merchant Contracts</b>	<b>Corporate Trust Contracts</b>	<b>Non-Compete Contracts</b>	<b>Total</b>
<b>Cost</b>					
Opening balance	44,929	107,491	3,619	-	156,039
Additions	1,535	-	-	-	1,535
Exchange movements	(111)	(9,123)	(517)	-	(9,751)
<b>Closing Balance of cost account</b>	<b>46,353</b>	<b>98,368</b>	<b>3,102</b>	<b>-</b>	<b>147,823</b>
<b>Accumulated amortisation</b>					
Opening balance	38,778	93,631	3,216	-	135,625
Amortisation charge for the year	2,799	2,189	227	-	5,215
Exchange movements	(69)	(8,325)	(509)	-	(8,903)
<b>Closing Balance of the accumulated amortisation</b>	<b>41,508</b>	<b>87,495</b>	<b>2,934</b>	<b>-</b>	<b>131,937</b>
<b>Net book value as at 31 December 2016</b>	<b>4,845</b>	<b>10,873</b>	<b>168</b>	<b>-</b>	<b>15,886</b>

## Notes to the Consolidated Financial Statements

### 17 Intangible Assets – Other (continued)

<i>In thousands of Euro</i>	Computer Software	Merchant Contracts	Corporate Trust Contracts	Non-Compete Contracts	Total
<b>Cost</b>					
Opening balance	42,012	104,097	3,410	725	150,244
Additions	3,097	-	-	-	3,097
Disposals	(226)	-	-	(725)	(951)
Exchange movements	46	3,394	209	-	3,649
<b>Closing Balance of cost account</b>	<b>44,929</b>	<b>107,491</b>	<b>3,619</b>	<b>-</b>	<b>156,039</b>
<b>Accumulated amortisation</b>					
Opening balance	36,351	87,768	2,684	725	127,528
Disposals	(13)	-	-	(725)	(738)
Amortisation charge for the year	2,392	2,874	370	-	5,636
Exchange movements	48	2,989	162	-	3,199
<b>Closing Balance of the accumulated amortisation</b>	<b>38,778</b>	<b>93,631</b>	<b>3,216</b>	<b>-</b>	<b>135,625</b>
<b>Net book value as at 31 December 2015</b>	<b>6,151</b>	<b>13,860</b>	<b>403</b>	<b>-</b>	<b>20,414</b>

Merchant contracts, corporate trust customer contracts, and non-compete agreement arose from past acquisitions. Management believes that any reasonable possible changes in key assumptions would not cause the CGU carrying amount to exceed its recoverable amount.

#### *Impairment testing of other intangible assets*

The recoverable amount of the contracts has been determined based on a value in use calculation (2016 discount rate 12%) using cash flow projections based on the 2016 actual results approved by senior management and cash flows are extrapolated beyond this. It was found that there were no indicators of impairment of intangibles during the year 2016; therefore a full Impairment review was not carried out for 2016.

### 18 Property, Plant and Equipment

<i>In thousands of Euro</i>	Premises and leasehold improvements	Office and computer equipment	Motor Vehicles	Total
<b>Property, Plant and Equipment</b>				
<b>Cost</b>				
Opening balance	15,676	98,005	-	113,681
Additions	1,333	14,628	-	15,961
Disposals	(371)	(8,534)	-	(8,905)
Exchange movements	(228)	(3,803)	-	(4,031)
<b>Closing Balance of cost account</b>	<b>16,410</b>	<b>100,296</b>	<b>-</b>	<b>116,706</b>
<b>Accumulated depreciations and write-offs</b>				
Opening balance	9,464	67,382	-	76,846
Disposals	(53)	(7,658)	-	(7,711)
Depreciation charge for the year	877	11,012	-	11,889
Exchange movements	(189)	(2,407)	-	(2,596)
<b>Closing Balance of the accumulated depreciation account</b>	<b>10,099</b>	<b>68,329</b>	<b>-</b>	<b>78,428</b>
<b>Net book value as at 31 December 2015</b>	<b>6,311</b>	<b>31,967</b>	<b>-</b>	<b>38,278</b>

## Notes to the Consolidated Financial Statements

### 18 Property, Plant and Equipment (continued)

<i>In thousands of Euro</i>	Premises and leasehold improvements	Office and computer equipment	Motor Vehicles	Total
<b>Cost</b>				
Opening balance	15,055	89,314	286	104,655
Additions	550	15,686	-	16,236
Disposals	-	(8,083)	(286)	(8,369)
Exchange movements	71	1,088	-	1,159
<b>Closing Balance of cost account</b>	<b>15,676</b>	<b>98,005</b>	<b>-</b>	<b>113,681</b>
<b>Accumulated depreciations and write-offs</b>				
Opening balance	8,618	64,477	286	73,381
Disposals	-	(7,213)	(286)	(7,499)
Depreciation charge for the year	849	9,438	-	10,287
Exchange movements	(3)	680	-	677
<b>Closing Balance of the accumulated depreciation account</b>	<b>9,464</b>	<b>67,382</b>	<b>-</b>	<b>76,846</b>
<b>Net book value as at 31 December 2015</b>	<b>6,212</b>	<b>30,623</b>	<b>-</b>	<b>36,835</b>

### 19 Other Assets

The following Other Assets are deemed to be current assets with the exception of the Visa Europe deferred consideration.

<b>Other Assets</b>			
<i>In thousands of Euro</i>	Note	2016	2015
Commercial Loans - Receivable		13,665	9,647
Accrued assessments		1,093	1,781
Prepayments and other receivables		9,274	8,900
Visa Europe deferred consideration receivable		15,876	-
Tax debtors		1,412	2,089
Other Assets - Other		367	906
Receivables from affiliate companies		4,690	7,628
Foreign exchange contracts	26	578	85
Interest Receivable		150	6
<b>As at 31 December</b>		<b>47,105</b>	<b>31,042</b>

Derivatives entered into by the Group are generally traded in an over-the-counter market with professional market counterparties on standardised contractual terms and conditions. The contracts are short-term deposits and the latest date of maturity for the above contracts is 20 January 2017.

Forward contracts frequently involve a high degree of leverage, and a relatively small movement in a currency exchange rate may give rise to significant loss. Over-the-counter derivatives may expose the Group to the risks associated with the absence of an exchange market on which to close out an open position. The use of standardised contractual terms and conditions by the Group mitigates this risk. The Group has credit exposure to the counterparties of forward contracts.

## Notes to the Consolidated Financial Statements

### 19 Other Assets (continued)

The Group settles its forward contracts on a net basis and therefore mitigates its liquidity risk. The Group's exposure under derivative contracts is closely monitored as part of the overall management of the Group's market risk.

The Visa Europe deferred consideration receivable accrues interest at 4% and the full settlement is expected to be received in June 2019.

#### Forward Exchange Contracts

<i>In thousands of Euro</i>	<b>Notional Amount</b>	<b>Fair Value Assets</b>	<b>Fair Value Liabilities</b>
PLN	113,179	-	(32)
NOK	28,732	-	(139)
USD	25,437	321	-
AUD	7,995	126	-
Other	18,809	131	(12)
<b>As at end of 31 December 2016</b>	<b>194,152</b>	<b>578</b>	<b>(183)</b>

<i>In thousands of Euro</i>	<b>Notional Amount</b>	<b>Fair Value Assets</b>	<b>Fair Value Liabilities</b>
PLN	98,935	-	(1,800)
NOK	(27,307)	-	(252)
SEK	(3,611)	35	-
USD	24,230	-	(98)
AUD	9,482	-	(235)
Other	13,812	50	(86)
<b>As at end of 31 December 2015</b>	<b>115,541</b>	<b>85</b>	<b>(2,471)</b>

### 20 Corporate Trust Deposits

#### Corporate Trust Deposits

<i>In thousands of Euro</i>	<b>2016</b>	<b>2015</b>
Accrued interest	42	23
Non-interest bearing deposits	76,184	63,445
Interest bearing deposits	6,697,925	6,015,758
<b>As at 31 December</b>	<b>6,774,151</b>	<b>6,079,226</b>

Corporate trust deals are long-term in their nature. However, during interest payment date (IPD) periods, cash balances move significantly. Thus, it is deemed that corporate trust deposits could be repayable within 7 days.

## Notes to the Consolidated Financial Statements

### 21 Other Liabilities

The following Other Liabilities are deemed to be current liabilities with the exception of the Pension liability.

<b>Other Liabilities</b>			
<i>In thousands of Euro</i>	<b>Note</b>	<b>2016</b>	<b>2015</b>
Accruals and sundry creditors*		29,581	29,046
Corporate Trust Payable		-	24,115
Pension liability	<b>22</b>	8,828	6,551
VAT and other tax creditors		8,825	6,855
Corporate Payables		1,594	4,164
Provisions and commitments	<b>27</b>	3,442	4,047
Deferred revenue		3,809	2,904
Forward exchange contracts	<b>19</b>	183	2,471
Payable to affiliate companies		2,963	3,065
Commercial Loans – Payable		451	568
Other liabilities – Other**		42,182	273
<b>As at 31 December</b>		<b>101,858</b>	<b>84,059</b>

\*As at 31 December 2016, the liability for sundry creditors was EUR 804 thousand (2015: EUR 1,122 thousand).

\*\*As at 31 December 2016, Other Liabilities – Other contains a payable for a term deposit transaction of EUR 40,814 thousand (2015: nil).

### 22 Pension Costs

#### Defined contribution plans

The Group has established defined contribution pension plans on behalf of employees. Under the terms of the main plan the Group will match contributions paid by employees up to 6% of the contributing employee's salary.

The pension charge for the year ended 31 December 2016 was EUR 3,949 thousand (2015: EUR 3,783 thousand) of which EUR 459 thousand was payable at 31 December 2016 (2015: EUR 457 thousand).

#### Defined benefit plans

The Group provides employees in the Germany branch with a defined benefit pensions plan. Defined benefit schemes are closed to new entrants.

The characteristics of the German defined benefit pension schemes are outlined below based on actuarial report prepared on 29 November 2016.

