Use of External Credit Assessment Institutions (ECAIs)

Where counterparty is rated by an ECAI, the Bank uses the rating to calculate the required Risk Weighted Assets. The Bank uses the Fitch Group, Moody's Investors Service and Standard & Poor's Ratings Group as its nominated ECAIs for its rated exposures.

The ratings are mapped to a Pillar1 credit quality step, which in turn is mapped to a risk weight, in line with the provisions of Article 138 (d), (e), (f) of the CRR,

As at 31 December 2014 the exposure classes for which ECAIs are used by the Bank in calculating its Pillar 1 minimum capital requirements are as follows:

- exposures on central governments or central banks;
- exposures on regional governments or local authorities;
- exposures on Public Sector Entities;
- exposures on institutions;

Table 2.1 below reflects the Group's exposures to Credit Risk and Securitisations

Risk Weight	Central Governments	Corporates	Equities	Financial Institutions	In Default	Other Items	Public Sector Entities	Regional Governments	Securitisation
0%	51,709,229								
20%		1,304,999		5,599,773,421			286,141	1,623,663	
50%		3,514,299		693,144					
100%	-	39,520,064	6,180,845			48,074,713			
150%		87,743,325		39,817	598,299				1,773,743
250%	5,593,976		50,712,571						
1250%									1,773,744
Grand Total	**57,303,206**	**132,082,686**	**56,893,417**	**5,600,506,382**	**598,299**	**48,074,713**	**286,141**	**1,623,663**	**3,547,487**

Table 2.2 below reflects the Group's exposures to Credit Risk and Securitisations after credit risk mitigation was applied

Risk Weight	Central Governments	Corporates	Equities	Financial Institutions	In Default	Other Items	Public Sector Entities	Regional Governments	Securitisation
0%	51,709,229								
20%		1,304,999		5,592,889,770			286,141	1,623,663	
50%		3,514,299		693,144					
100%	-	39,520,064	6,180,845			48,074,713			
150%		87,743,325		39,817	598,299				1,773,743
250%	5,593,976		50,712,571						
1250%									1,773,744
Grand Total	**57,303,206**	**132,082,686**	**56,893,417**	**5,593,622,731**	**598,299**	**48,074,713**	**286,141**	**1,623,663**	**3,547,487**

Disclosure on encumbrance

Template A -Assets
As at December 2014

	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
ASSETS	**50,641,619**	**-**	**6,125,224,815**	
Equity Instruments	-	-	6,180,845	6,180,845
Debt Securities	-	-	-	-
Other assets	50,641,619		6,119,043,970	-

Template B - Collateral received
As at December 2014

	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
Collateral received	-	-
Equity Instruments	-	-
Debt Securities	-	-
Other collateral received	-	-
Own debt securities issued other than own covered bonds or ABSs	-	-

Template C - Encumbered assets/collateral received and associated liabilities
As at December
2014

	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	-	-

D – Information on importance of encumbrance

Unencumbered Assets held by the Group (Elavon European Holdings B.V.) consist of Irish Minimum Reserve and Deposit Protection Account balances held in the Central Bank of Ireland and also a Polish Minimum Reserve balance held in Narodowy Bank Polski.

The Group has €6.1bln of unencumbered “Other assets”, €413m is primarily made up of assets which would not be deemed available for encumbrance in the normal course of business and include intangible assets, tax assets, fixed assets and derivative assets. The remaining balance €5.7bln are Loans and advances other than loans on demand.

2. Risk Management

2.1. Risk Categorisation

The following key risk types have been identified through the Group's risk assessment process for capital purposes: business and strategic risk, credit risk, market risk and operational risk, as well as concentrations within these risk types. The Group's strategies and processes to manage these risks are set out in section 4 ("Key Risks") of this disclosure.

2.2. Corporate Governance Structure

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

The Group is subject to the Central Bank of Ireland's Corporate Governance Code for Credit Institutions and Insurance Undertakings. An annual assessment is undertaken to confirm compliance with this Code, the output of which is communicated to the Central Bank through the Compliance Statement.

The Group is also subject to the Central Bank of Ireland's Fitness & Probity Regime, as well as equivalent requirements established for all EEA credit institutions.

The Board of Directors

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

As at 31 December 2014, the Board of Directors of the Bank was comprised of the following members:

- Pamela Joseph — USA
- Declan Lynch
- John McNally — Independent Non-Executive Director
- John Collins — Independent Non-Executive Director
- Malcolm Towlson
- Craig Gifford — USA
- Valeria McGary — USA (Appointed June 2014)
- Andrew Ryall — USA (Appointed June 2014)
- Bryan Calder — USA
- Kurt Adams — USA
- Simon Haslam

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

Figure: [25.1] Corporate Governance Structure of Elavon Financial Services Limited.

