Bank of Ireland Group plc

Pillar 3 Disclosures

2017

Bank of Ireland Group

Bank of Ireland

Pillar 3 Disclosures

for the year ended 31 December 2017

Forward-looking statement

This document contains forward-looking statements with respect to certain of the Bank of Ireland Group plc (the 'Company' or 'BOIG plc') and its subsidiaries' (collectively the 'Group' or 'BOIG plc Group') plans and its current goals and expectations relating to its future financial condition and performance, the markets in which it operates and its future capital requirements. These forward-looking statements often can be identified by the fact that they do not relate only to historical or current facts. Generally, but not always, words such as 'may,' 'could,' 'should,' 'will,' 'expect,' 'intend,' 'estimate,' 'anticipate,' 'assume,' 'believe,' 'plan,' 'seek,' 'continue,' 'target,' 'goal,' 'would,' or their negative variations or similar expressions identify forward-looking statements, but their absence does not mean that a statement is not forward-looking.

Examples of forward-looking statements include, among others: statements regarding the Group's near term and longer term future capital requirements and ratios, level of ownership by the Irish Government, loan to deposit ratios, expected impairment charges, the level of the Group's assets, the Group's financial position, future income, business strategy, projected costs, margins, future payment of dividends, the implementation of changes in respect of certain of the Group's pension schemes, estimates of capital expenditures, discussions with Irish, United Kingdom, European and other regulators and plans and objectives for future operations. Such forward-looking statements are inherently subject to risks and uncertainties, and hence actual results may differ materially from those expressed or implied by such forward-looking statements.

Such risks and uncertainties include, but are not limited to, those as set out in the Risk Management Report. Investors should read 'Principal Risks and Uncertainties' in this document beginning on page 42 of the Group's Annual Report.

Nothing in this document should be considered to be a forecast of future profitability or financial position of the Group and none of the information in this document is or is intended to be a profit forecast or profit estimate. Any forward-looking statement speaks only as at the date it is made. The Group does not undertake to release publicly any revision to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date hereof.

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www.bankofireland.com

Pillar 3 overview

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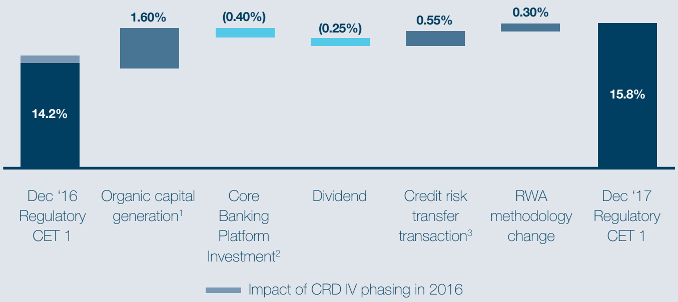
Key highlights

Key metrics - Regulatory

CET 1 ratio	Total capital ratio
15.8%	**20.2%**
Dec 2016: 14.2%	Dec 2016: 18.5%

Total RWA	Leverage ratio
€45.0bn	**7.0%**
Dec 2016: €50.7bn	Dec 2016: 7.3%

Regulatory CET 1 ratio movement

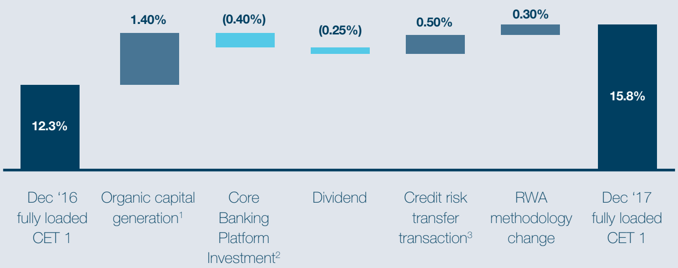


Key metrics - Fully Loaded

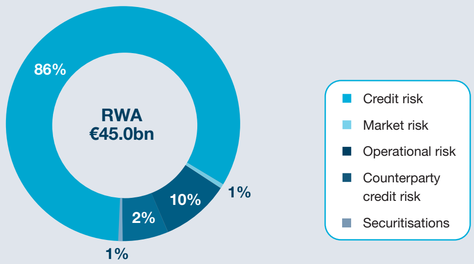
CET 1 ratio	Total capital ratio
13.8%	**17.9%**
Dec 2016: 12.3%	Dec 2016: 16.4%

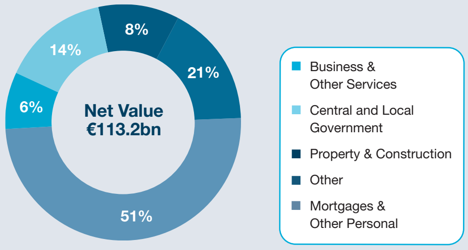
Total RWA	Leverage ratio
€44.8bn	**6.2%**
Dec 2016: €50.5bn	Dec 2016: 6.4%

Fully loaded CET 1 ratio movement

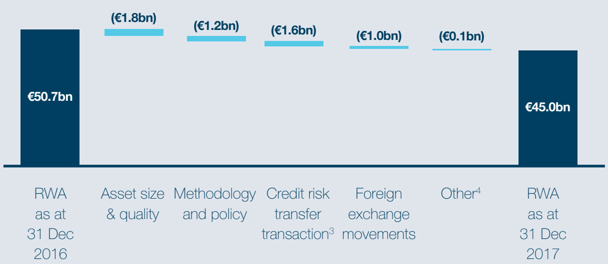


Key metrics - Lending Book Analysis *(Regulatory)*





RWA movement



1 *Organic capital generation consists of attributable profit, AFS reserve movements, the reduction in the DTA deduction (DTAs that rely on future profitability), movements in the Expected Loss deduction and RWA book size and quality movements. Transitional organic capital generation is 20 basis points higher due to the phasing impacts on AFS reserves and the DTA / Expected Loss deductions.*
2 *Core banking platform investment relates to a programme commenced by the Group to replace the Group's core banking platform.*
3 *In December 2017, the Group executed a credit risk transfer (CRT) transaction.*
4 *Relates primarily to other regulatory deductions.*

Key highlights (continued)

Table 1.1 - KM1: Key metrics - Regulatory basis

	December 2017[1]	September 2017	June 2017[1]	March 2017	December 2016[1,2]
Available capital					
1. Common equity tier 1 (CET1) (€bn)	7.1	6.8	7.0	6.8	7.2
2. Tier 1 (€bn)	7.6	7.3	7.8	7.6	8.0
3. Total capital (€bn)	9.1	8.8	8.9	9.0	9.4
Risk weighted assets					
4. Total RWA (€bn)	45.0	48.0	48.8	50.4	50.7
Risk-based capital ratios as a % of RWA					
5. Common equity tier 1 ratio (%)	15.8%	14.2%	14.4%	13.5%	14.2%
6. Tier 1 ratio[3] (%)	17.0%	15.3%	15.9%	15.0%	15.7%
7. Total capital ratio[3] (%)	20.2%	18.4%	18.3%	17.8%	18.5%
Additional CET 1 buffer requirements as a % of RWA					
8. Capital conservation buffer requirement (%)	1.25%	1.25%	1.25%	1.25%	0.625%
9. Countercyclical buffer requirement (%)	0.0%	0.0%	0.0%	0.0%	0.0%
10. Bank G-SIB and / or D-SIB additional requirements (%)	-	-	-	-	-
11. Total of Bank CET 1 specific buffer requirements (%)	1.25%	1.25%	1.25%	1.25%	0.625%
12. CET 1 available after meeting the bank's minimum Pillar 1 capital requirements (4.5%) (%)	11.3%	9.7%	9.9%	9.0%	9.8%
Leverage ratio					
13. Total leverage ratio exposure measure (€m)	108.3	108.0	108.0	111.3	109.8
14. Leverage ratio[3] (%)	7.0%	6.8%	7.2%	6.8%	7.3%
Liquidity Coverage Ratio					
15. Total HQLA (€bn)	18.8	17.7	16.5	17.7	16.2
16. Total net cash outflow (€bn)	13.9	13.4	13.8	13.4	14.3
17. LCR ratio (%)	136%	132%	120%	132%	113%

[1] The Group availed of the regulatory profit verification process for profit in interim and year end regulatory disclosures.
[2] RWA in 2016 was restated from €50.8 billion to €50.7 billion due to a change in Market Risk RWA to reflect a minor restatement of the foreign exchange risk calculation.
[3] The calculation of the Group's Tier 1, total capital and related ratios (including leverage ratio) at December 2017 are stated after a prudent application of the requirements of Articles 85 and 87 of Capital Requirements Regulation (CRR). Further details are provided on page 19.

Introduction

The purpose of this document is to disclose information in accordance with the scope of application of the Capital Requirements Directive IV (CRD IV) requirements for the Group, particularly covering capital, risk management, credit risk, market risk, operational risk, liquidity risk, leverage ratio and remuneration.

The CRD IV and the Capital Requirements Regulation (CRR) were published in the Official Journal of the EU on 27 June 2013. The CRR had direct effect in EU member states while the CRD IV was required to be implemented through national legislation in EU member states by 31 December 2013.

CRD IV in the context of this document describes the package CRR, CRD and regulatory and technical standards.

CRD IV is commonly referred to as containing 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 is intended to ensure that each financial institution has sound internal processes in place to assess the adequacy of its capital, based on a thorough evaluation of its risks. Supervisors are tasked with evaluating how well financial institutions are assessing their capital adequacy needs relative to their risks. Risks not considered under Pillar 1 are considered under this Pillar.

Pillar 3 is intended to complement Pillar 1 and Pillar 2. It requires that financial institutions disclose information on the scope of application of CRD IV requirements, particularly covering capital requirements / risk weighted assets (RWA) and resources, risk exposures and risk assessment processes.

The Group is required to comply with the CRD IV disclosure requirements at 31 December 2017. For ease of reference, the requirements are referred to as ‘Pillar 3’ in this document. Pillar 3 contains both qualitative and quantitative disclosure requirements.

In December 2016, the European Banking Authority (EBA) published final guidelines on revised Pillar 3 disclosure requirements aimed to improve and enhance the consistency and comparability of institutions disclosures. These guidelines apply from 31 December 2017 and the Group’s disclosures have been prepared in accordance with these guidelines.

The Group’s Pillar 3 document should be read in conjunction with the Group’s Annual Report 31 December 2017, which contains some Pillar 3 qualitative and quantitative information. Together, both documents comprehensively portray the Group’s risk profile.

The qualitative disclosure requirements are largely met in the Operating and Financial Review and Risk Management Report sections on page 12 of the Group’s Annual Report 31 December 2017.

A mapping table has been included in Appendix VI which details how the Group has complied with the Pillar 3 requirements under Part Eight of the CRR.

The Group’s Pillar 3 disclosures have been prepared in accordance with CRD IV as implemented into Irish law and in accordance with the Group’s Pillar 3 Disclosure Policy, the key elements of which are set out below.

Frequency
CRD IV and EBA guidelines require the Group to disclose information at a minimum on an annual basis. To ensure the effective communication of the Group’s business and risk profile, the Group also pays particular attention to the possible need to provide information more frequently than annually.

Verification
Information which is sourced from the Group’s Annual Report 31 December 2017 is subject to audit by the Group’s external auditors and is subject to both internal and external review, along with appropriate governance. The Pillar 3 document is subject to a robust internal control and governance process in line with Group’s Pillar 3 Disclosure Policy including final approval by the Group Audit Committee (GAC).

Media
Copies of the Group’s Annual Report 31 December 2017 along with the Group’s Pillar 3 Disclosures can be obtained from the Group’s website at www.bankofireland.com or from the Group Secretary’s Office, Bank of Ireland, 40 Mespil Road, Dublin 4, Ireland.

Areas covered

In accordance with Pillar 3 requirements, the areas covered by the Group’s Pillar 3 disclosures include the Group’s CRD IV capital requirements and resources, credit risk, counterparty credit risk, information on securitisation activity, market risk, operational risk, liquidity risk, encumbered / unencumbered assets, leverage ratio and the Group’s remuneration disclosures.

Some of the areas covered are also dealt with in the Group’s Annual Report 31 December 2017. Where applicable, the relevant sections are cross-referenced throughout this document. In other areas more detail is provided in these Pillar 3 disclosures. For instance, the section on capital requirements includes additional information on the amount of capital held against various risks and exposure classes, and the section on capital resources provides details on the composition of the Group’s own funds as well as a reconciliation of accounting equity to regulatory capital. A full listing of Pillar 3 disclosures and their location is included in Appendix VI.

It should be noted that while some quantitative information in this document is based on financial data contained in the Group’s Annual Report 31 December 2017, other quantitative data is sourced from the Group regulatory platform and is calculated according to regulatory requirements.

The difference between the accounting data and information sourced from the Group’s regulatory reporting platform is most evident for credit risk disclosures where credit exposure under CRD IV unlike financial statement information, includes potential future drawings of committed credit lines as well as other technical differences. Pillar 3 quantitative data is thus not always directly comparable with the quantitative data contained in the Group’s Annual Report.

Some details of the key differences between the Group’s accounting and regulatory exposures are set out in Table 1.8.

Supervision and regulation

The Single Supervisory Mechanism (SSM) is a system of financial supervision composed of the European Central Bank (ECB) and national competent authorities (NCAs). As part of the SSM, the ECB is responsible for the direct supervision of significant credit institutions, while the NCAs are responsible for the direct supervision of less significant credit institutions. The Group is a significant supervised entity in accordance with the SSM framework and as such is directly supervised by the ECB.

As at 31 December 2017, the Group held three separate banking licences, the Governor and Company of the Bank of Ireland (the 'Bank') and Bank of Ireland Mortgage Bank, which are regulated under the SSM, along with Bank of Ireland (UK) plc which is authorised by the UK Prudential Regulation Authority (PRA). By operating a branch in the United States, Bank of Ireland and its subsidiaries are subject to certain regulation by the Board of Governors of the Federal Reserve System under various laws, including the International Banking Act of 1978 and the Bank Holding Company Act of 1956. Each individual licence holder and regulated entity is required to comply with its local regulatory requirements.

Following shareholder and High Court approvals and in line with our regulators' preferred resolution strategy, the Group implemented a corporate reorganisation resulting in Bank of Ireland Group plc ('BOIG plc') being introduced as the listed holding company of the Group in July 2017. BOIG plc became the parent company of the Group. The structure of the Group is otherwise unchanged.

CRD IV

The CRD IV legislation commenced implementation on a phased basis from 1 January 2014. The CRD IV transition rules resulted in a number of deductions from Common equity tier 1 (CET 1) capital being introduced on a phased basis typically with a 20% impact in 2014, 40% in 2015 and so on until full implementation by 2018, with the exception of the deferred tax assets (DTA) (dependent on future profitability) deduction which in the case of the Group is phased to 2024. The ratios outlined in this section reflect the Group's interpretation of the CRD IV rules as published on 27 June 2013 and subsequent clarifications, including ECB regulation 2016/445 on the exercise of options and discretions.

Table 1.2 summarises the phase-in rates of CET 1 deductions over the transition periods.

Table 1.4 outlines the Group's capital ratios at 31 December 2017 on both a regulatory and fully loaded basis.

Table 1.2 - Transition period phase-in rates

	2014	2015	2016	2017	2018
Retirement benefit obligations / defined benefit pensions	20%	40%	60%	80%	100%
Available for sale reserves					
- Unrealised losses (% to be included in CET 1 capital)	20%	40%	60%	80%	100%
- Unrealised gains (% to be excluded from CET 1 capital)	100%	60%	40%	20%	0%
Expected loss deduction[1]	20%	40%	60%	80%	100%
10% / 15% Threshold deduction	20%	40%	60%	80%	100%
Deferred tax assets[2]	0%	10%	20%	30%	40%[3]
Other adjustments[4]	20%	40%	60%	80%	100%

The main items which have impacted Common equity tier 1 (CET 1) capital since the inception of the CRD IV transition rules are included below:

- pensions deficit add back;
- unrealised gains and losses on available for sale securities;
- significant investments in non-consolidated financial sector entities;
- expected loss net of provisions; and
- deferred tax assets that rely on future profitability (excluding those arising from temporary differences).

CRD IV Developments

CRD IV includes requirements for regulatory and technical standards to be published by the EBA. CRD IV continues to evolve through amendments to current regulations and the adoption of new technical standards. On 23 November 2016, the European Commission (EC) published a set of legislative proposals, including amendments of the existing CRD and the CRR, as well as the related EU Bank Recovery and Resolution Directive (BRRD) and the Single Resolution Mechanism (SRM) Regulation.

[1] *Under CRD IV rules, expected loss CET 1 deduction was phased in at 80% in 2017. The residual is deducted 50/50 from Tier 1 and Tier 2.*
[2] *Deferred tax assets that rely on future profitability but which do not relate to timing differences. Transition period concludes 1 January 2024.*
[3] *Increasing by 10% per annum to 100% each year thereafter.*
[4] *Other adjustments primarily relate to the phase out of certain national filters.*

CRD IV (continued)

The proposed amendments are expected to start entering into force in 2019 at the earliest.

In December 2017, the Basel Committee announced revisions of the Basel Framework. The revisions focus on Standardised and internal ratings based (IRB) approaches to measuring credit risk and the introduction of an aggregate output floor to ensure Banks' RWA calculated via internal models are no lower than 72.5% of RWA calculated under the Standardised approach. The revised standards are proposed to take effect from 1 January 2022 with a phase-in period of five years for the aggregate output floor. The Group is currently assessing the impact of these revisions although any impact will depend on implementation at EU level.
The Group actively monitors these developments and seeks to effectively comply with the new requirements when finalised.

IFRS 9 capital impact
The Group has estimated that the quantitative impact from initial adoption of IFRS 9 on 1 January 2018 will reduce the Group's fully loaded CET 1 ratio by c.20 basis points.

The Group has elected to apply the transitional arrangement which, on a regulatory CET 1 basis, will result in minimal impact from initial adoption and partially mitigate future impacts in the period to 2022. This will involve a capital addback of a portion of the increase in the impairment loss allowance on transition to IFRS 9 and also any subsequent increase in the stage 1 and 2 loss allowances at future reporting dates. The transition period is for five years, with a 95% add-back allowed in 2018, decreasing to 85%, 70%, 50% and 25% in subsequent years.

Key capital ratios and key risk weighted assets movements

The following tables outline the components of the Group's risk weighted assets, capital and capital ratios under CRD IV on a regulatory and fully loaded basis.

Table 1.3 - Risk weighted assets (RWA)

	2017		2016	
	Regulatory €bn	**Fully loaded €bn**	Regulatory €bn	Fully loaded €bn
Credit risk[1]	38.7	38.5	44.0	43.8
Counterparty credit risk	0.7	0.7	1.4	1.4
Securitisation	0.5	0.5	0.3	0.3
Market risk	0.5	0.5	0.4	0.4
Operational risk	4.6	4.6	4.6	4.6
Total RWA	**45.0**	**44.8**	**50.7**	**50.5**

Table 1.4 - Capital and capital ratios

	2017 Regulatory		**2017 Fully loaded**		2016 Regulatory		2016 Fully loaded	
	€bn	**% of RWA**	**€bn**	**% of RWA**	€bn	% of RWA	€bn	% of RWA
CET 1	7.1	15.8%	6.2	13.8%	7.2	14.2%	6.2	12.3%
Tier 1[2]	7.6	17.0%	6.7	14.9%	8.0	15.7%	7.0	13.7%
Total capital[2]	9.1	20.2%	8.0	17.9%	9.4	18.5%	8.3	16.4%

[1] *Includes RWA relating to non-credit obligation assets / other assets, settlement risk and RWA arising from the 10% / 15% threshold deductions.*
[2] *The calculation of the Group's Tier 1, total capital and related ratios (including leverage ratio) at December 2017 are stated after a prudent application of the requirements of Articles 85 and 87 of Capital Requirements Regulation (CRR). Further details are provided on page 19.*

Key capital ratios and key risk weighted assets movements (continued)

Table 1.5 - Movement of RWA by key driver

	Credit risk €bn	*of which; IRB €bn*	*STD €bn*	Counterparty credit risk €bn	Securitisation €bn	Market risk €bn	Operational risk €bn	Total €bn	Capital requirements €bn
RWA as at the 31 December 2016	44.0	33.3	10.7	1.4	0.3	0.4	4.6	50.7	4.1
Asset size[1]	(0.1)	(0.1)	-	(0.4)	-	0.1	-	(0.4)	-
Asset quality[2]	(1.3)	(1.4)	0.1	(0.1)	-	-	-	(1.4)	(0.1)
Model updates[3]	-	-	-	-	-	-	-	-	-
Methodology and policy[4]	(1.2)	(1.2)	-	-	-	-	-	(1.2)	(0.1)
Acquisitions and disposals	-	-	-	-	-	-	-	-	-
Foreign exchange movements	(1.0)	(0.8)	(0.2)	-	-	-	-	(1.0)	(0.1)
Credit risk transfer	(1.8)	(1.8)	-	-	0.2	-	-	(1.6)	(0.2)
Other	0.1	-	0.1	(0.2)	-	-	-	(0.1)	-
RWA as at the 31 December 2017	**38.7**	**28.0**	**10.7**	**0.7**	**0.5**	**0.5**	**4.6**	**45.0**	**3.6**

[1] Asset size: This represents movements in RWA driven by changes in the composition of the Group's existing portfolios. This includes, but is not limited to: constant currency growth in existing portfolios including new business and repayment of loans, changes in the product mix.

[2] Asset quality: This can represent movements in RWA including but not limited to: PD Migration and LGD changes driven by economic conditions, changes in lending practices, demographics and model re-calibrations and re-anchoring.

[3] Model updates: This can represent movements in RWA including, but is not limited to: new model approvals, refinements and enhancements to improve model performance.

[4] Methodology and policy: Updates to the RWA calculation methodology, communicated by the Regulator. This includes a revision to the maturity parameter used in the FIRB calculation to align with ECB guidance and a reclassification of forborne collateral realisation (FCR) loans to align with EBA classifications. For more information on FCR see page 60 of the Group's Annual Report.

Key capital ratios and key risk weighted assets movements (continued)

Risk weighted assets
Risk weighted assets (RWA), on a regulatory basis, were €45.0 billion at 31 December 2017 (2016: €50.7 billion). The decrease of €5.7 billion in Credit RWA is primarily due to the impact of FX movements (€1.0 billion), changes in book size and quality (€1.8 billion), changes in methodology and policy (€1.2 billion), the execution of a credit risk transfer (CRT) transaction (€1.6 billion) and other movements (€0.1 billion).

Regulatory ratio
The CET 1 ratio was 15.8% at 31 December 2017 (2016: 14.2%). The increase of c.160 basis points is primarily due to organic capital generation (c.+160 basis points), the impact of the CRT transaction (c.+55 basis points) and RWA methodology changes (c.+30 basis points) partially offset by an increase in CRD IV phasing for 2017 (c.-20 basis points), investment in the Group's Core Banking Platforms (c.-40 basis points) and an accrual for a potential dividend (c.-25 basis points) in line with regulatory guidance.

Fully loaded ratio
The Group's fully loaded CET 1 ratio is estimated at 13.8% at 31 December 2017 (2016: 12.3%). The increase of c.150 basis points is primarily due to organic capital generation (c.+140 basis points), the impact of the CRT transaction (c.+50 basis points) and RWA methodology changes (c.+25 basis points) partially offset by investment in the Group's Core Banking Platforms (c.-40 basis points), and an accrual for a potential dividend (c.-25 basis points) in line with regulatory guidance.

Leverage ratio
The leverage ratio at 31 December 2017 is 7.0% on a CRD IV regulatory basis (2016: 7.3%), 6.2% on a pro-forma fully loaded basis (2016: 6.4%).

The EC have proposed the introduction of a binding leverage requirement of 3% as part of the revised CRD IV developments. It is anticipated that the binding leverage requirement will be applicable from 2019 at the earliest pending final agreement of the proposals at EU level. The Group expects to remain well in excess of the proposed 3% requirement.

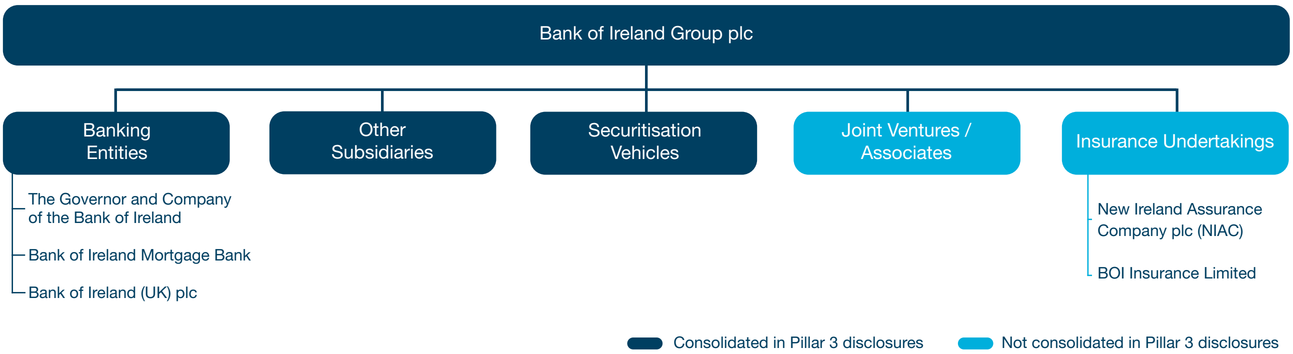
Individual Consolidation
The regulatory CET 1 ratio of The Governor and Company of the Bank of Ireland (the 'Bank') calculated on an individual consolidated basis as referred to in Article 9 of the CRR is 15.3% at 31 December 2017 (2016: 16.2%). Further details relating to the Bank are contained in Appendix IV of this document.

Preparation and basis of consolidation

The Group's Pillar 3 disclosures are published on a consolidated basis for the year ended 31 December 2017.

Not all legal entities are within the scope of Pillar 3. A summarised diagrammatical representation (as at 31 December 2017) of the regulatory consolidation group is illustrated below. The disclosures within this document are based on the regulatory consolidated group. Table 1.6 highlights the main differences between the basis of consolidation for accounting purposes and the CRD IV regulatory treatment.

The Governor and Company of the Bank of Ireland is availing of the discretion provided for in Article 9 of the CRR to report on an 'individual consolidation' basis which allows for the treatment of certain subsidiaries as if they were, in effect, branches of the parent in their own right.



Preparation and basis of consolidation (continued)

Table 1.6 - Basis of consolidation

Entity type	Statutory accounting treatment	CRD IV regulatory treatment
Insurance undertakings	Fully consolidated	Unconsolidated significant investments in financial sector entities are subject to the 10% / 15% threshold which determines the extent to which these investments are deducted from capital or included in RWA.
Joint Ventures / associates	Equity method of accounting or Fair value through the P&L	The Group's non-qualifying holdings outside the financial sector in joint ventures and associates are included in RWA.
Securitisation vehicles	Fully consolidated	For traditional securitisations, a deduction is taken from CET 1 capital in respect of originated securitisations which have obtained Pillar 1 derecognition. The quantum of the deduction is set at the KIRB value of the securitised portfolios. Where Pillar 1 derecognition is not achieved RWA continues to be reported in respect of the underlying assets. For the Group's synthetic securitisations, the retained senior position is risk weighted using the Supervisory Formula Method (SFM) and the retained junior position is deducted fully from CET 1. The Group has recognised significant credit risk transfer for these securitisations.

Further information relating to differences in scope of consolidation on an entity by entity basis is contained in Appendix V of this document.

Distinctions between Pillar 3 and IFRS disclosures

The following table provides a reconciliation of the Group's consolidated balance sheet as at 31 December 2017 on an accounting consolidated basis (as presented on page 139 of the Group's Annual Report 31 December 2017) to the Group's consolidated balance sheet under the regulatory scope of consolidation. Certain assets and liabilities can be subject to multiple RWA frameworks.

Table 1.7 - EU LI1 - Differences between accounting and regulatory scopes of consolidation

2017 Balance sheet category	Carrying values as reported in published financial statements €m	Difference in the basis of consolidation for accounting and prudential purposes €m	Carrying values under scope of regulatory consolidation €m	Carrying value of items: Subject to the credit risk framework €m	Subject to the CCR framework €m	Subject to the securitisation framework €m	Subject to the market risk framework €m	Not subject to capital requirements or subject to deduction from capital €m
Assets								
Cash and balances at central banks	7,379	-	7,379	7,379	-	-	-	-
Items in the course of collection from other banks	307	-	307	307	-	-	-	-
Trading securities	68	-	68	-	-	-	-	68
Derivative financial instruments	2,348	-	2,348	-	2,348	-	1,524	-
Other financial assets at fair value through profit or loss	14,421	14,376	45	45	-	-	-	-
Available for sale financial assets	13,223	-	13,223	13,076	-	133	-	14
Loans and advances to customers and banks	79,189	197	78,992	75,023	-	3,924	-	45
Assets classified as held for sale	28	28	-	-	-	-	-	-
Interest in joint ventures & associates	128	(848)	976	69	-	-	-	907
Intangible assets and goodwill	779	56	723	-	-	-	-	723
Investment properties	912	912	-	-	-	-	-	-
Property, plant and equipment	434	94	340	340	-	-	-	-
Current tax assets	50	5	45	45	-	-	-	-
Deferred tax assets	1,237	5	1,232	948	-	-	-	284
Other assets	1,993	1,444	549	549	-	-	-	-
Retirement benefit assets	58	-	58	-	-	-	-	58
Total assets	**122,554**	**16,269**	**106,285**	**97,781**	**2,348**	**4,057**	**1,524**	**2,099**

Distinctions between Pillar 3 and IFRS disclosures (continued)

Table 1.7 - EU LI1 - Differences between accounting and regulatory scopes of consolidation (continued)

2017 Balance sheet category	Carrying values as reported in published financial statements €m	Difference in the basis of consolidation for accounting and prudential purposes €m	Carrying values under scope of regulatory consolidation €m	Carrying value of items: Subject to the credit risk framework €m	Subject to the CCR framework €m	Subject to the securitisation framework €m	Subject to the market risk framework €m	Not subject to capital requirements or subject to deduction from capital €m
Equity and Liabilities								
Deposits from banks	4,339	-	4,339	-	-	-	-	4,339
Customer accounts	75,869	(868)	76,737	-	-	-	-	76,737
Items in the course of transmission to other banks	263	-	263	-	-	-	-	263
Derivative financial instruments	1,987	-	1,987	-	1,987	-	1,705	-
Debt securities in issue	8,390	-	8,390	-	-	-	-	8,390
Liabilities to customers under investment contracts	5,766	5,766	-	-	-	-	-	-
Insurance contract liabilities	10,878	10,878	-	-	-	-	-	-
Other liabilities	2,482	413	2,069	-	-	-	-	2,069
Current tax liabilities	12	1	11	-	-	-	-	11
Provisions	205	-	205	-	-	-	-	205
Deferred tax liabilities	53	52	1	-	-	-	-	1
Retirement benefit obligations	536	60	476	-	-	-	-	476
Subordinated liabilities	2,107	-	2,107	-	-	-	-	2,107
Total liabilities	**112,887**	**16,302**	**96,585**	**-**	**1,987**	**-**	**1,705**	**94,598**
Equity								
Capital stock	1,079	-	1,079	-	-	-	-	1,079
Share premium account	456	-	456	-	-	-	-	456
Retained earnings	7,333	-	7,333	-	-	-	-	7,333
Other Reserves	24	-	24	-	-	-	-	24
Own stock held for the benefit of life assurance policyholders	(33)	(33)	-	-	-	-	-	-
Other equity instruments	808	-	808	-	-	-	-	808
Total equity	**9,667**	**(33)**	**9,700**	**-**	**-**	**-**	**-**	**9,700**
Total equity and liabilities	**122,554**	**16,269**	**106,285**	**-**	**1,987**	**-**	**1,705**	**104,298**

Distinctions between Pillar 3 and IFRS disclosures (continued)

Table 1.8 - EU LI2 - Reconciliation between regulatory exposure amounts and carrying value in financial statements

	Total €m	Items subject to: Credit risk framework €m	CCR framework €m	Securitisation framework €m
1. Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)	**104,186**	**97,781**	**2,348**	**4,057**
2. Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)	(1,987)	-	(1,987)	-
3. Total net amount under the regulatory scope of consolidation	102,199	97,781	361	4,057
4. Off-balance-sheet amounts	5,223	5,223	-	-
5. Differences in valuations	-	-	-	-
6. Differences due to different netting rules, other than those already in row 2	(1,018)	(1,366)	348	-
7. Differences due to consideration of provisions	2,359	2,359	-	-
8. Differences due to prudential filters	-	-	-	-
9. Net potential future exposures	685	-	685	-
10. Assets with significant risk transfer	(1,054)	(1,054)	-	-
11. Other	(92)	(88)	(4)	-
12. Exposure amounts considered for regulatory purposes (EAD)	**108,302**	**102,855**	**1,390**	**4,057**

Table 1.8 provides a reconciliation of the consolidated regulatory balance sheet to Exposure At Default (EAD) for items subject to the credit risk, CCR and securitisation frameworks.

It should be noted that there are fundamental technical differences in the basis of calculation between financial statement information based on International Financial Reporting Standards (IFRS) accounting standards and regulatory information based on CRD IV capital adequacy concepts and rules. This is most evident for credit risk disclosures. Credit EAD under the CRD IV, is defined as the expected amount of EAD and is estimated under specified regulatory rules.

There are two different types of tables included in this document, those compiled based on accounting standards (sourced from the Group's Annual Report 31 December 2017) and those compiled using CRD IV methodologies. Unless specified otherwise, both sets of data reflect the position as at 31 December 2017. The specific methodology used is indicated before each table where applicable.

Many tables throughout the Group's Pillar 3 disclosures are based on net value under the regulatory scope of consolidation.

At 31 December 2017, the difference between EAD €108.3 billion and net value €118.3 billion is the inclusion of IRB provisions (€1.8 billion), the add-back of credit risk mitigation on Standardised exposures (€1.0 billion) and the inclusion of credit conversion factors on off-balance sheet exposures (€10.8 billion).

Capital

Capital overview

Table 2.1 - Key regulatory ratios	2017		2016	
CRD IV	Regulatory %	Fully loaded %	Regulatory %	Fully loaded %
Common equity tier 1	15.8%	13.8%	14.2%	12.3%
Tier 1[1]	17.0%	14.9%	15.7%	13.7%
Total capital[1]	20.2%	17.9%	18.5%	16.4%
Leverage ratio	7.0%	6.2%	7.3%	6.4%

Table 2.1 outlines regulatory ratios and risk weighted assets under both CRD IV regulatory and fully loaded positions.

Capital management objectives and policies

The objectives of the Group's capital management policy are to ensure that the Group has sufficient capital to cover the risks of its business and support its strategy and at all times to comply with regulatory capital requirements. It seeks to minimise refinancing risk by managing the maturity profile of non-equity capital whilst the currency mix of capital is managed to ensure that the sensitivity of capital ratios to currency movements is minimised.

The capital adequacy requirements set by the SSM / ECB and economic capital based on internal models, are used by the Group as the basis for its capital management. The Group seeks to maintain sufficient capital to ensure that these requirements are met.

For additional information on the Group's capital management policies please refer to the Capital Management section of the Group's Annual Report 31 December 2017.

ICAAP

The Internal Capital Adequacy Assessment Process (ICAAP) is carried out by the Group on an annual basis in line with Pillar 2 requirements. This process facilitates the Board and senior management in adequately identifying, measuring and monitoring the Group's risk profile. The ICAAP builds on the Pillar 1 process by (i) using internal measures to assess the capital requirements for risks not fully captured under Pillar 1 and (ii) assessing the impact of the Group's risks on capital resources under a base case scenario and a severe but plausible stress scenario. Underpinning the ICAAP process, the Group prepares detailed financial projections. Base case projections are prepared using consensus macroeconomic forecasts together with Group-specific assumptions, and the stress case is prepared based on a severe but plausible stress economic scenario.

The ICAAP is a key process embedded in the Group's planning cycle and ensures that:

- the Board of Directors and the Group's senior management adequately identifies, measures and monitors the Group's risks and holds adequate capital in relation to the Group's risk profile;
- the quality and quantity of financial resources the Group holds in respect of capital resources meets its internal and CRD IV regulatory capital, leverage and liquidity requirements; and
- the Group holds adequate capital to support its strategic business objectives on a current and projected basis under base and stress scenarios.

The Board approved ICAAP Report and supporting documentation is submitted to the ECB and the CBI on an annual basis, and is subject to regulatory review as part of the Supervisory Review and Evaluation Process (SREP).

RWA approaches

The Group uses the Foundation IRB, Retail IRB and Standardised approaches for the calculation of its credit risk capital requirements. The capital requirements for market risk are calculated using the Standardised approach applicable to market risk. The capital requirements for operational risk are calculated using the Standardised approach applicable to operational risk.

Impediments to the transfer of funds

There is a requirement to disclose any impediment to the prompt transfer of funds within the Group. In respect of the Group's licensed subsidiaries, the Group is obliged to meet certain license conditions in respect of capital and / or liquidity. These requirements may include meeting or exceeding appropriate capital and liquidity ratios and obtaining appropriate regulatory approvals for the transfer of capital or, in certain circumstances, liquidity. The Group's licensed subsidiaries would be unable to remit funds to the parent when to do so would result in such ratios or other regulatory permissions being breached. Apart from this requirement, there is no restriction on the prompt transfer of own funds or the repayment of liabilities between the subsidiary companies and the parent.

At 31 December 2017, own funds were in excess of the required minimum requirement in all of the Group's licensed entities.

Capital developments

Capital issuance

On 19 September 2017, the Group successfully raised Stg£300 million and USD$500 million of Tier 2 capital with a maturity of ten years (callable after five years). The capital instruments carry an initial coupon of 3.125% and 4.125% respectively.