#### Germany

In Germany there are 2 defined benefit schemes, both of which are closed to new entrants. The schemes are Occupational Pension schemes categorised as "Direktzusagen" or Direct Pension Commitments. The schemes are registered in Germany and are subject to the Regulatory Framework in place in Germany including the Social Code (SGB III), the Occupational Pensions Act (BetrAVG) and the Insurance Supervision Act (VAG). Occupational Pension schemes fall outside the supervision of the German Federal Financial Supervisory Authority (BaFin).

Plan A, dated 4 May 1994, comprises a final salary plan that provides a lifelong annuity equal to 0.5% of the final salary for every year of pensionable service.

For portions of the salaries above the German Social Security Contribution Ceiling (SSCC), 1.5% of final salary for every year of pensionable service applies.

Plan B, dated 2 January 2003, is a Cash Balance Plan with notional employer contributions amounting to 3% of the total base salary plus 6% of the base salary above the SSCC. The fixed interest credit of 6% p.a. is granted immediately, taking into account the outstanding years until the age of 60. Most employees of Plan A were transferred to Plan B, replacing the accrued benefits in the former plan with an actuarially equivalent initial credit.

## Notes to the Consolidated Financial Statements

### 22 Pension Costs (continued)

A Board of Trustees has been appointed to administer the plan in Germany. The Board of Trustees is required to act in the interest of the plan and all relevant stakeholders in the scheme (active and inactive employees, retirees and employers). The Board of Trustees are responsible for the investment strategy with regard to the plan assets.

#### Risk

The Defined Benefit plans as outlined above typically expose the Group to actuarial risks including; investment risk, interest rate risk, pension increase risk and salary increase risk.

Investment Risk is the risk that the value of plan assets may be impacted by market conditions. Investment Risk is mitigated by a prudent investment strategy which sees the majority of Plan Assets being invested in Money Market Instruments. Remaining investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.

The Interest rate applied is determined in accordance with IAS 19R, Employee Benefits. The standard establishes that the rate used to discount post-employment benefit obligations shall be determined by reference to market yields at the end of the reporting period on high quality corporate bonds.

In countries where there is no deep market for such bonds, the market yields on government bonds shall be used. The currency and term of the corporate bonds or government bonds shall be consistent with the currency and estimated term of the post-employment benefit obligations.

Pension increase risk, is the risk of an increase in pensions leading to an increase in obligations. A sensitivity analysis of the pension increase rate is provided further on in this note.

Salary increase risk is the risk of an increase in salaries leading to an increase in obligations. The salary increase rate risk is mitigated by the remuneration policy of the Group. A sensitivity analysis of the salary increase rate is provided further on in this note. Further details of the policies and procedures employed by the Group to manage risks are outlined in note 25.

Of the total movement in the pension plan surplus, EUR 459 thousand (2015: EUR 457 thousand) is included in staff costs in the Consolidated Statement of Income and EUR 1,897 thousand (2015: EUR 759 thousand) is included in re-measurement of defined benefit plans in the Consolidated Statement of Other Comprehensive Income. The components of the total movement are as follows:

<b>Pension Benefit</b>		
<i>In thousands of Euro</i>	<b>2016</b>	<b>2015</b>
<b>Components of pension cost</b>		
Current service cost	314	325
Net interest expense	145	132
<b>Components of pension cost recorded in profit or loss</b>	<b>459</b>	<b>457</b>
Return on plan assets, excluding interest	74	54
Actuarial losses recognised in the year	1,823	705
<b>Components of pension cost recorded in other comprehensive income</b>	<b>1,897</b>	<b>759</b>
<b>Total recognised in Comprehensive Income</b>	<b>2,356</b>	<b>1,216</b>



## Notes to the Consolidated Financial Statements

### 22 Pension Costs (continued)

<i>In thousands of Euro</i>	<b>2016</b>	<b>2015</b>
<b>Changes in the fair value of plan assets</b>		
Opening balance as at 1 January	6,741	6,782
Interest income	152	170
Return on plan assets, excluding interest	(74)	(54)
Benefits paid	-	(7)
Contributions by employer	(123)	(150)
<b>As at 31 December</b>	<b>6,696</b>	<b>6,741</b>
<b>Changes in the present value of plan liabilities</b>		
Opening balance as at 1 January	13,292	12,133
Current service cost	314	325
Benefits paid	(203)	(174)
Interest costs	296	301
Actuarial losses during the year	1,825	707
<b>As at 31 December</b>	<b>15,524</b>	<b>13,292</b>
<b>Net liability arising from defined benefit obligation</b>	<b>(8,828)</b>	<b>(6,551)</b>

Plan assets in Germany have a quoted market price in an active market. They are held in the form of units of money market, debt and equity funds managed by DWS Investments, (the U.S. retail brand of Deutsche Bank's global asset management division). Those diversified funds invest in a wide range of underlying instruments across different geographical zones and economic sectors.

The major categories of plan assets as a percentage of the fair value of total plan assets are:

	<b>2016</b>	<b>2015</b>
Equity Instruments	50%	19%
Debt Instruments	48%	16%
Money market instruments	2%	65%
<b>As at 31 December</b>	<b>100%</b>	<b>100%</b>
<b>Assumptions used in the calculation of the DBO</b>		
Discount rate	1.5%	2.5%
Rate of salary increase	3.0%	3.0%
Rate of pension increase	2.0%	2.0%

The use of assumptions in calculating the Defined Benefit Obligation ('DBO') gives rise to uncertainty with regards to the amount and timing of future cash flows.

The below sensitivity analysis illustrates how the DBO would be affected by a reasonably possible change in each of the principal assumptions, if all other assumptions remained unchanged.

The degree of variation of the assumptions was determined by the Actuaries following analysis of historical data and represents a reasonably possible change to each of the assumptions within the duration of 1 year.

## Notes to the Consolidated Financial Statements

### 22 Pension Costs (continued)

Sensitivity of the discount rate		
A 100 point increase of the discount rate would decrease the DBO by	(16.59%)	(16.04%)
A 100 point decrease of the discount rate would increase the DBO by	21.90%	21.02%
Sensitivity of the salary increase rate		
A 50 point increase of the salary increase rate would increase the DBO by	0.16%	0.31%
A 50 point decrease of the salary increase rate would decrease the DBO by	(0.15%)	(0.29%)
Sensitivity of the pension increase rate		
A 25 point increase of the pension increase rate would increase the DBO by	2.47%	2.51%
A 25 point decrease of the pension increase rate would decrease the DBO by	(2.38%)	(2.24%)

### 23 Share Capital

Share Capital		
<i>In thousands of Euro</i>	2016	2015
<b>Ordinary Share Capital - Authorised</b>		
1,000,000,000 ordinary shares of €1 each (2015: 1,000,000,000)	1,000,000	1,000,000
<b>Allotted, called up and fully paid</b>		
6,400,001 ordinary shares of €1 each (2015: 6,400,001)	6,400	6,400

There were no movements in the authorised or issued share capital during the year or during the preceding year.

### 24 Capital Contribution

Capital contributions relate to amounts Invested In Elavon Financial Services DAC by U.S. Bancorp (via its subsidiary U.S. Bank National Association) that are non-refundable and for which neither U.S. Bancorp nor U.S. Bank National Association receives shares. The total capital contributions as at 31 December 2016 were EUR 589,389 thousand (2015: EUR 589,389 thousand).

The Group recognised a credit in equity, as contribution from U.S. Bank National Association of EUR 1,274 thousand (2015: EUR 995 thousand) which represented the cash settlement of awards to employees during the year arising from restricted stock units of U.S. Bancorp.

### 25 Risk Management

The Group has defined internal governance arrangements, which include an organisational structure with defined lines of responsibility; a Risk Management Framework designed to identify, measure, control, monitor and report the risks to which it is or might be exposed; an Internal Controls Framework designed to support adequate internal control mechanisms; and a Remuneration Policy and practices that are consistent with and promote sound and effective risk management.

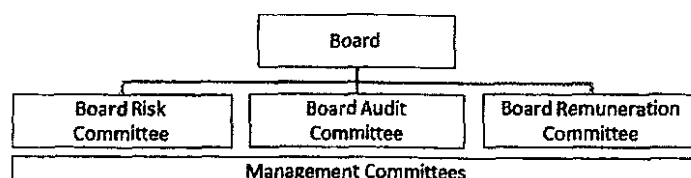
#### *The Board of Directors*

The Board of Directors, ('the Board'), has overall responsibility for the Group. In particular, the Board is responsible for the ethical oversight of the Group, setting the business strategy for the Group, and ensuring that the risk and compliance are properly managed.

## Notes to the Consolidated Financial Statements

### 25 Risk Management (continued)

The Board delegates authority to sub-committees or management to act on behalf of the Board in respect of certain matters, the Board has established mechanisms for documenting the delegation and monitoring the exercise of delegated functions. The governance structure includes the following Committees:



#### *Board Risk Committee*

The Board Risk Committee has been delegated authority by the Board to provide oversight and advice to the Board on the current risk exposure of the Group and future risk strategy. Additionally, the Committee has been delegated responsibility by the Board to oversee the Group's Risk Management Framework. The Committee is responsible for monitoring all aspects of risk associated with the operations of the Group.

#### *Board Audit Committee*

The Board Audit Committee has been delegated authority to provide assistance to the Board in fulfilling its responsibility to the shareholders with respect to its oversight of the financial reporting process and the quality and integrity of the Group's financial statements; the Group's internal controls and compliance with legal and regulatory requirements; the statutory audit of the annual and consolidated accounts; the independence of the Group's auditor, and the provision of additional services to the Group; and the effectiveness of the Group's Internal Audit function.

#### *Board Remuneration Committee*

The Board Remuneration Committee has been delegated authority by the Board to oversee the Group's Remuneration Policy and practices, as well as considering senior management remuneration and, if required, making recommendations to the Board in respect of the remuneration arrangements of the Executive Directors of the Group.

