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OS AA01

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



Companies House

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

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

TUESDAY



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02/03/2021

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COMPANIES HOUSE

Part 1 Corporate company name

Corporate name of overseas company ① Elavon Financial Services DAC

UK establishment number B R 0 2 0 0 0 5

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

All fields are mandatory unless
specified or indicated by *

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

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

A1 Legislation

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

Legislation ② Companies Act 2014, IAS regulation and ISA (Ireland) 260

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

A2 Accounting principles

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

Please tick the appropriate box.

☐ No. Go to **Section A3**.

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

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

Name of organisation or body ③ International Accounting Standards Board

A3 Accounts

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

☐ No. Go to **Section A5**.

☒ Yes. Go to **Section A4**.

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

A4 Audited accounts		
Audited accounts	<p>Have the accounts been audited in accordance with a set of generally accepted auditing standards?</p> <p>Please tick the appropriate box.</p> <p><input type="checkbox"/> No. Go to Part 3 'Signature'.</p> <p><input checked="" type="checkbox"/> Yes. Please enter the name of the organisation or other body which issued those standards below, and then go to Part 3 'Signature'.</p>	<p>● Please insert the name of the appropriate accounting organisation or body.</p>
Name of organisation or body ●	Irish Auditing & Accounting Supervisory Authority	
A5 Unaudited accounts		
Unaudited accounts	<p>Is the company required to have its accounts audited?</p> <p>Please tick the appropriate box.</p> <p><input type="checkbox"/> No.</p> <p><input type="checkbox"/> Yes.</p>	
Part 3 Signature		
Signature	I am signing this form on behalf of the overseas company.	
	<p>Signature</p> <p>X E-SIGNED by Abigail Kennedy X on 2020-12-22 10:06:26 GMT</p>	
	This form may be signed by: Director, Secretary, Permanent representative.	

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



Presenter information

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

Contact name **ELED/053420.00004**

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 **01923 215074**



Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

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



Important information

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



Where to send

You may return this form to any Companies House address:

England and Wales:

The Registrar of Companies, Companies House,
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DX 33050 Cardiff.

Scotland:

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

Northern Ireland:

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



Further information

For further information, please see the guidance notes on the website at www.companieshouse.gov.uk or email enquiries@companieshouse.gov.uk

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Elavon Financial Services DAC

Directors' Report and Consolidated Financial Statements

31 December 2019

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Elavon Financial Services DAC ('the Company and Group') for the year ended 31 December 2019, which comprise the Group and Company Statement of Income, the Group and Company Statement of Other Comprehensive Income, the Group and Company Statement of Financial Position, the Group and Company Statement of Changes in Equity, the Group and Company Statement of Cash flows and the related notes 1 to 36 to the Group financial statements and notes A to H to the Company financial statements including the summary of significant accounting policies set out in note 2. The financial reporting framework that has been applied in their preparation is Irish Law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS regulation with respect to the Group financial statements.

In our opinion the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Group and Company as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2014 and, as regards the Group financial statements, Article 4 of the IAS regulation.

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

Basis for opinion

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

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

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

Conclusions relating to going concern

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

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

Key Audit Matters

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

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

Key audit matter – Revenue Recognition (Merchant Services)	How the matter was addressed in our audit
<p>There is a presumption under International Standards on Auditing that there is a significant risk of fraud in the timing of revenue recognition leading to material misstatements of revenue overall. This is because revenue is typically an area of particular focus by readers of the financial statements and can be subject to judgement as to when the income can be appropriately recognised.</p> <p>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 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 32 (accounting policy) and page 41 (financial disclosures).</p>	<p>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.</p> <p>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.</p> <p>Reviewed and assessed the results of control testing performed as part of Elavon Inc's Service Organisation Control Report for 2019. Elavon Financial Services DAC is a user of key systems and processes operated by Elavon Inc. The controls tested included IT General controls and IT Application controls on key operational IT systems which underpin revenue and settlement as well as key manual controls underpinning the processing of merchant revenue. Certain relevant controls included in the scope of the Service Organisation Control Report formed part of our controls reliance strategy.</p> <p>Performed substantive testing on a sample basis agreeing revenue from customers to source documentation.</p> <p>Assessed the cut off of revenue to ensure the recognition of revenue were reflected in the correct period through both controls and substantive audit testing.</p> <p>We assessed the appropriateness of the related disclosures in the financial statements.</p> <p>Based on the procedures performed we consider the basis for the recognition of revenue and the related balances to be reasonable.</p>

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

Key audit matter – Uncertain Tax Provision, Visa Disposal	How the matter was addressed in our audit
<p>The recording of a provision for uncertain tax positions require the Directors to make judgements and estimates in relation to tax issues and exposures. Specifically, the Group have booked a tax provision in respect to its treatment of gains realised on sale of VISA shares in 2016 and 2017.</p> <p>Refer to page 35 (accounting policy) and page 44 (financial disclosures).</p> <p>This is one of the key judgemental areas that our audit is focused on due to the significance of the transactions upon which the provision has been accrued and the time it will take for these tax matters to be considered by the relevant tax authorities.</p>	<p>Obtained from management, its assessment with regard to the uncertain tax provision including any correspondence during the year from the Revenue Commissioners.</p> <p>We met with senior management and challenged the judgements applied, which underpin the continued recognition of the provision.</p> <p>We reviewed against accounting recognition rules and assessed the adequacy of the related disclosure within the financial statements.</p> <p>Based on the evidence obtained we consider the basis for the recognition of the uncertain tax provision to be reasonable.</p>

Our application of materiality

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

	Group financial statements	Company financial statements
Overall materiality	Overall materiality: €2,114,000	Overall materiality: €2,179,000
How we determined it	5% of profit before tax.	
Rationale for the materiality benchmark	We applied this benchmark because in our view this is a metric against which the recurring performance of the Group (and the Company) is commonly measured by its stakeholders.	

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €63,000 (Group audit) and €65,000 (Company audit) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

An overview of the scope of our audit

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



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

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

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2014

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

- in our opinion, the information given in the Directors' report is consistent with the financial statements; and
- in our opinion, the Directors' report has been prepared in accordance with the Companies Act 2014.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit. In our opinion the accounting records of the Group and Company were sufficient to permit the financial statements to be readily and properly audited and the financial statements are in agreement with the accounting records.

Matters on which we are required to report by exception

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

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

The Companies Act 2014 also requires us to report to you if, in our opinion, the Group and Company has not provided the information required by section 5(2) to (7) of the European Union (Disclosure of non-financial and diversity Information by certain large undertakings and groups) Regulations 2017 for the year ended 31 December 2019 as required by the European Union (Disclosure of non-financial and diversity Information by certain large institutions and groups) (amendment) Regulations 2018.

We have nothing to report in this regard.



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

Respective responsibilities

Responsibilities of Directors for the financial statements

As explained more fully in the Directors' responsibilities statement set on page 10, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the IAASA's website at: http://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf.

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 three years covering the years ending 2017 to 2019.

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

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

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

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

Michael Tuohy
for and on behalf of Mazars
Chartered Accountants & Statutory Audit Firm
Harcourt Centre, Block 3, Harcourt Road
Dublin 2
Date: 25 March 2020

Directors and Other Information

Board of Directors

Name	Country of Residence	Other
Stephen Groarke	Ireland	
Jamie Walker	USA	
Shailesh Kotwal	USA	Chairman
Troy Remington	USA	
Declan Lynch	Ireland	
Craig Gifford	USA	
Andrew Hastings	UK	Independent Non-Executive
Adrian Wrafter	Ireland	Independent Non-Executive
Valerie Dias	UK	Independent Non-Executive (appointed 25 September 2019)

Company Secretary

Abigail St. John Kennedy

Registered Office

Building 8
Cherrywood Business Park
Loughlinstown
D18 W319

Solicitors

A&L Goodbody
North Wall Quay
Dublin 1

Auditors

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

Registered Number: 418442

Directors' Report

The Directors present their report together with the audited Financial Statements for the year ended 31 December 2019.

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 2019, U.S. Bancorp has assets of \$495 billion, deposits of \$362 billion and loans of \$296 billion. Further details of the Bank's parent undertakings are disclosed in Note 30 to the Consolidated Financial Statements. The Bank, its branches and its subsidiaries are hereinafter referred to as 'the Group'.

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

The Group's activities in Europe during 2019 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.

The Group commenced performing depository activities in 2019, consisting of the provision of custodial and depository roles, and related services, to collective investment schemes.

On 31 December 2019, the Group transferred control of two subsidiary companies, U.S. Bank Trustees Limited and USB Nominees (UK) Limited to another related company, whose ultimate parent is U.S. Bancorp. These subsidiaries were transferred in order to segregate the regulated and non-regulated activities of the group. Transfers were made at book value and no gain or loss was recorded.

Previously the Group supported U.S. Bancorp's European Union ("EU") commercial freight payment business. During 2019 that service was exited with all impacted staff, customers, vendors and trade unions notified in late 2018. Following contract terminations, the Group fully exited from the business on 31 May 2019.

Review of business performance during the financial year

The Merchant Services business delivered volume growth of approximately 17%, with overall fee revenues up on the prior year. The Corporate Trust business achieved an increase in total fee revenue of 10%, positively impacted by an increase in recurring fees and pricing decisions on deposit account fees. Increased expense in 2019 is primarily related to additions to staffing levels in the Group. The profit for the year is EUR 32,258 thousand (2018: EUR 35,789 thousand).

Directors' Report (continued)

To accelerate the growth of EMS, on 02 October 2019, the Group purchased 100% of the shares of Norse Nordics AB. With this acquisition, the Group expects to increase its market share, add value and additional income through the Scandinavian payments market.

Strategic direction and business model

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

The Bank's strategic direction will continue to focus on payments and investments services markets and is well positioned for future challenges and opportunities with strong established franchises in both markets in Europe. 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 technology enhancements, optimising the organisational and operational structures, creating a simple and consistent experience for both customers and staff, ensuring a strong regulatory relationship and focusing on high growth markets to deliver a bank with compelling, sustainable capital returns and considered, transparent and controlled risk profile.

Key performance indicators

The Directors are satisfied with the Group's performance and financial position for the year which are set out in the Consolidated Statement of Income and the Consolidated Statement of Financial Position on pages 13 & 15 respectively. The Group maintained strong capital and liquidity during 2019 and continued to focus on its financial strength, efficiency, business model, prudent risk management and strong culture.

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

The internal KPIs reviewed (together with their 2019 full year measures) are as follows:

- Profit after tax for 2019 of EUR 32.3 million (2018: EUR 35.8 million)
- Fee, Commission and Leasing Income for 2019 of EUR 343.6 million (2018: EUR 316.3 million)
- Credit and debit volume for 2019 of EUR 110.9 billion (2018: EUR 94.7 billion)
- Number of employees as at 31 December 2019 of 2,233 (2018: 2,129)
- Total assets as at 31 December 2019 of EUR 8.8 billion (2018: EUR 7.5 billion)
- Capital ratio as at 31 December 2019 of 48% (2018: 51%)
- Operating efficiency ratio of 89% (2018: 87%)

Group outlook

It is considered that the Group's business mix, sound strategies and prudent business model puts the Group in a strong position for the years ahead. The Group has invested in personnel and infrastructure to ensure it is well positioned into the future. In particular, this should allow the Group to respond appropriately and effectively to the anticipated impacts of increased banking regulation, European legislation changes, political or economic uncertainty and technological advances.

The Group, as part of its strategic planning processes, has developed strategic business objectives to be delivered over the planning horizon which are focused on new products, enhanced customer service and organic growth while operating in growing economies with strong fundamentals. Strategic action will be supported by an enhanced focus on operating efficiency to support profitability and drive competitiveness.

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.

Directors' Report (continued)

Financial risk management

Details of the Group's financial risk management objectives and policies are set out in Note 27 to the Consolidated Financial Statements.

Capital Management

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

Principal risks and uncertainties

Risk management is an integral part of the Group's business process. Risk management and governance arrangements have been described in Note 27. The risks and uncertainties which are currently judged to have the largest impact on the Group's performance are noted below:

- General economic conditions may negatively affect consumer spending, resulting in declines in retail sales. A worsening of the current financial market conditions could materially and adversely affect the Group's business, financial conditions and results of operations;
- The Group faces strong competition in its various markets and if it fails to compete successfully, market share and profitability may decline;
- The Group is subject to changes in government and regulatory compliance regulations, as well as card scheme membership requirements. Ensuring adherence to these regulations and requirements could result in increased compliance costs for the Group and adversely affect operations and profitability;
- Movements in foreign currency exchange rates may positively or adversely affect the Group. The management of this risk is detailed in Note 27 to the Consolidated Financial Statements;
- The success of the Group is built upon a strong effective management team committed to achieving a superior performance in each of the divisions. The loss of key personnel could for a time have a significant impact on business performance;
- In the current economic environment, Brexit also represents a level of uncertainty. Further information relating to Brexit can be found on page 10.
- In addition to the above, the Group is subject to operational risks. These include technology and systems execution risk, protection of cardholder data, information security breaches and data protection compliance, compliance with card schemes, payment card industry standards, business continuity planning and disaster recovery.