Credit risk transfer transaction

The Group announced a credit risk transfer (CRT) transaction in November 2017 which has increased the Group's regulatory CET 1 ratio by c.55 basis points and the Group's fully loaded CET 1 ratio by c.50 basis points. The transaction has reduced the Group's credit risk exposure, and consequently the risk weighted assets on the reference portfolio. The transaction resulted in a reduction in risk weighted assets of c.€1.6 billion. The Group also announced that it was continuing to engage with the ECB as part of the ECB's Targeted Review of Internal Models (TRIM) on Irish mortgages. The Group noted that adjustments arising from this process could absorb the capital benefits of the CRT in part or in full.

[1] The calculation of the Group's Tier 1, total capital and related ratios (including leverage ratio) at December 2017 are stated after a prudent application of the requirements of Articles 85 and 87 of Capital Requirements Regulation (CRR).
[2] Risk weighted assets reflect the application of certain Central Bank of Ireland Balance Sheet Assessment and expected loss required adjustments.

Capital overview (continued)

Table 2.2 - EU OV1 - Overview of RWA

		2017		2016	
		RWA €m	**Minimum capital requirements €m**	RWA €m	Minimum capital requirements €m
1.	**Credit risk (excluding CCR)**	**36,598**	**2,928**	**41,948**	**3,357**
	of which;				
2.	*the Standardised approach*	*8,707*	*697*	*8,645*	*692*
3.	*the foundation IRB (FIRB) approach*	*14,256*	*1,140*	*18,494*	*1,480*
4.	*the advanced IRB (AIRB) approach*	*13,635*	*1,091*	*14,809*	*1,185*
5.	*equity IRB under the simple risk-weighted approach or the IMA*	-	-	-	-
6.	**CCR**	**729**	**58**	**1,418**	**113**
	of which;				
7.	*mark-to-market*	*560*	*45*	*1,105*	*88*
8.	*original exposure*	-	-	-	-
9.	*the Standardised approach*	-	-	-	-
10.	*internal model method (IMM)*	-	-	-	-
11.	*risk exposure amount for contributions to the default fund of a CCP*	-	-	-	-
12.	*CVA*	*169*	*13*	*313*	*25*
13.	**Settlement risk**	**-**	**-**	**2**	**-**
14.	**Securitisation exposures in the banking book (after the cap)**	**467**	**37**	**335**	**27**
	of which;				
15.	*IRB approach*	*106*	*8*	*148*	*12*
16.	*IRB supervisory formula approach (SFA)*	*361*	*29*	*187*	*15*
17.	*internal assessment approach (IAA)-*	-	-	-	-
18.	*Standardised approach*	-	-	-	-
19.	**Market risk**	**516**	**41**	**380**	**30**
	of which;				
20.	*the Standardised approach*	*516*	*41*	*380*	*30*
21.	*IMA*	-	-	-	-
22.	**Large exposures**	**-**	**-**	**-**	**-**
23.	**Operational risk**	**4,619**	**370**	**4,591**	**367**
	of which;				
24.	*basic indicator approach*	-	-	-	-
25.	*Standardised approach*	*4,619*	*370*	*4,591*	*367*
26.	*advanced measurement approach*	-	-	-	-
27.	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	**2,031**	**162**	**1,982**	**158**
28.	**Floor adjustment**	**-**	**-**	**-**	**-**
29.	**Total**	**44,960**	**3,596**	**50,656**	**4,052**

Group holding company and capital impacts
The Group implemented a corporate reorganisation resulting in Bank of Ireland Group plc (BOIG plc) being introduced as the listed holding company of the Group in July 2017. BOIG plc was established to facilitate the Single Resolution Board's (SRB's) preferred resolution strategy which consists of a single point of entry bail-in strategy. All future issuance of MREL (Minimum Requirement for Own Funds and Eligible Liabilities) eligible debt will be issued by BOIG plc and downstreamed to the Bank.

As a result of the establishment of BOIG plc, and due to the requirements of Articles 85 and 87 of the CRR, regulatory capital instruments issued by subsidiaries (i.e. The Governor and Company of Bank of Ireland) cannot be recognised in full in the prudential consolidation. The calculation of the Group's Tier 1,Total capital and Leverage ratios are stated after a prudent application of the requirements of Articles 85 and 87. The impact of the restriction on recognition of subsidiary issued capital has resulted in a reduction of c.50bps in the Tier 1 ratio and c.140 basis points in the total capital ratio on a regulatory basis.

The requirements and guidance in relation to Articles 85 and 87 are under review by the ECB. Any clarifications from this review may change the Group's calculation, noting a prudent application has been applied by the Group.

Minimum Requirement for Own Funds and Eligible Liabilities (MREL)
The Group expects to receive an MREL target and details of transitional arrangements during the first half of 2018. The Single Resolution Board (SRB) published an updated MREL Policy in December 2017. The Group does not expect the policy to result in any material change in expected requirements from the previously indicated 27.25% 'Informative Target'. Based on the current regulatory Total Capital ratio of 20.2% and excluding the impact of the Corporate Reorganisation on those ratios (1.4%), a modest amount of new MREL issuance is expected.

Capital overview (continued)

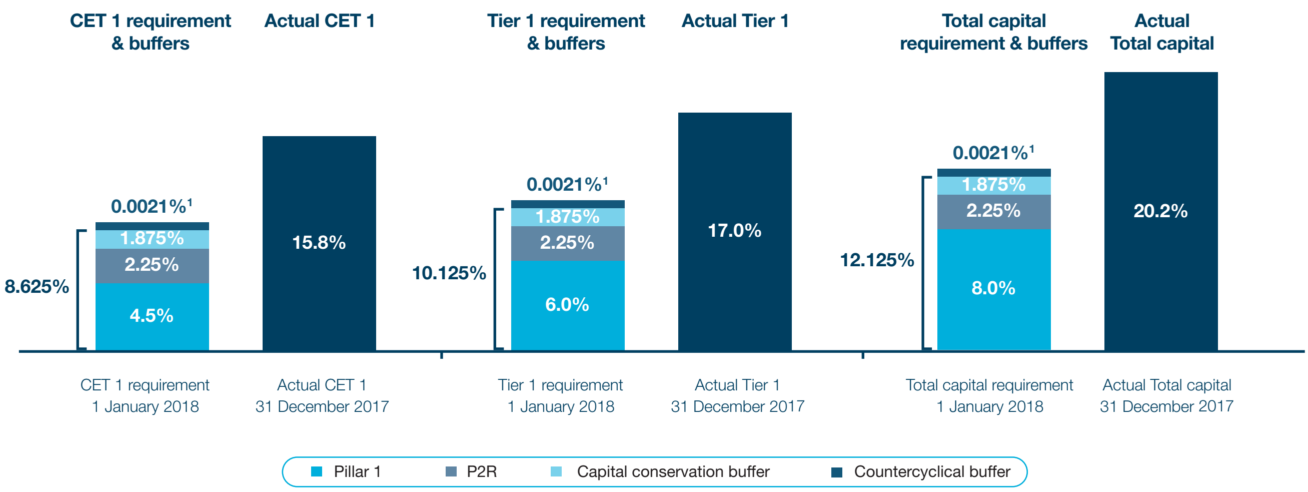
Distributable items
In July 2017, following the corporate reorganisation described in note 46 of the Group's Annual Report, the High Court approved a capital reduction and the creation of €5.5 billion in distributable reserves in BOIG plc. Since that date the Company has generated profits attributable to shareholders of €1.0 billion and therefore, as at 31 December 2017, the Company had reserves available for distribution of €6.5 billion. Further information on the Company's equity is provided in the following sections.

Table 2.2 summarises RWA and minimum capital requirements by risk type. Minimum capital requirement is calculated at 8% of RWA.

Capital requirements and buffers

The capital requirements and buffers for the Group are outlined below:

Capital requirements and buffers for 2017



Capital requirements / buffers
Following the 2017 Supervisory Review and Evaluation Process (SREP) the Group is required to maintain a CET 1 ratio of 8.625% on a regulatory basis from 1 January 2018. This includes a Pillar 1 requirement of 4.5%, a Pillar 2 requirement (P2R) of 2.25% and a capital conservation buffer for 2018 of 1.875% (reflecting a further year phase-in of 0.625%). Pillar 2 guidance (P2G) is not disclosed in accordance with regulatory preference.

The Central Bank of Ireland (CBI) has advised that the Group will be required to maintain an O-SII (Other Systemically Important Institution) buffer, which will be phased in as follows: 0.5% from July 2019, 1.0% from July 2020 and 1.5% from July 2021. Both the SREP requirement and the O-SII buffer are subject to annual review by the SSM and the CBI respectively.

The Group expects to maintain a CET 1 ratio in excess of 13% on a regulatory basis and on a fully loaded basis at the end of the O-SII phase-in period. This includes meeting applicable regulatory capital requirements plus an appropriate management buffer.

The Financial Policy Committee (FPC) in the UK increased the countercyclical buffer (CCyB) from 0% to 0.5%, with binding effect from 27 June 2018 with a further increase to 1%, from 28 November 2018.

The UK CCyB is expected to result in an increase in the Group's capital requirement of c.0.15% from June 2018 and a further c.0.15% from November 2018. The CBI has set the CCyB's for Ireland at 0% from 1 January 2018.

[1] *For information on the Countercyclical buffer, see Table 2.8.*

Capital requirements / RWA

Table 2.3 - Capital requirements / RWA

CRD IV	2017 Capital requirements €m	2017 RWA €m	2016 Capital requirements €m	2016 RWA €m
Credit risk	**3,090**	**38,629**	**3,515**	**43,930**
IRB	**2,231**	**27,891**	**2,665**	**33,303**
of which;				
Foundation IRB	**1,140**	**14,256**	**1,480**	**18,494**
Central governments or central banks	-	-	-	-
Institutions	54	673	69	862
Corporates	1,086	13,583	1,411	17,632
of which;				
- SME	*533*	*6,665*	*621*	*7,766*
- Specialised lending	*70*	*877*	*94*	*1,171*
Advanced IRB	**1,091**	**13,635**	**1,185**	**14,809**
- Secured by real estate property	*928*	*11,595*	*1,027*	*12,834*
- Qualifying revolving	*28*	*345*	*28*	*345*
- Other retail SME	*89*	*1,110*	*89*	*1,113*
- Other retail non SME	*46*	*585*	*41*	*517*
Standardised	**859**	**10,738**	**850**	**10,627**
of which;				
Central governments or central banks	*21*	*268*	*25*	*309*
Regional governments or local authorities	*1*	*17*	*1*	*16*
Public sector entities	*3*	*38*	-	-
Multilateral development banks[1]	-	-	-	-
International organisations[1]	-	-	-	-
Institutions	-	-	-	-
Corporates	*308*	*3,845*	*326*	*4,079*
Retail	*223*	*2,783*	*194*	*2,423*
Secured by mortgages on immovable property	*13*	*159*	*13*	*157*
Exposures in default	*55*	*693*	*72*	*894*
Exposures associated with particularly high risk	*13*	*163*	*14*	*175*
Covered bonds[2]	-	-	-	-
Claims on institutions and corporates with a short-term credit assessment	-	-	-	-
Collective investment undertakings	-	-	-	-
Equity exposures	-	-	-	-
Other items	*222*	*2,772*	*206*	*2,574*
Counterparty credit risk (incl. CVA)	**58**	**729**	**113**	**1,418**
Settlement risk	**-**	**-**	**-**	**2**
Securitisations	**37**	**467**	**27**	**335**
Market risk	**41**	**516**	**30**	**380**
Operational risk	**370**	**4,619**	**367**	**4,591**
Total capital requirements	**3,596**	**44,960**	**4,052**	**50,656**

Table 2.3 shows the amount of capital the Group is required to set aside to meet the minimum total capital ratio of 8% of RWA set by CRD IV.

Under CRD IV, the Group is required to maintain a transitional floor set at 80% of Basel I requirements. The transitional floor capital requirement was €nil at 31 December 2017 and €nil at 31 December 2016.

The IRB and Standardised categories included in this table are the exposure classes outlined in CRD IV.

[1] The Group has exposures in the Standardised approach for multilateral development banks and International organisations, however these are 0% risk weighted.

[2] The Group's holdings of Covered bonds are included in the IRB approach.

Breakdown of the Group's regulatory capital requirement

At 31 December 2017, the Group applied the Foundation IRB and Retail IRB approaches to 68% (2016: 71%) of its credit exposures. In addition, 73% of credit RWA are based on IRB approaches (2016: 77%). Table 2.4 shows the Group's minimum capital requirements (based on 8% of RWA), RWA and net value by risk type.

Table 2.4 - Minimum capital requirements, risk weighted assets and net value by risk type

	2017			2016		
	Capital requirement €m	**Risk weighted assets €m**	**Net value €m**	Capital requirement €m	Risk weighted assets €m	Net value €m
Credit risk	3,090	38,629	113,192	3,515	43,930	114,354
- IRB approach	*2,231*	*27,891*	*76,067*	*2,665*	*33,303*	*79,846*
- Standardised approach	*859*	*10,738*	*37,125*	*850*	*10,627*	*34,508*
Counterparty credit risk	58	729	1,390	113	1,418	1,869
Settlement risk	-	-	-	-	2	-
Securitisation	37	467	4,057	27	335	2,841
Market risk	41	516	-	30	380	-
Operational risk	370	4,619	-	367	4,591	-
Total	**3,596**	**44,960**	**118,639**	**4,052**	**50,656**	**119,064**

Credit risk RWA (Standardised approach and IRB approaches) at 31 December 2017 of €38.6 billion are €5.3 billion lower than credit risk RWA of €43.9 billion at 31 December 2016. The decrease of €5.3 billion in RWA is primarily due to the change in book size and quality, changes in methodology, the execution of a credit risk transfer transaction and the impact of foreign exchange movements.

Market risk RWA and operational risk RWA are both calculated using the Standardised approach.

Capital resources

Table 2.5 sets out the Group's capital position as at 31 December 2017 and 31 December 2016 and a reconciliation of accounting with regulatory capital.

It should be noted that while some quantitative information in this document is based on financial data contained in the Group's Annual Report 31 December 2017, other quantitative data is sourced from the Group's regulatory reporting platform and is calculated according to regulatory requirements.

Further explanations relating to items contained in this table are included in Appendix I.

Capital resources (continued)

Table 2.5 - Reconciliation of accounting capital with regulatory capital

CRD IV	2017 Regulatory €m	2017 Fully loaded €m	2016 Regulatory €m	2016 Fully loaded €m
Capital base				
Total equity[1]	9,667	9,667	9,402	9,402
Less proposed dividend[2]	(120)	(120)	-	-
- less Additional tier 1 capital	(750)	(750)	(750)	(750)
Total equity less instruments not qualifying as CET 1	**8,797**	**8,797**	**8,652**	**8,652**
Regulatory adjustments being phased in / out under CRD IV	**(618)**	**(1,483)**	**(520)**	**(1,458)**
- Deferred tax assets[3]	*(345)*	*(1,150)*	*(243)*	*(1,215)*
- 10% / 15% threshold deduction[4]	-	*(78)*	-	*(43)*
- Retirement benefit obligations[5]	*95*	-	*156*	-
- Available for sale reserve[6]	*(68)*	-	*(140)*	-
- Pension supplementary contributions[5]	*(10)*	-	*(20)*	-
- Other adjustments[7]	*(290)*	*(255)*	*(273)*	*(200)*
Other regulatory adjustments	**(1,057)**	**(1,119)**	**(915)**	**(975)**
- Expected loss deduction[8]	*(247)*	*(309)*	*(90)*	*(150)*
- Intangible assets and goodwill	*(723)*	*(723)*	*(625)*	*(625)*
- Dividend / coupon expected on other equity instruments	*(2)*	*(2)*	*(2)*	*(2)*
- Cash flow hedge reserve	*(41)*	*(41)*	*(156)*	*(156)*
- Own credit spread adjustment (net of tax)	*22*	*22*	*12*	*12*
- Securitisation deduction	*(66)*	*(66)*	*(54)*	*(54)*
Common equity tier 1	**7,122**	**6,195**	**7,217**	**6,219**
Additional tier 1				
AT1 instruments (issued by parent entity)	-	-	805	750
Instruments issued by subsidiaries that are given recognition in AT1 capital[9]	534	480	-	-
Regulatory adjustments	(31)	-	(30)	-
- Expected loss deduction[8]	*(31)*	-	*(30)*	-
Total tier 1 capital[10]	**7,625**	**6,675**	**7,992**	**6,969**
Tier 2				
Tier 2 instruments (issued by parent entity)	785	785	1,240	1,276
Instruments issued by subsidiaries that are given recognition in Tier 2 capital[9]	799	699	-	-
Regulatory adjustments	**(31)**	**-**	**(30)**	**-**
- Expected loss deduction[8]	*(31)*	-	*(30)*	-
Standardised incurred but not reported (IBNR) provisions	9	-	22	-
Provisions in excess of expected losses on defaulted assets	-	-	150	150
Other adjustments	(106)	(160)	10	(80)
Total tier 2 capital	**1,456**	**1,324**	**1,392**	**1,346**
Total capital[10]	**9,081**	**7,999**	**9,384**	**8,315**

1 *As outlined in the Group accounting policies on page 148 of the Group's Annual Report comparative periods have been restated to reflect the impact of the voluntary change in the Life assurance operations policy. See note 62 for additional information. For capital comparatives, December 2016 equity has not been restated and capital numbers are reported as per the Group's regulatory submission to the ECB.*

2 *A potential dividend of €120 million has been deducted as required under Article 2 of EU Regulation No. 241/2014. The Board has proposed an ordinary dividend of €124 million in respect of 2017, which subject to shareholder approval will be deducted from equity once paid.*

3 *Deduction relates to DTA on losses carried forward, net of certain deferred tax liabilities. The deduction is phased at 30% in 2017, increasing annually at a rate of 10% thereafter.*

4 *The 10% / 15% threshold deduction is phased in at 80% in 2017 and increasing to 100% in 2018, and is deducted in full from CET 1 under fully-loaded rules.*

5 *Regulatory deductions applicable under CRD and phased out under CRD IV relate primarily to national filters. These will be phased out at 20% per annum until 2018 and are not applicable under fully loaded rules.*

6 *CRD IV transitional rules in 2017 require phasing in 80% of unrealised losses and 80% of unrealised gains. In 2018 unrealised losses and gains will be phased in at 100%. The reserve is recognised in capital under fully loaded CRD IV rules.*

7 *Includes technical items such as other national filters and non-qualifying CET 1 items.*

8 *Under CRD IV transitional rules, expected loss deduction is phased in at 80% in 2017. Expected loss not deducted from CET 1 is deducted 50:50 from Tier 1 and Tier 2 capital. It is deducted in full from CET 1 under fully loaded rules.*

9 *The parent entity for 2016 refers to the Bank and for 2017 refers to BOIG plc. Also includes instruments issued by subsidiaries not subject to restriction on recognition in consolidated own funds.*

10 *The calculation of the Group's Tier 1, total capital and related ratios (including leverage ratio) at December 2017 are stated after a prudent application of the requirements of Articles 85 and 87 of Capital Requirements Regulation (CRR). Further details are provided on page 19.*

Capital resources (continued)

Table 2.6 - Capital flow statement

	2017		2016	
Common equity tier 1 (CET 1) capital	**Regulatory €m**	**Fully loaded €m**	Regulatory €m	Fully loaded €m
Opening amount	**7,217**	**6,219**	**7,089**	**6,001**
Profit for the year (attributable to shareholders of the parent company)	692	692	793	793
Dividends on other preference equity instruments interest paid in cash	(7)	(7)	(8)	(8)
Distribution on other Equity instruments - Additional tier 1 coupon	(48)	(48)	(73)	(73)
Forseeable dividend	(120)	(120)	-	-
Removal of own credit spread (net of tax)	10	10	(1)	(1)
Movements in other comprehensive income	(256)	(256)	(422)	(422)
- Currency translation differences	*(146)*	*(146)*	*(419)*	*(419)*
- Available for sale investments	*(9)*	*(9)*	*(169)*	*(169)*
- Remeasurement of the net defined benefit pension liability, net of tax	*(112)*	*(112)*	*167*	*167*
- Other reserve movements	*11*	*11*	*(1)*	*(1)*
Intangibles assets and goodwill	(98)	(98)	(116)	(116)
Securitisation deduction	(12)	(12)	8	8
10%-15% threshold deduction	-	(34)	-	2
Other, including regulatory adjustments and transitional arrangements	(256)	(151)	(53)	35
- Deferred tax assets that rely on future profitability (excluding those arising from temporary differences)	*(102)*	*65*	*(109)*	*130*
- Expected loss adjustment	*(157)*	*(158)*	*(73)*	*(115)*
- Retirement benefit obligations	*(61)*	*-*	*(235)*	*-*
- Available for Sale Reserve	*72*	*-*	*326*	*-*
- Pension supplementary contributions	*11*	*-*	*16*	*-*
- Capital contribution on CCN	*-*	*-*	*7*	*-*
- Other	*(19)*	*(58)*	*15*	*20*
Closing amount	**7,122**	**6,195**	**7,217**	**6,219**
Additional tier 1 capital				
Opening amount	**775**	**750**	**808**	**750**
Restriction on recognition of subsidiary issued capital instruments (Article 85 CRR)	(216)	(270)	-	-
Other, including regulatory adjustments and transitional arrangements	(56)	-	(33)	-
Closing amount	**503**	**480**	**775**	**750**
Total tier 1 capital[1]	**7,625**	**6,675**	**7,992**	**6,969**
Tier 2 capital				
Opening amount	**1,392**	**1,346**	**1,679**	**1,586**
Restriction on recognition of subsidiary issued capital instruments (Article 87 CRR)	(401)	(502)	-	-
Amortisation adjustments	(42)	(42)	(156)	(156)
New Tier 2 capital issuance	748	748	-	-
Other, including regulatory adjustments and transitional arrangements	(241)	(226)	(131)	(84)
Closing amount	**1,456**	**1,324**	**1,392**	**1,346**
Total regulatory capital[1]	**9,081**	**7,999**	**9,384**	**8,315**

[1] *The calculation of the Group's Tier 1, total capital and related ratios (including leverage ratio) at December 2017 are stated after a prudent application of the requirements of Articles 85 and 87 of Capital Requirements Regulation (CRR). Further details are provided on page 19.*

Capital resources (continued)

The following section provides commentary on the key movements in the reconciliation of accounting capital with regulatory capital during the year ended 31 December 2017. Table 2.6 also provides a capital flow statement outlining the movements in the CRD IV regulatory capital tiers during 2017. Appendix I provides qualitative information on, and a brief explanation of, the principle components of the Group's CRD IV capital resources as outlined in Table 2.7.

Total equity increased by €0.3 billion during 2017 from €9.4 billion at 31 December 2016 to €9.7 billion at 31 December 2017, primarily due to the impact of attributable profits partially offset by negative movements in the defined benefit pension schemes and reductions in the AFS and the foreign exchange reserves.

Regulatory adjustments on a regulatory basis to CET 1 capital totaled €1.7 billion at 31 December 2017 versus €1.4 billion at 31 December 2016. The increase is primarily due to increases in the intangible asset and goodwill / expected loss deductions and the impact of an additional year of phasing under the transitional arrangements of the CRR including:

- Deferred tax assets - 30% of deferred tax related to future profitability is required to be deducted in 2017. This will increase by 10% per annum until 2024;
- Retirement benefit obligations – the add back of the defined benefit pension schemes deficit is phased out under CRD IV rules at 80% in 2017, giving a reduction in the add back from that as at 31 December 2016; and
- Available for sale reserve (AFS) – the decrease in the deduction is due to CRD IV phasing rules for AFS assets which require phasing in of 80% of unrealised losses and 80% unrealised gains in 2017.

Additional tier 1 capital on a regulatory basis has decreased by €0.3 billion primarily due to the impact of the restriction on recognition of subsidiary issued capital instruments (Article 85 CRR).

Tier 2 capital on a regulatory basis has increased by €0.1 billion to €1.5 billion at 31 December 2017, primarily due to the issuance of Stg£300 million and US$500 million of Tier 2 instruments which was largely offset by the impact of the restriction on recognition of subsidiary issued capital instruments (Article 87 CRR), a reduction in provisions in excess of expected loses on defaulted assets and other regulatory adjustments.

Group holding company and capital impacts

The Group implemented a corporate reorganisation resulting in Bank of Ireland Group plc (BOIG plc) being introduced as the listed holding company of the Group in July 2017. BOIG plc was established to facilitate the SRB's preferred resolution strategy which consists of a single point of entry bail-in strategy. All future issuance of MREL (Minimum Requirement for Own Funds and Eligible Liabilities) eligible debt will be issued by BOIG plc and downstreamed to the Bank.

As a result of the establishment of BOIG plc, and due to the requirements of Articles 85 and 87 of the CRR, regulatory capital instruments issued by subsidiaries (i.e. The Governor and Company of Bank of Ireland) cannot be recognised in full in the prudential consolidation. The calculation of the Group's Tier 1, total capital and leverage ratios are stated after a prudent application of the requirements of Articles 85 and 87. The impact of the restriction on recognition of subsidiary issued capital has resulted in a reduction of c.50 basis points in the Tier 1 ratio and c.140 basis points in the total capital ratio on a regulatory basis.

The requirements and guidance in relation to Articles 85 and 87 are under review by the ECB. Any clarifications from this review may change the Group's calculation, noting a prudent application has been applied by the Group.

Table 2.7 outlines the component parts of regulatory capital with further details of capital instruments, adjustments, deductions and filters in line with the prescribed template provided in Article 5 of commission regulation (EU) No.1423/2013.

The table further details total risk weighted assets, capital ratios and buffers before listing applicable caps on the inclusion of provisions in Tier 2 and capital instruments subject to phase-out.

Line referencing for Annex VI of commission regulation (EU) No.1423/2013 is also provided. Rows that are not applicable to the Group and rows with nil balances have been omitted.

Amounts subject to pre-regulation (EU) No.575/2013 treatment or prescribed residual amount of regulation (EU) No.575/2013, are listed separately at the end of the table.

Capital resources (continued)

Table 2.7 - Regulatory & fully loaded own funds disclosure

CRD IV Annex VI - Reference		2017 Regulatory €m	2017 Fully loaded €m	2016 Regulatory €m	2016 Fully loaded €m
Common equity tier 1 (CET 1) capital: instruments and reserves					
1	Capital Instruments and the related share premium accounts	1,535	1,535	3,056	3,056
	of which;				
	- Ordinary stock	*1,079*	*1,079*	*1,616*	*1,6166*
	- Deferred stock	-	-	*920*	*920*
	- Treasury stock	-	-	*2*	*2*
	- Share premium	*456*	*456*	*518*	*518*
2	Retained earnings	7,211	7,211	5,204	5,204
3	Accumulated other comprehensive income (and other reserves)	138	138	342	342
6	**Common equity tier 1 (CET 1) capital before regulatory adjustments**	**8,884**	**8,884**	**8,602**	**8,602**
Common equity tier 1 (CET 1) capital regulatory adjustments					
7	Additional value adjustments / other	(165)	(165)	(140)	(140)
8	Intangible assets (net of related tax liability)	(723)	(723)	(625)	(625)
10	Deferred tax asset that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(345)	(1,150)	(243)	(1,215)
11	Fair value reserves related to gains or losses on cashflow hedges	(41)	(41)	(156)	(156)
12	Negative amounts resulting from the calculation of expected loss amounts	(247)	(309)	(90)	(150)
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	22	22	12	12
15	Defined-benefit pension fund assets	(46)	(57)	(5)	(8)
16	Direct and indirect holdings by an institution of own CET 1 instruments	-	-	(2)	(2)
19	Direct, indirect and synthetic holdings by institutions of the CET 1 Instruments of financial sector entities where the institution has a significant investment in those entities	-	(78)	-	(43)
20a	Exposure amount of the following items which qualify for a RW of 1250%	(66)	(66)	(54)	(54)
20c	*of which;*				
	- Securitisation positions	*(66)*	*(66)*	*(54)*	*(54)*
26a	Regulatory adjustments relating to unrealised gains and losses	(68)	-	(140)	-
	of which;				
	- Unrealised gains on non sovereign bonds	*(18)*	-	*(44)*	-
	- Unrealised losses on non sovereign bonds	*3)*	-	*9*	-
	- Unrealised gains on sovereign bonds	*(53)*	-	*(107)*	-
	- Unrealised losses on sovereign bonds	-	-	*2*	-

Capital resources (continued)

Table 2.7 - Regulatory & fully loaded own funds disclosure (continued)		2017		2016	
CRD IV Annex VI - Reference		**Regulatory €m**	**Fully loaded €m**	Regulatory €m	Fully loaded €m
26b	Amount to be deducted from or added to Common equity tier 1 capital with regard to additional filters and deductions required pre CRR	(83)	(122)	58	(2)
	of which;				
	- Defined benefit pension scheme	*95*	-	*156*	-
	- Value in force asset	*(46)*	-	*(82)*	-
	- Property revaluation reserve	*(7)*	-	*(8)*	-
	- Fair value on Bristol and West Sub debt	*7*	-	*14*	-
	- Minimum funding standard pension contributions	*(10)*	-	*(20)*	-
	- Dividend / coupon expected on other equity instruments	*(2)*	*(2)*	*(2)*	*(2)*
	- Foreseeable dividend	*(120)*	*(120)*	-	-
28	**Total regulatory adjustments to Common equity tier 1 (CET 1)**	**(1,762)**	**(2,689)**	**(1,385)**	**(2,383)**
29	**Common equity tier 1 (CET 1) capital**	**7,122**	**6,195**	**7,217**	**6,219**
Additional tier 1 (AT1) capital: instruments					
30	Capital instruments and the relates share premium accounts	-	-	750	750
31	*of which;*				
	- Classified as equity under applicable accounting standards	-	-	*750*	*750*
33	Amount of qualifying items referred to in Articles 484 (4) and the related share premium accounts subject to phase out of the AT1	-	-	55	-
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties	534	480	-	-
35	*of which;*				
	- Instruments issued by subsidiaries subject to phase out	-	-	-	-
36	**Additional tier 1 (AT1) capital before regulatory adjustments**	**534**	**480**	**805**	**750**
Additional tier 1 (AT1) capital: regulatory adjustments					
41	Regulatory adjustments applied to Additional tier 1 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in regulation No 575/2013 (i.e. CRR residual amounts)	(31)	-	(30)	-
41a	Residual amounts deducted from Additional tier 1 capital with regard to deduction from Common equity tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	(31)	-	(30)	-
	of which;				
	- Shortfall of provisions to expected losses	*(31)*	-	*(30)*	-`
	- Investment in significant financial institutions	-	-	-	-
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	-	-	-	-
43	**Total regulatory adjustments to Additional tier 1 (AT1) capital**	**(31)**	**-**	**(30)**	**-**
44	**Additional tier 1 (AT1) capital**	**503**	**480**	**775**	**750**
45	**Tier 1 capital[1] (T1 = CET 1 + AT1)**	**7,625**	**6,675**	**7,992**	**6,969**

[1] *The calculation of the Group's Tier 1, total capital and related ratios (including leverage ratio) at December 2017 are stated after a prudent application of the requirements of Articles 85 and 87 of Capital Requirements Regulation (CRR). Further details are provided on page 19.*

Capital resources (continued)

Table 2.7 - Regulatory & fully loaded own funds disclosure (continued)

CRD IV Annex VI - Reference		2017 Regulatory €m	2017 Fully loaded €m	2016 Regulatory €m	2016 Fully loaded €m
Tier 2 (T2) capital: instruments and provisions					
46	Capital instruments and the related share premium accounts	785	785	1,240	1,276
47	Amount of qualifying items referred to in article 484 (5) and the related share premium accounts subject to phase out from T2	-	-	-	-
48	Public sector capital injections grandfathered until 1 Jan 2018	-	-	-	-
49	Qualifying own funds instruments included in consolidated T2 capital (including minority interest and AT1 instruments not included in rows 5 or 34 issued by subsidiaries and held by third parties	799	699	-	-
	of which;				
	- Instruments issued by subsidiaries subject to phase out	-	-	-	-
50	Credit risk adjustments	-	-	150	150
51	**Tier 2 (T2) capital before regulatory adjustments**	**1,584**	**1,484**	**1,390**	**1,426**
Tier 2 (T2) capital: regulatory adjustments					
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions)	(160)	(160)	(80)	(80)
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common equity tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU No 575/2013)	(31)	-	(30)	-
	of which;				
	- Shortfalls of provisions to expected losses	*(31)*	-	*(30)*	-
	- Investment in significant financial institutions	-	-	-	-
56c	Amount to be deducted from or added to tier 2 capital with regards to additional filters and deductions required pre CRR	63	-	112	-
	of which;				
	IBNR provisions	*9*	-	*22*	-
	Value in force asset	*46*	-	*82*	-
	Property revaluation reserve	*8*	-	*8*	-
57	**Total regulatory adjustments to tier 2 (T2) capital**	**(128)**	**(160)**	**2**	**(80)**
58	**Tier 2 (T2) capital**	**1,456**	**1,324**	**1,392**	**1,346**
59	**Total capital[1] (TC = T1+T2)**	**9,081**	**7,999**	**9,384**	**8,315**
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	-	-	-	-
	of which;				
	- Items not deducted from CET 1 (Regulation (EU) No 575/2013 residual amounts) Deferred tax assets that rely on future profitability net of related tax liability	-	-	-	-
	- Items not deducted from CET 1 (Regulation (EU) No 575/2013 residual amounts) Direct holdings in CET 1 instruments of financial sector entities where the institution has a significant investment	-	-	-	-
60	**Total risk weighted assets**	**44,960**	**44,770**	**50,656**	**50,548**

[1] *The calculation of the Group's Tier 1, total capital and related ratios (including leverage ratio) at December 2017 are stated after a prudent application of the requirements of Articles 85 and 87 of Capital Requirements Regulation (CRR). Further details are provided on page 19.*

Capital resources (continued)

Table 2.7 - Regulatory & fully loaded own funds disclosure (continued)

CRD IV Annex VI - Reference		2017 Regulatory €m	2017 Fully loaded €m	2016 Regulatory €m	2016 Fully loaded €m
Capital ratios and buffers					
61	Common equity tier 1	15.8%	13.8%	14.2%	12.3%
62	Tier 1	17.0%	14.9%	15.7%	13.7%
63	Total capital	20.2%	17.9%	18.5%	16.4%
64	Institution specific buffer requirement (CET 1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer expressed as a percentage of risk exposure amount)	5.75%	8.5%	5.1%	8.5%
65	*of which;*				
	- Capital conservation buffer requirement	*1.25%*	*2.5%*	*0.6%*	*2.5%*
66	*- Countercyclical buffer requirement*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
67	*- Systemic risk buffer requirement*	-	-	-	-
67a	*- Global Systemically Important institution (G-SII) or Other Systemically Important Institution (O-SII) buffer*	-	*1.5%*	-	*1.5%*
68	Common equity tier 1 available to meet buffers (as a percentage of risk exposure amount)	11.3%	9.3%	9.7%	7.8%
Amounts below the threshold for deduction (before risk weighting)					
73	Direct and indirect holdings by the institution of the CET 1 instruments of financials sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	705	627	669	626
75	Deferred tax assets arising from temporary difference (amount below 10% threshold, net of related tax liability where the conditions on Article 38(3) are met)	107	107	124	124
	Applicable cap on the inclusion of provisions in Tier 2				
77	Cap on inclusion of credit risk adjustments in T2 under Standardised approach	134	134	133	133
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap) credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-	-	150	150
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	174	174	208	208
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2014 and 1 January 2022)					
82	Current cap on AT1 instruments subject to phase out arrangements	-	-	55	-
Amounts subject to pre-regulation (eu) no 575/2013 treatment or prescribed residual amount of regulation (eu) 575/2013					
10	Deferred tax asset that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(805)		(972)	
12	Negative amounts resulting from the calculation of expected loss amounts	(62)		(60)	
15	Defined-benefit pension fund assets	(11)		(3)	

Capital resources (continued)

Countercyclical buffer
CRD IV provides for a countercyclical buffer that could require banks to hold additional CET 1 capital of up to 2.5%. This requirement is expected to be imposed by the designated authority where credit growth is deemed to be excessive and leading to the build-up of system-wide risk.

The countercyclical buffer will be phased in from 1 January 2016 to 1 January 2019.

At 31 December 2017, the Central Bank of Ireland (RoI) and Financial Policy Committee (UK) have set the Countercyclical buffer (CCyB) at 0%. The geographical distribution of exposures to the countries and the overall additional capital requirement of €1 million at 31 December 2017 are outlined below.