#### *Management Committees*

The Board has established a small number of management committees, as follows:

- Managing Committee, which has primary responsibility for proposing the direction of the Group to the Board, and ensuring the effective implementation of the Board's strategy, risk appetite, policies and other guidance;
- Information Technology Governance Committee ('ITGC'), which has primary responsibility for the oversight and governance of Information Technology risk management within the Group;
- Executive Risk Committee ('ERC'), which has been delegated responsibility from the Board Risk Committee to provide executive oversight of the enterprise risk framework. The ERC helps the Group grow profitably in a safe and sound manner, while promoting an effective risk management culture throughout the organisation and is supported in this activity by the following committees:
  - Asset & Liability Management Committee ('ALMC'), which has primary responsibility for the implementation of the Board's asset and liability management strategies and policies;
  - Compliance & Operational Risk Committee acts as the primary management level committee dedicated to compliance and operational risk at Elavon Financial Services DAC, providing direction regarding the management of compliance and operational risk to business lines and to the risk management programs, discussing compliance and operational risk and loss events across the Group, exploring mitigation strategies, and sharing institutional knowledge. The Committee considers the condition of the risks, the Group's programs to manage risks, and significant individual items. It escalates matters as necessary to executive management and to the ERC of the Group, under whose oversight the Committee operates;
  - Credit Management Committee, which has primary responsibility for the implementation of the Board's credit risk policies;

## Notes to the Consolidated Financial Statements

### 25 Risk Management (continued)

- Internal Capital Adequacy Assessment Process ('ICAAP') Committee, which has primary responsibility for ensuring the effective implementation of the Board's ICAAP;
- Internal Liquidity Adequacy Assessment Process ('ILAAP') Committee, which has primary responsibility for providing specialist technical advice with regard to the Board's ILAAP and supporting activities;
- Fraud Committee, which has primary responsibility for promoting a unified, coordinated and collaborative approach to Fraud Risk Management across the Group;
- Data Governance Committee, which has primary responsibility for ensuring consistent, high-quality data is available across the Group; and
- Macro Risk Committee, which has primary responsibility to perform duties and provide specialist technical advice in relation to the potential impacts on Elavon Financial Services DAC as a result of key macro variables affecting corporate performance in the EU and the wider Europe area. The remit of the committee duties will be informed by the Group's geographic footprints and key variables to which the Group is exposed through its activities in those countries. The Macro Risk Committee has authority to mandate other ERC subcommittees to deliver upon mitigating actions and/or contingency action plans delegated to them should risks identified fall under the scope of such committees.

### Approach to Managing Risk

#### *Risk Cycle*

The Group manages the risks to which it is exposed to through the risk cycle:

- **Identify** Ensuring the risk inherent in all material products, activities, processes and systems is identified to make sure they are well understood.
- **Assess** Understanding the Group's risk profile and allocating risk management resources and strategies most effectively.
- **Control** Activities undertaken to ensure adherence to the risk appetite and strategy, as well as individual policies and limits established by the Group.
- **Monitor & report** Regular monitoring of the Group's risk profile and material exposures to losses and the communication of this to relevant parties.

#### *Risk Appetite*

The Board has developed a documented risk appetite, which is expressed in both qualitative terms and quantitative metrics. The Group's risk culture is based on the risks the Group faces and how they are managed, taking into account its risk appetite. The Board ensures the Risk Management Framework and Internal Controls Framework reflect the risk appetite and that there are adequate arrangements in place to ensure that there is regular reporting to the Board on risk appetite.

#### *Risk Management & Strategy*

The Group's approach to risk management has been developed to provide an environment that supports the achievement of strategy in a sustainable way. This is achieved through aligning risk limits and controls to strategy, through direct alignment to the Board's risk appetite.

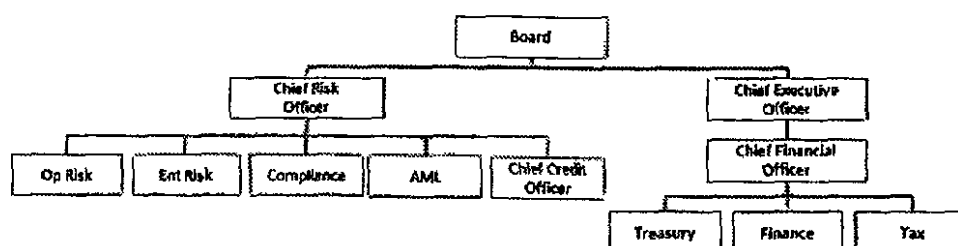
## Notes to the Consolidated Financial Statements

### 25 Risk Management (continued)

#### *Risk Control & Compliance Function*

The Risk & Compliance Function ('RCF') helps the Group accomplish its objectives by ensuring that each key risk the Group faces is identified and properly managed.

The RCF is divided into five key disciplines: Operational Risk, Enterprise Risk, Compliance, Credit and Anti-Money Laundering.



The RCF supports the Board (and sub-Committees thereof) in managing risk across the Group through providing a holistic view of all relevant risks. The RCF enables business units and support functions to effectively manage the risks their activities give rise to. The RCF is independent of the business and support units whose risks it controls.

#### *Geographical Risk*

The Group's activities are diversified throughout various countries in Europe, all of which are considered to be developed and none of which experience hyper-inflationary conditions. As the Group is not excessively dependent on one market, geographical risk is not considered to be significant to the Group. The geographical market concentrations of receivables from issuing banks, EMS and GCTS receivables are noted below:

<b>Geographical Risk</b>		
<b>Corporate Trust</b>	<b>2016</b>	<b>2015</b>
United Kingdom	100%	100%
<b>Total</b>	<b>100%</b>	<b>100%</b>
<b>Receivables from Issuing Banks</b>	<b>2016</b>	<b>2015</b>
Ireland	11%	11%
United Kingdom	55%	52%
Poland	19%	20%
Norway	12%	15%
Germany	3%	2%
<b>Total</b>	<b>100%</b>	<b>100%</b>
<b>Merchant Receivables</b>	<b>2016</b>	<b>2015</b>
Ireland	37%	30%
United Kingdom	52%	59%
Poland	6%	4%
Norway	2%	2%
Germany	3%	4%
Spain	0%	1%
<b>Total</b>	<b>100%</b>	<b>100%</b>

## Notes to the Consolidated Financial Statements

### 25 Risk Management (continued)

#### *Credit Risk*

Credit Risk is the risk of loss resulting from a counterparty or obligor being unable to meet contractual obligations agreed with the Group in respect of financial transactions. Credit risk arises both on an on-balance sheet and off-balance sheet exposure basis. On-balance sheet credit risk primarily relates to exposures to Card Issuing Banks and Banks that the Group has deposited cash with. Off-balance sheet credit risk primarily relates to the contingent risks attached to Merchant Processing.

The Board-approved Risk Appetite Statement and associated policies set out risk tolerance and parameters for exposures to a customer or a group of connected customers. The core values and principles governing the management of credit risk are contained in the Group's credit policies.

Exposure to credit risk is managed at origination and through-the-cycle by analysis and regular review of counterparty's ability to meet its obligations to the Group; the criterion for acceptable underwriting is set out in policy. Additionally, the Group obtain collateral and guarantees from customers where appropriate to reduce and manage credit risk. Delayed settlement is also utilised as a tool for mitigating chargeback risk for some customers.

The exposure to any one borrower including banks and brokers is restricted by sub-limits covering on and off Statement of Financial Position exposures and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Monitoring of credit risk is enabled through the provision and availability of current information to support the credit risk management of individual customer relationships as well as the overall portfolio. Credit risk is reported to senior management through the Credit Management Committee.

#### *Market Risk*

Market risk is defined as the current or prospective risk to earnings and capital arising from adverse movements in interest rates, foreign currency exchange, credit spreads, equity prices and risk related factors such as market volatilities. The Group's primary exposures to market risks are foreign exchange and interest rate risk. The Board sets limits on the value of risk that may be accepted.

#### *Foreign Exchange Risk*

The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure which are monitored daily. The ALMC has responsibility for monitoring compliance with the asset and liability management policies, including foreign exchange exposures.

The table below is a sensitivity analysis which demonstrates the effects of potential 5% adverse movements in exchange rates of the given currencies versus the Euro. The mitigating effects of the forward contracts outstanding at year end are included in the analysis. Intergroup balances, although netted on a Group level, have an impact on the analysis and are therefore also included.

<b>Foreign Exchange Risk</b>				
<i>In thousands of Euro</i>	<b>2016 Statement of Income</b>	<b>2016 Equity</b>	<b>2015 Statement of Income</b>	<b>2015 Equity</b>
GBP	(703)	(8,551)	(614)	(9,522)
NOK	(62)	(1,535)	(35)	(1,401)
PLN	19	(317)	(2)	(212)
USD	116	65	(116)	(78)
<b>Total</b>	<b>(630)</b>	<b>(10,338)</b>	<b>(767)</b>	<b>(11,213)</b>

## Notes to the Consolidated Financial Statements

### 25 Risk Management (continued)

#### Interest Rate Risk

To minimise the volatility of net interest income and the market value of assets and liabilities, the Group monitors its exposure to changes in interest rates through asset and liability management activities within the guidelines established in the ALMC and approved by the Board.

The ALMC has responsibility for monitoring compliance with the asset and liability management policies, including interest risk exposure. The Group uses net interest income simulation and market value risk analysis for measuring and analysing interest rate risk.

The table below is a sensitivity analysis which demonstrates the effects of potential 10bps positive/adverse movements in interest rates, for the Group:

Interest Rate Risk				
In thousands of Euro	2016 Statement of income		2015 Statement of income	
	+10bps	-10bps	+10bps	-10bps
Interest from central banks**	1,262	(25)	443	(68)
Interest from other banks	241	(241)	181	(181)
Interest income from affiliate companies on fixed term deposits**	2,098	(2,862)	4,860	(3,586)
Interest expense on overdraft	(50)	50	(70)	70
Interest expense - corporate trust deposits *	(3,007)	677	(2,300)	257
<b>Total</b>	<b>544</b>	<b>(2,401)</b>	<b>3,114</b>	<b>(3,508)</b>

\* Note: Due to certain contractual conditions within our Corporate Trust Deposits, it is unlikely that the full impact of a 10bps movement would arise and we have thus utilised a 5bps positive/adverse movement for this category.

\*\*Note: Due to the current negative interest rate environment in the Eurozone, it is unlikely the full impact of a 10bps movement would arise for our Central Bank and Affiliate balances, and we have thus utilised a 5bps positive movement for these categories for 2016.