Board Risk Committee

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

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; the statutory audit of the annual and consolidated accounts; the independence of the Group's auditor, and the provision of additional services to the Company; and the effectiveness of the Group's Internal Audit function. The Board Audit Committee is chaired by an independent non-executive director.

Board Remuneration Committee

The Board Remuneration Committee has been delegated authority by the Board to oversee the Group's Remuneration Policy and practices, as well as considering senior management remuneration, ongoing suitability and, if required, making recommendations to the Board in respect of the remuneration arrangements of the Executive Directors of the Group. The Board Remuneration Committee is chaired by an independent non-executive director.

Management Committees

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

- Managing Committee, which has primary responsibility for proposing the direction of the Bank to the Board, and ensuring the effective implementation of the Board's strategy, risk appetite, policies and other guidance;

- Executive Risk Committee, which has primary responsibility for ensuring the effective implementation of the Board's risk frameworks, which is supported in this activity by the following committees;

- Asset & Liability Management Committee, which has primary responsibility for the implementation of the Board's asset and liability management strategies and policies;

- Compliance & Operational Risk Committee, which has primary responsibility for the implementation of the Board's compliance policies and operational risk management policies;

- Credit Management Committee, which has primary responsibility for the implementation of the Board's credit risk policies; and

- Internal Capital Adequacy Assessment Process ("ICAAP") Committee, which has primary responsibility for ensuring the effective implementation of the Board's ICAAP.

2.3. Approach to managing risk

Risk Appetite

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

Risk Cycle

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

Risk Management & Strategy

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

Risk & Compliance Function

The Risk & Compliance Function ("RCF") helps the Group accomplish its objectives by ensuring that each key risk Elavon faces is identified and properly managed. The RCF is divided into three key disciplines: Operational Risk, Enterprise Risk and Compliance.

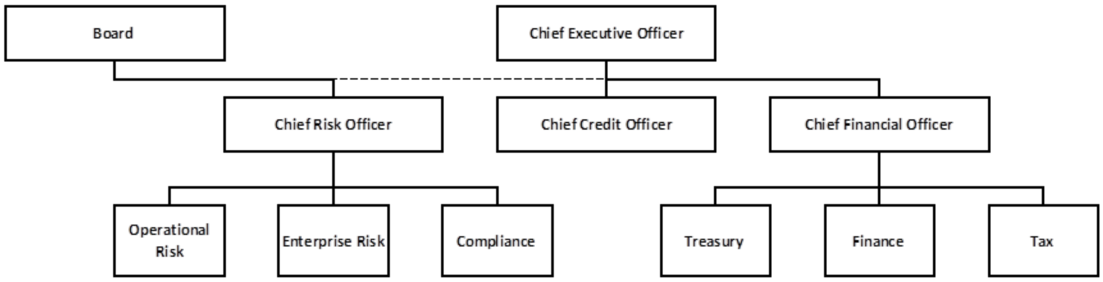

Figure [25.2]: Structure chart showing reporting lines of the Risk & Compliance, Credit & Finance Functions of the Group.

The RCF supports the Board (and sub-Committees thereof) in managing risk across the Group through providing a holistic view of all relevant risks.

The RCF enables business units and support functions to effectively manage the risks their activities give rise to. The RCF is independent of the business and support units whose risks it controls.

In addition to the RCF, the Bank has dedicated Credit and Finance Functions from which the RCF is independent.

6. Remuneration

Oversight of Remuneration

The policy and practices around remuneration are governed by the Bank's Board of Directors ("the Board"), in its role as the ultimate decision making body of the Bank and by the Bank's various control functions.

The Board is ultimately responsible for the design, the approval and the oversight of the Bank's remuneration policy. In fulfilling this responsibility the Board ensures that amongst its membership are non-executive members that have sufficient knowledge of remuneration policies and structures.

The Board Remuneration Committee ("RemCo") has been delegated authority by the Board of Directors to oversee the Bank's remuneration framework, as well as considering senior management remuneration and, if required, making recommendations to the Board in respect of the remuneration arrangements of the Executive Directors of the Bank. The RemCo met seven times during 2014. RemCo has three Directors of the Board as members: two of whom are Independent Non-Executive Directors; one of whom is a Non-Executive (Group) Director.

Elavon considers that it applies its remuneration policies in a way that is appropriate to the size, internal organisation and the nature, scope and complexity of its activities. In doing so, the Group has neutralised certain requirements relating to the form of variable remuneration paid and its deferral/payment period.

Remuneration Policy

The Remuneration Policy ("the Policy") covers the entity Elavon Financial Services Limited including its European branches. The objective of the Policy is to ensure that the Board is encouraging a culture of aligning risk management practices with remuneration practices. The Policy should not encourage excessive risk taking and should be designed to ensure that the Bank maintains a sound capital base.

The remuneration policy is in line with the business strategy, objectives, values and long-term interests of the Group, and incorporates measures to avoid conflicts of interest.

