

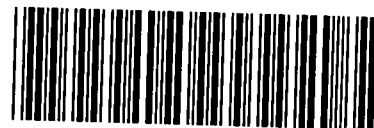
DON'T  
STAPLE**OS AA01**Statement of details of parent law and other  
information for an overseas company

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 for  
an alteration of name  
with accounting requirements.

FRIDAY



A23 \*ABJFOABW\* #258  
23/12/2022  
COMPANIES HOUSE

**Part 1 Corporate company name**Corporate name of  
overseas company ①

ELAVON FINANCIAL SERVICES DAC

UK establishment  
number

B R 0 2 2 1 2 2

→ **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  
audited.

Legislation ②

IRELAND

② This means the relevant rules or  
legislation which regulates the  
preparation 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.

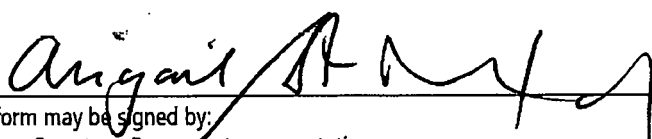
☐ **No.** Go to **Section A3**.☒ **Yes.** Please enter the name of the organisation or other  
body which issued those principles below, and then go to **Section A3**.Name of organisation  
or body ③

IFRS

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

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

## Audited accounts

<b>Part 3</b>	<b>Signature</b>
	I am signing this form on behalf of the overseas company.
Signature	<div style="text-align: center;">X  X</div>
	This form may be signed by: <del>Director, Secretary, Permanent representative</del>

**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	Graham Wooton
Company name	Dentons UK and Middle East LLP
Address	The Pinnacle
	170 Midsummer Boulevard
Post town	Milton Keynes
County/Region	
Postcode	M K 9 1 F E
Country	
DX	
Telephone	

**Checklist**

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**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**

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139 Fountainbridge, Edinburgh, Scotland, EH3 9FF.  
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Elavon Financial Services DAC

Directors' Report and Consolidated Financial Statements

31 December 2021



A10

\*ABIDJLSE\*  
07/12/2022  
COMPANIES HOUSE

#163

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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 its subsidiaries ('the Group') for the year ended 31 December 2021, which comprise the Company and Group Statement of Income, the Company and Group Statement of Other Comprehensive Income, the Company and Group Statement of Financial Position, the Company and Group Statement of Changes in Equity, the Company and Group Statement of Cash flows and the related notes 1 to 35 to the Group financial statements and notes A to Q 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 accompanying financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Company and Group as at 31 December 2021 and of the Company and Group's loss 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.

#### 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 Company and Group 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

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Director's assessment of the Company and Group's ability to continue to adopt the going concern basis of accounting included:

- An assessment of the reasonableness of the Company and Group's going concern assessment;
- Evaluating management's board approved three-year cash flow forecasts, which included the impact of Covid-19 on their future performance;
- Assessed the assumptions used by management to develop these forecasts by reviewing industry data and other external information and comparing these with management's estimates to determine if they provided corroborative or contradictory evidence in relation to management's assumptions;
- Evaluation of stress testing performed by management and consideration of whether the stresses applied are appropriate for assessing going concern;



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

- Testing the accuracy of Management's forecasting by reviewing previous forecasts and comparing to actual results; and
- An assessment of the availability of financial support from the ultimate Parent U.S Bancorp should it be required, including a review of the guarantee received by the Group in respect of potential airline exposure.

Based on the work we have performed, we have not identified a material uncertainty relating to events or conditions that, individually or collectively, may cast significant doubt on the Company or the Group's ability to continue as a going concern for a period of at least twelve months from the date when the financial statements are authorized for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

**Key audit matters**

Key audit matters are those matters that, in our professional judgement, 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.

We summarize below the key audit matters in forming our audit opinion above, together with an overview of the principal audit procedures performed to address each matter and, where relevant, key observations arising from those procedures.

Key audit matter – revenue recognition (merchant services)	How the matter was addressed in our audit
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.	Tested the design, implementation and operating effectiveness of key manual and IT application controls underpinning revenue (merchant services), including controls around the on-boarding and credit underwriting of merchants, merchant payments and exceptions and master file maintenance.
Elavon earn revenue from three different business lines - merchant services, corporate trust, and corporate payment services.	Tested the relevant IT application control supporting the upload of revenue 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.
Merchant services revenue is the most significant revenue stream and will warrant additional focus as the processing and recognition of the merchant transactions is dependent on operational IT systems through which the payments are processed and controlled and the operating	Reviewed and assessed the results of control testing performed as part of Elavon Inc's Service Organization Control Report for 2021. 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

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

<p>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>Refer to page 31 (accounting policy) and page 40 (financial disclosures).</p>	<p>Organization 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 to ensure the recognition of revenue is reflected in the correct period through both controls and substantive audit testing.</p> <p>Assessed the appropriateness of the disclosures in the financial statements.</p> <p>Based on the procedures performed we consider the basis for the recognition of revenue and the related balances to be reasonable.</p>
Key audit matter – recoverability of deferred tax assets on losses forward and uncertain tax position	How the matter was addressed in our audit
<p>The recoverability of the deferred tax (DTA) assets on losses forward relies on judgements relating to the probability, timing and sufficiency of future taxable profits, which in turn is based on assumptions concerning future economic conditions and business performance. This is subjective given the uncertainty related to future economic outcomes including the impact of COVID 19.</p> <p>The uncertain tax position relating to an ongoing tax audit relies on judgements relating to likely outcome, which in turn is based on assumptions concerning future resolutions. This is subjective given the uncertainty surrounding the future outcome of disputes of such a nature.</p> <p>Refer to page 34 (accounting policy) and page 42 and 43 (financial disclosures).</p>	<p>Assessed management's ability to estimate future taxable income, considering past performance versus past projections.</p> <p>Challenged the reasonableness of managements assumptions including the growth, profitability and economic assumptions.</p> <p>Assessed the accuracy of the deferred tax calculations.</p> <p>Ensured appropriate disclosure has been made in the year- end financial statements.</p> <p>Based on the evidence obtained we consider the valuation of the deferred tax asset to be reasonable.</p> <p>Assessed management and management's experts' position on uncertain tax positions involving our tax experts.</p> <p>Challenged the reasonableness of managements assumptions and judgements used in their position.</p> <p>Reviewed relevant correspondence with relevant tax authorities during the year.</p> <p>Ensured appropriate disclosure has been made in the year- end financial statements.</p> <p>Based on the evidence obtained we consider the uncertain tax position to be reasonable.</p>



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

Key audit matter – impairment of goodwill	How the matter was addressed in our audit
<p>Goodwill is a significant balance sheet item. Goodwill at 31 December 2021 amounts to €349m, the full amount of which relates to pre-existing goodwill from historical acquisitions. No new goodwill has been recognized in 2021.</p> <p>The determination of whether an impairment charge is required involves management judgement, including identifying on which cash generating unit level the goodwill is tested and estimating the future performance of the business and the discount rate applied to these future cash flows.</p> <p>Considering the impact of COVID 19 on the future economic performance of Elavon, there is a higher degree of uncertainty regarding the precise accuracy of impairment estimation calculations for goodwill.</p> <p>Refer to page 36 (accounting policy) and page 45 and 46 (financial disclosures).</p>	<p>Obtained and reviewed management's impairment assessment of goodwill.</p> <p>Assessed the reasonableness of the determination of the cash generating units.</p> <p>Critically assessed the discount rate and growth rate used in the discounted cash flow models, with the focus on the methodology used to estimate the key assumptions.</p> <p>Challenged the other key assumptions through comparison to external sources and where appropriate those used by peers and to other economic metrics.</p> <p>Reperformed the calculations used in the model to check the accuracy and agreed the key inputs to underlying sources.</p> <p>Assessed managements future cash flow forecasts by:</p> <ul style="list-style-type: none"> <li>• Testing that the forecasts agreed to the last annual operating plan/budget approved by management;</li> <li>• Considering current year performance against plan and discussed key deviations (Impact of COVID 19) with management; and</li> <li>• Performing independent sensitivity analysis.</li> </ul> <p>Ensured appropriate disclosure has been made in the year- end financial statements.</p> <p>Based on the evidence obtained we consider the valuation of goodwill to be reasonable.</p>

### Our application of materiality

We apply the concept of materiality in planning and performing the audit and in evaluating the impact of misstatements, if any. Materiality is an expression of the relative significance or importance of a matter in the context of the financial statements. Misstatements in the financial statements are material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken based on the financial statements.

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

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

	Group financial statements	Company financial statements
<b>Overall materiality</b>	Overall materiality: €2,622,648	Overall materiality: €3,304,802
<b>How we determined it</b>	5% of absolute value of loss before tax.	
<b>Rationale for the materiality benchmark</b>	As Elavon is loss making we have applied an absolute value to the year-end 2021 loss before tax balance and compared this to our materiality threshold at interim (based on the forecasted loss before tax) and the prior year materiality, and have selected the middle of the three, which is the year-end loss before tax materiality. We applied the benchmark of absolute value of loss before tax 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. The company benchmark included a once off item which was removed to normalize the benchmark.	
<b>Reporting threshold</b>	We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €78,679 (Group audit) and €99,144 (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

As part of designing our audit, we assessed the risk of material misstatement in the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the Directors made subjective judgements such as making assumptions on significant accounting estimates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of a risk assessment, our understanding of the Company and the Group, its environment, controls and critical business processes, to consider qualitative factors in order to ensure that we obtained sufficient coverage across all financial statement line items.

The Group financial statements are a consolidation of sixteen reporting units, including six branches, and nine separate legal entities, three of which are dormant.

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.

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

### 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.

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 course of 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:

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the Directors' report has been prepared in accordance with applicable legal requirements;
- the accounting records of the Company and the Group were sufficient to permit the financial statements to be readily and properly audited; and
- the financial statements are in agreement with the accounting records.

We have obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit of the Company and the Group.

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

Based on the knowledge and understanding of the Company and Group 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 Company and Group 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 2021 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.

### Respective responsibilities

#### *Responsibilities of Directors for the financial statements*

As explained more fully in the Directors' responsibilities statement set on page 12, 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.

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

In preparing the financial statements, the Directors are responsible for assessing the Company and Group'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/b2389013-1cf6-458b9b8a98202dc9c3a/Description\\_of\\_auditors\\_responsibilities\\_for\\_audit.pdf](http://www.iaasa.ie/getmedia/b2389013-1cf6-458b9b8a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf). This description forms part of our auditor's report.

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

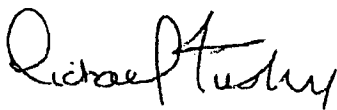
Following the recommendation of the Audit Committee of Elavon Financial Services DAC, we were appointed by the Company and its subsidiaries on 3 August 2017 to audit the financial statements for the year ended 31 December 2017. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is five years covering the years ending 2017 to 2021.

The non-audit services prohibited by IAASA's Ethical Standard were not provided to the Company or the Group and we remain independent of the Company and the Group 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: 30<sup>th</sup> March 2022

## Directors and Other Information

### Board of Directors

Name	Country of Residence	Other
Adrian Wrafter	Ireland	Independent Non-Executive
Andrew Hastings	UK	Independent Non-Executive
Craig Gifford	USA	
Declan Lynch	Ireland	
James Walker	USA	
Shailesh Kotwal	USA	Chairman
Stephen Groarke	Ireland	
Troy Remington	USA	
Valerie Dias	UK	Independent Non-Executive
Venkatachari Dilip (appointed 22 June 2021)	USA	

### Company Secretary

Abigail St. John Kennedy

### Registered Office

Block F1  
Cherrywood Business Park  
Cherrywood  
Dublin 18  
D18 W2X7

### 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 their report together with the audited Financial Statements for the year ended 31 December 2021.

### 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'). As at 31 December 2021, U.S. Bancorp has assets of \$573 billion (2020: \$554 billion), deposits of \$456 billion (2020: \$430 billion) and loans of \$312 billion (2020: \$298 billion). Further details of the Bank's parent undertakings are disclosed in Note 29 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. 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 2021 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 and travel.

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 the 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.

### Review of business performance during the financial year

The COVID-19 pandemic has continued to have a significant effect on the operating environment in 2021. Operationally, the Bank had been actively tracking the spread of COVID-19 since the start of 2020 and invoked business continuity plans at the time. These plans included moving almost all staff to remote working arrangements. This response was successful and was executed without service interruption or other adverse consequences for customers or other stakeholders.

Financially, COVID-19 has had a meaningful effect on the revenues of the merchant services business in 2020 and 2021. Societal restrictions to limit the spread of the infection have reduced economic activity and affected the Group's transaction volumes across each of the sectors and jurisdictions it services. The Merchant Services business volume, as measured in revenues, contracted by approximately 24% in 2020, but grew by 23% in 2021 as some restrictions were lifted.

Global Corporate Trust fee revenue increased by 65% in 2021 (2020: 21% decline). This is mainly driven by the growth in new deals through 2021 and the repricing of EUR deposits.

### Strategic direction and business model

Whilst COVID-19 has caused a significant interruption of the previous growth trajectory of the Bank's revenues, the Group's operations in Europe continue to represent 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.

## Directors' Report (continued)

The Group's strategic direction will continue to focus on the payments and investments services markets. The Group is well positioned for opportunities as the economies in which it operates recover when COVID-19 restrictions are lifted. Continued growth will be supported both organically and through acquisitions with continued focus on the value proposition and increased and enhanced product offerings.

Strategic goals are focused on completion of the integration of Opayo; technology enhancements, particularly in services to customers; expansion of the product set in both payments and investment services; and a continuing focus on strong risk management, governance and financial resilience.

### Key performance indicators

The Group has maintained strong capital and liquidity positions during 2021 and these measures of financial strength will continue to be a focus in the future. Operating efficiency has deteriorated with the reduction in revenues in 2020 and 2021 and reversing this will be a key focus of the Group in the coming years as the effects of COVID-19 are unwound.

The Consolidated Statement of Income and the Consolidated Statement of Financial Position are set out on pages 15 & 17 respectively.

On a monthly basis, multiple key performance indicators ('KPI') are calculated based on internal measures and are provided to the Bank's Executive Committee (see Note 26). The accounting basis for the internal measures may differ from International Financial Reporting Standards ('IFRS').

The internal KPIs reviewed (together with their 2021 full year measures) are as follows:

- Loss after tax for 2021 of EUR 62.6 million (2020: EUR 31.0 million loss)
- Fee, commission and leasing income for 2021 of EUR 308.3 million (2020: EUR 250.0 million)
- Credit and debit volume for 2021 of EUR 105.1 billion (2020: EUR 84.2 billion)
- Number of employees as at 31 December 2021 of 2,213 (2020: 2,160)
- Total assets as at 31 December 2021 of EUR 10.0 billion (2020: EUR 10.2 billion)
- Capital ratio as at 31 December 2021 of 46% (2020: 49%)
- Operating efficiency ratio for 2021 of 118% (2020: 129%)

### Group outlook

The effects of COVID-19 on merchant services revenues have persisted into the first quarter of 2022. The recovery in merchant services revenue is expected to be closely linked to the lifting of COVID-19 restrictions, noting that different sectors and jurisdictions may recover with different trajectories depending on national decisions and whether sector specific restrictions may persist, such as in travel related areas.

In the longer term, it is considered that the Group's business mix, sound strategies and prudent business model put the Group in a strong position for the years ahead. The Group has invested in personnel and infrastructure to ensure it is well positioned into the future when economic activity improves in each jurisdiction. 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 further 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 products and segments with strong fundamentals and capable of delivering solid revenue growth. Strategic action will be supported by an enhanced focus on operating efficiency to support profitability and drive competitiveness.

The Group completed the purchase of Opayo in March 2020 which was an important acquisition in further developing the merchant services business e-commerce capability as well as giving access to a broader client base, particularly in the small and medium enterprise (SME) sector. The integration of the Opayo business is well advanced and, together with increasing merchant services acquiring volumes as COVID-19 restrictions are lifted, is expected to drive revenue and net profit growth in future years.

## Directors' Report (continued)

### 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 26 to the Consolidated Financial Statements.

### Capital Management

Details of the Group's capital management compliance and objectives are set out in Note 32 to the Consolidated Financial Statements.

### Principal risks and uncertainties

Risk management is an integral part of the Group's business process. Risk management and governance arrangements have been described in Note 26. 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 financial condition and 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 26 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 the divisions. The loss of key personnel could, for a time, have a significant impact on business performance;
- On 31 December 2020, following an agreed transition period, the United Kingdom withdrew from the European Union. The Group had taken a number of steps organisationally, to ensure that direct impacts from Brexit were largely mitigated. The potential broader economic effects of Brexit, through increased trade restrictions, remain to be observed and these continue to be monitored closely by the Group;
- The Group is closely monitoring the ongoing conflict in Ukraine. The Group does not have any material direct or indirect exposure to Ukraine, Russia or Belarus. However, the adverse economic effects of the conflict may impact on the sectors and jurisdictions to which the Group provides services;
- 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;
- In addition to the above, adverse impacts from the COVID-19 pandemic have persisted into the first quarter of 2022 and the recovery of revenues will be closely correlated to the unwinding of the adverse economic effects of the pandemic on the sectors and jurisdictions to which the Group provides services.