#### Operational risk

The Group defines operational risk as the risk of loss resulting from inadequate or failed Internal processes, people and systems or from external events. The Group manages operational risk through Its Risk Management Framework and Internal Control Framework, and supporting procedures, policies and processes. Management have direct and primary responsibility and accountability for identifying, assessing, controlling, and monitoring operational risks embedded in their business activities.

The Group maintains a system of controls with the objective of providing proper transaction authorisation and execution, safeguarding of assets from misuse or theft, and ensuring the reliability of financial and other data. Management are responsible for ensuring that the controls are appropriate and are implemented as designed.

#### Liquidity risk

Liquidity risk is defined as the current or prospective risk to earnings and capital arising from the Group's inability to meet its liabilities when they come due. The Group's approach to liquidity risk management is designed to maintain sufficient liquidity in both normal operating environments as well as in periods of severe stress.

Liquidity risk is managed by the ALMC of the Group. Liquidity risk is managed on a daily basis, with quarterly stress testing performed on the Group's liquidity position. The Group has a Contingency Funding Plan and liquidity risk is mitigated by the significant net liquidity position of the Group.

# Notes to the Consolidated Financial Statements

## 25 Risk Management (continued)

<b>Assets by their contractual undiscounted cash flows</b>					
<i>In thousands of Euro</i>	<b>Demand and less than 1 month</b>	<b>From 1 to 6 months</b>	<b>From 6 to 12 months</b>	<b>Over 12 months</b>	<b>Total</b>
Cash and balances at central banks	6,225,513	-	-	-	6,225,513
Due from banks	295,925	-	-	-	295,925
Investments with affiliates	1,229,745	-	-	-	1,229,745
Receivables from issuing banks	478,794	-	-	-	478,794
Merchant receivables	43,865	21,050	-	-	64,915
Security Services receivables	7,698	-	2,911	423	11,032
Finance lease receivables	35	35	-	-	70
Financial assets available for sale	-	-	-	17,902	17,902
Other assets	13,267	14,873	-	17,553	45,693
<b>As at 31 December 2016</b>	<b>8,294,842</b>	<b>35,958</b>	<b>2,911</b>	<b>35,878</b>	<b>8,369,589</b>
<i>In thousands of Euro</i>	<b>Demand and less than 1 month</b>	<b>From 1 to 6 months</b>	<b>From 6 to 12 months</b>	<b>Over 12 months</b>	<b>Total</b>
Cash and balances at central banks	1,641,120	-	-	-	1,641,120
Due from banks	469,680	-	-	-	469,680
Investments with affiliates	4,568,049	-	-	-	4,568,049
Receivables from issuing banks	265,045	-	-	-	265,045
Merchant receivables	66,009	-	-	-	66,009
Security Services receivables	5,741	1,066	-	423	7,230
Finance lease receivables	142	434	-	258	834
Financial assets available for sale	100,449	-	-	-	100,449
Other assets	13,897	13,687	-	1,369	28,953
<b>As at 31 December 2015</b>	<b>7,130,132</b>	<b>15,187</b>	<b>-</b>	<b>2,050</b>	<b>7,147,369</b>
<b>Liabilities by their contractual undiscounted cash flows</b>					
<i>In thousands of Euro</i>	<b>Demand and less than 1 month</b>	<b>From 1 to 6 months</b>	<b>From 6 to 12 months</b>	<b>Over 12 months</b>	<b>Total</b>
Overdrafts	784	-	-	-	784
Due to banks	440	188	-	18	646
Merchant payables	717,173	-	-	-	717,173
Corporate Trust deposits	6,774,151	-	-	-	6,774,151
Other liabilities	50,888	24,011	-	10,883	85,782
<b>As at 31 December 2016</b>	<b>7,543,436</b>	<b>24,199</b>	<b>-</b>	<b>10,901</b>	<b>7,578,536</b>
<i>In thousands of Euro</i>	<b>Demand and less than 1 month</b>	<b>From 1 to 6 months</b>	<b>From 6 to 12 months</b>	<b>Over 12 months</b>	<b>Total</b>
Overdrafts	66	-	-	-	66
Due to banks	2,481	-	-	-	2,481
Merchant payables	357,482	-	-	-	357,482
Corporate Trust deposits	6,079,226	-	-	-	6,079,226
Other liabilities	12,987	50,715	-	6,551	70,253
<b>As at 31 December 2015</b>	<b>6,452,242</b>	<b>50,715</b>	<b>-</b>	<b>6,551</b>	<b>6,509,508</b>



## Notes to the Consolidated Financial Statements

### 26 Fair Value Hierarchy of Other Financial Assets and Liabilities

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Set out below is a comparison by class, of the carrying amounts and fair value of the Group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values.

<b>Fair Value Hierarchy</b>						
<i>In thousands of Euro</i>	<b>Level 1 Fair Value</b>	<b>Level 1 Carrying Amount</b>	<b>Level 2 Fair Value</b>	<b>Level 2 Carrying Amount</b>	<b>Level 3 Fair Value</b>	<b>Level 3 Carrying Amount</b>
<b>Financial Assets</b>						
Available for Sale	-	-	-	-	17,902	17,902
Foreign exchange forward contracts	-	-	578	578	-	-
<b>As at 31 December 2016</b>	<b>-</b>	<b>-</b>	<b>578</b>	<b>578</b>	<b>17,902</b>	<b>17,902</b>
<b>Financial Liabilities</b>						
Foreign exchange forward contracts	-	-	(183)	(183)	-	-
<b>As at 31 December 2016</b>	<b>-</b>	<b>-</b>	<b>(183)</b>	<b>(183)</b>	<b>-</b>	<b>-</b>

<i>In thousands of Euro</i>	<b>Level 1 Fair Value</b>	<b>Level 1 Carrying Amount</b>	<b>Level 2 Fair Value</b>	<b>Level 2 Carrying Amount</b>	<b>Level 3 Fair Value</b>	<b>Level 3 Carrying Amount</b>
<b>Financial Assets</b>						
Available for Sale	8,126	8,126	-	-	92,323	92,323
Foreign exchange forward contracts	-	-	85	85	-	-
<b>As at 31 December 2015</b>	<b>8,126</b>	<b>8,126</b>	<b>85</b>	<b>85</b>	<b>92,323</b>	<b>92,323</b>
<b>Financial Liabilities</b>						
Foreign exchange forward contracts	-	-	(2,471)	(2,471)	-	-
<b>As at 31 December 2015</b>	<b>-</b>	<b>-</b>	<b>(2,471)</b>	<b>(2,471)</b>	<b>-</b>	<b>-</b>

#### *Financial Assets Available for Sale*

The Group held a membership interest in VISA Europe. On 2 November 2015, VISA Inc. entered into an agreement to acquire VISA Europe from its members for consideration principally consisting of cash and VISA Inc. convertible preferred stock. The purchase of VISA Europe by VISA Inc. closed during 2016 and the gain on sale of EUR 192,279 thousand was recognised in other operating income (Note 5)

This gain consisted of a cash settlement of EUR 163,016 thousand (of which EUR 3,190 thousand was payable to Santander UK), deferred consideration of EUR 15,547 thousand and Visa Inc. Series B Preferred Shares of EUR 16,906 thousand. These preferred shares are convertible into Visa Inc. Class A common shares and are valued using the Class A quoted price on the stock exchange multiplied by an estimated conversion rate and other assumptions. For this reason they are classified as Level 3 in the fair value hierarchy.

The Group also sold all of its holdings in Visa Inc. Class C common shares and received cash settlement of EUR 8,682 thousand for these shares. The gain on sale of EUR 7,850 thousand was recognised in other operating income (Note 5).

## Notes to the Consolidated Financial Statements

### 26 Fair Value Hierarchy of Other Financial Assets and Liabilities (continued)

#### *Foreign Exchange Forward Contracts*

The valuation technique used for forward contracts is based on active market rates, which are foreign exchange spot and forward rates. As the foreign exchange trades are undertaken with the Group's ultimate parent, U.S. Bancorp, the rate agreed is verified and matched against the daily prevailing rate available on the market. The daily gain or loss on the foreign exchange contracts is recognised through the profit or loss.

#### *Other Assets and Liabilities Held at Fair Value*

Other assets and liabilities held at fair value by the Group, outside the scope of IFRS 13, Fair Value Measurement, include: share based payments, finance leases and pension plan assets.

### 27 Provisions

#### *Legal proceedings*

From time to time and in the normal course of business, claims are made against the Group. Legal provisions consist of both litigation and claim costs, arising from the ordinary course of business.

#### *Merchant processing – chargebacks*

The Group provides merchant processing services. Under the rules of credit card associations, a merchant processor retains a contingent liability for credit card transactions processed. This contingent liability arises in the event of a claim arising between the parties to a transaction that is ultimately resolved in the cardholder's favour and for which no defence to liability under the card scheme rules applies.

In this situation, the transaction is "charged-back" to the merchant's account and the disputed amount is credited or otherwise refunded to the cardholder by issuing bank. If the Group is unable to collect this amount from the merchant, it bears the loss for the amount claimed by the issuing bank.

A cardholder, under the card scheme rules, generally has until the later of up to four months after the date the transaction is processed or the receipt of the product or service to present a charge-back claim. Pursuant to one of the various calculations used to assess such contingencies, the Group's absolute maximum potential liability is estimated to be the total volume of credit card transactions that meet the associations' requirements to be valid charge-back transactions at any given time. If this methodology were to be used, management estimates that the maximum potential exposure for charge-backs would approximate the total amount of merchant transactions processed through the credit card associations for the last four months. This amount totalled approximately EUR 10.6 billion (2015: EUR 11.3 billion).

In most cases, this contingent liability is unlikely to arise, as most products and services are delivered when purchased and amounts are refunded when items are returned to merchants. However, where the product or service has been purchased but is not provided until a future date ("future delivery"), the potential for this contingent liability increases.

To mitigate this risk, the Group may require the merchant to make an escrow deposit, place maximum volume limitations on future delivery transactions processed by the merchant at any point in time, or require various credit enhancements (including letters of credit and bank guarantees). Also, merchant processing contracts may include event triggers to provide the Group more financial and operational control in the event of financial deterioration of the merchant.