On 31 December 2019 an outbreak of coronavirus disease, subsequently named COVID-19 was first reported from Wuhan, China. On 30 January 2020, this was declared a Public Health Emergency of International Concern by the World Health Organisation, with the outbreak spreading internationally over Quarter 1 2020. While the overall impact cannot be estimated with any certainty, it appears likely that at least some staff, customers and stakeholders will be affected and likely that there will be economic impacts through reduced consumer demand, interruption of supply chains and disruption of financial markets.

The Group is actively tracking the spread of COVID-19 and is ready to invoke plans to address risks as and when they occur, has invoked business continuity plans where necessary and has tested all relevant remaining business continuity plans.

Directors' and Secretary's shareholdings

The names of the persons who were Directors at any time during the year ended 31 December 2019 are listed on page 6. Unless otherwise indicated, they served as Directors for the entire year.

The Directors and their families had no interests in the shares of the Bank as at 31 December 2019. The Directors' and Secretary's interest in the ordinary shares of the ultimate parent undertaking, U.S. Bancorp at 31 December 2019 and at 31 December 2018 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 insure compliance with the Group's relevant obligations.

Brexit

The Group has adjusted its target operating model to ensure it is well positioned to manage all possible Brexit scenarios, and has been preparing for a Hard Brexit since early 2018. In advance of the Brexit event on 31 January 2020, the Group transferred all new business provided from the UK to European Economic Area ('EEA') customers, to an EEA jurisdiction. Additionally, the Group has transferred all existing Merchant Servicing contracts for EEA customers to an EEA jurisdiction to ensure its operating model is consistent with the Brexit regulatory requirements.

Directors' Report (continued)

The Group has also completed the transfer of certain non-regulated corporate trust activities, to a separate legal entity within the UK which is separate to the Group.

The Group is now completing the transfer of remaining regulated contracts for its Global Corporate Trust EEA customers from the UK to Ireland. The Group also continues to implement all necessary changes to achieve Third Country Branch (TCB) compliance requirements by 31 December 2020.

Unless the UK and EU agree to extend the current transition period, the transition period will expire on 31 December 2020 and the UK will move to trading on either, World Trade Organisation (WTO) terms or, a new Free Trade Agreement with the EU. In particular, a no trade deal could potentially give rise to negative macroeconomic effects for the Group. The Group's revenue is correlated to economic activity and particularly to the level of domestic consumption within a market. An adverse shock to economic growth rates arising from a disorderly exit would have the potential to adversely affect revenues, while devaluation of GBP versus Euro will have negative impacts on future net income. Negative macroeconomic effects from a disorderly exit may also adversely affect the counterparties and merchant customers of the Group. This can in turn affect both the propensity for revenue reduction and, in more difficult circumstances, losses associated with counterparty failure.

Modern slavery statement

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

This statement was approved by the Board of Directors on 12 December 2019 and can be found at www.elavon.co.uk/about-elavon/legal.html.

Corporate Social Responsibility Report

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

Dividend

No dividend is proposed for the year (2018: nil). The Directors do not recommend any transfer to reserves.

Research and development

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

Branches outside the State

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

Events after the reporting period

After the Balance Sheet, but before the Financial Statements were signed, the following events occurred that require disclosure in the Financial Statements:

- On 11 March 2020, Elavon Financial Services DAC purchased Sage Pay, a well-known and established payments gateway business in the United Kingdom and Ireland. Sage Pay is a division of The Sage Group plc (SGE), a FTSE-listed market leader in cloud business management solutions. The acquisition is part of the Group's strategy to assist growth as the global economy becomes more digital and as businesses look to streamline their operations with software that includes payments technology capabilities.

Directors' Report (continued)

Political donations

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

Corporate governance

The Group is subject to the provisions of the Central Bank of Ireland's Corporate Governance Requirements for Credit Institutions 2015. The Group is not classified as a "high impact designated credit institution" for the purposes of the Code and is therefore not subject to the additional requirements of Appendix 1 of the Code.

Subsidiary companies

Details of the Group's subsidiaries are set out in Note 31 to the Consolidated Financial Statements in accordance with the Companies Act 2014.

Board Audit Committee

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

Accounting records

The measures taken by the Directors to ensure compliance with the Group's obligation to keep proper accounting records, as outlined in Section 281-285 of the Companies Act 2014, are the use of appropriate systems and procedures and the employment of competent persons who report to the Chief Financial Officer and ensure that the requirements of the legislation are complied with. The accounting records are kept at 1st Floor, Building 8, Cherrywood Business Park, Loughlinstown, D18 W319.

Auditors

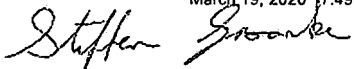
Mazars, Chartered Accountants were appointed statutory auditor on 08 December 2016. They have been re-appointed annually since that date and will continue in office in accordance with Section 383 (2) of the Companies Act 2014.

Approved and authorised for issue on 19 March 2020.



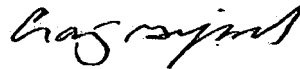
Declan Lynch

March 19, 2020 17:49



Stephen Groarke

March 19, 2020 17:06



Craig Gifford

March 19, 2020 16:42

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

<i>In thousands of Euro</i>	Note	2019	2018*
Fee, commission and leasing income	3	343,616	316,323
Interest income	4	20,322	14,976
Interest expense	4	(8,533)	(3,859)
Net interest income		11,789	11,117
Other operating income	5	16,151	17,027
Share in loss of associate	12	(391)	(203)
Total operating income		371,165	344,264
Other operating expense	7	(326,638)	(297,457)
Foreign exchange loss	7	(1,861)	(3,095)
Total other operating expense		(328,499)	(300,552)
Profit for the year before taxation		42,666	43,712
Income tax expense	8	(10,408)	(7,923)
Profit for the year		32,258	35,789

**comparatives classifications have been updated for year on year comparative purposes. Some amounts have been re-classed from Fee Commission and Leasing Income to Other operating expense.*

Elavon Financial Services DAC			
Consolidated Statement of Other Comprehensive Income for the year ended 31 December			
<i>In thousands of Euro</i>	Note	2019	2018
Profit for the year		32,258	35,789
Other comprehensive income/(loss) that may be reclassified to the Consolidated Statement of Income			
Foreign currency translation recognised directly in equity		12,543	(2,785)
Tax effect		-	-
Foreign currency translation recognised directly in equity, net of tax		12,543	(2,785)
Other comprehensive loss that will not be reclassified to the Consolidated Statement of Income			
Re-measurement of defined benefit plans	24	(1,606)	(892)
Tax effect		200	107
Re-measurement of defined benefit plans, net of tax		(1,406)	(785)
Other comprehensive income/(loss), net of tax		11,137	(3,570)
Total comprehensive income, net of tax		43,395	32,219

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


<i>In thousands of Euro</i>	Note	2019	2018
Assets			
Balances at central banks	9	7,580,668	6,397,162
Due from banks	9	329,165	132,784
Investments with affiliates	10	-	104,803
Receivables from issuing banks	14	482,651	485,788
Investment services receivables	15	13,022	12,700
Merchant receivables	13	77,238	79,942
Current tax asset		2,758	4,803
Other assets	19	48,530	96,807
Intangible assets – goodwill	16	136,209	128,088
Intangible assets – other	17	23,857	12,788
Property, plant and equipment	18	58,752	46,737
Leasehold asset	11	18,202	-
Investment in associate	12	1,406	1,797
Deferred tax asset	8	3,675	3,393
Total assets		8,776,133	7,507,592
Liabilities			
Overdrafts	9	723	69,112
Corporate trust deposits	20	6,888,168	5,629,841
Merchant payables	21	638,097	619,250
Current tax liability		42,143	43,296
Other liabilities	22	75,256	74,509
Leasehold liability	11	18,492	-
Provisions	29	1,915	5,979
Deferred tax liability	8	5,624	3,285
Total liabilities		7,670,418	6,445,272
Equity			
Share capital	25	6,400	6,400
Capital contribution	26	589,389	589,389
Retained earnings		550,998	518,740
Foreign currency translation reserve		(33,805)	(46,348)
Pension re-measurement reserve		(7,267)	(5,861)
Total equity		1,105,715	1,062,320
Total liabilities and equity		8,776,133	7,507,592

Approved for issue, by the Board, on 19 March 2020.



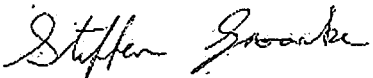
Declan Lynch

March 19, 2020 18:16



Craig Gifford

March 19, 2020 18:16



Stephen Groarke

March 19, 2020 18:34

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
Balance as at 31 December 2017	6,400	589,389	483,591	(43,563)	(5,076)	1,030,741
Adjustment from the adoption of IFRS 9	-	-	(640)	-	-	(640)
Balance as at 1 January 2018	6,400	589,389	482,951	(43,563)	(5,076)	1,030,101
Profit for the year	-	-	35,789	-	-	35,789
Other comprehensive loss, net of tax	-	-	-	(2,785)	(785)	(3,570)
Total comprehensive income/(loss), net of tax	-	-	35,789	(2,785)	(785)	32,219
Management re-charge for share-based payment (Note 7)	-	(588)	-	-	-	(588)
Capital contribution (Note 26)	-	588	-	-	-	588
Balance as at 31 December 2018	6,400	589,389	518,740	(46,348)	(5,861)	1,062,320
Balance as at 1 January 2019	6,400	589,389	518,740	(46,348)	(5,861)	1,062,320
Profit for the year	-	-	32,258	-	-	32,258
Other comprehensive income/(loss), net of tax	-	-	-	12,543	(1,406)	11,137
Total comprehensive income/(loss), net of tax	-	-	32,258	12,543	(1,406)	43,395
Management re-charge for share-based payment (Note 7)	-	(733)	-	-	-	(733)
Capital contribution (Note 26)	-	733	-	-	-	733
Balance as at 31 December 2019	6,400	589,389	550,998	(33,805)	(7,267)	1,105,715

Elavon Financial Services DAC Consolidated Statement of Cash Flows for the year ended 31 December
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<i>In thousands of Euro</i>	<i>Note</i>	2019	2018
Cash flows from operating activities			
Profit before tax		42,666	43,712
Adjustments to reconcile profit before tax to net cash			
Depreciation, amortisation and impairment losses	7,11	27,558	19,324
Losses on disposal of property, plant and equipment	7	508	411
Share in loss of associate	12	391	203
Interest income		(20,078)	(15,165)
Interest expense		8,023	3,644
Dividend income on available for sale financial assets		-	(10)
Working capital adjustments			
Net change in prepayments and other receivables	19	39,905	(39,769)
Net change in Visa Europe deferred consideration receivables	19	17,171	(660)
Net change in accruals and sundry creditors	22	4,691	295
Net change in receivables from issuing banks	14	3,137	210,687
Net change in merchant receivables	13	2,704	(17,555)
Net change in investment services receivables	15	(322)	844
Net change in other assets		(7,037)	(13,376)
Net change in due to other banks		104	-
Net change in merchant payables	21	18,847	(245,091)
Net change in corporate trust deposits	20	1,258,327	(2,687,261)
Net change in other liabilities		(8,628)	3,213
Interest paid on short term borrowings	4	(219)	(225)
Interest paid on corporate trust deposits		(7,803)	(3,419)
Taxation paid		(9,221)	(6,447)
Net cash provided/(used) in operating activities		1,370,724	(2,746,645)
Cash flows from investing activities			
Interest received on investments and cash balances		20,078	15,165
Net decrease in investments with affiliates	10	104,803	184,093
Net increase in investment in associate	12	-	(2,000)
Dividend income on available for sale financial assets		-	10
Additions to Goodwill	16	(5,338)	-
Additions to property, plant and equipment	18	(34,745)	(23,404)
Disposal of property, plant and equipment		4,866	4,603
Additions to intangible assets	17	(14,728)	(2,887)
Net cash provided by investing activities		74,936	175,580

Elavon Financial Services DAC			
Consolidated Statement of Cash Flows for the year ended 31 December – continued			
<i>In thousands of Euro</i>	Note	2019	2018
Cash flows from financing activities			
Payments for Parent Company re-charges for share-based payments	26	(733)	(588)
Payment of lease liabilities	11	(5,899)	-
Net cash used in financing activities		(6,632)	(588)
Effect of exchange rate changes on cash and cash equivalents		9,248	(1,859)
Net increase/(decrease) in cash and cash equivalents		1,448,276	(2,573,512)
Cash and cash equivalents at the beginning of the year	9	6,460,834	9,034,346
Cash and cash equivalents at the end of the year	9	7,909,110	6,460,834

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

<i>In thousands of Euro</i>	Note	2019	2018*
Fee, Commission and Leasing Income	A	339,209	312,023
Interest income	4	20,322	14,976
Interest expense	4	(8,533)	(3,859)
Net interest income		11,789	11,117
Other operating income	B	18,075	19,930
Share in loss of associate	12	(391)	(203)
Total operating income		368,682	342,867
Other operating expense	C	(322,873)	(296,325)
Foreign exchange loss	C	(1,849)	(3,096)
Total other operating expense		(324,722)	(299,421)
Profit for the year before taxation		43,960	43,446
Income tax expense	D	(10,407)	(7,885)
Profit for the year		33,553	35,561

