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Elavon Financial Services DAC  
Directors' Report and Consolidated Financial Statements

31 December 2018

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

**Report on the audit of the financial statements**

**Opinion**

We have audited the financial statements of Elavon Financial Services DAC ('the Company and Group') for the year ended 31 December 2018, which comprise the Group and Company Statement of Income, the Group and Company Statement of Other Comprehensive Income, the Group and Company Statement of Financial Position, the Group and Company Statement of Changes in Equity, the Group and Company Statement of Cash flows and the related notes 1 to 36 to the Group financial statements and notes A to I to the Company financial statements including the summary of significant accounting policies set out in note 2. 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 and Article 4 of the IAS regulation with respect to the Group 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 Company as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2014 and, as regards the Group financial statements, Article 4 of the IAS regulation.

Our opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISA (Ireland) 260.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and Company in accordance with ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

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

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

**Key Audit Matters**

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

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

Key audit matter – Merchant processing services revenue and related settlement balances	How the matter was addressed in our audit
<p>There is a presumption under International Standards on Auditing that there is a significant risk of fraud in the timing of revenue recognition leading to material misstatements of revenue overall. This is because revenue is typically an area of particular focus by readers of the financial statements and can be subject to judgement as to when the income can be appropriately recognised.</p> <p>The most significant revenue stream of the Company and Group is income earned from merchant processing services which is determined based on the value and nature of transactions processed and the rates agreed with merchants in the underlying merchant contracts.</p> <p>Settlement risk in the ordinary course of business is the risk that the Group will not receive payment at the time transactions are settled with the scheme associations.</p> <p>The processing and recognition of these transactions with merchants is highly dependent on operational IT systems through which the payments are processed and controlled and the operating effectiveness of key manual and IT application controls underpinning each stage in the transaction cycle. Accordingly, our audit approach was predominately controls based including IT control reliance.</p> <p>Timely and accurate data feeds from these operational IT systems into the General Ledger is required to calculate and record revenue and determine settlement balances. The design and implementation of the key general IT controls of each of these systems is key to ensuring that all transactions including those that are in progress at year end are processed and recorded in accordance with contractual terms and ensuring the correct classification of settlement balances.</p> <p>Refer to page 30 (accounting policy) and page 39 (financial disclosures).</p>	<p>Tested the design, implementation and operating effectiveness of key manual and IT application controls underpinning merchant processing services revenue recognition and settlement processes, including controls around the on-boarding and credit underwriting of merchants, merchant payments and exceptions, master file maintenance and settlement reconciliations.</p> <p>Tested the relevant IT application control supporting the upload of revenue and settlement transactions from the merchant processing system to the primary general ledger and tested the subsequent reconciliation of this merchant processing data to the general ledger to assess the completeness and accuracy of revenue and settlement data feeds into the general ledger.</p> <p>Reviewed and assessed the results of control testing performed as part of Elavon Inc's Service Organisation Control Report for 2018. Elavon Financial Services DAC is a user of key systems and processes operated by Elavon Inc. The controls tested included IT General controls and IT Application controls on key operational IT systems which underpin revenue and settlement as well as key manual controls underpinning the processing of merchant revenue. Certain relevant controls included in the scope of the Service Organisation Control Report formed part of our controls reliance strategy.</p> <p>Performed substantive testing on a sample basis agreeing revenue from customers to source documentation.</p> <p>Assessed the cut off of revenue and settlement balances to ensure the recognition of revenue and classification of settlement balances were reflected in the correct period through both controls and substantive audit testing.</p> <p>Performed substantive testing on post year end clearance of settlement balances on a sample basis.</p> <p>We assessed the appropriateness of the related disclosures in the financial statements.</p> <p>Based on the procedures performed we consider the basis for the recognition of merchant processing services revenue and the related settlement balances to be reasonable.</p>

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

Key audit matter – Uncertain tax provision	How the matter was addressed in our audit
<p>The recording of a provision for uncertain tax positions require the Directors to make judgements and estimates in relation to tax issues and exposures. Specifically, the Group have booked a tax provision in respect to its treatment of gains realised on sale of VISA shares in 2016 and 2017.</p> <p>Refer to page 33 (accounting policy) and page 42 (financial disclosures).</p> <p>This is one of the key judgemental areas that our audit is focused on due to the significance of the transactions upon which the provision has been accrued and the time it will take for these tax matters to be considered by the relevant tax authorities.</p>	<p>Obtained from management, its assessment with regard to the uncertain tax provision including any correspondence during the year from the Revenue Commissioners.</p> <p>We met with senior management and challenged the judgements applied, which underpin the continued recognition of the provision.</p> <p>We reviewed against accounting recognition rules and assessed the adequacy of the related disclosure within the financial statements.</p> <p>Based on the evidence obtained we consider the basis for the recognition of the uncertain tax provision to be reasonable.</p>

**Our application of materiality**

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements of the Group as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

	Group financial statements	Company financial statements
<b>Overall materiality</b>	Overall materiality: €2,186,000	Overall materiality: €2,172,000
<b>How we determined it</b>	5% of profit before tax.	
<b>Rationale for the materiality benchmark</b>	We applied this benchmark because in our view this is a metric against which the recurring performance of the Group (and the Company) is commonly measured by its stakeholders.	

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €66,000 (Group audit) and €66,000 (Company audit) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

**An overview of the scope of our audit**

The Group financial statements are a consolidation of eleven reporting units, including 6 branches, five separate legal entities, three of which are dormant. We tailored the scope of our audit to ensure that sufficient testing was performed to be able to give an opinion on the financial statements as a whole, taking into account, amongst others, the structure of the Group, the assessed risks of material misstatement and the control environment.

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

All audit work on reporting units undertaken for the purposes of our Group audit opinion was performed by the Group audit team at the Group's finance centre in Dublin.

We identified and tested certain controls over key financial systems identified as part of our risk assessment, including a review of general IT controls, the accounts production process, and controls addressing critical accounting matters. From this work, we sought to place reliance on the Group's internal controls wherever possible.

We undertook substantive testing on significant transactions, balances, and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls over individual systems, and the management of specific risks.

**Other information**

The Directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2014**

Based solely on the work undertaken in the course of the audit, we report that:

- in our opinion, the information given in the Directors' report is consistent with the financial statements; and
- in our opinion, the Directors' report has been prepared in accordance with 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 Group and Company were sufficient to permit the financial statements to be readily and properly audited and the financial statements are in agreement with the accounting records.

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

Based on the knowledge and understanding of the Group and Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' report.

The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of Directors' remuneration and transactions required by Sections 305 to 312 of the Act are not made.

The Companies Act 2014 also requires us to report to you if, in our opinion, the Group and Company has not provided the information required by section 5(2) to (7) of the European Union (Disclosure of non-financial and diversity Information by certain large undertakings and groups) Regulations 2017 for the year ended 31 December 2018 as required by the European Union (Disclosure of non-financial and diversity Information by certain large institutions and groups) (amendment) Regulations 2018.

We have nothing to report in this regard.

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

**Respective responsibilities**

*Responsibilities of Directors for the financial statements*

As explained more fully in the Directors' responsibilities statement set on page 9, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

*Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA's website at: [http://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8a98202dc9c3a/Description\\_of\\_auditors\\_responsibilities\\_for\\_audit.pdf](http://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf).

This description forms part of our auditor's report.

**Other matters which we are required to address**

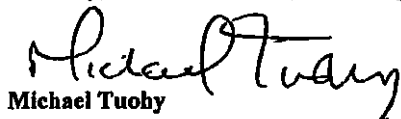
Following the recommendation of the Audit Committee, we were appointed by the Company and its subsidiaries on 6 September 2018 to audit the financial statements for the year ended 31 December 2018. The period of total uninterrupted engagement is two years covering the years ended 31 December 2017 to 2018.

The non-audit services prohibited by IAASA's Ethical Standard were not provided to the Group or the Company and we remain independent of the Group and the Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISA (Ireland) 260.

**The purpose of our audit work and to whom we owe our responsibilities**

Our 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.



**Michael Tuohy**  
for and on behalf of Mazars  
Chartered Accountants & Statutory Audit Firm  
Harcourt Centre, Block 3  
Harcourt Road  
Dublin 2

Date:

24/3/2019

**Directors and Other Information**  
**Board of Directors**

<b>Name</b>	<b>Country of Residence</b>	<b>Other</b>
Chris Higgins	USA	Resigned 16 <sup>th</sup> November 2018
John Dunning	USA	Resigned 5 <sup>th</sup> December 2018
Jeff Jones	USA	Resigned 5 <sup>th</sup> December 2018
Stephen Groarke	Ireland	Appointed 5 <sup>th</sup> December 2018
Jamie Walker	USA	
Shailesh Kotwal	USA	Chairman
Troy Remington	USA	
Declan Lynch	Ireland	
Craig Gifford	USA	
Andrew Hastings	UK	Independent Non-Executive
Adrian Wrafter	Ireland	Independent Non-Executive

**Company Secretary**

Mike Shea – Resigned 6<sup>th</sup> March 2018

Claire Ryan (Acting Secretary) - Appointed 6<sup>th</sup> March 2018 - Resigned 20<sup>th</sup> September 2018

Abigail St. John Kennedy - Appointed 20<sup>th</sup> September 2018

**Registered Office**

Building 8  
Cherrywood Business Park  
Loughlinstown  
D18 W319

**Solicitors**

A&L Goodbody  
North Wall Quay  
Dublin 1

**Auditors**

Mazars  
Chartered Accountants & Statutory Audit Firm  
Harcourt Centre  
Block 3  
Harcourt Road  
Dublin 2

**Registered Number: 418442**



## Directors' Report

The Directors present herewith their report together with the audited Financial Statements for the year ended 31 December 2018.

### Principal activities and business objectives

Elavon Financial Services DAC ('the Bank') 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 2018, U.S. Bancorp has assets of \$467 billion, deposits of \$345 billion and loans of \$287 billion. Further details of the Bank's parent undertakings are disclosed in Note 30 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 is to support the growth of U.S. Bancorp's Payments and Investment Services businesses in Europe. Over the last number of years, this has been achieved through the development of relevant product sets and 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 2018 were principally focused on the provision of:

- Elavon Merchant Services in respect of card and ecommerce transactions to merchants;
- Global Corporate Trust Services for structured and securitised transactions; and
- Corporate Payment Systems to merchants, multinational corporations and governments with sophisticated 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') is focused on meeting the needs of our U.S. based multinational customers with subsidiaries located in Europe. To this end, during 2018 the business made the strategic decision that from 2019 onwards, the group's primary focus will be in respect of providing best-in-class travel products and services. This decision has the effect that the business will cease operating in the freight payment market in Europe.

### Review of business performance during the financial year

The underlying performance of the bank remains strong. The Merchant Services business delivered very positive volume growth of approximately 8%, with overall fee revenues up on the prior year. The Corporate Trust business achieved an increase in total fee revenue, positively impacted by an increase in recurring fees. Increased expense in 2018 is primarily related to additions to staffing levels both within the business lines and in the corporate support functions.

### Strategic direction and business model

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 Bank's strategic direction will continue to focus on payments and investments services markets and is well positioned for future challenges and opportunities with strong established franchises in both markets in Europe.

Strategic goals are focused on customer experience and operational efficiencies through streamlined global offerings with investment in technology and talent to deliver a bank with compelling, sustainable capital returns and considered, transparent and controlled risk profile.

## **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 12 & 14 respectively. The Group maintained strong capital and liquidity during 2018 and continued to focus on its financial strength, efficiency, business model, prudent risk management and strong culture.

On a monthly basis, multiple key performance indicators ('KPI') are calculated based on internal measures and are provided to the Group's Risk Management Committee (see Note 27). The accounting basis for the internal measures may differ from International Financial Reporting Standards ('IFRS').

The internal KPIs reviewed (together with their 2018 full year measures) are as follows:

- Net income for 2018 of EUR 35.8 million (2017: EUR 30.6 million)
- Total revenue for 2018 of EUR 327.4 million (2017: EUR 300.6 million)
- Credit and debit volume for 2018 of EUR 94.7 billion (2017: EUR 87.4 billion)
- Number of employees as at 31 December 2018 of 2,129 (2017: 2,005 )
- Total assets as at 31 December 2018 of EUR 7.5 billion (2017: EUR 10.3 billion)
- Capital ratio as at 31 December 2018 of 48% (2017: 22%)

In respect of the above KPIs:

- Net income has increased by EUR 5.2 million from 2017 levels. There was a one-time loss in 2017 in respect of the sale of the Bank's interest in the Spanish joint venture. The year-on-year effect of this is offset by increased personnel expense in 2018 due primarily to increased headcount;
- Revenue has increased by EUR 26.8 million from 2017 levels, primarily due to the one-off loss on the sale of the Bank's interest in the Spanish joint venture in 2017;
- The Bank's capital ratio has increased by 26% from 2017, primarily due to a decrease in the level of the Bank's risk weighted assets. This decrease arises from the Bank's amended capital treatment of chargeback risk, as authorised by the Central Bank of Ireland.

### **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 or economic uncertainty and technological advances.

The Group, as part of its strategic planning processes, has developed strategic business objectives to be delivered over the planning horizon which are focused on new products, enhanced customer service and organic growth while operating in growing economies with strong fundamentals.

### **Going concern**

The Directors have a reasonable expectation that, having made appropriate enquiries, 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 27 to the Consolidated Financial Statements.

### **Capital Management**

Details of the Group's capital management compliance and objectives are set out in Note 33 to the Consolidated Financial Statements.

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

### **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 27. 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 positively or adversely affect the Group. The management of this risk is detailed in Note 27 to the Consolidated Financial Statements;
- 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 the current economic environment, Brexit also represents a level of uncertainty. Further information relating to Brexit can be found on page 10.
- In addition to the above, the Group is subject to 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 2018 are listed on page 6. 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 2018. The Directors' and Secretary's interest in the ordinary shares of the ultimate parent undertaking, U.S. Bancorp at 31 December 2018 and at 31 December 2017 are not disclosed as they do not represent more than 1% of the nominal issued share capital.

### **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 European Union ('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 and the European Union (Credit Institutions: Financial Statements) Regulations, 2015 and, in respect of the Consolidated Financial Statements, Article 4 of the International Accounting Standards ('IAS') Regulation.

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

- select suitable accounting policies and then apply them consistently;
- make judgements 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; and
- 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)**

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.

#### **Statement of relevant audit information**

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 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.

#### **Brexit**

The Group is adjusting its future target operating model to ensure it is well positioned to manage all possible Brexit scenarios. To ensure that the business is protected, the Group has assumed a Hard Brexit as a future operating model planning assumption. In advance of the 29th of March, the Group is transferring business that is currently being provided from the UK to European Economic Area ('EEA') customers, to an EEA jurisdiction. Additionally, the Group will transfer certain non-regulated activities currently performed by the Group, to a separate legal entity within the UK which is separate to the Group. For on balance sheet exposures, certain EEA deposits will be moved from the UK to within the EEA during Q4'19 and Q1'20.