In the event a merchant was unable to fulfil product or services subject to future delivery, such as airline tickets, and other card scheme rule provisions are satisfied, the Group could become financially liable under the charge-back provisions contained in the card scheme rules. Charge-back risk related to these merchants can be evaluated in a manner similar to credit risk assessments and, utilising a similar mode of assessment for the Group, merchant processing contracts contain various provisions to protect the Group in the event of default. At 31 December 2016, the value of airline tickets purchased to be delivered at a future date was EUR 2.6 billion (2015: EUR 2.9 billion).

## Notes to the Consolidated Financial Statements

### 27 Provisions (continued)

In the normal course of business, the Group has unresolved charge-backs. The Group assesses the likelihood of its potential liability based on the extent and nature of unresolved charge-backs and its historical loss experience. At 31 December 2016, the Group held EUR 50.6 million (2015: EUR 47 million) of merchant escrow deposits as collateral and had a recorded liability for potential losses of EUR 1.1 million (2015: EUR 1.4 million).

#### *Asset Retirement Obligation (ARO)*

As part of its various business operations throughout Europe the Group has entered into various leasehold agreements with landlords in respect of the office buildings used by its employees. These leasehold agreements will include the various standard clauses. One such clause includes a requirement for the tenant to make good any changes made to the property during the period of the lease (known either as "dilapidations" or 'leasehold restorations').

A dilapidations claim is the overall process associated with an allegation of a breach of the clause under the lease in relation to the condition of the premises. The claim usually occurs at the end of a lease term but in some cases can occur during the lease term. It has been determined that each building needs to be considered on its own merits, as to what works will be required. To this end, the Group's Real Estate & Facilities Manager (a member of the Royal Institution of Chartered Surveyors) has been in discussion with a reputable third party firm (Jones Lang LaSalle) to ascertain guide costs for the leasehold portfolio taking into account the location of the buildings and similar dilapidations expenses in those locations.

<b>Provisions</b>				
<i>In thousands of Euro</i>	<b>Chargeback Provision</b>	<b>Asset Retirement Obligation</b>	<b>Finance Lease Provision</b>	<b>Total</b>
Opening provision	1,412	2,281	354	4,047
Charges for the period	(4,625)	-	(186)	(4,811)
Increase / (decrease) in current year provision	4,322	(7)	(109)	4,206
<b>As at 31 December 2016</b>	<b>1,109</b>	<b>2,274</b>	<b>59</b>	<b>3,442</b>

<i>In thousands of Euro</i>	<b>Chargeback Provision</b>	<b>Asset Retirement Obligation</b>	<b>Finance Lease Provision</b>	<b>Total</b>
Opening provision	1,405	1,759	674	3,838
Charges for the period	(2,752)	-	(184)	(2,936)
Increase / (decrease) in current year provision	2,759	522	(136)	3,145
<b>As at 31 December 2015</b>	<b>1,412</b>	<b>2,281</b>	<b>354</b>	<b>4,047</b>

#### *Operating lease commitments – Group as lessee*

The Group has an operating lease in respect of Building 8, Cherrywood Business Park, Loughlinstown, D18 W319. The Group also has operating leases in respect of certain premises, office and computer equipment and motor vehicles in Belgium, Ireland, UK, Germany, Poland, Spain and Norway. Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

<b>Non-cancellable operating leases</b>		
<i>In thousands of Euro</i>	<b>2016</b>	<b>2015</b>
Within one year	6,498	8,087
After one year but not more than five years	14,682	20,360
More than five years	6,482	5,386
<b>Total</b>	<b>27,662</b>	<b>33,833</b>

## Notes to the Consolidated Financial Statements

### 27 Provisions (continued)

#### *Operating lease commitments – Group as lessor*

The Group has entered into point-of-sale terminal equipment leases. All terminal equipment leases (except certain finance leases in UK – see note 15) are classified as operating leases.

Contracts for operating leases in Germany are non-cancellable and have remaining terms of between 1 and 75 months. Contracts in Poland are for 1 year and are automatically renewed if not cancelled at the end of the period – there is a notification period and cancellation charge specified in the agreement.

In the UK and Ireland there is no specific period other than that signed into by the merchant on the processing agreement – therefore these contracts are not included in minimum rentals receivable under non-cancellable leases. Clauses exist to change rentals. Future minimum rentals receivable under non-cancellable contracts have been assessed as not material.

### 28 Immediate and Ultimate Parent Undertaking

The Group's immediate Parent undertaking is Elavon European Holdings B.V., a company incorporated in the Netherlands with a registered office at Rapenburgerstraat, 175/D, 1011 Amsterdam.

The Group's ultimate Parent undertaking is U.S. Bancorp, a company incorporated in Delaware, U.S.A.

The Group's immediate controlling party is Elavon European Holdings B.V. The Group's ultimate controlling party is U.S. Bancorp.

The Parent undertaking of the smallest and largest group of undertakings for which Group Financial Statements are drawn up, and of which the Group is a member, is U.S. Bancorp, a company incorporated in Delaware, U.S.A. Copies of its Group Financial Statements are available from that ultimate Parent's web site at [usbank.com](http://usbank.com) or by mail from the ultimate Parent's investor relations department. Contact U.S. Bancorp Investor Relations, 800 Nicollet Mall, Minneapolis, Minnesota 55402, USA or [investorrelations@usbank.com](mailto:investorrelations@usbank.com).

### 29 Subsidiary Undertakings

Subsidiary name	Registered office	Principal activity	Share Capital	Nominal value	Type of shares	Shareholder number of shares	Par Value	Shareholders' Equity in EUR
U.S. Bank Trustees Limited	125 Old Broad Street, London EC2N 2BQ	Corporate Trust Services	250,000	GBP 1	Ordinary Shares	250,000	GBP 1.00	EUR 293,060
USB Nominees (U.K.) Limited	125 Old Broad Street, London EC2N 2BQ	Corporate Trust Services	100	GBP 1	Ordinary Shares	100	GBP 0.01	EUR 0.01
EuroConex Technologies Limited	Building 8, Cherrywood Business Park, Loughlinstown, D18 W319	Currently no activity	481,467	EUR 1	Ordinary Shares	48,146,734	EUR 0.01	EUR 4,540,327
<b>Total:</b>								<b>EUR 4,833,387</b>

## Notes to the Consolidated Financial Statements

### 30 Related Party Transactions

The Group had total borrowings from U.S. Bancorp as at 31 December 2016 of nil (2015: nil). The Group had no short term borrowings from U.S. Bancorp during 2016 (2015: nil).

The Group had total deposits with U.S. Bancorp as at 31 December 2016 of EUR 1,289,277 thousand (2015: EUR 4,817,914 thousand), EUR 1,229,745 thousand (2015: EUR 4,568,049 thousand) were Fixed Term Deposits and EUR 59,532 thousand (2015: EUR 249,865 thousand) were Cash Deposits. The interest income earned on all non EUR deposits totalled EUR 2,862 thousand during 2016 (2015: EUR 3,585 thousand). The bank processing fees from affiliated companies on EUR deposits totalled EUR 7,594 thousand during 2016 (2015: nil).

The Group also entered into day-to-day transactions with U.S. Bancorp and its subsidiaries, mainly comprising the recharging of various costs incurred and transfer pricing. The costs incurred in respect of these transactions totalled EUR 7,114 thousand during 2016 (2015: EUR 10,239 thousand).

The Group has a net receivable from affiliate companies of EUR 1,727 thousand as at 31 December 2016 (2015: EUR 4,563 thousand). The entities which owed amounts to the Group as at 31 December 2016 are U.S. Bancorp, U.S. Bank National Association, Elavon Inc., U.S. Bancorp Fund Services LLC, U.S. Bancorp Fund Services Limited and Quintillion Limited.

The Group retains a 51% shareholding in Santander Elavon Merchant Services, a Joint Venture with Banco Santander which began in April 2013. During the year, The Group provided merchant processing and administrative services to the Joint Venture. As at 31 December 2016, the Group has a receivable of EUR 959 thousand relating to these services (2015: EUR 103 thousand payable).

The Group grants stock-based awards, including restricted stock, restricted stock units and options to purchase common stock of U.S. Bancorp. Stock option grants are for a fixed number of shares to employees and Directors with an exercise price equal to the fair value of the shares at the date of grant. Restricted stock and restricted stock unit grants are awarded at no cost to the recipient. Stock-based compensation for awards is recognized in the Group's results on a straight-line basis over the vesting period. The cost of these awards for 2016 totalled EUR 1,274 thousand (2015: EUR 995 thousand).

<b>Related Parties Transactions - Key Management Compensation</b>		
<i>In thousands of Euro</i>	<b>2016</b>	<b>2015</b>
<b>Short-term benefits:</b>		
Salaries	1,663	1,783
Short-term bonuses	865	811
Long-term bonuses	162	173
Directors' fees	193	140
Car allowances	76	82
Club subscriptions	5	5
Restricted stock units	516	292
Dividends	49	27
Other	92	-
<b>Post-employment benefits:</b>		
Contributions to defined contribution plans	74	88
<b>Total</b>	<b>3,695</b>	<b>3,401</b>

## Notes to the Consolidated Financial Statements

### 31 Capital Management

The Group maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee in Banking Supervision and implemented into law by the European Commission and by the Central Bank of Ireland, in supervising the Group. During the past year, the Group has complied in full with all its externally imposed capital requirements.

The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains healthy capital ratios in order to support its business. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities.

### 32 Dividend Policy

No dividend was issued for the year (2015: nil).

### 33 Subsequent Events

There are no subsequent events after the reporting date.

### 34 Approval of Financial Statements

The Group's Consolidated Financial Statements were authorised for issue by the Board of Directors on 23rd March 2017.

### 35 Regulatory Capital (Unaudited)

The following disclosures in relation to regulatory capital are prepared by management. The disclosures do not form part of the statutory Consolidated Financial Statements prepared under the applicable accounting framework (IFRS as adopted by the EU).

Regulatory capital consists of Tier 1 and Tier 2 capital. Tier 1 capital for the Group mainly consists of share capital, plus capital contributions, plus retained earnings/ (losses), plus foreign currency translation, less goodwill/other intangibles, less SEMS JV capital deduction.