The remuneration policy has been established to ensure the Group implements regulatory requirements with regard to remuneration. The implementation of the remuneration policy is subject to annual review by Internal Audit.

Control Functions

The Bank's control functions play an active part in the ongoing oversight and review of the Policy for business areas other than their own. Control functions are defined as risk management, compliance and internal audit. In order that the independence and appropriate authority of the control functions can preserve its influence on incentive remuneration the method of determining the remuneration of the control function personnel cannot itself compromise their objectivity or be likely to do so. To achieve this objective control function variable remuneration is based on a specific Corporate Scorecard for Risk & Compliance and the performance comprises of the following three components: (i) US Bancorp; (ii) combination of all business lines and; (iii) individual performance.

The remuneration of the senior staff responsible for heading the control functions is directly overseen by the Remuneration Committee.

Risk Alignment

The key objective of the Policy is to ensure that the Bank is not exposed to excessive risk taking as a consequence of any misalignment of risk taking and variable compensation. Risk alignment includes; (i) the performance and risk measurement processes; (ii) the award process; and the pay-out process. These three elements of risk alignment have been developed in accordance with the Bank's policies and process around risk management and corporate governance, and cover the main parameters and rationale for variable components of compensation and related benefits

The remuneration policy makes a clear distinction between criteria for setting fixed remuneration and variable remuneration, reflecting the specific nature of both as relevant for the Group.

(i) The link between pay and performance

Elavon is committed to pay for performance. Performance includes overall company performance, line of business performance, and individual performance. It is evaluated in terms of accomplishing measurable business results with achieving other assigned departmental and personal goals. In addition, Corporate Scorecards are issued by US Bancorp to all business lines each year. These scorecards are used to illustrate to business lines the components which, based on the performance of those components, derive their 'award pool' annually.

(ii) Award process

The award process is the means by which each individual’s variable remuneration is determined. The award process translates performance assessment into variable remuneration component for each staff member. When assessing risk and performance, the Group takes into account both current and future risks.

Following shareholder approval, the variable component of remuneration may not exceed 200% of the fixed component for Identified Staff.

(iii) Pay-out process

The pay-out process is a mechanism for aligning risk to remuneration. Whilst the pay-out process is deemed to be neutralised, the Policy does include deferral policy in place whereby variable remuneration is partly paid upfront and partly deferred over a four year period. The objective of the deferral is to reward staff for the sustainability of their performance over the long-term.

Information Required	Split out by	Total ID Staff	Of Which Senior Mgmt	Payment Services	Wealth Mgmt & Security Srvcs	Shared Services & Exec
(i) the amounts of remuneration for the financial year, split into fixed and variable remuneration, and the number of beneficiaries;	(a) Fixed Remuneration (b) Variable Remuneration (c) Number of Beneficiaries	(a) €6,241,360 (b) €4,220,128 (c) 37	(a) €2,558,560 (b) €1,826,690 (c) 13	(a) €3,246,394 (b) €2,314,191 (c) 19	(a) €834,102 (b) €594,523 (c) 5	(a) €2,160,864 (b) €1,311, 114 (c) 13
(ii) the amounts and forms of variable remuneration, split into cash, shares, share-linked instruments and other types;	(a) Cash (b) Shares (c) Share Linked Instruments (d) Other Types (please list)	(a) €3,422,830 (b) None (c) €797,298 (d) None	(a) €1,413,564 (b) None (c) €413,126 (d) None	(a) €1,858,726 (b) None (c) €455,765 (d) None	(a) €512,452 (b) None (c) €82,071 (d) None	(a) €1,051,652 (b) None (c) €259,462 (d) None
(iii) the amounts of outstanding deferred remuneration, split into vested and unvested portions;	(a) Vested (b) Unvested	(a) €893,626 (b) €2,921, 720	(a) €478,900 (b) €1,358,347	(a) €387,234 (b) €1,434,043	(a) €119,169 (b) €414,742	(a) €387,223 (b) €1,072,935
(iv) the amounts of deferred remuneration awarded during the financial year, paid out and reduced through performance adjustments;		**0**	**0**	**0**	**0**	**0**
(v) new sign-on and severance payments made during the financial year, and the number of beneficiaries of such payments;	Total amount of sign-on and severance payments made during year	One sign-on payment made during the year. For confidentiality reasons the amount has not been disclosed. However the fixed and variable components of total remuneration are appropriately balanced.				
(vi) the amounts of severance payments awarded during the financial year, number of beneficiaries and highest such award to a single person;	Highest Serverance Payment awarded during financial year	N/A	N/A	N/A	N/A	N/A

the number of individuals being remunerated EUR 1 million or more per financial year, for remuneration between EUR 1 million and EUR 5 million broken down into pay bands of EUR 500 000 and for remuneration of EUR 5 million and above broken down into pay bands of EUR 1 million;	0