A disorderly Brexit related event could potentially give rise to negative macroeconomic effects for the Group. The Group's revenue is correlated to economic activity and particularly to the level of domestic consumption with a market. An adverse shock to economic growth rates arising from Brexit would have the potential to adversely affect revenues, while further devaluation of GBP versus Euro will have negative impacts on future net income. Negative macroeconomic effects from a disorderly Brexit may also adversely affect the counterparties and merchant customers of the Group. This can in turn affect both the propensity for revenue reduction and, in more difficult circumstances, losses associated with counterparty failure.

#### **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 5 December 2018 and can be found at [www.elavon.co.uk/about-elavon/legal.html](http://www.elavon.co.uk/about-elavon/legal.html).

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

### **Corporate Social Responsibility Report**

The Group recognises and embraces its responsibilities as an important contributor to the economies in which it operates, with a genuine desire to contribute in a wider sense to society including through the initiatives described in the Corporate Social Responsibility Report. This report has been approved by the Board on 21<sup>st</sup> March 2019 and can be found at [www.elavon.ie](http://www.elavon.ie).

### **Dividend**

No dividend is proposed for the year (2017: nil). The Directors do not recommend any transfer to reserves.

### **Research and development**

During the year the Group incurred development costs in relation to internally developed software which has been capitalised.

### **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 are no subsequent events after the reporting date that require disclosure in the Financial Statements.

### **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.

### **Corporate governance**

The Group is subject to the provisions of the Central Bank of Ireland's Corporate Governance Requirements for Credit Institutions 2015. 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 Group's subsidiaries are set out in Note 31 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**

Mazars Statutory Auditor have expressed their willingness to continue in office and were re-appointed by the Board on 22<sup>nd</sup> March 2018 in accordance with Section 383(2) of the Companies Act 2014.

Approved and authorised for issue on 21 March 2019.

  
Declan Lynch

  
Stephen Giarke

  
Craig Gifford

**Elavon Financial Services DAC****Consolidated Statement of Income for the year ended 31 December**

<i>In thousands of Euro</i>	<i>Note</i>	<i>2018</i>	<i>2017</i>
Net fee and commission income	3	291,110	291,113
Interest income	4	14,976	8,107
Interest expense	4	(3,859)	(1,594)
<b>Net interest income</b>		<b>11,117</b>	<b>6,513</b>
Other operating income	5	17,027	16,685
Share in loss of associate	12	(203)	-
<b>Total operating income</b>		<b>319,051</b>	<b>314,311</b>
Operating expense	7	(272,244)	(245,983)
Foreign exchange loss	7	(3,095)	(3,696)
<b>Total other operating expense</b>		<b>(275,339)</b>	<b>(249,679)</b>
<b>Profit for the year from continuing operations before taxation</b>		<b>43,712</b>	<b>64,632</b>
Income tax expense	8	(7,923)	(12,090)
<b>Profit for the year from continuing operations</b>		<b>35,789</b>	<b>52,542</b>
<b>Discontinued operation</b>			
Loss from discontinued operation, net of tax	11	-	(21,897)
<b>Profit for the year attributable entirely to equity holders</b>		<b>35,789</b>	<b>30,645</b>

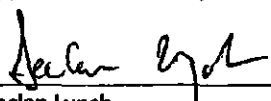
**Elavon Financial Services DAC****Consolidated Statement of Other Comprehensive Income for the year ended 31 December**


<i>In thousands of Euro</i>	<i>Note</i>	<b>2018</b>	<b>2017</b>
<b>Profit for the year</b>		<b>35,789</b>	<b>30,645</b>
<b>Other comprehensive income that may be reclassified to the Consolidated Statement of Income</b>			
Foreign currency translation recognised directly in equity		(2,785)	(9,287)
Tax effect		-	-
<b>Foreign currency translation recognised directly in equity, net of tax</b>		<b>(2,785)</b>	<b>(9,287)</b>
Unrealised gain on financial assets available for sale		-	2,879
Realised gain reclassified to the Consolidated Statement of Income		-	(4,157)
Tax effect		-	330
<b>Movement on financial assets available for sale, net of tax</b>		<b>-</b>	<b>(948)</b>
<b>Other comprehensive income that will not be reclassified to the Consolidated Statement of Income</b>			
Re-measurement of defined benefit plans	24	(892)	1,533
Tax effect		107	(191)
<b>Re-measurement of defined benefit plans, net of tax</b>		<b>(785)</b>	<b>1,342</b>
<b>Other comprehensive loss, net of tax</b>		<b>(3,570)</b>	<b>(8,893)</b>
<b>Total comprehensive income, net of tax</b>		<b>32,219</b>	<b>21,752</b>

**Elavon Financial Services DAC**
**Consolidated Statement of Financial Position as at 31 December**

<i>In thousands of Euro</i>	Note	2018	2017
<b>Assets</b>			
Balances at central banks	9	6,397,162	8,833,491
Due from banks	9	132,784	212,720
Investments with affiliates	10	104,803	288,896
Receivables from issuing banks	14	485,788	696,475
Investment services receivables	15	12,700	13,548
Merchant receivables	13	79,942	62,994
Current tax asset		4,803	-
Other assets	19	96,807	47,813
Intangible assets – goodwill	16	128,088	128,688
Intangible assets – other	17	12,788	13,546
Property, plant and equipment	18	46,737	44,351
Investment in associate	12	1,797	-
Deferred tax asset	8	3,393	3,414
<b>Total assets</b>		<b>7,507,592</b>	<b>10,345,936</b>
<b>Liabilities</b>			
Overdrafts	9	69,112	11,865
Corporate trust deposits	20	5,629,841	8,317,102
Merchant payables	21	619,250	864,341
Current tax liability		43,296	41,772
Other liabilities	22	74,509	73,931
Provisions	29	5,979	2,852
Deferred tax liability	8	3,285	3,332
<b>Total liabilities</b>		<b>6,445,272</b>	<b>9,315,195</b>
<b>Equity</b>			
Share capital	25	6,400	6,400
Capital contribution	26	589,389	589,389
Retained earnings		518,740	483,591
Foreign currency translation reserve		(46,348)	(43,563)
Pension re-measurement reserve		(5,861)	(5,076)
<b>Total equity</b>		<b>1,062,320</b>	<b>1,030,741</b>
<b>Total liabilities and equity</b>		<b>7,507,592</b>	<b>10,345,936</b>

Approved for Issue, by the Board, on 21 March 2019.

  
Declan Lynch

  
Craig Gifford

  
Stephen Groarke



**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 2017</b>	6,400	589,389	452,946	(34,276)	(6,418)	948	1,008,989
Profit for the year	-	-	30,645	-	-	-	30,645
Other comprehensive income/(loss), net of tax	-	-	-	(9,287)	1,342	(948)	(8,893)
Total comprehensive income/(loss), net of tax	-	-	30,645	(9,287)	1,342	(948)	21,752
Management re-charge for share-based payment (Note 7)	-	(434)	-	-	-	-	(434)
Capital contribution (Note 26)	-	434	-	-	-	-	434
<b>Balance as at 31 December 2017</b>	6,400	589,389	483,591	(43,563)	(5,076)	-	1,030,741
Adjustment from the adoption of IFRS 9* (Note 2)	-	-	(640)	-	-	-	(640)
<b>Balance as at 1 January 2018</b>	6,400	589,389	482,951	(43,563)	(5,076)	-	1,030,101
Profit for the year	-	-	35,789	-	-	-	35,789
Other comprehensive loss, net of tax	-	-	-	(2,785)	(785)	-	(3,570)
Total comprehensive income/(loss), net of tax	-	-	35,789	(2,785)	(785)	-	32,219
Management re-charge for share-based payment (Note 7)	-	(588)	-	-	-	-	(588)
Capital contribution (Note 26)	-	588	-	-	-	-	588
<b>Balance as at 31 December 2018</b>	6,400	589,389	518,740	(46,348)	(5,861)	-	1,062,320

\*The initial application of IFRS 9 has led to an adjustment in retained earnings of EUR 640 thousand.

**Elavon Financial Services DAC****Consolidated Statement of Cash Flows for the year ended 31 December**

<i>In thousands of Euro</i>	<i>Note</i>	<b>2018</b>	<b>2017</b>
<b>Cash flows from operating activities</b>			
Profit before tax		43,712	42,735
Adjustments to reconcile profit before tax to net cash			
Depreciation, amortisation and impairment losses	7	19,324	19,517
Losses on disposal of property, plant and equipment	7	411	253
Share in profit of joint venture	11	-	(1,407)
Share in loss of associate	12	203	-
Loss on sale of discontinued operation		-	21,917
Realised gain on sale of financial assets	5	-	(4,157)
Interest income		(15,165)	(7,683)
Interest expense		3,644	1,436
Dividend income on available for sale financial assets		(10)	(906)
Working capital adjustments			
Increase in prepayments and other receivables	19	(39,769)	(644)
Increase in Visa Europe deferred consideration receivables	19	(660)	(635)
Increase in accruals and sundry creditors	22	295	16,217
Net change in receivables from issuing banks	14	210,687	(217,681)
Net change in merchant receivables		(17,555)	1,421
Net change in investment services receivables		844	(2,516)
Net change in other assets		(13,376)	1,498
Net change in due to other banks		-	(646)
Net change in merchant payables	21	(245,091)	147,168
Net change in corporate trust deposits	20	(2,687,261)	1,542,951
Net change in other liabilities		3,213	(39,517)
Interest paid on short term borrowings	4	(225)	(156)
Interest paid on corporate trust deposits		(3,419)	(1,280)
Taxation paid		(6,447)	(15,727)
<b>Net cash used in operating activities</b>		<b>(2,746,645)</b>	<b>1,502,158</b>
<b>Cash flows from investing activities</b>			
Interest received on investments and cash balances		15,165	7,683
Net decrease in investments with affiliates	10	184,093	940,849
Net (increase)/decrease in investment in associate	12	(2,000)	-
Disposal of joint venture: consideration received	11	-	72,000
Proceeds from sale of financial assets		-	20,787
Dividend income on available for sale financial assets		10	906
Additions to property, plant and equipment	18	(23,404)	(21,521)
Disposal of property, plant and equipment		4,603	1,043
Additions to intangible fixed assets	17	(2,887)	(2,840)
<b>Net cash provided by investing activities</b>		<b>175,580</b>	<b>1,018,907</b>

**Elavon Financial Services DAC****Consolidated Statement of Cash Flows for the year ended 31 December – continued**

<i>In thousands of Euro</i>	<b>Note</b>	<b>2018</b>	<b>2017</b>
<b>Cash flows from financing activities</b>			
<i>Payments for Parent Company re-charges for share-based payments</i>	<b>26</b>	<b>(588)</b>	<b>(434)</b>
<b>Net cash used in financing activities</b>		<b>(588)</b>	<b>(434)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>(1,859)</b>	<b>(6,939)</b>
<b>Net Increase/(decrease) in cash and cash equivalents</b>		<b>(2,573,512)</b>	<b>2,513,692</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>9</b>	<b>9,034,346</b>	<b>6,520,654</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>9</b>	<b>6,460,834</b>	<b>9,034,346</b>

**Elavon Financial Services DAC**  
**Company Statement of Income for the year ended 31 December**

<i>In thousands of Euro</i>	<b>Note</b>	<b>2018</b>	<b>2017</b>
Net fee and commission income	<b>A</b>	286,911	287,649
Interest income	<b>4</b>	14,976	8,107
Interest expense	<b>4</b>	(3,859)	(1,594)
<b>Net interest income</b>		<b>11,117</b>	<b>6,513</b>
Other operating income	<b>B</b>	19,930	19,778
Share in loss of associate	<b>12</b>	(203)	-
<b>Total operating income</b>		<b>317,755</b>	<b>313,940</b>
Operating expense	<b>C</b>	(271,213)	(245,775)
Foreign exchange loss	<b>C</b>	(3,096)	(3,745)
<b>Total other operating expense</b>		<b>(274,309)</b>	<b>(249,520)</b>
<b>Profit for the year from continuing operations before taxation</b>		<b>43,446</b>	<b>64,420</b>
Income tax expense	<b>D</b>	(7,885)	(12,056)
<b>Profit for the year from continuing operations</b>		<b>35,561</b>	<b>52,364</b>
<b>Discontinued operation</b>			
Loss from discontinued operations, net of tax	<b>11</b>	-	(21,897)
<b>Profit for the year attributable entirely to equity holders</b>		<b>35,561</b>	<b>30,467</b>

*Numeric note references refer to the Notes to the Consolidated Financial Statements. Letter note references refer to the Notes to the 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>	<b>Note</b>	<b>2018</b>	<b>2017</b>
<b>Profit for the year</b>		<b>35,561</b>	<b>30,467</b>
<b>Other comprehensive income that may be reclassified to the Company Statement of Income</b>			
Foreign currency translation recognised directly in equity		(2,722)	(9,209)
Tax effect		-	-
<b>Foreign currency translation recognised directly in equity, net of tax</b>		<b>(2,722)</b>	<b>(9,209)</b>
Unrealised gain on financial assets available for sale		-	2,879
Realised gain reclassified to the Company Statement of Income		-	(4,157)
Tax effect		-	330
<b>Unrealised gain on financial assets available for sale, net of tax</b>		<b>-</b>	<b>(948)</b>
<b>Other comprehensive income that will not be reclassified to the Company Statement of Income</b>			
Re-measurement of defined benefit plans	<b>24</b>	(892)	1,533
Tax effect		107	(191)
<b>Re-measurement of defined benefit plans, net of tax</b>		<b>(785)</b>	<b>1,342</b>
<b>Other comprehensive loss, net of tax</b>		<b>(3,507)</b>	<b>(8,815)</b>
<b>Total comprehensive income, net of tax</b>		<b>32,054</b>	<b>21,652</b>

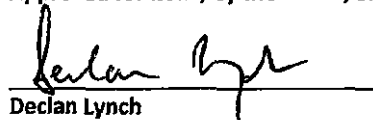
*Numeric note references refer to the Notes to the Consolidated Financial Statements. Letter note references refer to the Notes to the Company Financial Statements.*

**Elavon Financial Services DAC****Company Statement of Financial Position as at 31 December**

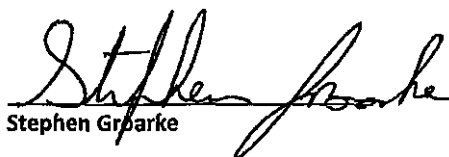
<i>In thousands of Euro</i>	<i>Note</i>	<i>2018</i>	<i>2017</i>
<b>Assets</b>			
Balances at central banks	9	6,397,162	8,833,491
Due from banks	9	132,784	212,720
Investments with affiliates	10	104,803	288,896
Receivables from issuing banks	14	485,788	696,475
Investment services receivables	F	9,836	10,832
Merchant receivables	13	79,942	62,994
Current tax asset		4,797	-
Other assets	G	98,091	47,811
Intangible assets - goodwill	16	128,088	128,688
Intangible assets - other	17	12,788	13,546
Property, plant and equipment	18	46,737	44,351
Investment in subsidiary	E	4,908	4,908
Investment in associate	12	1,797	-
Deferred tax asset	D	3,393	3,414
<b>Total assets</b>		<b>7,510,914</b>	<b>10,348,126</b>
<b>Liabilities</b>			
Overdrafts	9	69,112	11,865
Corporate trust deposits	20	5,629,841	8,317,102
Merchant payables	21	619,250	864,341
Current tax liability		43,292	41,757
Other liabilities	H	78,778	76,914
Provisions	29	5,979	2,852
Deferred tax liability	D	3,285	3,332
<b>Total liabilities</b>		<b>6,449,537</b>	<b>9,318,163</b>
<b>Equity</b>			
Share capital	25	6,400	6,400
Capital contribution	26	589,389	589,389
Retained earnings		517,500	482,579
Foreign currency translation reserve		(46,051)	(43,329)
Pension re-measurement reserve		(5,861)	(5,076)
<b>Total equity</b>		<b>1,061,377</b>	<b>1,029,963</b>
<b>Total liabilities and equity</b>		<b>7,510,914</b>	<b>10,348,126</b>

*Numeric note references refer to the Notes to the Consolidated Financial Statements. Letter note references refer to the Notes to the Company Financial Statements.*

Approved for issue, by the Board, on 21 March 2019.