Capital Management - Regulatory Capital				
<i>In thousands of Euro</i>	Actual 2016	Required 2016	Actual 2015	Required 2015
Common equity tier (CET) 1 capital	608,151	117,569	471,491	86,750
Tier 2 capital	-	-	-	-
<b>Total Capital</b>	<b>608,151</b>	<b>164,663</b>	<b>471,491</b>	<b>154,221</b>
<b>Risk Weighted Assets</b>	<b>1,332,227</b>		<b>1,927,768</b>	<b>-</b>
<b>CET 1 Capital Ratio</b>	<b>45.7%</b>	<b>8.8%</b>	<b>25%</b>	<b>4.5%</b>
<b>Total Capital Ratio</b>	<b>45.7%</b>	<b>12.4%</b>	<b>25%</b>	<b>8%</b>

Total exposures include on-balance sheet items, off-balance sheet items and derivatives.

Leverage Ratio				
	Transitional 2016	Fully Loaded 2016	Transitional 2015	Fully Loaded 2015
Leverage Ratio	7%	7%	6%	6%
<b>Total Leverage Ratio</b>	<b>7%</b>	<b>7%</b>	<b>6%</b>	<b>6%</b>

## Notes to the Consolidated Financial Statements

### **35 Regulatory Capital (Unaudited) (continued)**

CRD IV introduces a leverage ratio to prevent an excessive build-up of leverage on an institutions balance sheet. The ratio is defined as tier 1 capital divided by total exposures. Total exposures include on-balance sheet items, off-balance sheet items and derivatives.

Currently, there is no binding minimum requirement for the leverage ratio. The implications of the leverage ratio will be closely monitored prior to its possible move to a binding requirement on 1 January 2018. The Group expects to remain above the Basel Committee indicated minimum level leverage ratio of 3%.

Company Financial Statements

Elavon Financial Services DAC

Company Statement of Income for the year ended 31 December

<i>In thousands of Euro</i>	Note	2016	2015 Restated
Fee and commission income	A	826,810	857,141
Fee and commission expense	A	(539,834)	(595,290)
<b>Net fee and commission income</b>		<b>286,976</b>	<b>261,851</b>
Interest income	4	5,669	4,793
Interest expense	4	(892)	(671)
<b>Net interest income</b>		<b>4,777</b>	<b>4,122</b>
Other operating income	B	211,096	12,907
Share in Profit of Joint Venture	11	4,066	2,175
<b>Total operating income</b>		<b>506,915</b>	<b>281,055</b>
Operating expense	C	(195,313)	(163,765)
Foreign exchange loss	C	(2,706)	(4,016)
<b>Total other operating expense</b>		<b>(198,019)</b>	<b>(167,781)</b>
<b>Profit for the year from continuing operations before taxation</b>		<b>308,896</b>	<b>113,274</b>
Income tax expense	D	(82,521)	(14,237)
<b>Profit for the year from continuing operations, net of tax</b>		<b>226,375</b>	<b>99,037</b>

*Numeric note references – please refer to the Notes to the Consolidated Financial Statements*



Company Financial Statements

Elavon Financial Services DAC

Company Statement of Other Comprehensive Income for the year ended 31 December

<i>In thousands of Euro</i>	Note	2016	2015
			Restated
Profit for the year		226,375	99,037
<b>Other comprehensive income that may be reclassified to the Company Statement of Income</b>			
Foreign currency translation recognised directly in equity		(28,171)	9,394
Tax effect		-	-
Foreign currency translation recognised directly in equity, net of tax		(28,171)	9,394
Unrealised gain on financial assets available for sale		100,512	94,560
Realised gain reclassified to the Statement of Income	B	(200,129)	-
Tax effect		33,822	(31,205)
Unrealised gain on financial assets available for sale, net of tax		(65,795)	63,355
<b>Other comprehensive income that will not be reclassified to the Company Statement of Income</b>			
Re-measurement of defined benefit plans	22	(1,897)	(759)
Tax effect		237	94
Re-measurement of defined benefit plans, net of tax		(1,660)	(665)
Other comprehensive income/(loss), net of tax		(95,626)	72,084
Total comprehensive income, net of tax		130,749	171,121

Numeric note references – please refer to the Notes to the Consolidated Financial Statements

# Company Financial Statements

## Elavon Financial Services DAC

### Company Statement of Financial Position as at 31 December

<i>In thousands of Euro</i>	<i>Note</i>	<i>2016</i>	<i>2015</i>	<i>As at 01 Jan 2015</i>
			<i>Restated</i>	<i>Restated</i>
<b>Assets</b>				
Balances at central banks	9	6,225,513	1,641,120	50,640
Due from banks	9	295,925	469,680	364,299
Investments with affiliates	10	1,229,745	4,568,049	4,986,194
Investment in joint venture	11	92,510	88,444	86,269
Investment in subsidiary	F	4,833	4,833	4,833
Merchant receivables	12	64,415	66,009	58,796
Receivables from Issuing banks	13	478,794	265,045	237,341
Security services receivables	G	8,970	4,100	4,120
Finance lease receivables	15	70	782	2,268
Financial assets available for sale	26	17,902	100,449	6,181
Intangible assets - goodwill	16	131,222	140,120	136,800
Intangible assets - other	17	15,886	20,414	22,716
Property, plant and equipment	18	38,278	36,835	31,274
Current tax asset		177	38	211
Deferred tax asset	D	4,091	5,213	5,234
Other assets	H	47,739	32,163	26,030
<b>Total assets</b>		<b>8,656,070</b>	<b>7,443,294</b>	<b>6,023,206</b>
<b>Liabilities</b>				
Overdrafts	9	784	66	94
Due to banks		646	2,481	92
Corporate trust deposits	20	6,774,151	6,079,226	4,896,985
Merchant payables		717,173	357,482	346,844
Current tax liability		39,635	1,636	2,004
Deferred tax liability	D	9,429	37,244	6,468
Other liabilities	I	106,016	87,672	64,353
<b>Total liabilities</b>		<b>7,647,834</b>	<b>6,565,807</b>	<b>5,316,840</b>
<b>Equity</b>				
Share capital	23	6,400	6,400	6,400
Capital contribution	24	589,389	589,389	589,389
Retained earnings		452,037	225,662	126,625
Foreign currency translation reserve		(34,120)	(5,949)	(15,343)
Pension re-measurement reserve		(6,418)	(4,758)	(4,093)
Available for sale reserve		948	66,743	3,388
<b>Total equity</b>		<b>1,008,236</b>	<b>877,487</b>	<b>706,366</b>
<b>Total liabilities and equity</b>		<b>8,656,070</b>	<b>7,443,294</b>	<b>6,023,206</b>

Numeric note references – please refer to the Notes to the Consolidated Financial Statements

Approved for issue by the Board, on 23 March 2017.

Malcolm Towlson

Craig Gifford

Declan Lynch

Michael Shea (Secretary)

Company Financial Statements

Elavon Financial Services DAC

Company Statement of Changes in Equity for the year ended 31 December

*In thousands of Euro*

	Share capital	Capital contribution	Retained earnings	Foreign currency translation reserve	Pension re-measurement reserve	Available for sale reserve	Total Equity
Balance as at 1 January 2015	6,400	589,389	132,156	(15,343)	(4,093)	3,388	711,897
Loss from Investment in joint venture	-	-	(5,531)	-	-	-	(5,531)
Balance as at 1 January 2015 - Restated	6,400	589,389	126,625	(15,343)	(4,093)	3,388	706,366
Profit for the year - Restated	-	-	99,037	-	-	-	99,037
Other comprehensive income, net of tax	-	-	-	9,394	(665)	63,355	72,084
Total comprehensive income, net of tax - Restated	-	-	99,037	9,394	(665)	63,355	171,121
Management re-charge for share-based payment (Note 7)	-	(995)	-	-	-	-	(995)
Capital Contribution	-	995	-	-	-	-	995
Balance as at 31 December 2015 - Restated	6,400	589,389	225,662	(5,949)	(4,758)	66,743	877,487
Profit for the year	-	-	226,375	-	-	-	226,375
Other comprehensive loss, net of tax	-	-	-	(28,171)	(1,660)	(65,795)	(95,626)
Total comprehensive income, net of tax	-	-	226,375	(28,171)	(1,660)	(65,795)	130,749
Management re-charge for share-based payment (Note 7)	-	(1,274)	-	-	-	-	(1,274)
Capital contribution	-	1,274	-	-	-	-	1,274
Balance as at 31 December 2016	6,400	589,389	452,037	(34,120)	(6,418)	948	1,008,236

## Company Financial Statements

### Elavon Financial Services DAC

#### Company Statement of Cash Flows for the year ended 31 December

<i>In thousands of Euro</i>	<b>Note</b>	<b>2016</b>	<b>2015</b>
			<b>Restated</b>
<b>Cash flows from operating activities</b>			
Profit before tax		308,896	113,274
Adjustments to reconcile profit before tax to net cash			
Depreciation, amortisation and impairment losses	7	17,104	15,923
Losses on disposal of property, plant and equipment		245	115
Share in profit of joint venture	11	(4,066)	(2,175)
Realised gain on sale of financial assets*		(200,129)	-
Interest income		(5,523)	-
Interest expense		873	-
Dividend income on available for sale financial assets		(405)	-
Working Capital adjustments			
Increase in prepayments and other receivables	H	(374)	(2,229)
Increase in accruals and sundry creditors	I	521	1,922
Net change in balances at central banks	9	(4,584,393)	(1,590,480)
Net change in receivables from Issuing banks	13	(213,749)	(27,704)
Net change in merchant receivables	12	1,594	(7,213)
Net change in security services receivables	G	(4,870)	21
Net change in other assets		2,038	(6,952)
Net change in due to other banks	25	(1,835)	2,389
Net change in merchant payables	25	359,691	10,638
Net change in corporate trust deposits		694,925	1,182,502
Net change in other liabilities		17,438	22,049
Interest paid on short term borrowings	4	(215)	(414)
Interest paid on corporate trust deposits		(658)	(257)
Taxation paid		(39,510)	(14,744)
<b>Net cash used in operating activities</b>		<b>(3,652,402)</b>	<b>(303,335)</b>
<b>Cash flows from investing activities</b>			
Interest received on investments and cash balances		5,523	4,826
Net decrease in investment with affiliates	10	3,338,304	418,145
Proceeds from sale of financial assets		168,508	-
Dividend income on available for sale financial assets		405	-
Additions to property, plant and equipment	18	(15,961)	(16,236)
Disposal of property, plant and equipment		948	754
Additions to intangible fixed assets	17	(1,535)	(2,858)
<b>Net cash provided by investing activities</b>		<b>3,496,192</b>	<b>404,631</b>
<b>Cash flows from financing activities</b>			
Payments for Parent Company re-charges for share-based payments	24	(1,274)	(995)
<b>Net cash used in financing activities</b>		<b>(1,274)</b>	<b>(995)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>(16,989)</b>	<b>5,108</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(174,473)</b>	<b>105,409</b>
Cash and cash equivalents at the beginning of the year	9	469,614	364,205
<b>Cash and cash equivalents at the end of the year</b>	<b>9</b>	<b>295,141</b>	<b>469,614</b>

*Numeric note references – please refer to the Notes to the Consolidated Financial Statements*

\*Realised gain on sale of financial assets includes receipt of Visa shares (Note 26) and deferred cash consideration receivable (Note 19).