Table 2.8 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer

	General credit exposures		Trading book exposures		Securities exposures		Own funds requirements					
2017 (€m)	Exposure value for SA	Exposure value for IRB	Sum of long and short position of trading book	Value of trading book exposure for internal models	Exposure value for SA	Exposure value for IRB	General credit exposures	Trading book exposures	Securitisation exposures	Total	Own funds requirement weights	Counter-cyclical capital buffer rate
Countries with a buffer												
Sweden	-	21	-	-	-	-	2	-	-	2	0.0006	2.00%
Norway	-	1	-	-	-	-	-	-	-	-	0.0000	1.50%
Hong Kong	21	9	-	-	-	-	2	-	-	2	0.0006	1.25%
Iceland	-	-	-	-	-	-	-	-	-	-	0.0000	1.25%
Slovakia	-	-	-	-	-	-	-	-	-	-	0.0000	0.50%
Czech Republic	-	1	-	-	-	-	-	-	-	-	0.0000	0.50%
Total	**21**	**32**	**-**	**-**	**-**	**-**	**4**	**-**	**-**	**4**	**0.0013**	**-**
Countries with a zero rate or no buffer												
Ireland	6,821	37,408				3,924	1,768		29	1,797	0.5837	0.00%
United Kingdom[1]	4,530	27,994				633	989		4	993	0.3226	0.00%
United States	28	1,466				19	129		4	133	0.0433	0.00%
Other	143	1,791				32	152		-	152	0.0491	0.00%
Total	**11,522**	**68,659**	**-**	**-**	**-**	**4,608**	**3,038**	**-**	**37**	**3,075**	**0.9987**	**-**
Overall total	**11,542**	**68,691**	**-**	**-**	**-**	**4,608**	**3,042**	**-**	**37**	**3,079**	**1.0000**	**-**

Amount of institution-specific countercyclical capital buffer	2017
Total risk exposure amount (€m)	44,960
Institution specific countercyclical buffer rate (%)	0.0021%
Institution specific countercyclical buffer requirement (€m)	1

[1] *The Financial Policy Committee (FPC) in the UK increased the countercyclical buffer (CCyB) to 0.5% from 0%, with binding effect from 27 June 2018 with a further increase to 1%, from 28 November 2018.*

Capital resources (continued)

Table 2.8 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer

	General credit exposures		Trading book exposures		Securities exposures		Own funds requirements					
2016 (€m)	Exposure value for SA	Exposure value for IRB	Sum of long and short position of trading book	Value of trading book exposure for internal models	Exposure value for SA	Exposure value for IRB	General credit exposures	Trading book exposures	Securitisation exposures	Total	Own funds requirement weights	Countercyclical capital buffer rate
Countries with a buffer												
Sweden	0	46	-	-	-	-	4	-	-	4	0.0011	1.50%
Norway	0	30	-	-	-	-	4	-	-	4	0.0012	1.50%
Hong Kong	25	29	-	-	-	-	4	-	-	4	0.0012	0.63%
Total	25	105	-	-	-	-	12	-	-	12	0.0035	-
Countries with a zero rate or no buffer												
Ireland	6,974	38,117	-	-	-	2,671	1,883	-	15	1,898	0.5423	0.00%
United Kingdom	4,084	29,555	-	-	-	101	1,076	-	6	1,082	0.3091	0.00%
United States	37	2,556	-	-	-	28	273	-	6	279	0.0797	0.00%
Other	176	2,387	-	-	-	41	229	-		229	0.0654	0.00%
Total	11,271	72,615	-	-	-	2,841	3,461	-	27	3,488	0.9965	-
Overall total	11,296	72,720	-	-	-	2,841	3,473	-	27	3,500	1.0000	-

Amount of institution-specific countercyclical capital buffer	2016
Total risk exposure amount (€m)	50,656
Institution specific countercyclical buffer rate (%)	0.0042%
Institution specific countercyclical buffer requirement (€m)	2

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Capital instruments

The following table provides information on the regulatory values of the Group's Additional tier 1 capital and Tier 2 debt.

The regulatory values in the below table will differ from the accounting values disclosed in the Group's Annual Report 31 December 2017 as the regulatory values exclude hedge accounting adjustments and include the impact of regulatory amortisation where the instrument has less than five years to maturity.

The capital instruments template disclosure according to Article 3 in Commission implementing regulation (EU) No.1423/2013 is published separately at www.bankofireland.com.

Table 2.9 - Capital instruments

2017	Nominal outstanding €m	Accounting value €m	CRD IV regulatory €m	CRD IV fully loaded €m
Issued by subsidiaries that are given recognition in AT1 capital				
€750 million 7.375% Additional tier 1 instrument	750	740	750	750
Restriction on recognition of subsidiary capital instruments[1] (Article 85 CRR)	-	-	(216)	(270)
Additional tier 1 capital[1]	**750**	**740**	**534**	**480**
Issued by Bank of Ireland Group plc (parent entity) Tier 2 capital				
Stg£300 million 3.125% Fixed Rate Reset Callable Subordinated Notes 2027	338	332	335	335
US$500 million 4.125% Fixed Rate Reset Callable Subordinated Notes 2027	417	406	413	413
Bristol & West plc Stg£32.6 million 8.1/8 % non-cumulative preference shares	37	37	37	37
	792	**775**	**785**	**785**
Issued by subsidiaries that are given recognition in Tier 2 capital				
€250 million 10% Fixed Rate Subordinated Notes 2022	250	264	247	247
€1002 million 10% Fixed Rate Subordinated Notes 2020	206	222	87	87
€750 million 4.25% Fixed Rate Subordinated Notes 2024	750	759	748	748
Other	2	2	1	1
Bank of Ireland Stg£75 million 13.3/8% Perpetual Subordinated Bonds	52	85	52	52
Non-cumulative preference stock (1.9 million units of Stg£1 each and 3 million units of €1.27 each)	6	66	66	66
Restriction on recognition of subsidiary capital instruments[1] (Article 87 CRR)	-	-	(402)	(502)
	1,266	**1,398**	**799**	**699**
Total Tier 2 capital instruments	**2,058**	**2,173**	**1,584**	**1,484**
Total capital instruments[1]	**2,808**	**2,913**	**2,118**	**1,964**

[1] *The calculation of the Group's Tier 1, total capital and related ratios (including leverage ratio) at December 2017 are stated after a prudent application of the requirements of Articles 85 and 87 of Capital Requirements Regulation (CRR). Further details are provided on page 19.*

Risk management

Risk management overview

Risk management
The Group has identified the following key risks: business and strategic risk, conduct risk, credit risk, funding & liquidity risk, life insurance risk, market risk, operational risk, pension risk, regulatory risk and reputation risk. An introduction to the Group's assessment of its capital requirements for credit risk, market risk and operational risk is outlined below while detail regarding how these, and other risks are identified, managed, measured and mitigated is provided in the Risk Management Report from page 12 of the Group's Annual Report 31 December 2017.

The Board of Directors (the 'Board') considers the risk management systems in place in the Group as outlined in the Risk Management Report in the Group's Annual Report 31 December 2017 and in particular under Section 2 Risk Management Framework on page 49, to be adequate having regard to the Group's profile and strategy.

The role of the Board in relation to risk management is also set out in 'Role of the Board' in the Corporate Governance Statement of the Annual Report 31 December 2017 on pages 88 to 112. Also set out in this statement is information relating to the:

- recruitment policy for the selection of members of the management body; and
- policy on diversity with regard to selection of members of the management body, its objectives and any relevant targets set out in that policy.

The number of directorships held by members of the Board is listed in the Table 3.2. In addition, there have been no additional directorships approved by the competent authorities in respect of the Directors during the reporting period.

For further information on how the Group applies the principles of good corporate governance see the Corporate Governance Statement in the Group's Annual Report 31 December 2017 (pages 88 to 112).

Risk profile
The Group follows an integrated approach to risk management to ensure that all material classes of risk are taken into consideration and that the Group's overall business strategy and remuneration practices are aligned with its risk and capital management strategies. The Group's formal governance process to risk management is set out in the Group Risk Framework, which has the objective of ensuring that risks are managed and reported in a consistent manner across the Group. The Framework outlines the approach for setting risk appetite, risk identification, assessment, measurement, monitoring and reporting. The Framework is reviewed, approved and cascaded by the Group Chief Risk Officer annually to all relevant senior management in the Group, and is reviewed and approved by the Board at minimum every three years.

The Risk Management Framework, Section 2 of the Risk Management Report in the Group's Annual Report 31 December 2017, contains information on the key components of the Group Risk Framework including risk governance, risk culture, risk strategy & appetite, risk analysis & measurement, and risk monitoring & reporting. This includes information relating to the:

Table 3.1 - Key risk figures and ratios

	2017	2016
Loan book profile (on balance sheet - gross of provisions)	**€bn**	**€bn**
Residential mortgages	46.7	48.2
Consumer	4.3	3.8
SME	9.9	10.7
Corporate	8.8	9.3
Property Investment	8.3	9.3
Property, land and development	0.5	1.0
Risk-based capital ratios as a % of RWA	**%**	**%**
Common equity tier 1 ratio (%)	15.8%	14.2%
Tier 1 ratio (%)	17.0%	15.7%
Total capital ratio (%)	20.2%	18.5%
Leverage ratio		
Leverage ratio (%)	7.0%	7.3%
Liquidity coverage ratio		
LCR ratio (%)	136%	113%
Net stable funding ratio		
NSFR ratio	127%	122%

Table 3.2 - Number of directorships held by members of the Board

Director	**No of directorships**	**External directorships as counted under Article 91(3) and 91(4) of Directive 2013/36/EU**
Archie G Kane	3	Non-executive director of Melrose Industries PLC
Kent Atkinson	2	None
Richard Goulding	7	Non-executive Director of Citigroup Global Markets Limited, Non-executive Director of Zopa Group Limited
Patrick Haren	2	None
Andrew Keating	7	None
Patrick Kennedy	3	Chairman of Cartrawler
Davida Marston	3	Non-Executive Director of Liberbank S.A.
Francesca McDonagh	2	None
Fiona Muldoon	9	Group Chief Executive of FBD Holdings plc
Patrick Mulvihill	5	Non-executive Director of International Fund Services (Ireland) Limited and Non-executive Director of Virtu Financial Transaction Services Limited

Risk management overview (continued)

- existence of a separate risk committee and the number of times the risk committee has met;
- structure and organisation of risk governance in the Group: including responsibilities, relationships and information flows to the Board and senior management;
- channels to communicate, decline and enforce risk culture;
- risk appetite process and limits;
- risk reporting and measurement systems; and
- use of stress testing for risk management purposes.

The Group's risk identity is to be the leading Irish retail, commercial and corporate bank focused on having long-term relationships with its customers. The Group's core franchise is in Ireland with income and risk diversification through a meaningful presence in the UK and selected international activities where the Group has proven competencies. The Group pursues an appropriate return for the risks taken and on capital deployed while operating within prudent Board-approved risk appetite parameters to have and maintain a robust, standalone financial position.

Risk appetite defines the amount and type of risk the Group is prepared to accept in pursuit of its financial objectives. It informs Group strategy and, as part of the overall framework for risk governance, forms a boundary condition to strategy and guides the Group in its risk-taking and related business activities.

Risk appetite is defined in qualitative terms as well as quantitatively through a series of high level limits and targets covering areas such as credit risk, market risk, funding and liquidity risk, and capital measures. These high level limits and targets are cascaded where appropriate into more granular limits and targets across portfolios and business units. Risk appetite guides the Group in its risk-taking and related business activities, having regard to managing financial volatility, ensuring solvency and protecting the Group's core franchises and growth platforms.

Measures, approved by the Group, are employed to track its profile against the most significant risks that it assumes. Each of these measures has a defined target level or limit, as appropriate, and actual performance is tracked against these target levels or limits.

The Risk Appetite Statement (RAS) includes specific credit limits on sectoral and single name exposures among other qualitative and quantitative risk parameters and it also provides for the implementation of a hierarchy of sectoral credit limits. The RAS is reviewed at least annually or in light of changing business and economic conditions. It is set and approved by the Board following consideration and recommendation by the Board Risk Committee (BRC).

Notwithstanding matters impacting the Groups reputation and the continued intensity of the regulatory environment in 2017, key prudential and loan book profile metrics remain within their limits set by the Board in the RAS. These key ratios and figures associated with the risk profile are included in Table 3.1.

For further information on the Group's risk management framework and management of key Group risks, see Section 2 (pages 49 to 55) and Section 3 (pages 56 to 86) of the Risk Management Report in the Group's Annual Report 31 December 2017.

Credit risk

The Group uses the Standardised, the Foundation IRB and the Retail IRB approaches for the calculation of its credit risk capital requirements. The Standardised approach involves the application of prescribed regulatory risk weights to credit exposures to calculate the capital requirement. The IRB approaches (Foundation and Retail) allow banks, subject to the approval of their regulator, to use their internal credit risk measurement models combined, where appropriate, with regulatory rules, to calculate their regulatory capital requirements.

At 31 December 2017, the Group applied the Foundation IRB and Retail IRB approaches to 68% (2016: 71%) of its group exposures by net value which resulted in 73% of credit risk weighted assets being based on IRB approaches (2016: 77%). The credit risk information disclosed in this document includes a breakdown of the Group's exposures by CRD IV exposure class, geography, sector, maturity and asset quality. Accounting information on past due and impaired financial assets and provisions is also provided.

The Group's approach to management of balances in arrears and impaired loans is rigorous, with a focus on early intervention and active management of accounts. For further details, see the Management of Challenged Assets section on page 59 of the Group's Annual Report 31 December 2017.

Market risk

Market risk is the risk of loss arising from movements in interest rates, foreign exchange rates or other market prices. Market risk arises from the structure of the balance sheet, the Group's business mix and discretionary risk-taking.

The management of market risk in the Group is governed by the Group's RAS and by the Group Policy on Market Risk, both of which are approved by the Board. Discretionary market risk is subject to strict controls which set out the markets and instruments in which risk can be assumed, the types of positions which can be taken and the limits which must be complied with. The Group employs a Value at Risk (VaR) approach to measure, and set limits for, proprietary market risk-taking in Bank of Ireland Global Markets (BoIGM). This is supplemented by a range of other measures including stress tests.

The Group uses the Standardised approach for its assessment of Pillar 1 capital requirements for Trading Book market risk, using the prescribed regulatory calculation method.

Operational risk

The Group has established a formal approach to the management of operational risk in the form of an 'Operational Risk Management Framework'. Implementation of this framework is monitored by the BRC, the GRPC, the GAC and the Group Operational Risk Committee (GORC). Group and business risk exposures are assessed, controls and mitigants are put in place and loss tolerances are set and monitored. This strategy is further supported by risk transfer mechanisms such as the Group's insurance programme.

The Group uses the Standardised approach for its assessment of capital requirements for operational risk, using the prescribed regulatory calculation method.

Credit risk

Credit risk is the risk of loss resulting from a counterparty being unable to meet its contractual obligations to the Group in respect of loans or other financial transactions. This risk includes but is not limited to default risk, concentration risk, country risk, migration risk and collateral risk.

Credit risk arises from loans and advances to customers. It also arises from financial transactions the Group enters into with financial institutions, sovereigns, state institutions; and from reinsurance activities in New Ireland Assurance Company (NIAC) plc.

Credit facilities can be largely grouped into the following categories:

- cash advances (e.g. loans, overdrafts, revolving credit facilities and bonds), including commitments and letters of offer;
- credit related contingent facilities (issuing of guarantees / performance bonds / letters of credit);
- derivative instruments; and
- settlement lines.

The core values and principles governing the provision of credit are contained in the Group Credit Policy which is approved by the Board. Further detail regarding the policy, strategies and processes by which credit risk is managed are included in the Risk Management Report section from page 56 of the Group's Annual Report 31 December 2017.

Detail on the schedule and content of credit risk reporting is provided under the heading 'Credit risk reporting / monitoring' on page 59 of the Group's Annual Report 31 December 2017. Disclosures relating to the active monitoring of credit risk are also included in this section. The processes by which credit risk is assessed and measured are set out in the Credit Risk Measurement section on pages 57 and 58 of the Group's Annual Report 31 December 2017.

Capital measurement approaches and capital standards for credit risk are stated within CRD IV / CRR. The CRR details two approaches for the calculation of minimum regulatory capital requirements for credit risk:

- Standardised approach; and
- Internal Ratings Based (IRB) approach.

The Standardised approach involves the application of prescribed regulatory risk weights to credit exposures to calculate the capital requirements.

The IRB approach allows banks, subject to the approval of their regulator, to use their internal credit risk measurement models combined, where appropriate, with regulatory rules (including regulatory floors or minimum values for certain model outputs), to calculate their regulatory capital requirements.

The Group uses a combination of both the Standardised and IRB approaches for regulatory credit risk capital calculation purposes. The Group has adopted the Foundation IRB approach for certain of its non-retail exposures (seven Probability of Default (PD) models) and the (Advanced) Retail IRB approach (twenty five models in total including EAD, LGD and PD) for the majority of its retail exposures. Exposures for which capital requirements continue to be determined under the Standardised approach primarily include sovereign and multilateral development bank exposures, the Group's land and development exposures, certain asset finance and leasing portfolios, non-credit obligation assets and other corporate exposures for which regulatory approval to use the IRB approach is not held. The Group is committed to further rollout of the IRB approach. Further information on the Group's use of its internal rating systems under the IRB approach is available on pages 46 and 57.

Exposure to credit risk

Table 4.1 is based on net value and shows the Group's point-in-time and average quarterly exposure to credit risk.

Table 4.1 - EU CRB-B - Exposure to credit risk

Exposure class	2017 Net value of exposures at the end of the period €m	2017 Average net exposures over the period €m	2016 Net value of exposures at the end of the period €m	2016 Average net exposures over the period €m
Central governments or central banks	-	-	-	-
Institutions	4,038	4,446	5,296	4,575
Corporates	20,021	21,245	22,086	24,576
of which;				
- SME	*10,014*	*10,323*	*10,861*	*12,529*
- Specialised lending	*948*	*1,040*	*1,224*	*1,432*
Retail	52,008	52,152	52,464	53,298
Secured by real estate property	46,654	46,822	47,188	48,202
- SME	-	-	-	-
- Non-SME	*46,654*	*46,822*	*47,188*	*48,202*
Qualifying revolving	2,680	2,686	2,697	2,709
Other Retail	2,674	2,644	2,579	2,387
- SME	*2,180*	*2,169*	*2,139*	*2,000*
- Non-SME	*494*	*475*	*440*	*387*
Total IRB approach	**76,067**	**77,843**	**79,846**	**82,449**
Central governments or central banks	17,038	16,089	14,981	15,496
Regional governments or local authorities	190	191	189	181
Public sector entities	343	313	183	133
Multilateral development banks	781	785	721	753
International organisations	896	967	623	545
Institutions	-	-	-	-
Corporates	6,044	6,339	6,823	7,515
of which;				
- SME	*3,915*	*4,018*	*4,254*	*4,530*
Retail	8,329	8,320	7,551	7,288
of which;				
- SME	*716*	*731*	*714*	*746*
Secured by mortgages on immovable property	455	439	438	349
of which;				
- SME	-	-	-	-
Exposures in default	570	721	767	746
Items associated with particularly high risk	134	127	143	349
Covered bonds	-	-	-	-
Claims on institutions and corporates with a short-term credit assessment	-	-	-	-
Collective investment undertakings	-	-	-	-
Equity exposures	-	-	-	-
Other items	2,345	2,195	2,089	2,171
Total Standardised approach	**37,125**	**36,486**	**34,508**	**35,526**
Total	**113,192**	**114,329**	**114,354**	**117,975**

Exposure to credit risk (continued)

Information on non-performing exposures (NPE) is included in the Group's Annual Report on page 61 and includes non-performing loans relating to exposures outside of the regulatory scope of consolidation and certain loans which do not meet the regulatory definition for default in line with CRR Article 178.

Table 4.2 presents gross carrying values of credit risk exposures and specific credit risk adjustments, accumulated write-offs and credit risk adjustment charges in the period.

Table 4.2 - EU CR1-A - Credit quality of exposures by exposure class and instrument

2017	Gross carrying value of Defaulted exposures €m	Gross carrying value of Non-defaulted exposures €m	Specific credit risk adjustment €m	General credit risk adjustment €m	Accumulated write-off's €m	Credit risk adjustment charges of the period €m	Net value €m
Central governments or central banks	-	-	-	-	-	-	-
Institutions	-	4,038	-	-			4,038
Corporates	1,864	19,089	932	-	3,516	100	20,021
of which;							
- SME	*1,524*	*9,215*	*725*	-	*1,488*	-	*10,014*
- Specialised lending	*45*	*937*	*34*	-	-	-	*948*
Retail	3,099	49,757	848	-	1,525	(142)	52,008
Secured by real estate property	2,851	44,507	704	-	1,036	(136)	46,654
- SME	-	-	-	-	-	-	-
- Non-SME	*2,851*	*44,507*	*704*	-	*1,036*	*(136)*	*46,654*
Qualifying revolving	20	2,672	12	-	103	-	2,680
Other Retail	228	2,578	132	-	386	(6)	2,674
- SME	*189*	*2,091*	*100*	-	*224*	*4*	*2,180*
- Non-SME	*39*	*487*	*32*	-	*162*	*(10)*	*494*
Total IRB approach	**4,963**	**72,884**	**1,780**	**-**	**5,041**	**(42)**	**76,067**
Central governments or central banks	-	17,038	-	-	-	-	17,038
Regional governments or local authorities	-	190	-	-	-	-	190
Public sector entities	-	343	-	-	-	-	343
Multilateral development banks	-	781	-	-	-	-	781
International organisations	-	896	-	-	-	-	896
Institutions	-	-	-	-	-	-	-
Corporates	*1,015*[1]	6,045	1	-	-	-	6,044
of which;							
- SME	-	*3,916*	*1*	-	-	-	*3,915*
Retail	*69*[1]	8,342	13	-	-	-	8,329
of which;							
- SME	-	*721*	*5*	-	-	-	*716*
Secured by mortgages on immovable property	-	455	-	-	-	-	455
of which;							
- SME	-	-	-	-	-	-	-
Exposures in default	1,084	-	514	-	3,895	57	570
Items associated with particularly high risk	-	134	-	-	-	-	134
Covered bonds	-	-	-	-	-	-	-
Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-
Collective investment undertakings	-	-	-	-	-	-	-
Equity exposures	-	-	-	-	-	-	-
Other items	-	2,345	-	-	-	-	2,345
Total Standardised approach	**1,084**	**36,569**	**528**	**-**	**3,895**	**57**	**37,125**
Total	**6,047**	**109,453**	**2,308**	**-**	**8,936**	**15**	**113,192**
of which;							
Loans	5,956	89,871	2,298	-	8,936	15	93,529
Debt Securities	-	3,102	-	-	-	-	3,102
Off-balance sheet exposures	91	16,480	10	-	-	-	16,561

[1] *Breakdown of the exposure class that corresponds to the exposure before default.*

Geographic analysis of exposures

Under CRD IV a geographical analysis of credit exposures is required based on exposures in the member states in which the institution has been authorised and member states or third countries in which institutions carry out activities through a branch or subsidiary.

The Group's primary markets are Ireland and the UK. The geographical locations shown in Tables 4.3a and 4.3b are based on the business unit where the exposure is booked, rather than where the borrower is located.

The Group also has branches in the US, Germany and France. The value of exposures booked on the balance sheet of these branches is not material (less than 5% of Group credit exposures on a combined basis) and is included in RoI.

Table 4.3 Geographical analysis of exposures - Location where exposure is booked

Table 4.3a - Geographical analysis of exposures - IRB approach

2017 IRB approach	RoI Net value €m	RoI Exposure weighted PD %	RoI Exposure weighted LGD %	UK Net value €m	UK Exposure weighted PD %	UK Exposure weighted LGD %	Total Net value €m	Total Exposure weighted PD %	Total Exposure weighted LGD %
Central governments and central banks	-	-	-	-	-	-	-	-	-
Institutions	3,831	0.1%	45.0%	207	0.1%	45.0%	4,038	0.1%	45.0%
Corporates	15,583	2.2%	41.3%	3,432	4.2%	40.2%	19,015	2.6%	41.1%
of which;									
- SME	*7,062*	*3.0%*	*38.3%*	*2,097*	*5.4%*	*38.1%*	*9,159*	*3.6%*	*38.2%*
- Specialised lending	*729*	*1.6%*	*44.8%*	*205*	*1.2%*	*45.0%*	*935*	*1.5%*	*44.8%*
Retail	27,566	2.3%	20.3%	22,057	2.1%	11.3%	49,623	2.2%	16.1%
Secured by real estate property	*22,332*	*2.2%*	*14.4%*	*22,057*	*2.1%*	*11.3%*	*44,389*	*2.1%*	*12.9%*
- SME	-	-	-	-	-	-	-	-	-
- Non-SME	*22,332*	*2.2%*	*14.4%*	*22,057*	*2.1%*	*11.3%*	*44,389*	*2.1%*	*12.9%*
Qualifying revolving	2,668	2.2%	52.0%	-	-	-	2,668	2.2%	52.0%
Other Retail	*2,566*	*3.6%*	*58.3%*	-	-	-	*2,566*	*3.6%*	*58.3%*
- SME	*2,086*	*3.7%*	*54.2%*	-	-	-	*2,086*	*3.7%*	*54.2%*
- Non-SME	*480*	*3.3%*	*73.0%*	-	-	-	*480*	*3.3%*	*73.0%*
Non-defaulted total	**46,980**	**2.1%**	**28.9%**	**25,696**	**2.3%**	**15.2%**	**72,676**	**2.2%**	**23.7%**
Defaulted total	**2,708**	**100.0%**	**33.8%**	**683**	**100.0%**	**27.8%**	**3,391**	**100.0%**	**32.8%**
Total	**49,688**	**10.8%**	**29.3%**	**26,379**	**5.5%**	**15.6%**	**76,067**	**8.9%**	**24.3%**

2016 IRB approach	RoI Net value €m	RoI Exposure weighted PD %	RoI Exposure weighted LGD %	UK Net value €m	UK Exposure weighted PD %	UK Exposure weighted LGD %	Total Net value €m	Total Exposure weighted PD %	Total Exposure weighted LGD %
Central governments and central banks	-	-	-	-	-	-	-	-	-
Institutions	5,065	0.1%	25.0%	231	0.3%	37.5%	5,296	0.1%	25.5%
Corporates	15,899	2.7%	41.7%	4,812	4.1%	40.6%	20,711	3.0%	41.4%
of which;									
- SME	*6,750*	*3.9%*	*38.4%*	*2,950*	*5.5%*	*38.4%*	*9,700*	*4.4%*	*38.4%*
- Specialised lending	*983*	*2.0%*	*44.8%*	*228*	*1.0%*	*45.0%*	*1,211*	*1.8%*	*44.9%*
Retail	28,207	3.0%	20.9%	22,707	2.5%	10.9%	50,914	2.8%	16.3%
Secured by real estate property	23,065	3.0%	15.5%	22,707	2.5%	10.9%	45,772	2.7%	13.2%
- SME	-	-	-	-	-	-	-	-	-
- Non-SME	*23,065*	*3.0%*	*15.5%*	*22,707*	*2.5%*	*10.9%*	*45,772*	*2.7%*	*13.2%*
Qualifying revolving	2,684	2.2%	51.9%	-	-	-	2,684	2.2%	51.9%
Other Retail	*2,458*	*3.8%*	*58.0%*	-	-	-	*2,458*	*3.8%*	*58.0%*
- SME	*2,037*	*3.9%*	*54.3%*	-	-	-	*2,037*	*3.9%*	*54.3%*
- Non-SME	*421*	*3.3%*	*73.0%*	-	-	-	*421*	*3.3%*	*73.0%*
Non-defaulted total	49,171	2.6%	27.6%	27,750	2.7%	16.0%	76,921	2.6%	23.2%
Defaulted total	2,200	100.0%	37.6%	725	100.0%	30.3%	2,925	100.0%	36.2%
Total	51,371	10.8%	28.5%	28,475	6.1%	16.5%	79,846	9.1%	24.0%

Geographic analysis of exposures (continued)

Table 4.3b - Geographic analysis of exposures - Standardised approach - Location where exposure is booked

	2017			2016		
Standardised approach - net value	**RoI €m**	**UK €m**	**Total €m**	RoI €m	UK €m	Total €m
Central governments or central banks	14,422	2,616	17,038	12,830	2,151	14,981
Regional governments or local authorities	189	1	190	188	1	189
Public sector entities	326	17	343	165	18	183
Multilateral development banks	338	443	781	305	416	721
International organisations	896	-	896	623	-	623
Institutions	-	-	-	-	-	-
Corporates	4,701	1,343	6,044	4,647	2,176	6,823
Retail	2,536	5,793	8,329	2,222	5,329	7,551
Secured by mortgages on immovable property	455	-	455	438	-	438
Exposures in default	467	103	570	602	165	767
Exposures associated with particularly high risk	134	-	134	143	-	143
Covered bonds	-	-	-	-	-	-
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
Collective investment undertakings	-	-	-	-	-	-
Equity	-	-	-	-	-	-
Other items	2,343	2	2,345	2,088	1	2,089
Total	**26,807**	**10,318**	**37,125**	**24,251**	**10,257**	**34,508**

The geographical locations shown in tables 4.4 and 4.5 are based on the residence of the immediate counterparty. Exposures with supranational organisations are included under the other geographical area.

Table 4.4 - EU CRB-C - Geographical breakdown of exposures - Location of residence of counterparty

2017 Net value	**Europe €m**	*of which; Ireland €m*	*UK €m*	*Rest of Europe €m*	**US €m**	**Other geographical area €m**	**Total €m**
Central governments or central banks	-	-	-	-	-	-	-
Institutions	3,488	244	944	2,300	29	521	4,038
Corporates	18,079	11,212	5,392	1,475	1,577	365	20,021
Retail	51,804	29,024	22,730	50	88	116	52,008
Total IRB approach	**73,371**	**40,480**	**29,066**	**3,825**	**1,694**	**1,002**	**76,067**
Central governments or central banks	16,311	9,890	4,159	2,262	727	-	17,038
Regional governments or local authorities	169	168	1	-	21	-	190
Public sector entities	343	75	-	268	-	-	343
Multilateral development banks	-	-	-	-	-	781	781
International organisations	-	-	-	-	-	896	896
Institutions	-	-	-	-	-	-	-
Corporates	6,007	3,722	2,182	103	5	32	6,044
Retail	8,325	2,545	5,777	3	1	3	8,329
Secured by mortgages on immovable property	451	446	4	1	2	2	455
Exposures in default	565	450	95	20	-	5	570
Items associated with particularly high risk	114	109	2	3	20	-	134
Covered bonds	-	-	-	-	-	-	-
Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-
Collective investment undertakings	-	-	-	-	-	-	-
Equity exposures	-	-	-	-	-	-	-
Other items	2,345	1,716	629	-	-	-	2,345
Total Standardised approach	**34,630**	**19,121**	**12,849**	**2,660**	**776**	**1,719**	**37,125**
Total	**108,001**	**59,601**	**41,915**	**6,485**	**2,470**	**2,721**	**113,192**

Geographic analysis of exposures (continued)

Table 4.5 - EU CR1-C - Credit quality of exposures by geographical breakdown - Location of residence of counterparty

2017	Gross carrying value of Defaulted exposures €m	Gross carrying value of Non-defaulted exposures €m	Specific credit risk adjustment €m	General credit risk adjustment €m	Accumulated write-off's €m	Credit risk adjustment charges of the period €m	Net value €m
Europe	5,928	104,335	2,262	-	8,936	15	108,001
of which;							
- Ireland	*4,684*	*56,748*	*1,831*	-	*6,246*	*(100)*	*59,601*
- UK	*1,074*	*41,169*	*328*	-	*2,690*	*115*	*41,915*
- Rest of Europe	*170*	*6,418*	*103*	-	-	-	*6,485*
US	74	2,425	29	-	-	-	2,470
Other geographical area	45	2,693	17	-	-	-	2,721
Total	**6,047**	**109,453**	**2,308**	**-**	**8,936**	**15**	**113,192**

Industry analysis of exposures

The industry classification in Table 4.6 below is based the activity of the immediate counterparty.

Table 4.6 - EU CRB-D - Industry analysis of exposures

Table 4.6a - Industry analysis of exposures - IRB approach

2017 IRB Approach - net value	Institutions €m	Corporates €m	Retail €m	Total €m
Agriculture, forestry and fishing	-	359	890	1,249
Mining and quarrying	-	248	5	253
Manufacturing	-	3,097	93	3,190
Electricity, gas, steam and air conditioning supply	-	503	3	506
Water supply	-	-	-	-
Construction	-	268	117	385
Wholesale and retail trade	-	1,556	254	1,810
Transport and storage	-	711	43	754
Accommodation and food service activities	-	1,048	97	1,145
Information and communication	-	526	15	541
Real estate activities	-	6,911	97	7,008
Professional, scientific and technical activities	-	274	60	334
Administrative and support service activities	-	1,259	277	1,536
Public administration and defence, compulsory social security	-	44	-	44
Education	-	229	13	242
Human health services and social work activities	-	1,091	67	1,158
Arts, entertainment and recreation	-	239	22	261
Other services	-	621	27	648
Central government	-	-	-	-
Personal residential mortgages	-	14	46,654	46,668
Other personal	-	64	3,257	3,321
Financial and Insurance activities	4,038	959	17	5,014
Total	**4,038**	**20,021**	**52,008**	**76,067**

Industry analysis of exposures (continued)

Table 4.6 - Industry analysis of exposures

Table 4.6a - Industry analysis of exposures - IRB approach

2016 IRB Approach - net value	Institutions €m	Corporates €m	Retail €m	Total €m
Agriculture, forestry and fishing	-	338	858	1,196
Mining and quarrying	-	313	5	318
Manufacturing	-	3,876	93	3,969
Electricity, gas, steam and air conditioning supply	-	656	2	658
Water supply	-	-	-	-
Construction	-	262	112	374
Wholesale and retail trade	-	1,608	249	1,857
Transport and storage	-	920	43	963
Accommodation and food service activities	-	1,203	92	1,295
Information and communication	-	468	13	481
Real estate activities	-	7,489	99	7,588
Professional, scientific and technical activities	-	366	58	424
Administrative and support service activities	-	1,228	283	1,511
Public administration and defence, compulsory social security	-	-	-	-
Education	-	341	12	353
Human health services and social work activities	-	1,155	67	1,222
Arts, entertainment and recreation	-	397	23	420
Other services	-	669	22	691
Central government	-	-	-	-
Personal residential mortgages	-	16	46,762	46,778
Other personal	-	121	3,654	3,775
Financial and Insurance activities	5,296	660	17	5,973
Total	5,296	22,086	52,464	79,846

Industry analysis of exposures (continued)

Table 4.6 - EU CRB-D - Industry analysis of exposures

Table 4.6b - Industry analysis of exposures - Standardised approach

2017 Standardised approach - net value	Central governments or central banks €m	Regional governments or local authorities €m	Public sector entities €m	Multilateral development banks €m	International organisations €m	Corporates €m	Retail €m	Secured by mortgages on immovable property €m	Exposures in default €m	Items associated with particulary high risk €m	Other items €m	Total €m
Agriculture, forestry and fishing	-	-	-	-	-	467	168	-	38	-	-	673
Mining and quarrying	-	-	-	-	-	4	1	-	-	-	-	5
Manufacturing	-	-	-	-	-	203	331	-	9	-	-	543
Electricity, gas, steam and air conditioning supply	-	-	-	-	-	13	9	-	-	-	-	22
Water supply	-	-	-	-	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	156	125	-	26	-	-	307
Wholesale and retail trade	-	-	-	-	-	563	371	-	26	-	-	960
Transport and storage	-	-	-	-	-	185	275	-	25	-	-	485
Accommodation and food service activities	-	-	-	-	-	135	12	-	11	-	-	158
Information and communication	-	-	-	-	-	84	21	-	-	-	-	105
Real estate activities	-	-	-	-	-	1,221	4	-	244	-	-	1,469
Professional, scientific and technical activities	-	-	-	-	-	43	14	-	5	-	-	62
Administrative and support service activities	-	-	-	-	-	197	131	-	12	-	-	340
Public administration and defence, compulsory social security	-	190	343	-	-	-	-	-	-	-	-	533
Education	-	-	-	-	-	10	1	-	-	-	-	11
Human health services and social work activities	-	-	-	-	-	278	5	-	12	-	-	295
Arts, entertainment and recreation	-	-	-	-	-	26	-	-	1	-	-	27
Other services	-	-	-	-	-	524	169	-	5	73	-	771
Central government	16,044	-	-	-	-	-	-	-	-	-	-	16,044
Personal residential mortgages	-	-	-	-	-	79	5	455	35	-	-	574
Other personal	-	-	-	-	-	321	6,660	-	118	-	-	7,099
Financial and Insurance activities	994	-	-	781	896	1,535	27	-	3	61	2,345	6,642
Total	**17,038**	**190**	**343**	**781**	**896**	**6,044**	**8,329**	**455**	**570**	**134**	**2,345**	**37,125**

Industry analysis of exposures (continued)

Table 4.6 - Industry analysis of exposures

Table 4.6(b) - Industry analysis of exposures - Standardised approach

2016 Standardised approach - net value	Central governments or central banks €m	Regional governments or local authorities €m	Public sector entities €m	Multilateral development banks €m	International organisations €m	Corporates €m	Retail €m	Secured by mortgages on immovable property €m	Exposures in default €m	Items associated with particulary high risk €m	Other items €m	Total €m
Agriculture, forestry and fishing	-	-	-	-	-	453	170	-	42	-	-	665
Mining and quarrying	-	-	-	-	-	4	1	-	-	-	-	5
Manufacturing	-	-	-	-	-	259	272	-	9	-	-	540
Electricity, gas, steam and air conditioning supply	-	-	-	-	-	13	9	-	-	-	-	22
Water supply	-	-	-	-	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	185	104	-	55	-	-	344
Wholesale and retail trade	-	-	-	-	-	745	322	-	24	-	-	1,091
Transport and storage	-	-	-	-	-	262	249	-	36	-	-	547
Accommodation and food service activities	-	-	-	-	-	79	11	-	15	-	-	105
Information and communication	-	-	-	-	-	95	14	-	1	-	-	110
Real estate activities	-	-	-	-	-	1,049	3	-	392	-	-	1,444
Professional, scientific and technical activities	-	-	-	-	-	51	14	-	8	-	-	73
Administrative and support service activities	-	-	-	-	-	242	111	-	16	-	-	369
Public administration and defence, compulsory social security	-	189	183	32	-	-	-	-	-	-	-	404
Education	-	-	-	-	-	20	1	-	-	-	-	21
Human health services and social work activities	-	-	-	-	-	333	4	-	13	-	-	350
Arts, entertainment and recreation	-	-	-	-	-	53	-	-	1	-	-	54
Other services	-	-	-	-	-	649	336	-	3	76	-	1,064
Central government	13,432	-	-	-	-	-	-	-	-	-	-	13,432
Personal residential mortgages	-	-	-	-	-	145	8	438	23	-	-	614
Other personal	-	-	-	-	-	384	5,920	-	124	-	-	6,428
Financial and Insurance activities	1,549	-	-	689	623	1,802	2	-	5	67	2,089	6,826
Total	14,981	189	183	721	623	6,823	7,551	438	767	143	2,089	34,508

Industry analysis of exposures (continued)

Table 4.7 - EU CR1-B - Credit quality of exposures by industry or counterparty types

2017	Gross carrying value of: Defaulted exposures €m	Gross carrying value of: Non-defaulted exposures €m	Specific credit risk adjustment €m	General credit risk adjustment €m	Accumulated write-off's €m	Credit risk adjustment charges of the period €m	Net value €m
Agriculture, forestry and fishing	111	1,852	41	-	191	3	1,922
Mining and quarrying	15	247	4	-	59	1	258
Manufacturing	164	3,635	66	-	491	7	3,733
Electricity, gas, steam and air conditioning supply	2	527	1	-	59	-	528
Water supply	-	-	-	-	-	-	-
Construction	110	645	63	-	137	22	692
Wholesale and retail trade	271	2,641	142	-	381	13	2,770
Transport and storage	140	1,195	96	-	193	6	1,239
Accommodation and food service activities	221	1,182	100	-	220	15	1,303
Information and communication	2	645	1	-	70	-	646
Real estate activities	1,448	7,704	675	-	4,781	61	8,477
Professional, scientific and technical activities	29	378	11	-	57	2	396
Administrative and support service activities	99	1,832	55	-	210	6	1,876
Public administration and defence, compulsory social security	-	577	-	-	29	-	577
Education	4	254	5	-	46	-	253
Human health services and social work activities	122	1,400	69	-	223	5	1,453
Arts, entertainment and recreation	57	268	37	-	60	2	288
Other services	15	1,455	51	-	275	1	1,419
Central government	-	16,044	-	-	-	-	16,044
Personal residential mortgages	2,894	45,060	712	-	1,036	(137)	47,242
Other personal	334	10,261	175	-	418	8	10,420
Financial and Insurance activities	9	11,651	4	-	-	-	11,656
Total	**6,047**	**109,453**	**2,308**	**-**	**8,936**	**15**	**113,192**

Maturity analysis of exposures

The maturity analysis in Table 4.8 below discloses the Group's credit exposure by residual contractual maturity date.