  
Declan Lynch

  
Craig Gifford

  
Stephen Groarke

**Elavon Financial Services DAC**

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

<i>In thousands of Euro</i>	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 2017</b>	6,400	589,389	452,112	(34,120)	(6,418)	948	1,008,311
Profit for the year	-	-	30,467	-	-	-	30,467
Other comprehensive income/(loss), net of tax	-	-	-	(9,209)	1,342	(948)	(8,815)
Total comprehensive income/(loss), net of tax	-	-	30,467	(9,209)	1,342	(948)	21,652
Management re-charge for share-based payment (Note 7)	-	(434)	-	-	-	-	(434)
Capital contribution (Note 26)	-	434	-	-	-	-	434
<b>Balance as at 31 December 2017</b>	6,400	589,389	482,579	(43,329)	(5,076)	-	1,029,963
Adjustment from the adoption of IFRS 9* (Note 2)	-	-	(640)	-	-	-	(640)
<b>Balance as at 1 January 2018</b>	6,400	589,389	481,939	(43,329)	(5,076)	-	1,029,323
Profit for the year	-	-	35,561	-	-	-	35,561
Other comprehensive loss, net of tax	-	-	-	(2,722)	(785)	-	(3,507)
Total comprehensive income/(loss), net of tax	-	-	35,561	(2,722)	(785)	-	32,054
Management re-charge for share-based payment (Note 7)	-	(588)	-	-	-	-	(588)
Capital contribution (Note 26)	-	588	-	-	-	-	588
<b>Balance as at 31 December 2018</b>	6,400	589,389	517,500	(46,051)	(5,861)	-	1,061,377

\*The initial application of IFRS 9 has led to an adjustment in retained earnings of EUR 640 thousand.

**Elavon Financial Services DAC****Company Statement of Cash Flows for the year ended 31 December**

<i>In thousands of Euro</i>	<i>Note</i>	<b>2018</b>	<b>2017</b>
<b>Cash flows from operating activities</b>			
Profit before tax		43,446	42,523
Adjustments to reconcile profit before tax to net cash			
Depreciation, amortisation and impairment losses	7	19,324	19,517
Losses on disposal of property, plant and equipment	7	411	253
Share in profit of joint venture	11	-	(1,407)
Share in loss of associate		203	-
Loss on sale of discontinued operation		-	21,917
Realised gain on sale of financial assets	5	-	(4,157)
Interest income		(15,165)	(7,683)
Interest expense		3,644	1,436
Dividend income on available for sale financial assets		(10)	(906)
Working capital adjustments			
Increase in prepayments and other receivables	G	(39,769)	(644)
Increase in Visa Europe deferred consideration receivable	G	(660)	(635)
Increase in accruals and sundry creditors	H	296	16,218
Net change in receivables from issuing banks	14	210,687	(217,681)
Net change in merchant receivables		(17,555)	1,421
Net change in investment services receivables		992	(1,862)
Net change in other assets		(14,656)	2,133
Net change in due to other banks		-	(646)
Net change in merchant payables	21	(245,091)	147,168
Net change in corporate trust deposits	20	(2,687,261)	1,542,951
Net change in other liabilities		4,497	(40,693)
Interest paid on short term borrowings	4	(225)	(156)
Interest paid on corporate trust deposits		(3,419)	(1,280)
Taxation paid		(6,397)	(15,707)
<b>Net cash used in operating activities</b>		<b>(2,746,708)</b>	<b>1,502,080</b>
<b>Cash flows from investing activities</b>			
Interest received on investments and cash balances		15,165	7,683
Net decrease in investments with affiliates	10	184,093	940,849
Net (increase)/decrease in investment in associate	12	(2,000)	-
Disposal of joint venture consideration received	11	-	72,000
Proceeds from sale of financial assets		-	20,787
Dividend income on available for sale financial assets		10	906
Additions to property, plant and equipment	18	(23,404)	(21,521)
Disposal of property, plant and equipment		4,603	1,043
Additions to Intangible fixed assets	17	(2,887)	(2,840)
<b>Net cash provided by investing activities</b>		<b>175,580</b>	<b>1,018,907</b>



**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>2018</b>	<b>2017</b>
<b>Cash flows from financing activities</b>			
Payments for Parent Company re-charges for share-based payments	26	(588)	(434)
<b>Net cash used in financing activities</b>		<b>(588)</b>	<b>(434)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>(1,796)</b>	<b>(6,861)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(2,573,512)</b>	<b>2,513,692</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>9</b>	<b>9,034,346</b>	<b>6,520,654</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>9</b>	<b>6,460,834</b>	<b>9,034,346</b>

*Numeric note references refer to the Notes to the Consolidated Financial Statements. Letter note references refer to the Notes to the Company Financial Statements.*

## 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, Loughinstown, 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 Company Financial Statements include the accounts of Elavon Financial Services DAC and its branches.

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 are 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 the European platform for U.S. Bancorp's corporate trust business.

#### *Statement of compliance*

The Consolidated Financial Statements are presented in accordance with IFRS as adopted by the EU and applicable as at 31 December 2018. The accounting policies have been consistently applied by Group entities, except for the new and amended IFRS EU and International Financial Reporting Interpretations Committee ('IFRIC') interpretations effective as of 1 January 2018. 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), and, in respect of the Consolidated Financial Statements, Article 4 of the IAS Regulation.

#### *Basis of measurement*

The Consolidated Financial Statements have been prepared on a historical cost basis, except for pension plans and derivative financial instruments which 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 currency of the Bank. 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.

The estimates and judgements that have had the most significant effect on the amounts recognised in the Group's financial statements are set out below.

#### *Provisions*

*The recognition and measurement of provisions, in certain instances, may involve a high degree of uncertainty, and thereby, considerable time is expended on research in establishing the facts, scenario testing, assessing the probability of the outflow of resources and estimating the amount of any loss. This process will, of its nature, require significant management judgement and will require revisions to earlier judgements and estimates as matters progress towards conclusion. Details of the Group's provisions are shown in Note 8 and Note 29 to the Consolidated Financial Statements.*

#### *Goodwill and Intangible Assets Impairment*

Goodwill and Intangible Assets are tested annually for impairment, based on value in use calculations that use a cash flow model. The cash flows are derived from the management forecast for 2019 and assumptions based on historical volumes and revenue. This test requires significant management judgements as a result of the assumptions used in this test. Additional details on goodwill impairment can be found in Note 16 to the Consolidated Financial Statements.

## Notes to the Consolidated Financial Statements

### 1 Basis of Preparation (continued)

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

- Capital management (Note 33)
- Risk management and policies (Note 27)
- Sensitivity analysis tables for Foreign Exchange Risk and Interest Rate Risk (Note 27)
- IFRS 9 – Financial Instruments (Note 2)
- IFRS 15 – Revenue from contracts with customers (Note 2)

#### 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.

### 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 2018 are set out below.

#### 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 IFRIC Interpretations effective as of 1 January 2018 listed below. The Group has early adopted IFRIC 23 as at 1 January 2018, but has not early adopted any other 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 2018, they did not have a material impact on the annual Consolidated Financial Statements of the Group.

#### New and amended standards and Interpretations

The Group applied IFRS 9, IFRS 15 and IFRIC 23 for the first time in 2018. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the Consolidated Financial Statements of the Group.

#### IFRS 9 Financial Instruments

IFRS 9 Financial Instruments issued in July 2014 replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has applied IFRS 9 with the initial application date of 1 January 2018 and is availing of the exemption not to restate the prior period comparatives. Therefore, recognised differences arising between IAS 39 carrying amounts and IFRS 9 carrying amounts as at 1 January 2018 have been included in opening retained earnings on that date.

The change did not have a material impact on the Group's operating, investing and financing cash flows.

The nature of these adjustments are described below:

##### a) Classification and measurement

#### Financial Assets

Under IFRS 9, there are three principal classification categories for financial assets: amortised cost, fair value through other comprehensive income ('FVOCI') and fair value through profit or loss ('FVTPL'). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

## Notes to the Consolidated Financial Statements

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

The assessment of the Group's business model, which is required by IFRS 9, was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The further assessment, also required by IFRS 9, of whether contractual cash flows on financial assets are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets. In performing the IFRS 9 impairment assessment to estimate lifetime ECL and consistent with its credit risk monitoring procedures, the Group buckets trade receivables into 3 different categories in order to more precisely estimate the expected ECL on the portfolio of trade receivables.

The classification and measurement requirements of IFRS 9 did not have a significant impact on the Group. The Group continued measuring at fair value all financial assets previously held at fair value under IAS 39.

In summary, upon adoption of IFRS 9 as at 1 January 2018, the Group has the following reclassifications:

<i>In thousands of Euro</i>	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Balances at central banks	Loans and receivables	Amortised cost	8,833,491	8,833,491
Due from banks	Loans and receivables	Amortised cost	212,720	212,720
Merchant receivables*	Loans and receivables	Amortised cost	62,994	62,386
Receivables from issuing banks	Loans and receivables	Amortised cost	696,475	696,475
Investment services receivables*	Loans and receivables	Amortised cost	13,548	13,544
Forward exchange contracts	FVTPL	FVTPL	376	376
Other assets: commercial loans receivable*	Loans and receivables	Amortised cost	19,697	19,669
<b>Total financial assets</b>			<b>9,839,301</b>	<b>9,838,661</b>

\*The change in carrying amount is a result of an additional impairment allowance. See the discussion on impairment on the following page.

#### Financial Liabilities

Financial liabilities are measured at either FVTPL when they meet the definition of held for trading or upon election at initial recognition of the fair value option, or amortised cost.

The Group has not designated any financial liabilities as at fair value through profit and loss as a result of adopting IFRS 9. There are no changes in classification and measurement for the Group's financial liabilities.

<i>In thousands of Euro</i>	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Overdrafts	Amortised cost	Amortised cost	11,865	11,865
Other liabilities				
- Commercial loans – payable	Amortised cost	Amortised cost	1,563	1,563
- Corporate payables	Amortised cost	Amortised cost	1,619	1,619
- Accruals and sundry creditors	Amortised cost	Amortised cost	45,798	45,798
Forward exchange contracts	FVTPL	FVTPL	1,233	1,233
Corporate trust deposits	Amortised cost	Amortised cost	8,317,102	8,317,102
Merchant payables	Amortised cost	Amortised cost	864,341	864,341
<b>Total financial liabilities</b>			<b>9,243,521</b>	<b>9,243,521</b>

## Notes to the Consolidated Financial Statements

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

#### b) Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss ('ECL') approach. IFRS 9 requires the Group to recognise an allowance for ECLs for assets held at amortised cost and contract assets.

Upon the adoption of IFRS 9, the Group recognised additional impairment on the Group's Merchant receivables, Investment services receivables and Commercial loans receivables of EUR 608 thousand, EUR 4 thousand and EUR 28 thousand, respectively, which resulted in a decrease in Retained Earnings of EUR 640 thousand as at 1 January 2018.

Set out below is the reconciliation of the closing Consolidated Statement of Financial Position balances in accordance with IAS 39 to the opening balances determined in accordance with IFRS 9:

*In thousands of Euro*

Financial assets	IAS 39 carrying amount as at 31 December 2017	Remeasurement	IFRS 9 Carrying amount 1 January 2018
<b>Amortised cost (Loans and receivables)</b>			
Merchant receivables	62,994	(608)	62,386
Investment services receivables	13,548	(4)	13,544
Other assets: commercial loans receivable	19,697	(28)	19,669
<b>Total amortised cost</b>	<b>96,239</b>	<b>(640)</b>	<b>95,599</b>

Set out below is the reconciliation of the closing impairment allowances in accordance with IAS 39 to the opening loss allowances determined in accordance with IFRS 9:

*In thousands of Euro*

	IAS 39 provision 31 December 2017	Remeasurement	IFRS 9 expected credit losses 1 January 2018
Merchant receivables	332	608	940
Investment services receivables	-	4	4
Other assets: commercial loans receivable	-	28	28
	<b>332</b>	<b>640</b>	<b>972</b>

#### c) Hedge Accounting

The hedge accounting requirements of IFRS 9 did not have a material impact on the Group. Any derivatives entered into by the Group are generally traded in an over-the-counter market and are short term, and therefore will not be impacted.

#### IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 18 Revenue and defines principles for recognising revenue from contracts with customers. The guidance does not apply to interest and fee income integral to financial instruments and leases. The Group adopted IFRS 15 on 1 January 2018. The effect of adopting did not have a material impact on the Consolidated Financial Statements. The prior year Financial Statements have been restated for presentational purposes.

## Notes to the Consolidated Financial Statements

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

#### *IFRIC Interpretation 23 Uncertainty over Income Tax Treatment*

The interpretation addresses the accounting for income taxes when the tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically address the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. IFRIC 23 was adopted on 1 January 2018 and did not have a material impact on the Consolidated Financial Statements.

#### **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.

#### **Investment in associates and joint ventures**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but does not represent control or joint control over those policies.

A joint venture ('JV') is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the JV. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its JV and associate are accounted for using the equity method.

Under the equity method, the investment 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 or associate since the acquisition date. Goodwill relating to the JV or associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

## Notes to the Consolidated Financial Statements

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

The Consolidated Statement of Income reflects the Group's share of the results or operations of the JV or associate. Any change in Other Comprehensive Income ('OCI') of those investees 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 or associate, the Group recognises its share of any changes, when applicable, in the Consolidated Statement of Changes in Equity. Unrealised gains and losses resulting from the transactions between the Group and the JV or associate are eliminated to the extent of the interest in the JV or associate.

The aggregate of the Group's share of profit or loss of a JV or associate is shown on the face of the Consolidated Statement of Income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the JV or associate.

The Consolidated Financial Statements of the JV or associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its JV or associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the JV or associate is impaired. If there is such evidence, the Group calculates the amount of the impairment as the difference between the recoverable amount of the JV or associate and its carrying value, and then recognises the loss within 'Share of profit of joint venture/associate' in the Consolidated Statement of Income.

Upon loss of significant influence over the associate or joint control over the JV, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the JV or associate upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in the Consolidated Statement of Income.

#### **Foreign currency translation**

##### *Group companies*

As at the reporting date, assets and liabilities of subsidiaries and branches 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.

##### *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 rate method. The effective interest rate method is the interest rate on a loan or financial product restated from the nominal interest rate as an interest rate with annual compound interest payable in arrears. Negative interest expense is classified under bank processing fees in the current and prior year.

