

# Pillar III Disclosures

for the year ended 31 December 2016



# Contents

## CONTENTS

1. Introduction.....	3
1.1 Principle Activities	
1.2 Capital Requirements Regulation	
1.3 Scope	
2. Encumbered Assets.....	6
3. External Credit Assessment Institutions.....	8
4. Remuneration.....	10
5. Countercyclical Capital Buffer.....	11

# 1. Introduction

## 1.1 Principal activities and business objectives

Elavon Financial Services DAC ('the Bank'), formerly Elavon Financial Services Limited, is licensed by the Central Bank of Ireland. The Bank's ultimate parent undertaking is U.S. Bancorp, a company incorporated in Delaware, U.S.A. which is also the parent of U.S. Bank National Association ('U.S. Bank'), and the fifth largest U.S. commercial bank. The Bank, its branches and its subsidiaries are hereinafter referred to as 'the Group'.

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

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

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

# 1. Introduction Cont'd.

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

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

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

## 1.2 Capital Requirements Regulation

The Capital Requirements Directive (CRD IV) and the Capital Requirements Regulation (CRR) collectively known as "CRD IV", came into force on 17 June 2013. CRD IV transposes into EU law the latest global standards on bank capital adequacy commonly known as Basel III, which builds on and expands the existing Basel II regulatory base. The CRD IV legislation is being implemented on a phased basis from 1 January 2014, with full implementation by 2019.

# 1. Introduction Cont'd.

CRD IV consists of the following three Pillars:

**Pillar 1:** contains mechanisms and requirements for the calculation by financial institutions of their minimum capital requirements for credit risk, market risk and operational risk.

**Pillar 2:** intended to ensure that each financial institution has sound internal capital adequacy processes in place and requires Supervisors to evaluate how well financial institutions are assessing their capital adequacy needs relative to their risks.

**Pillar 3:** requires Bank's to disclose information on the scope of CRD IV requirements

This document presents the Bank's Pillar III disclosures as at 31 December 2016 as required by Article 13 of the Capital Requirements Regulation ("CRR").

## 1.3 Scope of Application

The Bank's banking licence requires both Elavon Financial Services DAC "EFS" on amended solo basis and the Parent Company Elavon European Holdings B.V. "BV" on a consolidated basis to file regulatory returns to the Central Bank of Ireland.

# 2. Encumbered Assets

## 2. Encumbered and unencumbered assets

Encumbered Assets held by the Group (Elavon European Holdings B.V.) consist of Irish Minimum Reserve and a Polish Minimum Reserve balance held in Narodowy Bank Polski and also a Cash Ratio Deposit held in Bank Of England.

The Group has €8.6bln of unencumbered “Other assets”, €6.5bln 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, tangible assets, investment in a Joint Venture and derivative assets. The remaining balance €2.1bln are Loans and advances other than loans on demand.

**Table 2.1 - Assets**

**As at 31 December 2016**

	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
<b>ASSETS</b>	94,339,227	-	8,667,358,075	-
<b>Equity Instruments</b>	17,902,038	-	-	-
<b>Debt Securities</b>	-	-	-	-
<b>Other assets</b>	76,437,190	-	8,667,358,075	-

## 2. Encumbered Assets Cont'd.

**Table 2.2 - Collateral received**  
As at 31 December 2016

	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	-	-

**Table 2.3 - Encumbered assets/collateral received and associated liabilities**  
As at 31 December 2016

	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	-	-

# 3. Use of External Credit Assessment Institutions

## 3. Use of External Credit Assessment Institutions (ECAIs)

Where a counterparty is rated by an ECAI, the Bank uses the rating to calculate the required Risk Weighted Assets. The Bank uses 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 2016 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;