### Directors' and Secretary's shareholdings

The names of the persons who were Directors at any time during the year ended 31 December 2021 are listed on page 8. 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 2021. The Directors' and Secretary's interest in the ordinary shares of the ultimate parent undertaking, U.S. Bancorp at 31 December 2021 and at 31 December 2020 are not disclosed as they do not represent more than 1% of the nominal issued share capital.



## Directors' Report (continued)

### **Directors' responsibilities statement**

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

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

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 ensure compliance with the Group's relevant obligations.

## Directors' Report (continued)

### 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 ('the Board') on 7 December 2021 and can be found at [www.elavon.co.uk/about-elavon/legal.html](http://www.elavon.co.uk/about-elavon/legal.html).

### Non-Financial Statement

The Group recognises and embraces its responsibilities in the wide role we play in society. The Group makes a significant contribution to, and is incorporated into, the Environmental, Social and Governance Report ('ESG Report') prepared by U.S. Bank. The ESG Report provides disclosures on how we are addressing the business risks and opportunities presented by key environmental, social and governance issues. The ESG report can be found at the following link: <https://ir.usbank.com/investor-relations/shareholder-information/annual-meeting-materials>

### Dividend

No dividend is proposed for the year (2020: nil). The Directors do not recommend any transfer to reserves.

### 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 Luxembourg.

### Events after the reporting period

On 7 January 2022, the EFS DAC Board approved the restructuring of the following Elavon Digital legal entities: Elavon Digital Europe Limited, Elavon Digital Dublin Limited and Elavon Digital (GB) Limited. During 2022, all Elavon Digital staff, business activities and assets will be merged or transferred into the Irish and UK branches of EFS DAC.

### 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.

### Diversity report

The U.S. Bancorp Diversity, Equity and Inclusion ('DEI') Policy is an extension of one of our core values, "We draw strength from diversity." Diversity, equity and inclusion are defining characteristics of our culture and are business imperatives for our company. This corporate policy applies to U.S. Bancorp, its subsidiaries and affiliates, including the Group. The goal of the DEI Policy is to create and sustain an inclusive workplace and workforce that drives business growth and creates accountability for diversity, equity and inclusion at all levels. This policy establishes the framework that aligns and determines the principles and practices of our diversity, equity and inclusion actions. Our DEI efforts focus on internal efforts related to workforce and culture and external efforts for suppliers, customers and community.

### Subsidiary companies

Details of the Group's subsidiaries are set out in Note 30 to the Consolidated Financial Statements in accordance with the Companies Act 2014.

## Directors' Report (continued)

### 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 Block F1, Cherrywood Business Park, Cherrywood, Dublin 18, D18 W2X7.

### Auditors

Mazars, Chartered Accountants were appointed statutory auditor on 08 December 2016. They have been re-appointed annually since that date and will continue in office in accordance with Section 383 (2) of the Companies Act 2014.

Approved and authorised for issue on 24 March 2022.

E-SIGNED by Declan Lynch  
on 2022-03-25 12:37:20 GMT

Declan Lynch

E-SIGNED by Stephen Groarke  
on 2022-03-25 13:56:54 GMT

Stephen Groarke

E-SIGNED by Craig Gifford  
on 2022-03-25 19:09:47 GMT

Craig Gifford

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

<i>In thousands of Euro</i>	<b>Note</b>	<b>2021</b>	<b>2020</b>
Fee, commission and leasing income	<b>3</b>	<b>308,308</b>	<b>249,951</b>
Interest income	<b>4</b>	<b>2,834</b>	<b>6,203</b>
Interest expense	<b>4</b>	<b>(580)</b>	<b>(2,409)</b>
<b>Net interest income</b>		<b>2,254</b>	<b>3,794</b>
Other operating income	<b>5</b>	<b>19,159</b>	<b>10,855</b>
Share in loss of associate	<b>11</b>	<b>-</b>	<b>(127)</b>
Gain on sale of associate	<b>11</b>	<b>-</b>	<b>1,131</b>
<b>Total operating income</b>		<b>329,721</b>	<b>265,604</b>
Other operating expense	<b>7</b>	<b>(387,002)</b>	<b>(340,539)</b>
Foreign exchange loss	<b>7</b>	<b>(2,082)</b>	<b>(746)</b>
<b>Total other operating expense</b>		<b>(389,084)</b>	<b>(341,285)</b>
<b>Loss for the year before taxation</b>		<b>(59,363)</b>	<b>(75,681)</b>
Income tax	<b>8</b>	<b>(3,223)</b>	<b>44,709</b>
<b>Loss for the year</b>		<b>(62,586)</b>	<b>(30,972)</b>

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

<i>In thousands of Euro</i>	<b>Note</b>	<b>2021</b>	<b>2020</b>
<b>Loss for the year</b>		<b>(62,586)</b>	<b>(30,972)</b>
<b>Other comprehensive income/(loss) that may be reclassified to the Consolidated Statement of Income</b>			
Foreign currency translation recognised directly in equity		35,579	(21,874)
Tax effect		-	-
<b>Foreign currency translation recognised directly in equity, net of tax</b>		<b>35,579</b>	<b>(21,874)</b>
<b>Other comprehensive loss that will not be reclassified to the Consolidated Statement of Income</b>			
Re-measurement of defined benefit plans	23	1,979	(1,039)
Tax effect		(247)	130
<b>Re-measurement of defined benefit plans, net of tax</b>		<b>1,732</b>	<b>(909)</b>
<b>Other comprehensive income/(loss), net of tax</b>		<b>37,311</b>	<b>(22,783)</b>
<b>Total comprehensive loss, net of tax</b>		<b>(25,275)</b>	<b>(53,755)</b>

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

<i>In thousands of Euro</i>	<i>Note</i>	<b>2021</b>	<b>2020</b>
<b>Assets</b>			
Balances at central banks	9	8,636,834	8,886,266
Due from banks	9	402,443	403,260
Receivables from issuing banks	13	243,111	185,314
Investment services receivables	14	18,924	11,408
Merchant receivables	12	103,080	111,770
Current tax asset		1,794	1,193
Other assets	18	47,297	60,191
Intangible assets – goodwill	15	349,183	331,535
Intangible assets – other	16	55,831	69,022
Property, plant and equipment	17	67,975	65,722
Leasehold asset	10	33,568	37,621
Deferred tax asset	8	16,565	11,917
<b>Total assets</b>		<b>9,976,605</b>	<b>10,175,219</b>
<b>Liabilities</b>			
Overdrafts	9	26	314
Corporate trust deposits	19	7,981,400	8,295,994
Merchant payables	20	524,789	417,958
Current tax liability		2,764	918
Other liabilities	21	122,358	87,877
Leasehold liability	10	38,435	41,027
Provisions	28	5,742	3,194
Deferred tax liability	8	10,406	11,977
<b>Total liabilities</b>		<b>8,685,920</b>	<b>8,859,259</b>
<b>Equity</b>			
Share capital	24	6,400	6,400
Capital contribution	25	853,389	853,389
Retained earnings		457,440	520,026
Foreign currency translation reserve		(20,100)	(55,679)
Pension re-measurement reserve		(6,444)	(8,176)
<b>Total equity</b>		<b>1,290,685</b>	<b>1,315,960</b>
<b>Total liabilities and equity</b>		<b>9,976,605</b>	<b>10,175,219</b>

Approved for issue, by the Board, on 24 March 2022.

E-SIGNED by Declan Lynch  
on 2022-03-25 12:37:27 GMT

Declan Lynch

E-SIGNED by Craig Gifford  
on 2022-03-25 19:09:32 GMT

Craig Gifford

E-SIGNED by Stephen Groarke  
on 2022-03-25 13:57:00 GMT

Stephen Groarke

**Elavon Financial Services DAC**
**Consolidated 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	Total Equity
<b>Balance as at 1 January 2020</b>	6,400	589,389	550,998	(33,805)	(7,267)	1,105,715
Loss for the year	-	-	(30,972)	-	-	(30,972)
Other comprehensive loss, net of tax	-	-	-	(21,874)	(909)	(22,783)
Total comprehensive loss, net of tax	-	-	(30,972)	(21,874)	(909)	(53,755)
Management re-charge for share-based payment (Note 25)	-	(830)	-	-	-	(830)
Capital contribution (Note 25)	-	264,830	-	-	-	264,830
<b>Balance as at 31 December 2020</b>	<b>6,400</b>	<b>853,389</b>	<b>520,026</b>	<b>(55,679)</b>	<b>(8,176)</b>	<b>1,315,960</b>
<b>Balance as at 1 January 2021</b>	<b>6,400</b>	<b>853,389</b>	<b>520,026</b>	<b>(55,679)</b>	<b>(8,176)</b>	<b>1,315,960</b>
Loss for the year	-	-	(62,585)	-	-	(62,586)
Other comprehensive profit, net of tax	-	-	-	35,579	1,732	37,311
Total comprehensive profit/(loss), net of tax	-	-	(62,585)	35,579	1,732	(25,275)
Management re-charge for share-based payment (Note 25)	-	(921)	-	-	-	(921)
Capital contribution (Note 25)	-	921	-	-	-	921
<b>Balance as at 31 December 2021</b>	<b>6,400</b>	<b>853,389</b>	<b>457,440</b>	<b>(20,100)</b>	<b>(6,444)</b>	<b>1,290,685</b>

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

<i>In thousands of Euro</i>	<b>Note</b>	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities</b>			
Loss before tax		(59,363)	(75,681)
Adjustments to reconcile loss before tax to net cash			
Depreciation and amortisation	<b>7</b>	38,918	39,567
Losses on disposal of fixed assets	<b>7</b>	259	896
Share in loss of associate	<b>11</b>	-	127
Pension costs – defined benefit plans		4	-
Gain on sale of associate		-	(1,131)
Interest income		(2,652)	(6,721)
Interest expense		536	2,445
Working capital adjustments			
Net change in prepayments, deferred expenses and other receivables	<b>18</b>	(8,133)	(9,417)
Net change in accruals and sundry creditors	<b>21</b>	19,175	(234)
Net change in receivables from issuing banks	<b>13</b>	(57,797)	297,337
Net change in merchant receivables	<b>12</b>	8,690	(34,532)
Net change in investment services receivables	<b>14</b>	(7,516)	1,614
Net change in other assets		15,776	1,073
Net change in merchant payables	<b>20</b>	106,831	(220,139)
Net change in corporate trust deposits	<b>19</b>	(314,594)	1,407,826
Net change in other liabilities		20,503	(622)
Interest paid on short term borrowings	<b>4</b>	-	(36)
Interest paid on corporate trust deposits		-	(1,646)
Taxation refunded/(paid)		(2,947)	9,836
<b>Net cash provided/(used) in operating activities</b>		<b>(242,310)</b>	<b>1,410,562</b>
<b>Cash flows from investing activities</b>			
Acquisition of a subsidiary, net of cash acquired		-	(263,958)
Interest received on investments and cash balances		2,116	5,957
Disposal of associate	<b>11</b>	-	2,410
Additions to property, plant and equipment	<b>17</b>	(22,815)	(33,198)
Disposal of property, plant and equipment		255	1,788
Additions to intangible assets	<b>16</b>	(1,519)	(1,166)
Disposal of intangible assets		-	(41)
Net decrease in other reserves		-	6,857
<b>Net cash used in investing activities</b>		<b>(21,963)</b>	<b>(281,351)</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>2021</b>	<b>2020</b>
<b>Cash flows from financing activities</b>			
Payments for Parent Company re-charges for share-based payments	<b>25</b>	<b>(921)</b>	<b>(830)</b>
Capital contribution		<b>-</b>	<b>264,952</b>
Net change in lease liabilities	<b>10</b>	<b>1,461</b>	<b>3,116</b>
<b>Net cash provided by financing activities</b>		<b>540</b>	<b>267,238</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>13,772</b>	<b>(16,347)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(249,961)</b>	<b>1,380,102</b>
Cash and cash equivalents at the beginning of the year	<b>9</b>	<b>9,289,212</b>	<b>7,909,110</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>9</b>	<b>9,039,251</b>	<b>9,289,212</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>2021</b>	<b>2020</b>
Fee, commission and leasing income	<b>A</b>	264,896	219,591
Interest income	<b>B</b>	2,834	6,203
Interest expense	<b>B</b>	(577)	(2,409)
<b>Net interest income</b>		<b>2,257</b>	<b>3,794</b>
Other operating income	<b>C</b>	19,551	10,631
Share in loss of associate	<b>11</b>	-	(127)
Gain on sale of associate	<b>11</b>	-	1,131
Dividend Income	<b>D</b>	20,532	-
<b>Total operating income</b>		<b>307,236</b>	<b>235,020</b>
Other operating expense	<b>E</b>	(356,880)	(317,944)
Foreign exchange loss	<b>E</b>	(1,896)	(651)
<b>Total other operating expense</b>		<b>(358,776)</b>	<b>(318,595)</b>
<b>Loss for the year before taxation</b>		<b>(51,540)</b>	<b>(83,575)</b>
Income tax credit	<b>F</b>	1,225	46,101
<b>Loss for the year</b>		<b>(50,315)</b>	<b>(37,474)</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>2021</b>	<b>2020</b>
<b>Loss for the year</b>		<b>(50,315)</b>	<b>(37,474)</b>
<b>Other comprehensive income/(loss) that may be reclassified to the Company Statement of Income</b>			
Foreign currency translation recognised directly in equity		28,558	(19,624)
Tax effect		-	-
<b>Foreign currency translation recognised directly in equity, net of tax</b>		<b>28,558</b>	<b>(19,624)</b>
<b>Other comprehensive income/(loss) that will not be reclassified to the Company Statement of Income</b>			
Re-measurement of defined benefit plans	23	1,979	(1,039)
Tax effect		(247)	130
<b>Re-measurement of defined benefit plans, net of tax</b>		<b>1,732</b>	<b>(909)</b>
<b>Other comprehensive income/(loss), net of tax</b>		<b>30,290</b>	<b>(20,533)</b>
<b>Total comprehensive loss, net of tax</b>		<b>(20,025)</b>	<b>(58,007)</b>

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

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

<i>In thousands of Euro</i>	<i>Note</i>	<b>2021</b>	<b>2020</b>
<b>Assets</b>			
Cash and balances at central banks	G	8,636,834	8,886,266
Due from banks	G	373,491	376,285
Investment in subsidiary	30	115,043	94,511
Merchant receivables	H	97,441	111,964
Receivables from issuing banks	13	243,111	185,314
Investment services receivables	14	18,924	11,408
Intangible assets - goodwill	I	265,124	252,969
Intangible assets - other	J	55,164	68,944
Property, plant and equipment	K	65,750	62,900
Current tax asset		1,045	662
Leasehold asset	L	33,062	37,081
Deferred tax asset	F	16,164	11,215
Other assets	M	51,960	64,316
<b>Total assets</b>		<b>9,973,113</b>	<b>10,163,835</b>
<b>Liabilities</b>			
Overdrafts	G	26	314
Corporate trust deposits	19	7,981,400	8,295,994
Merchant payables	N	524,354	417,958
Current tax liability		2,738	1,239
Other liabilities	O	118,833	81,076
Leasehold liability	L	37,947	40,582
Provisions	P	5,611	3,194
Deferred tax liability	F	10,464	11,713
<b>Total liabilities</b>		<b>8,681,373</b>	<b>8,852,070</b>
<b>Equity</b>			
Share capital	24	6,400	6,400
Capital contribution	25	853,389	853,389
Retained earnings		463,264	513,579
Foreign currency translation reserve		(24,869)	(53,427)
Pension re-measurement reserve		(6,444)	(8,176)
<b>Total equity</b>		<b>1,291,740</b>	<b>1,311,765</b>
<b>Total liabilities and equity</b>		<b>9,973,113</b>	<b>10,163,835</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 24 March 2022.