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

**comparatives classifications have been updated for year on year comparative purposes. Some amounts have been re-classed from Fee Commission and Leasing Income to Other operating expense.*

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

<i>In thousands of Euro</i>	Note	2019	2018
Profit for the year		33,553	35,561
Other comprehensive income/(loss) that may be reclassified to the Company Statement of Income			
Foreign currency translation recognised directly in equity		12,248	(2,722)
Tax effect		-	-
Foreign currency translation recognised directly in equity, net of tax		12,248	(2,722)
Other comprehensive loss that will not be reclassified to the Company Statement of Income			
Re-measurement of defined benefit plans	24	(1,606)	(892)
Tax effect		200	107
Re-measurement of defined benefit plans, net of tax		(1,406)	(785)
Other comprehensive income/(loss), net of tax		10,842	(3,507)
Total comprehensive income, net of tax		44,395	32,054

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

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

<i>In thousands of Euro</i>	<i>Note</i>	2019	2018
Assets			
Cash and balances at central banks	9	7,580,668	6,397,162
Due from banks	9	329,165	132,784
Investments with affiliates	10	-	104,803
Investment in associate	12	1,406	1,797
Investment in Subsidiary	E	4,620	4,908
Merchant receivables	13	77,238	79,942
Receivables from issuing banks	14	482,651	485,788
Investment Services Receivables		13,022	9,836
Intangible assets - goodwill	16	136,209	128,088
Intangible assets - other	17	23,857	12,788
Property, plant and equipment	18	58,752	46,737
Current tax asset		2,732	4,797
Leasehold asset	11	18,202	-
Deferred tax asset	8	3,675	3,393
Other assets	F	48,671	98,091
Total assets		8,780,868	7,510,914
Liabilities			
Overdrafts	9	723	69,112
Corporate trust deposits	20	6,888,168	5,629,841
Merchant payables	21	638,097	619,250
Current tax liability		42,144	43,292
Other liabilities	G	79,933	78,778
Leasehold liability	11	18,492	-
Provisions	29	1,915	5,979
Deferred tax liability	8	5,624	3,285
Total liabilities		7,675,096	6,449,537
Equity			
Share capital	25	6,400	6,400
Capital contribution	26	589,389	589,389
Retained earnings		551,053	517,500
Foreign currency translation reserve		(33,803)	(46,051)
Pension re-measurement reserve		(7,267)	(5,861)
Total equity		1,105,772	1,061,377
Total liabilities and equity		8,780,868	7,510,914

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 19 March 2020.



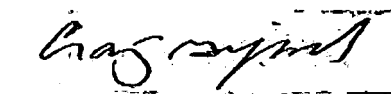
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March 19, 2020 19:02



Stephen Groarke

March 19, 2020 18:58



Craig Gifford

March 19, 2020 19:04

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
Balance as at 31 December 2017	6,400	589,389	482,579	(43,329)	(5,076)	1,029,963
Adjustment from the adoption of IFRS 9	-	-	(640)	-	-	(640)
Balance as at 1 January 2018	6,400	589,389	481,939	(43,329)	(5,076)	1,029,323
Profit for the year	-	-	35,561	-	-	35,561
Other comprehensive loss, net of tax	-	-	-	(2,722)	(785)	(3,507)
Total comprehensive income/(loss), net of tax	-	-	35,561	(2,722)	(785)	32,054
Management re-charge for share-based payment (Note 7)	-	(588)	-	-	-	(588)
Capital contribution (Note 26)	-	588	-	-	-	588
Balance as at 31 December 2018	6,400	589,389	517,500	(46,051)	(5,861)	1,061,377
Balance as at 1 January 2019	6,400	589,389	517,500	(46,051)	(5,861)	1,061,377
Profit for the year	-	-	33,553	-	-	33,553
Other comprehensive income/(loss), net of tax	-	-	-	12,248	(1,406)	10,842
Total comprehensive income/(loss), net of tax	-	-	33,553	12,248	(1,406)	44,395
Management re-charge for share-based payment (Note 7)	-	(733)	-	-	-	(733)
Capital contribution (Note 26)	-	733	-	-	-	733
Balance as at 31 December 2019	6,400	589,389	551,053	(33,803)	(7,267)	1,105,772

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

<i>In thousands of Euro</i>	Note	2019	2018
Cash flows from operating activities			
Profit before tax		43,960	43,446
Adjustments to reconcile profit before tax to net cash			
Depreciation, amortisation and impairment losses	7,11	27,558	19,324
Losses on disposal of property, plant and equipment	7	508	411
Share in loss of associate	12	391	203
Interest income		(20,078)	(15,165)
Interest expense		8,023	3,644
Dividend income on available for sale financial assets		-	(10)
Working capital adjustments			
Increase in prepayments and other receivables	F	39,970	(39,769)
Increase in Visa Europe deferred consideration receivable	19	17,171	(660)
Increase in accruals and sundry creditors	G	4,644	296
Net change in receivables from issuing banks	14	3,137	210,687
Net change in merchant receivables	13	2,704	(17,555)
Net change in investment services receivables		(3,186)	992
Net change in other assets		(5,937)	(14,656)
Net change in due to other banks		104	-
Net change in merchant payables	21	18,847	(245,091)
Net change in corporate trust deposits	20	1,258,327	(2,687,261)
Net change in other liabilities		(7,883)	4,497
Interest paid on short term borrowings	4	(219)	(225)
Interest paid on corporate trust deposits		(7,806)	(3,419)
Taxation paid		(9,216)	(6,397)
Net cash provided/(used) in operating activities		1,371,019	(2,746,708)
Cash flows from investing activities			
Interest received on investments and cash balances		20,078	15,165
Net decrease in investments with affiliates	10	104,803	184,093
Net increase in investment in associate	12	-	(2,000)
Dividend income on available for sale financial assets		-	10
Additions to Goodwill	16	(5,338)	-
Additions to property, plant and equipment	18	(34,745)	(23,404)
Disposal of property, plant and equipment		4,866	4,603
Additions to intangible fixed assets	17	(14,728)	(2,887)
Net cash provided by investing activities		74,936	175,580

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

<i>In thousands of Euro</i>	Note	2019	2018
Cash flows from financing activities			
Payments for Parent Company re-charges for share-based payments	26	(733)	(588)
Payment of lease liabilities	11	(5,899)	-
Net cash used in financing activities		(6,632)	(588)
Effect of exchange rate changes on cash and cash equivalents		8,953	(1,796)
Net increase/(decrease) in cash and cash equivalents		1,448,276	(2,573,512)
Cash and cash equivalents at the beginning of the year	9	6,460,834	9,034,346
Cash and cash equivalents at the end of the year	9	7,909,110	6,460,834

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

Notes to the Consolidated Financial Statements

1 Basis of Preparation

Reporting entity

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

The Consolidated Financial Statements include the accounts of Elavon Financial Services DAC, its branches and its subsidiary undertakings and include all activity through to the end of the financial year. The 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 2019. The accounting policies have been consistently applied by Group entities, except for the new and amended IFRS EU and International Financial Reporting Interpretations Committee ('IFRIC') interpretations effective as of 1 January 2019. 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 29 to the Consolidated Financial Statements.

Goodwill and Intangible Assets Impairment

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

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

- IFRS 9 – Financial Instruments (Note 2)
- Uncertain tax provision (Note 8)
- IFRS 16 (Note 11)
- Defined benefit obligations (Note 24)

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 profit or loss. Any investment retained is recognised at fair value. Subsidiaries have the same reporting period as the Group and the same accounting policies. Intra-group transactions, balances and unrealised gains arising from intra-group transactions are eliminated upon consolidation.

2 Summary of Significant Accounting Policies

The significant accounting policies that Elavon Financial Services DAC and its subsidiary undertakings applied in the preparation of the Group Consolidated Financial Statements for the year ended 31 December 2019 are set out below.

Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the new and amended IFRS EU and IFRIC interpretations effective as of 1 January 2019 listed below. The Group has adopted IFRS 16 as at 1 January 2019, but has not adopted any other standard, interpretation or amendment that has been issued but is not yet effective. Please see Note 11 for impact on the annual Consolidated Financial Statements of the Group.

New and amended standards and interpretations

The Group applied IFRS 16 for the first time in 2019. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

IFRS 16 Leases

Impact of initial application of IFRS 16 Leases

In the current year, the Group has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces significant new requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a leasehold asset and a leasehold liability at commencement for all leases, except for short-term leases (lease term of 12 months or less) and leases of low-value assets (such as tablet and personal computers, small items of

Notes to the Consolidated Financial Statements

2 Summary of Significant Accounting Policies (continued)

office furniture and telephones). For such items, the Group has opted to recognise lease expenses on a straight-line basis as permitted by IFRS 16. This expense is presented within 'other expenses' in profit or loss.

The Group has applied IFRS 16 using the cumulative catch-up approach which:

- Requires the Group to recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application.
- Does not permit restatement of comparatives, which continue to be presented under the previous standard IAS 17 and IFRIC 4.

(a) Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to IFRS 16 in relation to existing leases whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those contracts entered into modified before 1 January 2019.

The new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Group.

(b) Impact on Lessee Accounting

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet. Applying IFRS 16, the Group:

- a) Recognises leasehold assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
- b) Recognises depreciation of leasehold assets and interest on lease liabilities in profit or loss;
- c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the leasehold assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses generally on a straight-line basis.

The Group has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying IAS 17.

- The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics, utilising a single discount rate curve for all leases commencing during the month.
- The Group has excluded initial direct costs from the measurement of the leasehold asset at the date of initial application.
- The Group has elected to initially measure the leasehold asset based on the lease liability.

(c) Impact on Lessor Accounting

IFRS 16 does not change substantially how a lessor accounts for leases.

(d) Financial impact of the initial application of IFRS 16

The incremental borrowing rate used to determine lease liabilities recognised in the statement of financial position on 1 January 2019 is based on the collateralised borrowing rates of the parent company. Based on these rates, a funding curve is developed that can be applied to all varying lease terms held in the Group. The average rate applied to the Group's lease portfolio is 3.31%.

The Group has recognised €20,677 thousand of leasehold assets and €20,677 thousand of lease liabilities upon transition to IFRS 16, with no impact to retained earnings.

Notes to the Consolidated Financial Statements

2 Summary of Significant Accounting Policies (continued)

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

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

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

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

Annual Improvements to IFRS (2015 – 2017 cycle)

There were four narrow-scope amendments in 2019 (IFRS 3 Business Combinations; IFRS 11 Joint Arrangements; IAS 12 Income Taxes; IAS 23 Borrowing Costs). None of which had a material impact on the Consolidated Financial Statements of the Group.

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.

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 2 October 2019, the Group purchased 100% of the shares of Norse Nordics AB. With this acquisition, the Group expects to increase its market share in the Scandinavian payments market. Details of the business combination are as follows:

<i>In thousands of EUR</i>	Total
Amount Settled in Cash	5,956
Recognised amounts of identifiable net assets:	
Share Capital	5
Intangible Assets - Merchant Contracts	669
Prepayments	12
Accruals	(68)
Net identifiable assets and Liabilities	618
Goodwill	5,338

The acquisition was settled in cash of EUR 5,956 thousand. Acquisition-related costs of EUR 170 thousand have been recognised as an expense in the consolidated statement of comprehensive income, as part of other expenses. The fair value of the net assets as at the acquisition date was EUR 618 thousand.

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

Norse Nordics AB contributed a loss of EUR 294 thousand (less transfer pricing arrangements) from the acquisition date to 31 December 2019. These amounts have been determined by applying the Group's accounting policies.

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.

Notes to the Consolidated Financial Statements

2 Summary of Significant Accounting Policies (continued)

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 are accounted for using the equity method.

Under the equity method, the investment is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The Consolidated Statement of Income reflects the Group's share of the results or operations of the associate. Any change in Other Comprehensive Income ('OCI') of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the Consolidated Statement of Changes in Equity. Unrealised gains and losses resulting from the transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

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.

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

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

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

Foreign currency translation

Group companies

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

Transactions and balances

Non-monetary items that are measured in terms of historical cost in foreign currencies are translated using the exchange rates at the dates of the initial transaction. Non-monetary items measured at fair value in foreign currencies are translated using the exchange rates at the date when the fair value is determined.

Notes to the Consolidated Financial Statements

2 Summary of Significant Accounting Policies (continued)

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

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

Interest income and expense

Interest income and expense are recognised in the Consolidated Statement of Income for all interest bearing financial instruments using the effective interest rate method. The effective interest rate method is the interest rate on a loan or financial product restated from the nominal interest rate as an interest rate with annual compound interest payable in arrears. Negative interest expense is classified under bank processing fees in the current and prior year.

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 has applied IFRS 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under IAS 17.

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, which are accounted for as described under the new and amended standards and interpretations heading at the beginning of Note 2.

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 expenses' in profit or loss.

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. Revenue is recognised at the time the merchant processing services are performed. The EMS merchant discount transaction price 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.