# 3. Use of External Credit Assessment Institutions Cont'd.

**Table 3.1 below reflects the Group's exposures to Credit Risk and Securitisations**

Risk Weight	Central Governments/ Banks	Corporates	Equities	Financial Institutions	In Default	Other Items	Public Sector Entities	Regional Governments/ Local Authorities	Securitisation
0%	6,246,898,659								
20%		671,482		1,983,277,183			163,187	319,200	
50%		3,739,630		1,938,570					
100%	975,696	47,319,551	17,902,038			52,133,046			
150%		147,258,833		125,076	1,131,236				422,917
250%	2,566,041		55,960,109						
1250%									422,917
<b>Grand Total</b>	<b>6,250,440,396</b>	<b>198,989,496</b>	<b>73,862,146</b>	<b>1,985,340,829</b>	<b>1,131,236</b>	<b>52,133,046</b>	<b>163,187</b>	<b>319,200</b>	<b>845,834</b>

**Table 3.2 below reflects the Group's exposures to Credit Risk and Securitisations after credit risk mitigation was applied**

Risk Weight	Central Governments/ Banks	Corporates	Equities	Financial Institutions	In Default	Other Items	Public Sector Entities	Regional Governments/ Local Authorities	Securitisation
0%	6,246,898,659								
20%		671,482		1,992,884,972			163,187	319,200	
50%		3,739,630		1,938,570					
100%	975,696	47,319,551	17,902,038			52,133,046			
150%		147,258,833		125,076	1,131,236				422,917
250%	2,566,041		55,960,109						
1250%									422,917
<b>Grand Total</b>	<b>6,250,440,396</b>	<b>198,989,496</b>	<b>73,862,146</b>	<b>1,994,948,618</b>	<b>1,131,236</b>	<b>52,133,046</b>	<b>163,187</b>	<b>319,200</b>	<b>845,834</b>

# 4. Remuneration

Information Required	Split out by	Total ID Staff	Of Which Senior Mgmt	Payment Services	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) €7,230,380 (b) €4,882,864 (c) 41	(a) €2,960,021 (b) €2,109,406 (c) 14	(a) €3,608,310 (b) €1,979,984 (c) 20	(a) €3,622,070 (b) €2,902,880 (c) 21
(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) €4,169,457 (b) None (c) €713,407 (d) None	(a) €1,664,136 (b) None (c) €445,270 (d) None	(a) €1,681,024 (b) None (c) €298,960 (d) None	(a) €2,488,432 (b) None (c) €414,447 (d) None
(iii) the amounts of outstanding deferred remuneration, split into vested and unvested portions;	(a) Vested (b) Unvested	(a) €1,351,506 (b) €3,401,387	(a) €891,993 (b) €2,258,258	(a) €667,479 (b) €1,765,857	(a) €684,028 (b) €1,635,530
(iv) the amounts of deferred remuneration awarded during the financial year, paid out and reduced through performance adjustments;		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	None			
(vi) the amounts of severance payments awarded during the financial year, number of beneficiaries and highest such award to a single person;	Highest Severance Payment awarded during financial year	None			
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;	None				

## Footnotes

1) Exchange Rates link - Dec 2016

[http://ec.europa.eu/budget/contracts\\_grants/info\\_contract/s/inforeuro/index\\_en.cfm](http://ec.europa.eu/budget/contracts_grants/info_contract/s/inforeuro/index_en.cfm)

2) Amounts awarded for 2016 performance

# 5. Countercyclical Capital Buffer

## 5. Countercyclical Capital Buffer

The below institution-specific countercyclical capital buffer is equivalent to the total risk exposure amount multiplied by the weighted average of the countercyclical buffer rates on an individual and consolidated basis.

The credit exposure in Table 5.1 represents Total Assets held in the relevant country.

**Table 5.1 - Geographical distribution of credit exposures**

Country	Credit Exposure (€)
United Kingdom	130,669,308
Spain	96,574,581
Germany	82,924,187
Ireland	55,345,034
United States	47,727,875
Poland	16,762,509
Norway	16,598,737

**Table 5.2 - Institution-specific countercyclical capital buffer**

Entity	Amount	Rate
Individual (EFS)	€464,103	0.03%
Consolidated (BV)	€508,216	0.04%