E-SIGNED by Declan Lynch  
on 2022-03-25 12:37:32 GMT

Declan Lynch

E-SIGNED by Stephen Groarke  
on 2022-03-25 13:57:03 GMT

Stephen Groarke

E-SIGNED by Craig Gifford  
on 2022-03-25 19:09:41 GMT

Craig Gifford

**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	Total Equity
<b>Balance as at 1 January 2020</b>	6,400	589,389	551,053	(33,803)	(7,267)	1,105,772
Loss for the year	-	-	(37,474)	-	-	(37,474)
Other comprehensive loss, net of tax	-	-	-	(19,624)	(909)	(20,533)
Total comprehensive loss, net of tax	-	-	(37,474)	(19,624)	(909)	(58,007)
Management re-charge for share-based payment (Note 25)	-	(830)	-	-	-	(830)
Capital contribution (Note 25)	-	264,830	-	-	-	264,830
<b>Balance as at 31 December 2020</b>	6,400	853,389	513,579	(53,427)	(8,176)	1,311,765
<b>Balance as at 1 January 2021</b>	6,400	853,389	513,579	(53,427)	(8,176)	1,311,765
Loss for the year	-	-	(50,315)	-	-	(50,315)
Other comprehensive profit, net of tax	-	-	-	28,558	1,732	30,290
Total comprehensive profit/(loss), net of tax	-	-	(50,315)	28,558	1,732	(20,025)
Management re-charge for share-based payment (Note 25)	-	(921)	-	-	-	(921)
Capital contribution (Note 25)	-	921	-	-	-	921
<b>Balance as at 31 December 2021</b>	6,400	853,389	463,264	(24,869)	(6,444)	1,291,740

**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>2021</b>	<b>2020</b>
<b>Cash flows from operating activities</b>			
Loss before tax		(51,540)	(83,575)
Adjustments to reconcile loss before tax to net cash			
Depreciation and amortisation		37,775	38,732
Losses on disposal of fixed assets	<b>E</b>	259	586
Share in loss of associate	<b>11</b>	-	127
Pension costs – defined benefit plans		4	-
Gain on sale of associate	<b>11</b>	-	(1,131)
Interest income		(2,653)	(6,721)
Interest expense		533	2,444
Working capital adjustments			
Net change in prepayments and other receivables		(13,884)	(1,809)
Net change in accruals and sundry creditors		19,402	(4,235)
Net change in receivables from issuing banks	<b>13</b>	(57,797)	297,337
Net change in merchant receivables		14,523	(34,726)
Net change in investment services receivables	<b>14</b>	(7,516)	1,614
Net change in other assets		20,910	(19,306)
Net change in merchant payables	<b>N</b>	106,396	(220,139)
Net change in corporate trust deposits	<b>19</b>	(314,594)	1,407,826
Net change in other liabilities		23,419	6,581
Interest paid on short term borrowings	<b>4</b>	-	(36)
Interest paid on corporate trust deposits		-	(1,646)
Taxation refunded/(paid)		1,475	11,286
<b>Net cash provided/(used) in operating activities</b>		<b>(223,288)</b>	<b>1,393,209</b>
<b>Cash flows from investing activities</b>			
Interest received on investments and cash balances		2,119	5,958
Disposal of associate	<b>11</b>	-	2,410
Additions to goodwill	<b>I</b>	-	(119,887)
Additions to property, plant and equipment	<b>K</b>	(22,671)	(29,414)
Disposal of property, plant and equipment		429	1,967
Additions to intangible fixed assets	<b>J</b>	(937)	(63,466)
Disposal of intangible assets		-	(41)
Increase in investment in subsidiary		(20,532)	(89,892)
<b>Net cash used in investing activities</b>		<b>(41,592)</b>	<b>(292,365)</b>

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

<i>In thousands of Euro</i>	<i>Note</i>	<b>2021</b>	<b>2020</b>
<b>Cash flows from financing activities</b>			
Payments for parent company re-charges for share-based payments	<b>25</b>	(921)	(830)
Capital contribution		-	264,000
Net change lease liabilities	<b>L</b>	1,384	3,211
<b>Net cash provided by financing activities</b>		<b>463</b>	<b>266,381</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>12,478</b>	<b>(14,098)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(251,938)</b>	<b>1,353,127</b>
Cash and cash equivalents at the beginning of the year	<b>G</b>	<b>9,262,237</b>	<b>7,909,110</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>G</b>	<b>9,010,299</b>	<b>9,262,237</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 Block F1, Cherrywood Business Park, Cherrywood, Dublin 18, D18 W2X7.

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 2021. The accounting policies have been consistently applied by Group entities. The Consolidated Financial Statements also comply with the requirements of Irish Statute comprising the Companies Acts 2014 and the S.I. No. 266 of 2015 (European Union (Credit Institutions: Financial Statements) Regulations 2015), 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.

#### **Revenue recognition**

The recognition and presentation of revenue requires management to make judgements, estimates and assumptions. The Group determines accounting treatment by methods that include, but are not limited to, reviewing contract terms, roles and obligations of parties to a contract, and the transaction price. Judgement may be required in instances where guidance is principles based, such as principal versus agent guidance which determines gross versus net revenue financial statement presentation. See Note 2 for further discussion of net revenue by primary business activities. Judgement is required when determining the useful life related to one-time acceptance fees as further described in Note 2.



## Notes to the Consolidated Financial Statements

### 1 Basis of Preparation (continued)

#### *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 28 to the Consolidated Financial Statements.

#### *Goodwill and Intangible Assets Impairment*

Goodwill is tested annually for impairment, based on value in use calculations that use a cash flow model. For other intangible assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication of impairment. If such an indication exists, the Group estimates the assets or cash generating units ('CGU') recoverable amount. The cash flows are derived from assumptions based on historical volumes, volume growth rates, revenue margin rates and a discount rate. 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 15 to the Consolidated Financial Statements. Additional details on intangible assets impairment can be found in Note 16 to the Consolidated Financial Statements.

Other disclosures where management have utilised judgement/estimation and assumptions:

- IFRS 9 – Financial Instruments (Note 2)
- IFRS 3 – Business combinations (Note 2)
- Deferred tax (Note 8)
- Uncertain tax estimate (Note 8)
- IFRS 16 – Leases (Note 10)
- Defined benefit obligations (Note 23)

#### **Basis of consolidation**

A subsidiary is an entity where the Group has the power, exposure or rights to variable returns and the ability to exercise control 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 the Consolidated Statement of Income. 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 2021 are set out below. These accounting policies have been applied consistently to all years presented, unless otherwise stated.

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

The accounting policies adopted are consistent with those of the previous financial year, except for the amendments to Interest Rate Benchmark Reform Phase 2 which the Group has applied for the first time for the annual reporting period commencing 1 January 2021.

The amendment above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

## Notes to the Consolidated Financial Statements

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

#### **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.

When the initial accounting for a business combination is determined provisionally, any adjustments to the provisional values allocated to the consideration, identifiable assets or liabilities (and contingent liabilities, if relevant) are made within the measurement period, a period of no more than one year from the acquisition date.

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.

On 11 March 2020, the Group acquired 100% of the stock of Elavon Digital Europe Limited, ('Opayo', formerly Sage Pay Europe Limited), a well-known and established payments gateway business in the United Kingdom and Ireland. The acquisition has helped, and the Group expects that it will continue to help, its business customers grow as the global economy becomes more focused on digital, and as businesses look to streamline their operations with software that includes payments capabilities.

The acquisition was settled in cash in GBP being the equivalent of EUR 273,702 thousand. Acquisition-related costs of EUR 3,337 thousand were recognised as an expense in the 2020 Consolidated Statement of Income, as part of Other operating expenses. The fair value of the net assets as at the acquisition date was EUR 69,936 thousand.

Goodwill recognised on the acquisition is related to the expected growth, cost synergies and the value of the Opayo workforce which cannot be separately recognised as an intangible asset. This goodwill was allocated to the Group's Goodwill and is not deductible for tax purposes.

#### **Investment in associates**

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. 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 associate is accounted for using the equity method. Under the equity method, the aggregate of the Group's share of profit or loss of an 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 associate.

#### **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 Consolidated Statement of Other Comprehensive Income. On disposal of a subsidiary, deferred cumulative amounts are recognised in realised exchange gain or loss in the Consolidated Statement of Income. The Consolidated Statement of Income is translated to the Group's presentation currency at the respective functional currency spot rates at the date the transaction first qualifies for recognition.

## Notes to the Consolidated Financial Statements

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

#### *Transactions and balances*

Non-monetary items that are measured in terms of historical cost in foreign currencies are translated using the exchange rates at the date 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 the Consolidated Statement of Income.

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.

#### **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 on changes in derivatives' fair values. Other operating income also includes income received on investments.

#### **Leases**

The Group recognises a leasehold asset and a corresponding leasehold liability with respect to all lease arrangements in which it is the lessee, except for short-term leases and leases of low value assets.

The leasehold liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

The leasehold liability is subsequently measured by increasing the carrying amount to reflect interest on the leasehold liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group re-measures the leasehold liability (and makes a corresponding adjustment to the related leasehold asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the leasehold liability is re-measured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the leasehold liability is re-measured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the leasehold liability is re-measured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The leasehold assets comprise the initial measurement of the corresponding leasehold liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

## Notes to the Consolidated Financial Statements

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

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related leasehold asset.

Leasehold assets are depreciated over the shorter period of the lease term and useful life of the underlying assets. If a lease transfers ownership of the underlying asset or the cost of the leasehold asset reflects that the Group expects to exercise a purchase option, the related leasehold asset is depreciated over the useful life of the underlying assets. The depreciation starts at the commencement date of the lease.

The Group applies IAS 36 to determine whether a leasehold asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the leasehold liability and the leasehold asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'Other operating expense' in the Consolidated Statement of Income.

#### *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.

#### **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, commission and leasing income consists principally of merchant discount and other transaction and account management fees charged to merchants for providing the performance obligation of electronic processing of card association network transactions and revenue generated through the provision of gateway services. Revenue is recognised at the time the merchant processing services are performed. The EMS merchant discount transaction price (excluding gateway 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. The EMS merchant discount transaction price is also presented net of revenue sharing amounts. 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. Costs related to equipment sales and rentals are presented separately in 'Other operating expenses'.

For other EMS revenue, where the performance obligation is the grant of a right to continuously access a cloud offering (gateway services) for a certain term, revenue is recognised based on time elapsed and thus rateably over the term.

## Notes to the Consolidated Financial Statements

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

#### *Global Corporate Trust Services*

Trust and investment management fees are recognised over the period in which services are performed and the transaction price is based on a percentage of the fair value of the assets under management or administration, fixed based on account type, or transaction-based fees. Trust contracts may include acceptance fees which are one-time charges related to the establishment of the trust agreement. The performance obligation related to these fees is over time as the trust is utilized by the customer. The Group defers and amortizes the fees over the 3-year estimated life of trust relationships. The Group's performance obligation consists of providing services to clients which include trustee, transfer agent, custodian, fiscal agent, and escrow.

#### *Depository Services*

Depository service recognises fees over the period in which the performance obligation of providing depository services is performed.

#### *Corporate Payment Systems*

CPS generates its income from Corporate Card Issuance. Corporate Card Issuance's performance obligation is to act as the issuing bank that offers bank cards to customers. The transaction price is the fee income 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 transaction price is presented net of card association assessments and rebates to customers.

#### **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 accrual basis over the period during which employees have provided services. Bonuses are recognised to the extent that the Group has a legal or constructive obligation to its employees that can be measured reliably.

##### *Long-term incentive benefits*

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 staff, who are categorized as Material Risk Takers under EU regulations, 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.

## Notes to the Consolidated Financial Statements

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

#### *Pensions*

The Group provides employees with post-retirement benefits mainly in the form of pensions, including both 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 Other operating expenses in the Consolidated Statement of Income. Curtailment gains or losses are accounted for as past service costs. Re-measurement is recorded in the Consolidated Statement of Other Comprehensive Income.

Re-measurement comprising of actuarial gains and losses, are recognised immediately in the Consolidated Statement of Financial Position with a gain or loss to the Consolidated Statement of Other Comprehensive Income in the period in which they occur. Re-measurements are not reclassified to the Consolidated Statement of Income in subsequent periods. Past service cost is recognised in the Consolidated Statement of Income 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.

#### **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 and asset retirement obligations. More information on these provisions can be found in Note 8 and Note 28 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 considered to be 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.

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.

## Notes to the Consolidated Financial Statements

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

#### *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.

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 the Consolidated Statement of Income.

#### *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 two categories of financial assets:

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

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 27)

## Notes to the Consolidated Financial Statements

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

#### *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.

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

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

The Group applies the SPPI test to financial assets. In addition, 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 included in other assets when the fair value is positive 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 26. All derivatives are recorded at fair value on the date on which the contract is entered into. Subsequent changes in a derivative's fair value are recognised in other operating income or expense.

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Management has used available market information in estimating the fair value of financial assets.

#### **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 fair value through other comprehensive income ('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 to 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 over 90 days past due for the EMS, CPS and GCTS portfolios.



## Notes to the Consolidated Financial Statements

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

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 monthly and reassessed on a quarterly basis. The qualitative overlay has been applied to ensure expected loss impacts remain sufficient for the lifetime of expected losses from current receivables given the increased risk of refunds and chargebacks. This management overlay was focussed on sectors most impacted by COVID-19.

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.

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 CGU's 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 15 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 and these expenses are included on the Consolidated Statement of Income within Other operating expenses.

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.

## Notes to the Consolidated Financial Statements

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

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 2021 and 2020. Intangible assets with finite lives are amortised on a cash flow basis (over USD 5,000 thousand; less than USD 5,000 thousand is straight line) and this expense is included on the Consolidated Statement of Income within Other 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
Leasehold Property	Life of lease, up to 20 years
Other	1 - 5 years
Computer Software	
- Software Purchased or Developed	3 - 10 years
- Software Licences	1 - 5 years
Contracts	
- Merchant Contracts*	4 - 15 years
- Corporate Trust Contracts	8 years

*\*includes merchant contracts, merchant related non-compete contracts and referral agreements for merchant contracts*

#### *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 assumptions based on historical volumes, volume growth rates, revenue margin rates and a discount rate. 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 15 and 16.

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.

## Notes to the Consolidated Financial Statements

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

#### 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 properties 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
Premises and leasehold improvements	
- Freehold buildings	40 years
- Leasehold improvements	Life of lease, up to 10 years
Office and computer equipment	
- Computers and similar equipment	3 - 5 years
- Furniture, fittings and other equipment	3 - 10 years
- Terminals leased to customers and related software	3 - 5 years

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

## Notes to the Consolidated Financial Statements

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

#### **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. For more information, please see Note 24 to the Consolidated Financial Statements.

##### *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**

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB that are not yet effective (Amendments to IAS 8 Definition of Accounting Estimates, and Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction).

The Group has not yet adopted any of these before their effective date on 1 January 2023 and does not expect any material impact on the Consolidated Financial Statements in the period of initial application.

## Notes to the Consolidated Financial Statements

### 3 Fee, Commission and Leasing Income

<b>Fee, Commission and Leasing Income</b>		
<i>In thousands of Euro</i>	<b>2021</b>	<b>2020</b>
Merchant processing services (including terminal leasing income)*	248,378	212,549
Corporate payment products revenue	1,165	1,318
Depository services	1,664	1,464
Corporate trust revenue	57,101	34,620
<b>Fee, commission and leasing income</b>	<b>308,308</b>	<b>249,951</b>

\*equipment rental income was EUR 25,557 thousand in 2021 (2020: EUR 23,899 thousand).

### 4 Interest Income and Expense

<b>Interest Income and Expense</b>		
<i>In thousands of Euro</i>	<b>2021</b>	<b>2020</b>
<b>Interest income</b>		
Interest from central banks	2,751	5,275
Interest from other banks	79	928
Interest income from affiliate companies	4	-
<b>Total interest income</b>	<b>2,834</b>	<b>6,203</b>
<b>Interest expense</b>		
Interest expense on short term borrowings	-	36
Interest expense on corporate trust deposits	44	1,610
Interest expense – lease activities	536	763
<b>Total interest expense</b>	<b>580</b>	<b>2,409</b>
<b>Net interest income</b>	<b>2,254</b>	<b>3,794</b>

### 5 Other Operating Income

<b>Other Operating Income</b>		
<i>In thousands of Euro</i>	<b>2021</b>	<b>2020</b>
Services provided to affiliate companies	17,102	10,757
Other operating income - other	2,057	98
<b>Other operating income</b>	<b>19,159</b>	<b>10,855</b>

### 6 Staff Numbers

The average number of employees during the year was 2,183 (2020: 2,216)

## 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. The charge for these awards in 2021 was EUR 921 thousand (2020: EUR 830 thousand). As at 31 December 2021, EUR 53 thousand was payable (2020: EUR 65 thousand). The charge for all other long term incentive awards in 2021 was EUR 4,495 thousand (2020: EUR 4,042 thousand).