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 service fees, which is a new revenue stream in 2019, recognises fees over the period in which the performance obligation of providing depository services is performed.

Notes to the Consolidated Financial Statements

2 Summary of Significant Accounting Policies (continued)

Corporate Payment Systems

CPS generates its income from two lines of business: Corporate Card Issuance and Freight Payment Solutions. 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.

Freight Payment Solutions' performance obligation is to provide a streamlined global payment network which automates customer invoicing and payment processes. The transaction price is the amount generated by charging the buyer a fee for this service. Discount fees are also earned on counterparty finance, whereby a percentage is deducted off the amount paid to the seller. During 2018 the business made the strategic decision that from 2019 onwards, the Group's primary focus will be in respect of providing best-in-class travel products and services. This decision has the effect that the business will cease operating in the freight payment market in Europe.

Staff costs

Short-term employee benefits

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

Long-term incentive benefit

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

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

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

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

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

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 Operating Expenses in the Consolidated Statement of Income. Curtailment gains or losses are accounted for as past service costs. Re-measurement is recorded in OCI.

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

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

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions currently held by the Group include chargeback provisions, asset retirement obligations and corporate card provisions. More information on these provisions can be found in Note 8 and Note 29 to the Consolidated Financial Statements.

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

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income. Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

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 profit or loss.

Uncertain tax

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

Financial assets

The Group holds two categories of financial assets:

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

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

Notes to the Consolidated Financial Statements

2 Summary of Significant Accounting Policies (continued)

of the Group are treated as an expense. While measurement criteria differ for each of these categories, the carrying amount is a reasonable approximation of fair value for all financial assets. (See Note 28.)

Financial assets held at amortised cost

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

Interest is calculated using the effective interest rate method and credited to the Consolidated Statement of Income. Impairment losses and translation differences on monetary items are recognised in the Consolidated Statement of Income. Financial assets held at amortised cost are de-recognised when the rights to receive cash flows from the financial assets have expired or when the Group has transferred substantially all the risks and rewards of ownership and transfer qualifies for de-recognition in accordance with IFRS 9, Financial Instruments.

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 (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 27. All derivatives are recorded at fair value on the date on which the contract is entered into. Subsequent changes in a derivative's fair value are recognised in other operating income or expense.

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 FVOCI on an expected credit loss ('ECL') basis. The measurement of ECL is based on a three-stage approach:

- Stage 1 – where financial assets have not had a significant increase in credit risk since initial recognition, allowance is calculated considering 12 months of credit losses. This is inclusive of the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.
- Stage 2 – where financial assets have had a significant increase in credit risk since initial recognition but does not have objective evidence of impairment, allowance is calculated considering the lifetime ECL. This is calculated by applying the 1-year loss forecast for all financial assets held at amortised cost aged 31 – 90 days past due.

Notes to the Consolidated Financial Statements

2 Summary of Significant Accounting Policies (continued)

- Stage 3 – financial assets that are significantly deteriorated and impaired. The ECL represents lifetime expected losses. Financial assets held at amortised cost are deemed to be impaired when they have defaulted. Default is considered when an obligor is 90+ days past due for the EMS, CPS and GCTS portfolios.

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

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

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

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

Intangible assets

Goodwill

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

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

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

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

Other intangible assets

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

Notes to the Consolidated Financial Statements

2 Summary of Significant Accounting Policies (continued)

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

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

The useful lives of intangible assets are assessed to be either finite or infinite. There were no intangible assets with infinite lives other than goodwill in 2019 or 2018. Intangible assets with finite lives are amortised on a cash flow basis (over USD 5,000 thousand; less than USD 5000 thousand is straight line) and this expense is included on the Consolidated Statement of Income within operating expense. Amortisation methods and periods relating to these intangible assets are reviewed annually. Intangible assets with finite lives must be tested for impairment where either there is an indicator of impairment or, in the case of material intangible assets, annually.

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

Amortisation

The Group uses the following useful lives when calculating amortisation:

Class	Useful life
Goodwill	Infinite
Other	1 - 5 years
Computer Software	
- Software Purchased or Developed	3 - 10 years
- Software Licences	1 - 5 years
Contracts	
- Merchant Contracts*	4 - 30 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 the forecast for 2020 and assumptions based on historical volumes and revenue. The recoverable amount is most sensitive to the average revenue margins applied in the cash flow model as well as the expected future cash inflows and the volume/margin attrition rates applied for extrapolation purposes. The key assumptions used to determine the recoverable amounts are further explained in Notes 16 and 17.

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

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

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

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 recognised in the Consolidated Statement of Financial Position and are initially measured at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred.

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

Shareholders' equity

Share capital

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

Notes to the Consolidated Financial Statements

2 Summary of Significant Accounting Policies (continued)

Capital contribution

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

Retained earnings

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

Other reserves

The other reserves are made up of the foreign currency translation reserves 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 the Conceptual Framework, IAS 1 Presentation of Financial Statements; IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors; IFRS 3 Business Combinations). The Group has not yet adopted any of these before their effective date 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

Fee, Commission and Leasing Income		
<i>In thousands of Euro</i>	2019	2018
Merchant processing services (including terminal leasing income)*	293,927	270,469
Corporate payment products revenue	4,550	4,871
Corporate trust revenue	45,139	40,983
Fee, Commission and Leasing Income	343,616	316,323

*equipment rental income was EUR 21,398 thousand in 2019 (2018: EUR 19,997 thousand).

4 Interest Income and Expense

Interest Income and Expense		
<i>In thousands of Euro</i>	2019	2018
Interest income		
Interest from central banks	15,893	10,495
Interest from other banks	2,256	1,546
Interest income from affiliate companies	2,173	2,935
Total interest income	20,322	14,976
Interest expense		
Interest expense on short term borrowings	219	225
Interest expense on corporate trust deposits	7,423	3,634
Interest expense – lease activities	891	-
Total interest expense	8,533	3,859
Net interest income	11,789	11,117

5 Other Operating Income

Other Operating Income		
<i>In thousands of Euro</i>	2019	2018
Dividend income on available for sale financial assets	-	10
Services provided to affiliate companies	15,747	16,815
Other operating income - Other	404	202
Other operating income	16,151	17,027

6 Staff Numbers

Staff Numbers		
<i>Average number of employees during the year</i>	2019	2018
Sales	422	359
Operations	1,391	1,428
Finance and administration	300	275
Total staff numbers	2,113	2,062

Notes to the Consolidated Financial Statements

7 Other Operating Expense

In 2013, the Group amended its long term incentive plan. This amendment enabled U.S. Bancorp to grant certain employees shares in U.S. Bancorp as a retention incentive. As at 31 December, the charge for these awards in 2019 was EUR 733 thousand (2018: EUR 588 thousand). As at 31 December 2019, EUR 72 thousand was payable (2018: EUR 62 thousand). The charge for all other long term incentive awards in 2019 was EUR 3,499 thousand (2018: EUR 2,750 thousand).

An element of salaries and wages has been capitalised during the year in relation to the development of software. As at 31 December 2019, EUR 1,480 thousand was capitalised (2018: EUR 569 thousand). The Group has not capitalised social insurance and other retirement benefits during the year.

Other Operating Expense			
<i>In thousands of Euro</i>	Note	2019	2018
Staff Costs			
Wages and salaries		134,964	121,630
Social security costs		14,750	13,203
Pension costs - defined contribution plans	24	9,480	4,849
Pension costs - defined benefit plans	24	384	411
Staff costs - other		12,428	11,977
Auditor's Remuneration			
Statutory Audit		675	644
Other assurance services		91	5
Other			
Depreciation of property, plant and equipment	18	17,761	15,718
Amortisation of intangible assets	17	3,823	3,606
Losses from disposals of fixed assets		508	411
Marketing and business development		11,788	10,230
Occupancy and equipment		7,933	11,557
Merchant processing		28,094	25,212
Other operating expenses - Other		18,474	12,881
Bank processing fees*		22,902	21,979
Postage, printing and supplies		2,285	2,266
Professional services		15,106	14,748
Technology and communications		8,562	7,946
Services provided by affiliate companies		16,630	18,184
Total operating expenses		326,638	297,457
Foreign exchange loss		1,861	3,095
Total other operating expense		328,499	300,552

*Bank processing fees includes negative interest expense

Directors' emoluments are analysed as follows:

<i>In thousands of Euro</i>	2019	2018
Remuneration in respect of services as Director	160	160
Remuneration in connection with management	1,156	1,012
Remuneration to Directors in respect of other termination payments	-	-
Remuneration in respect of other assets received or receivable from long term incentive plans	-	-
Pension costs – defined contribution plans (other than in respect of services as Director)*	73	22
Total Directors' emoluments	1,389	1,194

*Pensions costs relate to payments for two Directors.

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

Notes to the Consolidated Financial Statements

8 Income Taxes

Income Taxes			
<i>In thousands of Euro</i>	Rate	2019	2018
Current Tax			
<u><i>Irish corporation tax</i></u>			
Current year		2,355	1,173
Adjustment in respect of prior year		35	328
<u><i>Foreign tax</i></u>			
Current year		4,849	7,095
Adjustment in respect of prior year		912	(789)
Deferred tax expense		2,257	116
Income tax expense for the year		10,408	7,923

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:

Profit before tax		42,666	43,712
Theoretical tax charge at statutory rate	12.5%	5,333	5,464
Tax effect of items which are not deductible or assessable for taxation purposes:			
(Reversal)/Addition of prior year tax		947	(461)
Non-deductible expenses		363	194
Total temporary differences not accounted for in deferred tax		2,642	348
Overseas profits taxed at a higher rate		1,169	2,450
Losses recognised		-	-
Current year profits taxed at higher rate		-	-
Uncertain tax provision		-	-
Deferred tax on Visa preferred shares		-	-
Other adjustments		(46)	(72)
Income tax expense for the year		10,408	7,923

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

Deferred Taxes		
<i>In thousands of Euro</i>	2019	2018
Deferred Tax Liability		
Tax effect of taxable temporary differences		
Other intangibles: amortisation	(1,165)	(1,405)
Financial assets available for sale: unrealised gain on Visa Europe shares	-	-
Asset timing differences	(4,447)	(1,882)
Foreign exchange differences	(12)	2
Recognised deferred tax liability	(5,624)	(3,285)

<i>In thousands of Euro</i>	2019	2018
Deferred Tax Asset		
Tax effect of deductible temporary differences		
Asset timing differences	2,604	2,467
Losses in foreign markets	-	-
Re-measurement of defined benefit plan	1,039	837
Exchange movements	32	89
Recognised deferred tax asset	3,675	3,393

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%. The Group recognises that the Irish tax authorities may challenge this tax treatment at some future point and hence an uncertain tax provision was included within the 2017 and 2016 current income tax expense in respect of this uncertain position. This represents the difference between the taxation of the gain as a trading receipt versus a capital receipt. At 31 December 2019 the provision held was EUR 40,070 thousand (2018: EUR 40,070 thousand).

9 Cash Balances

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

The Group has remained in full compliance and as at 31 December 2019 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 2019 such balances were EUR 57,972 thousand (2018: EUR 90,174 thousand).

As at 31 December 2019 the Group had money market placements of EUR 179,111 thousand (2018: EUR 34,177 thousand) This comprised of the following balances:

- EUR 13,686 thousand placed with SEB;
- EUR 76,006 thousand placed with HSBC;
- EUR 89,419 thousand placed with Danske Bank.

The term of these deposits was from 31 December 2019 to 2 January 2020.

With exception for the Group's investments with affiliates, all investing or financing transactions during 2019 and 2018 involved the use of cash or cash equivalents.

Cash Balances		
<i>In thousands of Euro</i>	2019	2018
Cash and cash equivalents		
Balances at central banks	7,580,668	6,397,162
Cash and balances with banks	127,888	86,939
Money market placements	179,111	34,177
Cash with affiliates	22,166	11,668
Total cash with banks and affiliates	7,909,833	6,529,946
Overdrafts	(723)	(69,112)
Total cash and cash equivalents	7,909,110	6,460,834

10 Investments with Affiliates

Investments with affiliates represent fixed term deposits with U.S. Bancorp, which amounted to EUR Nil in 2019 (2018: EUR 104,803 thousand). These deposits are interest bearing short-term deposits which normally mature within 7 to 30 days. None of the investments with affiliates were past due or deemed to be impaired.

Notes to the Consolidated Financial Statements

11 Leases

The leases that are accounted for under IFRS 16 all relate to Buildings. The Group is due to move buildings for the Dublin office in 2020. Termination options are only recognised if not reasonably certain the option will be taken.

Leasehold assets	
<i>In thousands of EUR</i>	
Cost	Buildings
At 1 January 2019	20,677
Additions	3,499
Total Cost	24,176
Amortisation for the year	5,974
At 31 December 2019	18,202

Maturity Analysis	
<i>In thousands of EUR</i>	31 December 2019
Year 1	6,647
Year 2	4,458
Year 3	2,780
Year 4	2,780
Year 5	1,751
Onwards	1,185

Amounts recognised in profit and loss	
<i>In thousands of EUR</i>	31 December 2019
Depreciation on leasehold assets	5,974
Interest expense on lease liabilities	891
Total cash outflow for leases	5,899

Lease liabilities	
<i>In thousands of EUR</i>	31 December 2019
Analysed as:	
Non-current	12,280
Current	6,212
Total	18,492

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. Overall the variable payments are present in 4 leasehold agreements. The Group expects this ratio to remain constant in future years.