## Notes to the Consolidated Financial Statements

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

#### Other operating income

Other operating income consists primarily of income from services provided to affiliate companies, 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

##### *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.

#### Revenue Recognition

In the ordinary course of business, the Group recognises income derived from various revenue generating activities. Certain revenues are generated from contracts where they are recognised when, or as, services or products are transferred to customers for amounts the Group expects to be entitled. Revenue generating activities related to financial instruments are also recognised, including leases, foreign currency translations and equity investments. Revenue is generated from the following:

##### *Elavon Merchant Services*

EMS fee and commission income consists principally of merchant discount and other transaction and account management fees charged to merchants for providing electronic processing of card association network transactions. Revenue is recognised at the time the merchant processing services are performed. EMS revenue is presented net of interchange paid to the card-issuing bank and card association assessments, which are charges collected on behalf of the card issuers and payment networks. EMS revenue is also presented net of revenue sharing amounts and any amounts written off per the Group's write off policy. The Group may enter into revenue sharing agreements with partners who refer merchants or in connection with purchases of merchant contracts from sellers. The revenue sharing amounts are determined primarily on sales volume processed or revenue generated for a particular group of merchants. EMS revenue also includes revenues related to point-of-sale equipment recorded as sales when the equipment is shipped or as earned for equipment rentals.

##### *Global Corporate Trust Services*

Trust and investment management fees are recognised over the period in which services are performed and are based on a percentage of the fair value of the assets under management or administration, fixed based on account type, or transaction-based fees. Services provided to clients include trustee, transfer agent, custodian, fiscal agent, and escrow.

##### *Corporate Payment Systems*

CPS generates its income from two lines of business: Corporate Card Issuance and Freight Payment Solutions. Corporate Card Issuance acts as the issuing bank that offers bank cards to customers. Fee income is generated by charging Interchange fees for the authorization and settlement of card transactions. The Group records corporate payment products revenue as services are provided. Corporate payment products revenue is presented net of card association assessments and rebates to customers. Freight Payment Solutions provides a streamlined global payment network which automates customer 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.

#### 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.



## Notes to the Consolidated Financial Statements

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

#### *Long-term incentive benefit*

The Group awards long-term incentive benefits to some employees to encourage them to stay with the Group and meet the Group's long-term goals. This award is paid in cash and payments vests over three years. The cost is recognised in Staff Costs expense (Note 7).

U.S. Bancorp also grants certain EU Identified 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 three years. Ownership is transferable to employees after a three 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.

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; and
- 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.

## Notes to the Consolidated Financial Statements

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

#### Provisions

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. Provisions currently held by the Group include chargeback provisions, asset retirement obligations and corporate card provisions. More information on these provisions can be found in Note 8 and Note 29 to the Consolidated Financial Statements.

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.

#### Taxation

##### Income 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

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; and
- 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; and
- 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.

## Notes to the Consolidated Financial Statements

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

*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.

#### *Uncertain tax*

The Group recognises an uncertain tax provision where it is considered that there is uncertainty as to the taxation treatment to be applied to transactions. This only applies in limited instances where it is considered that the nature of the underlying taxation treatment is such that it may be subject to an alternative interpretation by a tax authority.

#### **Financial assets**

The Group holds three categories of financial assets:

- financial assets held at amortised cost;
- financial assets at fair value through profit or loss (other assets); 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. 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 28.

#### *Financial assets held at amortised cost*

Financial assets held at amortised cost include receivables from issuing banks, merchant receivables and investment services receivables. The objective of the business model for financial assets held at amortised cost is to hold these assets to collect contractual cash flows. They arise when the Group provides money or services directly to a customer with no intention of trading the financial asset. The Group applies a Solely Payments of Principal and Interest ('SPPI') test to determine if the cash flows from these assets are held solely to collect contractual cash flows. If the assets are deemed to meet the SPPI test they are classified as financial assets measured at amortised cost and 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 rate 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. Financial assets held at amortised cost 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 IFRS 9, Financial Instruments.

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

The Group applies the SPPI test to financial assets and any asset that doesn't meet either business model of held to collect or held to collect and sell are classified as FVTPL. Derivative financial assets are held at FVTPL and 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 27. 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.

## Notes to the Consolidated Financial Statements

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

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 assets.

#### *Cash investments*

The Group places cash on deposit with U.S. Bank, on account with Central Banks and on fixed term deposits in the open market.

#### **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 the impairment of financial assets measured at amortised cost and at FVOCI on an expected credit loss ('ECL') basis. The measurement of ECL is based on a three-stage approach:

- Stage 1 – where financial assets have not had a significant increase in credit risk since initial recognition, allowance is calculated considering 12 months of credit losses. This is inclusive of the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.
- Stage 2 – where financial assets have had a significant increase in credit risk since initial recognition but does not have objective evidence of impairment, allowance is calculated considering the lifetime ECL. This is calculated by applying the 1-year loss forecast for all financial assets held at amortised cost aged 31 – 90 days past due.
- Stage 3 – financial assets that are significantly deteriorated and impaired. The ECL represents lifetime expected losses. Financial assets held at amortised cost are deemed to be impaired when they have defaulted. Default is considered when an obligor is 90+ days past due for the EMS, CPS and GCTS portfolios.

The Group monitors financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition on a regular basis. Below is a list of some of the examples of impairment indicators that are reviewed:

- Market value decline;
- Negative changes in technology, markets, economy or laws;
- Increases in market interest rates;
- Obsolescence or physical damage; and
- Economic performance is worse than expected.

The measurement of the loss allowance is based on the present value of the applicable financial assets expected cash flows using the financial asset's effective interest rate. The final ECL allowance is coupled with a qualitative overlay which is calculated quarterly.

The general approach for recognising and measuring a loss allowance is the same for financial assets measured at amortised cost and those assets that are measured at FVOCI. However, unlike amortised cost, the loss allowance on assets at FVOCI are recognised in the Consolidated Statement of Other Comprehensive Income and do not reduce the carrying amount of the financial asset in the Consolidated Statement of Financial Position.

#### **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.

## Notes to the Consolidated Financial Statements

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

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.

For more information please see Note 16 to the Consolidated Financial Statements.

#### *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.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised, if, and only if, all the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible assets; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The useful lives of intangible assets are assessed to be either finite or infinite. There were no intangible assets with infinite lives other than goodwill in 2017 or 2018. 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.

#### *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	15 - 30 years
- Corporate Trust Contracts	8 years

## Notes to the Consolidated Financial Statements

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

#### *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 2019 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.

The Group uses the following useful lives when calculating depreciation:

Class	Useful life
<b>Premises and leasehold improvements</b>	
- Freehold buildings	40 years
- Leasehold property	Life of lease, up to 20 years
- Leasehold improvements	Life of lease, up to 10 years
<b>Office and computer equipment</b>	
- Computers and similar equipment	3 – 5 years
- Furniture, fittings and other equipment	3 – 10 years
- Terminals leased to customers	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" or "other operating expense" 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.

## Notes to the Consolidated Financial Statements

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

#### *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 liabilities 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 liabilities 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 recognised in the Consolidated Statement of Financial Position and are initially measured 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 with 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 rate method, with the exception of forward foreign contracts. 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.

##### *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 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 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 classifies money market placements as cash and cash equivalents due to the short term of these deposits. The Group does not consider investment with affiliates as part of cash and cash equivalents. Part of the balances that the Group holds with central banks are held as investments to comply with regulatory requirements.

#### **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.

## Notes to the Consolidated Financial Statements

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

#### *IFRS 16 Leases*

IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e. leases with a lease term of 12 months or less).

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will also be required to remeasure the lease liability upon the occurrence of certain events. The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17. The Group is currently reviewing the impact that adopting IFRS 16 will have on the Consolidated Financial Statements.



## Notes to the Consolidated Financial Statements

### 3 Net Fee and Commission Income

<b>Net Fee and Commission Income</b>		
<i>In thousands of Euro</i>	<b>2018</b>	<b>2017</b>
Merchant processing services	245,346	246,756
Corporate payment products revenue	4,899	4,553
Corporate trust revenue	40,865	39,804
<b>Net fee and commission income</b>	<b>291,110</b>	<b>291,113</b>

### 4 Interest Income and Expense

<b>Interest Income and Expense</b>			
<i>In thousands of Euro</i>	<b>Note</b>	<b>2018</b>	<b>2017</b>
<b>Interest income</b>			
Interest from central banks		10,495	3,553
Interest from other banks		1,546	1,357
Interest income from affiliate companies	<b>32</b>	2,935	3,197
<b>Total interest income</b>		<b>14,976</b>	<b>8,107</b>
<b>Interest expense</b>			
Interest expense on short term borrowings		225	156
Interest expense on Corporate Trust deposits		3,634	1,438
<b>Total interest expense</b>		<b>3,859</b>	<b>1,594</b>
<b>Net interest income</b>		<b>11,117</b>	<b>6,513</b>

### 5 Other Operating Income

<b>Other Operating Income</b>		
<i>In thousands of Euro</i>	<b>2018</b>	<b>2017</b>
Dividend income on available for sale financial assets	10	906
Realised gain on sale of financial assets*	-	4,157
Services provided to affiliate companies	16,815	11,577
Recovery of finance lease losses	-	10
Other operating income - Other	202	35
<b>Other operating income</b>	<b>17,027</b>	<b>16,685</b>

\*The realised gain on sale of financial assets relates to the sale of Visa Shares.

### 6 Staff Numbers

<b>Staff Numbers</b>		
<i>Average number of employees during the year</i>	<b>2018</b>	<b>2017</b>
Sales	185	174
Operations	1,669	1,572
Finance and administration	208	196
<b>Total staff numbers</b>	<b>2,062</b>	<b>1,942</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 2018 was EUR 588 thousand (2017: EUR 434 thousand). As at 31 December 2018, EUR 62 thousand was payable (2017: EUR 36 thousand). The charge for all other long term incentive awards in 2018 was EUR 2,750 thousand (2017: EUR 2,408 thousand).

An element of salaries and wages has been capitalised during the year in relation to the development of software. As at 31 December 2018, EUR 569 thousand was capitalised (2017: EUR 1,084 thousand). The Group has not capitalised social insurance and other retirement benefits during the year.

<b>Other Operating Expenses</b>			
<i>In thousands of Euro</i>	<b>Note</b>	<b>2018</b>	<b>2017</b>
<b>Staff Costs</b>			
Wages and salaries		121,630	106,181
Social security costs		13,203	12,140
Pension costs – defined contribution plans	24	4,849	4,705
Pension costs – defined benefit plans	24	411	448
Staff costs - other		11,977	10,250
<b>Auditor's Remuneration</b>			
Statutory Audit		644	673
Other assurance services		5	5
<b>Other</b>			
Depreciation of property, plant and equipment	18	15,718	14,304
Amortisation of intangible assets	17	3,606	4,899
Goodwill impairment	16	-	314
Losses from disposals of fixed assets		411	253
Marketing and business development		10,230	9,095
Occupancy and equipment		11,557	12,109
Other operating expenses - Other		12,880	9,451
Bank processing fees*		21,979	28,685
Postage, printing and supplies		2,266	2,237
Professional services		14,748	12,796
Technology and communications		7,946	9,149
Services provided by affiliate companies		18,184	8,289
<b>Total operating expenses</b>		<b>272,244</b>	<b>245,983</b>
Foreign exchange loss		3,095	3,696
<b>Total other operating expense</b>		<b>275,339</b>	<b>249,679</b>

\*Bank Processing fees Includes negative interest expense

Directors' emoluments are analysed as follows:

<i>In thousands of Euro</i>	<b>2018</b>	<b>2017</b>
Remuneration in respect of services as Director	160	140
Remuneration in connection with management	1,012	944
Remuneration to Directors in respect of other termination payments	-	260
Remuneration in respect of other assets received or receivable from long term incentive plans	-	266
Pension costs – defined contribution plans (other than in respect of services as Director)*	22	179
<b>Total Directors' emoluments</b>	<b>1,194</b>	<b>1,789</b>

\*Pensions costs relate to payments for two Directors.

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>	<b>Rate</b>	<b>2018</b>	<b>2017</b>
<b>Current Tax</b>			
<i>Irish corporation tax</i>			
Current year		1,173	4,742
Adjustment in respect of prior year		328	(42)
<i>Foreign tax</i>			
Current year		7,095	6,850
Adjustment in respect of prior year		(789)	323
Deferred tax expense		116	217
<b>Income tax expense for the year</b>		<b>7,923</b>	<b>12,090</b>

A reconciliation of tax on profit on ordinary activities at the standard Irish corporation tax rate to the Group's actual tax charge is as follows:

<b>Profit before tax</b>		<b>43,712</b>	<b>42,735</b>
Theoretical tax charge at statutory rate	<b>12.5%</b>	<b>5,464</b>	<b>5,342</b>
Tax effect of items which are not deductible or assessable for taxation purposes:			
(Reversal)/Addition of prior year tax		(461)	281
Non-deductible expenses		194	2,903
Total temporary differences not accounted for in deferred tax		348	(283)
Overseas profits taxed at a higher rate		2,450	2,961
Losses recognised		-	83
Current year profits taxed at higher rate		-	852
Uncertain tax provision		-	5,578
Deferred tax on Visa preferred shares		-	(5,578)
Other adjustments		(72)	(49)
<b>Income tax expense for the year</b>		<b>7,923</b>	<b>12,090</b>

Deferred tax as included on the Consolidated Statement of Financial Position:

<b>Deferred Taxes</b>		
<i>In thousands of Euro</i>	<b>2018</b>	<b>2017</b>
<b>Deferred Tax Liability</b>		
Tax effect of taxable temporary differences		
Other intangibles: amortisation	(1,405)	(1,701)
Financial assets available for sale: unrealised gain on Visa Europe shares	-	-
Asset timing differences	(1,882)	(1,644)
Foreign exchange differences	2	13
<b>Recognised deferred tax liability</b>	<b>(3,285)</b>	<b>(3,332)</b>

<i>In thousands of Euro</i>	<b>2018</b>	<b>2017</b>
<b>Deferred Tax Asset</b>		
Tax effect of deductible temporary differences		
Asset timing differences	2,467	3,036
Losses in foreign markets	-	-
Re-measurement of defined benefit plan	837	730
Exchange movements	89	(352)
<b>Recognised deferred tax asset</b>	<b>3,393</b>	<b>3,414</b>

## Notes to the Consolidated Financial Statements

### 8 Income Taxes (continued)

Underlying profit before tax for the year ended 31 December 2017 and 31 December 2016 included a gain on sale of shares in Visa Europe, as discussed in Note 5 to the Consolidated Financial Statements. For the purposes of taxation this gain was 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 was included within the 2017 and 2016 current income tax expense in respect of this uncertain position. This represents the difference between the taxation of the gain as a trading receipt versus a capital receipt. At 31 December 2018 the provision held was EUR 40,070 thousand (2017: EUR 40,070 thousand).

### 9 Cash Balances

The Group is required to comply with regulatory liquidity requirements under the Capital Requirements Directive and Regulation, as supported by EBA guidelines and technical standards.