## Notes to the Company Financial Statements

Where applicable, the Basis of Preparation, Accounting Policies and subsequent Notes to the Company Financial Statements are the same as the Notes to the Consolidated Financial Statements as set out on pages 12 to 51. Any Notes to the Company Financial Statements that differ to the Notes to the Consolidated Financial Statements are set out below. The Company's investments in its subsidiaries are stated at cost less any impairment.

### A Fee and Commission Income and Expense

<b>Fee and Commission Income and Expense</b>		
<i>In thousands of Euro</i>	<b>2016</b>	<b>2015</b>
<b>Fee and commission income</b>		
Merchant processing services - discount income	652,764	681,633
Merchant processing services - merchant fees	117,118	132,598
Merchant processing services - services to joint venture	7,213	6,355
Fee and commission income - terminal rental income	20,276	21,539
Fee and commission income - corporate payment products revenue	4,197	2,984
Fee and commission income - finance lease income	42	313
Fee and commission income - corporate trust revenue	25,200	11,719
<b>Total fee and commission income</b>	<b>826,810</b>	<b>857,141</b>
<b>Fee and commission expense</b>		
Merchant processing services - interchange and assessment expense	435,052	485,865
Merchant processing services - rebates and residuals expense	38,036	34,525
Merchant processing services - other expense	51,994	58,427
Fee and commission expense - other	6,398	4,928
Fee and commission expense - other terminal expense	7,605	9,448
Fee and commission expense - corporate payment products expense	749	2,097
<b>Total fee and commission expense</b>	<b>539,834</b>	<b>595,290</b>
<b>Net fee and commission income</b>	<b>286,976</b>	<b>261,851</b>

#### *Elavon Merchant Services*

EMS fee and commission income is earned from discount fees charged to a merchant. For processing credit and debit card transactions for merchants, interchange and assessment fees are paid to card issuers, and are included in fee and commission expense. EMS revenue is recognised on an accruals basis in the financial year in which the services are provided.

#### *Global Corporate Trust Services*

The Company earns trust fee income from a diverse range of services. GCTS fees are all fees earned by the Company in respect of Special Purpose Vehicles ('SPVs'), under the relevant Governing Instruments and include: Trustee, Principal Paying Agent, Transfer Agent, Calculation Agent, Agent Bank, Custodian, Cash Manager, Reporting Agent and other roles. GCTS revenue is recognised on an accruals basis in the financial year in which the services are provided. These fees are determined in accordance with contracts between the Company or the Company's subsidiaries and their clients.

#### *Corporate Payment Systems*

CPS generates its income from two lines of business: Corporate Card Issuance and Freight Payment Solutions. The Freight payment solutions provide a streamlined global payment network which automates the invoicing and payment process. Fee income is generated by charging the buyer a fee for this service. Discount fees are also earned on counterparty finance, whereby a percentage is deducted off the amount paid to the seller. Corporate Card Issuance acts as the issuing bank that offers bank cards to customers. Fee income is generated by charging Interchange fees on transactions.

## Notes to the Company Financial Statements

### B Other Operating Income

<b>Other Operating Income</b>			
<i>In thousands of Euro</i>			
	<b>Note</b>	<b>2016</b>	<b>2015</b>
Dividend income on available for sale financial assets		406	54
Realised gain on sale of financial assets	<b>26</b>	200,129	-
Services provided to affiliate companies		10,356	12,761
Other operating income - Other		151	92
Recovery of finance lease losses		54	-
<b>Other operating income</b>		<b>211,096</b>	<b>12,907</b>

The realised gain on sale of financial assets relates to the sale of Visa Shares in 2016.

### C Other Operating Expense

In 2013, the Company amended its long term incentive plan. This amendment enabled U.S. Bancorp to grant certain employees shares in U.S. Bancorp as a retention incentive. As at 31 December, the charge for these awards in 2016 was EUR 1,274 thousand (2015: EUR 995 thousand). As at 31 December 2016, EUR 119 thousand was payable (2015: EUR 88 thousand).

The Company has not capitalised wages, social insurance, and other retirement benefits during the year.

<b>Operating Expenses</b>			
<i>In thousands of Euro</i>			
	<b>Note</b>	<b>2016</b>	<b>2015</b>
<b>Staff Costs</b>			
Wages and salaries		92,003	85,471
Social security costs		10,235	8,842
Pension costs - defined contribution plans	<b>22</b>	3,949	3,783
Pension costs - defined benefit plans	<b>22</b>	459	457
Staff costs - other		7,971	7,983
<b>Auditor's Remuneration</b>			
Statutory audit		911	752
Taxation services		1,517	1,205
<b>Other operating expenses</b>			
Depreciation of property, plant and equipment	<b>18</b>	11,889	10,287
Amortisation of intangible assets	<b>17</b>	5,215	5,636
Losses from disposals of fixed assets		245	115
Marketing and business development		9,887	9,668
Occupancy and equipment		10,477	9,013
Other operating expenses - Other		6,918	2,143
Referral expenses		-	3
Bank processing fees*		15,361	986
Provision for finance lease losses		-	77
Postage, printing and supplies		2,465	2,261
Professional services		8,780	8,194
Technology and communications		7,031	6,889
<b>Total operating expenses</b>		<b>195,313</b>	<b>163,765</b>
Foreign exchange loss		2,706	4,016
<b>Total other operating expense</b>		<b>198,019</b>	<b>167,781</b>

\*Bank processing fees has increased in 2016 as a result of additional bank charges from affiliated companies and central banks due to negative interest rates.

## Notes to the Company Financial Statements

### C Other Operating Expense (continued)

Director's emoluments are analysed as follows:

<i>In thousands of Euro</i>	2016	2015
Remuneration in respect of services as Director	193	140
Remuneration in connection with management	1,191	1,639
Pension costs – defined contribution plans (other than in respect of services as Director)	41	53
<b>Total Directors' emoluments</b>	<b>1,425</b>	<b>1,832</b>

No payments have been paid to past Directors during the current or prior year.

### D Income Taxes

<b>Income Taxes</b>			
<i>In thousands of Euro</i>	Rate	2016	2015
<b>Income Tax</b>			
Current tax		76,049	15,064
Prior year tax expense/(credit)		596	(639)
Deferred tax income /(expense)		5,876	(188)
<b>Income tax expense for the year</b>		<b>82,521</b>	<b>14,237</b>

<b>Profit before tax</b>		308,896	113,274
Theoretical tax charge at statutory rate	12.5%	38,612	14,159
Tax effect of items which are not deductible or assessable for taxation purposes:			
Addition/(reversal) of prior year tax		597	(639)
Non-deductible expenses		(273)	(129)
Total temporary differences not accounted for in deferred tax		(455)	(80)
Overseas profits taxed at a higher rate		2,291	1,397
Losses recognised		384	(485)
Current year profits taxed at a higher rate		1,362	-
Uncertain tax provision		34,492	-
Deferred tax on Visa Preferred shares		5,578	-
Other adjustments		(67)	14
<b>Income tax expense for the year</b>		<b>82,521</b>	<b>14,237</b>

<i>In thousands of Euro</i>	2016	2015
<b>Deferred Tax Liability</b>		
Tax effect of taxable temporary differences		
Other intangibles: amortisation	(2,114)	(2,481)
Financial assets available for sale: unrealised gain on Visa	(5,907)	(32,875)
Asset timing differences	(1,484)	(1,849)
Foreign exchange differences	76	(39)
<b>Recognised deferred tax liability</b>	<b>(9,429)</b>	<b>(37,244)</b>

<b>Deferred Tax Asset</b>		
Tax effect of deductible temporary differences		
Asset timing differences	3,403	3,890
Losses in foreign markets	76	485
Re-measurement of Defined Benefit Plan	922	685
Exchange Movements	(310)	153
<b>Recognised deferred tax asset</b>	<b>4,091</b>	<b>5,213</b>

## Notes to the Company Financial Statements

### D Income Taxes (continued)

Underlying profit before tax for the year ended 31 December 2016 includes a gain on sale of shares in VISA Europe, as discussed in Note B to the Company Financial Statements and Note 26 to the Consolidated Financial Statements. For the purposes of taxation this gain has been considered trading income in nature subject to Irish corporate tax at the rate of 12.5%. The Company recognises that the Irish tax authorities may challenge this tax treatment at some future point and hence an uncertain tax provision has been included within current income tax expense above in respect of this uncertain position. This represents the difference between the taxation of the gain as a trading receipt versus a capital receipt.

### E Investment in Joint Venture

The Company's investment in joint venture ('JV') is accounted for using the equity method as per Note 2 to the Consolidated Financial Statements. This is a change in accounting policy in the Company Financial Statements as a result of the amendments to IAS 27 Consolidated and Separate Financial Statements which became effective beginning 1 January 2016. This amendment, which required retrospective application to the financial statements, allows entities the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Previously, the Company used the cost method in accounting for its investment in joint venture in the Company Financial Statements.

The following reconciliations have been prepared to show the movement in balances as a result of this change in accounting policy.