<b>Other Operating Expense</b>			
<i>In thousands of Euro</i>	<b>Note</b>	<b>2021</b>	<b>2020</b>
<b>Staff costs</b>			
Wages and salaries		156,561	140,537
Social security costs		17,198	14,770
Pension costs - defined contribution plans	<b>23</b>	11,099	10,313
Pension costs - defined benefit plans	<b>23</b>	316	347
Staff costs - other		10,831	10,739
<b>Auditor's remuneration</b>			
Statutory audit		804	789
<b>Other</b>			
Depreciation of property, plant and equipment	<b>17</b>	21,066	21,877
Amortisation of intangible assets	<b>16</b>	17,852	17,690
Losses from disposals of fixed assets		259	896
Marketing and business development		13,977	12,115
Occupancy and equipment		8,488	8,751
Merchant processing		9,352	18,608
Other operating expenses - other		31,943	25,175
Bank processing fees*		35,615	24,570
Postage, printing and supplies		2,405	2,234
Professional services		14,088	12,979
Technology and communications		14,473	12,798
Services provided by affiliate companies		20,675	5,351
<b>Total operating expenses</b>		<b>387,002</b>	<b>340,539</b>
Foreign exchange loss		2,082	746
<b>Total other operating expense</b>		<b>389,084</b>	<b>341,285</b>

\*Bank processing fees includes negative interest expense

*Directors' emoluments are analysed as follows:*

<i>In thousands of Euro</i>	<b>2021</b>	<b>2020</b>
Remuneration in respect of services as Director	175	210
Remuneration in connection with management	1,554	1,424
Pension costs – defined contribution plans (other than in respect of services as Director)*	83	79
<b>Total Directors' emoluments</b>	<b>1,812</b>	<b>1,713</b>

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

# Notes to the Consolidated Financial Statements

## 8 Income Taxes

Income Taxes			
In thousands of Euro	Rate	2021	2020
Current tax			
<u>Irish corporation tax</u>			
Current year		-	-
Adjustment in respect of prior year*		-	(2,067)
Release of uncertain tax provision		-	(40,071)
<u>Foreign tax</u>			
Current year		8,500	6,860
Adjustment in respect of prior year		1,711	(206)
Deferred tax (benefit)/expense		(6,988)	(9,225)
Income tax (benefit)/expense for the year		3,223	(44,709)

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>(Loss)/profit before tax</b>		<b>(59,363)</b>	<b>(75,681)</b>
Theoretical tax charge at statutory rate	<b>12.5%</b>	<b>(7,420)</b>	<b>(9,460)</b>
Tax effect of items which are not deductible or assessable for taxation purposes:			
(Reversal)/Addition of prior year tax		1,805	(2,272)
Non-deductible expenses		1,709	478
Total temporary differences not accounted for in deferred tax		457	(811)
Overseas profits taxed at a higher rate		7,023	5,865
TCA 1997 s396D Loss carried back to prior year		-	1,993
Release of uncertain tax provision		-	(40,071)
Temporary difference on subsidiaries		6	(438)
Other adjustments		(357)	7
<b>Income tax expense for the year</b>		<b>3,223</b>	<b>(44,709)</b>

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

Deferred Taxes		
In thousands of Euro	2021	2020
Deferred tax liability		
Tax effect of taxable temporary differences		
Other intangibles: amortisation	(6,077)	(7,234)
Asset timing differences	(4,329)	(4,743)
Foreign exchange differences	-	-
Recognised deferred tax liability	(10,406)	(11,977)

<i>In thousands of Euro</i>	2021	2020
<b>Deferred tax Asset</b>		
Tax effect of deductible temporary differences		
Asset timing differences	4,174	4,418
Net operating losses	11,470	6,331
Re-measurement of defined benefit plan	921	1,168
Exchange movements	-	-
<b>Recognised deferred tax asset</b>	<b>16,565</b>	<b>11,917</b>

\* The Irish prior year adjustment of €2,067K includes a portion of 2020 current year losses claimed in accordance with TCA 1997 s396D. This accelerated loss relief is included in the reconciliation of theoretical tax charge and actual tax charge.

## 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. For the purposes of taxation this gain was considered trading income in nature subject to Irish corporate tax at the rate of 12.5%. An uncertain tax provision was included within the 2017 and 2016 current income tax expense and continued to be carried on the balance sheet for the years 2018 and 2019 in respect of this uncertain position given that the Irish tax authorities could challenge this tax treatment and argue that it should be taxed as a capital receipt. However, during 2020 the Irish tax authorities confirmed to Elavon that they were not challenging the tax treatment and hence this uncertainty provision has now been released.

The Group is subject to an ongoing tax audit. Management believe it is probable that the tax audit will not ultimately result in a successful challenge and the final outcome will be nil. However, due to a high degree of uncertainty, the Group has estimated an amount of uncertain tax under IFRIC 23 using the probability-weighted range of possible outcomes. Such an approach under IFRIC 23 results in an estimated value, even in circumstances where it is considered that no payment is the most likely outcome. The Group have not disclosed the estimated value due to commercial sensitivities.

### 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 2021 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 2021 such balances were EUR 65,336 thousand (2020: EUR 54,555 thousand).

As at 31 December 2021 the Group had money market placements of nil (2020: EUR 153,491 thousand).

All investing or financing transactions during 2021 and 2020 involved the use of cash or cash equivalents.

<b>Cash Balances</b>		
<i>In thousands of Euro</i>	<b>2021</b>	<b>2020</b>
<b>Cash and cash equivalents</b>		
Balances at central banks	8,636,834	8,886,266
Cash and balances with banks	390,854	241,464
Money market placements	-	153,491
Cash with affiliates	11,589	8,305
<b>Total cash with banks and affiliates</b>	<b>9,039,277</b>	<b>9,289,526</b>
Overdrafts	(26)	(314)
<b>Total cash and cash equivalents</b>	<b>9,039,251</b>	<b>9,289,212</b>



## Notes to the Consolidated Financial Statements

### 10 Leases

The leases that are accounted for under IFRS 16 all relate to buildings. Periods covered by termination options are included in the lease term only if it is reasonably certain the termination option will not be exercised.

<b>Leasehold Assets</b>		
<i>In thousands of EUR</i>	<b>2021</b>	<b>2020</b>
At 1 January	37,621	18,202
Increases*	3,669	29,223
Decreases	(18)	(3,110)
Amortisation for the year	(7,704)	(6,694)
<b>Net book value at 31 December</b>	<b>33,568</b>	<b>37,621</b>

\*2020 includes EUR 25 million in relation to new Cherrywood F1 Building

<b>Amounts Recognised in Consolidated Statement of Income</b>		
<i>In thousands of EUR</i>	<b>2021</b>	<b>2020</b>
Amortisation on leasehold assets	7,704	6,694
Interest expense on lease liabilities	536	763
<b>Total cash outflow for leases</b>	<b>6,781</b>	<b>7,625</b>

<b>Lease Liabilities</b>		
<i>In thousands of EUR</i>	<b>2021</b>	<b>2020</b>
<b>Analysed as:</b>		
Non-current	31,494	35,955
Current	6,941	5,072
<b>Total</b>	<b>38,435</b>	<b>41,027</b>

<b>Maturity Analysis</b>		
<i>In thousands of EUR</i>	<b>2021</b>	<b>2020</b>
Year 1	6,941	5,072
Year 2	4,381	4,579
Year 3	3,146	4,380
Year 4	2,473	3,135
Year 5	2,422	2,471
Onwards	19,072	21,390

#### Variable lease payments

Some of the property leases in which the Group is the lessee contain variable lease payment terms that are linked to indexes. Variable payment terms are used to link rental payments to market related rates. The variable payments are present in four leasehold agreements. The Group expects this ratio to remain constant in future years.

#### Extension & termination details

<b>Leasehold Assets – Office Buildings</b>		
	<b>2021</b>	<b>2020</b>
Number of leasehold assets	11	13
Number of leases with extension options	4	3
Number of leases with variable payments linked to an index	4	6
Number of leases with termination options	2	2

## Notes to the Consolidated Financial Statements

### 11 Investment in Associate

On 10 June 2020, the Group sold its entire shareholding in Tillhub GmbH ('Tillhub'), an established point-of-sale software solution provider in Germany, for EUR 2,410 thousand. This resulted in a gain of EUR 1,131 thousand. The Group's share in loss of Tillhub investment through the sale date was EUR 127 thousand, leading to an overall profit of EUR 1,004 thousand in 2020.

### 12 Merchant Receivables

As at 31 December 2021, the value of receivables from merchants was EUR 103,080 thousand (2020: EUR 111,770 thousand). Merchant receivables are presented net of expected credit losses on the Consolidated Statement of Financial Position (see Note 26).

### 13 Receivables from Issuing Banks

As at 31 December 2021 the value of receivables from issuing banks was EUR 243,111 thousand (2020: EUR 185,314 thousand). The fair value of collateral held against receivables from issuing banks was nil as at 31 December 2021 (2020: nil). None of the issuing bank receivables are deemed to be past due or impaired.

### 14 Investment Services Receivables

<b>Investment Services Receivables</b>		
<i>In thousands of Euro</i>	<b>2021</b>	<b>2020</b>
GCTS fee receivables	18,397	11,232
Receivables from clearinghouses - Clearstream	13	55
Depository services fee receivables	514	121
<b>As at 31 December</b>	<b>18,924</b>	<b>11,408</b>

### 15 Goodwill

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

<b>Goodwill</b>				
<i>In thousands of Euro</i>	<b>EMS CGUs</b>	<b>Opayo CGU</b>	<b>GCTS CGU</b>	<b>Total Goodwill</b>
<b>Cost</b>				
As at 1 January 2021	133,073	198,453	9	331,535
Additions	-	-	-	-
Exchange rate movements	3,769	13,878	1	17,648
<b>As at 31 December 2021</b>	<b>136,842</b>	<b>212,331</b>	<b>10</b>	<b>349,183</b>
<b>Cost</b>				
As at 1 January 2020	136,200	-	9	136,209
Additions*	-	203,766	-	203,766
Exchange rate movements	(3,127)	(5,313)	-	(8,440)
<b>As at 31 December 2020</b>	<b>133,073</b>	<b>198,453</b>	<b>9</b>	<b>331,535</b>

\*Additions are from business combinations.

#### Impairment testing of goodwill

In line with the accounting policy set out in Note 2, goodwill is tested annually for impairment and is also retested for impairment whenever there is an indication that goodwill may be impaired.

## Notes to the Consolidated Financial Statements

### 15 Goodwill (continued)

For the purpose of impairment testing, the EMS CGU group and Opayo CGU represents the lowest levels at which goodwill is monitored by key management personnel. The 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. The basis of the recoverable amount is the value in use.

The value in use is calculated by discounting management's cash flow projections for 20 years. Management used a period of longer than five years due to the nature of the assets, the company's historical experience of cashflow generation and the expectations for market development and growth.

The discount rate of 9% (2020: 10%) used in the calculation represents the cost of capital that the Group's ultimate parent undertaking allocates to investments in Europe.

An average short-term growth rate of 16.9% (2020: 18.5%) was applied based on management's three-year plan. For Opayo, an average short-term growth rate of 20.7% (2020: 16.7%) was applied based on management's three-year plan.

A long-term growth rate of 5% (2020: 5%) was used to extrapolate the cash flows. This rate was 8% (2020: 8%) for Opayo. 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. For Opayo, it is also achievable due to synergies created by the acquisition.

An expense margin rate based on management's three-year plan was used to arrive at the long-term rate of 40% (2020: 58%). For Opayo, the expense margin was also based on the three-year plan to get to a rate of 33% (2020: 57%) by 2024. The margin has been maintained at this level for the long-term.

The recoverable amount for goodwill in 2021 is calculated to be in excess of the carrying amount. As a result, no impairment of goodwill was recognised in 2021 (2020: nil). Management have factored in additional uncertainty in relation to COVID-19 in the cashflow projections. Additionally, sensitivity analysis was performed over the key assumptions (growth rate and discount rate) and if any of the inputs were to be reasonably changed, the recoverable amount would still exceed the carrying amount.

# Notes to the Consolidated Financial Statements

## 16 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	64,031	158,884	2,954	225,869
Additions	1,519	-	-	1,519
Exchange movements	359	8,558	206	9,123
<b>Closing balance of cost account</b>	<b>65,909</b>	<b>167,442</b>	<b>3,160</b>	<b>236,511</b>
<b>Accumulated amortisation</b>				
Opening balance	50,969	102,924	2,954	156,847
Disposals	-	-	-	-
Amortisation charge for the year	3,313	14,539	-	17,852
Exchange movements	199	5,576	206	5,981
<b>Closing balance of the accumulated amortisation</b>	<b>54,481</b>	<b>123,039</b>	<b>3,160</b>	<b>180,680</b>
<b>Net book value as at 31 December 2021</b>	<b>11,428</b>	<b>44,403</b>	<b>-</b>	<b>55,831</b>

<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	51,529	112,329	3,123	166,981
Additions	12,610	50,936	-	63,546
Disposals	(57)	-	-	(57)
Exchange movements	(51)	(4,381)	(169)	(4,601)
<b>Closing balance of cost account</b>	<b>64,031</b>	<b>158,884</b>	<b>2,954</b>	<b>225,869</b>
<b>Accumulated amortisation</b>				
Opening balance	47,795	92,216	3,113	143,124
Disposals	(98)	-	-	(98)
Amortisation charge for the year	3,313	14,367	10	17,690
Exchange movements	(41)	(3,659)	(169)	(3,869)
<b>Closing balance of the accumulated amortisation</b>	<b>50,969</b>	<b>102,924</b>	<b>2,954</b>	<b>156,847</b>
<b>Net book value as at 31 December 2020</b>	<b>13,062</b>	<b>55,960</b>	<b>-</b>	<b>69,022</b>

### Impairment testing of other intangible assets

The recoverable amount of the contracts has been determined based on a value in use calculation. The value in use is calculated by discounting management's cash flow projections for 15 years. Management used a period of longer than five years due to the nature of the assets, the company's historical experience of cashflow generation and the expectations for market development and growth.

## Notes to the Consolidated Financial Statements

### 16 Intangible Assets – Other (continued)

The discount rate of 9% (2020: 10%) used in the calculation represents the cost of capital that the Group's ultimate parent undertaking allocates to investments in Europe.

An expense margin rate based on management's three-year plan was used to arrive at the long-term rate of 40% (2020: 58%) for EMS Merchant Contracts. For Opayo, the expense margin was also based on the three-year plan to get to a rate of 33% (2020: 57%) by 2024. The margin has been maintained at this level for the long-term.

A volume attrition rate using a 6-year average of historical data was used for EMS Merchant contracts. For Opayo, this was a 3-year average.

The recoverable amount for intangible assets in 2021 is calculated to be in excess of the carrying amount. As a result, no impairment of intangible assets was recognised in 2021 (2020: nil). Management have factored in additional uncertainty in relation to COVID-19 in the cashflow projections. If any of the inputs were to be reasonably changed, the recoverable amount would still exceed the carrying amount.

### 17 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>Terminal Related Assets</b>	<b>Total</b>
<b>Cost</b>				
Opening balance	26,619	76,189	64,372	167,180
Additions	9,577	5,811	7,427	22,815
Disposals & amounts written off	(1,036)	912	(4,235)	(4,359)
Exchange movements	88	191	1,275	1,554
<b>Closing balance of cost account</b>	<b>35,248</b>	<b>83,103</b>	<b>68,839</b>	<b>187,190</b>
<b>Accumulated depreciation and write-offs</b>				
Opening balance	13,997	55,419	32,042	101,458
Disposals & amounts written off	(38)	8	(3,816)	(3,846)
Depreciation charge for the year	1,531	7,561	11,974	21,066
Exchange movements	(132)	101	568	537
<b>Closing balance of the accumulated depreciation account</b>	<b>15,358</b>	<b>63,089</b>	<b>40,768</b>	<b>119,215</b>
<b>Net book value as at 31 December 2021</b>	<b>19,890</b>	<b>20,014</b>	<b>28,071</b>	<b>67,975</b>

## Notes to the Consolidated Financial Statements

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

<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>Terminal Related Assets</b>	<b>Total</b>
<b>Cost</b>				
Opening balance	20,585	70,209	58,789	149,583
Additions	6,509	6,787	19,902	33,198
Disposals & amounts written off	(130)	(305)	(11,604)	(12,039)
Exchange movements	(345)	(502)	(2,715)	(3,562)
<b>Closing balance of cost account</b>	<b>26,619</b>	<b>76,189</b>	<b>64,372</b>	<b>167,180</b>
<b>Accumulated depreciation and write-offs</b>				
Opening balance	11,974	47,758	31,099	90,831
Disposals & amounts written off	(30)	(158)	(9,167)	(9,355)
Depreciation charge for the year	2,192	8,104	11,581	21,877
Exchange movements	(139)	(285)	(1,471)	(1,895)
<b>Closing balance of the accumulated depreciation account</b>	<b>13,997</b>	<b>55,419</b>	<b>32,042</b>	<b>101,458</b>
<b>Net book value as at 31 December 2020</b>	<b>12,622</b>	<b>20,770</b>	<b>32,330</b>	<b>65,722</b>

### 18 Other Assets

The following other assets are deemed to be current assets.

<b>Other Assets</b>		
<i>In thousands of Euro</i>	<b>2021</b>	<b>2020</b>
Commercial loans – receivable	9,334	5,106
Prepayments, deferred expenses and other receivables*	27,332	19,199
Tax debtors	298	376
Other assets – other	3,944	3,167
Receivables from affiliate companies	6,050	31,565
Forward exchange contracts	46	667
Interest receivable	293	111
<b>As at 31 December</b>	<b>47,297</b>	<b>60,191</b>

\* Prepayments, deferred expenses and other receivables in 2021 includes an amount in relation to an uncertain tax estimate, see Note 8

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 20 January 2022.

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.

# Notes to the Consolidated Financial Statements

## 18 Other Assets (continued)

<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	25,834	-	(242)
NOK	4,915	-	(88)
SEK	9,779	25	-
USD	132,661	-	(240)
CHF	13,396	-	(157)
AUD	1,907	-	(14)
Other	25,772	21	(192)
<b>As at 31 December 2021</b>	<b>214,264</b>	<b>46</b>	<b>(933)</b>

<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	61,965	568	-
NOK	17,094	-	(91)
SEK	14,801	-	(144)
CHF	7,388	-	(19)
AUD	3,729	-	(43)
Other	31,865	99	(28)
<b>As at 31 December 2020</b>	<b>136,842</b>	<b>667</b>	<b>(325)</b>

## 19 Corporate Trust Deposits

<b>Corporate Trust Deposits</b>		
<i>In thousands of Euro</i>	<b>2021</b>	<b>2020</b>
Accrued interest	44	-
Non-interest-bearing deposits	67,048	106,841
Interest bearing deposits	7,914,308	8,189,153
<b>As at 31 December</b>	<b>7,981,400</b>	<b>8,295,994</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.