The Group has remained in full compliance and as at 31 December 2018 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 National Bank of Poland, and the Bank of England to meet minimum reserve and cash deposit ratio requirements; as at 31 December 2018 such balances were EUR 90,174 thousand (2017: EUR 76,585 thousand).

As at 31 December 2018 the Group had money market placements of EUR 34,177 thousand (2017: nil) with SEB. The term of this deposit was from 31 December 2018 to 2 January 2019.

With exception for the Group's investments with affiliates, all investing or financing transactions during 2018 and 2017 involved the use of cash or cash equivalents.

<b>Cash Balances</b>		
<i>In thousands of Euro</i>	<b>2018</b>	<b>2017</b>
<b>Cash and cash equivalents</b>		
Balances at central banks	6,397,162	8,833,491
Cash and balances with banks	86,939	194,657
Money market placements	34,177	-
Cash with affiliates	11,668	18,063
<b>Total cash with banks and affiliates</b>	<b>6,529,946</b>	<b>9,046,211</b>
Overdrafts	(69,112)	(11,865)
<b>Total cash and cash equivalents</b>	<b>6,460,834</b>	<b>9,034,346</b>

### 10 Investments with Affiliates

Investments with affiliates represent fixed term deposits with U.S. Bancorp, which amounted to EUR 104,803 thousand (2017: EUR 288,896 thousand). These deposits are interest bearing short-term deposits which normally mature within 7 days to 30 days. None of the investments with affiliates were past due or deemed to be impaired.

### 11 Discontinued Operation

On 23 June 2017, the Group announced that it had entered into a conditional agreement for the divestment of its stake in Santander Elavon Merchant Services ('SEMS'), a joint venture, through the sale of the Group's entire shareholding to Banco Santander, the other shareholder in SEMS.

Total consideration received from the sale of the joint venture was EUR 72,500 thousand. A termination payment of EUR 500 thousand was paid to Banco Santander as part of the sale agreement and is included in costs associated with the sale. Therefore the net consideration received by the Group for the sale was EUR 72,000 thousand.

## Notes to the Consolidated Financial Statements

### 11 Discontinued Operation (continued)

<b>Investment in Joint Venture</b>	
<i>In thousands of Euro</i>	<b>2017</b>
As at 1 January	92,510
Share in profit of Joint Venture	1,407
<b>As at date of disposal/end of year</b>	<b>93,917</b>

The Group's share in profit of the Joint Venture was accounted for using the equity method and presented as a single line item in the Consolidated Statement of Income.

<b>Loss on sale of Joint Venture</b>	
<i>In thousands of Euro</i>	<b>2017</b>
Consideration received	72,500
Less investment in Joint Venture	(92,510)
Less costs associated with sale	(1,887)
<b>Loss on the sale of the Joint Venture</b>	<b>(21,897)</b>
Share of profits for the year	(1,407)
<b>Result for financial year including loss on the sale</b>	<b>(23,304)</b>

### 12 Investment in Associate

On 29<sup>th</sup> March 2018, the Group invested EUR 2 million in Tillhub GmbH ('Tillhub'); an established point-of-sale software solution provider in Germany. This investment represents a 13.5% interest in Tillhub and the Group has appointed one of four Advisory Board members to the Board of Directors of Tillhub, giving Elavon significant influence over Tillhub. The investment is accounted for using the equity method in the Consolidated Financial Statements. The following table illustrates the summarised financial information of the investment in Tillhub from April to December 2018:

<b>Investment in associate</b>	
<i>In thousands of Euro</i>	<b>2018</b>
Current Assets ( <i>Cash and cash equivalents EUR 2,227 thousand</i> )	2,483
Non-current Assets	25
Current Liabilities	(222)
<b>Equity</b>	<b>2,286</b>
 <b>Carrying amount of investment</b>	 <b>1,797</b>
 <i>In thousands of Euro</i>	 <b>2018</b>
Revenue from contracts with customers	927
Cost of sales	(301)
Other operating income	11
Operating expenses	(2,143)
Non-operating income	4
<b>Loss before tax</b>	<b>(1,502)</b>
Income tax expense	-
<b>Loss for the year (continuing operations)</b>	<b>(1,502)</b>
 <b>Group's share of loss for the year</b>	 <b>(203)</b>

## Notes to the Consolidated Financial Statements

### 13 Merchant Receivables

As at 31 December 2018, the value of receivables from merchants was EUR 79,942 thousand (2017: EUR 62,994 thousand). Merchant receivables are presented net of expected credit losses on the Consolidated Statement of Financial Position.

### 14 Receivables from Issuing Banks

As at 31 December 2018 the value of receivables from issuing banks was EUR 485,788 thousand (2017: EUR 696,475 thousand). The fair value of collateral held against receivables from issuing banks was nil as at 31 December 2018 (2017: nil). None of the issuing bank receivables are deemed to be past due or impaired.

### 15 Investment Services Receivables

<b>Investment Services Receivables</b>		
<i>In thousands of Euro</i>	<b>2018</b>	<b>2017</b>
GCTS fee receivables	12,696	13,548
Receivables from clearing houses - Clearstream	4	-
<b>As at 31 December</b>	<b>12,700</b>	<b>13,548</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.

### 16 Goodwill

The carrying amount of goodwill allocated to each CGU or group of CGUs is:

<i>In thousands of Euro</i>	<b>Merchant Services CGUs</b>	<b>Corporate Trust CGU</b>	<b>Total Goodwill</b>
<b>Cost</b>			
As at 1 January 2018	128,679	9	128,688
Exchange rate movements	(600)	-	(600)
<b>As at 31 December 2018</b>	<b>128,079</b>	<b>9</b>	<b>128,088</b>
<b>Cost</b>			
As at 1 January 2017	131,212	10	131,222
Goodwill impairment	(314)	-	(314)
Exchange rate movements	(2,219)	(1)	(2,220)
<b>As at 31 December 2017</b>	<b>128,679</b>	<b>9</b>	<b>128,688</b>

#### *Impairment testing of goodwill*

There was no impairment of goodwill recognised during the year. In 2017 the Group recognised an impairment loss of EUR 314 thousand on the goodwill that was recognised on the acquisition of Flexicom Limited.

The Group's impairment test in respect of goodwill allocated to a CGU or group of CGUs is performed as at 30 September 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 EMS CGU group represents the lowest level at which goodwill is monitored by key management personnel. EMS CGU group comprises the total merchant processing business across Europe, and is the sole group of CGUs 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.

The value in use is calculated by discounting management's cash flow projections for 20 years. The discount rate of 11% (2017: 12%) used in the calculation represents the cost of capital that the Group's ultimate parent undertaking allocates to investments in Europe.

## Notes to the Consolidated Financial Statements

### 16 Goodwill (continued)

A long-term growth rate of 2% (2017: 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 45% (2017: 38%).

The recoverable amount for goodwill in 2018 is calculated to be over EUR 591,537 thousand (2017: over EUR 1,388,062 thousand). As a result of these figures no impairment of goodwill was recognised in either 2018 or 2017, other than the impairment loss on Flexicom Limited in 2017. If any of the inputs were to be reasonably changed, the recoverable amount will still exceed 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>Total</b>
<b>Cost</b>				
Opening balance	49,235	95,605	2,993	147,833
Additions	2,887	-	-	2,887
Amounts written off*	(770)	-	-	(770)
Exchange movements	(42)	(554)	(23)	(619)
<b>Closing Balance of cost account</b>	<b>51,310</b>	<b>95,051</b>	<b>2,970</b>	<b>149,331</b>
<b>Accumulated amortisation</b>				
Opening balance	44,490	86,851	2,946	134,287
Amounts written off*	(770)	-	-	(770)
Amortisation charge for the year	2,082	1,481	43	3,606
Exchange movements	(35)	(502)	(43)	(580)
<b>Closing Balance of the accumulated amortisation</b>	<b>45,767</b>	<b>87,830</b>	<b>2,946</b>	<b>136,543</b>
<b>Net book value as at 31 December 2018</b>	<b>5,543</b>	<b>7,221</b>	<b>24</b>	<b>12,788</b>

\*Relates to assets which are no longer in use with a NIL carrying value

<i>In thousands of Euro</i>	<b>Computer Software</b>	<b>Merchant Contracts</b>	<b>Corporate Trust Contracts</b>	<b>Total</b>
<b>Cost</b>				
Opening balance	46,353	98,368	3,102	147,823
Additions	2,840	-	-	2,840
Exchange movements	42	(2,763)	(109)	(2,830)
<b>Closing Balance of cost account</b>	<b>49,235</b>	<b>95,605</b>	<b>2,993</b>	<b>147,833</b>
<b>Accumulated amortisation</b>				
Opening balance	41,508	87,495	2,934	131,937
Amortisation charge for the year	2,944	1,779	176	4,899
Exchange movements	38	(2,423)	(164)	(2,549)
<b>Closing Balance of the accumulated amortisation</b>	<b>44,490</b>	<b>86,851</b>	<b>2,946</b>	<b>134,287</b>
<b>Net book value as at 31 December 2017</b>	<b>4,745</b>	<b>8,754</b>	<b>47</b>	<b>13,546</b>

## Notes to the Consolidated Financial Statements

### 17 Intangible Assets – Other (continued)

Merchant contracts and corporate trust customer contracts 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 (2018 discount rate 11%) using cash flow projections based on the 2018 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 2018; therefore a full impairment review was not carried out for 2018.

### 18 Property, Plant and Equipment

<b>Property, Plant and Equipment</b>			
<i>In thousands of Euro</i>	<b>Premises and leasehold improvements</b>	<b>Office and computer equipment</b>	<b>Total</b>
<b>Cost</b>			
Opening balance	17,123	105,534	122,657
Additions	3,402	20,002	23,404
Disposals & amounts written off	(1,040)	(16,925)	(17,965)
Exchange movements	(58)	(851)	(909)
<b>Closing Balance of cost account</b>	<b>19,427</b>	<b>107,760</b>	<b>127,187</b>
<b>Accumulated depreciations and write-offs</b>			
Opening balance	11,404	66,902	78,306
Disposals & amounts written off	(1,013)	(11,939)	(12,952)
Depreciation charge for the year	1,039	14,679	15,718
Exchange movements	(51)	(571)	(622)
<b>Closing Balance of the accumulated depreciation account</b>	<b>11,379</b>	<b>69,071</b>	<b>80,450</b>
<b>Net book value as at 31 December 2018</b>	<b>8,048</b>	<b>38,689</b>	<b>46,737</b>
<i>In thousands of Euro</i>	<b>Premises and leasehold improvements</b>	<b>Office and computer equipment</b>	<b>Total</b>
<b>Cost</b>			
Opening balance	16,780	100,296	117,076
Additions	306	21,215	21,521
Disposals & amounts written off	-	(16,493)	(16,493)
Exchange movements	37	516	553
<b>Closing Balance of cost account</b>	<b>17,123</b>	<b>105,534</b>	<b>122,657</b>
<b>Accumulated depreciations and write-offs</b>			
Opening balance	10,469	68,329	78,798
Disposals & amounts written off	-	(15,198)	(15,198)
Depreciation charge for the year	893	13,411	14,304
Exchange movements	42	360	402
<b>Closing Balance of the accumulated depreciation account</b>	<b>11,404</b>	<b>66,902</b>	<b>78,306</b>
<b>Net book value as at 31 December 2017</b>	<b>5,719</b>	<b>38,632</b>	<b>44,351</b>



## Notes to the Consolidated Financial Statements

### 19 Other Assets

The following Other Assets are deemed to be current assets.

<b>Other Assets</b>			
<i>In thousands of Euro</i>	<b>Note</b>	<b>2018</b>	<b>2017</b>
Commercial loans – receivable		22,035	19,697
Prepayments, deferred expenses and other receivables		49,687	9,918
Visa Europe deferred consideration receivable		17,171	16,511
Tax debtors		98	165
Other assets – other		408	201
Receivables from affiliate companies		6,751	371
Forward exchange contracts	28	272	376
Interest receivable		385	574
<b>As at 31 December</b>		<b>96,807</b>	<b>47,813</b>

Forward contracts 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 22 January 2019.

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.

The Group settles its forward contracts on a net basis and therefore mitigates such 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.

<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	107,117	175	-
SEK	17,479	-	(74)
AUD	1,260	27	-
Other	26,835	70	(79)
<b>As at end of 31 December 2018</b>	<b>152,691</b>	<b>272</b>	<b>(153)</b>

<i>In thousands of Euro</i>	<b>Notional Amount</b>	<b>Fair Value Assets</b>	<b>Fair Value Liabilities</b>
PLN	135,469	-	(874)
SEK	18,051	-	-
USD	22,366	289	-
AUD	5,166	-	(43)
Other	25,820	87	(316)
<b>As at end of 31 December 2017</b>	<b>206,872</b>	<b>376</b>	<b>(1,233)</b>

## Notes to the Consolidated Financial Statements

### 20 Corporate Trust Deposits

<b>Corporate Trust Deposits</b>		
<i>In thousands of Euro</i>	<b>2018</b>	<b>2017</b>
Accrued interest	416	200
Non-Interest bearing deposits	143,972	186,337
Interest bearing deposits	5,485,453	8,130,565
<b>As at 31 December</b>	<b>5,629,841</b>	<b>8,317,102</b>

Corporate trust transactions are long-term in their nature. However, the cash in such transaction structures is held on a short-term basis. Thus, it is deemed that corporate trust deposits could be repayable within 7 days.

### 21 Merchant Payables

As at 31 December 2018, the value of merchant payables was EUR 619,250 thousand (2017: EUR 864,341 thousand). This balance reflects the amount owing to Merchants, from the Group, for transactions processed.

### 22 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>2018</b>	<b>2017</b>
Accruals		44,663	44,011
Sundry creditors		1,430	1,787
Pension liability	<b>24</b>	8,911	7,664
VAT and other tax creditors		6,968	9,251
Corporate payables		3,646	1,619
Deferred revenue		5,437	4,564
Forward exchange contracts	<b>19</b>	153	1,233
Payable to affiliate companies		1,262	1,612
Commercial loans – payable		1,435	1,563
Other liabilities – other		604	627
<b>As at 31 December</b>		<b>74,509</b>	<b>73,931</b>

### 23 Financial Liabilities

<b>Changes in liabilities arising from financing activities</b>		
<i>In thousands of Euro</i>	<b>Payments for Parent Company re-charges for share-based payments</b>	<b>Total</b>
Opening Balance as at 1 January 2018	-	-
Cash flows	588	588
Foreign Exchange movement	-	-
Changes in fair value	-	-
Other*	(588)	(588)
<b>Closing Balance as at 31 December 2018</b>	<b>-</b>	<b>-</b>

## Notes to the Consolidated Financial Statements

### 23 Financial Liabilities (continued)

<b>Changes in liabilities arising from financing activities</b>		
<i>In thousands of Euro</i>	<b>Payments for Parent Company re-charges for share-based payments</b>	<b>Total</b>
<b>Opening Balance as at 1 January 2017</b>	-	-
Cash flows	434	434
Foreign Exchange movement	-	-
Changes in fair value	-	-
Other*	(434)	(434)
<b>Closing Balance as at 31 December 2017</b>	-	-

\*The 'Other' row includes a contribution from U.S. Bank National Association which represents the cash settlement of awards to employees during the year arising from restricted stock units of U.S. Bancorp.