Notes to the Consolidated Financial Statements

11 Leases (continued)

Leases not yet commenced to which lessee is committed

On 16 August 2019, the Group entered into a 15 year lease to rent property, which had not commenced by the year-end and as a result, a lease liability and leasehold asset has not been recognised at 31 December 2019. The aggregate future cash outflows to which the Group are exposed in respect of this contract are fixed payments of EUR 2,202 thousand per annum, for the next 15 years.

Extension & termination details

Leasehold Assets – Office Buildings	
	31 December 2019
Number of Leasehold assets	9
Number of leases with extension options	1
Number of leases with variable payments linked to an index	4
Number of leases with termination options	3

12 Investment in Associate

On 29 March 2018, the Group invested 2 Million Euro in Tillhub GmbH ('Tillhub'); an established point-of-sale software solution provider in Germany. This investment represents a 12.42% (2018: 13.5%) interest in Tillhub and the Group has appointed one of four Advisory Board members to the Board of Directors of Tillhub, giving Elavon significant influence over Tillhub. The investment is accounted for using the equity method in the Consolidated Financial Statements. The following table illustrates the summarised financial information of the investment in Tillhub for the full financial year of 2019 and from April to December 2018:

Investment in associate		
<i>In thousands of Euro</i>	2019	2018
Current Assets (<i>Cash and cash equivalents EUR 1,102 thousand (2018: EUR 2,227 thousand)</i>)	3,717	2,483
Non-current Assets	41	25
Current Liabilities	(3,758)	(222)
Equity	-	2,286
Carrying amount of investment	1,406	1,797
<i>In thousands of Euro</i>	2019	2018
Revenue from contracts with customers	2,345	927
Cost of sales	(777)	(301)
Other operating income	12	11
Operating expenses	(4,756)	(2,143)
Non-operating income	28	4
Loss before tax	(3,148)	(1,502)
Income tax expense	-	-
Loss for the year (continuing operations)	(3,148)	(1,502)
Group's share of loss for the year	(391)	(203)

Notes to the Consolidated Financial Statements

13 Merchant Receivables

As at 31 December 2019, the value of receivables from merchants was EUR 77,238 thousand (2018: EUR 79,942 thousand). Merchant receivables are presented net of expected credit losses on the Consolidated Statement of Financial Position.

14 Receivables from Issuing Banks

As at 31 December 2019 the value of receivables from issuing banks was EUR 482,651 thousand (2018: EUR 485,788 thousand). The fair value of collateral held against receivables from issuing banks was nil as at 31 December 2019 (2018: nil). None of the issuing bank receivables are deemed to be past due or impaired.

15 Investment Services Receivables

Investment Services Receivables		
<i>In thousands of Euro</i>	2019	2018
GCTS fee receivables	12,826	12,696
Receivables from clearing houses - Clearstream	68	4
Depository services fee receivables	128	-
As at 31 December	13,022	12,700

16 Goodwill

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

<i>In thousands of Euro</i>	Merchant Services CGUs	Corporate Trust CGU	Total Goodwill
Cost			
As at 1 January 2019	128,079	9	128,088
Additions	5,338	-	5,338
Exchange rate movements	2,783	-	2,783
As at 31 December 2019	136,200	9	136,209
Cost			
As at 1 January 2018	128,679	9	128,688
Exchange rate movements	(600)	-	(600)
As at 31 December 2018	128,079	9	128,088

Impairment testing of goodwill

There was no impairment of goodwill recognised during the year (2018: Nil).

The Group's impairment test in respect of goodwill allocated to a CGU or group of CGUs is performed as at 30 September each year. In line with the accounting policy set out in Note 2, goodwill is also retested for impairment whenever there is an indication that goodwill may be impaired.

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

The value in use is calculated by discounting management's cash flow projections for 20 years. The discount rate of 11% (2018: 11%) used in the calculation represents the cost of capital that the Group's ultimate parent undertaking allocates to investments in Europe. A long-term growth rate of 2% (2018: 2%) was used to extrapolate the cash flows. The growth rate is achievable in the longer term based on customer initiatives implemented, low attrition levels, and past experience showing that growth rates of the portfolios have exceeded GDP growth rates. An expense reduction rate was used to reduce the direct expense by 1% over a five-year period to 44% (2018: 45%).

Notes to the Consolidated Financial Statements

16 Goodwill (continued)

The recoverable amount for goodwill in 2019 is calculated to be over EUR 715,967 thousand (2018: over EUR 591,537 thousand). As a result of these figures no impairment of goodwill was recognised in either 2019 or 2018. If any of the inputs were to be reasonably changed, the recoverable amount will still exceed the carrying amount.

17 Intangible Assets – Other

Intangible Assets – Other				
<i>In thousands of Euro</i>	Computer Software	Merchant Contracts	Corporate Trust Contracts	Total
Cost				
Opening balance	51,310	95,051	2,970	149,331
Additions	407	14,321	-	14,728
Disposals	(217)	-	-	(217)
Exchange movements	29	2,957	153	3,139
Closing Balance of cost account	51,529	112,329	3,123	166,981
Accumulated amortisation				
Opening balance	45,767	87,830	2,946	136,543
Disposals	(211)	-	-	(211)
Amortisation charge for the year	2,217	1,591	15	3,823
Exchange movements	22	2,795	152	2,969
Closing Balance of the accumulated amortisation	47,795	92,216	3,113	143,124
Net book value as at 31 December 2019	3,734	20,113	10	23,857

Intangible Assets – Other				
<i>In thousands of Euro</i>	Computer Software	Merchant Contracts	Corporate Trust Contracts	Total
Cost				
Opening balance	49,235	95,605	2,993	147,833
Additions	2,887	-	-	2,887
Amounts written off*	(770)	-	-	(770)
Exchange movements	(42)	(554)	(23)	(619)
Closing Balance of cost account	51,310	95,051	2,970	149,331
Accumulated amortisation				
Opening balance	44,490	86,851	2,946	134,287
Amounts written off*	(770)	-	-	(770)
Amortisation charge for the year	2,082	1,481	43	3,606
Exchange movements	(35)	(502)	(43)	(580)
Closing Balance of the accumulated amortisation	45,767	87,830	2,946	136,543
Net book value as at 31 December 2018	5,543	7,221	24	12,788

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

Notes to the Consolidated Financial Statements

17 Intangible Assets – Other (continued)

Management believes that any reasonable possible changes in key assumptions would not cause the CGU carrying amount to exceed its recoverable amount.

Impairment testing of other intangible assets

The recoverable amount of the contracts has been determined based on a value in use calculation (2019 discount rate 11%) using cash flow projections based on the 2019 actual results approved by senior management and cash flows are extrapolated beyond this. It was found that there were no indicators of impairment of intangibles during the year 2019; therefore, a full impairment review was not carried out for 2019.

18 Property, Plant and Equipment

Property, Plant and Equipment				
<i>In thousands of Euro</i>	Premises and leasehold improvements	Office and computer equipment	Terminal Related Assets*	Total
Cost				
Opening balance	19,427	60,352	47,408	127,187
Additions	1,288	15,200	18,257	34,745
Disposals & amounts written off	(229)	(5,485)	(7,828)	(13,542)
Exchange movements	99	142	952	1,193
Closing Balance of cost account	20,585	70,209	58,789	149,583
Accumulated depreciation and write-offs				
Opening balance	11,379	42,590	26,481	80,450
Disposals & amounts written off	(191)	(1,770)	(6,256)	(8,217)
Depreciation charge for the year	718	6,852	10,191	17,761
Exchange movements	68	86	683	837
Closing Balance of the accumulated depreciation account	11,974	47,758	31,099	90,831
Net book value as at 31 December 2019	8,611	22,451	27,690	58,752

*New category for 2019 due to adoption of IFRS 16 –
Comparatives also adjusted

Notes to the Consolidated Financial Statements

18 Property, Plant and Equipment (continued)

Property, Plant and Equipment				
<i>In thousands of Euro</i>	Premises and leasehold improvements	Office and computer equipment	Terminal Related Assets	Total
Cost				
Opening balance	17,123	55,467	50,068	122,658
Additions	3,402	8,673	11,329	23,404
Disposals & amounts written off	(1,040)	(3,619)	(13,307)	(17,966)
Exchange movements	(58)	(169)	(682)	(909)
Closing Balance of cost account	19,427	60,352	47,408	127,187
Accumulated depreciation and write-offs				
Opening balance	11,404	40,666	26,237	78,307
Disposals & amounts written off	(1,013)	(3,574)	(8,366)	(12,953)
Depreciation charge for the year	1,039	5,640	9,039	15,718
Exchange movements	(51)	(142)	(429)	(622)
Closing Balance of the accumulated depreciation account	11,379	42,590	26,481	80,450
Net book value as at 31 December 2018	8,048	17,762	20,927	46,737

19 Other Assets

The following other assets are deemed to be current assets.

Other Assets			
<i>In thousands of Euro</i>	Note	2019	2018
Commercial loans – receivable		23,031	22,035
Prepayments, deferred expenses and other receivables		9,782	49,687
Visa Europe deferred consideration receivable		-	17,171
Tax debtors		383	98
Other assets – other		220	408
Receivables from affiliate companies		14,112	6,751
Forward exchange contracts		373	272
Interest receivable		629	385
As at 31 December		48,530	96,807

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 31 January 2020.

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

Notes to the Consolidated Financial Statements

19 Other Assets (continued)

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

Forward Exchange Contracts			
<i>In thousands of Euro</i>	Notional Amount	Fair Value Assets	Fair Value Liabilities
PLN	36,193	-	(159)
NOK	19,888	356	-
CHF	11,915	-	(65)
AUD	1,847	-	(26)
Other	28,489	17	(53)
As at end of 31 December 2019	98,332	373	(303)

Forward Exchange Contracts			
<i>In thousands of Euro</i>	Notional Amount	Fair Value Assets	Fair Value Liabilities
PLN	107,117	175	-
SEK	17,479	-	(74)
AUD	1,260	27	-
Other	26,835	70	(79)
As at end of 31 December 2018	152,691	272	(153)

20 Corporate Trust Deposits

Corporate Trust Deposits		
<i>In thousands of Euro</i>	2019	2018
Accrued interest	36	416
Non-interest bearing deposits	214,766	143,972
Interest bearing deposits	6,673,366	5,485,453
As at 31 December	6,888,168	5,629,841

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

21 Merchant Payables

As at 31 December 2019, the value of merchant payables was EUR 638,097 thousand (2018: EUR 619,250 thousand). This balance reflects the amount owing to Merchants, from the Group, for transactions processed.

Notes to the Consolidated Financial Statements

22 Other Liabilities

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

Other Liabilities			
<i>In thousands of Euro</i>	Note	2019	2018
Accruals and Sundry Creditors		50,784	46,093
Pension liability	24	10,856	8,911
VAT and other tax creditors		6,388	6,968
Corporate payables		2,450	3,646
Deferred revenue		2,715	5,437
Forward exchange contracts	19	303	153
Payable to affiliate companies		1,108	1,262
Commercial loans – payable		586	1,435
Other liabilities – other		66	604
As at 31 December		75,256	74,509

23 Financial Liabilities

Changes in liabilities arising from financing activities		
<i>In thousands of Euro</i>	Payments for Parent Company re-charges for share-based payments	Total
Opening Balance as at 1 January 2019	-	-
Cash flows	733	733
Foreign Exchange movement	-	-
Changes in fair value	-	-
Other*	(733)	(733)
Closing Balance as at 31 December 2019	-	-

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

*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

24 Pension Costs

Defined contribution plans

The Group has established defined contribution pension plans on behalf of employees. Under the terms of the main plan the Group will match contributions paid by employees up to 12% of the contributing employee's salary.

The pension charge for the year ended 31 December 2019 was EUR 9,480 thousand (2018: EUR 4,849 thousand) of which EUR 90 thousand was payable at 31 December 2019 (2018: EUR 396 thousand).

Defined benefit plans

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

The characteristics of the German defined benefit pension schemes are outlined below based on actuarial report prepared on 28 December 2019.

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 which sees the majority of Plan Assets being invested in Money Market Instruments. Remaining investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.

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

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

Notes to the Consolidated Financial Statements

24 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 27.