Statement of Financial Position	2015	Adjustment	2015 Restated
Investment in joint venture	91,800	(3,356)	88,444
Total Assets	7,446,650	(3,356)	7,443,294
Retained Earnings	229,018	3,356	225,662
Total Equity	880,843	3,356	877,487

Statement of Income	2015	Adjustment	2015 Restated
Share in Profit of Joint venture	-	2,175	2,175
Total operating income	278,880	2,175	281,055
Profit for the year from continuing operations before taxation	111,099	2,175	113,274
Profit for the year from continuing operations, net of tax	96,862	2,175	99,037

Statement of Cash Flows	2015	Adjustment	2015 Restated
Profit before tax	111,099	2,175	113,274
Share in profit of joint venture	-	(2,175)	(2,175)



## Notes to the Company Financial Statements

### F Subsidiary Undertakings

Subsidiary name	Registered office	Principal activity	Share Capital	Nominal value	Type of shares	Shareholder number of shares	Par Value	Shareholders' Equity in EUR
U.S. Bank Trustees Limited	125 Old Broad Street, London EC2N 2BQ	Corporate Trust Services	250,000	GBP 1	Ordinary Shares	250,000	GBP 1.00	EUR 293,060
USB Nominees (U.K.) Limited	125 Old Broad Street, London EC2N 2BQ	Corporate Trust Services	100	GBP 1	Ordinary Shares	100	GBP 0.01	EUR 0.01
EuroConex Technologies Limited	Building 8, Cherrywood Business Park, Loughlinstown, D18 W319	Currently no activity	481,467	EUR 1	Ordinary Shares	48,146,734	EUR 0.01	EUR 4,540,327
<b>Total:</b>								<b>EUR 4,833,387.01</b>

### G Security Services Receivables

<b>Security Services Receivables</b>		
<i>In thousands of Euro</i>	<b>2016</b>	<b>2015</b>
Loans and Advances - receivable from GCTS	423	423
GCTS fee receivables	8,540	3,667
Receivables from clearing houses - Clearstream	7	10
<b>As at 31 December</b>	<b>8,970</b>	<b>4,100</b>

Due to the nature of the GCTS business and the structure of the deals in place, it is ensured that the Company will always be paid before a loan fully redeems. Therefore, none are deemed to be past due or impaired.

### H Other Assets

The following Other Assets are deemed to be current assets with the exception of the Visa Europe deferred consideration.

<b>Other Assets</b>		
<i>In thousands of Euro</i>	<b>2016</b>	<b>2015</b>
Commercial Loans - Receivable	13,665	9,647
Accrued assessments	1,093	1,781
Prepayments and other receivables	9,274	8,900
Visa Europe deferred consideration receivable	15,876	-
Tax debtors	799	734
Other Assets - Other	367	745
Receivables from affiliate companies	5,937	10,265
Foreign exchange contracts	578	85
Interest Receivable	150	6
<b>As at 31 December</b>	<b>47,739</b>	<b>32,163</b>

Derivatives entered into by the Company are generally traded in an over-the-counter market with professional market counterparties on standardised contractual terms and conditions. The contracts are short-term deposits and the latest date of maturity for the above contracts is 20 January 2017.

## Notes to the Company Financial Statements

### H Other Assets (continued)

Forward contracts frequently involve a high degree of leverage, and a relatively small movement in a currency exchange rate may give rise to a significant loss. Over-the-counter derivatives may expose the Company to the risks associated with the absence of an exchange market on which to close out on an open position. The use of standardised contractual terms and conditions by the Company mitigates the risk. The Company has credit exposure to the counterparties of forward contracts.

The Company settles its forward contracts on a net basis and therefore mitigates its liquidity risk. The Company's exposure under derivative contracts is closely monitored as part of the overall management of the Company's market risk.

The Visa Europe deferred consideration receivable accrues interest at 4% and the full settlement is expected to be received in June 2019.

<b>Forward Exchange Contracts</b>			
<i>In thousands of Euro</i>	<b>Notional Amount</b>	<b>Fair Value Assets</b>	<b>Fair Value Liabilities</b>
PLN	113,179	-	(32)
NOK	28,732	-	(139)
USD	25,437	321	-
AUD	7,995	126	-
Other	18,809	131	(12)
<b>As at end of 31 December 2016</b>	<b>194,152</b>	<b>578</b>	<b>(183)</b>

<i>In thousands of Euro</i>	<b>Notional Amount</b>	<b>Fair Value Assets</b>	<b>Fair Value Liabilities</b>
PLN	98,935	-	(1,800)
NOK	(27,307)	-	(252)
SEK	(3,611)	35	-
USD	24,230	-	(98)
AUD	9,482	-	(235)
Other	13,812	50	(86)
<b>As at end of 31 December 2015</b>	<b>115,541</b>	<b>85</b>	<b>(2,471)</b>

### I Other Liabilities

The following Other Liabilities are deemed to be current liabilities with the exception of the Pension liability.

<b>Other Liabilities</b>			
<i>In thousands of Euro</i>	<b>Note</b>	<b>2016</b>	<b>2015</b>
Accruals and sundry creditors*		29,567	29,046
Corporate Trust Payable		-	24,115
Pension liability	22	8,828	6,551
VAT and other tax creditors		8,823	6,684
Corporate Payables		1,594	4,164
Provisions and commitments	27	3,442	4,047
Deferred revenue		2,770	2,147
Forward exchange contracts	19	183	2,471
Payable to affiliate companies		8,413	7,606
Commercial Loans - Payable		451	568
Other liabilities - Other**		41,945	273
<b>As at 31 December</b>		<b>106,016</b>	<b>87,672</b>

\*As at 31 December 2016, the liability for sundry creditors was EUR 804 thousand (2015: EUR 1,122 thousand).

\*\*As at 31 December 2016, Other Liabilities - Other contains a payable for a term deposit transaction of EUR 40,814 thousand (2015: nil).

# OS AA01

## Statement of details of parent law and other information for an overseas company



Companies House

✓ **What this form is for**  
You may use this form to  
accompany your accounts  
disclosed under parent law.

✗ **What this form is NOT for**  
You cannot use this form to register  
an alteration of manner of compliance  
with accounting requirements.

For further information, please  
refer to our guidance at  
[www.companieshouse.gov.uk](http://www.companieshouse.gov.uk)

### Part 1 Corporate company name

Corporate name of  
overseas company ①

ELAVON FINANCIAL SERVICES DAC

UK establishment  
number

B R 0 0 9 3 7 3

→ **Filling in this form**  
Please complete in typescript or in  
bold black capitals.

All fields are mandatory unless  
specified or indicated by \*

① This is the name of the company in  
its home state.

### Part 2 Statement of details of parent law and other information for an overseas company

#### A1 Legislation

Please give the legislation under which the accounts have been prepared and,  
if applicable, the legislation under which the accounts have been audited.

Legislation ②

International Financial Reporting Standards  
as adopted by EU and Ireland

② This means the relevant rules or  
legislation which regulates the  
preparation and, if applicable, the  
audit of accounts.

#### A2 Accounting principles

Accounts

Have the accounts been prepared in accordance with a set of generally accepted  
accounting principles?

Please tick the appropriate box.

☐ No. Go to **Section A3**.

☒ Yes. Please enter the name of the organisation or other  
body which issued those principles below, and then go to **Section A3**.

③ Please insert the name of the  
appropriate accounting organisation  
or body.

Name of organisation  
or body ③

IFRS

#### A3 Accounts

Accounts

Have the accounts been audited? Please tick the appropriate box.

☐ No. Go to **Section A5**.

☒ Yes. Go to **Section A4**.

## OS AA01

Statement of details of parent law and other information for an overseas company

**A4**

### Audited accounts

Audited accounts

Have the accounts been audited in accordance with a set of generally accepted auditing standards?

Please tick the appropriate box.

☐ No. Go to Part 3 'Signature'.

☒ Yes. Please enter the name of the organisation or other body which issued those standards below, and then go to Part 3 'Signature'.

① Please insert the name of the appropriate accounting organisation or body.

Name of organisation or body ①

International Standards on Auditing  
(UK and Ireland)

**A5**

### Unaudited accounts

Unaudited accounts

Is the company required to have its accounts audited?

Please tick the appropriate box.

☐ No.

☒ Yes.

## Part 3

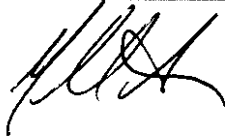
### Signature

I am signing this form on behalf of the overseas company.

Signature

Signature

X



Michael Shea  
Company Secretary  
Elavon Financial Services DAC

X

This form may be signed by:  
Director, Secretary, Permanent representative.

# OS AA01

Statement of details of parent law and other information for an overseas company



## Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name	Shireen Dallas
Company name	ELAVON FINANCIAL SERVICES DAC
Address	Building 8 Cherrywood Business Park
Post town	Loughlinstown
County/Region	Dublin
Postcode	D18W3191
Country	Ireland
DX	
Telephone	



## Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- ☐ The company name and, if appropriate, the registered number, match the information held on the public Register.
- ☐ You have completed all sections of the form, if appropriate.
- ☐ You have signed the form.



## Important information

Please note that all this information will appear on the public record.



## Where to send

You may return this form to any Companies House address:

England and Wales:

The Registrar of Companies, Companies House,  
Crown Way, Cardiff, Wales, CF14 3UZ.  
DX 33050 Cardiff.

Scotland:

The Registrar of Companies, Companies House,  
Fourth floor, Edinburgh Quay 2,  
139 Fountainbridge, Edinburgh, Scotland, EH3 9FF.  
DX ED235 Edinburgh 1  
or LP - 4 Edinburgh 2 (Legal Post).

Northern Ireland:

The Registrar of Companies, Companies House,  
Second Floor, The Linenhall, 32-38 Linenhall Street,  
Belfast, Northern Ireland, BT2 8BG.  
DX 481 N.R. Belfast 1.



## Further information

For further information, please see the guidance notes on the website at [www.companieshouse.gov.uk](http://www.companieshouse.gov.uk) or email [enquiries@companieshouse.gov.uk](mailto:enquiries@companieshouse.gov.uk)

This form is available in an alternative format. Please visit the forms page on the website at [www.companieshouse.gov.uk](http://www.companieshouse.gov.uk)