### 24 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 2018 was EUR 4,849 thousand (2017: EUR 4,705 thousand) of which EUR 506 thousand was payable at 31 December 2018 (2017: EUR 815 thousand).

#### Defined benefit plans

The Group provides employees in the German 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 the actuarial report prepared on 28 December 2018.

#### 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 previously transferred to Plan B, replacing the accrued benefits in the former plan with an actuarially equivalent initial credit.

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.

## Notes to the Consolidated Financial Statements

### 24 Pension Costs (continued)

#### 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 19, 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 27.

Of the total movement in the pension plan surplus, EUR 411 thousand (2017: EUR 448 thousand) is included in staff costs in the Consolidated Statement of Income and EUR 856 thousand (2017: EUR (1,533) 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>2018</b>	<b>2017</b>
<b>Components of pension cost</b>		
Current service cost	278	318
Net interest expense	133	130
<b>Components of pension cost recorded in profit or loss</b>	<b>411</b>	<b>448</b>
Return on plan assets, excluding interest	523	(637)
Actuarial (gain)/losses recognised in the year	333	(896)
<b>Components of pension cost recorded in other comprehensive income</b>	<b>856</b>	<b>(1,533)</b>
<b>Total recognised in Comprehensive Income</b>	<b>1,267</b>	<b>(1,085)</b>
<i>In thousands of Euro</i>	<b>2018</b>	<b>2017</b>
<b>Changes in the fair value of plan assets</b>		
Opening balance as at 1 January	7,307	6,696
Interest income	127	100
Return on plan assets, excluding interest	(523)	636
Benefits paid	-	(5)
Contributions by employer	(177)	(120)
<b>As at 31 December</b>	<b>6,734</b>	<b>7,307</b>

## Notes to the Consolidated Financial Statements

### 24 Pension Costs (continued)

<i>In thousands of Euro</i>	2018	2017
<b>Changes in the present value of plan liabilities</b>		
Opening balance as at 1 January	14,971	15,524
Current service cost	278	317
Benefits paid	(197)	(204)
Interest costs	260	230
Actuarial (gain)/losses during the year*	333	(896)
<b>As at 31 December</b>	<b>15,645</b>	<b>14,971</b>

<b>Net liability arising from defined benefit obligation</b>	<b>(8,911)</b>	<b>(7,664)</b>
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\*See the Actuarial Losses/(Gains) on defined benefit obligations table at the bottom of this page.

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 economic sectors.

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

<b>Plan Assets</b>	2018	2017
Equity instruments (Geographic location Europe; 2018: 100%, 2017: 100%)	52%	55%
Debt instruments (Geographic location Europe; 2018: 100%, 2017: 100%)	46%	45%
Money market instruments (Geographic location Europe; 2018: 100%, 2017: 100%)	1%	-
Other (Geographic location Europe; 2018: 100%, 2017: 100%)	1%	-
<b>As at 31 December</b>	<b>100%</b>	<b>100%</b>

<b>Principal Assumptions in Determining Pension Obligations</b>	2018	2017
Discount rate	1.75%	1.75%
Rate of salary increase	3.0%	3.0%
Rate of pension increase	2.0%	2.0%
Retirement Age: Men	63	63
Retirement Age: Women	60/63	60/63
Mortality / Disability /	Huebeck	Huebeck
Probability to be married	Richttafeln	Richttafeln
	2018G	2005G

<b>Principal Assumptions in Determining Pension Obligations</b>	Women	Men	Women	Men
<b>Staff Turnover Rates</b>	2018	2018	2017	2017
<b>Age</b>				
20 – 25	10%	6%	10%	6%
26 – 30	7%	5%	7%	5%
31 – 35	5%	4%	5%	4%
36 – 40	3%	3%	3%	3%
41 – 45	3%	2%	3%	2%
46 – 50	2%	2%	2%	2%
51 – 55	1%	1%	1%	1%
Over 55	0%	0%	0%	0%

<b>Actuarial Losses/(Gains) on defined benefit obligations</b>		
<i>In thousands of Euro</i>	2018	2017
From changes in demographic assumptions	176	-
From changes in financial assumptions	-	(710)
From experience adjustments	157	(186)
<b>As at 31 December</b>	<b>333</b>	<b>(896)</b>

## Notes to the Consolidated Financial Statements

### 24 Pension Costs (continued)

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.

Sensitivity analysis	2018	2017
<b>Sensitivity of the discount rate</b>		
A 100 point increase of the discount rate would decrease the DBO by	(15.85%)	(15.85%)
A 100 point decrease of the discount rate would increase the DBO by	19.91%	20.75%
<b>Sensitivity of the salary increase rate</b>		
A 50 point increase of the salary increase rate would increase the DBO by	0.11%	0.12%
A 50 point decrease of the salary increase rate would decrease the DBO by	(0.10%)	(0.11%)
<b>Sensitivity of the pension increase rate</b>		
A 25 point increase of the pension increase rate would increase the DBO by	2.13%	2.38%
A 25 point decrease of the pension increase rate would decrease the DBO by	(2.24%)	(2.12%)

EFS DAC and its subsidiaries fund the cost of the entitlements expected to be earned on a yearly basis. Employees pay a fixed 6% of pensionable salary. The residual contribution (including back service payments) is paid by the entities of the Group. The funding requirements are based on the local actuarial measurement framework. In this framework the discount rate is set on a risk free rate. Furthermore, premiums are determined on a current salary base. Additional liabilities stemming from past service due to salary increases (back-service liabilities) are paid immediately to the Fund. Apart from paying the costs of the entitlements, the Group's subsidiaries are not liable to pay additional contributions in case the Fund does not hold sufficient assets. In that case, the Fund would take other measures to restore its solvency, such as a reduction of the entitlements of the plan members.

The average duration of the benefit obligation at 31 December 2018 is 25.5 years (2017: 19.3 years). This number can be analysed as follows:

- Active members 35 years (2017: 39.7 years)
- Deferred members 34.9 years (2017: 35.3 years); and
- Retired members 18 years (2017: 21.6 years)

The Group expects to make a contribution of EUR 289 thousand to the defined benefit plans during the next financial year.

The actuarial valuations are available for inspection by members but are not available for public inspection.

### 25 Share Capital

Share Capital	2018	2017
<i>In thousands of Euro</i>		
<b>Ordinary Share Capital - Authorised</b>		
1,000,000,000 ordinary shares of €1 each (2017: 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 (2017: 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.

## Notes to the Consolidated Financial Statements

### 26 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 2018 were EUR 589,389 thousand (2017: EUR 589,389 thousand).

The Group recognised a credit in equity, as a contribution from U.S. Bank National Association of EUR 588 thousand (2017: EUR 434 thousand) which represented the cash settlement of awards to employees during the year arising from restricted stock units of U.S. Bancorp.

### 27 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. A Three Lines of Defence Model is in operation across the Group.

#### 1st Line of Defence: Business Operations

- The first line of defence encompasses business lines which manage risks in conformity with established limits and policy requirements. In turn, business leaders and their risk officers establish programmes to ensure conformity with these limits and policy requirements.

#### 2nd Line of Defence: Oversight & Challenge

- The second line of defence includes the Chief Risk Officer's organisation. The second line of defence monitors first line of defence conformity with limits and policies and provides reporting and escalation of emerging risks and other concerns to senior management of EFS and the Board Risk Committee.

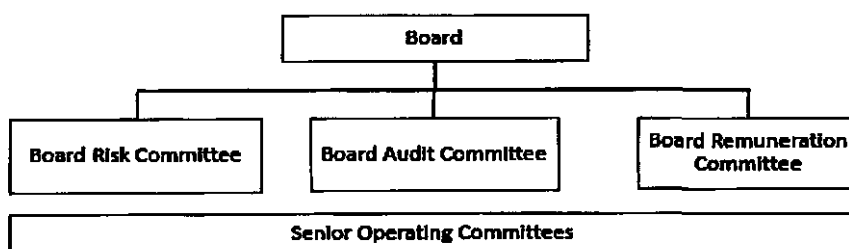
#### 3rd Line of Defence: Independent Review

- Group Internal Audit (Corporate Audit Services, "CAS"), as the third line of defence provides an independent review of the first two lines of defence, primarily focusing on control weaknesses and vulnerabilities.

#### 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, ensuring that risks are properly identified and managed and that the Group operates in compliance with regulatory and legislative requirements.

The Board delegates authority for the ongoing management and oversight of existing policies to management through the Board Risk Committee ("BRC"), Executive Risk Committee ("ERC") and designated Senior Operating Committees ("SOCs") within the Bank's Governance Structure. The governance structure includes the following Committees:



## Notes to the Consolidated Financial Statements

### 27 Risk Management (continued)

#### *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.

#### *Senior Operating Committees*

The Board has established a 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;
- 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:
  - Information Technology Governance Committee ('ITGC'), which has primary responsibility for the oversight and governance of Information Technology risk management within the Group;
  - Data Governance Committee, a sub-committee of ITGC, which has primary responsibility for ensuring consistent, high-quality data is available across the Group;
  - Asset & Liability Management Committee ('ALMC'), which has primary responsibility for the implementation of the Board's asset and liability management strategies and policies as well as primary responsibility for ensuring the implementation of the Group's Internal Liquidity Adequacy Assessment Process ('ILAAP');
  - Compliance & Operational Risk Committee acts as the primary management level committee dedicated to compliance and operational risk for the Group, 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.
  - Credit Management Committee, which has primary responsibility for the implementation of the Board's credit risk policies;
  - Internal Capital Adequacy Assessment Process ('ICAAP') Committee, which has primary responsibility for ensuring the effective implementation of the Group's ICAAP;
  - Fraud Committee, which has primary responsibility for promoting a unified, coordinated and collaborative approach to Fraud Risk Management across the Group;
  - Macro Risk Committee, which has primary responsibility to perform duties and provide specialist technical advice in relation to the potential impacts on the Group as a result of key macro variables affecting corporate performance in the EU and the wider European area;
  - Regulatory Reporting Oversight Committee, which oversees compliance with the Group's internal controls and procedures to fulfil its responsibility for the accuracy and timeliness of the Group's required regulatory financial reporting; and



## Notes to the Consolidated Financial Statements

### 27 Risk Management (continued)

- Conduct Risk Committee, is the primary Committee for overseeing Conduct Risk within the Bank. The Committee provides direction and oversight of the Group's activities that impact the delivery of fair outcomes for Customers.

#### 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 Framework Integration



##### 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.

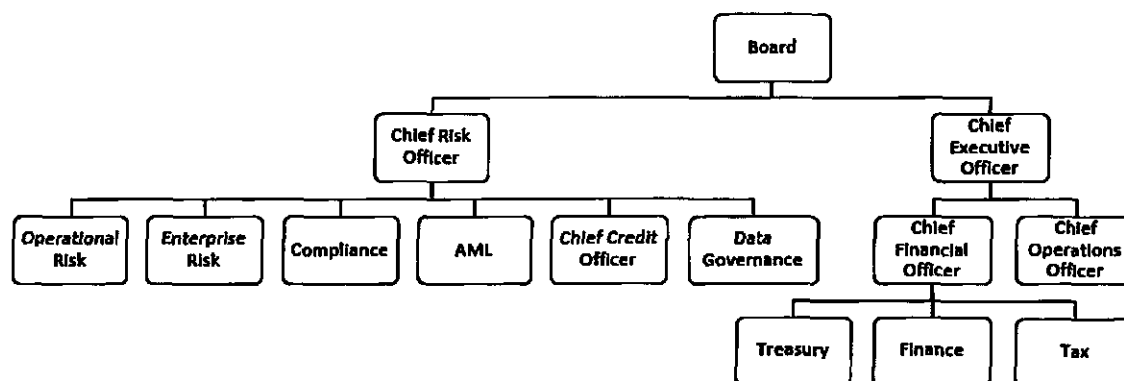
##### Risk & Compliance Function

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 six key disciplines: Operational Risk, Enterprise Risk, Compliance, Credit, Anti-Money Laundering, Regulatory Services and Data Governance.

## Notes to the Consolidated Financial Statements

### 27 Risk Management (continued)



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 EMS activities are diversified throughout various countries in Europe, all of which are considered to be developed and none of which currently experiences hyper-inflationary conditions

The geographical market concentrations by branch booking location of GCTS, receivables from Issuing banks and EMS receivables are noted below:

<b>Geographical Risk</b>		
<b>Corporate Trust</b>	<b>2018</b>	<b>2017</b>
United Kingdom	100%	100%
<b>Total</b>	<b>100%</b>	<b>100%</b>
<b>Receivables from Issuing Banks</b>	<b>2018</b>	<b>2017</b>
Ireland	7%	11%
United Kingdom	40%	59%
Poland	26%	17%
Norway	23%	9%
Germany	4%	4%
<b>Total</b>	<b>100%</b>	<b>100%</b>
<b>Merchant Receivables</b>	<b>2018</b>	<b>2017</b>
Ireland	29%	35%
United Kingdom	52%	52%
Poland	6%	7%
Norway	8%	3%
Germany	5%	3%
<b>Total</b>	<b>100%</b>	<b>100%</b>

#### 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, Corporate Payment Systems card facilities and Banks that the Group has deposited cash with. Off-balance sheet credit risk primarily relates to the contingent risks attached to Merchant Processing.

## Notes to the Consolidated Financial Statements

### 27 Risk Management (continued)

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 the relevant Credit Risk policies. 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.

Monitoring of credit risk is enabled through exposure monitoring and current business and financial information to support the credit risk management of individual exposures in addition to portfolio level management. Credit risk oversight reporting is provided to senior management through the Credit Management Committee.

Concentration risk is managed and monitored as part of the EFS Risk Appetite Statement. For Credit Risk there are several credit risk exposure groupings identified and monitored against the Group Risk Appetite.

Credit Ratings			
Counterparty	Moody's	S&P	Fitch
U.S. Bank National Association	A1	AA-	AA-
Deutsche Bank	A3	BBB+	A+
Skandinaviska Enskilda Banken AB	Aa2	A+	AA-

#### Expected Credit Loss

The Group utilises a range of Expected Credit Loss (ECL) models which are specific to the characteristics and behaviours displayed within each of EFS' credit portfolios. An overview of the methodology behind each portfolio ECL approach is outlined as follows:

- **Elavon Merchant Services (EMS) Portfolio**
  - For the EMS exposures, risk becomes inherent when the merchant is unwilling or unable to reimburse the Group for services provided and chargebacks, which then begin to age in the collections database. These aging receivables and chargebacks are written off in the month they reach 90 days past due. Therefore, at any given point in time, the lifetime of inherent risk equates to three months.
  - A loss-rate approach has been utilised to generate the ECL estimate. This methodology is appropriate given the customer behavioural patterns within the underlying portfolio.
  - The loss rate is determined at the full portfolio level and allocated to the IFRS 9 stages according to the delinquency status.
    - The vast majority of the ECL will be allocated to Stage 1; and
    - The Stage 3 allocation will be zero.
  - Once the loss rate is determined, it is applied to the delinquent balances to calculate the lifetime loss. This determines the forward-looking, on balance sheet provision required to manage the inherent risk.
  - As a result of the above 90 Day write off policy within EMS, a loss of EUR 5,388 thousand was recognised in 2018 as part of net fee and commission income (Note 3).
- **Corporate Payment Systems (CPS) Portfolio**
  - CPS facilities require full payment every billing cycle. Balances do not revolve and charge-off occurs when the account begins the month at 150 days past due.
  - The ECL for the CPS portfolio is formed from a roll-rate forecast. The model projects a portfolio distribution across a range of five delinquency buckets.
  - The roll-rates are conservative in terms of how they measure migration. The approach assumes all amounts within each bucket have deteriorated from the higher risk bucket in the preceding month.
  - The CPS loss forecast methodology considers 12 months of forecasted losses. This forecast is compared against the historical average to inform the final ECL amount for the CPS portfolio.