Table 4.8 - EU CRB-E - Maturity of exposures

2017 Net value	On demand €m	<=1 year €m	>1 year <=5 years €m	>5 years €m	No stated maturity €m	Total €m
Central governments or central banks	-	-	-	-	-	-
Institutions	5	1,224	2,496	313	-	4,038
Corporates	767	3,437	10,457	5,360	-	20,021
Retail	1,329	5,834	12,301	32,544	-	52,008
Total IRB approach	**2,101**	**10,495**	**25,254**	**38,217**	**-**	**76,067**
Central governments or central banks	7,120	2,409	1,474	5,087	948	17,038
Regional governments or local authorities	106	9	43	32	-	190
Public sector entities	-	126	217	-	-	343
Multilateral development banks	-	217	499	65	-	781
International organisations	-	126	630	140	-	896
Institutions	-	-	-	-	-	-
Corporates	651	898	3,114	1,381	-	6,044
Retail	-	5,353	2,942	34	-	8,329
Secured by mortgages on immovable property	-	2	26	427	-	455
Exposures in default	20	257	96	197	-	570
Items associated with particularly high risk	-	51	1	82	-	134
Covered bonds	-	-	-	-	-	-
Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
Collective investment undertakings	-	-	-	-	-	-
Equity exposures	-	-	-	-	-	-
Other items	-	-	-	-	2,345	2,345
Total Standardised approach	**7,897**	**9,448**	**9,042**	**7,445**	**3,293**	**37,125**
Total	**9,998**	**19,943**	**34,296**	**45,662**	**3,293**	**113,192**

Maturity analysis of exposures (continued)

Table 4.8 - EU CRB-E - Maturity of exposures

2016 Net value	On demand €m	<=1 year €m	>1 year <=5 years €m	>5 years €m	No stated maturity €m	Total €m
Institutions	301	2,312	2,187	496	-	5,296
Corporates	1,793	3,130	11,235	5,928	-	22,086
Retail	1,332	5,617	11,596	33,919	-	52,464
Total IRB approach	3,426	11,059	25,018	40,343	-	79,846
Central governments or central banks	4,958	1,738	1,754	4,626	1,095	14,981
Regional governments or local authorities	107	25	15	42	-	189
Public sector entities	-	-	183	-	-	183
Multilateral development banks	-	33	597	91	-	721
International organisations	-	31	379	213	-	623
Institutions	-	-	-	-	-	-
Corporates	780	932	3,584	1,527	-	6,823
Retail	-	4,934	2,584	33	-	7,551
Secured by mortgages on immovable property	-	25	92	321	-	438
Exposures in default	28	450	126	163	-	767
Items associated with particularly high risk	-	54	-	89	-	143
Covered bonds	-	-	-	-	-	-
Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
Collective investment undertakings	-	-	-	-	-	-
Equity exposures	-	-	-	-	-	-
Other items	-	-	-	-	2,089	2,089
Total Standardised approach	5,873	9,032	9,314	7,105	3,184	34,508
Total	9,299	20,091	34,332	47,448	3,184	114,354

IRB approach

This section covers the Group's use of its internal rating systems under the IRB approaches.

Regulatory approval of approach
The Group has regulatory approval to use its internal credit models in the calculation of its capital requirements for 68% (2016: 71%) of its exposures. 73% (2016: 77%) of credit RWA are calculated using internal credit models. This approval covers the use of the Foundation IRB approach for non-retail exposures and the (Advanced) Retail IRB approach for retail exposures. Exposures for which capital requirements continue to be determined under the Standardised approach primarily include sovereign and multilateral development bank exposure, the Group's land and development exposures, certain asset finance and leasing portfolios, non-credit obligation assets and other corporate exposures for which regulatory approval to use the IRB approach is not held. The Group is committed to further rollout of the IRB approach.

The structure of internal rating systems
The Group applies a different IRB approach to its non-retail and retail portfolios.

Both approaches differentiate PD estimates into 11 grades in addition to the category of default.

For both non-retail and retail internal rating systems, default is defined based on unlikeliness to pay indicators that vary between borrower types. In all cases, exposures 90 days or more past due are considered to be in default.

For the Group's retail consumer and smaller business portfolios, which are characterised by a large volume of customers with smaller individual exposures, the credit risk assessment is grounded on application and behavioural scoring tools. For larger commercial and corporate customers, the risk assessment is underpinned by statistical risk rating models which incorporate quantitative information from the customer (e.g. financial statements) together with a qualitative assessment of non-financial risk factors such as management quality and market / trading outlook. Lending to financial institutions is assigned an internal rating supported by external ratings of the major rating agencies.

PD calculation
The Group produces estimates of PD on either or both of the following bases:

- Through-the-Cycle (TtC) estimates are estimates of default over an entire economic cycle, averaged to a twelve month basis. These are in effect averaged expectations of PD for a borrower over the economic cycle; and
- Cyclical estimates are estimates of default applicable to the next immediate twelve months. These cyclical estimates partially capture the economic cycle in that they typically rise in an economic downturn and decline in an economic upturn but not necessarily to the same degree as default rates change in the economy.

IRB approach (continued)

Non-retail internal rating systems
The Group has adopted the Foundation IRB (FIRB) approach for certain of its non-retail exposures. Under this approach, the Group calculates its own estimates for PD and uses supervisory estimates of Loss Given Default (LGD) and credit conversion factors (CCF).

To calculate PD under the FIRB approach, the Group assesses the credit quality of borrowers based on transaction and borrower specific characteristics. Scorecards are developed for each significant portfolio or type of lending, with outputs used to assign a PD grade to each borrower.

In the case of financial institutions, external credit agency ratings are used to provide a significant challenge within the Group's ratings approach. For exposures other than financial institutions, external ratings, when available for borrowers, play a role in the independent validation of internal estimates.

For non-retail exposures, the Group calculates its own estimates of PD on a TtC basis and on a cyclical basis. The TtC PD estimates are based on internal default experience, or where default data is limited, statistical model estimates combined with available data to reflect the average default rate over the course of an economic cycle. The TtC PDs do not vary with the economic cycle and are used to calculate risk weighted exposure amounts and to determine minimum regulatory capital requirements. The cyclical PD estimates which capture a change in borrower risk over the economic cycle, are used for internal credit management purposes. Both measures are estimated from the same borrower risk factors.

Retail internal rating systems
The Group has adopted the (Advanced) Retail IRB approach for the majority of its retail exposures. Under this approach, the Group calculates its own estimates for PD, LGD and CCF. External ratings do not play a role within the Group's retail internal rating systems. However, external credit bureau data does play a significant role in assessing UK retail borrowers.

Under the Retail IRB approach, scorecards based on internal behavioural data and, where relevant, transaction specific characteristics are developed for specific portfolios or product types, the output from the scorecard is used to determine the PD estimate.

The Group calculates PD on a cyclical basis, although for most rating systems, limited cyclicality is observed. These estimates are calibrated based on a weighted average of the expected default rate over the course of an economic cycle (based on internal default experience). These cyclic PDs are used for both the calculation of risk weighted exposure amounts and for internal credit management purposes.

LGD estimates are based on historic loss experience and associated costs for all observed defaults for a defined time period. The time period is set for each model to ensure LGD estimates are representative of economic downturn conditions. CCF estimates are similarly derived based on historic experience from observed defaults, and are calibrated to produce estimates of behaviour characteristic of an economic downturn.

The assumption that the time periods and data used for LGD and CCF estimation remain representative of economic downturn conditions is subject to review and challenge on an ongoing basis.

Other uses of internal estimates
Internal estimates play an essential role in risk management and decision making processes, the credit approval functions, the internal capital allocation function and the corporate governance functions of the Group. The specific uses of internal estimates differ from portfolio to portfolio, and for retail and non-retail approaches, but typically include:
- internal reporting;
- credit management;
- calculation of Risk Adjusted Return on Capital (RARoC);
- credit decisioning / automated credit decisioning;
- borrower credit approval; and
- internal capital allocation between businesses of the Group.

For other purposes, the cyclical PD estimates typically are used. Both estimates feature within internal management reporting.

Association of PD grades with external ratings
Table 4.9 illustrates the relationship between PD grade, PD band and S&P type ratings. PD is used in the IRB RWA calculation. These PD grades differ from internal obligor grades which are used in arriving at IFRS classifications, however there is a defined relationship between both sets of grades.

Note the internal ranges do not map directly to the prescribed ranges used in tables 4.11 and 4.12.

Table 4.9 - Relationship of PD grades with external ratings

PD grade	PD	S&P type ratings
1 - 4	0% ≤ PD < 0.26%	AAA, AA+, AA, AA-, A+, A, A-, BBB+, BBB
5 - 7	0.26% ≤ PD < 1.45%	BBB-, BB+, BB, BB-
8 - 9	1.45% ≤ PD < 3.60%	B+
10 - 11	3.60% ≤ PD < 100%	B, Below B
Default	100%	n/a

IRB approach (continued)

Control mechanisms for rating systems
The control mechanisms for rating systems are set out in the Group's Credit IRB Model Risk Policy and Standards. A committee appointed by the GRPC, the Risk Measurement Committee (RMC), approves all risk rating models, model developments and all associated policies. The Group mitigates model risk for rating models as follows:

- ***model development standards:*** the Group adopts centralised standards and methodologies over the operation and development of models. This ensures a common approach to documentation, data quality and management, conservatism and model testing;
- ***model governance:*** the Group adopts a uniform approach to the governance of all risk rating model related activities. This ensures the appropriate involvement of stakeholders;
- ***model performance monitoring:*** all risk rating models are subject to testing on a quarterly basis. The results form the basis of IRB model reporting to RMC, which includes assessment of model performance against observed outcomes, including:
  - rank order of borrowers;
  - accuracy of parameter estimates;
  - the stability of the rating;
  - the quality of data;
  - the appropriate of model use; and
- ***independent validation:*** all risk rating models are subject to in-depth analysis at least annually. This analysis is carried out by a dedicated unit (the Independent Control Unit, ICU) which is independent of credit origination and management functions.

The Group employs a rigorous validation process which includes an assessment of model performance against observed outcomes, including:

- rank order of borrowers;
- accuracy of parameter estimates;
- the stability of the rating population;
- the quality of data; and
- the appropriateness of model use.

When issues are raised on risk rating models, plans are developed to remediate or replace such models within an agreed timeframe.

In addition, Group Internal Audit regularly reviews the risk control framework, including policies and standards, to ensure that these are being adhered to, meet industry good practices and are compliant with regulatory requirements.

The internal ratings process by exposure class
Details on how the internal ratings process is applied to each individual IRB exposure class are given below. Departures from Group standards outlined above are not permitted.

Corporates
Corporate entities, including certain SME and specialised lending exposures are rated using a number of models. This suite of models typically incorporates scorecard-based calibrated PD outputs (both TtC and cyclical PD estimates). The Group does not rate purchased corporate receivables under the IRB approach. Information on the Corporates Foundation IRB exposure class is provided in Table 4.11.

Institutions
Institutions are rated by a single dedicated model. This is an internally-built scorecard and the output from this model is a single PD estimate that is fully TtC. Information on the Institutions Foundation IRB exposure class is provided in Table 4.11.

Retail
Retail exposures including Mortgages, Qualifying Revolving Retail Exposures and certain Retail SME and Consumer loans are rated on a number of models based on application and behavioural data which is calibrated to a PD. This PD estimate typically varies with the economic cycle outlined above. The Group also generates LGD and CCF estimates for its retail exposures. These estimates are calibrated to produce estimates representative of an economic downturn. These estimates do not vary with the economic cycle. Information on the Retail IRB exposure classes is provided in Table 4.12.

Securitisations
Capital requirements for securitisation positions (retained and purchased) are determined under the IRB approach. These are dealt within the Securitisation section.

IRB approach (continued)

Backtesting of modelled PDs may identify differences between actual default rates and PD estimates. The key drivers of difference include; (i) economic circumstances: TtC PD estimates are calibrated to the long run average default rate and will diverge from the observed one year default rates at periods of high economic growth or stress; and (ii) conservatism: PD models produce outputs which are conservative in cases where information is limited or less reliable, e.g. small portfolios or low default portfolios.

Table 4.10 - EU CR9 - IRB approach - Backtesting of PD per exposure class

						Number of obligors				
Exposure class	Min PD	Max PD	External rating equivalent	Weighted average PD	Arithmetic average PD by obligors	End of previous the year	End of the year	Defaulted obligors in the year	*of which; New obligors*	Average[1] historical annual default rate
Institutions	0.03%	20.00%	AA- to B+	0.11%	0.40%	145	137	-	-	0.0%
Corporates	0.03%	100.00%	AA- to D	2.58%	3.96%	10,179	9,579	283	20	4.9%
of which;										
- SME	*0.03%*	*100.00%*	*AA- to D*	*3.61%*	*4.46%*	*8,276*	*7,720*	*265*	*16*	*4.8%*
- Specialised Lending	*0.13%*	*100.00%*	*BBB to D*	*1.52%*	*1.48%*	*87*	*78*	*-*	*-*	*0.9%*
- Other	*0.03%*	*100.00%*	*AA- to D*	*1.41%*	*1.88%*	*1,816*	*1,781*	*18*	*4*	*1.1%*
Retail	0.03%	100.00%		2.21%	2.59%	1,312,467	1,307,585	26,718	1,174	2.2%
of which;										
- Secured by real estate property	*0.03%*	*100.00%*	*-*	*2.14%*	*2.18%*	*349,409*	*348,887*	*10,124*	*2*	*1.9%*
- Qualifying Revolving	*0.03%*	*100.00%*	*-*	*2.19%*	*2.49%*	*766,103*	*753,635*	*12,047*	*608*	*2.1%*
- Other retail SME	*0.07%*	*100.00%*	*-*	*3.68%*	*3.85%*	*120,075*	*120,921*	*3,103*	*199*	*3.1%*
- Other retail non-SME	*0.04%*	*100.00%*	*-*	*3.30%*	*3.45%*	*76,880*	*84,142*	*1,444*	*365*	*3.3%*

[1] The average historical annual default rate is based on IRB model data which reflects the current and continuing composition of the underlying portfolios.

Analysis of credit quality - Foundation IRB

Table 4.11 shows the breakdown of the Foundation IRB exposure classes by PD scale.

Table 4.11 - EU CR6 - IRB approach - Credit risk exposures by exposure class and PD scale (Foundation IRB)

2017 PD scale	Original on-balance sheet gross exposures €m	Off-balance sheet exposures pre-CCF €m	Average CCF %	EAD post CRM and post CCF €m	Average PD %	Number of obligors	Average LGD %	Average maturity in years	RWA €m	RWA density %	EL €m	Value adjustments and provisions €m
Total FIRB[1]												
0.00 to 0.15	4,430	1,865	43%	5,234	0.1%	384	33%	2.5	923	18%	1	-
0.15 to <0.25	1,035	556	38%	1,243	0.2%	269	42%	2.5	520	42%	1	-
0.25 to <0.50	2,052	635	36%	2,281	0.3%	861	40%	2.5	1,355	59%	4	-
0.50 to <0.75	2,389	638	36%	2,620	0.6%	579	40%	2.5	1,815	69%	7	-
0.75 to <2.50	3,176	1,301	43%	3,741	1.4%	2,338	41%	2.5	3,594	96%	23	-
2.50 to <10.00	3,127	409	33%	3,264	3.7%	2,775	41%	2.5	3,800	116%	52	-
10.00 to <100.00	1,441	73	37%	1,468	14.5%	1,164	39%	2.5	2,249	153%	87	-
100.00 (Default)	1,810	55	43%	1,829	100.0%	1,346	42%	2.5	-	-	770	-
Total foundation IRB	**19,460**	**5,531**	**40%**	**21,680**	**10.4%**	**9,716**	**39%**	**2.5**	**14,256**	**66%**	**944**	**931**
Institutions												
0.00 to 0.15	3,432	179	79%	3,578	0.1%	97	28%	2.5	456	13%	-	-
0.15 to <0.25	13	1	90%	13	0.2%	7	45%	2.5	5	40%	-	-
0.25 to <0.50	242	17	25%	246	0.4%	15	22%	2.5	96	39%	1	-
0.50 to <0.75	9	-	-	9	0.6%	2	45%	2.5	8	80%	-	-
0.75 to <2.50	76	66	21%	90	1.2%	13	45%	2.5	106	119%	-	-
2.50 to <10.00	1	2	35%	1	3.3%	2	45%	2.5	2	173%	-	-
10.00 to <100.00	-	-	-	-	20.0%	1	45%	2.5	-	287%	-	-
100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
Total institutions	**3,773**	**265**	**61%**	**3,938**	**0.1%**	**137**	**28%**	**2.5**	**673**	**17%**	**1**	**-**
Corporates												
0.00 to 0.15	998	1,685	39%	1,656	0.1%	287	44%	2.5	468	28%	1	-
0.15 to <0.25	1,022	555	37%	1,230	0.2%	262	41%	2.5	514	42%	1	-
0.25 to <0.50	1,809	618	36%	2,034	0.3%	846	42%	2.5	1,259	62%	3	-
0.50 to <0.75	2,380	638	36%	2,611	0.6%	577	40%	2.5	1,807	69%	7	-
0.75 to <2.50	3,100	1,235	45%	3,651	1.4%	2,325	41%	2.5	3,488	96%	23	-
2.50 to <10.00	3,127	407	33%	3,262	3.7%	2,773	41%	2.5	3,798	116%	52	-
10.00 to <100.00	1,441	73	37%	1,468	14.5%	1,163	39%	2.5	2,249	153%	87	-
100.00 (Default)	1,810	55	43%	1,829	100.0%	1,346	42%	2.5	-	0%	770	-
Total corporates	**15,687**	**5,266**	**39%**	**17,742**	**12.6%**	**9,579**	**41%**	**2.5**	**13,583**	**77%**	**943**	**931**

[1] *The Group revised its asset quality reporting methodology in 2017 to align with EBA classifications and defaulted loans now include forborne collateral realisation (FCR) loans. For more information on FCR see page 60 of the Group's Annual Report.*

Analysis of credit quality - Foundation IRB (continued)

Table 4.11 - EU CR6 - IRB approach - Credit risk exposures by exposure class and PD scale (Foundation IRB) (continued)

2017 PD scale	Original on-balance sheet gross exposures €m	Off-balance sheet exposures pre-CCF €m	Average CCF %	EAD post CRM and post CCF €m	Average PD %	Number of obligors	Average LGD %	Average maturity in years	RWA €m	RWA density %	EL €m	Value adjustments and provisions €m
Corporates of which SME												
0.00 to 0.15	133	120	25%	162	0.1%	159	41%	2.5	32	19%	-	-
0.15 to <0.25	482	109	34%	519	0.2%	151	38%	2.5	163	31%	-	-
0.25 to <0.50	766	148	43%	830	0.3%	245	40%	2.5	395	48%	1	-
0.50 to <0.75	1,501	125	27%	1,534	0.6%	479	37%	2.5	840	55%	4	-
0.75 to <2.50	1,909	360	26%	2,004	1.4%	1,982	38%	2.5	1,462	73%	11	-
2.50 to <10.00	2,089	187	22%	2,130	3.9%	2,546	39%	2.5	2,015	95%	33	-
10.00 to <100.00	1,246	41	23%	1,255	14.4%	1,085	39%	2.5	1,759	140%	72	-
100.00 (Default)	1,485	39	38%	1,496	100.0%	1,073	41%	2.5	-	-	620	-
Total corporates of which SME	**9,610**	**1,129**	**29%**	**9,929**	**18.1%**	**7,720**	**39%**	**2.5**	**6,665**	**67%**	**740**	**725**
Corporates of which specialised lending												
0.00 to 0.15	3	-	-	3	0.1%	-	45%	2.5	1	28%	-	-
0.15 to <0.25	99	5	50%	102	0.2%	7	44%	2.5	43	42%	-	-
0.25 to <0.50	46	15	60%	55	0.4%	7	45%	2.5	34	62%	-	-
0.50 to <0.75	287	18	55%	297	0.6%	17	45%	2.5	238	80%	1	-
0.75 to <2.50	221	29	68%	241	1.4%	31	45%	2.5	262	109%	2	-
2.50 to <10.00	188	20	60%	200	3.8%	13	45%	2.5	288	144%	3	-
10.00 to <100.00	2	3	100%	5	10.0%	1	45%	2.5	11	205%	-	-
100.00 (Default)	45	-	-	45	100.0%	2	45%	2.5	-	-	20	-
Total corporates of which specialised lending	**892**	**90**	**62%**	**948**	**6.2%**	**78**	**45%**	**2.5**	**877**	**93%**	**27**	**34**

[1] The Group revised its asset quality reporting methodology in 2017 to align with EBA classifications and defaulted loans now include forborne collateral realisation FCR. For more information on FCR see page 60 of the Group's Annual Report.

Analysis of credit quality - Foundation IRB (continued)

Table 4.11 - EU CR6 - IRB approach - Credit risk exposures by exposure class and PD scale (Foundation IRB) (continued)

2016 PD scale	Original on-balance sheet gross exposures €m	Off-balance sheet exposures pre-CCF €m	Average CCF %	EAD post CRM and post CCF €m	Average PD %	Number of obligors	Average LGD %	Average maturity in years	RWA €m	RWA density %	EL €m	Value adjustments and provisions €m
Total FIRB												
0.00 to 0.15	4,238	2,275	60%	5,601	0.1%	404	29%	2.5	912	16%	1	-
0.15 to <0.25	1,224	662	40%	1,486	0.2%	339	41%	2.5	617	42%	1	-
0.25 to <0.50	1,990	638	35%	2,215	0.4%	902	36%	2.5	1,363	62%	3	-
0.50 to <0.75	2,435	605	43%	2,693	0.6%	639	40%	2.5	2,039	76%	7	-
0.75 to <2.50	4,559	1,079	43%	5,020	1.4%	2,417	42%	2.5	5,631	112%	34	-
2.50 to <10.00	4,173	379	35%	4,307	3.7%	2,758	41%	2.5	4,996	116%	68	-
10.00 to <100.00	1,804	61	33%	1,824	15.8%	1,171	40%	2.5	2,936	161%	120	-
100.00 (Default)	2,659	89	46%	2,697	100.0%	1,694	43%	2.5	-	0%	1,157	-
Total foundation IRB	23,082	5,788	48%	25,843	12.6%	10,324	38%	2.5	18,494	72%	1,390	1,488
Institutions												
0.00 to 0.15	3,723	779	96%	4,469	0.1%	99	25%	2.5	542	12%	1	-
0.15 to <0.25	11	4	100%	15	0.2%	7	45%	2.5	7	42%	-	-
0.25 to <0.50	512	11	2%	512	0.4%	13	14%	2.5	157	31%	-	-
0.50 to <0.75	145	29	22%	151	0.6%	12	41%	2.5	111	73%	-	-
0.75 to <2.50	25	48	22%	36	1.3%	9	45%	2.5	36	103%	-	-
2.50 to <10.00	1	5	40%	3	3.2%	3	45%	2.5	5	142%	-	-
10.00 to <100.00	2	-	-	2	10.1%	2	45%	2.5	4	218%	-	-
100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
Total institutions	4,419	876	88%	5,188	0.1%	145	25%	2.5	862	17%	1	-
Corporates												
0.00 to 0.15	515	1,496	41%	1,132	0.1%	305	44%	2.5	370	33%	-	-
0.15 to <0.25	1,213	658	39%	1,471	0.2%	332	41%	2.5	610	42%	1	-
0.25 to <0.50	1,478	627	36%	1,703	0.4%	889	42%	2.5	1,206	71%	3	-
0.50 to <0.75	2,290	576	44%	2,542	0.6%	627	40%	2.5	1,928	76%	7	-
0.75 to <2.50	4,534	1,031	44%	4,984	1.4%	2,408	42%	2.5	5,595	112%	34	-
2.50 to <10.00	4,172	374	35%	4,304	3.7%	2,755	41%	2.5	4,991	116%	67	-
10.00 to <100.00	1,802	61	33%	1,822	15.8%	1,169	40%	2.5	2,932	161%	120	-
100.00 (Default)	2,659	89	46%	2,697	100.0%	1,694	43%	2.5	-	-	1,157	-
Total corporates	18,663	4,912	41%	20,655	15.7%	10,179	42%	2.5	17,632	85%	1,389	1,488

Analysis of credit quality - Foundation IRB (continued)

Table 4.11 - EU CR6 - IRB approach - Credit risk exposures by exposure class and PD scale (Foundation IRB) (continued)

2016 PD scale	Original on-balance sheet gross exposures €m	Off-balance sheet exposures pre-CCF €m	Average CCF %	EAD post CRM and post CCF €m	Average PD %	Number of obligors	Average LGD %	Average maturity in years	RWA €m	RWA density %	EL €m	Value adjustments and provisions €m
Corporates of which SME												
0.00 to 0.15	62	64	18%	73	0.1%	181	42%	2.5	15	21%	-	-
0.15 to <0.25	716	205	43%	803	0.2%	227	38%	2.5	246	31%	1	-
0.25 to <0.50	552	57	23%	566	0.4%	290	38%	2.5	257	45%	1	-
0.50 to <0.75	1,357	102	30%	1,387	0.6%	529	37%	2.5	768	55%	3	-
0.75 to <2.50	1,695	280	24%	1,762	1.4%	2,063	38%	2.5	1,363	77%	10	-
2.50 to <10.00	2,973	166	22%	3,009	3.9%	2,558	39%	2.5	2,850	95%	46	-
10.00 to <100.00	1,520	40	20%	1,529	16.3%	1,093	39%	2.5	2,267	148%	101	-
100.00 (Default)	2,123	79	45%	2,154	100.0%	1,335	42%	2.5	-	-	908	-
Total corporates of which SME	10,998	993	29%	11,283	22.7%	8,276	39%	2.5	7,766	69%	1,070	1,130
Corporates of which Specialised Lending												
0.00 to 0.15	-	-	-	-	-	-	-	-	-	-	-	-
0.15 to <0.25	76	59	88%	128	0.2%	7	45%	2.5	54	42%	-	-
0.25 to <0.50	84	9	69%	90	0.4%	7	45%	2.5	56	62%	-	-
0.50 to <0.75	174	76	62%	222	0.6%	20	45%	2.5	177	80%	1	-
0.75 to <2.50	382	61	58%	417	1.4%	36	45%	2.5	452	108%	3	-
2.50 to <10.00	213	30	60%	231	3.4%	13	45%	2.5	335	145%	3	-
10.00 to <100.00	45	4	98%	48	10.0%	2	44%	2.5	97	198%	2	-
100.00 (Default)	46	-	-	46	100.0%	2	45%	2.5	-	-	21	-
Total corporates of which specialised lending	1,020	239	68%	1,182	5.6%	87	45%	2.5	1,171	99%	30	34

Analysis of credit quality - Retail IRB

Table 4.12 shows the breakdown of the Retail sub-exposure classes by PD scale.

Table 4.12 - EU CR6 - IRB approach - Credit risk exposures by exposure class and PD scale (Retail IRB)

2017 PD scale	Original on-balance sheet gross exposures €m	Off-balance sheet exposures pre-CCF €m	Average CCF %	EAD post CRM and post CCF €m	Average PD %	Number of obligors	Average LGD %	Average maturity in years[2]	RWA €m	RWA density %	EL €m	Value adjustments and provisions €m
Retail[1]												
0.00 to 0.15	4,774	412	45%	4,997	0.1%	85,085	12%	-	170	3%	1	-
0.15 to <0.25	9,849	1,093	43%	10,348	0.2%	155,643	13%	-	641	6%	3	-
0.25 to <0.50	10,087	1,150	46%	10,642	0.3%	324,123	15%	-	1,083	10%	7	-
0.50 to <0.75	6,940	1,236	55%	7,640	0.7%	160,760	15%	-	1,318	17%	10	-
0.75 to <2.50	5,293	831	62%	5,834	1.4%	295,531	19%	-	1,894	32%	20	-
2.50 to <10.00	5,420	343	60%	5,639	4.8%	166,305	25%	-	3,847	68%	73	-
10.00 to <100.00	2,208	120	53%	2,286	25.5%	71,497	21%	-	2,284	100%	133	-
100.00 (Default)	3,090	9	65%	3,104	100.0%	48,641	27%	-	2,399	77%	882	-
Total	**47,661**	**5,195**	**51%**	**50,490**	**8.2%**	**1,307,585**	**17%**	**-**	**13,635**	**27%**	**1,127**	**848**
Secured by real estate property												
Ireland												
0.00 to <0.15	1,696	192	52%	1,799	0.1%	21,544	13%	-	64	4%	-	-
0.15 to <0.25	4,569	345	53%	4,753	0.2%	31,487	14%	-	311	7%	1	-
0.25 to <0.50	5,708	354	54%	5,903	35.0%	49,467	14%	-	610	10%	3	-
0.50 to <0.75	3,386	330	54%	3,567	64.0%	19,438	14%	-	569	16%	4	-
0.75 to <2.50	1,629	86	55%	1,679	1.3%	18,846	14%	-	413	25%	3	-
2.50 to <10.00	2,899	1	80%	2,902	5.8%	25,553	15%	-	1,990	69%	31	-
10.00 to <100.00	1,219	-	100%	1,220	19.1%	7,967	20%	-	1,354	111%	48	-
100.00 (Default)	2,393	-	100%	2,393	100.0%	12,943	25%	-	1,833	77%	643	-
Total	**23,499**	**1,309**	**53%**	**24,217**	**11.85%**	**187,245**	**15%**	**-**	**7,145**	**30%**	**735**	**643**
UK												
0.00 to <0.15	3,058	16	100%	3,107	0.1%	30,743	10%	-	101	3%	-	-
0.15 to <0.25	5,193	36	100%	5,252	0.2%	27,580	10%	-	288	5%	1	-
0.25 to <0.50	4,251	33	100%	4,306	0.3%	34,406	11%	-	417	10%	2	-
0.50 to <0.75	3,370	345	-	3,651	0.7%	16,376	12%	-	640	18%	4	-
0.75 to <2.50	3,053	421	75%	3,389	1.4%	34,319	13%	-	1,065	31%	9	-
2.50 to <10.00	1,294	198	72%	1,445	3.6%	9,824	14%	-	856	59%	11	-
10.00 to <100.00	761	61	-	811	37.8%	5,116	12%	-	647	80%	59	-
100.00 (Default)	457	2	100%	463	100.0%	3,278	18%	-	436	94%	82	-
Total	**21,438**	**1,113**	**76%**	**22,425**	**4.1%**	**161,642**	**11%**	**-**	**4,450**	**20%**	**168**	**611**
Total secured by real estate property	**44,937**	**2,421**	**64%**	**46,642**	**8.1%**	**348,887**	**14%**		**11,595**	**25%**	**903**	**704**

Analysis of credit quality - Retail IRB (continued)

Table 4.12 - EU CR6 - IRB approach - Credit risk exposures by exposure class and PD scale (Retail IRB) (continued)

2017 PD scale	Original on-balance sheet gross exposures €m	Off-balance sheet exposures pre-CCF €m	Average CCF %	EAD post CRM and post CCF €m	Average PD %	Number of obligors	Average LGD %	Average maturity in years	RWA €m	RWA density %	EL €m	Value adjustments and provisions €m
Qualifying revolving												
0.00 to 0.15	15	108	28%	46	0.1%	21,818	45%	-	1	3%	-	-
0.15 to <0.25	67	438	30%	196	0.2%	77,952	45%	-	10	5%	-	-
0.25 to <0.50	93	730	39%	379	0.3%	231,208	57%	-	39	10%	1	-
0.50 to <0.75	104	427	40%	276	0.7%	115,267	52%	-	44	16%	1	-
0.75 to <2.50	136	249	44%	247	1.3%	180,196	54%	-	69	28%	2	-
2.50 to <10.00	90	107	39%	133	3.8%	64,353	50%	-	72	54%	3	-
10.00 to <100.00	59	50	29%	78	22.8%	46,147	47%	-	96	123%	9	-
100.00 (Default)	16	3	54%	23	100.0%	16,694	80%	-	14	63%	18	-
Total qualifying revolving	**579**	**2,112**	**37%**	**1,378**	**3.8%**	**753,635**	**52%**	**-**	**345**	**25%**	**33**	**12**
Other retail SME												
0.00 to 0.15	3	95	42%	43	0.1%	10,788	40%	-	3	8%	-	-
0.15 to <0.25	18	274	46%	145	0.2%	18,428	58%	-	30	21%	-	-
0.25 to <0.50	27	33	47%	46	0.4%	8,151	48%	-	12	27%	-	-
0.50 to <0.75	53	134	49%	119	0.6%	7,623	56%	-	46	38%	-	-
0.75 to <2.50	336	75	58%	380	1.7%	29,083	51%	-	203	53%	3	-
2.50 to <10.00	846	37	60%	868	4.0%	28,138	55%	-	566	65%	20	-
10.00 to <100.00	151	10	60%	157	14.0%	9,423	60%	-	151	96%	14	-
100.00 (Default)	185	4	55%	187	100.0%	9,287	59%	-	100	54%	110	-
Total other Retail SME	**1,619**	**662**	**49%**	**1,944**	**12.9%**	**120,921**	**55%**		**1,111**	**57%**	**148**	**101**
Other retail non-SME												
0.00 to 0.15	2	-	-	2	0.1%	192	73%	-	-	20%	-	-
0.15 to <0.25	2	-	-	2	0.2%	196	73%	-	1	35%	-	-
0.25 to <0.50	7	-	-	8	0.4%	891	73%	-	4	55%	-	-
0.50 to <0.75	27	-	-	27	0.7%	2,056	73%	-	21	76%	-	-
0.75 to <2.50	138	-	-	138	1.6%	33,087	73%	-	145	104%	2	-
2.50 to <10.00	291	-	-	291	3.3%	38,437	73%	-	363	125%	8	-
10.00 to <100.00	19	-	-	19	21.4%	2,844	73%	-	36	188%	3	-
100.00 (Default)	39	-	-	39	100.0%	6,439	73%	-	16	40%	29	-
Total other Retail non-SME	**526**	**-**	**-**	**526**	**10.5%**	**84,142**	**73%**	**-**	**585**	**111%**	**42**	**32**

[1] The Group revised its asset quality reporting methodology in 2017 to align with EBA classifications and defaulted loans now include forborne collateral realisation (FCR) loans. For more information on FCR see page 60 of the Group's Annual Report.
[2] The average maturity in years is not a component of the retail IRB calculations.