## 20 Merchant Payables

As at 31 December 2021, the value of merchant payables was EUR 524,789 thousand (2020: EUR 417,958 thousand). These balances reflect the amount owing to Merchants, from the Group, for transactions processed.

## Notes to the Consolidated Financial Statements

### 21 Other Liabilities

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

<b>Other Liabilities</b>			
<i>In thousands of Euro</i>	<b>Note</b>	<b>2021</b>	<b>2020</b>
Accruals and sundry creditors		68,700	49,525
Pension liability	<b>23</b>	10,523	12,212
VAT and other tax creditors*		30,098	5,289
Corporate payables		2,344	6,489
Deferred revenue		4,345	3,457
Forward exchange contracts	<b>18</b>	933	325
Payable to affiliate companies		3,795	7,975
Commercial loans – payable		643	1,192
Interest payable		791	1,356
Other liabilities – other		186	57
<b>As at 31 December</b>		<b>122,358</b>	<b>87,877</b>

\* VAT and other tax creditors in 2021 include an amount in relation to an uncertain tax estimate, see Note 8

### 22 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>
<b>Opening balance as at 1 January 2021</b>	-	-
Cash flows	921	921
Foreign Exchange movement	-	-
Changes in fair value	-	-
Other*	(921)	(921)
<b>Closing balance as at 31 December 2021</b>	-	-

<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 2020</b>	-	-
Cash flows	830	830
Foreign Exchange movement	-	-
Changes in fair value	-	-
Other*	(830)	(830)
<b>Closing balance as at 31 December 2020</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.



## Notes to the Consolidated Financial Statements

### 23 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 12% of the contributing employee's salary.

The pension charge for the year ended 31 December 2021 was EUR 11,099 thousand (2020: EUR 10,313 thousand) of which EUR 716 thousand was payable at 31 December 2021 (2020: EUR 667 thousand).

#### **Defined benefit plans**

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

The characteristics of the German defined benefit pension schemes are outlined below based on the actuarial report prepared on 13 December 2021.

#### **Germany**

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

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

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

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

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

#### **Risk**

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

Investment risk is the risk that the value of plan assets may be impacted by market conditions. Investment risk is mitigated by a prudent investment strategy, including no investment in money market instruments. 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.

## Notes to the Consolidated Financial Statements

### 23 Pension Costs (continued)

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 26.

Of the total movement in the pension plan surplus, EUR 316 thousand (2020: EUR 347 thousand) is included in staff costs in the Consolidated Statement of Income and a gain of EUR 1,979 thousand (2020: loss of EUR 1,039 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>2021</b>	<b>2020</b>
<b>Components of pension cost</b>		
Current service cost	226	240
Net interest expense	90	107
<b>Components of pension cost recorded in Consolidated Statement of Income</b>	<b>316</b>	<b>347</b>
Return on plan assets, excluding interest	(974)	219
Actuarial (gains)/losses recognised in the year	(1,005)	820
<b>Components of pension cost recorded in other comprehensive income</b>	<b>(1,979)</b>	<b>1,039</b>
<b>Total recognised in Comprehensive Income</b>	<b>(1,663)</b>	<b>1,386</b>
<i>In thousands of Euro</i>	<b>2021</b>	<b>2020</b>
<b>Changes in the fair value of plan assets</b>		
Opening balance as at 1 January	7,035	7,382
Interest income	52	73
Return on plan assets, excluding interest	974	(219)
Benefits paid	-	-
Contributions by employer	(220)	(201)
<b>As at 31 December</b>	<b>7,841</b>	<b>7,035</b>
<i>In thousands of Euro</i>	<b>2021</b>	<b>2020</b>
<b>Changes in the present value of plan liabilities</b>		
Opening balance as at 1 January	19,247	18,238
Current service cost	226	240
Benefits paid	(246)	(231)
Interest costs	142	180
Actuarial (gains)/losses during the year (see table on next page)	(1,005)	820
<b>As at 31 December</b>	<b>18,364</b>	<b>19,247</b>
<b>Net liability arising from defined benefit obligation</b>	<b>(10,523)</b>	<b>(12,212)</b>

Plan assets in Germany have a quoted market price in an active market. They are held in the form of units of 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.

## Notes to the Consolidated Financial Statements

### 23 Pension Costs (continued)

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

Plan Assets	2021	2020
Equity instruments (Geographic location Europe; 2021: 100%, 2020: 100%)	58%	53%
Debt Instruments (Geographic location Europe; 2021: 100%, 2020: 100%)	41%	46%
Other (Geographic location Europe; 2021: 100%, 2020: 100%)	1%	1%
<b>As at 31 December</b>	<b>100%</b>	<b>100%</b>

Principal Assumptions in Determining Pension Obligations	2021	2020
Discount rate	1.00%	0.75%
Rate of salary increase	3.0%	3.0%
Rate of pension increase	2.0%	2.0%
Retirement Age: Men	65	65
Retirement Age: Women	63	63
Mortality / Disability / Probability to be married	Huebeck Richttafeln 2018G	Huebeck Richttafeln 2018G

Principal Assumptions in Determining Pension Obligations	Women	Men	Women	Men
Staff Turnover Rates	2021	2021	2020	2020
Age				
20 - 25	10%	10%	10%	10%
26 - 30	8%	8%	8%	8%
31 - 35	6%	6%	6%	6%
36 - 40	5%	5%	5%	5%
41 - 45	4%	4%	4%	4%
46 - 50	3%	3%	3%	3%
51 - 55	2%	2%	2%	2%
Over 55	1%	1%	1%	1%

Actuarial (Gains)/Losses on defined benefit obligations	2021	2020
<i>In thousands of Euro</i>		
From changes in demographic assumptions	-	-
From changes in financial assumptions	(803)	835
From experience adjustments	(202)	(15)
<b>As at 31 December</b>	<b>(1,005)</b>	<b>820</b>

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

The below sensitivity analysis illustrates how the DBO would be affected by a reasonably possible change in each of the principal assumptions, if all other assumptions remained unchanged. The degree of variation of the assumptions was determined by the actuaries following analysis of historical data and represents a reasonably possible change to each of the assumptions within the duration of 1 year.

## Notes to the Consolidated Financial Statements

### 23 Pension Costs (continued)

<b>Sensitivity Analysis</b>	<b>2021</b>	<b>2020</b>
<b>Sensitivity of the discount rate</b>		
A 100 point increase of the discount rate would decrease the DBO by	(14.90%)	(15.80%)
A 100 point decrease of the discount rate would increase the DBO by	19.40%	20.70%
<b>Sensitivity of the salary increase rate</b>		
A 50 point increase of the salary increase rate would increase the DBO by	0.00%	0.00%
A 50 point decrease of the salary increase rate would decrease the DBO by	0.00%	0.00%
<b>Sensitivity of the pension increase rate</b>		
A 25 point increase of the pension increase rate would increase the DBO by	1.40%	1.50%
A 25 point decrease of the pension increase rate would decrease the DBO by	(1.40%)	(1.50%)

The Group's 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 2021 is 17.2 years (2020: 18.2 years). The average life remaining for members is as follows

- Active members 34.6 years (2020: 36.3 years)
- Deferred members 33.6 years (2020: 33.6 years)
- Retired members 17.0 years (2020: 17.2 years)

The Group expects to make a contribution of EUR 233 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.

### 24 Share Capital

<b>Share Capital</b>		
<i>In thousands of Euro</i>	<b>2021</b>	<b>2020</b>
<b>Ordinary Share Capital - Authorised</b>		
1,000,000,000 ordinary shares of €1 each (2020: 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 (2020: 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

### 25 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.

On 30 September 2020 Elavon European Holdings B.V. invested an additional EUR 264,000 thousand in the Group. This amount was a direct result of the acquisition of Opayo. The total capital contributions as at 31 December 2021 were EUR 853,389 thousand (2020: EUR 853,389 thousand).

The Group recognised a credit in equity, as a contribution from U.S. Bank National Association of EUR 921 thousand (2020: EUR 830 thousand) which represented the cash settlement of awards to employees during the year arising from restricted stock units of U.S. Bancorp.

### 26 Risk Management

The Group has defined internal governance arrangements, which include an organisational structure with defined lines of responsibility; a Risk Management Framework (RMF) to support the Group to achieve their strategic objectives in a controlled manner. It does this through effective management (identification, assessment, management, monitoring and reporting) of the risks which the Group faces strategically and operationally, an Internal Control Framework designed to mitigate and manage the risks which are identified under the RMF to an acceptable level, and a Remuneration Policy and practices that are consistent with and promote sound and effective risk management. While the management of risk and the internal control environment is the collective responsibility of all employees, EFS assigns accountabilities to the Three Lines of Defence which clearly sets out the responsibilities and accountabilities for risk management of the Business Lines, the Risk Management and Compliance function and Corporate Audit Services (CAS).

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

The First Line of Defence (FLOD) is primarily comprised of the Group's revenue-generating business lines and support functions (including Legal, HR and IT). It owns the risks inherent to business activities. Responsibilities of the FLOD include, but are not limited to:

- Developing the EFS Strategic and Financial Plan and the business plans to achieve the objectives of the Strategic Plan in line with Risk Appetite;
- Identifying and pursuing suitable opportunities to achieve the objectives of the Strategic Plan in line with Risk Appetite and relevant legal and regulatory requirements;
- Exercising judgement when making risk decisions including understanding the risks associated with current and proposed activities and balancing of risk and reward in decision making;
- Identifying, assessing, managing, monitoring and reporting on all current and emerging risks associated with their activities and operations within Risk Appetite;
- Designing, implementing, operating and maintaining effective processes to identify, assess, manage, monitor, report, escalate and mitigate risks within Risk Appetite and report on compliance;
- Demonstrating the adequacy of the design and operating effectiveness of controls to mitigate risk to within Risk Appetite, and take appropriate action where residual risk is outside of this; and
- Complying with the letter and the spirit of all applicable frameworks, policies, procedures, rules, laws and regulations and maintain evidence and records to demonstrate compliance.

## Notes to the Consolidated Financial Statements

### 26 Risk Management (continued)

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

The Second Line of Defence (SLOD) is comprised of the independent Risk Management & Compliance Function headed by the Chief Risk Officer (CRO). The Second Line of Defence provides an independent view of the quantity of residual risk and the quality of risk management to Senior Management, the Executive Risk Committee (ERC), Board Risk Committee (BRC) and/or Board. Responsibilities of the Second Line of Defence include, but are not limited to:

- Maintaining and developing the RMF;
- Establishing the minimum standards and expectations for risk management activities for the First Line, through the establishment of Second Line Risk Frameworks and Policies;
- Designing, implementing, operating and maintaining effective policies and processes to identify, assess, manage, monitor, report, escalate and mitigate risks within Risk Appetite and report on compliance;
- Supporting the FLOD to implement Policies and procedures through review and challenge as well as through education and training initiatives;
- Undertaking testing on the FLOD's compliance with Policies and relevant standards, laws and regulations;
- Providing oversight of activities in Business Lines and challenging the completeness and accuracy of risk identification, assessment, management, monitoring and reporting activities;
- Reporting on EFS's adherence to the Risk Appetite Statement (RAS) to the ERC and BRC;
- Undertaking horizon scanning of both current and emerging risks stemming from within EFS or from the external environment in which the Group operates; and
- Understanding and managing the Group's relationship with its regulators.

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

The Third Line of Defence comprises of Corporate Audit Services (CAS), which is responsible for providing risk-based independent assurance to Senior Management, the Board Audit Committee and/or the Board. CAS provides an independent review of the first two lines of defence, which supports the Board and/or the Board Audit Committee in its assessment of the quality of the Group's Internal Control Framework. CAS audit procedures are designed to evaluate and improve the effectiveness of risk management including control and governance processes.

CAS evaluates the compliance of all activities and units of the Group (including the Risk Management & Compliance Function) with its Policies and procedures. CAS also assesses whether existing Policies and procedures remain adequate and comply with legal and regulatory requirements. CAS reports its findings directly to the Board Audit Committee.

#### *The Board of Directors*

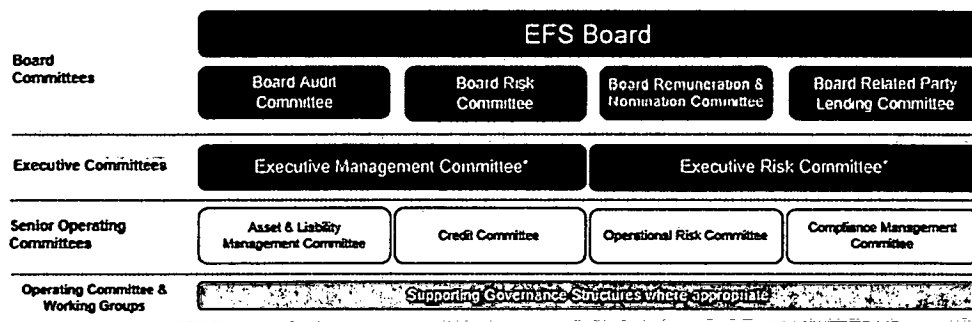
The Board has ultimate responsibility for the ethical oversight of the Group, setting the business strategy, ensuring that risks are properly identified and managed and that the Group operates in compliance with regulatory and legislative requirements.

The Board delegates authority for the ongoing management and oversight of certain activities to management through the Board Audit Committee, Board Risk Committee, Board Remuneration and Nomination Committee and Board Related Party Lending Committee.

## Notes to the Consolidated Financial Statements

### 26 Risk Management (continued)

The management and oversight of existing policies and risk governance documents are delegated through the BRC to key senior management personnel through the ERC and designated Senior Operating Committees ("SOCs") within the Group's Governance Structure. The governance structure includes the following Committees:



\* With UK Branch oversight sub-committees

#### **Board Audit Committee**

The Board Audit Committee has been delegated authority to oversee the financial reporting process, the Internal Control Framework, compliance with legal and regulatory requirements, the statutory audit of the accounts, auditors' independence and the performance of the CAS function.

#### **Board Risk Committee**

The Board Risk Committee ("BRC") has been delegated authority by the Board to oversee the Group's RMF and monitor all aspects of risk associated with the operations of the Group. The BRC provides advice to the Board on all matters related to the RMF such as Risk Appetite and considers the Group's risk profile relative to appetite and strategy.

The BRC oversees the Risk Management and Compliance Function and the Executive Risk Committee including the design and implementation of Risk and Compliance Frameworks and Policies.

#### **Board Remuneration and Nomination Committee**

The Board Remuneration and Nomination Committee has been delegated authority by the Board to oversee the Group's remuneration practices in line with the Remuneration Policy and relevant regulations. Makes recommendations to the Board in respect of the remuneration of the Executive Directors and Senior Management.

#### **Board Related Party Lending Committee**

The Board Related Party Lending Committee has been delegated authority by the Board to review and provide approval for any loan to a related party, or any variation of the terms of a loan to a related party.

## Notes to the Consolidated Financial Statements

### 26 Risk Management (continued)

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

#### *Executive Committees*

- The Executive Committee works with and advises the Chief Executive Officer ('CEO'), ensuring a collaborative approach to decision making and collective ownership of strategy development and implementation, including promoting actions to address performance issues as required.
- The primary purpose of the Executive Committee is to lead a single purpose-led organisation, where strategic and operational plans are fully aligned and are consistent with the Group's values, culture and strategic plans.
- The Executive Committee considers the Group's performance (regarding financial, operational, customer-related, market factors), Business Line and operational updates and People/Talent/Culture matters. It also has oversight responsibilities for the Asset and Liability Management Senior Operating Committee ('ALMC'). The Executive Committee is also responsible for the oversight of the operations and management of the Group's Branch Network.
- The Executive Risk Committee (ERC) is responsible for the oversight and management of risk within the Group at an Executive level. It is the primary SLOD Committee, reporting to the BRC and chaired by the CRO.
- The ERC is responsible for executive oversight of the RMF, including monitoring adherence to Risk Appetite and fostering sound risk governance and risk culture within the Group.
- The ERC sets policies and monitors all risk types across the Group to enable the effective and efficient delivery of the Group's Risk Strategy. ERC also has oversight responsibilities for the Operational Risk, Credit and Compliance Management Committees.