## Notes to the Consolidated Financial Statements

### 27 Risk Management (continued)

- Global Corporate Trust Services (GCTS) Portfolio
  - To estimate the ECL for investment service fee receivables, a provision matrix has been developed. The provision matrix is constructed by examining a series of default rates across the delinquency risk buckets. The provision matrix will be updated quarterly to adjust for current actual losses.
  - The provision matrix uses default rates calculated by aging bucket, applied to current gross carrying amounts, to determine a quantitative expected loss.
  - GCTS receivables are written off in the month they become 365 days past due.

The Group's ECL methodologies include a qualitative management overlay - which is undertaken post-quantitative model/calculation output - that seeks to make prudent adjustments regarding:

- changes in economic scenarios to estimate a refined forward-looking ECL adjustment; and
- portfolio specific provisions that are not captured within the roll-rate methodology or correlate to macroeconomics factors i.e. management judgement overlay

The qualitative overlay is typically calculated and re-assessed on a quarterly basis. The qualitative macroeconomic review is designed to provide an outlook on the economic environments which the Group is exposed to. Three key economic variables have been established to inform potential forward economic environment changes. These economic indicators have been determined to be the most appropriate given the nature and level of complexity in the portfolio:

- Gross Domestic Product;
- Unemployment; and
- Three month Euribor rate.

The definition of default is also critical to the calculation of expected credit losses, as probability of default, exposure at default and loss given default are three of the key variables in the calculation process. At each reporting date the Group needs to assess whether the credit risk associated with a financial instrument has increased significantly since initial recognition. To do this, the Group uses the change in the risk of default occurring over the expected life of the financial instrument, rather than the changes in the size of the loss if the default were to occur.

The Group's Credit Policy classifies a borrower/obligor in default if any one of the following events occur:

- any exposure to the borrower/obligor is partially or completely written down or charged-off;
- any exposure to the borrower/obligor is placed on non-accrual; or
- any exposure to the borrower/obligor is greater than 90 days past due.

Set out below is the information about the credit risk exposure on the Group's Merchant receivables, Commercial loan receivables and Investment services receivables. The movement in the year relates to the adoption of a new model of assessing expected Credit Losses.

Expected Credit Losses			
In thousands of Euro	Merchant receivables	Commercial loans receivables	Investment services receivables
Expected Credit Loss as at 1 January 2018	940	28	4
(Decrease)/Increase in current year	(329)	28	17
<b>Expected Credit Loss as at 31 December 2018</b>	<b>611</b>	<b>56</b>	<b>21</b>

### 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.

## Notes to the Consolidated Financial Statements

### 27 Risk Management (continued)

#### 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.

Foreign Exchange Risk				
In thousands of Euro	2018 Statement of Income	2018 Equity	2017 Statement of Income	2017 Equity
GBP	1,271	9,918	383	9,038
NOK	(60)	621	(86)	420
PLN	55	1,551	28	1,526
USD	143	-	56	-
<b>Total</b>	<b>1,409</b>	<b>12,090</b>	<b>381</b>	<b>10,984</b>

#### 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 by 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	2018 Statement of Income		2017 Statement of Income	
	+10bps	-10bps	+10bps	-10bps
Interest from central banks	6,588	(6,588)	2,721*	(3,553)
Interest from other banks	125	(125)	209	(209)
Interest income from affiliate companies on fixed term deposits	120	(120)	1,077*	(2,154)
Interest expense on overdraft	(34)	34	(44)	44
Interest expense - corporate trust deposits	(5,493)	5,157	(3,297)**	1,437**
<b>Total</b>	<b>1,306</b>	<b>(1,642)</b>	<b>666</b>	<b>(4,435)</b>

\* 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.

\*\* 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.

## Notes to the Consolidated Financial Statements

### 27 Risk Management (continued)

#### 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.

#### Anti-Money Laundering (AML) Risk

AML risk is the risk arising from failure to have adequate arrangements in place to prevent, detect or report actual or attempted instances of money laundering or terrorist financing. AML risk also includes the risks arising from non-compliance with financial sanctions requirements. The Group manages AML risk through its AML Framework, including through its AML policies and supporting procedures and controls.

#### Liquidity risk

Liquidity is defined as the Group's ability to maintain cash flows sufficient to meet funding requirements of ongoing operations such as decreases in business generated float and in other liabilities or increases in other assets, in a timely and cost-effective manner. Maintaining adequate levels of liquidity is essential for the Group to meet both expected and unexpected changes in the Statement of Financial Position as well as provide sufficient funds for future growth in the Group's Consolidated Statement of Financial Position.

Liquidity risk is managed by the ALMC of the Group. Liquidity risk is managed on a daily basis, with monthly, quarterly and annual 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.

Assets by their contractual undiscounted cash flows					
<i>In thousands of Euro</i>	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 12 months	Total
Balances at central banks	6,397,162	-	-	-	6,397,162
Due from banks	132,784	-	-	-	132,784
Investments with affiliates	104,803	-	-	-	104,803
Receivables from issuing banks	482,096	46	-	3,646	485,788
Merchant receivables	4,416	2,841	-	72,685	79,942
Investment services receivables	5,864	57	2,206	4,573	12,700
Other assets	4,153	3,050	-	39,412	46,615
<b>As at 31 December 2018</b>	<b>7,131,278</b>	<b>5,994</b>	<b>2,206</b>	<b>120,316</b>	<b>7,259,794</b>

<i>In thousands of Euro</i>	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 12 months	Total
Balances at central banks	8,833,491	-	-	-	8,833,491
Due from banks	212,720	-	-	-	212,720
Investments with affiliates	288,896	-	-	-	288,896
Receivables from issuing banks	693,960	31	-	2,484	696,475
Merchant receivables	2,937	1,119	-	58,938	62,994
Investment services receivables	5,496	74	2,048	5,930	13,548
Other assets	1,700	398	-	35,431	37,529
<b>As at 31 December 2017</b>	<b>10,039,200</b>	<b>1,622</b>	<b>2,048</b>	<b>102,783</b>	<b>10,145,653</b>

## Notes to the Consolidated Financial Statements

### 27 Risk Management (continued)

<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	69,112	-	-	-	69,112
Merchant payables	594,823	24,303	-	124	619,250
Corporate Trust deposits	5,629,841	-	-	-	5,629,841
Other liabilities	2,746	105	-	-	2,851
<b>As at 31 December 2018</b>	<b>6,296,522</b>	<b>24,408</b>	<b>-</b>	<b>124</b>	<b>6,321,054</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	11,865	-	-	-	11,865
Merchant payables	830,071	34,115	-	155	864,341
Corporate Trust deposits	8,317,102	-	-	-	8,317,102
Other liabilities	4,324	80	-	5	4,409
<b>As at 31 December 2017</b>	<b>9,163,362</b>	<b>34,195</b>	<b>-</b>	<b>160</b>	<b>9,197,717</b>

### 28 Fair Value Hierarchy of 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.

The carrying amount of all the Group's financial instruments not measured at fair value, approximate to their fair value due to their short term nature.

<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>						
Foreign exchange forward contracts	-	-	272	272	-	-
<b>As at 31 December 2018</b>	<b>-</b>	<b>-</b>	<b>272</b>	<b>272</b>	<b>-</b>	<b>-</b>
<b>Financial Liabilities</b>						
Foreign exchange forward contracts	-	-	(153)	(153)	-	-
<b>As at 31 December 2018</b>	<b>-</b>	<b>-</b>	<b>(153)</b>	<b>(153)</b>	<b>-</b>	<b>-</b>

## Notes to the Consolidated Financial Statements

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

<i>In thousands of Euro</i>	Level 1 Fair Value	Level 1 Carrying Amount	Level 2 Fair Value	Level 2 Carrying Amount	Level 3 Fair Value	Level 3 Carrying Amount
<b>Financial Assets</b>						
Foreign exchange forward contracts	-	-	376	376	-	-
<b>As at 31 December 2017</b>	-	-	<b>376</b>	<b>376</b>	-	-
<b>Financial Liabilities</b>						
Foreign exchange forward contracts	-	-	(1,233)	(1,233)	-	-
<b>As at 31 December 2017</b>	-	-	<b>(1,233)</b>	<b>(1,233)</b>	-	-

#### *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 in the Consolidated Statement of Income.

#### *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 and pension plan assets.

### 29 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. As at 31 December 2018 there is no provision for legal proceedings (2017: nil).

#### *Merchant processing – charge-backs*

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 the 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 12.0 billion (2017: EUR 11.1 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.



## Notes to the Consolidated Financial Statements

### 29 Provisions (continued)

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 fulfilled, 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. As at 31 December 2018, the value of airline tickets purchased to be delivered at a future date was EUR 2.3 billion (2017: EUR 2.3 Billion). The Group has received a guarantee from U.S. Bank for this airline exposure. No liability is expected to arise.

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. As at 31 December 2018, the Group held EUR 142.9 million (2017: EUR 49.5 million) of merchant escrow deposits and a recorded provision for potential losses of EUR 195 thousand (2017: EUR 774 thousand).

#### *Merchant processing – Expected credit loss*

Expected credit losses are presented net within merchant receivables on the Consolidated Statement of Financial Position. Please see details in Note 27 (pages 57 & 58) for additional information on expected credit losses.

#### *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 to ascertain guide costs for the leasehold portfolio taking into account the location of the buildings and similar dilapidations expenses in those locations.

#### *Remediation Provision*

A remediation provision was put in place as at 31 December 2018 to reflect potential losses as a result of a review into blended/unblended transaction charges to Merchants.

#### *Corporate Card Provision*

Corporate card facilities require full payment every billing cycle. Balances do not revolve and charge-off occurs when the account begins the month at 150 days past due. Balances are expected to be received after charge off occurs, however a provision is recorded for these expected losses in the event that they are not recovered. This provision was wound down on 1 January 2018 and replaced by IFRS 9 ECL.

Provisions						
<i>In thousands of Euro</i>	Chargeback Provision	Asset Retirement Obligation	Remediation Provision	Corporate Card Provision	Finance Lease Provision	Total
Opening provision	378	2,450	-	24	-	2,852
Charges for the period	(4,104)	-	-	(24)	-	(4,128)
Increase in current year provision	3,922	501	2,832	-	-	7,255
<b>As at 31 December 2018</b>	<b>196</b>	<b>2,951</b>	<b>2,832</b>	<b>-</b>	<b>-</b>	<b>5,979</b>

## Notes to the Consolidated Financial Statements

### 29 Provisions (continued)

<i>In thousands of Euro</i>	Chargeback Provision	Asset Retirement Obligation	Remediation Provision	Corporate Card Provision	Finance Lease Provision	Total
Opening provision	1,109	2,274	-	-	59	3,442
Charges for the period	(2,319)	-	-	(7)	(59)	(2,385)
Increase in current year provision	1,588	176	-	31	-	1,795
<b>As at 31 December 2017</b>	<b>378</b>	<b>2,450</b>	<b>-</b>	<b>24</b>	<b>-</b>	<b>2,852</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>	2018	2017
Within one year	6,452	5,755
After one year but not more than five years	16,057	10,554
More than five years	8,781	6,344
<b>Total</b>	<b>31,290</b>	<b>22,653</b>

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

The Group has entered into point-of-sale terminal equipment leases. All terminal equipment leases 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.

### 30 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.

## Notes to the Consolidated Financial Statements

### 31 Subsidiary Undertakings

Subsidiary Undertakings as at 31 December 2018 and 2017				
Subsidiary name	U.S. Bank Trustees Limited	USB Nominees (U.K.) Limited	EuroConex Technologies Limited	EFS Depositary Nominees Limited
Registered office	125 Old Broad Street, London EC2N 2BQ	125 Old Broad Street, London EC2N 2BQ	Building 8, Cherrywood Business Park, Loughlinstown, D18 W319	Second Floor, Block E, Cherrywood Science and Tech. Park, Loughlinstown, Dublin
Principal activity	Corporate Trust Services	Corporate Trust Services	Currently no activity	Currently no activity
Share Capital	250,000	100	481,467	12,000,000
Nominal value	GBP 1	GBP 1	EUR 1	EUR 1
Type of shares	Ordinary Shares	Ordinary Shares	Ordinary Shares	Ordinary Shares
Shareholder number	250,000	100	48,146,734	1,244,269
Par Value	GBP 1.00	GBP 0.01	EUR 0.01	EUR 0.06
Shareholders' Capital in EUR	EUR 293,060	EUR 0.01	EUR 481,467	EUR 74,656
Shareholder's Premium	Nil	Nil	EUR 4,058,860	Nil
Total Shareholder's Equity	EUR 293,060	EUR 0.01	EUR 4,540,327	EUR 74,656
2018 Net Assets in EUR	EUR 1,289,057	Nil	EUR 4,540,327	Nil
2018 P&L in EUR	EUR 151,922	Nil	Nil	Nil

### 32 Related Party Transactions

The Group had total borrowings from U.S. Bancorp as at 31 December 2018 of nil (2017: nil). The Group had no short term borrowings from U.S. Bancorp during 2018 (2017: nil). The Group also enters into foreign exchange transactions with U.S. Bancorp, details of which can be found in Note 19.

The Group had total deposits with U.S. Bancorp as at 31 December 2018 of EUR 116,471 thousand (2017: EUR 306,959 thousand), EUR 104,803 thousand (2017: EUR 288,896 thousand) were Fixed Term Deposits and EUR 11,668 thousand (2017: EUR 18,063 thousand) were Cash Deposits. The interest income earned on all non EUR deposits totalled EUR 2,935 thousand during 2018 (2017: EUR 3,197 thousand). There was no bank processing fees from affiliated companies on EUR deposits during 2018 (2017: EUR 6,845 thousand).

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 net costs associated with services provided by or to affiliated companies totalled EUR 1,369 thousand during 2018 (2017: EUR (3,288) thousand).

The Group has a net receivable from affiliate companies of EUR 5,489 thousand as at 31 December 2018 (2017: EUR 1,241 thousand payable). The entities which owed amounts to the Group as at 31 December 2018 are U.S. Bancorp, U.S. Bank National Association, Elavon Inc., U.S. Bancorp Fund Services LLC, U.S. Bancorp Fund Services Limited, Quintillion Limited and Quintillion Holdings Company Limited.

During 2017 the Group sold its 51% shareholding in Santander Elavon Merchant Services, a Joint Venture with Banco Santander which began in April 2013. During 2018, the Group continued to provide merchant processing and administrative services to the Joint Venture. As at 31 December 2018, the Group has a receivable of EUR 299 thousand relating to these services (2017: EUR 1,043 thousand). Further information is available in Note 11.