Analysis of credit quality - Retail IRB (continued)

Table 4.12 - EU CR6 - IRB approach - Credit risk exposures by exposure class and PD scale (Retail IRB) (continued)

2016 PD scale	Original on-balance sheet gross exposures €m	Off-balance sheet exposures pre-CCF €m	Average CCF %	EAD post CRM and post CCF €m	Average PD %	Number of obligors	Average LGD %	Average maturity in years	RWA €m	RWA density %	EL €m	Value adjustments and provisions €m
Retail												
0.00 to 0.15	4,834	407	40%	5,058	0.1%	80,907	11%	-	166	3%	1	-
0.15 to <0.25	9,969	1,047	39%	10,437	0.2%	150,612	13%	-	633	6%	2	-
0.25 to <0.50	10,287	1,115	41%	10,807	0.3%	320,103	15%	-	1,102	10%	7	-
0.50 to <0.75	6,834	962	47%	7,333	0.7%	160,885	16%	-	1,273	17%	9	-
0.75 to <2.50	5,416	581	53%	5,775	1.4%	298,497	19%	-	1,884	33%	21	-
2.50 to <10.00	5,868	288	57%	6,045	4.9%	172,966	24%	-	4,25	70%	78	-
10.00 to <100.00	3,426	180	55%	3,537	24.7%	81,749	23%	-	3,985	113%	208	-
100.00 (Default)	2,403	10	46%	2,412	100.0%	46,748	29%	-	1,561	65%	927	-
Total	49,037	4,590	45%	51,404	7.3%	1,312,467	17%	-	14,809	29%	1,253	1,161
Secured by real estate property												
Ireland												
0.00 to 0.15	1,629	209	48%	1,730	0.1%	21,340	14%	-	64	4%	-	-
0.15 to <0.25	4,379	331	49%	4,540	0.2%	31,142	14%	-	307	7%	1	-
0.25 to <0.50	5,645	315	49%	5,801	0.4%	49,617	15%	-	623	11%	3	-
0.50 to <0.75	3,331	259	50%	3,462	0.6%	19,611	14%	-	561	16%	4	-
0.75 to <2.50	1,622	60	52%	1,653	1.3%	18,824	14%	-	421	25%	4	-
2.50 to <10.00	3,301	1	73%	3,302	5.8%	28,686	16%	-	2,365	72%	38	-
10.00 to <100.00	2,226	-	100%	2,226	18.8%	12,286	24%	-	2,869	129%	101	-
100.00 (Default)	1,672	-	0%	1,672	100.0%	8,045	26%	-	1,007	60%	665	-
Total	23,805	1,176	49%	24,386	9.7%	189,551	16%	-	8,217	34%	816	909
UK												
0.00 to 0.15	3,188	17	100%	3,250	0.1%	30,194	9%	-	98	3%	1	-
0.15 to <0.25	5,509	40	100%	5,574	0.2%	27,499	10%	-	286	5%	1	-
0.25 to <0.50	4,515	36	100%	4,575	0.3%	34,307	11%	-	424	9%	3	-
0.50 to <0.75	3,311	140	59%	3,443	0.7%	15,256	12%	-	598	17%	4	-
0.75 to <2.50	3,200	187	62%	3,371	1.4%	32,713	12%	-	1,070	32%	9	-
2.50 to <10.00	1,428	130	72%	1,537	3.6%	10,262	14%	-	916	60%	11	-
10.00 to <100.00	940	106	73%	1,030	39.8%	6,588	12%	-	811	79%	79	-
100.00 (Default)	443	2	100%	448	100.0%	3,039	17%	-	414	92%	77	-
Total	22,534	657	56%	23,228	4.4%	159,858	11%	-	4,617	20%	185	74
Total secured by real estate property	46,339	1,833	52%	47,614	7.1%	349,409	14%	-	12,834	27%	1,001	984

Analysis of credit quality - Retail IRB (continued)

Table 4.12 - EU CR6 - IRB approach - Credit risk exposures by exposure class and PD scale (Retail IRB) (continued)

2016 PD scale	Original on-balance sheet gross exposures €m	Off-balance sheet exposures pre-CCF €m	Average CCF %	EAD post CRM and post CCF €m	Average PD %	Number of obligors	Average LGD %	Average maturity in years	RWA €m	RWA density %	EL €m	Value adjustments and provisions €m
Qualifying revolving												
0.00 to 0.15	13	94	29%	39	0.1%	18,984	44%	-	1	3%	-	-
0.15 to <0.25	63	419	29%	184	0.2%	74,281	44%	-	10	5%	-	-
0.25 to <0.50	91	730	40%	379	0.4%	227,046	57%	-	39	10%	1	-
0.50 to <0.75	107	430	40%	277	0.7%	116,356	53%	-	44	16%	1	-
0.75 to <2.50	145	255	44%	256	1.4%	188,328	54%	-	71	28%	2	-
2.50 to <10.00	98	117	39%	142	3.8%	72,139	50%	-	77	54%	3	-
10.00 to <100.00	64	63	25%	79	22.8%	50,487	45%	-	92	117%	8	-
100.00 (Default)	19	4	57%	21	100.0%	18,482	80%	-	11	53%	17	-
Total qualifying revolving	600	2,112	37%	1,377	3.7%	766,103	52%	-	345	25%	32	14
Other retail SME												
0.00 to 0.15	3	87	41%	38	0.1%	10,216	40%	-	3	8%	-	-
0.15 to <0.25	16	257	47%	137	0.2%	17,498	58%	-	29	21%	-	-
0.25 to <0.50	29	34	47%	45	0.4%	8,202	47%	-	12	26%	-	-
0.50 to <0.75	52	133	50%	118	0.6%	7,675	56%	-	45	39%	-	-
0.75 to <2.50	335	79	58%	381	1.6%	29,181	51%	-	202	53%	4	-
2.50 to <10.00	791	40	59%	814	4.1%	28,073	55%	-	535	66%	19	-
10.00 to <100.00	176	11	59%	182	14.0%	9,804	59%	-	177	97%	17	-
100.00 (Default)	214	4	56%	216	100.0%	9,426	59%	-	110	51%	128	-
Total other retail SME	1,616	645	49%	1,931	14.6%	120,075	55%	-	1,113	58%	168	121
Other retail non-SME												
0.00 to 0.15	1	-	-	1	0.1%	173	73%	-	-	20%	-	-
0.15 to <0.25	2	-	-	2	0.2%	192	73%	-	1	35%	-	-
0.25 to <0.50	7	-	-	7	0.4%	931	73%	-	4	54%	-	-
0.50 to <0.75	33	-	-	33	0.7%	1,987	73%	-	25	77%	-	-
0.75 to <2.50	114	-	-	114	1.6%	29,451	73%	-	120	106%	2	-
2.50 to <10.00	250	-	-	250	3.3%	33,806	73%	-	312	125%	7	-
10.00 to <100.00	20	-	-	20	20.0%	2,584	73%	-	36	183%	3	-
100.00 (Default)	55	-	-	55	100.0%	7,756	73%	-	19	34%	40	-
Total other retail non-SME	482	-	-	482	14.3%	76,680	73%	-	517	107%	52	43

Analysis of credit quality - Standardised approach

The Standardised approach applies where exposures do not qualify for use of the IRB approach and / or where an exemption from IRB has been granted. It is less sophisticated than the IRB approach for regulatory capital calculations. Under this approach, credit risk is measured by applying risk weights outlined in CRD IV based on the exposure class to which the exposure is allocated. The following tables outline the Standardised exposure classes by CRD IV prescribed risk weight.

Table 4.13 - EU CR5 - Standardised approach by exposure class

2017	Risk Weight																	
EAD (€m)	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1,250%	Others	Deducted	Total	Unrated
Central governments or central banks	16,931	-	-	-	-	-	-	-	-	-	-	107	-	-	-	-	17,038	-
Regional governments or local authorities	-	-	-		84	-	-	-	-	-	-	-	-	-	-	-	84	-
Public sector entities	268	-	-	-	-	-	75	-	-	-	-	-	-	-	-	-	343	-
Multilateral development banks	781	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	781	-
International organisations	896	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	896	-
Institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporates	-	-	-	-	10	-	8	-	-	4,184	-	-	-	-	-	-	4,202	-
Retail	-	-	-	-	-	-	-	-	3,877	-	-	-	-	-	-	-	3,877	-
Secured by mortgages on immovable property	-	-	-	-	-	455	-	-	-	-	-	-	-	-	-	-	455	-
Exposures in default	-	-	-	-	-	-	-	-	-	277	278	-	-	-	-	-	555	-
Items associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	109	-	-	-	-	-	109	-
Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other items	384	-	-	-	307	-	-	-	-	949	-	705	-	-	-	-	2,345	-
Total	**19,260**	**-**	**-**	**-**	**401**	**455**	**83**	**-**	**3,877**	**5,410**	**387**	**812**	**-**	**-**	**-**	**-**	**30,685**	**-**

Analysis of credit quality - Standardised approach (continued)

Table 4.13 - EU CR5 - Standardised approach by exposure class

2016 EAD (€m)	Risk Weight 0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1,250%	Others	Deducted	Total	Unrated
Central governments or central banks	14,857	-	-	-	-	-	-	-	-	-	-	124	-	-	-	-	14,981	-
Regional governments or local authorities	-	-	-	-	82	-	-	-	-	-	-	-	-	-	-	-	82	-
Public sector entities	183	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	183	-
Multilateral development banks	721	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	721	-
International organisations	623	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	623	-
Institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporates	-	-	-	-	10	-	22	-	-	4,470	-	-	-	-	-	-	4,502	-
Retail	-	-	-	-	-	-	-	-	3,401	-	-	-	-	-	-	-	3,401	-
Secured by mortgages on immovable property	-	-	-	-	-	428	-	-	10	-	-	-	-	-	-	-	438	-
Exposures in default	-	-	-	-	-	-	-	-	-	456	292	-	-	-	-	-	748	-
Items associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	117	-	-	-	-	-	117	-
Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other items	326	-	-	-	243	-	-	-	-	851	-	669	-	-	-	-	2,089	-
Total	16,710	-	-	-	335	428	22	-	3,411	5,777	409	793	-	-	-	-	27,885	-

Analysis of credit quality - Standardised approach (continued)

Table 4.14 presents Standardised exposures on two different basis (before CCF and CRM and after CCF and CRM).

Table 4.14 - EU CR4 - Standardised approach - Credit risk exposure and CRM effects

	Exposures before CCF and CRM		Exposures post CCF and CRM		RWA RWA density	
2017 **Exposure classes**	**On-balance sheet amount €m**	**Off-balance sheet amount €m**	**On-balance sheet amount €m**	**Off-balance sheet amount €m**	**RWA €m**	**RWA density %**
Central Governments or central banks	16,992	46	16,992	46	268	1.6%
Regional governments or local authorities	62	128	62	22	17	20.0%
Public sector entities	343	-	343	-	38	10.9%
Multilateral development banks	759	22	759	22	-	-
International organisations	896	-	896	-	-	-
Institutions	-	-	-	-	-	-
Corporates	4,927	1,117	3,988	214	3,845	91.5%
Retail	3,873	4,456	3,873	4	2,783	71.8%
Secured by mortgages on immovable property	455	-	455	-	159	35.0%
Exposures in default	542	27	543	12	693	125.0%
Items associated with particularly high risk	84	49	84	25	163	150.0%
Covered bonds	-	-	-	-	-	-
Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
Collective investment undertakings	-	-	-	-	-	-
Equity exposures	-	-	-	-	-	-
Other items	2,345	-	2,345	-	2,772	118.2%
Total	**31,280**	**5,845**	**30,340**	**345**	**10,738**	**35.0%**

Loan loss experience in the year ended 31 December 2017

Information on the factors which impacted the loan loss experience in the year ended 31 December 2017 is included in the Risk Management Report of the Group's Annual Report 31 December 2017 (under the Credit Risk section from page 56).

Past due and impaired exposures

Past due but not impaired loans, whether forbone of not, are defined as loans where repayment of interest and / or principal are overdue by at least one day but which are not impaired.

Impaired loans are defined as exposures which carry a specific provision whether forbone of not. Specific provisions are as a result of either individual or collective assessment for impairment.

The Group's non-performing exposures are set out on page 61 of the Group's Annual Report and consist of impaired loans, loans greater than 90 days in arrears and not impaired, Forborne Collateral Realisation loans (FCRs) and other / probationary loans that have yet to satisfy exit criteria in line with EBA guidance to return to performing.

For additional information on past due and impaired exposures, please refer to page 61 of the Group's Annual Report 31 December 2017.

Past due and impaired exposures (continued)

Past due and impaired exposures by industry
Table 4.15 is based on financial statement information and discloses 'past due but not impaired' and 'impaired' balances by industry class.

Table 4.15 - Past due and impaired exposures by industry class

Gross carrying value	2017 Past due exposures €m	2017 Impaired exposures €m	2017 Total €m	Restated[1] 2016 Past due exposures €m	Restated[1] 2016 Impaired exposures €m	Restated[1] 2016 Total €m
Personal	1,339	1,403	2,742	1,504	1,738	3,242
- Residential mortgages	*1,275*	*1,314*	*2,589*	*1,445*	*1,634*	*3,079*
- Other	*64*	*89*	*153*	*59*	*104*	*163*
Property and construction	142	1,301	1,443	372	2,669	3,041
Business & other services	100	642	742	139	888	1,027
Manufacturing	13	181	195	26	208	234
Distribution	41	274	315	20	379	399
Transport	2	122	124	19	181	200
Financial	-	14	14	1	22	23
Agriculture	36	99	135	51	150	201
Energy	1	7	8	-	1	1
Total	**1,674**	**4,043**	**5,717**	**2,132**	**6,236**	**8,368**

Past due and impaired exposures by geography
Table 4.16 is based on financial statement information and discloses 'past due but not impaired' and 'impaired' balances by geographic location, which are based on the location of the business unit where the exposure is booked.

Table 4.16 - Past due and impaired exposure by geography

Gross carrying value	2017 Past due exposures <90 days past due €m	2017 Past due exposures >90 days past due €m	2017 Impaired exposures €m	2017 Total €m	Restated[1] 2016 Past due exposures <90 days past due €m	Restated[1] 2016 Past due exposures >90 days past due €m	Restated[1] 2016 Impaired exposures €m	Restated[1] 2016 Total €m
RoI	504	298	3,369	4,171	573	396	5,192	6,161
UK	706	166	674	1,546	885	278	1,044	2,207
Total	**1,210**	**464**	**4,043**	**5,717**	**1,458**	**674**	**6,236**	**8,368**

Table 4.17 is based on the ageing analysis on balance sheet past-due exposures regardless of their impairment status.

Table 4.17 - EU CR1-D - Ageing of past-due exposures

2017 Gross carrying value	<=30 days €m	>30 days <=60 days €m	>60 days <=90 days €m	>90 days <=180 days €m	>180 days <=1 year €m	>1 year €m
Loans	1,201	670	336	395	585	2,530
Debt securities	-	-	-	-	-	-
Total exposures	**1,201**	**670**	**336**	**395**	**585**	**2,530**

[1] *As described on page 60 of the Group's Annual Report 31 December 2017, the Group has revised its asset quality reporting methodology to align with EBA guidance on non-performing and forborne classifications. The Group's definition of impaired loans has been modified to remove non-mortgage loans that are greater than 90 days in arrears but where a specific provision is not required, instead these loans are now classified as 'past due greater than 90 days but not impaired'.*

Specific credit risk adjustments (provisions)

The loan loss provisioning methodology used by the Group is set out on page 58 of the Group's Annual Report 31 December 2017.

This includes:

- a description of the type of provisions; and
- a description of the approaches and methods adopted for determining provisions.

CRD IV introduced the definition of 'specific' and 'general' credit risk adjustments and, in line with the relevant technical standard, the Group has included 'specific provisions' and 'IBNR' as specific credit risk adjustments. The Group has no 'general' credit risk adjustments.

Changes in the stock of defaulted and impaired loans and debt securities
Table 4.18 shows the changes in stock of defaulted and impaired loans.

Table 4.18 - EU CR2-B - Changes in the stock of defaulted and impaired loans and debt securities

2017	Gross carrying value defaulted exposures €m
1. Opening balance	**7,071**
2. Loans and debt securities that have defaulted or impaired since the last reporting period	874
3. Returned to non-defaulted status	(946)
4. Amounts written off	(1,614)
5. Other changes[1]	662
6. Closing balance	**6,047**

Specific credit risk adjustment charges during the year
Table 4.19 shows the movement in the provision on loans and advances to customers during the year ended 31 December 2017. It is based on financial statement information.

Table 4.19 - EU CR2-A - Changes in the stock of general and specific credit risk adjustments

2017	Accumulated specific credit risk adjustment €m	Accumulated general credit risk adjustment €m
Opening balance	3,889	-
Increases due to amounts set aside for estimated loan losses during the period	315	-
Decreases due to amounts reversed for estimated loan losses during the period	(301)	-
Decreases due to amounts taken against accumulated credit risk adjustments	(1,618)	-
Transfers between credit risk adjustments	-	-
Impact of exchange rate differences	(31)	-
Business combinations, including acquistions and disposals of subsidiaries	-	-
Other adjustments	105	-
Closing balance	**2,359**	**-**
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	-	-
Specific credit risk adjustments directly recorded to the statement of profit or loss	-	-

[1] *Includes the impact of the reclassification of FCR loans to align with EBA classifications. For more information on FCR see page 60 of the Group's Annual Report 31 December 2017.*

Specific credit risk adjustments (provisions) (continued)

Table 4.20 shows an overview of non-performing and forborne exposures

Table 4.20 - EU CR1-E - Non-performing and forborne exposures

		Gross carrying amount of performing and non-performing exposures						Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees received	
2017	**Total €m**	*of which; performing but past due >30 days and <=90 days €m*	*performing forborne €m*	**Non-performing €m**	*of which; defaulted €m*	*impaired €m*	*forborne €m*	**On performing exposures €m**	*of which; forborne €m*	**On non-performing exposures €m**	*of which; forborne €m*	**On non-performing exposures €m**	**On forborne exposures €m**
10 Debt securities	13,388	-	-	-	-	-	-	-	-	-	-	-	-
20 Loans and advances	88,718	536	2,367	6,533	5,941	4,051	5,240	(366)	(152)	(1,993)	(1,558)	3,349	4,453
30 Off-balance sheet exposures	16,502	-	54	102	75	-	85	-	-	-	-	-	-

Pillar 3 overview

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Comparison of expected versus actual loss

Table 4.21 is based on a comparison of regulatory expected loss of the performing IRB loan portfolios as at 31 December 2016 with actual loss (specific provision charge incurred) on the IRB loan portfolios in the year ended 31 December 2017.

The parameters underlying the calculation of expected loss (PD, LGD and EAD) primarily represent through the cycle estimations, i.e. they reflect and estimate the average outcomes for an entire economic cycle. To meaningfully validate expected loss, these estimates would need to be compared to all realised losses which may have materialised after all the assets have gone through their life cycle. However, such information cannot be provided and disclosed since life cycles could last for a significant number of years. Using actual accounting loss information does not provide a suitable alternative, because - unlike expected loss estimates - accounting loss information is measured at point-in-time.

The following table should therefore be read bearing in mind these significant limitations.

Table 4.21 - Expected versus actual loss

IRB exposure class	**Expected loss calculated on 2016 €m**	**Specific provision charge 2017 €m**	Expected loss calculated on 2015 €m	Specific provision charge 2016 €m
Institutions	1	-	1	-
Corporates	232	132	248	191
Retail	**326**	**(57)**	**293**	**(91)**
- Secured by real estate property	*259*	*(51)*	*237*	*(89)*
- Qualifying revolving	*15*	*-*	*12*	*-*
- Other retail	*52*	*(6)*	*44*	*(2)*
Total	**559**	**75**	**542**	**100**

Credit risk mitigation

The credit risk section on pages 56 to 70 of the Group's Annual Report 31 December 2017 contains information relating to:

- the policies and processes for collateral valuation and management; and
- a description of the main types of collateral taken by the Group.

Collateral used to mitigate risk, both for mortgage and other lending is diversified. The main types of guarantors are corporates, individuals, financial institutions and sovereigns. Their creditworthiness is assessed on a case-by-case basis.

Credit risk mitigation for regulatory capital requirements calculation

For Retail IRB exposures, the effect of credit risk mitigation, principally due to the collateral taken to secure loans, is taken into account in the development of the Group's LGD models, which in turn are used in the calculation of the Group's regulatory capital requirements.

For non-retail Foundation IRB exposures, supervisory LGDs are used for minimum regulatory capital requirements calculation purposes as is required under the CRR. These LGDs are either applied directly to obligors, or are reduced through the recognition of the risk-mitigating impact of qualifying collateral held.

Under the IRB approach, depending on the type of credit risk mitigation applied, PD or LGD may be impacted. Under the Standardised approach, credit risk mitigation impacts the risk weight which is then subsequently applied to the exposure amount to derive the capital requirement.

Table 4.22 shows the volume of unsecured and secured exposures. Secured exposures are limited to those exposures against which eligible collateral which meets CRR definitions is held and has been used in the calculation of the Group's capital requirements. Haircuts are applied consistent with CRR requirements.

This table is not reflective of the total volume of exposures against which collateral and guarantees are actually held across the Group, nor does it reflect the full range of credit risk mitigation taken. A significant portion of the exposures included in Table 4.22 (exposures unsecured carrying amount) benefit from security taken to mitigate credit risk, but this security is not eligible for use in the regulatory capital calculations. For example, exposures in the Group's leasing business are included as Unsecured exposures in the table, although the underlying assets financed are held to mitigate credit risk in this business.

The table excludes exposures where the Group nets derivative mark-to-market positions with certain interbank counterparties against cash collateral placed and received with those counterparties under CSA agreements. For cash collateral held against derivative exposures refer to the counterparty credit risk section.

Debt securities are included in the relevant exposure classes in the table. Credit risk mitigation realised through the netting of on-balance sheet assets and liabilities is not reflected in the table. Certain customer loans and overdrafts are netted against deposits as permitted by the CRR subject to certain criteria including a legal right of offset. Effectiveness of netting techniques is achieved through the execution of industry standard legal agreements.

Credit risk mitigation (continued)

Table 4.22 - EU CR3 - CRM techniques - Overview

Net value	Total €m	Exposures unsecured carrying amount €m	Exposures secured carrying amount €m	*Exposures secured by collateral €m*	*Exposures secured by financial guarantees €m*	*Exposures secured by credit derivatives €m*
1. Loans	**110,090**	**54,973**	**55,117**	**55,117**	**-**	**-**
Institutions	936	936	-	-	-	-
Corporates	20,021	12,953	7,068	7,068		
of which:						
- Specialised lending	*948*	*944*	*4*	*4*	-	-
- SME	*10,014*	*3,513*	*6,501*	*6,501*	-	-
Retail	52,008	5,354	46,654	46,654	-	-
Secured by real estate property	46,654	-	46,654	46,654	-	-
- SME	-	-	-	-	-	-
- Non-SME	*46,654*	-	*46,654*	*46,654*	-	-
Qualifying revolving	2,680	2,680	-	-	-	-
Other Retail	2,674	2,674	-	-	-	-
- SME	*2,180*	*2,180*	-	-	-	-
- Non-SME	*494*	*494*	-	-	-	-
Total IRB	**72,965**	**19,243**	**53,722**	**53,722**	**-**	**-**
Central governments or central banks	17,038	17,038	-	-	-	-
Regional governments or local authorities	190	190	-	-	-	-
Public sector entities	343	343	-	-	-	-
Multilateral development banks	781	781	-	-	-	-
International organisations	896	896	-	-	-	-
Institutions	-	-	-	-	-	-
Corporates	6,044	5,104	940	940	-	-
Retail	8,329	8,329	-	-	-	-
Secured by mortgages on immovable property	455	-	455	455	-	-
Exposures in default	570	570	-	-	-	-
Items associated with particularly high risk	134	134	-	-	-	-
Covered bonds	-	-	-	-	-	-
Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
Collective investment undertakings	-	-	-	-	-	-
Equity exposures	-	-	-	-	-	-
Other items	2,345	2,345	-	-	-	-
Total Standardised	**37,125**	**35,730**	**1,395**	**1,395**		
2. Debt securities	**3,102**	**-**	**3,102**	**3,102**	**-**	**-**
3. Total exposures	**113,192**	**54,973**	**58,219**	**58,219**	**-**	**-**
of which;						
4. Defaulted	*3,961*	*1,196*	*2,765*	*2,765*	-	-

Counterparty credit risk

Information on how counterparty credit risk is managed is provided on page 58 of the Group's Annual Report 31 December 2017.

Limits, policies and collateral

Limits
Counterparty credit limits are based primarily on the counterparty credit rating but also take into account historic limit usage and requirements from the business. The capital calculation uses PDs assigned to counterparties based on their ratings and the PDs are then used to calculate RWA and EL.

Policies
Policies are in place for securing collateral and establishing credit reserves. Legal agreements giving effect to netting International Swaps and Derivatives Association (ISDA) and / or collateral arrangements (Global Master Repurchase Aggreement (GMRA) and Credit Support Annex (CSA)) are negotiated and put in place with interbank and other counterparties. In the case of collateral agreements, collateral calls are agreed with the counterparty. In the vast majority of cases, collateral is cash and the agreed amount is either transferred by the counterparty to the Group or paid by the Group to the counterparty.

Wrong-way risk
The Group recognises the potential for 'wrong-way' exposure in derivatives rewriting risk. This occurs where the potential market-driven exposure on the contract is likely to be positively correlated with the counterparty because both are linked to a common factor such as a commodity price or an exchange rate. The Group allows for the potential impact of wrong-way exposure qualitatively in assessing individual credits.

Collateral
As at 31 December 2017, the maximum impact of a two-notch downgrade of the Group by either S&P or Moody's on the Group's CSAs covering its interbank derivative positions, is that legally the Group could not be required to post additional collateral in respect of its existing trades, as due to new EMIR requirements, threshold amounts can no longer be included in CSAs for over-the-counter (OTC) derivative transactions entered into on or after 1 March 2017.

European Markets Infrastructure Regulation (EMIR)
EMIR includes the obligation to centrally clear certain classes of OTC derivative contracts through Central Counterparty Clearing (CCPs). The Group began clearing OTC interest rate swaps and Index referenced CDS (Credit Default Swaps) in 2016 to meet this obligation.

Exposure value measure
The Group determines exposure values for counterparty credit risk using the mark-to-market method. This primarily covers derivative exposures. The Group determines exposure values for repurchase transactions using the Financial Collateral Comprehensive Method (FCCM) and as such, no disclosures for repurchase agreements are made in this section.

In determining the EAD for derivative credit exposure, the Group recognises the credit risk mitigating impact of cash collateral received under CSAs. EAD for particular netting sets is reduced by the amount of cash collateral held in accordance with the relevant specific regulatory rules. Separately, where the Group posts collateral under a CSA, the net negative mark-to-market on the related netting set is used to reduce the EAD on the collateral exposure, once again in accordance with the relevant specific regulatory rules.

In addition, a Credit Valuation Adjustment ('Incurred CVA') is applied to the Group's non- collateralised derivatives based primarily on the creditworthiness of the client and the fair value of the underlying transaction. At 31 December 2017 Incurred CVA of €255 million reduces EAD on the relevant exposures consistent with the requirements of the CRR.

Under CRD IV, a Credit Valuation Adjustment (CVA) risk weighted asset is also calculated for certain financial counterparties. CVA risk on OTC derivative exposures for 2017 is €169 million RWA (2016: €313 million).

Counterparty credit risk (continued)

Counterparty credit exposure

The tables below reflect the Group's counterparty credit exposures, including the impact of netting and collateral. Current credit exposures consist of the replacement cost of contracts together with potential future credit exposure.

Table 5.1 - EU CCR1 - Analysis of CCR exposure by approach

2017	Notional €m	Replacement cost / current market value €m	Potential future credit exposure €m	EEPE €m	Multiplier €m	EAD post CRM €m	RWA €m
1. Market to Market		358	685	-	-	1,043	557
2. Original exposure	-	-	-	-	-	-	-
3. Standardised approach	-	-	-	-	-	-	-
4. IMM (for derivatives and SFTs)	-	-	-	-	-	-	-
of which;							
5. securities financing transactions	-	-	-	-	-	-	-
6. derivatives and long settlement transactions	-	-	-	-	-	-	-
7. from contractual cross-product netting	-	-	-	-	-	-	-
8. Financial collateral simple method (for SFTs)	-	-	-	-	-	-	-
9. Financial collateral comprehensive method (for SFTs)	-	-	-	-	-	348	3
10. VaR for SFTs	-	-	-	-	-	-	-
11. Total							**560**

Table 5.2 - Current credit exposure by product

EAD	2017 €m
Interest rate	309
FX	16
Equity	-
Netted agreements credit exposure	717
Credit derivatives	1
Commodity contracts	-
Total	**1,043**

Table 5.3 - EU CCR2 - CVA capital charge

2017 Standardised approach - exposure class		Exposure value €m	RWA €m
1.	Total portfolios subject to the advanced method	-	-
2.	(i) VaR component (including the 3x multiplier)	-	-
3.	(ii) SVaR component (including the 3x multiplier)	-	-
4.	All portfolios subject to the Standardised method	464	169
EU4.	Based on the original exposure method	-	-
5.	**Total subject to the CVA capital charge**	**464**	**169**

Counterparty credit risk (continued)

Table 5.4 - EU CCR5-A Impact of netting and collateral held on exposure values

2017	Gross positive value or net carry amount €m	Netting benefits €m	Netted current credit exposure €m	Collateral held €m	Net credit exposure €m
1. Derivatives	2,348	1,472	876	518	358
2. SFTs	-	-	-	-	-
3. Cross-product netting	-	-	-	-	-
4. Total	**2,348**	**1,472**	**876**	**518**	**358**

Table 5.5 - EU CCR3 - Standardised approach - CCR exposures by regulatory portfolio and risk weight

2017	Risk Weight												
EAD (€m)	**0%**	**2%**	**4%**	**10%**	**20%**	**50%**	**70%**	**75%**	**100%**	**150%**	**Others**	**Total**	**Unrated**
1. Central governments or central banks	331	-	-	-	-	-	-	-	-	-	-	331	-
2. Regional governments or local authorities	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-
5. International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-
6. Institutions	-	-	-	-	-	-	-	-	-	-	-	-	-
7. Corporates	-	-	-	-	-	-	-	-	1	-	-	1	-
8. Retail	-	-	-	-	-	-	-	-	-	-	-	-	-
9. Secured by mortgages on immovable property	-	-	-	-	-	-	-	-	-	-	-	-	-
10. Exposures in default	-	-	-	-	-	-	-	-	-	-	-	-	-
11. Items associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-	-	-
12. Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-
13. Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-
14. Collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-
15. Equity exposures	-	-	-	-	-	-	-	-	-	-	-	-	-
16. Other items	-	-	-	-	-	-	-	-	-	-	-	-	-
17. Total	**331**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**-**	**-**	**332**	**-**

Counterparty credit risk (continued)

Table 5.6 - EU CCR4 - IRB approach - CCR exposures by exposure class and PD scale

2017 PD range	EAD post CRM and post CCF €m	Average PD %	Number of obligors	Average LGD %	Average maturity in years	RWA €m	RWA density %
Total FIRB							
0.00 to 0.15	585	0.1%	101	45%	2.4	146	26%
0.15 to <0.25	108	0.2%	60	45%	2.5	56	52%
0.25 to <0.50	47	0.3%	103	45%	2.5	30	64%
0.50 to <0.75	90	0.6%	51	45%	2.5	74	83%
0.75 to <2.50	105	1.4%	109	45%	2.5	115	109%
2.50 to <10.00	83	3.5%	41	45%	2.5	123	147%
10.00 to <100.00	8	10.0%	6	45%	2.5	15	180%
100.00 (Default)	31	100.0%	3	45%	2.5	-	-
Total Foundation IRB	**1,058**	**3.6%**	**474**	**45%**	**2.5**	**559**	**53%**
Institutions							
0.00 to 0.15	529	0.1%	55	45%	2.4	128	24%
0.15 to <0.25	70	0.2%	5	45%	2.5	40	57%
0.25 to <0.50	-	-	-	-	-	-	-
0.50 to <0.75	-	-	-	-	-	-	-
0.75 to <2.50	-	-	-	-	-	-	-
2.50 to <10.00	-	-	-	-	-	-	-
10.00 to <100.00	-	-	-	-	-	-	-
100.00 (Default)	-	-	-	-	-	-	-
Total Institutions	**599**	**-**	**60**	**45%**	**2.4**	**168**	**28%**
Total Corporates							
0.00 to 0.15	57	0.1%	46	44%	2.5	18	32%
0.15 to <0.25	38	0.2%	55	45%	2.5	16	43%
0.25 to <0.50	47	0.3%	103	45%	2.5	30	64%
0.50 to <0.75	90	0.6%	51	45%	2.5	74	83%
0.75 to <2.50	105	1.4%	109	45%	2.5	115	109%
2.50 to <10.00	83	3.5%	41	45%	2.5	123	147%
10.00 to <100.00	8	10.0%	6	45%	2.5	15	180%
100.00 (Default)	31	100.0%	3	45%	2.5	-	-
Total Corporates	**459**	**8.1%**	**414**	**45%**	**2.5**	**391**	**85%**
Corporates of which SME							
0.00 to 0.15	1	0.1%	13	45%	2.5	0	21%
0.15 to <0.25	5	0.2%	15	45%	2.5	2	37%
0.25 to <0.50	3	0.4%	16	45%	2.5	2	51%
0.50 to <0.75	3	0.6%	23	45%	2.5	2	65%
0.75 to <2.50	9	1.3%	39	45%	2.5	8	87%
2.50 to <10.00	9	3.8%	19	45%	2.5	10	119%
10.00 to <100.00	6	10.0%	3	45%	2.5	10	163%
100.00 (Default)	31	100.0%	2	45%	2.5	-	-
Total Corporates of which SME	**67**	**47.7%**	**130**	**45%**	**2.5**	**34**	**50%**
Corporates of which Specialised Lending							
0.00 to 0.15	-	-	-	-	-	-	-
0.15 to <0.25	26	0.2%	6	45%	2.5	11	43%
0.25 to <0.50	32	0.3%	11	45%	2.5	20	62%
0.50 to <0.75	72	0.6%	13	45%	2.5	57	80%
0.75 to <2.50	86	1.4%	4	45%	2.5	94	109%
2.50 to <10.00	54	3.7%	1	45%	2.5	78	144%
10.00 to <100.00	-	-	-	-	-	-	-
100.00 (Default)	-	-	-	-	-	-	-
Total Corporates of which Specialised Lending	**270**	**1.4%**	**35**	**45%**	**2.5**	**260**	**96%**

Counterparty credit risk (continued)

Table 5.7 - EU CCR5-B Composition of collateral for exposures to CCR

	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral			
2017	Segregated €m	Unsegregated €m	Segregated €m	Unsegregated €m	Fair value of collateral received €m	Fair value of posted collateral €m
Cash	-	554	-	508	330	3,918
Total	**-**	**554**	**-**	**508**	**330**	**3,918**

Table 5.8 - EU CCR6 - Credit derivative exposures

	Credit derivative hedges		
2017	Protection bought €m	Protection sold €m	Other credit derivatives €m
Notionals			
Single-name credit default swaps	-	-	64
Index credit default swaps	-	-	53
Total return swaps	-	-	45
Credit options	-	-	-
Other credit derivatives	-	-	-
Total Notionals	**-**	**-**	**162**
Fair values			
- Positive fair value (asset)	-	-	*1*
- Negative fair value (liability)	-	-	*2*

Counterparty credit risk (continued)

Table 5.9 - CCR8 - Exposures to CCPs

2017 Standardised approach - exposure class	EAD post CRM €m	RWA €m
1. Exposure to QCCPs (total)	**160**	**3**
2. Exposures for trades at QCCPs (excluding initial margin and default fund contributions);	*160*	*3*
3. OTC derivatives	*160*	*3*
4. Exchange-traded derivatives	-	-
5. SFTs	-	-
6. Netting sets where cross-product netting has been approved	-	-
7. Segregated initial margin	-	-
8. Non-segregated initial margin	-	-
9. Prefunded default fund contributions	-	-
10. Alternative calculation of own funds requirements for exposures	-	-
11. Exposure to non-QCCPs (total)	**-**	**-**
12. Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions);	-	-
13. OTC derivatives	-	-
14. Exchange-traded derivatives	-	-
15. SFTs	-	-
16. Netting sets where cross-product netting has been approved	-	-
17. Segregated initial margin	-	-
18. Non-segregated initial margin	-	-
19. Prefunded default fund contributions	-	-
20. Unfunded default fund contributions	-	-

Securitisation

Securitisation roles and strategy
The Group has acted as originator under a number of securitisation structures, both traditional and synthetic. The purpose of these securitisations is to diversify the sources of funding for the Group and to increase the proportion of funding that is long-term, as well as to transfer credit risk. Information on the exposures securitised under these transactions, and which qualify for Pillar 1 derecognition, are provided in the tables in this section.

The Group has also purchased positions in securitisation transactions. These positions have been purchased in transactions where the individual notes were originally highly rated and benefited from strong credit enhancement provided by lower ranking notes. The purchased positions cover a broad range of asset classes including Commercial Mortgage-Backed Securities (CMBS), Residential Mortgage-Backed Securities (RMBS), consumer loans and loans to Corporates / SME.

In addition, the Group has transacted a number of internal securitisations for funding purposes. These do not qualify for derecognition under Pillar 1 and the exposures securitised under them are included in the credit risk tables in this document. These securitisations are outside the scope of this section.

The Group has not acted as a sponsor in any securitisation transactions.

Calculation of risk weighted exposure amounts
Certain securitisations originated by the Group, where the bonds issued by the securitisation vehicle have been sold to third party investors, qualify for derecognition under Pillar 1. The Group has retained positions in these securitisations and the KIRB value of these ‘first loss’ positions is deducted from CET 1.

For the Group’s synthetic securitisations, the retained senior position is risk weighted using the Supervisory Formula Method (SFM) in accordance with Article 262 of the CRR and the retained junior position is deducted fully from CET 1. The Group has recognised significant credit risk transfer for these transactions pursuant to Article 244 (2) of the CRR.

The risk weighted exposure amounts for the Group’s purchased positions are calculated using the IRB approach. The Group’s purchased positions are all held in the Banking Book.

A supervisory deduction is taken from CET 1 for purchased positions which otherwise would have attracted a 1250% risk weight under this approach.

Risk management for securitisation activities
There is no distinction in management of credit risk between securitised and non-securitised exposures. The Group’s securitised exposures and the retained securitisation positions are managed and reviewed in accordance with the Group’s internal requirements for management of credit risk. See pages 56 to 70 of the Group’s Annual Report 31 December 2016.

Information on liquidity risk inherent in securitised assets has not been provided on the basis of materiality. A table showing wholesale funding securitisations is included in the liquidity risk section in the Group’s Annual Report 31 December 2017 page 74.

Accounting policies for securitisation activities
Securitisations generally require Group companies to enter into transactions with a Structured Entity (SE). From an accounting perspective, the treatment of SEs is assessed in accordance with IFRS 10 which establishes the principles for when the Group is deemed to control another entity and therefore required to consolidate it through the Group’s financial statements.

A SE is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. The Group assesses whether it has power over the relevant activities in assessing control over such an entity by considering factors such as who manages the assets of these entities and whether the Group has lending to, or a residual interest in such entities.

In relation to these SEs, there are no contractual arrangements that require the Group to provide financial support. In the years ended 31 December 2017 and 31 December 2016 the Group did not provide financial or other support, nor does it expect or intend to do so. All of the Group’s SEs were consolidated in the Group’s financial statements for the years ended 31 December 2017 and 31 December 2016.

Where the Group acts as originator in a securitisation, all financial assets continue to be held on the Group balance sheet, and a liability is recognised for the proceeds of the funding transaction, unless:
- the contractual rights to the cash flows have expired; or
- the financial assets have been transferred and the Group has transferred the contractual right to receive the cash flows of the financial asset or assumes a contractual obligation to pay the cash flows of the financial asset only where it collects equivalent amounts from the original asset, such amount are remitted without material delay and the Group is prohibited from selling or pledging the original asset other than as security.