#### *Senior Operating Committees*

- The ALMC has delegated responsibility from the Executive Committee to formulate and implement the asset and liability management strategies within the context of the Policies set by the Board. Additionally, it implements the Treasury Policies set by the Board into day-to-day procedures while managing the Group's assets and liabilities to accomplish the Group's overall financial objectives.
- The ALMC provides oversight of Liquidity, Market, Financial and Capital Adequacy risks as well as monitoring external economic and market factors that may affect the Group and its business model. It provides oversight and formally reviews and recommends for approval the Internal Liquidity Adequacy Assessment Process ('ILAAP'), Internal Capital Adequacy Assessment Process ('ICAAP') and Recovery Plan for EFS.
- The Credit Committee is the primary management committee dedicated to the oversight and management of Credit Risk within the Group. It has been delegated responsibility by the ERC and is responsible for implementing the high-level credit direction and Policies set by the Board into day-to-day Policies and procedures for the Group.
- Additionally, it has a primary role in the management of credit, the development of new credit products, day-to-day monitoring and decision-making in relation to Credit Risk, managing and monitoring external debtors and establishing the internal credit controls of the Group.
- The Operational Risk Committee is the primary management committee dedicated to the oversight and management of Operational Risk, including IT Security, Fraud and Payments Risks, Data Governance and Third-Party Risk Management within the Group. It is responsible for reviewing the Operational Risk Framework and related Policies, the oversight of related risk programmes and escalating matters to the ERC for decision, as required.
- The Compliance Management Committee is the primary management committee dedicated to the oversight and management of Compliance and Conduct Risks within the Group including Prudential Risk, Enterprise Financial Crime Compliance Risk, and Anti-Bribery & Corruption Risk. It is responsible for the review of the Compliance and Conduct Risk Framework and related Policies, the oversight of related risk programmes and escalating matters to the ERC for decision as required.



## Notes to the Consolidated Financial Statements

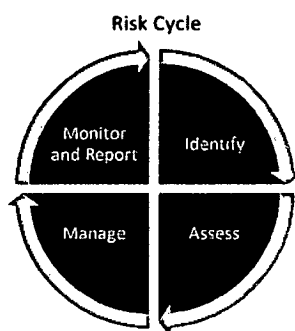
### 26 Risk Management (continued)

#### *Approach to Managing Risk*

The Group's Risk Management activities are conducted under the foundations set out within the RMF and supported by robust systems of governance and internal control as outlined in the Corporate Governance Framework and Internal Control Framework respectively.

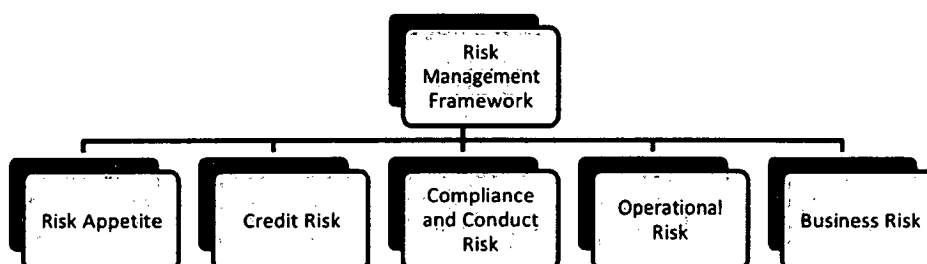
The Group manages its risks through the risk cycle: identification, assessment (or interchangeably 'measurement'), management (including mitigation), monitoring and reporting. The principles and approach outlined below are applied to all risks.

- **Identify** A deliberate and systematic effort to identify and document new or changing risks considering both internal and external factors. Risks are assigned a risk type that drives the processes that follow.
- **Assess** Identified risks are assessed and measured to establish the qualitative and quantitative value and size of the risk, the effectiveness of controls and recommended actions.
- **Control** The response to the identified risk is considered and challenged, with an appropriate response put in place to ensure the residual risk remains within risk appetite.



Risk Frameworks set out the principles and system of governance for the management of EFS's Material Risks. These Frameworks are supported by Risk Policies and Risk Standards which set out detailed requirements and roles and responsibilities for the management of specific risks.

These Frameworks and Policies, (combined with supporting Standards and SLOD and FLOD Procedures where relevant) set out the specific risk management processes (identification, assessment, management and monitoring and reporting), where relevant, in place to address and manage each Risk. Outlined below is the Risk Framework architecture which highlights the supporting Risk Frameworks of the RMF for specific groups of Risk types.



## Notes to the Consolidated Financial Statements

### 26 Risk Management (continued)

The table below sets out how the EFS Level 0 Risks\*\*, as outlined in the EFS Risk ID Library, are addressed by Risk Frameworks in the RMF architecture:

Level 0 Risk (*Material)	EFS Risk Framework
Credit Risk*	Credit Risk Framework
Operational Risk*	Operational Risk Framework
Compliance Risk*	Compliance and Conduct Risk Framework
AML Risk	Compliance and Conduct Risk Framework
Market Risk	Business Risk Framework
Interest Rate Risk	Business Risk Framework
Capital Adequacy Risk*	Business Risk Framework
Liquidity Risk*	Business Risk Framework
Strategic Risk*	Business Risk Framework

\*\* Reputational Risk is a second order risk that arises through the failure to adequately manage another Level 0 risk and is therefore not separately covered in a Risk Framework.

#### *Risk Management & Strategy*

The Group's structured approach to risk management is documented in the RMF which has been developed with the primary purpose of providing an environment that supports the achievement of the Group's strategic objectives in a controlled and sustainable way by facilitating an understanding of the risks the Group faces strategically and operationally. This is achieved through aligning risk limits and controls to strategy, through direct alignment to the Board's Risk Appetite.

#### *Risk Appetite*

Risk Appetite is an integral component of the RMF. The Group's Risk Appetite is articulated in the Risk Appetite Statement (RAS) and is a documented measure of the risk that the Board is willing to accept in the pursuit of the Group's strategic objectives. It provides a structured approach to managing risk-taking activities and helps to shape and reinforce EFS's risk culture.

The Group's Risk Appetite Framework establishes governance and operating structures, standards and related risk reporting along with key supporting risk management processes for the RAS. Adherence to the RAS limits is incorporated into key business processes including strategic planning, stress testing, business change management, and incentive compensation programmes.

The RAS, supported by metrics including targets, triggers and limits, provides a basis for a robust reporting mechanism. This facilitates timely recognition and remediation of issues and communication with key stakeholders, including Senior Management, the Board, and, as appropriate, regulators.

The Group has defined qualitative statements and quantitative measures for monitoring compliance with Risk Appetite across those risks to the Group which have been determined as material through the annual Material Risk Assessment process.

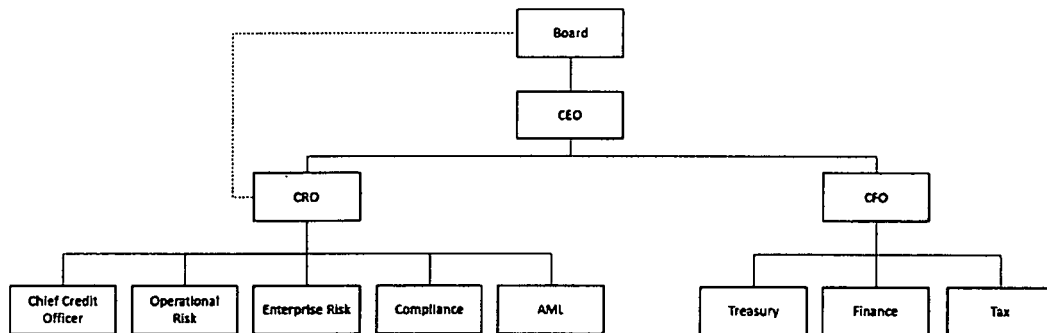
## Notes to the Consolidated Financial Statements

### 26 Risk Management (continued)

#### *Risk Management & Compliance Function*

The Risk Management & Compliance Function ('RM&CF') helps the Group accomplish its objectives by ensuring that each key risk the Group faces is identified and properly managed. The RM&CF translates Risk Appetite and strategy into actionable policies, qualitative statements, and risk measures and limits.

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



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

#### *Geographical Risk*

The Group's EMS activities are diversified throughout various countries in Europe and the United Kingdom. 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>		
<i>Corporate Trust</i>	<b>2021</b>	<b>2020</b>
Ireland	73%	50%
United Kingdom	26%	50%
Luxembourg*	1%	0%
<b>Total</b>	<b>100%</b>	<b>100%</b>
* The establishment of an EFS branch in Luxembourg to support the Global Fund Services business line was completed in 2020.		
<i>Receivables from Issuing Banks</i>	<b>2021</b>	<b>2020</b>
Ireland	23%	16%
United Kingdom	32%	28%
Poland	23%	27%
Norway	15%	22%
Germany	7%	7%
<b>Total</b>	<b>100%</b>	<b>100%</b>

## Notes to the Consolidated Financial Statements

### 26 Risk Management (continued)

<b>Merchant Receivables</b>	<b>2021</b>	<b>2020</b>
Ireland	24%	35%
United Kingdom	63%	40%
Poland	7%	8%
Norway	3%	14%
Germany	3%	3%
<b>Total</b>	<b>100%</b>	<b>100%</b>

#### **Credit Risk**

The risk of loss associated with a change in the credit profile or the failure of a borrower or counterparty to meet its contractual obligations.

Industry risk is the Credit Risk arising from correlated migration and/or credit loss for borrowers in a given industry segment.

Product type risk is the Credit Risk associated with the structure of the credit provided to the borrower, or nature of underwriting process.

Concentration risk is the Credit Risk arising from significant credit exposure to a counterparty, or to pools of individual transactions with one or more common characteristics that may lead them to perform similarly, or have common sensitivity to economic, demographic, or business development.

Credit Risk is a Material Risk for EFS. EFS faces Credit Risks from the deposits and investments it makes with other financial institutions. Additionally, EFS is exposed to Credit Risk through its individual business lines and their products as follows:

- Elavon Merchant Services – On-balance-sheet Credit Risks arise as a result of non-payment of fees from merchants and/or receivables due from issuing banks, as well as fees due from finance leases of terminals. Additionally, off-balance-sheet Credit Risks relate to the contingent liabilities arising from merchant processing (e.g. chargeback-related Credit Risks).
- Corporate Payment Systems - Underwriting and associated Credit Risk arising from corporate credit cards issued to CPS customers.
- Depositary Services - There is no direct Credit Risk in the Depositary business. However, Credit Risk can arise indirectly in instances where a customer insolvency event occurs.
- Global Corporate Trust Services - The GCT business presents no material considerations from a Credit Risk perspective.

These Credit Risk exposures drive credit strategy, policy, risk appetite and monitoring.

Credit Risk approval is undertaken by professionals operating within an approved and defined delegated authority matrix. Exposures are approved according to a system of tiered individual authorities which reflect credit competence, proven judgement and experience. All exposures above certain levels require approval by the Credit Committee. Credit limits are approved in accordance with the Group's written risk policies and guidelines.

Exposure to Credit Risk is managed at origination and through the cycle by analysis and regular review of a 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 obtains collateral and guarantees from customers where appropriate to reduce and manage Credit Risk.

## Notes to the Consolidated Financial Statements

### 26 Risk Management (continued)

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 Committee.

Risk management of individual exposures in addition to portfolio-level management. Credit Risk oversight reporting is provided to senior management through the Credit Committee.

<b>Credit Ratings</b>				
<b>Counterparty</b>	<b>Moody's Long Term</b>	<b>Moody's Short Term</b>	<b>S&amp;P Long Term</b>	<b>S&amp;P Short Term</b>
Barclays Bank Ireland Plc	WR	WR	A	A-1
BNP Paribas	Aa3	P-1	A+	A-1
Danske Bank AS	A2	P-1	A+	A-1
HSBC Bank Plc	A1	P-1	A+	A-1
Bank of Nova Scotia	Aa2	P-1	A+	A-1
SEB AB	Aa3	P-1	A+	A-1
U.S. Bank NA	Aa2	P-1	AA-	A-1+

#### *Expected Credit Loss*

The Group utilises a range of Expected Credit Loss ("ECL") models and/or other quantitative methods which are specific to the characteristics and behaviours displayed within each of EFS's 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, credit loss expectations increase 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. The lifetime of receivables are expected to be less than 6 months.
  - An ECL model based on Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD") parameters are utilised to generate the ECL estimate.
  - The model separates the portfolio into key behavioural segments and applies the appropriate parameters to determine the lifetime loss provision required to manage the inherent risk.
  - For Opayo exposures, the expected credit loss has been calculated using a separate ECL model. The Opayo model includes a provision matrix which uses loss rates calculated by ageing bucket, applied to current gross carrying amounts, to determine a quantitative expected loss.
  - As a result of the write off policy, a realised loss net of recoveries of EUR 3,422 thousand was recognised in 2021 (2020: EUR 8,405 thousand).
- Corporate Payment Systems ("CPS") Portfolio
  - CPS facilities require full payment in 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 six 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

### 26 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 is updated monthly to adjust for current actual losses.
  - The provision matrix uses loss rates calculated by ageing 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 quantitative methodology or correlate to macroeconomics factors i.e. management judgement overlay.

The qualitative overlay is calculated monthly. 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 interbank lending rate.

The EMS portfolio continues to observe signs of stress under COVID-19 that is not reflected in the modelled economic adjustments used in the ECL quantitative calculation. In this regard, the qualitative overlay has been applied to ensure expected loss impacts remain sufficient for the lifetime of expected losses from current receivables given the increased risk of refunds and chargebacks. This management overlay was focused on sectors most impacted by COVID-19 by applying sectoral specific stress factors to the base model assumptions.

Set out below is the information about the credit risk exposure on the Group's Merchant receivables, Commercial loan receivables and Investment services receivables.

<b>Expected Credit Losses</b>			
<i>In thousands of Euro</i>	<b>Merchant receivables</b>	<b>Commercial loans receivables</b>	<b>Investment services receivables</b>
Expected Credit Loss as at 1 January 2021	<b>2,162</b>	<b>21</b>	<b>14</b>
(Decrease)/Increase in current year	<b>(999)</b>	<b>(10)</b>	<b>3</b>
<b>Expected Credit Loss as at 31 December 2021</b>	<b>1,163</b>	<b>11</b>	<b>17</b>

#### **Market Risk**

Market Risk arises from fluctuations in interest rates, foreign exchange rates, and security prices that may result in changes in the values of financial instruments, such as trading and available-for-sale securities, mortgage loans held for sale, mortgage servicing rights ("MSRs"), and derivatives that are accounted for on a fair-value basis. The Group's primary exposures to market risks are foreign exchange and interest rate risk as detailed below.

#### **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.

## Notes to the Consolidated Financial Statements

### 26 Risk Management (continued)

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

<b>Foreign Exchange Risk</b>				
<i>In thousands of Euro</i>	<b>2021 Statement of Income</b>	<b>2021 Equity</b>	<b>2020 Statement of Income</b>	<b>2020 Equity</b>
GBP	672	18,431	(124)	16,100
NOK	144	1,729	24	1,574
PLN	(337)	1,137	59	693
USD	164	-	(226)	-
<b>Total</b>	<b>643</b>	<b>21,297</b>	<b>(267)</b>	<b>18,367</b>

#### *Interest Rate Risk*

To minimise the volatility of earnings, capital and market valuations, the Group monitors its exposure to adverse movements 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 ALMC policy, 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 a 25bps adverse and 200bps positive gradual ramp in interest rates over 12 months for the Group, which is in line with the requirements of the EBA IRRBB Guidelines (EBA/GL/2018/02):

<b>Interest Rate Risk</b>				
<i>In thousands of Euro</i>	<b>2021 Statement of Income</b>		<b>2020 Statement of Income</b>	
	<b>-25bps</b>	<b>+200bps</b>	<b>-25bps</b>	<b>+200bps</b>
Interest from central banks	(10,789)	88,806	(11,628)	95,448
Interest from other banks	(537)	4,293	(386)	3,091
Interest income from affiliate companies on fixed-term deposits	(16)	127	(30)	243
Interest expense on overdraft	-	(1)	1	(10)
Interest expense - corporate trust deposits	6,421	(78,255)	8,373	(62,755)
<b>Total</b>	<b>(4,921)</b>	<b>14,970</b>	<b>(3,670)</b>	<b>36,017</b>

#### *Operational Risk*

The Group defines Operational Risk as the risk to current or projected financial condition and resilience arising from inadequate or failed internal processes or systems, people (including human errors or misconduct) or adverse external events, including the risk of loss resulting from breaches in data security. Operational Risk can also include the risk of loss due to failures by third parties with which EFS does business. This definition includes legal risk, but excludes strategy and reputation risk, although these may be impacted by operational risk events.

## Notes to the Consolidated Financial Statements

### 26 Risk Management (continued)

The Group manages Operational Risk through its RMF and Internal Control Framework, and supporting procedures, policies and processes. Management has 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 is responsible for ensuring that the controls are appropriate and are implemented as designed.

Information technology, information security and cybersecurity are contained within the overall Operational Risk Framework, with an embedded programme of work to identify, assess and enhance the control environment to address new and emerging threat vectors. Programmes are in place to protect the integrity and availability of systems and mitigate the impacts of potential cyber-attacks.

#### *Compliance Risk*

The risk that the Group may suffer legal or regulatory sanctions, financial losses and reputational damage if the Group fails to adhere to Compliance Requirements and U.S. Bancorp Compliance policies. The Group manages Compliance Risk through a defined and documented framework (policies, procedures, systems, tools, roles and responsibilities) that facilitates required Compliance Risk management activities, such as oversight, planning, risk identification, risk assessment, risk mitigation (control environment), testing, corrective action and issue management, and reporting and escalation.

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

The risks associated with the Group's non-compliance with all laws and regulations designed to prevent and detect money laundering, terrorist financing and economic sanctions. The Group manages AML risk through its AML Framework, including through its AML policies and supporting procedures and controls.