Of the total movement in the pension plan surplus, EUR 384 thousand (2018: EUR 411 thousand) is included in staff costs in the Consolidated Statement of Income and EUR 1,606 thousand (2018: EUR 856 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:

Pension Benefit		
<i>In thousands of Euro</i>	2019	2018
Components of pension cost		
Current service cost	230	278
Net interest expense	154	133
Components of pension cost recorded in profit or loss	384	411
Return on plan assets, excluding interest	(694)	523
Actuarial (gain)/losses recognised in the year	2,300	333
Components of pension cost recorded in other comprehensive income	1,606	856
Total recognised in Comprehensive Income	1,990	1,267
<i>In thousands of Euro</i>	2019	2018
Changes in the fair value of plan assets		
Opening balance as at 1 January	6,734	7,307
Interest income	116	127
Return on plan assets, excluding interest	694	(523)
Benefits paid	-	-
Contributions by employer	(162)	(177)
As at 31 December	7,382	6,734
<i>In thousands of Euro</i>	2019	2018
Changes in the present value of plan liabilities		
Opening balance as at 1 January	15,645	14,971
Current service cost	230	278
Benefits paid	(207)	(197)
Interest costs	270	260
Actuarial (gain)/losses during the year (see table on next page)	2,300	333
As at 31 December	18,238	15,645
Net liability arising from defined benefit obligation	(10,856)	(8,911)

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

Notes to the Consolidated Financial Statements

24 Pension Costs (continued)

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

Plan Assets	2019	2018
Equity instruments (Geographic location Europe; 2019: 100%, 2018: 100%)	55%	52%
Debt instruments (Geographic location Europe; 2019: 100%, 2018: 100%)	44%	46%
Money market instruments (Geographic location Europe; 2019: 100%, 2018: 100%)	-	1%
Other (Geographic location Europe; 2019: 100%, 2018: 100%)	1%	1%
As at 31 December	100%	100%

Principal Assumptions in Determining Pension Obligations	2019	2018
Discount rate	1.75%	1.75%
Rate of salary increase	3.0%	3.0%
Rate of pension increase	2.0%	2.0%
Retirement Age: Men	63	63
Retirement Age: Women	60/63	60/63
Mortality / Disability / Probability to be married	Huebeck Richttafeln 2018G	Huebeck Richttafeln 2018G

Principal Assumptions in Determining Pension Obligations Staff Turnover Rates	Women 2019	Men 2019	Women 2018	Men 2018
Age				
20 - 25	10%	6%	10%	6%
26 - 30	7%	5%	7%	5%
31 - 35	5%	4%	5%	4%
36 - 40	3%	3%	3%	3%
41 - 45	3%	2%	3%	2%
46 - 50	2%	2%	2%	2%
51 - 55	1%	1%	1%	1%
Over 55	0%	0%	0%	0%

Actuarial (Gains)/Losses on defined benefit obligations	2019	2018
<i>In thousands of Euro</i>		
From changes in demographic assumptions	-	176
From changes in financial assumptions	2,257	-
From experience adjustments	43	157
As at 31 December	2,300	333

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

24 Pension Costs (continued)

Sensitivity analysis	2019	2018
Sensitivity of the discount rate		
A 100 point increase of the discount rate would decrease the DBO by	(16.00%)	(15.85%)
A 100 point decrease of the discount rate would increase the DBO by	21.00%	19.91%
Sensitivity of the salary increase rate		
A 50 point increase of the salary increase rate would increase the DBO by	-	0.11%
A 50 point decrease of the salary increase rate would decrease the DBO by	-	(0.10%)
Sensitivity of the pension increase rate		
A 25 point increase of the pension increase rate would increase the DBO by	3.00%	2.13%
A 25 point decrease of the pension increase rate would decrease the DBO by	(3%)	(2.24%)

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 2019 is 17.9 years (2018: 18.4 years). This number can be analysed as follows:

- Active members 34.6 years (2018: 35 years)
- Deferred members 34.1 years (2018: 34.9 years); and
- Retired members 17.8 years (2018: 18 years)

The Group expects to make a contribution of EUR 163 thousand to the defined benefit plans during the next financial year.

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

25 Share Capital

Share Capital	2019	2018
<i>In thousands of Euro</i>		
Ordinary Share Capital - Authorised		
1,000,000,000 ordinary shares of €1 each (2018: 1,000,000,000)	1,000,000	1,000,000
Allotted, called up and fully paid		
6,400,001 ordinary shares of €1 each (2018: 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.

26 Capital Contribution

Capital contributions relate to amounts invested in Elavon Financial Services DAC by U.S. Bancorp (via its subsidiary U.S. Bank National Association) that are non-refundable and for which neither U.S. Bancorp nor U.S. Bank National Association receives shares. The total capital contributions as at 31 December 2019 were EUR 589,389 thousand (2018: EUR 589,389 thousand).

The Group recognised a credit in equity, as a contribution from U.S. Bank National Association of EUR 733 thousand (2018: EUR 588 thousand) which represented 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

27 Risk Management

The Group has defined internal governance arrangements, which include an organisational structure with defined lines of responsibility; a Risk Management Framework to support the Group to achieve their strategic objectives in a controlled manner by facilitating effective risk management.; an Internal Controls Framework designed to mitigate and manage the risks which are identified under the Risk Management Framework 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 is primarily comprised of the Group's revenue-generating business lines and support functions. It owns the risks inherent to business activities.
- The First Line of Defence is responsible and accountable for identifying, assessing and managing risks. This includes responsibility for implementing and managing policies in their respective areas. As such, the First Line of Defence is responsible for establishing controls that mitigate the identified risks in conformity with established limits and policy requirements, including risk appetite.
- The First Line of Defence has established Quality Control and Quality Assurance processes. These validate whether processes and controls are functioning as designed (in line with policy requirements) and operating effectively to mitigate identified risks.

2nd Line of Defence: Oversight & Challenge

- The Second Line of Defence is comprised of the independent Risk and Compliance Function, headed by the Chief Risk Officer ("CRO"), which provides an independent view of residual risk and the quality of risk management (including the design and operating effectiveness of controls).
- The Second Line of Defence designs, develops and maintains policies, providing guidance, training, and communication to the First Line of Defence. The Second Line of Defence challenges the First Line of Defence's implementation of these policies to ensure effectiveness, compliance, and consistency across the Group through review and challenge.
- The Risk and Compliance Function provides oversight of activities in business operations and challenges the completeness and accuracy of risk identification, assessment, and controls.

3rd Line of Defence: Independent Review

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

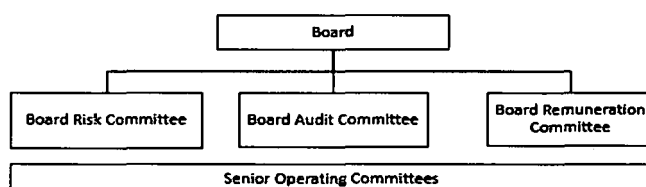
The Board of Directors

The Board of Directors, ('the Board'), has ultimate responsibility for the Group. In particular, the Board is responsible for the ethical oversight of the Group, setting the business strategy for the Group, ensuring that risks are properly identified and managed and that the Group operates in compliance with regulatory and legislative requirements. The Board delegates authority for the ongoing management and oversight of certain activities to management through the Board Risk Committee ("BRC"), Board Audit Committee, and Board Remuneration Committee.

Notes to the Consolidated Financial Statements

27 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 Executive Risk Committee ("ERC") and designated Senior Operating Committees ("SOCs") within the Group's Governance Structure. The governance structure includes the following Committees:



Board Risk Committee

The BRC has been delegated authority by the Board to oversee the Group's Risk Management Framework 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 Risk Management Framework and considers the Group's risk profile relative to appetite and strategy. The BRC oversees the Risk Management and Compliance Function and the ERC including the design and implementation of risk and compliance policies.

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, the internal control framework, compliance with legal and regulatory requirements, the statutory audit of the accounts, auditors' independence and the performance of the Internal Audit function.

Board Remuneration Committee

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

Incentive Risk Review Committee

Reviews and proposes any modifications to EU Identified Staff's variable remuneration in line with requirements of the European Banking Authority Guidelines on sound remuneration policies.

Senior Operating Committees

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

- Managing Committee, which has primary responsibility for proposing the direction of the Group to the Board, and ensuring the effective implementation of the Board's strategy, risk appetite, policies and other guidance;
- ERC, which has been delegated responsibility from the BRC to provide executive oversight of the Enterprise Risk Framework. The ERC assists the Group to grow profitably in a safe and sound manner while promoting an effective risk management culture throughout the organisation and is supported in this activity by the following committees:
 - Information Technology Governance Committee ('ITGC'), which has primary responsibility for the oversight and governance of Information Technology risk management within the Group;
- Data Governance Committee, a sub-committee of ITGC, which has primary responsibility for ensuring consistent, high-quality data is available across the Group;
- Data Protection Committee, a sub-committee of ITGC, has primary responsibility for the oversight, governance and monitoring of data protection control effectiveness and compliance across all business lines in Europe;

Notes to the Consolidated Financial Statements

27 Risk Management (continued)

- Information Security Committee, a sub-committee of ITGC, supports ITGC to ensure effective controls and practices are in place to protect and to minimise the risk of its unauthorised disclosure, alteration, or destruction; and advise on information security initiatives and strategy.
- Asset & Liability Management Committee ('ALMC'), which has primary responsibility for the implementation of the Board's asset and liability management strategies and policies as well as primary responsibility for ensuring the implementation of the Group's Internal Liquidity Adequacy Assessment Process ('ILAAP');
- Compliance & Operational Risk Committee ('CORC') acts as the primary management level committee dedicated to compliance and operational risk, as well as Financial Crime, for the Group. The Committee is responsible for Operations; People, Security, Third Party; Business Disruption; Legal; Model & Tool Operational Risk Types and Compliance; AML; Concentration; Integration and Payment Risk Types.
 - Fraud and Payments Risk Committee, a sub-committee of CORC, promotes a unified, coordinated and collaborative approach to Fraud and Payments Risk Management by facilitating the development of and providing direction on policies and practices for Fraud and Payments Risk including reporting;
- Credit Management Committee oversees matters pertaining to external debtors including the regular monitoring of the quality of credits granted and establishment of internal credit controls. The Credit Management Committee is responsible for Credit and Concentration Risk Types ;
- Internal Capital Adequacy Assessment Process ('ICAAP') Committee, which has primary responsibility for ensuring the effective implementation of the Group's ICAAP;
- Emerging Risk Committee has the primary responsibility to perform duties and provide specialist technical advice in relation to the potential impacts on the Group of emerging internal and external risks in the EU and the wider European area;
- Regulatory Reporting Oversight Committee, which oversees compliance with the Group's internal controls and procedures to fulfil its responsibility for the accuracy and timeliness of the Group's required regulatory financial reporting; and
- Conduct Risk Committee is the primary Committee for overseeing Conduct Risk within the Group. The Committee provides direction and oversight of the Group's activities that impact the delivery of fair outcomes for Customers.

Approach to Managing Risk

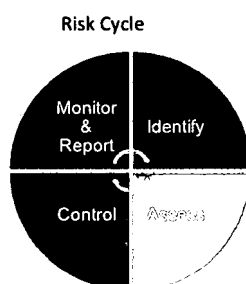
The Group's Risk Management activities are conducted under the foundations set out within the Risk management Framework and supported by robust systems of governance and internal control as outlined in the Governance Framework and Internal Control Framework respectively.

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

- | | |
|---|---|
| <ul style="list-style-type: none"> • Identify • Assess • Control • Monitor & report | <p>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 which drives the processes that follow.</p> <p>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.</p> <p>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.</p> <p>Capture and enforce the discipline of timely and comprehensive mitigation of identified issues and the communication of risk and risk management outcomes to management and the Board for consideration in planning and decision making.</p> |
|---|---|

Notes to the Consolidated Financial Statements

27 Risk Management (continued)



The Group has defined a set of Risk Types which provide the focus and structure for risk management activities from identification and assessment, through to control, reporting and remediation. This approach has been designed to ensure that all risks relevant to the Group are considered.

The second of the Basel Accords issued by the Basel Committee on Banking Supervision (Basel II) provides the foundation for the Group's Risk Types, which are established as follows:

- Basel II Pillar I: All Pillar I risks are included in Group's Risk Types.
- Basel II Pillar II: Pillar II Risks are added to the Group's Risk Types as required.
- EFS Specific Risks: Board validated additional risks specific to the Group.

The set of Risk Types is considered for completeness and accuracy and reviewed and approved by the Board on an annual basis. Risk Types provide a common risk language for the Group, providing the basis for consistent risk terminology across the Group. Each Risk Type deemed to be material through the annual Material Risk Assessment process has a Risk Appetite Statement with supporting limits and triggers, in line with the Risk Appetite Framework.

The Group assess Risk Materiality using both qualitative and quantitative definitions and methods. The Group's Material Risk Types are:

- Business and Strategic Risk;
- Capital Adequacy Risk;
- Concentration Risk;
- Credit Risk;
- Liquidity Risk;
- Operational Risk and;
- Reputational Risk

Risk Management & Strategy

The Group's structured approach to risk management is documented in the Risk Management Framework 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 Risk Management Framework. 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 controlling risk-taking activities and helps to shape and reinforce the Group's risk culture.