Where any of the above conditions apply to a fully proportionate share of all or specifically identified cashflows, the relevant accounting treatment is applied to that proportion of the asset.

While originated mortgage backed securitisations (where the bonds issued by the securitisation vehicles have been sold to third party investors) have been derecognised for Pillar 1 purposes, they have not been derecognised for accounting purposes under IFRS. The exposures securitised under these securitisations are recognised as financings and credit risk exposures under IFRS 7 as a securitisation transaction is only recognised as a sale or partial sale where de-recognition is achieved. As the conditions for de-recognition are not met, there are no sales or transfers of assets.

Synthetic securitisations, where only credit risk of the underlying assets is transferred with the Group retaining legal ownership and substantially all of the risks and

Securitisation (continued)

rewards of ownership of the assets, are accounted for using the accounting treatment summarised above.

The Group's purchased positions are classified as either available for sale or loans and receivables from an accounting perspective.

There is no change to the accounting treatment of assets securitised in originated securitisations or purchased securitisations from the previous reporting period.

The Group has no assets awaiting securitisation at 31 December 2017.

Use of External Credit Assessment Institutions (ECAIs)
For the purpose of the RWA calculation, ECAIs are used for the Group's purchased securitisation positions. The following ECAIs are used: Fitch Ratings, Moody's Investors Service and Standard & Poor's. These are used for all exposure types, though the securitisations may not have been rated by all three agencies.

Total outstanding amount of exposures securitised
Table 6.1 below shows the total outstanding amount of exposures securitised by the Group in its role as originator and have qualified for Pillar 1 derecognition.

Table 6.1 - Outstanding amount of exposures securitised

	2017			2016		
Exposure type	**Traditional €m**	**Synthetic €m**	**Total €m**	Traditional €m	Synthetic €m	Total €m
Residential mortgages	1,060	-	1,060	1,252	-	1,252
Corporate loans	-	4,296	4,296	-	2,870	2,870
Total	**1,060**	**4,296**	**5,356**	**1,252**	**2,870**	**4,122**

Summary of securitisation activity
The Group originated one securitisation which qualifies for derecognition under Pillar 1 during the year ended 31 December 2017. This credit risk transfer transaction or synthetic securitisation, references a portfolio of c.USD$1.71 billion Leveraged Acquisition Finance (LAF) loan assets in the 'Corporate' exposure type.

Specific provisions, past due and impaired securitised exposures

Table 6.2 - Specific provisions, past due and impaired securitised exposures

	Traditional			**Synthetic**			**Total**		
Exposure type	**Past due exposures €m**	**Impaired exposures €m**	**Specific provisions €m**	**Past due exposures €m**	**Impaired exposures €m**	**Specific provisions €m**	**Past due exposures €m**	**Impaired exposures €m**	**Specific provisions €m**
2017									
Residential mortgages	47	11	1	-	-	-	47	11	1
Corporate loans	-	-	-	12	7	3	12	7	3
Total	**47**	**11**	**1**	**12**	**7**	**3**	**59**	**18**	**4**
2016									
Residential mortgages	58	16	2	-	-	-	58	16	2
Corporate loans	-	-	-	-	-	-	-	-	-
Total	58	16	2	-	-	-	58	16	2

Securitisation (continued)

Securitisation positions retained and purchased by exposure type

Table 6.3 - Retained and purchased securitisation positions by exposure type

	Traditional			Synthetic			Total		
Provisions	**Retained EAD €m**	**Purchased EAD €m**	**Total EAD €m**	**Retained EAD €m**	**Purchased EAD €m**	**Total EAD €m**	**Retained EAD €m**	**Purchased EAD €m**	**Total EAD €m**
2017									
Residential mortgages	24	58	82	-	-	-	24	58	82
Commercial mortgages	-	26	26	-	-	-	-	26	26
Loans to corporates or SME	-	45	45	3,946		3,946	3,946	45	3,991
Consumer loans	-	17	17	-	-	-	-	17	17
Total	**24**	**146**	**170**	**3,946**	**-**	**3,946**	**3,970**	**146**	**4,116**
2016									
Residential mortgages	30	69	99	-	-	-	30	69	99
Commercial mortgages	-	27	27	-	-	-	-	27	27
Loans to corporates or SME	-	60	60	2,684	-	2,684	2,684	60	2,744
Consumer loans	-	25	25	-	-	-	-	25	25
Total	30	181	211	2,684	-	2,684	2,714	181	2,895

Securitisation positions retained and purchased
Retained positions refer to positions retained by the Group with respect to the securitisations originated by the Group.

Purchased positions are positions purchased by the Group in external securitisations. Repurchased tranches of own securitisations which are not subject to risk weights are excluded from the tables below. For supervisory reporting purposes, the traditional positions are included as on-balance sheet exposures and synthetic securitisations are included as off-balance sheet.

Securitisation (continued)

Securitisation positions retained and purchased by risk weight

Table 6.4 - Retained and purchased securitisation positions by risk weight

	Traditional						Synthetic						Total					
	Retained		Purchased		Total		Retained		Purchased		Total		Retained		Purchased		Total	
	(EAD) €m	(RWA) €m	(EAD) €m	(RWA) €m	(EAD) €m	(RWA) €m	(EAD) €m	(RWA) €m	(EAD) €m	(RWA) €m	(EAD) €m	(RWA) €m	(EAD) €m	(RWA) €m	(EAD) €m	(RWA) €m	(EAD) €m	(RWA) €m
2017																		
<=10%	-	-	35	3	35	3	3,917	274	-	-	3,917	274	3,917	274	35	3	3,952	277
>10% but <=18%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
>18% but <=35%	-	-	45	16	45	16	-	-	-	-	-	-	-	-	45	16	45	16
>35% but <=75%	-	-	28	15	28	15	-	-	-	-	-	-	-	-	28	15	28	15
>75% but <=100%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
>100% but <=250%	-	-	7	7	7	7	-	-	-	-	-	-	-	-	7	7	7	7
>250% but <=425%	-	-	9	24	9	24	-	-	-	-	-	-	-	-	9	24	9	24
>425% but <=650%	-	-	9	41	9	41	-	-	-	-	-	-	-	-	9	41	9	41
>650% but <=1250%	-	-	-	-	-	-	7	87	-	-	7	87	7	87	-	-	7	87
Total subject to risk weights	**-**	**-**	**133**	**106**	**133**	**106**	**3,924**	**361**	**-**	**-**	**3,924**	**361**	**3,924**	**361**	**133**	**106**	**4,057**	**467**
Deducted from capital	24	-	13	-	37	-	22	-	-	-	22	-	46	-	13	-	59	-
Total	**24**	**-**	**146**	**106**	**170**	**106**	**3,946**	**361**	**-**	**-**	**3,946**	**361**	**3,9670**	**361**	**146**	**106**	**4,116**	**467**
2016																		
<=10%	-	-	50	4	50	4	2,670	187	-	-	2,670	187	2,670	187	50	4	2,720	191
>10% <=18%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
>18% <=35%	-	-	53	18	53	18	-	-	-	-	-	-	-	-	53	18	53	18
>35% <=75%	-	-	37	21	37	21	-	-	-	-	-	-	-	-	37	21	37	21
>75% <=100%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
>100% <=250%	-	-	18	47	18	47	-	-	-	-	-	-	-	-	18	47	18	47
>250% <=425%	-	-	13	58	13	58	-	-	-	-	-	-	-	-	13	58	13	58
>425% <=650%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
>650% <=1250%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total subject to risk weights	-	-	171	148	171	148	2,670	187	-	-	2,670	187	2,670	187	171	148	2,841	335
Deducted from capital	30	-	10	-	40	-	14	-	-	-	14	-	44	-	10	-	54	-
Total	30	-	181	148	211	148	2,684	187	-	-	2,684	187	2,714	187	181	148	2,895	335

Market risk

Overview

Table 7.1 - Market risk under the Standardised approach

	2017		2016	
	Capital requirements €m	**RWA €m**	Capital requirements €m	RWA €m
Outright products				
1. Interest rate risk (general and specific)	27	342	21	259
2. Equity risk (general and specific)	-	-	-	-
3. Foreign exchange risk	14	174	9	120
4. Commodity risk	-	-	-	-
Options				
5. Simplified approach	-	-	-	-
6. Delta-plus method	-	-	-	1
7. Scenario approach	-	-	-	-
8. Securitisation (specific risk)	-	-	-	-
9. Total	**41**	**516**	**30**	**380**

The management of market risk in the Group is governed by the Group's RAS and by the Group Policy on Market risk, both of which are approved by the Board.

The Group uses the Standardised approach for its assessment of Pillar 1 capital requirements for Trading Book market risk, using the prescribed regulatory calculation method. Risk weighted assets for market risk (predominantly interest rate risk on the Trading Book and foreign exchange risk) on 31 December 2017 are €516 million (2016: €380 million).

Further detailed information in relation to market risk, including Interest Rate Risk in the Banking Book (IRRBB), is set out on pages 76 to 79 of the Group's Annual Report 31 December 2017.

Market risk is the risk of loss arising from movements in interest rates, foreign exchange rates or other market prices.

Market risk arises from the structure of the Group's balance sheet, the Group's business mix and discretionary risk-taking.

Discretionary risk

Discretionary risk consists of risk that is proactively assumed in the Trading Book and discretionary Interest Rate Risk in the Banking Book (IRRBB). As a consequence of the Bank's hedging strategies, discretionary IRRBB (which incorporates the major part of mismatch and yield curve risk as defined for regulatory purposes) is immaterial and therefore no further information is disclosed.

BoIGM is the sole Group business permitted to run discretionary market risk on behalf of the Group. The major part of BoIGM's discretionary risk is interest rate risk in euro, sterling and US dollar markets.

The Group employs a VaR approach to measure, and set limits on, discretionary market risk. This applies to both the Trading Book and discretionary IRRBB. The Group measures VaR for a one-day horizon at the 99% (two-tailed) level of statistical confidence. VaR reporting is conducted daily.

For the nature of the risks assumed by the Group, VaR remains a reliable basis of risk measurement. Nonetheless, VaR limits are supplemented by a range of controls that include position limits and loss tolerances. In addition, scenario based stress tests and long-run historic simulations, taking in past periods of market stress, are used to assess and manage discretionary market risk.

Customer risk

Interest rate risk arising on customer lending and term deposit-taking is centralised by way of internal hedging transactions with BoIGM. This exposure is, in turn, substantially eliminated by BoIGM through external hedges.

Structural risk

Notwithstanding the overriding objective of running minimal levels of market risk, certain structural elements of IRRBB remain, notably structural basis risk and the earnings risk that arises from the presence of non-interest bearing liabilities on the balance sheet.

Structural basis risk arises where market-related assets, liabilities and swaps re-price at different frequencies (monthly, quarterly, semi-annually) and where lending re-prices with changes in central bank rates but is funded at a blend of retail deposit and market-related rates. In addition, certain economic risks are inherent in the Group's balance sheet and the requirement to fund a material part of the Group's sterling balance sheet from euro creates a structural exposure. These risks are managed centrally as structural treasury risk.

The presence of non-interest bearing liabilities on the balance sheet - principally equity and non-interest bearing non-maturity customer deposits - exposes Group earnings to changes in interest rates. This structural interest rate risk is mitigated over the cycle by investing these liabilities in a portfolio of fixed rate assets only a proportion of which are re-invested in any given year. The Group applies the same investment convention to all non-interest bearing liabilities.

Operational risk

Overview

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

The Group is exposed to operational risks in the normal pursuit of its business objectives and encompasses a very broad range of sources of potential financial loss which the Group actively seeks to manage, mitigate and transfer. Such sources include inadequate or failed internal processes such as payments processing and financial reporting, information technology or equipment failures, the malfunction of external systems and controls, including those of the Group's suppliers or counterparties, or from people-related or external events, such as cybercrime and fraud, or from natural disasters and social or political events. In the case of legal and contractually related operational risks, the Group is exposed to the risk of loss due to litigation arising from errors, omissions and acts by the Group and its officers in the conduct of its business.

Operational risk management objective

The primary goals of operational risk management within the Group are to ensure the sustainability and integrity of the Group's operations and the protection of its reputation by controlling, mitigating or transferring the impact of operational risk. The Group has established a formal approach to the management of operational risk in an 'Operational Risk Framework'.

Operational risk management framework

The framework defines the Group's approach to identifying, assessing, managing, monitoring and reporting the operational risks which may impact the achievement of the Group's business objectives. The framework outlines, inter alia, the following:

- formulating and disseminating a Group Operational Risk policy specifying the risk management obligations of management within the Group;
- maintaining organisational structures for the oversight, monitoring and management of operational risk throughout the Group;
- embedding formal operational risk management processes and standards throughout the Group;
- setting aside capital and maintaining a suite of insurance policies; and
- setting out the boundary conditions in which operational risks are to be managed, by way of Board approved RAS.

In what follows, some of the key elements of the Group's operational risk framework are briefly described.

Operational risk policy and governance

In 2017, in accordance with its risk appetite, the Group continued to maintain its on-going oversight and control of its exposure to operational risk. A critical component of the operational risk management framework is a BRC approved Operational Risk Policy which sets out the Group's objectives and the obligations of management in respect of operational risk.

Governance and oversight of operational risk matters forms part of the Group's Risk Framework which aims to ensure that risk management activities are adequate and commensurate with the Board approved risk appetite. The GORC is appointed by the GRPC and is responsible for the oversight and monitoring of operational risk within the Group and its material subsidiaries.

Business units hold primary responsibility for the management of operational risk and compliance with internal control requirements.

Group Operational Risk is accountable for the development and maintenance of an Operational Risk Management Framework to ensure a robust, consistent and systematic approach is applied to managing operational risk exposures across the Group.

Operational risk appetite

The Board has set out its appetite for operational risk in terms of both qualitative factors and quantitative measures reflecting the nature of non-financial risks. As such, the monitoring of operational risk indicators is supplemented with qualitative review and discussion at senior management executive committees to ensure appropriate actions are taken to enhance controls.

Risk assessment

A systematic identification and assessment of the operational risks faced by the Group is a core component of the Group's overall operational risk framework. This is known as the Risk and Control Self-Assessment (RCSA) and is a framework for capturing, measuring and managing operational risk as well as providing a mechanism for the consistent identification, monitoring, reviewing, updating and reporting of risks throughout the Group. A key element of this process is the categorisation of risks by taxonomy.

Operational risk capital

The Group holds operational risk capital to cover the potential financial impact of operational risk events, and uses the Standardised Approach (TSA) to determine its Pillar 1 capital requirement. Risk weighted assets for operational risk on 31 December 2017 are €4.6 billion (2016: €4.6 billion). The Pillar 2 capital assessment process incorporates a scenario analysis programme.

Scenario analysis assists the Group in determining the possible frequency and severity of operational risk losses for certain extreme yet plausible events associated with different types of operational risk. The process also takes into account the potential for correlations between scenarios. The outputs of the scenario analysis programme forms part of the operational risk element of the Group's ICAAP.

Operational risk management framework (continued)

Insurance
The Group mitigates the risk of potential financial losses from selected operational risk events through the Group insurance programme, which is reviewed annually to ensure that the risk coverage remains appropriate to the Group's risk management objectives.

Operational risk reporting
Regular reporting of operational risk is a key component of the Group's Operational Risk Framework.

The Board receives a monthly update on the operational risk profile via the Court Risk Report which provides a timely assessment of the material operational risks against risk appetite.

At least four times a year, the Head of Group Operational Risk reports to the GORC on the status of operational risk in the Group, including the status of the top operational risks, the progress of risk mitigation initiatives, programmes and significant loss events.

In addition, specified operational risk information is collated for the purposes of reporting to regulatory supervisors in the jurisdictions in which the Group operates.

Liquidity risk

Overview

Liquidity risk is the risk that the Group will experience difficulty in financing its assets and / or meeting its contractual payment obligations as they fall due, or will only be able to do so at substantially above the prevailing market cost of funds.

The Group must comply with the regulatory liquidity requirements of the Single Supervisory Mechanism (SSM) and the requirements of local regulators in those jurisdictions where such requirements apply to the Group.

SSM requirements include compliance with the CRR / CRDIV and associated Delegated Acts which are a comprehensive set of measures to strengthen the regulation, supervision and risk management of the banking sector including:

- Liquidity Coverage Ratio - the liquidity coverage ratio (LCR) requires banks to have sufficient high-quality liquid assets to withstand a 30-day stressed funding scenario. A minimum 100% ratio applies from January 2018;
- Net Stable Funding Ratio - the net stable funding ratio (NSFR) requires banks to have sufficient quantities of funding from stable sources and a binding ratio is being proposed under the CRD V package; and
- Additional Pillar 2 liquidity requirements may also apply.

The annual Internal Liquidity Adequacy Assessment Process (ILAAP) enables the Board to assess the adequacy of the Group's Funding & Liquidity Risk Management Framework; to assess the key liquidity and funding risks to which it is exposed; and details the Group's approach to determining the level of liquid assets and contingent liquidity that is required to be maintained under both BAU and severe stress scenarios.

Via its approval of the ILAAP, the Board has satisfied itself that the volume and capacity of liquidity resources available to the Group are adequate to support its business model, to achieve its strategic objectives, to withstand severe but plausible stress scenarios and to meet regulatory requirements including the Liquidity Coverage and Net Stable Funding Ratios.

The Group will continue to target a buffer above minimum applicable regulatory liquidity requirements.

Further information is available in the Group's Annual Report 31 December 2017, Section 3.2 - Liquidity Risk, pages 71 to 75.

Table 8.1 - Liquidity ratios

	2017	2016
Liquidity coverage ratio	136%	113%
Net stable funding ratio	127%	122%

Overview (continued)

Table 8.2 - LCR disclosures

	Total unweighted value (average)				Total weighted value (average)			
Quarter ending 2017	**Mar-17 €m**	**Jun-17 €m**	**Sep-17 €m**	**Dec-17 €m**	**Mar-17 €m**	**Jun-17 €m**	**Sep-17 €m**	**Dec-17 €m**
Number of data points used in the calculation of averages	**12**	**12**	**12**	**12**	**12**	**12**	**12**	**12**
High-quality liquid assets								
1. Total high-quality liquid assets (HQLA)	-	-	-	-	16,134	16,459	16,782	17,445
Cash-outflows								
2. Retail deposits and deposits from small business customers	43,540	43,393	43,777	44,488	3,591	3,508	3,478	3,502
of which;								
3. Stable deposits	*23,376*	*24,995*	*26,755*	*28,396*	*1,169*	*1,250*	*1,338*	*1,420*
4. Less stable deposits	*20,156*	*18,388*	*17,013*	*16,084*	*2,414*	*2,248*	*2,132*	*2,075*
5. Unsecured wholesale funding	17,065	17,433	17,729	18,087	8,512	8,537	8,503	8,488
6. Operational deposits (all counterparties) and deposits in networks of cooperative banks	*3,825*	*3,683*	*3,538*	*3,388*	*956*	*921*	*885*	*847*
7. Non-operational deposits (all counterparties)	*13,170*	*13,683*	*14,128*	*14,637*	*7,486*	*7,549*	*7,556*	*7,579*
8. Unsecured debt	*70*	*67*	*63*	*62*	*70*	*67*	*63*	*62*
9. Secured wholesale funding	-	-	-	-	2	2	1	1
10. Additional requirements	5,653	5,919	6,054	6,274	1,205	1,367	1,376	1,472
11. Outflows related to derivative exposures and other collateral requirements	*541*	*623*	*704*	*391*	*541*	*623*	*704*	*791*
12. Outflows related to loss of funding on debt products	*91*	*172*	*101*	*102*	*91*	*172*	*101*	*102*
13. Credit and liquidity facilities	*5,021*	*5,124*	*5,249*	*5,382*	*572*	*572*	*570*	*580*
14. Other contractual funding obligations	911	996	862	840	662	728	567	547
15. Other contingent funding obligations	10,952	11,113	11,287	11,402	617	649	677	743
16. Total cash outflows	**-**	**-**	**-**	**-**	**14,588**	**14,791**	**14,602**	**14,754**
Cash-inflows								
17. Secured lending (eg reverse repos)	298	241	204	194	1	-	-	-
18. Inflows from fully performing exposures	641	629	624	626	423	414	408	410
19. Other cash inflows	1,454	1,406	1,412	1,380	454	427	439	435
EU-19a (Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)	-	-	-	-	-	-	-	-
EU-19b (Excess inflows from a related specialised credit institution)	-	-	-	-	-	-	-	-
20. Total cash inflows	**2,393**	**2,276**	**2,240**	**2,200**	**878**	**841**	**847**	**845**
EU-20a. Fully exempt inflows	-	-	-	-	-	-	-	-
EU-20b. Inflows Subject to 90% Cap	-	-	-	-	-	-	-	-
EU-20c. Inflows Subject to 75% Cap	2,393	2,276	2,240	2,200	878	841	847	845
21. Liquidity buffer	**-**	**-**	**-**	**-**	**16,134**	**16,459**	**16,782**	**17,445**
22. Total net cash outflows	**-**	**-**	**-**	**-**	**13,710**	**13,950**	**13,756**	**13,908**
23. Liquidity coverage ratio (%)	**-**	**-**	**-**	**-**	**118%**	**118%**	**122%**	**125%**

Concentration of funding and liquidity sources
The Group's lending portfolios are funded predominantly (>90%) by granular retail originated deposits with any residual funding requirements principally met through term wholesale funding and equity. The Group's liquidity buffer comprises high-quality liquid securities and cash holdings.

Derivative exposures and potential collateral calls
The Group calculates additional liquidity outflows corresponding to collateral needs resulting from the impact of an adverse

Overview (continued)

market scenario on the Group's derivative transactions using the Historical Look Back Approach (HLBA) as guided by the EBA.

Currency mismatch in the LCR
The Group manages its liquidity by jurisdiction with liquid assets predominantly held in the currency of each jurisdiction. In preparing the LCR, the Group recognises restrictions on the transferability of liquidity between jurisdictions with surplus liquid assets in one jurisdiction not transferable to another jurisdiction.

Degree of centralisation of liquidity management
Group Treasury provides top-down centralised control of the Group's funding and liquidity position including overall responsibility for the management of the Group's liquidity position and funding strategy. This ensures a co-ordinated approach to balance sheet management and is accomplished through the:

- incorporation of funding and liquidity risk appetite metrics into risk appetite at a consolidated level;
- monitoring liquidity metrics for each liquidity centre; and
- compliance by the business units with the Group's funds transfer pricing principles.

Encumbered and unencumbered assets held by the Group

Tables 8.3, 8.4 and 8.5 are designed to show the amounts of encumbered and unencumbered assets held by the Group. Assets are differentiated between those that are available for potential funding needs. All tables below are based on the official EBA reporting templates pertaining to Asset Encumbrance under CRD IV.

Please note that all figures are median values based on quarter end point-in-time (PiT) figures covering the year ended 31 December 2017.

Table 8.3 - Encumbered and unencumbered assets held by the Group

	Carrying amount of encumbered assets €m	Fair value of encumbered assets €m	Carrying amount of unencumbered assets €m	Fair value of unencumbered assets €m
2017				
Assets	**20,449**	**-**	**86,483**	**-**
- Loans on demand	*-*	*-*	*5,215*	*-*
- Equity instruments	*-*	*-*	*68*	*68*
- Debt securities	*1,266*	*1,266*	*12,898*	*12,898*
- Loans and advances other than loans on demand	*19,172*	*-*	*61,433*	*-*
- Other assets	*11*	*-*	*6,869*	*-*
2016				
Assets	19,293	-	91,328	-
- Loans on demand	*-*	*-*	*5,871*	*-*
- Equity instruments	*-*	*-*	*68*	*68*
- Debt securities	*346*	*346*	*12,837*	*12,922*
- Loans and advances other than loans on demand	*18,942*	*-*	*65,067*	*-*
- Other assets	*5*	*-*	*7,485*	*-*

Encumbered and unencumbered assets held by the Group (continued)

Table 8.4 - Collateral received

	Fair value of encumbered collateral received or own debt securities issued €m	Fair value of collateral received or own debt securities issued available for encumbrance €m
2017		
Collateral received	**1,049**	**75**
- Equity instruments	-	-
- Debt securities	105	75
- Other collateral received	944	-
- Own debt securities issued other than own covered bonds or ABSs	-	-
2016		
Collateral received	1,153	205
- Equity instruments	-	-
- Debt securities	70	205
- Other collateral received	1,083	-
- Own debt securities issued other than own covered bonds or ABSs	-	-

Table 8.5 - Encumbered assets / collateral received and associated liabilities

	Matching liabilities, contingent liabilities or securities lent €m	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered €m
2017		
Carrying amount of selected financial liabilities	11,852	18,631
Other sources of encumbrance	2,320	2,736
Total sources of encumbrance	**14,172**	**21,367**
2016		
Carrying amount of selected financial liabilities	10,540	18,030
Other sources of encumbrance	2,041	2,640
Total sources of encumbrance	12,581	20,670

As part of managing its funding requirements, the Group from time to time encumbers assets as collateral to support wholesale funding initiatives. This would include covered bonds, asset backed securities, securities repurchase agreements and other structures that are secured over customer loans. In 2017, €21.4 billion of the Group's assets and collateral received were encumbered, primarily through these structures.

Covered bonds, a key element of the Group's long term funding strategy are issued through its subsidiary Bank of Ireland Mortgage Bank (BoIMB). BoIMB is registered as a designated mortgage credit institution to issue Irish Asset Covered Securities in accordance with relevant legislative requirements. BoIMB is required to maintain minimum contractual overcollateralization of 5% and minimum legislative overcollateralization of 3% (both on a prudent market value basis). This is monitored by the Covered Asset Monitor on behalf of the Central Bank of Ireland.

The Group recognises the restrictions on the transfer of liquidity between jurisdictions and separately monitors asset encumbrance by jurisdiction.

The Group has €6.9 billion of unencumbered 'Other assets'. These are 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.

Leverage ratio

The leverage ratio measures the level of Tier 1 capital against both on and off balance sheet exposures. As at 31 December 2017, the leverage ratio was 7.0% on a regulatory basis (2016: 7.3%) and 6.2% on a fully loaded basis (2016: 6.4%).

The purpose of monitoring and managing this metric is to enable Regulators to constrain the build-up of excessive leverage, which was considered to be one of the drivers of the banking crisis.

The European Commission have proposed the introduction of a binding leverage requirement of 3% as part of the CRD IV developments. It is anticipated that the binding leverage requirement will be applicable from 2019 at the earliest pending final agreement of the proposals at EU level.

The tables below illustrates leverage ratio calculated in accordance with Articles 429, 499(2) and (3) of the CRR and a breakdown of the Group's leverage ratio exposure as at 31 December 2017 on both a regulatory and fully loaded basis.

Table 9.1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

Annex IV Reference		2017 Regulatory CRD IV €m	2017 Fully loaded CRD IV €m	2016 Regulatory CRD IV €m	2016 Fully loaded CRD IV €m
1	**Total assets as per published financial statements**	**122,555**	**122,555**	**123,129**	**123,129**
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	(17,401)	(17,401)	(16,461)	(16,461)
4	Adjustments for derivative financial instruments	(1,767)	(1,767)	(2,818)	(2,818)
5	Adjustments for securities financing transactions 'SFTs'	182	182	257	257
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	4,108	4,108	4,516	4,516
7	Other adjustments	662	(263)	1,214	166
8	**Total leverage ratio exposure**	**108,339**	**107,414**	**109,837**	**108,789**

Leverage ratio (continued)

Table 9.2 - LRCom: Leverage ratio common disclosure

CRD IV	2017 Regulatory €m	2017 Fully loaded €m	2016 Regulatory €m	2016 Fully loaded €m
On-balance sheet exposures (excluding derivatives and SFTs)				
1 On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	104,926	104,926	105,221	105,221
2 (Asset amounts deducted in determining Tier 1 capital)	(1,458)	(2,383)	(1,048)	(2,096)
3 Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	**103,468**	**102,543**	**104,173**	**103,125**
Derivative exposures				
4 Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	358	358	858	858
5 Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	685	685	754	754
7 (Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(497)	(497)	(731)	(731)
9 Adjusted effective notional amount of written credit derivatives	35	35	10	10
11 Total derivative exposures	**581**	**581**	**891**	**891**
Securities financing transaction exposures				
14 Counterparty credit risk exposure for SFT assets	182	182	257	257
16 Total securities financing transaction exposures	**182**	**182**	**257**	**257**
Other off-balance sheet exposures				
17 Off-balance sheet exposures at gross notional amount	16,571	16,571	16,091	16,091
18 (Adjustments for conversion to credit equivalent amounts)	(12,463)	(12,463)	(11,575)	(11,575)
19 Other off-balance sheet exposures	**4,108**	**4,108**	**4,516**	**4,516**
Capital and total exposures				
20 Tier 1 capital[1]	7,625	6,675	7,992	6,969
21 Total leverage ratio exposures	**108,339**	**107,414**	**109,837**	**108,789**
Leverage ratio				
22 Leverage ratio[1]	**7.0%**	**6.2%**	**7.3%**	**6.4%**

[1] *The calculation of the Group's Tier 1, total capital and related ratios (including leverage ratio) at December 2017 are stated after a prudent application of the requirements of Articles 85 and 87 of Capital Requirements Regulation (CRR). Further details are provided on page 19.*

Leverage ratio (continued)

Table 9.3 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

Annex IV Reference		2017 Regulatory CRD IV €m	2017 Fully loaded CRD IV €m	2016 Regulatory CRD IV €m	2016 Fully loaded CRD IV €m
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**103,468**	**102,543**	**104,173**	**103,125**
EU-2	Trading book exposures	68	68	18	18
EU-3	Banking book exposures, of which:	103,400	102,475	104,155	103,107
EU-4	Covered bonds	3,131	3,131	3,513	3,513
EU-5	Exposures treated as sovereigns	19,248	19,248	15,398	15,398
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	-	-	-	-
EU-7	Institutions	1,339	1,339	1,685	1,685
EU-8	Secured by mortgages of immovable properties	42,421	42,421	44,373	44,373
EU-9	Retail exposures	6,391	6,391	5,881	5,881
EU-10	Corporate	19,125	19,125	21,928	21,928
EU-11	Exposures in default	3,916	3,916	3,570	3,570
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	7,829	6,904	7,807	6,759

LRQua: Disclosure on qualitative items
The leverage ratio is designed to serve as an important backstop to the risk-based capital measures by constraining the build-up of leverage in the banking system and providing an extra layer of protection against model risk and measurement error.

Leverage is the extent to which a firm funds its assets with borrowings rather than equity. More debt relative to each euro of equity results in a higher level of leverage. The leverage ratio measures the extent to which a firm has financed its assets with equity. It does not take into account what those assets are, or what their risk characteristics are. Leverage ratios effectively place a cap on borrowings as a multiple of a bank's equity.

The definition of the leverage ratio is Tier 1 capital divided by total assets (which include derivatives, SFT's, undrawn balances).

The European Commission has proposed the introduction of a binding leverage requirement of 3% as part of the CRD V Package proposals. It is anticipated that the binding leverage requirement will be applicable from 2019 at the earliest pending final agreement of the proposals at EU level.

The Group's capital and exposures are monitored on a monthly basis which covers both a historical and a forward looking viewpoint. When proposed transactions or movements in capital or assets are being considered the impact on the leverage ratio is taken into account.

The leverage ratio at 31 December 2017 is 7.0% on a CRD IV regulatory basis (2016: 7.3%), 6.2% on a pro-forma fully loaded basis (2016: 6.4%). The reduction is due to a decrease in Tier 1 capital of €0.3 billion due to the impact of the restriction on recognition of subsidiary issued capital instruments (Article 85), partially offset by a reduction in leverage exposures due to FX movements and changes in book size and quality.

The Group expects to remain above the European Commission proposed leverage requirement of 3% which is expected to be applicable from 2019.

Appendices

Appendix I: CRD IV capital resources

Appendix I provides qualitative information on, and a brief explanation of, the principle components of the Group's CRD IV capital resources as outlined in Table 2.4.

Total equity

Total equity represents accounting equity and comprises capital stock (including related share premium), retained earnings, foreign exchange reserve, available for sale reserve, cash flow hedging reserve, capital contribution reserve and other reserves. A consolidated statement of changes in these reserves is outlined on pages 141 and 143 of the Group's Annual Report 31 December 2017.

Deferred tax assets

Key provisions under CRD IV include the introduction of deductions from CET 1 capital relating to deferred tax assets (DTA) that rely on future profitability according to Article 36 of the CRR, which are being introduced on a phased basis in line with CRD IV transitional rules.

Retirement benefit obligations

A prudential filter was previously applied in relation to the Group's defined benefit pension schemes resulting in a reversal of the IAS 19 accounting deficit and an add-back to total equity. The prudential filter required that any surpluses arising under IFRS in a defined benefit pension scheme was reversed for capital adequacy purposes. Similarly any deficits, reflecting actuarial losses were reversed from accounting equity. This is no longer the case under CRD IV and is to be phased out in line with CRD IV transitional rules.

Pension supplementary contributions

Under a prudential filter previously applied, credit institutions were required to deduct from capital certain pension supplementary contributions. As a result, the accounting deficit, which is reversed from capital as outlined above, is replaced with a deduction reflecting the amount required over a specified period (three years for Irish schemes, five years for UK schemes) towards the elimination of a pension deficit under CRD IV funding standard rules. This prudential filter is being phased out under CRD IV transitional rules.

Cashflow hedge reserve

The cashflow hedge reserve is included in accounting equity and is removed from regulatory capital through the application of a prudential filter. The cash flow reserve was positive at 31 December 2017, hence the application of the filter results in a deduction from total equity.

Available for sale reserve

The available for sale reserve was removed from regulatory capital under Basel II / CRD. CRD IV transitional rules in 2017 require phasing in 80% of unrealised losses and 80% of unrealised gains. From 2018, unrealised losses and gains will be fully phased in.

Expected loss deduction / Expected loss excess

Expected loss deduction / excess is the difference between accounting provisions recognised on the Group's IRB portfolios under IFRS on an incurred loss basis and the regulatory expected loss (EAD x PD x LGD) calculated for these portfolios. If regulatory expected loss exceeds accounting provisions the resulting shortfall is deducted from CET 1, this deduction is phased into CET 1 on a transitional basis. If accounting provisions exceed regulatory expected loss the excess can be included in Tier 2 capital subject to a maximum threshold (0.6% of IRB Credit RWA). Default and non-default exposures are treated separately which can result in both an expected loss deduction from CET 1 and / or an addition to Tier 2 of excess provisions.

Standardised incurred but not reported (IBNR) provisions

Impairment provisions recognised for losses not specifically identified but which, experience and observable data indicate, are present in the portfolio / Group of exposures at the date of assessment are described as incurred but not reported provisions. Under CRD IV the inclusion of Standardised IBNR in Tier 2 is to be phased out in line with CRD IV transitional rules.

Intangible assets and goodwill

Intangible assets and goodwill are deducted in accordance with CRD IV requirements. The deduction is made at the level of CET 1 capital. The deduction excludes intangible assets in the Group's Life and pension business.

Own credit spread adjustment (net of tax)

Under CRD IV rules, credit institutions shall not include in own funds, gains or losses recognised on their liabilities accounted for at fair value that are attributable to changes in the credit institutions' own credit standing. Cumulative post tax gains and losses recognised in revenue reserves are reversed for regulatory capital purposes.

Securitisation deduction

The Group has retained tranches in certain traditional securitisation transactions. The KIRB value of these portfolios is taken as a supervisory deduction. Separately, a deduction is taken for purchased securitisation positions which otherwise would have attracted a 1250% risk weight under the Ratings Based approach and also for the first loss tranche in the synthetic securitisation.

Holdings in financial sector entities & 10% / 15% threshold deduction

Where the investments in financial sector entities exceed relevant thresholds, a deduction from CET 1 is required. The amount below the threshold is included in risk weighted assets at 250%.

Dividend / coupon expected on preference stock & other equity instruments

Dividends / coupons expected on preference stock and other equity instruments relate primarily to the Additional tier 1.

Additional tier 1 (AT1) capital

Additional tier 1 capital instruments are subordinated securities with some equity-like features but cannot be included as CET 1 capital, but can be included in AT1 capital provided they meet the criteria set out in Article 52 of the CRR. Such securities do not generally carry voting rights and rank higher than ordinary shares for coupon payments in the event of a winding-up. These include securities that may be called and redeemed by the issuer, subject to the prior approval of the SSM. Refer to Table 2.6 for further information.

Tier 2 capital

Tier 2 capital comprises certain qualifying subordinated liabilities, the criteria for which is set out in Article 62 of the CRR.

Appendix II: Equity holdings not in the Trading Book

The CRD IV permits non-disclosure where the information to be provided is not regarded as material. Information is deemed to be material under the CRD IV if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purposes of making an economic decision.

The Group's total exposure to non-Trading Book available for sale (AFS) equities has a balance sheet value of €25 million in 2017 (2016: €37 million). The Group considers its exposure to non-Trading Book AFS equities not to be material within the context of the CRD IV's definition of materiality and the Group will not be disclosing further quantitative information required to be disclosed with respect to non-Trading Book equity holdings.

As Bank of Ireland Life is not a credit institution for the purposes of CRD IV, its equity holdings (which are held on behalf of policy holders) fall outside the scope of the Group's Pillar 3 disclosures.

Nature and objectives of the Group's Non-Trading Book equity holdings

The Group's non-Trading Book equity holdings primarily constitute direct equity fund investments and equity co-investments, and investments in venture capital funds. The investments are undertaken to achieve strategic objectives and support venture capital transactions.

Investment in new funds or increases in commitments to existing funds are subject to the approval of the Private Equity Governance Committee (which is a Group Risk Policy Committee (GRPC) appointed committee).

Accounting treatment and valuation

Direct private equity fund investments and equity co-investments are accounted for in the same manner - i.e. both are treated as AFS assets on the Group's balance sheet. Given the absence of an active market or a reliable measure of fair value, they are held at cost.