#### *Liquidity Risk*

Liquidity risk is defined at EFS as the risk that the Bank has insufficient funds to meet its financial obligations as and when they fall due, resulting in an inability to support normal business activity. Maintaining adequate levels of liquidity depends on the institution's ability to efficiently meet both expected and unexpected cash flow needs without adversely affecting daily operations or the financial condition of the institution.

Treasury is responsible for liquidity risk of the Group acting upon day-to-day operations set forth by policies written and approved by the EFS Board and ALMC. Additionally, Treasury is responsible for the Bank's Liquidity Risk Management programme and its supporting artefacts, including the production of the Bank's annual ILAAP and the Contingency Funding Plan.

<b>Assets by their contractual undiscounted cash flows</b>					
<i>In thousands of Euro</i>	<b>Demand and less than 1 month</b>	<b>From 1 to 6 months</b>	<b>From 6 to 12 months</b>	<b>Over 12 months</b>	<b>Total</b>
Balances at central banks	8,636,834	-	-	-	8,636,834
Due from banks	402,443	-	-	-	402,443
Receivables from issuing banks	241,749	5	-	1,357	243,111
Merchant receivables	2,252	424	-	100,404	103,080
Investment services receivables	259	50	4,278	14,337	18,924
Current tax asset	-	486	35	1,273	1,794
Other assets	479	36	-	27,305	27,820
<b>As at 31 December 2021</b>	<b>9,284,016</b>	<b>1,001</b>	<b>4,313</b>	<b>144,676</b>	<b>9,434,006</b>



## Notes to the Consolidated Financial Statements

### 26 Risk Management (continued)

<b>Assets by their contractual undiscounted cash flows</b>					
<i>In thousands of Euro</i>	<b>Demand and less than 1 month</b>	<b>From 1 to 6 months</b>	<b>From 6 to 12 months</b>	<b>Over 12 months</b>	<b>Total</b>
Balances at central banks	8,886,266	-	-	-	8,886,266
Due from banks	403,260	-	-	-	403,260
Receivables from issuing banks	184,153	10	-	1,151	185,314
Merchant receivables	773	955	-	110,042	111,770
Investment services receivables	7	-	2,728	8,673	11,408
Current tax asset	-	475	66	210	751
Other assets	109	-	-	37,345	37,454
<b>As at 31 December 2020</b>	<b>9,474,568</b>	<b>1,440</b>	<b>2,794</b>	<b>157,421</b>	<b>9,636,223</b>

<b>Liabilities by their contractual undiscounted cash flows</b>					
<i>In thousands of Euro</i>	<b>Demand and less than 1 month</b>	<b>From 1 to 6 months</b>	<b>From 6 to 12 months</b>	<b>Over 12 months</b>	<b>Total</b>
Overdrafts	26	-	-	-	26
Merchant payables	519,893	4,896	-	-	524,789
Corporate trust deposits	7,981,399	-	-	-	7,981,399
Current tax liability	-	1,285	627	852	2,764
Other liabilities	25,765	5	-	-	25,770
<b>As at 31 December 2021</b>	<b>8,527,083</b>	<b>6,186</b>	<b>627</b>	<b>852</b>	<b>8,534,748</b>

<b>Liabilities by their contractual undiscounted cash flows</b>					
<i>In thousands of Euro</i>	<b>Demand and less than 1 month</b>	<b>From 1 to 6 months</b>	<b>From 6 to 12 months</b>	<b>Over 12 months</b>	<b>Total</b>
Overdrafts	314	-	-	-	314
Merchant payables	414,598	3,360	-	-	417,958
Corporate trust deposits	8,295,994	-	-	-	8,295,994
Current tax liability	-	16	9	3	28
Other liabilities	10,727	55	7	60	10,849
<b>As at 31 December 2020</b>	<b>8,721,633</b>	<b>3,431</b>	<b>16</b>	<b>63</b>	<b>8,725,143</b>

### 27 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.

## Notes to the Consolidated Financial Statements

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

Fair Value Hierarchy						
<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	-	-	46	46	-	-
<b>As at 31 December 2021</b>	-	-	46	46	-	-
<b>Financial Liabilities</b>						
Foreign exchange forward contracts	-	-	(933)	(933)	-	-
<b>As at 31 December 2021</b>	-	-	(933)	(933)	-	-

Fair Value Hierarchy						
<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	-	-	667	667	-	-
<b>As at 31 December 2020</b>	-	-	667	667	-	-
<b>Financial Liabilities</b>						
Foreign exchange forward contracts	-	-	(325)	(325)	-	-
<b>As at 31 December 2020</b>	-	-	(325)	(325)	-	-

#### Foreign Exchange Forward Contracts

The valuation technique used for foreign exchange 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.

### 28 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 2021, there is no provision for legal proceedings (2020: nil).

#### Merchant processing – chargebacks

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

In this situation, the transaction is "charged back" to the merchant's account and the disputed amount is credited or otherwise refunded to the cardholder by 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.

## Notes to the Consolidated Financial Statements

### 28 Provisions (continued)

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 chargeback 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 chargeback transactions at any given time. If this methodology were to be used, management estimates that the maximum potential exposure for chargebacks would approximate the total amount of merchant transactions processed through the credit card associations for the last four months. This amount totalled approximately EUR 12.4 billion (2020: EUR 7.2 billion). In most cases, this contingent liability is unlikely to arise, as most products and services are delivered when purchased and amounts are refunded when items are returned to merchants. However, where the product or service has been purchased but is not provided until a future date ("future delivery"), the potential for this contingent liability increases.

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

In the event a merchant was unable to fulfil product or services subject to future delivery, such as airline tickets, and other card scheme rule provisions are fulfilled, the Group could become financially liable under the chargeback provisions contained in the card scheme rules. Chargeback 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 2021, the value of airline tickets purchased to be delivered at a future date was EUR 2.3 billion (2020: EUR 2.2 billion). The Group has received a guarantee from U.S. Bank for this airline exposure. The Group drew down on this guarantee in 2020 and 2021, see Note 31 for more details.

In the normal course of business, the Group has unresolved chargebacks. The Group assesses the likelihood of its potential liability based on the extent and nature of unresolved chargebacks and its historical loss experience. As at 31 December 2021, the Group held EUR 151.4 million (2020: EUR 112.3 million) of merchant escrow deposits and a recorded provision for potential losses of EUR 116 thousand (2020: EUR 439 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 26 (page 64) 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 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.

## Notes to the Consolidated Financial Statements

### 28 Provisions (continued)

<b>Provisions</b>			
<i>In thousands of Euro</i>	<b>Chargeback Provision</b>	<b>Asset Retirement Obligation</b>	<b>Total</b>
Opening provision	439	2,755	3,194
Increase/ (decrease) in current year provision	(323)	2,871	2,548
<b>As at 31 December 2021</b>	<b>116</b>	<b>5,626</b>	<b>5,742</b>

<b>Provisions</b>			
<i>In thousands of Euro</i>	<b>Chargeback Provision</b>	<b>Asset Retirement Obligation</b>	<b>Total</b>
Opening provision	47	1,868	1,915
Increase/ (decrease) in current year provision	392	887	1,279
<b>As at 31 December 2020</b>	<b>439</b>	<b>2,755</b>	<b>3,194</b>

### 29 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 Prins Bernhardplein, 200, 1097 JB Amsterdam, Netherlands.

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 the U.S. Bancorp Financial Statements are available from that ultimate Parent's website at [usbank.com](http://usbank.com) or by mail from the ultimate Parent's investor relations department.

## Notes to the Consolidated Financial Statements

### 30 Subsidiary Undertakings

During the year, Sage Pay SLU was liquidated. On 7 December 2021, as part of a wider reorganisation of the Elavon Digital legal entities, Elavon Digital Europe Limited made a distribution in specie of the shares in Elavon Digital Ireland Limited to the Bank of EUR 20,532 thousand.

The Bank had the following subsidiaries as at 31 December 2021:			
Subsidiary name	USB Nominees (GCT) Limited	EFS Depositary Nominees Limited	Norse Nordics AB
Registered office	Block F1, Cherrywood Business Park, Cherrywood, Dublin 18, Ireland	Block F1, Cherrywood Business Park, Cherrywood, Dublin 18, Ireland	Södra Ringgatan 37, 441 33 Alingsås, Sweden
Principal activity	Currently no activity	Currently no activity	Payment Services
Share Capital	0.01	12,000,000	50,000
Nominal value	EUR 1	EUR 1	SEK 1
Type of shares	Ordinary Shares	Ordinary Shares	Ordinary Shares
Shareholder number	1	1,244,269	50,000
Par Value	EUR 0.01	EUR 0.06	SEK 1.00
Shareholders' Capital in EUR	EUR 0.01	EUR 74,656	EUR 4,627
Shareholder's Premium	Nil	Nil	Nil
Total Shareholder's Equity	EUR 0.01	EUR 74,656	EUR 4,627

The Bank had the following subsidiaries as at 31 December 2021 (continued):			
Subsidiary name	Elavon Digital Europe Limited	Elavon Digital Ireland Limited	Elavon Digital (Dublin) Limited
Registered office	Q16 Quorum Business Park, Benton Lane, Newcastle, NE12 8BX	Block F1, Cherrywood Business Park, Cherrywood, Dublin 18, Ireland	Block F1, Cherrywood Business Park, Cherrywood, Dublin 18, Ireland
Principal activity	Payment Services	Payment Services	Payment Services
Share Capital	833,933	20,532,079	123,057
Nominal value	GBP 0.0001	EUR 1	EUR 1.269730001
Type of shares	Ordinary Shares	Ordinary Shares	Ordinary Shares
Shareholder number	8,339,335,361	20,532,079	123,057
Par Value	GBP 0.01	EUR 1	EUR 1.27
Shareholders' Capital in EUR	EUR 94,431,955	EUR 20,532,079	EUR 156,247
Shareholder's Premium	Nil	Nil	Nil
Total Shareholder's Equity	EUR 94,431,955	EUR 20,375,830	EUR 156,247

## Notes to the Consolidated Financial Statements

### 30 Subsidiary Undertakings (continued)

The Bank had the following subsidiaries as at 31 December 2021 (continued):		
Subsidiary name	Elavon Digital (GB) Limited	Elavon Digital GmbH
Registered office	Q16 Quorum Business Park, Benton Lane, Newcastle, NE12 8BX	Kaiserstraße 10, 60311 Frankfurt am Main
Principal activity	Payment Services	Currently no activity
Share Capital	2	25,000
Nominal value	GBP 1	EUR 1
Type of shares	Ordinary Shares	Ordinary Shares
Shareholder number	2	25,000
Par Value	GBP 2	EUR 1
Shareholders' Capital in EUR	EUR 2	EUR 25,000
Shareholder's Premium	Nil	Nil
Total Shareholder's Equity	EUR 2	EUR 25,000

### 31 Related Party Transactions

The Group had no borrowings from U.S. Bancorp as at 31 December 2021 (2020: nil). The Group had no short-term borrowings from U.S. Bancorp during 2021 (2020: nil). The Group also enters into foreign exchange transactions with U.S. Bancorp, details of which can be found in Note 18.

The Group had EUR 11,589 thousand deposits with U.S. Bancorp as at 31 December 2021 (2020: EUR 8,305 thousand). All of these were cash deposits in 2021 and 2020. There were no bank processing fees from affiliated companies on EUR deposits during 2021 (2020: nil).

The Group also entered into day-to-day transactions with U.S. Bancorp and its subsidiaries, mainly comprising the recharging of various costs incurred and transfer pricing. The net income associated with services provided by or to affiliated companies totalled EUR 3,573 thousand during 2021 (2020: EUR 5,406 thousand).

The Group has a net receivable from affiliate companies of EUR 2,255 thousand as at 31 December 2021 (2020: EUR 23,590 thousand receivable). The entities which owed amounts to the Group as at 31 December 2021 are U.S. Bancorp, U.S. Bank National Association, Elavon Inc., U.S. Bancorp Fund Services LLC, U.S. Bank Global Fund Services (Ireland) Limited, U.S. Bank Global Fund Services (Guernsey) Limited, U.S. Bank Global Fund Services (Cayman) Limited, U.S. Bank Global Corporate Trust Limited, Quintillion Services Limited, USB Securities Data Services Limited, U.S. Bank Global Fund Services (Luxembourg) Sarl, Talech International Limited (Ireland) and Talech Lithuania UAB, Syncada Asia Pacific Private Limited, Syncada India Operations Private Limited, Elavon Canada Company, U.S. Bank Trustees Limited.

As at 31 December 2021, the Group has received a guarantee from U.S. Bank for airline exposures. During 2021, the Group drew down EUR 1,473 thousand (2020: EUR 1,869 thousand) from its guarantee from U.S. Bank to cover a credit loss in relation to airlines.

## Notes to the Consolidated Financial Statements

### 31 Related Party Transactions (continued)

The Group grants stock-based awards of restricted stock units. Restricted stock unit grants are awarded at no cost to the recipient. Stock-based compensation for awards is recognised in the Group's results on a straight-line basis over the vesting period. The cost of these awards for 2021 totalled EUR 921 thousand (2020: EUR 830 thousand).

<b>Related Party Transactions - Key Management Compensation</b>		
<i>In thousands of Euro</i>	<b>2021</b>	<b>2020</b>
<b>Short-term benefits:</b>		
Salaries	3,697	4,238
Short-term bonuses	581	1,077
Directors' fees	175	140
Car allowances	251	323
Club subscriptions	3	3
Dividends	-	4
Other	659	58
Remuneration in respect of Termination Payments	-	546
<b>Long-term benefits</b>		
Long-term bonuses	328	388
<b>Share-based payment benefits</b>		
Restricted stock units	921	1,128
<b>Post-employment benefits:</b>		
Contributions to defined contribution plans	383	464
<b>Total</b>	<b>6,998</b>	<b>8,369</b>

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

### 32 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.

### 33 Dividend Policy

No dividend was issued for the year (2020: nil).

### 34 Subsequent Events

On 7 January 2022, the EFS DAC Board approved the restructuring of the following Elavon Digital legal entities: Elavon Digital Europe Limited, Elavon Digital Dublin Limited and Elavon Digital (GB) Limited. During 2022 all of the Elavon Digital staff, business activities and assets will be merged or transferred into the Irish and UK branches of EFS DAC.

## Notes to the Consolidated Financial Statements

### 35 Approval of Financial Statements

The Group's Consolidated Financial Statements were authorised for issue by the Board of Directors on 24 March 2022.

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 27 to 75. 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.



## Notes to the Company Financial Statements

### A Fee, Commission and Leasing Income

<b>Fee, Commission and Leasing Income</b>		
<i>In thousands of Euro</i>	<b>2021</b>	<b>2020</b>
Merchant processing services (including terminal leasing income)*	204,966	182,189
Corporate payment products revenue	1,165	1,318
Depository services	1,664	1,464
Corporate trust revenue	57,101	34,620
<b>Fee, commission and leasing income</b>	<b>264,896</b>	<b>219,591</b>

\*equipment rental income was EUR 21,361 thousand in 2021 (2020: EUR 20,528 thousand).

### B Interest Income and Expense

<b>Interest Income and Expense</b>		
<i>In thousands of Euro</i>	<b>2021</b>	<b>2020</b>
<b>Interest income</b>		
Interest from central banks	2,751	5,275
Interest from other banks	79	928
Interest income from affiliate companies	4	-
<b>Total interest income</b>	<b>2,834</b>	<b>6,203</b>

#### Interest expense

Interest expense on short term borrowings	-	36
Interest expense on corporate trust deposits	44	1,610
Interest expense – lease activities	533	763
<b>Total interest expense</b>	<b>577</b>	<b>2,409</b>

<b>Net interest income</b>	<b>2,257</b>	<b>3,794</b>
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### C Other Operating Income

<b>Other Operating Income</b>		
<i>In thousands of Euro</i>	<b>2021</b>	<b>2020</b>
Services provided to affiliate companies	17,575	10,532
Other operating income - other	1,976	99
<b>Other operating income</b>	<b>19,551</b>	<b>10,631</b>

### D Dividend Income

On 7 December 2021, as part of a wider reorganisation of the Elavon Digital legal entities, Elavon Digital Europe Limited made a distribution in specie of the shares in Elavon Digital Ireland Limited to the Bank of EUR 20,532 thousand.

### E 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. The charge for these awards in 2021 was EUR 921 thousand (2020: EUR 830 thousand). As at 31 December 2021, EUR 53 thousand was payable (2020: EUR 65 thousand). The charge for all other long term incentive awards in 2021 was EUR 4,495 thousand (2020: EUR 4,042 thousand).