Adherence to the Risk Appetite Statement limits is incorporated into key business processes including strategic planning, stress testing, business change management, and incentive compensation programmes. The Group has

Notes to the Consolidated Financial Statements

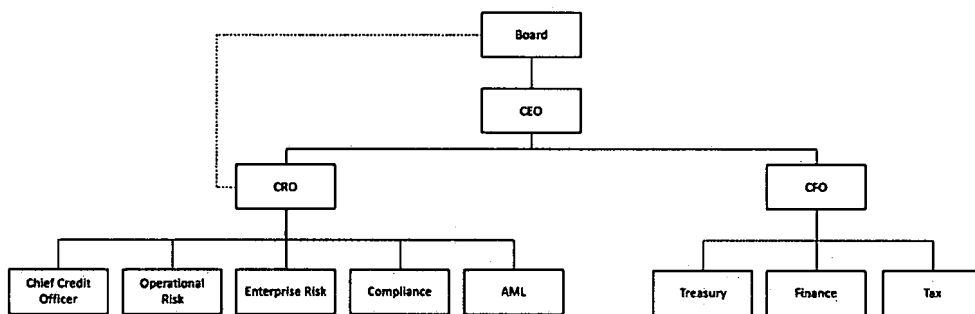
27 Risk Management (continued)

defined qualitative statements and quantitative measures for monitoring compliance with Risk Appetite across those risks to the Group which have been determined as material.

Risk & Compliance Function

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

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



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

Notes to the Consolidated Financial Statements

27 Risk Management (continued)

Geographical Risk

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

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

Geographical Risk		
Corporate Trust	2019	2018
United Kingdom	80%	92%
Ireland	20%	8%
Total	100%	100%
Receivables from Issuing Banks		
	2019	2018
Ireland	24%	7%
United Kingdom	36%	40%
Poland	17%	26%
Norway	17%	23%
Germany	6%	4%
Total	100%	100%
Merchant Receivables		
	2019	2018
Ireland	32%	29%
United Kingdom	50%	52%
Poland	8%	6%
Norway	5%	8%
Germany	5%	5%
Total	100%	100%

Credit Risk

Credit Risk is the current or prospective risk to earnings and capital arising from a Counterparty's or obligor's failure to meet the terms of any contract with the institution or its failure to perform as agreed. This risk includes residual risk, the credit risk in securitisation and cross-border (or transfer) risk.

Counterparty Credit Risk is the risk that an individual customer relationship will be unable to fully meet their commitments in accordance with the agreed terms of a contract.

Concentration risk is the risk of excessive credit concentration including to an individual, counterparty, group of connected counterparties, industry sector, a geographic region, country, a type of collateral or a type of credit facility with the potential to produce: (i) losses large enough to threaten the Bank's health or ability to maintain its core operations; or (ii) a material change in the Bank's risk profile.

Credit risk arises both on an on-balance sheet and off-balance sheet exposure basis. On-balance sheet credit risk primarily relates to exposures to Card Issuing Banks, Corporate Payment Systems card facilities and Banks that the Group has deposited cash with. Off-balance sheet credit risk primarily relates to the contingent risks attached to Merchant Processing.

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

Notes to the Consolidated Financial Statements

27 Risk Management (continued)

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 Management 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 obtain collateral and guarantees from customers where appropriate to reduce and manage credit risk.

Delayed settlement is also utilised as a tool for mitigating chargeback risk for some customers. Monitoring of credit risk is enabled through exposure monitoring and current business and financial information to support the credit risk management of individual exposures in addition to portfolio level management. Credit risk oversight reporting is provided to senior management through the Credit Management Committee.

Credit Ratings				
Counterparty	Moody's Long Term	Moody's Short Term	S&P Long Term	S&P Short Term
Barclay's Bank Ireland Plc	A2	P-1	A	A-1
BNP Paribas	Aa3	P-1	A+	A-1
Danske Bank AS	A2	P-1	A	A-1
HSBC Bank PLC	Aa3	P-1	AA-	A-1+
Bank of Nova Scotia	Aa2	P-1	A+	A-1
SEB AB	Aa2	P-1	A+	A-1
US Bank NA	Aa1	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' credit portfolios. An overview of the methodology behind each portfolio ECL approach is outlined as follows:

- Elavon Merchant Services (EMS) Portfolio
 - For the EMS exposures, risk becomes inherent when the merchant is unwilling or unable to reimburse the Group for services provided and chargebacks, which then begin to age in the collections database. These ageing receivables and chargebacks are typically written off in the month they reach 90 days past due. Therefore, at any given point in time, the lifetime of inherent risk equates to three months.
 - 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 forward-looking, on balance sheet provision required to manage the inherent risk.
 - As a result of the above 90 Day write off policy within EMS, a loss of EUR 8,348 thousand was recognised in 2019 (2018: EUR 5,388 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 five delinquency buckets.

Notes to the Consolidated Financial Statements

27 Risk Management (continued)

- o 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.
- o 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

Global Corporate Trust Services (GCTS) Portfolio

- o To estimate the ECL for investment service fee receivables, a provision matrix has been developed. The provision matrix is constructed by examining a series of default rates across the delinquency risk buckets. The provision matrix will be updated quarterly to adjust for current actual losses.
- o The provision matrix uses default rates calculated by ageing bucket, applied to current gross carrying amounts, to determine a quantitative expected loss.
- o 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 typically calculated and re-assessed on a quarterly basis. The qualitative macroeconomic review is designed to provide an outlook on the economic environments which the Group is exposed to. Three key economic variables have been established to inform potential forward economic environment changes. These economic indicators have been determined to be the most appropriate given the nature and level of complexity in the portfolio:

- Gross Domestic Product;
- Unemployment; and
- Three month interbank lending rate.

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

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

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

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

Expected Credit Losses			
<i>In thousands of Euro</i>	Merchant receivables	Commercial loans receivables	Investment services receivables
Expected Credit Loss as at 1 January 2019	611	56	21
(Decrease)/Increase in current year	(36)	(30)	(2)
Expected Credit Loss as at 31 December 2019	575	26	19

Notes to the Consolidated Financial Statements

27 Risk Management (continued)

Market Risk

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

Foreign Exchange Risk

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

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

Foreign Exchange Risk				
<i>In thousands of Euro</i>	2019 Statement of Income	2019 Equity	2018 Statement of Income	2018 Equity
GBP	(358)	12,216	1,271	9,918
NOK	49	1,607	(60)	621
PLN	(103)	690	55	1,551
USD	(273)	-	143	-
Total	(685)	14,513	1,409	12,090

Interest Rate Risk

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

The ALMC has responsibility for monitoring compliance with the 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):

Interest Rate Risk				
<i>In thousands of Euro</i>	2019 Statement of Income		2018 Statement of Income	
	-25bps	+200bps	-25bps	+200bps
Interest from central banks	(9,945)	81,630	(8,921)	71,371
Interest from other banks	(423)	1,647	(169)	1,355
Interest income from affiliate companies on fixed term deposits	(31)	244	(163)	1,304
Interest expense on overdraft	16	(132)	46	(366)
Interest expense - corporate trust deposits	8,169	(57,151)	6,599	(41,834)
Total	(2,214)	26,238	(2,608)	31,830

Notes to the Consolidated Financial Statements

27 Risk Management (continued)

Operational risk

The Group defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The Group manages Operational Risk through its Risk Management Framework and Internal Control Framework, and supporting procedures, policies and processes. Management 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

Compliance Risk is 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 the Group's compliance policies. This includes Conduct Risk, which is the risk that the Group poses to our customers from our direct interaction with them where our action or inaction may result in unfair outcomes for customers. 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

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

Liquidity risk

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

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

Assets by their contractual undiscounted cash flows

<i>In thousands of Euro</i>	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 12 months	Total
Balances at central banks	7,580,668	-	-	-	7,580,668
Due from banks	329,165	-	-	-	329,165
Receivables from issuing banks	398,426	32	-	84,193	482,651
Merchant receivables	1,357	275	-	75,606	77,238
Investment services receivables	42	1	1,931	11,048	13,022
Other assets	2,001	358	-	37,370	39,729
As at 31 December 2019	8,311,659	666	1,931	208,217	8,522,473

Notes to the Consolidated Financial Statements

27 Risk Management (continued)

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

Liabilities by their contractual undiscounted cash flows					
<i>In thousands of Euro</i>	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 12 months	Total
Overdrafts	723	-	-	-	723
Merchant payables	602,128	35,969	-	-	638,097
Corporate Trust deposits	6,888,168	-	-	-	6,888,168
Other liabilities	2,265	33	-	-	2,298
As at 31 December 2019	7,493,284	36,002	-	-	7,529,286

Liabilities by their contractual undiscounted cash flows					
<i>In thousands of Euro</i>	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 12 months	Total
Overdrafts	69,112	-	-	-	69,112
Merchant payables	594,823	24,303	-	124	619,250
Corporate Trust deposits	5,629,841	-	-	-	5,629,841
Other liabilities	2,746	105	-	-	2,851
As at 31 December 2018	6,296,522	24,408	-	124	6,321,054

28 Fair Value Hierarchy of Financial Assets and Liabilities

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

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

Notes to the Consolidated Financial Statements

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

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.

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
Financial Assets						
Foreign exchange forward contracts	-	-	373	373	-	-
As at 31 December 2019	-	-	373	373	-	-
Financial Liabilities						
Foreign exchange forward contracts	-	-	(303)	(303)	-	-
As at 31 December 2019	-	-	(303)	(303)	-	-

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
Financial Assets						
Foreign exchange forward contracts	-	-	272	272	-	-
As at 31 December 2018	-	-	272	272	-	-
Financial Liabilities						
Foreign exchange forward contracts	-	-	(153)	(153)	-	-
As at 31 December 2018	-	-	(153)	(153)	-	-

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.

29 Provisions

Legal proceedings

From time to time and in the normal course of business, claims are made against the Group. Legal provisions consist of both litigation and claim costs, arising from the ordinary course of business. As at 31 December 2019 there is no provision for legal proceedings (2018: nil).

Merchant processing – charge-backs

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

Notes to the Consolidated Financial Statements

29 Provisions (continued)

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

A cardholder, under the card scheme rules, generally has until the later of up to four months after the date the transaction is processed or the receipt of the product or service to present a charge-back claim. Pursuant to one of the various calculations used to assess such contingencies, the Group’s absolute maximum potential liability is estimated to be the total volume of credit card transactions that meet the associations’ requirements to be valid charge-back transactions at any given time. If this methodology were to be used management estimates that the maximum potential exposure for charge-backs would approximate the total amount of merchant transactions processed through the credit card associations for the last four months. This amount totalled approximately EUR 14.2 billion (2018: EUR 12.0 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 charge-back provisions contained in the card scheme rules. Charge-back risk related to these merchants can be evaluated in a manner similar to credit risk assessments and, utilising a similar mode of assessment for the Group, merchant processing contracts contain various provisions to protect the Group in the event of default. As at 31 December 2019, the value of airline tickets purchased to be delivered at a future date was EUR 2.7 billion (2018: EUR 2.3 billion). The Group has received a guarantee from U.S. Bank for this airline exposure. No liability is expected to arise.

In the normal course of business, the Group has unresolved charge-backs. The Group assesses the likelihood of its potential liability based on the extent and nature of unresolved charge-backs and its historical loss experience. As at 31 December 2019, the Group held EUR 195.9 million (2018: EUR 142.9 million) of merchant escrow deposits and a recorded provision for potential losses of EUR 47 thousand (2018: EUR 195 thousand).

Merchant processing – Expected credit loss

Expected credit losses are presented net within merchant receivables on the Consolidated Statement of Financial Position. Please see details in Note 27 (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 the various standard clauses. One such clause includes a requirement for the tenant to make good any changes made to the property during the period of the lease (known either as ‘dilapidations’ or ‘leasehold restorations’).

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

Notes to the Consolidated Financial Statements

29 Provisions (continued)

Remediation Provision

A remediation provision was put in place as at 31 December 2018 to reflect potential losses as a result of a review into blended/unblended transaction charges to Merchants. As at 31 December 2019, this issue has now been rectified.

Corporate Card Provision

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

Provisions					
<i>In thousands of Euro</i>	Chargeback Provision	Asset Retirement Obligation	Remediation Provision	Corporate Card Provision	Total
Opening provision	196	2,951	2,832	-	5,979
Charges for the period	(4,744)	-	(2,832)	-	(7,576)
Increase/ (decrease) in current year provision	4,595	(1,083)	-	-	3,512
As at 31 December 2019	47	1,868	-	-	1,915

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

30 Immediate and Ultimate Parent Undertaking

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

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

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

The Parent undertaking of the smallest and largest group of undertakings for which Group Financial Statements are drawn up, and of which the Group is a member, is U.S. Bancorp, a company incorporated in Delaware, U.S.A. Copies of the U.S. Bancorp Financial Statements are available from that ultimate Parent's web site at usbank.com or by mail from the ultimate Parent's investor relations department.