An impairment charge is recognised when the Group believes the expected future cashflows from the asset will no longer support the carrying amount on the balance sheet. Impairment on equity instruments cannot be reversed and as such, this permanent diminution in value cannot be reversed in the income statement unless an actual recovery has occurred.

The Group's venture capital investments are accounted for as Investments in Associates and are measured at fair value in accordance with IAS 39, with changes in fair value recognised in profit or loss in the period of the change.

CRD IV treatment

The Group's non-Trading Book equities are treated under the Standardised approach for credit risk exposures.

Appendix III: Remuneration

Remuneration restrictions (the 'remuneration restrictions')

The Group[1] is currently operating under significant Remuneration Restrictions which cover all directors, senior management, employees and certain service providers across the Group.

The Remuneration Restrictions were contained within the Covered Institutions Financial Support Scheme 2008 and the 'Minister's Letter' (July 2011), under which the Group gave a number of commitments and undertakings to the Minister for Finance in respect of remuneration practices. The Minister's Letter was a further condition of the Transaction and Underwriting Agreement entered into with the Irish Government (July 2011) during the 2011 Recapitalisation of the Group.

As a result of the Remuneration Restrictions, the Group is currently unable to provide a fixed/variable remuneration mix throughout the Group, which results in risks in terms of attraction, retention and alignment with the needs of the business and some inflexibilities with the cost base. If the Group fails to recruit and retain skilled and qualified people, its businesses may be negatively impacted.

The Group considers itself to be in compliance with these Remuneration Restrictions.

In addition, in the absence of the Remuneration Restrictions, the Excess Bank Remuneration Charge on ROI tax residents in Covered Institutions[2], which results in a maximum tax charge of 89% where variable pay equals or exceeds €20,000, would also impact the application of the Group Remuneration Policy.

Remuneration at Bank of Ireland

This section of the Group's Pillar 3 document should be read in conjunction with the Group's Annual Report 31 December 2017, and in particular the Remuneration Report pages 118 to 123, which provides information on directorships held by members of management body. Copies of the Group's Annual Report 31 December 2017 can be obtained from our website www.bankofireland.com.

This section summarises remuneration for Code Role Holders and all staff in respect of 2017 and provides brief information on the decision-making policies for remuneration and, subject to the Remuneration Restrictions, the links between pay and performance in line with the EBA Remuneration Guidelines and other relevant guidelines.

Whereas the Group seeks to ensure it operates remuneration policies which are compliant with regulatory guidelines, the Group is currently operating under significant governmental and legal constraints in relation to remuneration. Remuneration Policy, therefore, can only be implemented to the extent possible given these constraints.

Decision-making process for remuneration policy

The Group and Court Remuneration Committees (GRC and CRC) hold delegated responsibility from the Board of Directors and Court of Directors, respectively, for the oversight of Group-wide Remuneration Policy with specific reference to the Chairman, Governor, Directors and senior management across the Group, and those employees whose activities have a material impact on the Group's risk profile. During 2017, the Group Remuneration Committee met two times and the Court Remuneration Committee met six times. Terms of reference for the GRC and CRC, and details on their composition are available at: www.bankofireland.com/about-bank-of-ireland/corporate-governance/court-committees.

Code Role Holders

Under EBA Remuneration Guidelines, the Group is required to maintain a list of individuals identified as material risk takers, 'Code Role Holders'. This listing is maintained using the Code Role Holder identification process, in line with the EBA Guidelines and criteria. As per our internal Code Role Holder process, this listing is reviewed on a regular basis, at a minimum bi-annually. These criteria were tested against all Bank of Ireland employees to determine who was holding a Code Role. As at 31 December 2017, there were 190 Code Role Holders (December 2016: 170).

All staff reporting

The EBA Guidelines on Sound Remuneration Policies, effective 1 January 2017, introduced a new reporting requirement of disclosing the aggregate figures on the total number of staff and their total remuneration broken down into the fixed and variable remuneration components. The Group reports on all employees in the Group at Table 2c. The Group defines all staff as employees whose remuneration is directly paid by the Group.

[1] References to Group are to the BOIG plc from 7 July and to the Gov Co Group from 1 January 2017 to 7 July 2017.
[2] Covered Institutions are defined as institutions that have executed a guarantee acceptance deed and have been designated in an order by the Minister for Finance under the Credit Institutions (Financial Support) Scheme 2008. The Covered Institutions are The Governor and Company of the Bank of Ireland and Bank of Ireland Mortgage Bank.

Attraction, motivation and retention

The Group's success depends in part on the availability of high calibre people and the continued services of members of its management team, both at its head office and at each of its business units.

If the Group fails to attract and appropriately train, motivate and retain high calibre people, its businesses may be negatively impacted. Restrictions, including the Remuneration Restrictions, imposed on remuneration by Government, tax or regulatory authorities or other factors outside the Group's control in relation to the retention and recruitment of employees may adversely impact on the Group's ability to attract and retain such staff.

The Remuneration Restrictions place the Group at an increasing competitive disadvantage in seeking to retain and attract staff, particularly those with certain skill sets and in international locations.

Link between pay and performance

Individual performance measures and targets are agreed for each employee using a Balanced Scorecard approach through the Group performance management process. The four key result areas, each with a minimum weighting of 10%, are as follows:

- Customer.
- Leadership, People and Personal Development.
- Financial / Revenue / Cost / Efficiency.
- Risk (covers all areas of Risk including Credit, Regulatory, Operational and Conduct Risk).

The Remuneration Restrictions impact the effectiveness of the Group's performance management system as it prevents a strong link between performance and reward. In addition, the lack of variable pay also impacts the Group's ability to incentivise and re-enforce cultural change and the Group's values of:

- Customer centricity
- One Group, one team
- Accountability
- Agility

Further information on Performance Management in the Group (including our Balanced Scorecard) is available in the Group Remuneration Report.

Group Remuneration Policy

Subject to the Remuneration Restrictions, the Group's Remuneration Policy aims to support the Group's objectives of long-term sustainability and success, sound and effective risk management and good corporate governance. The application of this policy is consistent with the Group's Risk Appetite Statement and regulations that govern remuneration in the jurisdictions where the Group operates.

Subject to the Remuneration Restrictions, the Group Remuneration Policy seeks to ensure that:

- the Group's efforts are aligned with, and contribute to, the long term strategy, sustainability, value creation and success of the Group
- the Group has the necessary remuneration philosophy, strategy and framework to attract, retain and motivate high calibre employees
- the Group offers a competitive remuneration package across all markets, in a cost effective manner
- remuneration frameworks, policies and practices are simple, transparent, easy to understand and implement
- sound and effective risk management is reflected in performance management and remuneration frameworks and their alignment to performance targets and governance structures
- remuneration frameworks, policies and practices are applied in consideration of and in alignment with the Group's Risk Appetite Statement and overall risk governance framework
- risk adjusted financial performance is an important measure when evaluating performance
- business and individual performance measures and targets are aligned with business objectives at either a Group or local business level, ensuring alignment with business strategy, risk measures and priorities and is based on a balanced scorecard approach, and designed and implemented to avoid conflicts of interest from adversely affecting the interests of customers
- all remuneration policies are subject to appropriate governance
- the Group is compliant with all applicable regulatory remuneration requirements as they relate to the Group; and
- remuneration frameworks, policies, process, procedures, systems and controls support and encourage responsible business conduct, the fair treatment of customers and mitigate the potential for conflict between commercial, customer and public interests, and avoiding any conflict with staff's duty to act in the best interests of customers (or clients)

Subject to the Remuneration Restrictions, the Group will continue to seek to ensure that its remuneration strategy enables it to be competitive and comprehensively adhere to regulatory principles and guidelines set out by relevant regulatory authorities including the EBA. These design features support all remuneration frameworks, policies and processes across the Group, being applied proportionately depending on the nature, scale and complexity of the particular business area.

Remuneration expenditure

Table 1a - Aggregate remuneration expenditure by business area*

2017 Business area	**No. of code role holders 2017**	**No. of employees who held a code role in 2017[1,2]**	**2017 Remuneration expenditure €m**
Corporate and Treasury	30	37	16.06
Group credit & market risk	24	25	5.56
Group governance risk	29	35	6.11
Group manufacturing	11	13	3.55
Group support functions (CEO, Group Finance, Group HR)	25	28	8.59
Retail Ireland	31	41	12.28
Retail UK	20	22	7.52
Governor and NEDs	20[3]	21[3]	2.11
Total	**190**	**222**	**61.78**

2016 Business area	No. of code role holders 2016	No. of employees who held a code role in 2016[1,2]	2016 Remuneration expenditure €m
Corporate and Treasury	42	44	18.03
Group credit & market risk	17	17	4.41
Group governance risk	18	24	4.58
Group manufacturing	7	7	2.04
Group support functions (CEO, Group Finance, Group HR)	22	24	7.71
Retail Ireland	25	30	9.25
Retail UK	17	19	6.25
Governor and NEDs	22[3]	25[3]	2.34
Total	170	190	54.61

The following tables show the remuneration awards made by the Group to Code Role Holders in 2017.

The award data is pro-rated for those employees who were newly classified as Code Role Holders during 2017 and for those who were removed from the Code Role list during 2017.

* *Includes:*
- *Fixed Pay (Fees, Salaries, Employer Pension Contributions, Car Cash Allowances and other fixed payments and non-monetary benefits) as defined by the EBA Remuneration Guidelines and;*
- *Variable payments (all other payments not defined as fixed pay under the EBA Remuneration Guidelines). Please note that no variable payments, excluding severance payments and a contractual pension credit award, were made to Code Role Holders in 2017.*

[1] *Data shown for all employees who held a Code Role at any stage in 2017 for the period they held the Code Role.*
[2] *Individuals, who are employed by an external company, are not classified as Code Role holders; however the individual responsible for their engagement to the Group, and therefore responsible for the risk they pose, has been identified as a Code Role holder.*
[3] *The Governor and NEDs figures include NEDs from Bank of Ireland Group (BoIG), Bank of Ireland (UK) plc (BoIUK), New Ireland Assurance Company (NIAC) and Bank of Ireland Mortgage Bank.*

No individual earned total remuneration of €1 million or more in 2017.

Remuneration expenditure (continued)

Table 2 - Analysis of 2017 remuneration between fixed and variable amounts (actually paid in 2017)

Table 2a - Senior managers remuneration table

(Group Executive Committee and Senior Management Teams for BoIUK & NIAC) (Note: There were 34 Senior Managers in Code Roles in 2017)	**Non-deferred €m**	**Deferred €m**
Total value of remuneration awarded in 2017		
Remuneration which is classified as fixed in nature[1]		
Cash based	13.38	-
Shares and share-linked instruments	-	-
Other	0.75	-
Remuneration which is classified as variable in nature[2]		
Cash based	0.70	-
of which;		
- Performance related	-	-
- Non-performance related - severance	*0.70*	-
Shares and share-linked instruments	-	-
Other	-	-

Table 2b - All other risk roles remuneration table

(Governor, Non-executive Directors & all other Code Staff) (Note: There were 163 Coded Roles (excluding Senior Managers) in 2017)	**Non-deferred €m**	**Deferred €m**
Total value of remuneration awarded in 2017		
Remuneration which is classified as fixed in nature[1]		
Cash based	44.84	-
Shares and share-linked instruments	-	-
Other	0.68	-
Remuneration which is classified as variable in nature[2]		
Cash based	1.40	-
of which;		
- Performance related	-	-
- Non-performance related - severance	*1.40*	-
Shares and share-linked instruments	-	-
Other	0.03	-

[1] *Remuneration which is classified as fixed in nature: meets the conditions set out in Section 7 of the EBA-GL-2015-22 Guidelines on Sound Remuneration Policies. The Group's application of these guidelines is as follows:*
- *Cash based 2017 includes: fees, salaries, employer pension contribution amounts, car allowances and other fixed payments.*
- *Other 2017 includes: BIK charged, health insurance, certain travel and accommodation costs.*

[2] *Remuneration which is classified as variable in nature: means all remuneration which is not fixed as set out in Section 7 of the EBA-GL-2015-22 Guidelines on Sound Remuneration Policies. The Group's application of these guidelines is as follows:*
- *Cash based 2017: Severance pay.*
- *Other 2017: Contractual pension credits.*

The fixed to variable remuneration ratio for 2017 was 0.97:0.03.

Remuneration expenditure (continued)

Table 2c – All staff remuneration table

(All staff[1] of the Bank of Ireland Group) (Note: There were 11,196 employees[2] in the Group in 2017)	Non-deferred €m	Deferred €m
Total value of remuneration awarded in 2017		
Remuneration which is classified as fixed in nature[3]		
Cash based	822.45	-
Shares and share-linked instruments	-	-
Other	2.77	-
Remuneration which is classified as variable in nature[4]		
Cash based	57.35	1.10
of which;		
- Performance related	*2.85*	-
- Non-performance related - severance	*54.50*	*1.10*
Shares and share-linked instruments	-	-
Other	-	-

2017 New sign-on and severance payments

- No payments were made to any code role holders hired during 2017 relating to the commencement of their employment.
- During the course of the year, eight individuals designated as a code role holders received severance payments.
  - The total value of payments made to this population, comprising Statutory Redundancy, Voluntary Parting Payments, pay in lieu of notice, and Annual Leave payment was €2.1 million.
  - The highest individual payment made to a departing employee was €0.5 million.
- The above payments are included in the previous tables.

[1] Staff are defined as all employees who are paid directly by the Bank of Ireland Group.
[2] Average full time equivalent (FTE) during the year.
[3] Remuneration which is classified as fixed in nature: meets the conditions set out in Section 7 of the EBA-GL-2015-22 Guidelines on Sound Remuneration Policies. The Group's application of these guidelines is as follows:
• Cash based 2017 includes: fees, salaries, employer pension contribution amounts, car allowances and other fixed payments.
• Other 2017 includes: BIK charged, health insurance, certain travel and accommodation costs.
[4] Remuneration which is classified as variable in nature: meets the conditions set out in Section 7 of the EBA-GL-2015-22 Guidelines on Sound Remuneration Policies. The Group's application of these guidelines is as follows:
• Performance Related: Commissions and top of scale payments
• Non-performance related: Severance payments
• Deferred 2017: Deferred severance payments (Voluntary Early Leaving)

Appendix IV: Significant subsidiaries

Bank of Ireland (UK) plc

Bank of Ireland (UK) plc publishes a separate Pillar 3 document available at www.bankofirelanduk.com.

Table 1 shows the amount of capital Bank of Ireland (UK) plc is required to set aside to meet the minimum total capital ratio of 8% of RWA set by the CRR.

Table 1 - Breakdown of Bank of Ireland (UK) plc's regulatory capital requirement

	2017			2016		
	Capital requirement £m	**RWA £m**	**Exposure £m**	Capital requirement £m	RWA £m	Exposure £m
Central governments or central banks	1	13	3,636	1	19	2,975
Public sector entities	-	-	15	-	-	16
Multilateral development banks	-	-	394	-	-	356
Institutions	3	44	2,058	6	69	2,965
Corporates	107	1,334	1,992	117	1,461	2,153
Retail	149	1,861	5,342	114	1,424	4,555
Secured by mortgages on residential property	442	5,525	16,528	449	5,623	16,257
Exposures in default	31	382	345	33	410	371
Covered bonds	3	35	175	3	37	187
Equity	4	44	44	-	2	2
Other items	18	237	421	17	210	344
Credit and counterparty risk	**758**	**9,475**	**30,950**	**740**	**9,255**	**30,181**
Operational risk	60	756	-	62	779	-
Total	**818**	**10,231**	**30,950**	**802**	**10,034**	**30,181**

Bank of Ireland (UK) plc applies the Standardised approach for the calculation of its credit and counterparty risk and operational risk capital requirements.

The Standardised categories included in the table above are the exposure classes, as per Article 112 of CRR where the Bank has exposures.

Bank of Ireland (UK) plc (continued)

Table 2 sets out Bank of Ireland (UK) plc's regulatory capital position and key capital and leverage ratios on a regulatory and fully loaded basis.

Table 2 - Regulatory capital position and key capital and leverage ratios

	2017		2016	
Annex IV Reference - CRD IV	**Regulatory £m**	**Fully loaded £m**	Regulatory £m	Fully loaded £m
Ordinary share capital	851	851	851	851
Capital contributions	566	566	566	566
Retained earnings and other reserves	215	215	267	267
Total equity	**1,632**	**1,632**	**1,684**	**1,684**
Regulatory adjustments	(124)	(124)	(132)	(132)
- Deferred tax assets relying on future profitability	*(73)*	*(73)*	*(74)*	*(74)*
- Intangible assets	*(20)*	*(20)*	*(25)*	*(25)*
- Cashflow hedge reserve	*(23)*	*(23)*	*(32)*	*(32)*
- Retirement benefit asset	*(7)*	*(7)*	-	-
- Prudent valuation adjustment	*(1)*	*(1)*	*(1)*	*(1)*
Common equity tier 1 capital	**1,508**	**1,508**	**1,552**	**1,552**
Additional tier 1	**300**	**300**	**300**	**300**
- Subordinated perpetual contingent conversion Additional tier 1 securities	*300*	*300*	*300*	*300*
Total tier 1 capital	**1,808**	**1,808**	**1,852**	**1,852**
Tier 2				
Dated loan capital	290	290	335	335
Total tier 2 capital	**290**	**290**	**335**	**335**
Total capital	**2,098**	**2,098**	**2,187**	**2,187**
Total risk weighted assets	**10,231**	**10,231**	**10,034**	**10,034**
Capital ratios				
Common equity tier 1 capital ratio	14.7%	14.7%	15.5%	15.5%
Tier 1 capital ratio	17.7%	17.7%	18.4%	18.4%
Total capital ratio	20.5%	20.5%	21.8%	21.8%
Leverage ratio	6.6%	6.6%	6.9%	6.9%

Bank of Ireland Mortgage Bank

The principal activities of Bank of Ireland Mortgage Bank (BoIMB) are the provision of Irish residential mortgages and the issuance of securities in accordance with the Asset Covered Securities Acts, 2001 to 2007 (the 'ACS Acts').

BoIMB is a wholly owned subsidiary of BOIG plc (the 'Group').

Risk management
The Board of Directors for BoIMB approves policies and limits with respect to credit risk, market risk, liquidity risk, regulatory risk, conduct risk, operational risk, business / strategic risk, capital adequacy risk and reputation risk. BoIMB has entered into a range of service level agreements with the Group to support its overall risk management and control processes.

The Head of Credit has responsibility for credit policy implementation and the Head of Finance has responsibility for financial risk policy implementation. Group Treasury has responsibility for day-to-day monitoring of market and liquidity risks. The Group Operational Risk Unit has responsibility for the operational risk framework and policy.

BoIMB's risk management and control policies comply with Group risk management policies, which include reviews on a regular basis. In addition, the Group's control functions (e.g. Credit, Group Internal Audit etc) independently review compliance with Group policies as part of their on-going work.

BoIMB employs a range of policies and practices to mitigate credit risk. The most important of these is the initial assessment of the borrower's capacity to repay the facility over the agreed timescale and the taking of security for funds advanced. BoIMB implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. In relation to loans and advances to customers, the principal type of security taken is residential property.

BoIMB's loan book property values are determined by reference to the original or latest property valuations held, indexed to the Residential Property Price index published by the CSO at 31 November 2017. This index provides the relevant index to be applied to original market values in the period after January 2005. Equity / negative equity values are determined using the Residential property price index published by the CSO at 31 November 2017. The weighted average indexed LTV for the total loan book was 61% at 31 December 2017 (2016: 70%).

BoIMB's requirements around completion, valuation and management requirements for collateral / security are set out in appropriate policies and procedures. BoIMB's credit risk processes are designed to ensure that mortgage charges are enforceable at the time the credit agreement is concluded and that mortgage charges are filed on a timely basis.

Capital
At the 31 December 2017, BoIMB's total capital ratio, including 2017 results, was 27.0% on a regulatory basis (2016: 21.8%). In 2017, BoIMB exercised an option to redeem a €90 million interest bearing subordinated loan which was due to mature on 30 December 2021. The loan was replaced with a new €90 million interest bearing subordinated loan from The Governor and Company of the Bank of Ireland with a maturity date of 27 October 2027. There was no change to share capital during the year to 31 December 2017.

Remuneration
BoIMB is covered under the Group's Remuneration policy and associated governance. Please see pages 118 to 123 of the Group's Annual Report 31 December 2017.

Remuneration disclosures relating to BoIMB's material risk takers (Code Role Holders) are incorporated within the Group's remuneration disclosures.

Table 1 - Capital, RWA and capital ratios

	2017		2016	
	Regulatory €m	**Fully loaded €m**	Regulatory €m	Fully loaded €m
Available capital				
Common equity tier 1 (CET 1)	997	979	1,217	1,200
Tier 1	1,197	1,179	1,217	1,200
Total Capital	1,337	1,319	1,392	1,375
Risk weighted assets				
Total RWA	4,945	4,945	6,400	6,400
Risk-based capital ratios as a % of RWA				
Common equity tier 1 (CET1) (%)	20.2%	19.8%	19.0%	18.7%
Tier 1 (%)	24.2%	23.8%	19.0%	18.7%
Total Capital (%)	27.0%	26.7%	21.8%	21.5%

Bank of Ireland Mortgage Bank (continued)

Table 2 - Movement of risk weighted assets by key driver

	Credit risk €bn	*of which; IRB €bn*	*STD €bn*	Counterparty credit risk €bn	Securitisation €bn	Market risk €bn	Operational risk €bn	Total €bn	Capital requirements €bn
RWA as at the 31 December 2016	6.1	6.0	0.1	-	-	-	0.3	6.4	0.5
Asset size[1]	(0.2)	(0.2)	-	-	-	-	-	(0.2)	-
Asset quality[2]	-	-	-	-	-	-	-	-	-
Model updates[3]	-	-	-	-	-	-	-	-	-
Methodology and policy[4]	(0.5)	(0.5)	-	-	-	-	-	(0.5)	-
Acquisitions and disposals[5]	(0.9)	(0.9)	-	-	-	-	-	(0.9)	(0.1)
Foreign exchange movements	-	-	-	-	-	-	-	-	-
Credit Risk Transfer	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	0.1	0.1	-
RWA as at the 31 December 2017	**4.5**	**4.4**	**0.1**	**-**	**-**	**-**	**0.4**	**4.9**	**0.4**

1 *Asset size: This represents movements in RWA driven by changes in the composition of the Group's existing portfolios. This includes, but is not limited to: constant currency growth in existing portfolios including new business and repayment of loans, changes in the product mix.*
2 *Asset quality: This can represent movements in RWA including but not limited to: PD Migration and LGD changes driven by economic conditions, changes in lending practices, demographics and model re-calibrations and re-anchoring.*
3 *Model updates: This can represent movements in RWA including, but is not limited to: new model approvals, refinements and enhancements to improve model performance.*
4 *Methodology and policy: Updates to the RWA calculation methodology, communicated by the Regulator. This includes a reclassification of forborne collateral realisation FCR loans to align with EBA classifications. For more information on FCR see page 60 of the Group's Annual Report.*
5 *During 2017, BoIMB sold its benefital interest in a portfolio of c.€4 billion in nominal value of performing loans, together with related security and related rights to The Governor and Company of the Bank of Ireland. The RWA associated with these loans was c.€0.9 billion.*

Capital requirements / RWA

Table 3 - EU OV1 - Overview of RWA

	2017		2016	
	RWA €m	**Minimum capital requirements €m**	RWA €m	Minimum capital requirements €m
1. Credit Risk (excluding CCR)	**4,552**	**364**	**6,073**	**486**
of which;				
2. the Standardised approach	*153*	*12*	*133*	*11*
3. the foundation IRB (FIRB) approach	-	-	-	-
4. the advanced IRB (AIRB) approach	*4,399*	*352*	*5,940*	*475*
5. equity IRB under the simple risk-weighted approach or the IMA	-	-	-	-
6. CCR	**-**	**-**	**-**	**-**
of which;				
7. market to market	-	-	-	-
8. original exposure	-	-	-	-
9. the Standardised approach	-	-	-	-
10. internal model method (IMM)	-	-	-	-
11. risk exposure amount for contributions to the default fund of CCP	-	-	-	-
12. CVA	-	-	-	-
13. Settlement risk	**-**	**-**	**-**	**-**
14. Securitisation exposures in the banking book (after the cap)	**-**	**-**	**-**	**-**
of which;				
15. IRB approach	-	-	-	-
16. IRB supervisory formula approach (SFA)	-	-	-	-
17. internal assessment approach (IAA)	-	-	-	-
18. Standardised approach	-	-	-	-
19. Market risk	**-**	**-**	**-**	**-**
of which;				
20. the Standardised approach	-	-	-	-
21. IMA	-	-	-	-
22. Large exposures	**-**	**-**	**-**	**-**
23. Operational Risk	**393**	**32**	**327**	**26**
of which;				
24. basic indicator approach	-	-	-	-
25. Standardised approach	*393*	*32*	*327*	*26*
26. advanced measurement approach	-	-	-	-
27. Amounts below the thresholds for deduction (subject to 250% risk weight)	**-**	**-**	**-**	**-**
28. Floor adjustment[1]	**-**	**63**	**-**	**44**
29. Total	**4,945**	**459**	**6,400**	**556**

[1] *Under CRD IV, BoIMB is required to maintain a transitional floor set at 80% of Basel 1 requirements. At 31 December 2017, the transitional floor capital requirement was €63 million with RWA €0.8 billion (2016: transitional floor capital requirement: €44 million with RWA €0.5 billion).*

Capital requirements / RWA (continued)

Table 4 shows the amount of capital BoIMB is required to set aside to meet the minimum total capital ratio of 8% of RWA set by CRD IV.

Table 4 - Capital requirements / RWA

	2017		2016	
CRD IV	**Capital requirements €m**	**RWA €m**	Capital requirements €m	RWA €m
Credit Risk	**364**	**4,552**	**486**	**6,073**
IRB	**352**	**4,399**	**475**	**5,940**
of which;				
Advanced IRB	**352**	**4,399**	**475**	**5,940**
- Secured by immovable property collateral	352	4,399	475	5,940
Standardised	**12**	**153**	**11**	**133**
of which;				
Other items	12	153	11	133
Counterparty Credit Risk (incl CVA)	-	-	-	-
Settlement Risk	-	-	-	-
Securitisations	-	-	-	-
Market Risk	-	-	-	-
Operational Risk	**32**	**393**	**26**	**327**
Basel 1 Floor requirement[1] (80%)	**63**	-	**44**	-
Total Capital Requirements	**459**	**4,945**	**556**	**6,400**

Breakdown of BoIMB's regulatory capital requirement

Table 5 shows BoIMB's minimum capital requirements (based on 8% of RWA), RWA and Net Value by risk type.

Table 5 - Minimum capital requirements, risk weighted assets and net value by risk type

	2017			2016		
	Capital requirement €m	**Risk weighted assets €m**	**Net value €m**	Capital requirement €m	Risk weighted assets €m	Net value €m
Credit risk[1]	364	4,552	18,210	486	6,073	21,835
- IRB Approach	*352*	*4,399*	*16,103*	*475*	*5,940*	*19,555*
- Standardised Approach	*12*	*153*	*2,107*	*11*	*133*	*2,280*
Counterparty Credit Risk	-	-	371	-	-	443
Settlement Risk	-	-	-	-	-	-
Securitisation	-	-	-	-	-	-
Market Risk	-	-	-	-	-	-
Operational Risk	32	393	-	26	327	-
Floor adjustment[1]	63	-	-	44	-	-
Total	**459**	**4,945**	**18,581**	**556**	**6,400**	**22,278**

[1] *Under CRD IV, BoIMB is required to maintain a transitional floor set at 80% of Basel 1 requirements. At 31 December 2017, the transitional floor capital requirement was €63 million with RWA €0.8 billion (2016: transitional floor capital requirement: €44 million with RWA €0.5 billion).*

Capital resources

Table 6 sets out BoIMB's capital position as at 31 December 2017, and a reconciliation of accounting with regulatory capital.

Table 6 - Reconciliation of accounting capital with regulatory capital

CRD IV	2017 Regulatory €m	2017 Fully loaded €m	2016 Regulatory €m	2016 Fully loaded €m
Capital base				
Total equity	1,240	1,240	1,257	1,257
less Additional tier 1 capital	(200)	(200)	-	-
Total equity less equity instruments not qualifying as CET 1	**1,040**	**1,040**	**1,257**	**1,257**
Regulatory adjustments being phased in / out under CRD IV	**(19)**	**(37)**	**(5)**	**(22)**
- Deferred tax assets[1]	*(19)*	*(37)*	*(5)*	*(22)*
Other regulatory adjustments	**(24)**	**(24)**	**(35)**	**(35)**
- Intangible assets	*(1)*	*(1)*	-	-
- Expected loss deduction	*(7)*	*(7)*	-	-
- Cash flow hedge reserve	*(16)*	*(16)*	*(35)*	*(35)*
Common equity tier 1	**997**	**979**	**1,217**	**1,200**
Additional tier 1	**200**	**200**	**-**	**-**
Total tier 1 capital	**1,197**	**1,179**	**1,217**	**1,200**
Tier 2				
Tier 2 dated debt	140	140	140	140
Expected loss excess amounts[2]	-	-	35	35
Total tier 2 capital	**140**	**140**	**175**	**175**
Total capital	**1,337**	**1,319**	**1,392**	**1,375**
Total risk weighted assets	**4,945**	**4,945**	**6,400**	**6,400**
Capital ratios				
Total capital ratio	27.0%	26.7%	21.8%	21.5%

Table 7 outlines the component parts of regulatory capital with further details of capital instruments, adjustments, deductions and filters in line with the prescribed template provided in Article 5 of commission regulation (EU) No.1423/2013.

The table further details total risk weighted assets, capital ratios and buffers before listing applicable caps on the inclusion of provisions in Tier 2 and capital instruments subject to phase-out.

Line referencing for Annex VI of commission regulation (EU) No.1423/2013 is also provided. Rows that are not applicable to BoIMB have been omitted.

[1] *Deduction for deferred tax assets (DTA) relates to DTA on losses carried forward, net of certain deferred tax liabilities. The deduction is phased at 30% in 2017 for DTA created prior to 1 January 2014 and 80% for those created thereafter.*

[2] *Excess of provisions over expected losses are included in Tier 2 capital subject to a limit of 0.6% of risk weighted assets calculated under the IRB approach.*

Capital resources (continued)

Table 7 - Regulatory & fully loaded own funds disclosure

		2017		2016	
Annex VI Reference - CRD IV		**Regulatory €m**	**Fully loaded €m**	Regulatory €m	Fully loaded €m
Common equity tier 1 (CET 1) capital: Instruments and reserves					
1	Capital Instruments and the related share premium accounts	1,399	1,399	1,399	1,399
	of which;				
	Ordinary stock	*738*	*738*	*738*	*738*
	Share premium	*661*	*661*	*661*	*661*
2	Retained earnings	(375)	(375)	(177)	(177)
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	16	16	35	35
6	**Common equity tier 1 (CET 1) capital before regulatory adjustments**	**1,040**	**1,040**	**1,257**	**1,257**
Common equity tier 1 (CET 1) capital regulatory adjustments					
8	Intangible assets (net of related tax liability)	(1)	(1)	-	-
10	Deferred tax asset that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	(19)	(37)	(5)	(22)
11	Fair value reserves related to gains or losses on cashflow hedges	(16)	(16)	(35)	(35)
12	Negative amounts resulting from the calculation of expected loss amounts	(7)	(7)	-	-
28	**Total regulatory adjustments to Common equity tier 1 (CET 1)**	**(43)**	**(61)**	**(40)**	**(57)**
29	**Common equity tier 1 (CET 1) Capital**	**997**	**979**	**1,217**	**1,200**
Additional tier 1 (AT1) capital: instruments					
30	Capital instruments and the relates share premium accounts				
	of which;				
31	*classified as equity under applicable accounting standards*	*200*	*200*	*-*	*-*
36	**Additional tier 1 (AT1) capital before regulatory adjustments**	**200**	**200**	**-**	**-**
Additional tier 1 (AT1) capital: regulatory adjustments					
43	**Total regulatory adjustments to Additional tier 1 (AT1) capital**	**-**	**-**	**-**	**-**
44	**Additional tier 1 (AT1) capital**	**200**	**200**	**-**	**-**
45	**Tier 1 capital (T1 = CET 1 +AT1)**	**1,197**	**1,179**	**1,217**	**1,200**
Tier 2 (T2) Capital: instruments and provisions					
46	Capital instruments and the related share premium accounts	140	140	140	140
50	Credit Risk adjustments	-	-	35	35
51	**Tier 2 (T2) capital before regulatory adjustments**	**140**	**140**	**175**	**175**
Tier 2 (T2) capital: regulatory adjustments					
57	**Total regulatory adjustments to tier 2 (T2) capital**	**-**	**-**	**-**	**-**
58	**Tier 2 (T2) capital**	**140**	**140**	**175**	**175**
59	**Total capital (TC = T1+T2)**	**1,337**	**1,319**	**1,392**	**1,375**
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	-	-	-	-
	of which;				
	items not deducted from CET 1 (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. deferred tax assets that rely on future profitability net of related tax liability indirect holdings of own CET 1, etc.)	-	-	-	-
	of which;				
	items not deducted from AT1 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in capital of other financial sector entities, etc.)	-	-	-	-
	items not deducted from T2 items (Regulation (EU) No 575/2013 residual amounts).				
60	**Total risk weighted assets**	**4,945**	**4,945**	**6,400**	**6,400**

Capital resources (continued)

Table 7 - Regulatory & fully loaded own funds disclosure (continued)

CRD IV Annex VI Reference		2017 Regulatory €m	2017 Fully loaded €m	2016 Regulatory €m	2016 Fully loaded €m
Capital ratios and buffers					
61	Common equity tier 1 (as a percentage of total risk exposure amount)	20.2%	19.8%	19.0%	18.7%
62	Tier 1 (as a percentage of total risk exposure amount)	24.2%	23.8%	19.0%	18.7%
63	Total capital (as a percentage of total risk exposure amount)	27.0%	26.7%	21.8%	21.5%
64	Institution specific buffer requirement (CET 1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer expressed as a percentage of risk exposure amount)	5.75%	7.0%	5.1%	7.0%
65	Of which; capital conservation buffer requirement	1.25%	2.5%	0.6%	2.5%
66	Of which; countercyclical buffer requirement	-	-	-	-
67	Of which; systemic risk buffer requirement			-	-
67a	Of which; Global Systemically Important institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	-	-	-	-
68	Common equity tier 1 available to meet buffers (as a percentage of risk exposure amount)	15.7%	15.3%	14.5%	14.2%
Applicable cap on the inclusion of provisions in Tier 2					
76	Credit risk adjustments included in T2 in respect of exposures subject to Standardised approach (prior to the application of the cap)	-	-	-	-
77	Cap on inclusion of credit risk adjustments in T2 under Standardised approach	2	2	2	2
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-	-	69	69
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	26	26	36	36
Amounts subject to pre-regulation (eu) no 575/2013 treatment or prescribed residual amount of regulation (eu) 575/2013					
10	Deferred tax asset that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(18)		(17)	

Capital instruments

Table 8 provides information on the regulatory values of BoIMB's Additional tier 1 capital and Tier 2 debt.

The Capital instruments template disclosure according to Article 3 in Commission implementing regulation (EU) No.1423/2013 is published separately at www.bankofireland.com.

Table 8 - Capital instruments

2017	Nominal outstanding €m	CRD IV regulatory Accounting value €m	CRD IV regulatory value at fully loaded €m	CRD IV fully loaded value at regulatory €m
Additional tier 1 from parent	200	200	200	200
Additional Tier 1 Capital	**200**	**200**	**200**	**200**
Tier 2 debt from parent	140	140	140	140
Tier 2 Capital	**140**	**140**	**140**	**140**
Total Capital instruments	**340**	**340**	**340**	**340**

Capital resources (continued)

Table 9 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer

2017 (€m)	General credit exposures: Exposure value for SA	General credit exposures: Exposure value for IRB	Trading book exposures: Sum of long and short position of trading book	Trading book exposures: Value of trading book exposure for internal models	Securities exposures: Exposure value for SA	Securities exposures: Exposure value for IRB	Own funds requirements: General credit exposures	Own funds requirements: Trading book exposures	Own funds requirements: Securitisation exposures	Own funds requirements: Total	Own funds requirement weights	Counter-cyclical capital buffer rate
Countries with a buffer												
Sweden	-	1	-	-	-	-	-	-	-	-	0.0000	2.00%
Norway	-	-	-	-	-	-	-	-	-	-	0.0000	1.50%
Hong Kong	-	5	-	-	-	-	-	-	-	-	0.0002	1.25%
Iceland	-	-	-	-	-	-	-	-	-	-	0.0000	1.25%
Slovakia	-	-	-	-	-	-	-	-	-	-	0.0000	0.50%
Czech Republic	-	-	-	-	-	-	-	-	-	-	0.0000	0.50%
Total	**-**	**6**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**0.0002**	**-**
Countries with a zero rate or no buffer												
Ireland	153	15,701	-	-	-	-	352	-	-	352	0.9684	0.00%
United Kingdom	-	129	-	-	-	-	6	-	-	6	0.0162	0.00%
United States	-	50	-	-	-	-	1	-	-	1	0.0018	0.00%
Other	-	86	-	-	-	-	5	-	-	5	0.0134	0.00%
Total	**153**	**15,966**	**-**	**-**	**-**	**-**	**364**	**-**	**-**	**364**	**0.9998**	**-**
Overall Total	**153**	**15,972**	**-**	**-**	**-**	**-**	**364**	**-**		**364**	**1.0000**	

Amount of institution-specific countercyclical capital buffer	2017
Total risk exposure amount (€m)	4,945
Institution specific countercyclical buffer rate (%)	0.0003%
Institution specific countercyclical buffer requirement (€m)	-

Exposure to credit risk

Table 10 is based on EAD and shows BoIMB's point-in-time and average exposure to credit risk

Table 10- EU CRB-B - Exposure to credit risk

Exposure class	2017 Net value of exposures at the end of the period €m	2017 Average net exposures over the period €m	2016 exposures at the end of the period €m	2016 Average net exposures over the period €m
Retail[1]	16,103	18,800	19,555	19,619
Secured by real estate property	16,103	18,800	19,555	19,619
- SME	-	-	-	-
- Non-SME	*16,103*	*18,800*	*19,555*	*19,619*
Total IRB approach	**16,103**	**18,800**	**19,555**	**19,619**
Central governments or central banks	39	12	17	29
Institutions	1,915	2,035	2,129	2,196
Other items	153	146	133	127
Total Standardised approach	**2,107**	**2,193**	**2,279**	**2,352**
Total	**18,210**	**20,993**	**21,834**	**21,971**

Table 11 - EU CR1-A - Credit quality of exposures by exposure class and instrument

2017	Gross carrying value of: Defaulted exposures €m	Gross carrying value of: Non-defaulted exposures €m	Specific credit risk adjustment €m	General credit risk adjustment €m	Accumulated write-off's €m	Credit risk adjustment charges of the period €m	Net value €m
Retail	1,618	14,949	464	-	664	(98)	16,103
Secured by real estate property	1,618	14,949	464	-	664	(98)	16,103
- SME	-	-	-	-	-	-	-
- Non-SME	*1,618*	*14,949*	*464*	-	*664*	*(98)*	*16,103*
Total IRB approach	**1,618**	**14,949**	**464**	**-**	**664**	**(98)**	**16,103**
Central governments or central banks	-	39	-	-	-	-	39
Institutions	-	1,915	-	-	-	-	1,915
Other items	-	153	-	-	-	-	153
Total Standardised approach	**-**	**2,107**	**-**	**-**	**-**	**-**	**2,107**
Total	**1,618**	**17,056**	**464**	**-**	**664**	**(98)**	**18,210**
of which;							
Loans	1,618	15,749	464	-	664	(98)	16,903
Debt Securities	-	-	-	-	-	-	-
Off-balance sheet exposures	-	1,307	-	-	-	-	1,307

[1] *During 2017, BoIMB sold its beneficial interest in a portfolio of c.€4 billion in nominal value of performing loans, together with related security and related rights to The Governor and Company of the Bank of Ireland.*

Geographic analysis of exposures

The geographical locations shown in tables 12 and 13 are based on the residence of the immediate counterparty. Exposures with supranational organisations are included under the other geographical area. BoIMB's primary market is Ireland.