# Notes to the Company Financial Statements

## E Other Operating Expense (continued)

<b>Other Operating Expenses</b>			
<i>In thousands of Euro</i>	<b>Note</b>	<b>2021</b>	<b>2020</b>
<b>Staff Costs</b>			
Wages and salaries		140,498	129,673
Social security costs		15,593	13,887
Pension costs - defined contribution plans		10,045	10,079
Pension costs - defined benefit plans		312	347
Staff costs - other		10,371	9,877
<b>Auditor's Remuneration</b>			
Statutory audit		664	652
<b>Other operating expenses</b>			
Depreciation of property, plant and equipment	K	19,926	21,045
Amortisation of intangible assets	J	17,849	17,687
Losses from disposals of fixed assets		259	586
Marketing and business development		11,270	9,719
Occupancy and equipment		7,950	8,228
Merchant processing		8,107	17,159
Other operating expenses - other		28,784	22,698
Bank processing fees*		35,437	24,562
Postage, printing and supplies		2,328	2,190
Professional services		12,927	11,238
Technology and communications		11,598	10,851
Services provided by affiliate companies		22,962	7,466
<b>Total operating expenses</b>		<b>356,880</b>	<b>317,944</b>
Foreign exchange loss		1,896	651
<b>Total other operating expense</b>		<b>358,775</b>	<b>318,595</b>

\*Bank Processing fees includes negative interest expense

Directors' emoluments are analysed as follows:

<i>In thousands of Euro</i>	<b>2021</b>	<b>2020</b>
Remuneration in respect of services as Director	175	210
Remuneration in connection with management	1,554	1,424
Pension costs – defined contribution plans (other than in respect of services as Director)*	83	79
<b>Total Directors' emoluments</b>	<b>1,812</b>	<b>1,713</b>

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

## Notes to the Company Financial Statements

### F Income Taxes

<b>Income Taxes</b>			
<i>In thousands of Euro</i>	<i>Rate</i>	<b>2021</b>	<b>2020</b>
<b>Current Tax</b>			
<u><i>Irish corporation tax</i></u>			
Current year		-	-
Adjustment in respect of prior year*		-	(2,067)
Release of Uncertainty Tax Provision		-	(40,071)
<u><i>Foreign tax</i></u>			
Current year		5,931	5,041
Prior year tax expense		(162)	(217)
Deferred tax income		(6,994)	(8,787)
<b>Income tax expense for the year</b>		<b>(1,225)</b>	<b>(46,101)</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>		(51,540)	(83,575)
Theoretical tax charge at statutory rate	<b>12.5%</b>	(6,442)	(10,447)
Tax effect of items which are not deductible or assessable for taxation purposes:			
(Reversal)/Addition of prior year tax		(68)	(2,285)
Non-deductible expenses		(857)	478
Total temporary differences not accounted for in deferred tax		457	(811)
Overseas profits taxed at a higher rate		5,999	5,025
Exempt income		-	-
Release of Uncertain Tax Provision		-	(40,071)
TCA 1997 s396D Loss carried back to prior year		-	1,993
Other adjustments		(314)	32
<b>Income tax expense for the year</b>		<b>(1,225)</b>	<b>(46,086)</b>

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

<b>Deferred Taxes</b>		
<i>In thousands of Euro</i>	<b>2021</b>	<b>2020</b>
<b>Deferred Tax Liability</b>		
Tax effect of taxable temporary differences		
Other intangibles: amortisation	(6,077)	(7,234)
Asset timing differences	(4,387)	(4,479)
Foreign exchange differences	-	-
<b>Recognised deferred tax liability</b>	<b>(10,464)</b>	<b>(11,713)</b>

<i>In thousands of Euro</i>	<b>2021</b>	<b>2020</b>
<b>Deferred Tax Asset</b>		
Tax effect of taxable temporary differences		
Asset timing differences	3,872	3,985
Net operating losses	11,371	6,062
Re-measurement of Defined Benefit Plan	921	1,168
Exchange movements	-	-
<b>Recognised deferred tax asset</b>	<b>16,164</b>	<b>11,215</b>

\* The Irish prior year adjustment of €2,067K includes a portion of 2020 current year losses claimed in accordance with TCA 1997 s396D. This accelerated loss relief is included in the reconciliation of theoretical tax charge and actual tax charge.

## Notes to the Company Financial Statements

### F 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. For the purposes of taxation this gain was considered trading income in nature subject to Irish corporate tax at the rate of 12.5%. An uncertain tax provision was included within the 2017 and 2016 current income tax expense and continued to be carried on the balance sheet for the years 2018 and 2019 in respect of this uncertain position given that the Irish tax authorities could challenge this tax treatment and argue that it should be taxed as a capital receipt. However, during 2020 the Irish tax authorities confirmed to Elavon that they were not challenging the tax treatment and hence this uncertainty provision has now been released.

The Group is subject to an ongoing tax audit. Management believe it is probable that the tax audit will not ultimately result in a successful challenge and the final outcome will be nil. However, due to a high degree of uncertainty, the Group has estimated an amount of uncertain tax under IFRIC 23 using the probability-weighted range of possible outcomes. Such an approach under IFRIC 23 results in an estimated value, even in circumstances where it is considered that no payment is the most likely outcome. The Group have not disclosed the estimated value due to commercial sensitivities.

### G Cash Balances

<b>Cash Balances</b>			
<i>In thousands of Euro</i>	<b>2021</b>	<b>2020</b>	
<b>Cash and cash equivalents</b>			
Balances at central banks	8,636,834	8,886,266	
Cash and balances with banks	361,902	214,489	
Money market placements	-	153,491	
Cash with affiliates	11,589	8,305	
<b>Total cash with banks and affiliates</b>	<b>9,010,325</b>	<b>9,262,551</b>	
Overdrafts	(26)	(314)	
<b>Total cash and cash equivalents</b>	<b>9,010,299</b>	<b>9,262,237</b>	

### H Merchant Receivables

As at 31 December 2021, the value of receivables from merchants was EUR 97,441 thousand (2020: EUR 111,964 thousand). Merchant receivables are presented net of expected credit losses on the Company Statement of Financial Position.

### I Goodwill

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

<i>In thousands of Euro</i>	<b>EMS CGUs</b>	<b>Opayo CGU</b>	<b>GCTS CGU</b>	<b>Total Goodwill</b>
<b>Cost</b>				
As at 1 January 2021	133,073	119,887	9	252,969
Additions	-	-	-	-
Exchange rate movements	3,769	8,385	1	12,155
<b>As at 31 December 2021</b>	<b>136,842</b>	<b>128,272</b>	<b>10</b>	<b>265,124</b>
<b>Cost</b>				
As at 1 January 2020	136,200	-	9	136,209
Additions*	-	123,404	-	123,404
Exchange rate movements	(3,127)	(3,517)	-	(6,644)
<b>As at 31 December 2020</b>	<b>133,073</b>	<b>119,887</b>	<b>9</b>	<b>252,969</b>

\*additions are from business combinations

# Notes to the Company Financial Statements

## J 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	63,952	158,884	2,954	225,790
Additions	937	-	-	937
Exchange movements	353	8,558	206	9,117
<b>Closing balance of cost account</b>	<b>65,242</b>	<b>167,442</b>	<b>3,160</b>	<b>235,844</b>
<b>Accumulated amortisation</b>				
Opening balance	50,968	102,924	2,954	156,846
Amortisation charge for the year	3,310	14,539	-	17,849
Exchange movements	203	5,576	206	5,985
<b>Closing balance of the accumulated amortisation</b>	<b>54,481</b>	<b>123,039</b>	<b>3,160</b>	<b>180,680</b>
<b>Net book value as at 31 December 2021</b>	<b>10,761</b>	<b>44,403</b>	<b>-</b>	<b>55,164</b>

<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	51,529	112,329	3,123	166,981
Additions*	12,530	50,936	-	63,466
Disposals	(57)	-	-	(57)
Exchange movements	(50)	(4,381)	(169)	(4,600)
<b>Closing balance of cost account</b>	<b>63,952</b>	<b>158,884</b>	<b>2,954</b>	<b>225,790</b>
<b>Accumulated amortisation</b>				
Opening balance	47,795	92,216	3,113	143,124
Disposals	(98)	-	-	(98)
Amortisation charge for the year	3,310	14,367	10	17,687
Exchange movements	(39)	(3,659)	(169)	(3,867)
<b>Closing balance of the accumulated amortisation</b>	<b>50,968</b>	<b>102,924</b>	<b>2,954</b>	<b>156,846</b>
<b>Net book value as at 31 December 2020</b>	<b>12,984</b>	<b>55,960</b>	<b>-</b>	<b>68,944</b>

\*additions are from business combinations

# Notes to the Company Financial Statements

## K 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>Terminal Related Assets</b>	<b>Total</b>
<b>Cost</b>				
Opening balance	26,617	75,483	61,430	163,530
Additions	9,445	5,777	7,449	22,671
Disposals & amounts written off	(1,036)	912	(4,379)	(4,503)
Exchange movements	88	156	1,071	1,315
<b>Closing balance of cost account</b>	<b>35,114</b>	<b>82,328</b>	<b>65,571</b>	<b>183,013</b>
<b>Accumulated depreciation and write-offs</b>				
Opening balance	13,996	55,342	31,292	100,630
Disposals & amounts written off	(38)	38	(3,816)	(3,816)
Depreciation charge for the year	1,465	7,389	11,072	19,926
Exchange movements	(132)	109	546	523
<b>Closing balance of the accumulated depreciation account</b>	<b>15,291</b>	<b>62,878</b>	<b>39,094</b>	<b>117,263</b>
<b>Net book value as at 31 December 2021</b>	<b>19,823</b>	<b>19,450</b>	<b>26,477</b>	<b>65,750</b>

<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>Terminal Related Assets</b>	<b>Total</b>
<b>Cost</b>				
Opening balance	20,585	70,209	58,789	149,583
Additions	6,509	6,081	16,824	29,414
Disposals & amounts written off	(130)	(305)	(11,470)	(11,905)
Exchange movements	(347)	(502)	(2,713)	(3,562)
<b>Closing balance of cost account</b>	<b>26,617</b>	<b>75,483</b>	<b>61,430</b>	<b>163,530</b>
<b>Accumulated depreciation and write-offs</b>				
Opening balance	11,974	47,758	31,099	90,831
Disposals & amounts written off	(30)	(158)	(9,164)	(9,352)
Depreciation charge for the year	2,191	8,026	10,828	21,045
Exchange movements	(139)	(284)	(1,471)	(1,894)
<b>Closing balance of the accumulated depreciation account</b>	<b>13,996</b>	<b>55,342</b>	<b>31,292</b>	<b>100,630</b>
<b>Net book value as at 31 December 2020</b>	<b>12,621</b>	<b>20,141</b>	<b>30,138</b>	<b>62,900</b>

## Notes to the Company Financial Statements

### L Leases

The leases that are accounted for under IFRS 16 all relate to buildings. Periods covered by termination options are included in the lease term only if it is reasonably certain the termination option will not be exercised.

<b>Leasehold Assets</b>		
<i>In thousands of EUR</i>	<b>2021</b>	<b>2020</b>
At 1 January	37,081	18,202
Increases*	2,985	28,519
Decreases	(18)	(3,110)
Amortisation for the year	(6,986)	(6,530)
<b>Net book value at 31 December</b>	<b>33,062</b>	<b>37,081</b>

\*2020 includes EUR 25 million in relation to new Cherrywood F1 Building

<b>Amounts Recognised in Profit and Loss</b>		
<i>In thousands of EUR</i>	<b>2021</b>	<b>2020</b>
Amortisation on leasehold assets	6,986	6,530
Interest expense on lease liabilities	533	763
<b>Total cash outflow for leases</b>	<b>6,303</b>	<b>6,719</b>

<b>Lease Liabilities</b>		
<i>In thousands of EUR</i>	<b>2021</b>	<b>2020</b>
<b>Analysed as:</b>		
Non-current	31,494	35,856
Current	6,453	4,726
<b>Total</b>	<b>37,947</b>	<b>40,582</b>

<b>Maturity Analysis</b>		
<i>In thousands of EUR</i>	<b>2021</b>	<b>2020</b>
Year 1	6,453	4,726
Year 2	4,381	4,481
Year 3	3,146	4,380
Year 4	2,473	3,135
Year 5	2,422	2,471
Onwards	19,072	21,389

#### Variable lease payments

Some of the property leases in which the Group is the lessee contain variable lease payment terms that are linked to indexes. Variable payment terms are used to link rental payments to market related rates. The variable payments are present in four leasehold agreements. The Group expects this ratio to remain constant in future years.

#### Extension & termination details

<b>Leasehold Assets – Office Buildings</b>		
	<b>2021</b>	<b>2020</b>
Number of Leasehold assets	8	10
Number of leases with extension options	3	3
Number of leases with variable payments linked to an index	4	5
Number of leases with termination options	1	1

## Notes to the Company Financial Statements

### M Other Assets

The following Other Assets are deemed to be current assets.

<b>Other Assets</b>		
<i>In thousands of Euro</i>	<b>2021</b>	<b>2020</b>
Commercial loans - receivable	9,334	5,106
Prepayments, deferred expenses and other receivables*	25,410	11,526
Tax debtors	298	376
Other assets - other	4,408	3,169
Receivables from affiliate companies	12,171	43,361
Forward exchange contracts	46	667
Interest receivable	293	111
<b>As at 31 December</b>	<b>51,960</b>	<b>64,316</b>

\* Prepayments, deferred expenses and other receivables in 2021 includes an amount in relation to an uncertain tax estimate, see Note F

Forward exchange contracts entered into by the Company are generally traded in an over-the-counter market with professional market counterparties on standardised contractual terms and conditions. The contracts are short-term deposits and the latest date of maturity for the above contracts is 20 January 2022.

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.

<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	25,834	-	(242)
NOK	4,915	-	(88)
SEK	9,779	25	-
USD	132,661	-	(240)
CHF	13,396	-	(157)
AUD	1,907	-	(14)
Other	25,772	21	(192)
<b>As at end of 31 December 2021</b>	<b>214,264</b>	<b>46</b>	<b>(933)</b>

<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	61,965	568	-
NOK	17,094	-	(91)
SEK	14,801	-	(144)
CHF	7,388	-	(19)
AUD	3,729	-	(43)
Other	31,865	99	(28)
<b>As at end of 31 December 2020</b>	<b>136,842</b>	<b>667</b>	<b>(325)</b>



## Notes to the Company Financial Statements

### N Merchant Payables

As at 31 December 2021, the value of merchant payables was EUR 524,354 thousand (2020: EUR 417,958 thousand). These balances reflect the amount owing to Merchants, from the Group, for transactions processed.

### O 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>2021</b>	<b>2020</b>
Accruals and sundry creditors		64,867	45,465
Pension liability	<b>23</b>	10,523	12,212
VAT and other tax creditors*		29,041	3,407
Corporate payables		1,828	5,384
Deferred revenue		3,648	3,457
Forward exchange contracts	<b>M</b>	933	325
Payable to affiliate companies		6,373	8,223
Commercial loans - payable		643	1,192
Interest payable		791	1,356
Other liabilities – other		186	55
<b>As at 31 December</b>		<b>118,833</b>	<b>81,076</b>

\* VAT and other tax creditors in 2021 include an amount in relation to an uncertain tax estimate, see Note F

### P Provisions

<b>Provisions</b>			
<i>In thousands of Euro</i>	<b>Chargeback Provision</b>	<b>Asset Retirement Obligation</b>	<b>Total</b>
Opening provision	439	2,755	3,194
Increase/ (decrease) in current year provision	(323)	2,740	2,417
<b>As at 31 December 2021</b>	<b>116</b>	<b>5,495</b>	<b>5,611</b>

<b>Provisions</b>			
<i>In thousands of Euro</i>	<b>Chargeback Provision</b>	<b>Asset Retirement Obligation</b>	<b>Total</b>
Opening provision	47	1,868	1,915
Charges for the period			
Increase/ (decrease) in current year provision	392	887	1,279
<b>As at 31 December 2020</b>	<b>439</b>	<b>2,755</b>	<b>3,194</b>

### Q Approval of Financial Statements

The Company Financial Statements were authorised for issue by the Board of Directors on 24 March 2022.

#### 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) on a Prudential basis.

The Group's regulatory capital comprises fully of Common Equity Tier 1 (CET1) capital<sup>1</sup>. 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 and other intangible assets.

Capital Management - Regulatory Capital per 2021 EFS DAC Financial Statements		
In thousands of Euro	Actual 2021	Actual 2020
Common equity Tier 1 capital	971,451	997,085
Tier 2 capital	0	0
<b>Total Capital</b>	<b>971,451</b>	<b>997,085</b>

Capital Management - Capital Ratios per latest Regulatory Submissions		
In thousands of Euro	2021 Regulatory Submission *	Actual 2020
Risk Weighted Assets	2,115,077	2,032,172
CET 1 Capital Ratio	45.93%	49.06%
<b>Total Capital Ratio</b>	<b>45.93%</b>	<b>49.06%</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.

Leverage Ratio per latest Regulatory Submissions		
	2021 Regulatory Submission *	Actual 2020
<b>Leverage Ratio Fully Phased Definition of Tier 1</b>	<b>9.31%</b>	<b>9.36%</b>

The 2021 & 2020 CET 1 and Lev Ratios are based on the most up to date Regulatory Submissions and are subject to change based on these final audited statutory accounts. Please note 2020 results have been updated based on the prior year published EFS DAC Financial Statements.

The Leverage Ratio is monitored daily by the Group to ensure it maintains a ratio above the minimum leverage ratio of 3%. The Leverage Ratio became a binding regulatory requirement in 2021 effective since 28<sup>th</sup> June.

<sup>1</sup> The 2021 EFS CET 1 and Leverage Ratios are based on the current most up to date Regulatory Submissions and are subject to potential minor revision upon publication of the EFS DAC Financial Statements.