Notes to the Consolidated Financial Statements

31 Subsidiary Undertakings

The Bank had the following subsidiaries as at 31 December 2019:			
Subsidiary name	EuroConex Technologies Limited	EFS Depositary Nominees Limited	Norse Nordics AB
Registered office	Building 8, Cherrywood Business Park, Loughlinstown, D18 W319	Second Floor, Block E, Cherrywood Science and Tech. Park, Loughlinstown, Dublin	Södra Ringgatan 37, 441 33 Alingsås, Sweden
Principal activity	Currently no activity	Currently no activity	Payment Services
Share Capital	488,167	12,000,000	50,000
Nominal value	EUR 1	EUR 1	SEK 1
Type of shares	Ordinary Shares	Ordinary Shares	Ordinary Shares
Shareholder number	48,146,734	1,244,269	50,000
Par Value	EUR 0.01	EUR 0.06	SEK 1.00
Shareholders' Capital in EUR	EUR 488,167	EUR 74,656	SEK 50,000
Shareholder's Premium	EUR 4,052,160	Nil	Nil
Total Shareholder's Equity	EUR 4,540,327	EUR 74,656	EUR 4,627
2019 Net Assets in EUR	EUR 4,540,327	Nil	EUR 14,895
2019 P&L in EUR	Nil	Nil	EUR 10,268

32 Related Party Transactions

The Group had total borrowings from U.S. Bancorp as at 31 December 2019 of nil (2018: nil). The Group had no short term borrowings from U.S. Bancorp during 2019 (2018: nil). The Group also enters into foreign exchange transactions with U.S. Bancorp, details of which can be found in Note 19.

The Group had EUR 22,166 thousand deposits with U.S. Bancorp as at 31 December 2019 (2018: EUR 116,471 thousand). All of these were cash deposits in 2019. For 2018, EUR 104,803 thousand were Fixed Term Deposits and EUR 11,668 thousand were Cash Deposits. There were no bank processing fees from affiliated companies on EUR deposits during 2019 (2018: EUR 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 costs associated with services provided by or to affiliated companies totalled EUR 883 thousand during 2019 (2018: EUR 1,369 thousand).

The Group has a net receivable from affiliate companies of EUR 13,004 thousand as at 31 December 2019 (2018: EUR 5,489 thousand receivable). The entities which owed amounts to the Group as at 31 December 2019 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 and USB Securities Data Services Limited.

During 2017 the Group sold its 51% shareholding in Santander Elavon Merchant Services, a Joint Venture with Banco Santander which began in April 2013. During 2019, the Group continued to provide merchant processing and administrative services to the Joint Venture. As at 31 December 2019, the Group has a receivable of EUR 50 thousand relating to these services (2018: EUR 299 thousand).

As at 31 December 2019 the Group has received a guarantee from U.S. Bank for airline exposures. No liability is expected to arise.

Notes to the Consolidated Financial Statements

32 Related Party Transactions (continued)

The Group grants stock-based awards 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 2019 totalled EUR 733 thousand (2018: EUR 588 thousand).

Related Party Transactions - Key Management Compensation		
<i>In thousands of Euro</i>	2019	2018
Short-term benefits:		
Salaries	4,239	3,294
Short-term bonuses	927	896
Directors' fees	160	140
Car allowances	314	118
Club subscriptions	3	3
Dividends	9	14
Other	61	60
Remuneration in respect of Termination Payments	1,017	145
Long-term benefits		
Long-term bonuses	336	256
Share-based payment benefits		
Restricted stock units	1,091	1,128
Post-employment benefits:		
Contributions to defined contribution plans	499	174
Total	8,656	6,228

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

33 Capital Management

The Group maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee in Banking Supervision and implemented into law by the European Commission and by the Central Bank of Ireland, in supervising the Group.

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

34 Dividend Policy

No dividend was issued for the year (2018: nil).

35 Subsequent Events

After the Balance Sheet date, but before the Group's Consolidated Financial Statements were authorised for issue, the following occurred:

- On 11 March 2020, Elavon Financial Services DAC purchased Sage Pay, a well-known and established payments gateway business in the United Kingdom and Ireland. Sage Pay is a division of The Sage Group plc (SGE), a FTSE-listed market leader in cloud business management solutions. The acquisition is part of the Group's strategy to assist growth as the global economy becomes more digital and as businesses look to streamline their operations with software that includes payments technology capabilities.
- Please refer to the Directors' Report for the Group's response to COVID-19.

Notes to the Consolidated Financial Statements

36 Approval of Financial Statements

The Group's Consolidated Financial Statements were authorised for issue by the Board of Directors on 19 March 2020.

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 25 to 73. 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

Fee, Commission and Leasing Income		
<i>In thousands of Euro</i>	2019	2018
Merchant processing services	293,942	270,468
Corporate payment products revenue	4,550	4,871
Corporate trust revenue	40,717	36,684
Fee, Commission and Leasing Income	339,209	312,023

B Other Operating Income

Other Operating Income		
<i>In thousands of Euro</i>	2019	2018
Dividend income on available for sale financial assets	-	10
Gain on revaluation of Investment	1,502	-
Services provided to affiliate companies	16,170	19,882
Other operating income - Other	403	38
Other operating income	18,075	19,930

C Other Operating Expense

In 2013, the Group amended its long term incentive plan. This amendment enabled U.S. Bancorp to grant certain employees shares in U.S. Bancorp as a retention incentive. As at 31 December, the charge for these awards in 2019 was EUR 733 thousand (2018: EUR 588 thousand). As at 31 December 2019, EUR 72 thousand was payable (2018: EUR 62 thousand). The charge for all other long term incentive awards in 2019 was EUR 3,499 thousand (2018: EUR 2,750 thousand).

An element of salaries and wages has been capitalised during the year in relation to the development of software. As at 31 December 2019, EUR 1,480 thousand was capitalised (2018: EUR 569 thousand). The Company has not capitalised social insurance and other retirement benefits during the year.

Notes to the Company Financial Statements

C Other Operating Expense (continued)

Other Operating Expenses			
<i>In thousands of Euro</i>	Note	2019	2018
Staff Costs			
Wages and salaries		134,825	121,630
Social security costs		14,746	13,203
Pension costs - defined contribution plans		9,439	4,849
Pension costs - defined benefit plans		384	411
Staff costs - other		12,401	11,977
Auditor's Remuneration			
Statutory audit		654	632
Other assurance services		91	5
Other operating expenses			
Depreciation of property, plant and equipment	18	17,761	15,717
Amortisation of intangible assets	17	3,823	3,606
Losses from disposals of fixed assets		508	411
Marketing and business development		11,777	10,231
Occupancy and equipment		7,933	11,557
Merchant processing		28,113	25,112
Other operating expenses - Other		18,428	12,880
Bank processing fees*		22,904	21,979
Postage, printing and supplies		2,285	2,266
Professional services		15,063	14,720
Technology and communications		8,562	7,946
Services provided by affiliate companies		13,176	17,193
Total operating expenses		322,873	296,325
Foreign exchange loss		1,849	3,096
Total other operating expense		324,722	299,421

*Bank Processing fees includes negative interest expense

Directors' emoluments are analysed as follows:

<i>In thousands of Euro</i>	2019	2018
Remuneration in respect of services as Director	160	160
Remuneration in connection with management	1,156	1,012
Pension costs – defined contribution plans (other than in respect of services as Director)*	73	22
Total Directors' emoluments	1,389	1,194

*Pensions costs relate to payments for two Directors.

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

Notes to the Company Financial Statements

D Income Taxes

Income Taxes			
<i>In thousands of Euro</i>	Rate	2019	2018
Current Tax			
<u><i>Irish corporation tax</i></u>			
Current year		2,354	1,173
Adjustment in respect of prior year		36	328
<u><i>Foreign tax</i></u>			
Current year		4,806	7,056
Prior year tax expense		954	(789)
Deferred tax income		2,257	117
Income tax expense for the year		10,407	7,885

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:

Profit before tax		43,960	43,446
Theoretical tax charge at statutory rate	12.5%	5,495	5,431
Tax effect of items which are not deductible or assessable for taxation purposes:			
(Reversal)/Addition of prior year tax		989	(461)
Non-deductible expenses		363	194
Total temporary differences not accounted for in deferred tax		2,642	348
Overseas profits taxed at a higher rate		1,127	2,410
Exempt income		(188)	-
Losses recognised		-	-
Current year profits taxed at a higher rate		-	-
Other adjustments		(21)	(37)
Income tax expense for the year		10,407	7,885

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

Deferred Taxes		
<i>In thousands of Euro</i>	2019	2018
Deferred Tax Liability		
Tax effect of taxable temporary differences		
Other intangibles: amortisation	(1,165)	(1,405)
Asset timing differences	(4,447)	(1,882)
Foreign exchange differences	(12)	2
Recognised deferred tax liability	(5,624)	(3,285)

<i>In thousands of Euro</i>	2019	2018
Deferred Tax Asset		
Tax effect of taxable temporary differences		
Asset timing differences	2,604	2,467
Re-measurement of Defined Benefit Plan	1,039	837
Exchange movements	32	89
Recognised deferred tax asset	3,675	3,393

Notes to the Company Financial Statements

D Income Taxes (continued)

Underlying profit before tax for the year ended 31 December 2017 and 31 December 2016 included a gain on sale of shares in Visa Europe, as discussed in Note 8 to the Consolidated Financial Statements. For the purposes of taxation this gain was considered trading income in nature subject to Irish corporate tax at the rate of 12.5%. The group recognises that the Irish tax authorities may challenge this tax treatment at some future point and hence an uncertain tax provision was included within the 2017 and 2016 current income tax expense in respect of this uncertain position. This represents the difference between the taxation of the gain as a trading receipt versus a capital receipt. At 31 December 2019 the provision held was EUR 40,070 thousand (2018: EUR 40,070 thousand).

E Subsidiary Undertakings

The Bank had the following subsidiaries as at 31 December 2019:			
Subsidiary name	EuroConex Technologies Limited	EFS Depositary Nominees Limited	Norse Nordics AB
Registered office	Building 8, Cherrywood Business Park, Loughlinstown, D18 W319	Second Floor, Block E, Cherrywood Science and Tech. Park, Loughlinstown, Dublin	Södra Ringgatan 37, 441 33 Alingsås, Sweden
Principal activity	Currently no activity	Currently no activity	Payment Services
Share Capital	488,167	12,000,000	50,000
Nominal value	EUR 1	EUR 1	SEK 1
Type of shares	Ordinary Shares	Ordinary Shares	Ordinary Shares
Shareholder number	48,146,734	1,244,269	50,000
Par Value	EUR 0.01	EUR 0.06	SEK 1.00
Shareholders' Capital in EUR	EUR 488,167	EUR 74,656	SEK 50,000
Shareholder's Premium	EUR 4,052,160	Nil	Nil
Total Shareholder's Equity	EUR 4,540,327	EUR 74,656	EUR 4,628
2019 Net Assets in EUR	EUR 4,540,327	Nil	EUR 14,895
2019 P&L in EUR	Nil	Nil	EUR 10,268

Notes to the Company Financial Statements

F Other Assets

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

Other Assets		
<i>In thousands of Euro</i>	2019	2018
Commercial loans - receivable	23,031	22,035
Prepayments, deferred expenses and other receivables	9,717	49,687
Visa Europe deferred consideration receivable	-	17,171
Tax debtors	383	32
Other assets - other	220	408
Receivables from affiliate companies	14,318	8,101
Forward exchange contracts	373	272
Interest receivable	629	385
As at 31 December	48,671	98,091

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 31 January 2020.

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.

Forward Exchange Contracts			
<i>In thousands of Euro</i>	Notional Amount	Fair Value Assets	Fair Value Liabilities
PLN	36,193	-	(159)
NOK	19,888	356	-
CHF	11,915	-	-
AUD	1,847	-	(26)
Other	28,489	17	(118)
As at end of 31 December 2019	98,332	373	(303)

Forward Exchange Contracts			
<i>In thousands of Euro</i>	Notional Amount	Fair Value Assets	Fair Value Liabilities
PLN	107,117	175	-
SEK	17,479	-	(74)
AUD	1,260	27	-
Other	26,835	70	(79)
As at end of 31 December 2018	152,691	272	(153)

Notes to the Company Financial Statements

G Other Liabilities

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

Other Liabilities			
<i>In thousands of Euro</i>	Note	2019	2018
Accruals and sundry creditors		50,725	46,081
Pension liability	24	10,856	8,911
VAT and other tax creditors		6,349	6,968
Corporate payables		2,453	3,646
Deferred revenue		2,715	3,917
Forward exchange contracts	F	303	153
Payable to affiliate companies		5,879	7,169
Commercial loans - payable		586	1,435
Other liabilities – other		67	498
As at 31 December		79,933	78,778

H Approval of Financial Statements

The Company Financial Statements were authorised for issue by the Board of Directors on 19 March 2020.

Appendix 1

Regulatory Capital (Unaudited)

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

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

Capital Management - Regulatory Capital		
In thousands of Euro	Actual 2019	Actual 2018
Common equity Tier 1 capital	950,711	922,360
Tier 2 capital	0	0
Total Capital	950,711	922,360
Risk Weighted Assets	1,997,468	1,798,117
CET 1 Capital Ratio	47.6%	51.3%
Total Capital Ratio	47.6%	51.3%

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

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

Leverage Ratio		
	Fully Loaded 2019	Fully Loaded 2018
Leverage Ratio	9.8%	11.3%
Total Leverage Ratio	9.8%	11.3%