As at 31 December 2018 the Group has received a guarantee from U.S. Bank for airline exposures. No liability is expected to arise.

## Notes to the Consolidated Financial Statements

### 32 Related Party Transactions (continued)

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 2018 totalled EUR 588 thousand (2017: EUR 434 thousand).

<b>Related Party Transactions - Key Management Compensation</b>		
<i>In thousands of Euro</i>	<b>2018</b>	<b>2017</b>
<b>Short-term benefits:</b>		
Salaries	3,294	3,365
Short-term bonuses	896	1,259
Directors' fees	140	140
Car allowances	118	123
Club subscriptions	3	5
Dividends	14	22
Other	60	32
Remuneration in respect of Termination Payments	145	-
<b>Long-term benefits</b>		
Long-term bonuses	256	196
<b>Share-based payment benefits</b>		
Restricted stock units	1,128	546
<b>Post-employment benefits:</b>		
Contributions to defined contribution plans	174	315
<b>Total</b>	<b>6,228</b>	<b>6,003</b>

The staff included in Key Management are Identified Staff in accordance with EBA guidance.

### 33 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.

The primary objectives of the Group's capital management are to ensure that the Group maintains healthy capital ratios in order to support its business and that the Group complies with externally imposed capital requirements. 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.

### 34 Dividend Policy

No dividend was issued for the year (2017: nil).

### 35 Subsequent Events

There are no subsequent events after the reporting date that require disclosure in the financial statements.

### 36 Approval of Financial Statements

The Group's Consolidated Financial Statements were authorised for issue by the Board of Directors on the 21st March 2019.

## 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 24 to 66. 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 Net Fee and Commission Income

<b>Net Fee and Commission Income</b>		
<i>In thousands of Euro</i>	<b>2018</b>	<b>2017</b>
Merchant processing services	245,346	247,057
Corporate payment products revenue	4,899	4,551
Corporate trust revenue	36,666	36,041
<b>Net fee and commission income</b>	<b>286,911</b>	<b>287,649</b>

### B Other Operating Income

<b>Other Operating Income</b>		
<i>In thousands of Euro</i>	<b>2018</b>	<b>2017</b>
Dividend income on available for sale financial assets	10	906
Realised gain on sale of financial assets*	-	4,157
Services provided to affiliate companies	19,882	14,670
Other operating income - Other	38	35
Recovery of finance lease losses	-	10
<b>Other operating income</b>	<b>19,930</b>	<b>19,778</b>

\*The realised gain on sale of financial assets relates to the sale of Visa Shares.

### C 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 2018 was EUR 588 thousand (2017: EUR 434 thousand). As at 31 December 2018, EUR 62 thousand was payable (2017: EUR 36 thousand). The charge for all other long term incentive awards in 2018 was EUR 2,750 thousand (2017: EUR 2,408 thousand).

An element of salaries and wages has been capitalised during the year in relation to the development of software. The Group has not capitalised social insurance and other retirement benefits during the year.

## Notes to the Company Financial Statements

### C Other Operating Expense (continued)

<b>Other Operating Expenses</b>			
<i>In thousands of Euro</i>	<b>Note</b>	<b>2018</b>	<b>2017</b>
<b>Staff Costs</b>			
Wages and salaries		121,630	106,181
Social security costs		13,203	12,140
Pension costs - defined contribution plans	24	4,849	4,705
Pension costs - defined benefit plans	24	411	448
Staff costs - other		11,977	10,250
<b>Auditor's Remuneration</b>			
Statutory audit		632	660
Other assurance services		5	5
<b>Other operating expenses</b>			
Depreciation of property, plant and equipment	18	15,718	14,304
Amortisation of intangible assets	17	3,606	4,899
Goodwill impairment	16	-	314
Losses from disposals of fixed assets		411	253
Marketing and business development		10,230	9,095
Occupancy and equipment		11,557	12,109
Other operating expenses - Other		12,880	9,286
Bank processing fees*		21,979	28,685
Postage, printing and supplies		2,266	2,237
Professional services		14,720	12,766
Technology and communications		7,946	9,149
Services provided by affiliate companies		17,193	8,289
<b>Total operating expenses</b>		<b>271,213</b>	<b>245,775</b>
Foreign exchange loss		3,096	3,745
<b>Total other operating expense</b>		<b>274,309</b>	<b>249,520</b>

\*Bank Processing fees includes negative interest expense

*Directors' emoluments are analysed as follows:*

<i>In thousands of Euro</i>	<b>2018</b>	<b>2017</b>
Remuneration in respect of services as Director	160	140
Remuneration in connection with management	1,012	944
Remuneration to Directors in respect of other termination payments	-	260
Remuneration in respect of other assets received or receivable from long term incentive plans	-	266
Pension costs – defined contribution plans (other than in respect of services as Director)*	22	179
<b>Total Directors' emoluments</b>	<b>1,194</b>	<b>1,789</b>

\*Pensions costs relate to payments for two Directors.

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

## Notes to the Company Financial Statements

### D Income Taxes

<b>Income Taxes</b>			
<i>In thousands of Euro</i>	<b>Rate</b>	<b>2018</b>	<b>2017</b>
<b>Current Tax</b>			
<u><i>Irish corporation tax</i></u>			
Current year		1,173	4,742
Adjustment in respect of prior year		328	(42)
<u><i>Foreign tax</i></u>			
Current year		7,056	6,817
Prior year tax expense		(789)	323
Deferred tax income		117	216
<b>Income tax expense for the year</b>		<b>7,885</b>	<b>12,056</b>

A reconciliation of tax on profit on ordinary activities at the standard Irish corporation tax rate to the Group's actual tax charge is as follows:

<b>Profit before tax</b>		<b>43,446</b>	<b>42,523</b>
<b>Theoretical tax charge at statutory rate</b>	<b>12.5%</b>	<b>5,431</b>	<b>5,316</b>
Tax effect of items which are not deductible or assessable for taxation purposes:			
(Reversal)/Addition of prior year tax		(461)	281
Non-deductible expenses		194	2,903
Total temporary differences not accounted for in deferred tax		348	(283)
Overseas profits taxed at a higher rate		2,410	2,927
Losses recognised		-	83
Current year profits taxed at a higher rate		-	852
Other adjustments		(37)	(23)
<b>Income tax expense for the year</b>		<b>7,885</b>	<b>12,056</b>

Deferred tax as included on the Company Statement of Financial Position:

<b>Deferred Taxes</b>		
<i>In thousands of Euro</i>	<b>2018</b>	<b>2017</b>
<b>Deferred Tax Liability</b>		
Tax effect of taxable temporary differences		
Other intangibles: amortisation	(1,405)	(1,701)
Asset timing differences	(1,882)	(1,644)
Foreign exchange differences	2	13
<b>Recognised deferred tax liability</b>	<b>(3,285)</b>	<b>(3,332)</b>

<i>In thousands of Euro</i>	<b>2018</b>	<b>2017</b>
<b>Deferred Tax Asset</b>		
Tax effect of taxable temporary differences		
Asset timing differences	2,467	3,036
Re-measurement of Defined Benefit Plan	837	730
Exchange movements	89	(352)
<b>Recognised deferred tax asset</b>	<b>3,393</b>	<b>3,414</b>

## Notes to the Company Financial Statements

### D Income Taxes (continued)

Underlying profit before tax for the year ended 31 December 2017 and 31 December 2016 included a gain on sale of shares in Visa Europe, as discussed in Note 5 to the Consolidated Financial Statements. For the purposes of taxation this gain was 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 was included within the 2017 and 2016 current income tax expense in respect of this uncertain position. This represents the difference between the taxation of the gain as a trading receipt versus a capital receipt. At 31 December 2018 the provision held was EUR 40,070 thousand (2017: EUR 40,070 thousand).

### E Subsidiary Undertakings

100% of the following subsidiary undertakings are controlled by the Company				
Subsidiary name	U.S. Bank Trustees Limited	USB Nominees (U.K.) Limited	EuroConex Technologies Limited	EFS Depositary Nominees Limited
Registered office	125 Old Broad Street, London EC2N 2BQ	125 Old Broad Street, London EC2N 2BQ	Building 8, Cherrywood Business Park, Loughinstown, D18 W319	Second Floor, Block E, Cherrywood Science and Tech. Park, Loughinstown, Dublin
Principal activity	Corporate Trust Services	Corporate Trust Services	Currently no activity	Currently no activity
Share Capital	250,000	100	481,467	12,000,000
Nominal value	GBP 1	GBP 1	EUR 1	EUR 1
Type of shares	Ordinary Shares	Ordinary Shares	Ordinary Shares	Ordinary Shares
Shareholder number	250,000	100	48,146,734	1,244,269
Par Value	GBP 1.00	GBP 0.01	EUR 0.01	EUR 0.06
Shareholders' Capital in EUR	EUR 293,060	EUR 0.01	EUR 481,467	EUR 74,656
Shareholder's Premium	Nil	Nil	EUR 4,058,860	Nil
Total Shareholder's Equity	EUR 293,060	EUR 0.01	EUR 4,540,327	EUR 74,656
2018 Net Assets in EUR	EUR 1,289,057	Nil	EUR 4,540,327	Nil
2018 P&L in EUR	EUR 151,922	Nil	Nil	Nil

### F Investment Services Receivables

Investment Services Receivables		
In thousands of Euro	2018	2017
GCTS fee receivables	9,833	10,832
Receivables from clearing houses - Clearstream	3	-
As at 31 December	9,836	10,832

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.



## Notes to the Company Financial Statements

### G 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>2018</b>	<b>2017</b>
Commercial loans - receivable	22,035	19,697
Prepayments, deferred expenses and other receivables	49,687	9,918
Visa Europe deferred consideration receivable	17,171	16,511
Tax debtors	32	164
Other assets - other	408	200
Receivables from affiliate companies	8,101	371
Forward exchange contracts	272	376
Interest receivable	385	574
<b>As at 31 December</b>	<b>98,091</b>	<b>47,811</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 22 January 2019.

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	107,117	175	-
SEK	17,479	-	(74)
USD	-	-	-
AUD	1,260	27	-
Other	26,835	70	(79)
<b>As at end of 31 December 2018</b>	<b>152,691</b>	<b>272</b>	<b>(153)</b>

<i>In thousands of Euro</i>	<b>Notional Amount</b>	<b>Fair Value Assets</b>	<b>Fair Value Liabilities</b>
PLN	135,469	-	(874)
NOK	-	-	-
SEK	18,051	-	-
USD	22,366	289	-
AUD	5,166	-	(43)
Other	25,820	87	(316)
<b>As at end of 31 December 2017</b>	<b>206,872</b>	<b>376</b>	<b>(1,233)</b>

## Notes to the Company Financial Statements

### H 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>2018</b>	<b>2017</b>
Accruals and sundry creditors*		46,081	45,785
Pension liability	<b>24</b>	8,911	7,664
VAT and other tax creditors		6,968	9,251
Corporate payables		3,646	1,619
Deferred revenue		3,917	3,355
Forward exchange contracts	<b>19</b>	153	1,233
Payable to affiliate companies		7,169	5,903
Commercial loans - payable		1,435	1,563
Other liabilities – other		498	541
<b>As at 31 December</b>		<b>78,778</b>	<b>76,914</b>

\*As at 31 December 2018, the liability for sundry creditors was EUR 1,430 thousand (2017: EUR 1,787 thousand).

### I Approval of Financial Statements

The Company Financial Statements were authorised for issue by the Board of Directors on 21st March 2019.

## Appendix 1

### Regulatory Capital (Unaudited)

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

The Group's regulatory capital comprises fully of Common Equity Tier 1 (CET1) capital. CET1 mainly consists of share capital, capital contribution, retained earnings and the foreign currency translation reserve. The majority of deductions to capital are driven by goodwill, other intangible assets and the IFRS9 ECL provision.

The fall in risk weighted assets during 2018 is principally driven by the Central Bank of Ireland approving the use of reduced credit conversion factors applied against the Group's contingent liabilities.

<b>Capital Management - Regulatory Capital</b>		
<i>In thousands of Euro</i>	<b>Actual 2018</b>	<b>Actual 2017</b>
Common equity Tier 1 capital	919,570	889,138
Tier 2 capital	-	-
<b>Total Capital</b>	<b>919,570</b>	<b>889,138</b>
<b>Risk Weighted Assets</b>	<b>1,797,879</b>	<b>3,654,966</b>
<b>CET 1 Capital Ratio</b>	<b>51.1%</b>	<b>24.3%</b>
<b>Total Capital Ratio</b>	<b>51.1%</b>	<b>24.3%</b>

As introduced by CRD IV the leverage ratio is designed to prevent an excessive build-up of leverage on an institutions balance sheet. The ratio is defined as Tier 1 capital divided by total leverage exposures, which include on-balance sheet items, off-balance sheet items and derivatives.

The implications of the leverage ratio are being closely monitored by the Group prior to its move to a binding requirement. The Group expects to remain above the Basel Committee indicated minimum leverage ratio of 3%.

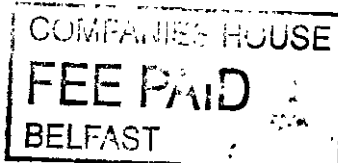
<b>Leverage Ratio</b>		
	<b>Fully Loaded 2018</b>	<b>Fully Loaded 2017</b>
Leverage Ratio	11.2%	6.2%
<b>Total Leverage Ratio</b>	<b>11.2%</b>	<b>6.2%</b>

# 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.

### 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


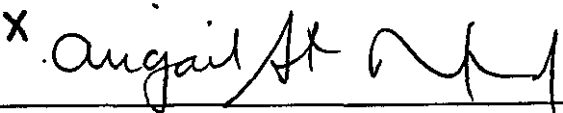
Accounts Have the accounts been audited? Please tick the appropriate box.

☐ **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

<b>A4 Audited accounts</b>	
<b>Audited accounts</b>	<p>Have the accounts been audited in accordance with a set of generally accepted auditing standards?</p> <p>Please tick the appropriate box.</p> <p><input type="checkbox"/> No. Go to Part 3 'Signature'.</p> <p><input checked="" type="checkbox"/> Yes. Please enter the name of the organisation or other body which issued those standards below, and then go to Part 3 'Signature'.</p>
<b>Name of organisation or body</b> 	International Standards on Auditing (UK and Ireland)
<b>A5 Unaudited accounts</b>	
<b>Unaudited accounts</b>	<p>Is the company required to have its accounts audited?</p> <p>Please tick the appropriate box.</p> <p><input type="checkbox"/> No.</p> <p><input checked="" type="checkbox"/> Yes.</p>
<b>Part 3 Signature</b>	
	I am signing this form on behalf of the overseas company.
<b>Signature</b>	<p>Signature</p> <p>X  X</p> <p>This form may be signed by: Director, Secretary, Permanent representative.</p>

# 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 **DONNA PARKER**

Company name **TUGHANS**

Address **MARLBOROUGH HOUSE**

**30 VICTORIA STREET**

Post town **BELFAST**

County/Region

Postcode 

B	T	1		3	G	G	
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Country **NORTHERN IRELAND**

DX **433 NR BELFAST 1**

Telephone **02890 553300**



## 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)

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