Table 12 - EU CRB-C - Geographical breakdown of exposures

2017	Europe €m	*Ireland €m*	*UK €m*	*Rest of Europe €m*	US €m	Other geographical area €m	Total €m
Retail	15,981	15,839	118	24	48	74	16,103
Total IRB approach	**15,981**	**15,839**	**118**	**24**	**48**	**74**	**16,103**
Central governments or central banks	39	39	-	-	-	-	39
Institutions	1,915	1,915	-	-	-	-	1,915
Other items	153	153	-	-	-	-	153
Total Standardised approach	**2,107**	**2,107**	**-**	**-**	**-**	**-**	**2,107**
Total	**18,088**	**17,946**	**118**	**24**	**48**	**74**	**18,210**

Table 13 - EU CR1-C - Credit quality of exposures by geography

	Gross carrying value of						
2017	**Defaulted exposures €m**	**Non-defaulted exposures €m**	**Specific credit risk adjustment €m**	**General credit risk adjustment €m**	**Accumulated write-off's €m**	**Credit risk adjustment charges of the period €m**	**Net value €m**
Europe	1,595	16,953	460	-	664	(98)	18,088
of which;							
- Ireland	*1,553*	*16,839*	*446*	-	*664*	*(98)*	*17,946*
- UK	*39*	*92*	*13*	-	-	-	*118*
- Rest of Europe	*3*	*22*	*1*	-	-	-	*24*
US	*11*	*40*	*3*	-	-	-	*48*
Other geographical area	*12*	*63*	*1*		-	-	*74*
Total	**1,618**	**17,056**	**464**	**-**	**664**	**(98)**	**18,210**

Industry analysis of exposures

Table 14 is based on net value. The industry classification below is based on the purpose of the loan. Similar industry headings to those in the industry analysis contained in BoIMB's Annual Report 31 December 2017 have been used, however, the values will differ as these tables are based on net value.

Table 14 - EU CB-D - Industry analysis of exposure

	2017			2016		
Exposure class	**Financial and insurance activities €m**	**Personal residential mortgages €m**	**Total €m**	Financial and insurance activities €m	Personal residential mortgages €m	Total €m
IRB approach						
Retail	-	16,103	16,103	-	19,555	19,555
Total IRB	**-**	**16,103**	**16,103**	**-**	**19,555**	**19,555**
Standardised approach						
Central governments or central banks	39	-	39	17	-	17
Institutions	1,915	-	1,915	2,130	-	2,130
Other items	153	-	153	133	-	133
Total Standardised	**2,107**	**-**	**2,107**	**2,280**	**-**	**2,280**
Total	**2,107**	**16,103**	**18,210**	**2,280**	**19,555**	**21,835**

Table 15 - EU CR1-B - Credit quality of exposures by industry or counterparty types

	Gross carrying value of						
2017	**Defaulted exposures €m**	**Non-defaulted exposures €m**	**Specific credit risk adjustment €m**	**General credit risk adjustment €m**	**Accumulated write-off's €m**	**Credit risk adjustment charges of the period €m**	**Net value €m**
Personal residential mortgages	1,618	14,949	464	-	664	(98)	16,103
Financial and Insurance activities	-	2,107	-	-	-	-	2,107
Total	**1,618**	**17,056**	**464**	**-**	**664**	**(98)**	**18,210**

Maturity analysis of exposures

The maturity analysis below discloses BoIMB's credit exposure by residual contractual maturity date. Table 16 is based on net value.

Table 16 - EU CRB-E - Maturity of exposures

2017 Net value	**On demand €m**	**<=1 year €m**	**>1 year <=5 years €m**	**>5 years €m**	**No stated maturity €m**	**Total €m**
Retail	-	786	2,965	12,352	-	16,103
Total IRB approach	**-**	**786**	**2,965**	**12,352**	**-**	**16,103**
Central governments or central banks	-	13	-	-	26	39
Institutions	-	1,915	-	-	-	1,915
Other items	-	-	-	-	153	153
Total Standardised approach	**-**	**1,928**	**-**	**-**	**179**	**2,107**
Total	**-**	**2,714**	**2,965**	**12,352**	**179**	**18,210**

2016 Net value	On demand €m	<=1 year €m	>1 year <=5 years €m	>5 years €m	No stated maturity €m	Total €m
Retail	-	1,040	3,879	14,636	-	19,555
Total IRB approach	-	1,040	3,879	14,636	-	19,555
Central governments or central banks	-	-	-	-	17	17
Institutions	-	2,130	-	-	-	2,130
Other items	-	-	-	-	133	133
Total Standardised approach	-	2,130	-	-	150	2,280
Total	-	3,170	3,879	14,636	150	21,835

Loan loss experience in the year ended 31 December 2017

A discussion on the factors which impacted the loan loss experience in the year ended 31 December 2017 is included in the Risk Management Report of the Group's Annual Report 31 December 2017 (under the credit risk section on pages 56 to 70).

Past due and impaired exposures

Past due but not impaired loans, whether forbone of not, are defined as loans where repayment of interest and / or principal are overdue by at least one day but which are not impaired.

Impaired loans are defined as exposures which carry a specific provision whether forbone of not. Specific provisions are as a result of either individual or collective assessment for impairment.

For additional information on past due and impaired exposures please refer to page 61 of the Group's Annual Report 31 December 2017.

Past due and impaired exposures by industry

Table 17 is based on financial statement information and discloses 'past due but not impaired' and 'impaired' balances by industry class.

Table 17 - Past due and impaired by industry class

	2017			2016		
Exposures by industry class	**Past due exposures €m**	**Impaired exposures €m**	**Total €m**	Past due exposures €m	Impaired exposures €m	Total €m
Personal						
- Residential mortgages	*364*	*802*	*1,166*	*413*	*1,047*	*1,460*
Total	**364**	**802**	**1,166**	**413**	**1,047**	**1,460**

Past due and impaired exposures by geography
Table 18 is based on financial statement information and discloses 'past due but not impaired' and 'impaired' balances by geographic location, which are based on the location of the business unit where the exposure is booked.

Table 18 - Past due and impaired by geography

	2017			2016		
Exposures by geography	**Past due exposures €m**	**Impaired exposures €m**	**Total €m**	Past due exposures €m	Impaired exposures €m	Total €m
ROI	*364*	*802*	*1,166*	*413*	*1,047*	*1,460*
Total	**364**	**802**	**1,166**	**413**	**1,047**	**1,460**

Table 19 is based on the ageing analysis on balance sheet past-due exposures regardless of their impairment status.

Table 19 - EU CR1-D - Ageing of past-due exposures

2017 Gross carrying value	**<=30 days €m**	**>30 days <=60 days €m**	**>60 days <=90 days €m**	**>90 days <=180 days €m**	**>180 days <=1 year €m**	**>1 year €m**
Loans	306	64	43	74	82	597
Debt securities	-	-	-	-	-	-
Total exposures	**306**	**64**	**43**	**74**	**82**	**597**

Specific credit risk adjustments (provisions)

Table 20 - EU CR2-B - Changes in the stock of defaulted and impaired loans and debt securities

2017	**Gross carrying value defaulted exposures €m**
1. Opening balance	**1,207**
2. Loans and debt securities that have defaulted or impaired since the last reporting period[1]	747
3. Returned to non-defaulted status	(317)
4. Amounts written off	(117)
5. Other changes	98
6. Closing balance	**1,618**

Changes in the stock of defaulted and impaired loans and debt securities
Table 20 shows the changes in stock of defaulted and impaired loans.

[1] *Includes the impact of the reclassification of FCR loans to align with EBA classifications. For more information on FCR see page 60 of the Group's Annual Report 31 December 2017.*

Specific credit risk adjustments (provisions) (continued)

Table 21 - EU CR2-A - Changes in the stock of general and specific credit risk adjustments

2017	Accumulated specific credit risk adjustment €m	Accumulated general credit risk adjustment €m
Opening balance	669	-
Increases due to amounts set aside for estimated loan losses during the period	-	-
Decreases due to amounts reversed for estimated loan losses during the period	(98)	-
Decreases due to amounts taken against accumulated credit risk adjustments	(117)	-
Transfers between credit risk adjustments	-	-
Impact of exchange rate differences	-	-
Business combinations, including acquistions and disposals of subsidiaries	-	-
Other adjustments	10	-
Closing balance	**464**	**-**
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	-	-
Specific credit risk adjustments directly recorded to the statement of profit or loss	-	-

Specific credit risk adjustment charges during the year
Table 21 shows the movement in the provision on loans and advances to customers during the year ended 31 December 2017. It is based on financial statement information.

Specific credit risk adjustments (provisions) (continued)

Table 22 shows an overview of non-performing and forborne exposures.

Table 22 - EU CR1-E - Non-performing and forborne exposures

2017	Gross carrying amount of performing and non-performing exposures							Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees received	
	Total €m	*of which; performing but past due >30 days and <=90 days* €m	*performing forborne* €m	**Non-performing** €m	*of which; defaulted* €m	*impaired* €m	*forborne* €m	**On performing exposures** €m	*of which; forborne* €m	**On non-performing exposures** €m	*of which; forborne* €m	**On non-performing exposures** €m	**On forborne exposures** €m
10 Debt securities	-	-	-	-	-	-	-	-	-	-	-	-	-
20 Loans and advances	17,339	34	686	1,790	1,623	803	1,478	(119)	(77)	(345)	(210)	1,371	1,854
30 Off-balance sheet exposures	1,307	-	-	-	-	-	-	-	-	-	-	-	-

Comparison of expected versus actual loss

Table 23 is based on a comparison of regulatory expected loss of the performing IRB loan portfolios as at 31 December 2016 with actual loss (specific provision charge incurred) on these portfolios in the year ended 31 December 2017.

The parameters underlying the calculation of expected loss (PD, LGD and EAD) primarily represent through the cycle estimations, i.e. they reflect and estimate the average outcomes for an entire economic cycle. To meaningfully validate expected loss, these estimates would need to be compared to all realised losses which may have materialised after all the assets have gone through their life cycle. However, such information cannot be provided and disclosed since life cycles could last for a significant number of years. Using actual accounting loss information does not provide a suitable alternative, because - unlike expected loss estimates - accounting loss information is measured at point-in-time.

Table 23 should therefore be read bearing in mind these significant limitations.

Table 23 - Expected versus actual loss

IRB exposure class	Expected loss calculated on 2016 €m	Specific provision charge 2017 €m	Expected loss calculated on 2015 €m	Specific provision charge 2016 €m
Institutions	-	-	-	-
Corporates	-	-	-	-
Retail	**103**	**(39)**	**78**	**(72)**
- Secured by immovable property collateral	*103*	*(39)*	*78*	*(72)*
- Qualifying revolving retail exposures	-	-	-	-
- Other retail exposures	-	-	-	-
Total	**103**	**(39)**	**78**	**(72)**

Credit risk mitigation

Table 24 - EU CR3 - CRM techniques - Overview

Net value	Total €m	Exposures unsecured carrying amount €m	Exposures secured carrying amount €m	*Exposures secured by collateral €m*	*Exposures secured by financial guarantees €m*	*Exposures secured by credit derivatives €m*
1. Loans	**18,243**	**2,140**	**16,103**	**16,103**	**-**	**-**
Institutions	-	-	-	-	-	-
Corporates	-	-	-	-	-	-
Retail	16,103	-	16,103	16,103	-	-
Total IRB	**16,103**	**-**	**16,103**	**16,103**	**-**	**-**
Central governments or central banks	39	39	-	-	-	-
Regional governments or local authorities	-	-	-	-	-	-
Public sector entities	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-
International organisations	-	-	-	-	-	-
Institutions	1,915	1,915	-	-	-	-
Corporates	-	-	-	-	-	-
Retail	-	-	-	-	-	-
Secured by mortgages on immovable property	-	-	-	-	-	-
Exposures in default	-	-	-	-	-	-
Items associated with particularly high risk	-	-	-	-	-	-
Covered bonds	-	-	-	-	-	-
Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
Collective investment undertakings	-	-	-	-	-	-
Equity exposures	-	-	-	-	-	-
Other items	153	153	-	-	-	-
Total Standardised	**2,107**	**2,107**	**-**	**-**	**-**	**-**
2. Debt securities	-	-	-	-	-	-
3. Total exposures	**18,210**	**2,107**	**16,103**	**16,103**	**-**	**-**
of which;						
4. Defaulted	*1,216*	-	*1,216*	*1,216*	-	-

Leverage ratio

Table 25 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

CRD IV		2017 Regulatory €m	2017 Fully loaded €m	2016 Regulatory €m	2016 Fully loaded €m
1	**Total assets as per published financial statements**	**16,999**	**16,999**	**20,774**	**20,774**
4	Adjustments for derivative financial instruments	298	298	340	340
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	291	291	258	258
7	Other adjustments	(20)	(38)	(5)	(22)
8	**Total leverage ratio exposure**	**17,568**	**17,550**	**21,367**	**21,350**

Table 26 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

CRD IV		2017 Regulatory €m	2017 Fully loaded €m	2016 Regulatory €m	2016 Fully loaded €m
On-balance sheet exposures (excluding derivatives and SFTs)					
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	16,926	16,926	20,671	20,671
2	(Asset amounts deducted in determining Tier 1 capital)	(20)	(38)	(5)	(22)
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)**	**16,906**	**16,888**	**20,666**	**20,649**
Derivative exposures					
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	73	73	103	103
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	298	298	340	340
11	**Total derivative exposures**	**371**	**371**	**443**	**443**
Other off-balance sheet exposures					
17	Off-balance sheet exposures at gross notional amount	1,307	1,307	1,175	1,175
18	(Adjustments for conversion to credit equivalent amounts)	(1,016)	(1,016)	(917)	(917)
19	**Other off-balance sheet exposures**	**291**	**291**	**258**	**258**
Capital and total exposures					
20	Tier 1 capital	1,197	1,179	1,217	1,200
21	**Total leverage ratio exposures**	**17,568**	**17,550**	**21,367**	**21,350**
22	**Leverage ratio**	**6.8%**	**6.7%**	**5.7%**	**5.6%**

Leverage ratio (continued)

Table 27 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

Annex IV Reference - CRD IV		2017 Regulatory €m	2017 Fully loaded €m	2016 Regulatory €m	2016 Fully loaded €m
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**16,906**	**16,888**	**20,666**	**20,649**
EU-2	Trading book exposures	-	-	-	-
EU-3	Banking book exposures, of which:	16,906	16,888	20,666	20,649
EU-5	Exposures treated as sovereigns	-	-	-	-
EU-7	Institutions	1,948	1,948	2,129	2,129
EU-8	Secured by mortgages of immovable properties	13,596	13,596	17,681	17,681
EU-11	Exposures in default	1,216	1,216	710	710
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	146	128	146	129

CRD IV requires the disclosure of the BoIMB's leverage ratio, which measures the level of Tier 1 capital against both on and off balance sheet exposures. As at 31 December 2017, the leverage ratio was 6.8% on a regulatory basis (2016: 5.7%) and 6.7% on a fully loaded basis (2016: 5.6%).

The purpose of monitoring and managing this metric is to enable Regulators to constrain the build-up of excessive leverage, which was considered to be one of the drivers of the banking crisis.

The European Commission has proposed the introduction of a binding leverage requirement of 3% as part of the CRD V Package proposals. It is anticipated that the binding leverage requirement will be applicable from 2019 at the earliest pending final agreement of the proposals at EU level.

The tables below illustrate leverage ratio calculated in accordance with Articles 429, 499(2) and (3) of the CRR and a breakdown of the BoIMB's leverage ratio exposure as at 31 December 2017 on both a regulatory and fully loaded basis.

The Governor and Company of the Bank of Ireland

The Governor and Company of the Bank of Ireland (the 'Bank') is a wholly owned subsidiary of BOIG plc. The Bank provides a range of banking and other financial services.

Risk management
The Board of Directors for the Bank approves policies and limits with respect to credit risk, market risk, liquidity risk, regulatory risk, conduct risk, operational risk, business / strategic risk, capital adequacy risk and reputation risk.

The Bank's risk management and control policies comply with BOIG plc risk management policies, which include reviews on a regular basis. In addition, the Group's control functions (e.g. Credit, Group Internal Audit etc) independently review compliance with Group policies as part of their on-going work.

The Bank employs a range of policies and practices to mitigate credit risk. The most important of these is the initial assessment of the borrower's capacity to repay the facility over the agreed timescale and the taking of security for funds advanced. Further information can be found in the Risk Management section of this document.

Capital
At the 31 December 2017, the Bank's CET 1 ratio, including 2017 profits, was 15.3% on a regulatory basis. The total capital ratio was 22.2% on a regulatory basis.

The Group undertook a corporate reorganisation during the year whereby BOIG plc became the parent company of the Bank. Details of the resulting changes in equity are set out in the annual report of the Bank.

In December 2017 the Bank declared a dividend of €1,000 million payable to its parent BOIG plc.

On 19 September 2017, the Bank completed a dual tranche issuance of Stg£300 million and US$500 million ten year (callable at the end of year five) Tier 2 capital instruments to BOIG plc, the Bank's parent. The sterling bond has a coupon of 3.425% and the US dollar bond has a coupon of 4.425%.

Remuneration
The Bank is covered under the Group's Remuneration policy and associated governance. Please see pages 118 to 123 of the Group's Annual Report 31 December 2017.

Remuneration disclosures relating to the Bank's material risk takers (Code Role Holders) are incorporated within the Group's remuneration disclosures.

Table 1 - Capital, RWA and capital ratios

2017	Regulatory €m	Fully loaded €m
Available capital		
Common equity tier 1 (CET 1)	5,656	4,779
Tier 1	6,406	5,529
Total Capital	8,190	7,321
Risk weighted assets		
Total RWA	36,956	36,762
Risk-based capital ratios as a % of RWA		
Common equity tier 1 (CET1) (%)	15.3%	13.0%
Tier 1 (%)	17.3%	15.0%
Total Capital (%)	22.2%	19.9%

The Governor and Company of the Bank of Ireland (continued)

Table 2 - Movement of risk weighted assets by key driver

	Credit risk €bn	*of which; IRB €bn*	*STD €bn*	Counterparty credit risk €bn	Securitisation €bn	Market risk €bn	Operational risk €bn	Total €bn	Capital requirements €bn
RWA as at the 31 December 2016	35.7	23.0	12.7	1.5	0.3	0.4	3.3	41.2	3.3
Asset size[1]	(0.5)	(0.6)	0.1	(0.4)	-	0.1	-	(0.8)	(0.1)
Asset quality[2]	(0.6)	(0.6)	-	(0.1)	-	-	-	(0.7)	-
Model updates[3]	-	-	-	-	-	-	-	-	-
Methodology and policy[4]	(0.8)	(0.8)	-	-	-	-	-	(0.8)	(0.1)
Acquisitions and disposals[5]	0.9	0.9	-	-	-	-	-	0.9	0.1
Foreign exchange movements	(0.7)	(0.7)	-	-	-	-	-	(0.7)	(0.1)
Credit Risk Transfer	(1.8)	(1.8)	-	-	0.2	-	-	(1.6)	(0.1)
Other	(0.3)	-	(0.3)	(0.2)	-	-	-	(0.5)	-
RWA as at the 31 December 2017	**31.9**	**19.4**	**12.5**	**0.8**	**0.5**	**0.5**	**3.3**	**37.0**	**3.0**

[1] *Asset size: This represents movements in RWA driven by changes in the composition of the Group's existing portfolios. This includes, but is not limited to: constant currency growth in existing portfolios including new business and repayment of loans, changes in the product mix.*

[2] *Asset quality: This can represent movements in RWA including but not limited to: PD Migration and LGD changes driven by economic conditions, changes in lending practices, demographics and model re-calibrations and re-anchoring.*

[3] *Model updates: This can represent movements in RWA including, but is not limited to: new model approvals, refinements and enhancements to improve model performance.*

[4] *Methodology and policy: Updates to the RWA calculation methodology, communicated by the Regulator. This includes a revision to the maturity parameter used in the FIRB calculation to align with ECB guidance and a reclassification of forborne collateral realisation FCR loans to align with EBA classifications. For more information on FCR see page 60 of the Group's Annual Report.*

[5] *During 2017, BoIMB sold its beneficial interest in a portfolio of c.€4 billion in nominal value of performing loans, together with related security and related rights to The Governor and Company of the Bank of Ireland. The RWA associated with these loans was c.€0.9 billion.*

Capital requirements / RWA

Table 3 summarises RWA and minimum capital requirements by risk type. Minimum capital requirements is calculated at 8% of RWA.

Table 3 - EU OV1 - Overview of RWA

	2017 RWA €m	2017 Minimum capital requirements €m	2016 RWA €m	2016 Minimum capital requirements €m
1. Credit Risk (excluding CCR)	**30,187**	**2,415**	**33,749**	**2,700**
of which;				
2. the Standardised approach	*10,829*	*867*	*10,763*	*861*
3. the foundation IRB (FIRB) approach	*13,366*	*1,069*	*17,375*	*1,390*
4. the advanced IRB (AIRB) approach	*5,992*	*479*	*5,611*	*449*
5. equity IRB under the simple risk-weighted approach or the IMA	-	-	-	-
6. CCR	**752**	**60**	**1,470**	**118**
of which;				
7. market to market	*583*	*47*	*1,157*	*93*
8. original exposure	-	-	-	-
9. the Standardised approach	-	-	-	-
10. internal model method (IMM)	-	-	-	-
11. risk exposure amount for contributions to the default fund of CCP	-	-	-	-
12. CVA	*169*	*13*	*313*	*25*
13. Settlement risk	**-**	**-**	**2**	**-**
14. Securitisation exposures in the banking book (after the cap)	**467**	**37**	**335**	**27**
of which;				
15. IRB approach	*106*	*8*	*148*	*12*
16. IRB supervisory formula approach (SFA)	*361*	*29*	*187*	*15*
17. internal assessment approach (IAA)	-	-	-	-
18. Standardised approach	-	-	-	-
19. Market risk	**516**	**41**	**380**	**30**
of which;				
20. the Standardised approach	*516*	*41*	*380*	*30*
21. IMA	-	-	-	-
22. Large exposures	**-**	**-**	**-**	**-**
23. Operational Risk	**3,355**	**269**	**3,323**	**266**
of which;				
24. basic indicator approach	-	-	-	-
25. Standardised approach	*3,355*	*269*	*3,323*	*266*
26. advanced measurement approach	-	-	-	-
27. Amounts below the thresholds for deduction (subject to 250% risk weight)	**1,679**	**134**	**1,924**	**154**
28. Floor adjustment	**-**	**-**	**-**	**-**
29. Total	**36,956**	**2,956**	**41,183**	**3,295**

Capital requirements / RWA (continued)

Table 4 - Capital requirements / RWA

2017 **CRD IV**	**Capital requirements** **€m**	**RWA** **€m**
Credit Risk	**2,549**	**31,866**
IRB	**1,548**	**19,358**
of which;		
Foundation IRB	**1,069**	**13,366**
Central governments or central banks	-	-
Institutions	49	615
Corporates	1,020	12,751
of which;		
- SME	*478*	*5,978*
- Specialised lending	*70*	*877*
Advanced IRB	**479**	**5,992**
- Secured by immovable property collateral	*316*	*3,952*
- Qualifying revolving retail exposures	*28*	*345*
- Other retail SME	*88*	*1,110*
- Other retail non SME	*47*	*585*
Equity	-	-
Other non credit-obligation assets	-	-
Standardised	**1,001**	**12,508**
of which;		
Central governments or central banks[1]	19	236
Regional governments or local authorities	1	17
Public sector entities	3	38
Multilateral development banks[1]	-	-
International organisations[1]	-	-
Institutions	97	1,215
Corporates	264	3,300
Retail	68	845
Secured by mortgages on immovable property	13	159
Exposures in default	47	583
Exposures associated with particularly high risk	13	163
Covered bonds[2]	-	-
Securitisation positions	-	-
Institutions and corporates with a short-term credit assessment	-	-
Collective investment undertakings	-	-
Equity	-	-
Other items	476	5,952
Counterparty Credit Risk (incl CVA)	**60**	**752**
Settlement Risk	**-**	**-**
Securitisations	**37**	**467**
Market Risk	**41**	**516**
Operational Risk	**269**	**3,355**
Basel 1 Floor requirement (80%)	**-**	**-**
Total Capital Requirements	**2,956**	**36,956**

Table 4 shows the amount of capital out the Governor and Company of the Bank of Ireland is required to set aside to meet the minimum total capital ratio of 8% of RWA set by CRD IV.

Breakdown of The Governor and Company of the Bank of Ireland's regulatory capital requirement

Table 5 - Minimum Capital Requirements, Risk Weighted Assets and Net Value by Risk Type

2017	Capital requirement €m	Risk weighted assets €m	Net value €m
Credit risk	2,549	31,866	81,092
- IRB Approach	*1,548*	*19,358*	*39,072*
- Standardised Approach	*1,001*	*12,508*	*42,020*
Counterparty Credit Risk	60	752	1,678
Settlement Risk	-	-	-
Securitisation	37	467	-
Market Risk	41	516	-
Operational Risk	269	3,355	-
Floor adjustment	-	-	-
Total	**2,956**	**36,956**	**82,770**

Table 5 shows The Governor and Company of the Bank of Ireland minimum capital requirements (based on 8% of RWA), RWA and Net Value by risk type.

Capital resources

Table 6 sets out the Governor and Company of the Bank of Ireland's capital position as at 31 December 2017, and a reconciliation of accounting with regulatory capital.

Table 6 - Reconciliation of accounting capital with regulatory capital

2017 **CRD IV**	**Regulatory** **€m**	**Fully loaded** **€m**
Capital base		
Total equity	8,069	8,069
- less Additional tier 1 capital	(750)	(750)
Total equity less instruments not qualifying as CET 1	**7,319**	**7,319**
Regulatory adjustments being phased in / out under CRD IV	**(713)**	**(1,550)**
- Deferred tax assets	(324)	(1,082)
- 10% / 15% threshold deduction	(103)	(206)
- Retirement benefit obligations	89	-
- Available for sale reserve	(66)	-
- Pension supplementary contributions	(9)	-
- Capital contribution on CCCN	-	-
- Other adjustments	(300)	(262)
Other regulatory adjustments	**(950)**	**(990)**
- Expected loss deduction	*(164)*	*(204)*
- Intangible assets and goodwill	*(700)*	*(700)*
- Dividend / coupon expected on other equity instruments	*(2)*	*(2)*
- Cash flow hedge reserve	*(40)*	*(40)*
- Own credit spread adjustment (net of tax)	*22*	*22*
- Securitisation deduction	*(66)*	*(66)*
Common equity tier 1	**5,656**	**4,779**
Additional tier 1		
Additional tier 1	783	750
Regulatory adjustments	**(33)**	**-**
- Expected loss deduction	*(20)*	-
- 10% - 15% threshold deduction	*(13)*	-
Total tier 1 capital	**6,406**	**5,529**
Tier 2		
Tier 2 dated debt	1,834	1,834
Tier 2 undated debt	85	118
Regulatory adjustments	**(33)**	**-**
- Expected loss deduction	*(20)*	-
- 10% - 15% threshold deduction	*(13)*	-
Standardised incurred but not reported (IBNR) provisions	4	-
Provisions in excess of expected losses on defaulted assets	-	-
Other adjustments	(106)	(160)
Total tier 2 capital	**1,784**	**1,792**
Total capital	**8,190**	**7,321**
Total risk weighted assets	**36,956**	**36,762**
Capital ratios		
Total capital ratio	22.2%	19.9%

Capital resources (continued)

Table 7 below outlines the component parts of regulatory capital with further details of capital instruments, adjustments, deductions and filters in line with the prescribed template provided in Article 5 of commission regulation (EU) No.1423/2013. The table further details total risk weighted assets, capital ratios and buffers before listing applicable caps on the inclusion of provisions in Tier 2 and capital instruments subject to phase-out. Line referencing for Annex VI of commission regulation (EU) No.1423/2013 is also provided. Rows that are not applicable to the Governor and Company of the Bank of Ireland have been omitted.

Table 7 - Regulatory & fully loaded own funds disclosure

2017 **Annex VI** **Reference - CRD IV**		**Regulatory** **€m**	**Fully loaded** **€m**
Common equity tier 1 (CET 1) capital: instruments and reserves			
1	Capital Instruments and the related share premium accounts	2,130	2,130
	of which;		
	- Ordinary stock	*1,618*	*1,618*
	- Deferred stock	-	-
	- Treasury stock	-	-
	- Share premium	*512*	*512*
2	Retained earnings	3,698	3,698
3	Accumulated other comprehensive income (and other reserves)	1,425	1,425
6	**Common equity tier 1 (CET 1) capital before regulatory adjustments**	**7,253**	**7,253**
Common equity tier 1 (CET 1) capital regulatory adjustments			
7	Additional value adjustments / other	(150)	(150)
8	Intangible assets (net of related tax liability)	(700)	(700)
10	Deferred tax asset that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(324)	(1,082)
11	Fair value reserves related to gains or losses on cashflow hedges	(40)	(40)
12	Negative amounts resulting from the calculation of expected loss amounts	(164)	(204)
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	22	22
15	Defined-benefit pension fund assets	(37)	(46)
16	Direct and indirect holdings by an institution of own CET 1 instruments	-	-
19	Direct, indirect and synthetic holdings by institutions of the CET 1 Instruments of financial sector entities where the institution has a significant investment in those entities	(103)	(206)
20a	Exposure amount of the following items which qualify for a RW of 1250%	(66)	(66)
20c	of which;		
	- Securitisation positions	*(66)*	*(66)*
26a	Regulatory adjustments relating to unrealised gains and losses	*(66)*	-
	of which;		
	- Unrealised gains on non sovereign bonds	*(18)*	-
	- Unrealised losses on non sovereign bonds	*3*	-
	- Unrealised gains on sovereign bonds	*(51)*	-
	- Unrealised losses on sovereign bonds	-	-

Capital resources (continued)

Table 7 - Regulatory & fully loaded own funds disclosure (continued)

2017 **Annex VI** **Reference - CRD IV**		**Regulatory** **€m**	**Fully loaded** **€m**
26b	Amount to be deducted from or added to Common equity tier 1 capital with regard to additional filters and deductions required pre CRR	31	(2)
	of which;		
	- Defined benefit pension scheme	*89*	-
	- Value in Force asset	*(46)*	-
	- Property revaluation reserve	*(8)*	-
	- Fair value on Bristol and West Sub debt	*7*	-
	- Minimum funding standard pension contributions	*(9)*	-
	- Dividend / coupon expected on other equity instruments	*(2)*	*(2)*
28	**Total regulatory adjustments to Common equity tier 1 (CET 1)**	**(1,597)**	**(2,474)**
29	**Common equity tier 1 (CET 1) Capital**	**5,656**	**4,779**
Additional tier 1 (AT1) capital: instruments			
30	Capital instruments and the relates share premium accounts	750	750
31	*of which;*		
	- Classified as equity under applicable accounting standards	*750*	*750*
33	Amount of qualifying items referred to in Articles 484 (4) and the related share premium accounts subject to phase out of the AT1	33	-
36	**Additional tier 1 (AT1) capital before regulatory adjustments**	**783**	**750**
Additional tier 1 (AT1) capital: regulatory adjustments			
41	Regulatory adjustments applied to Additional tier 1 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in regulation No 575/2013 (i.e. CRR residual amounts)	(33)	-
41a	Residual amounts deducted from Additional tier 1 capital with regard to deduction from Common equity tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	(33)	-
	of which;		
	- Shortfall of provisions to expected losses	*(20)*	-
	- Investment in significant financial institutions	*(13)*	-
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	-	-
43	**Total regulatory adjustments to Additional tier 1 (AT1) capital**	**(33)**	**-**
44	**Additional tier 1 (AT1) capital**	**750**	**750**
45	**Tier 1 capital (T1 = CET 1 + AT1)**	**6,406**	**5,529**

Capital resources (continued)

Table 7 - Regulatory & fully loaded own funds disclosure (continued)

2017 Annex VI Reference - CRD IV		Regulatory €m	Fully loaded €m
Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	1,919	1,952
50	Credit Risk adjustments	-	-
51	**Tier 2 (T2) capital before regulatory adjustments**	**1,919**	**1,952**
Tier 2 (T2) capital: regulatory adjustments			
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions)	(160)	(160)
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common equity tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU No 575/2013)	(33)	-
	of which;		
	- Shortfalls of provisions to expected losses	*(20)*	-
	- Investment in significant financial institutions	*(13)*	-
56c	Amount to be deducted from or added to tier 2 capital with regards to additional filters and deductions required pre CRR	58	-
	of which;		
	- IBNR provisions	*4*	-
	- Value in Force asset	*46*	-
	- Property revaluation reserve	*8*	-
57	**Total regulatory adjustments to tier 2 (T2) capital**	**(135)**	**(160)**
58	**Tier 2 (T2) capital**	**1,784**	**1,792**
59	**Total capital (TC = T1+T2)**	**8,190**	**7,321**
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	-	-
	of which;		
	- Items not deducted from CET 1 (Regulation (EU) No 575/2013 residual amounts) Deferred tax assets that rely on future profitability net of related tax liability	-	-
	- Items not deducted from CET 1 (Regulation (EU) No 575/2013 residual amounts) Direct holdings in CET 1 instruments of financial sector entities where the institution has a significant investment	-	-
60	**Total risk weighted assets**	**36,956**	**36,762**

Capital resources (continued)

Table 7 - Regulatory & fully loaded own funds disclosure (continued)

2017 Annex VI Reference - CRD IV		Regulatory €m	Fully loaded €m
Capital ratios and buffers			
61	Common equity tier 1	15.3%	13.0%
62	Tier 1	17.3%	15.0%
63	Total capital	22.2%	19.9%
64	Institution specific buffer requirement (CET 1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer expressed as a percentage of risk exposure amount)	5.75%	7.0%
	of which;		
65	*- Capital conservation buffer requirement*	*1.25%*	*2.5%*
66	*- Countercyclical buffer requirement*	*0.0%*	*0.0%*
67	*- Systemic risk buffer requirement*	-	-
67a	*- Global Systemically Important institution (G-SII) or Other Systemically Important Institution (O-SII) buffer*	-	-
68	Common equity tier 1 available to meet buffers (as a percentage of risk exposure amount)	10.8%	8.5%
Amounts below the threshold for deduction (before risk weighting)			
73	Direct and indirect holdings by the institution of the CET 1 instruments of financials sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	576	499
75	Deferred tax assets arising from temporary difference (amount below 10% threshold, net of related tax liability where the conditions on Article 38(3) are met)	95	95
Applicable cap on the inclusion of provisions in Tier 2			
77	Cap on inclusion of credit risk adjustments in T2 under Standardised approach	157	157
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap) credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-	-
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	122	133
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2014 and 1 January 2022)			
82	Current cap on AT1 instruments subject to phase out arrangements	33	-
Amounts subject to pre-regulation (eu) no 575/2013 treatment or prescribed residual amount of regulation (eu) 575/2013			
10	Deferred tax asset that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(758)	
12	Negative amounts resulting from the calculation of expected loss amounts	(40)	
15	Defined-benefit pension fund assets	(9)	

Capital resources (continued)

Countercyclical buffer

CRD IV provides for a countercyclical buffer that could require banks to hold additional CET 1 capital of up to 2.5%. This requirement is expected to be imposed by the designated authority where credit growth is deemed to be excessive and leading to the build-up of system-wide risk. The countercyclical buffer will be phased in from 1 January 2016 to 1 January 2019.

At 31 December 2017, the Central Bank of Ireland (RoI) and Financial Policy Committee (UK) have set the Countercyclical buffer (CCyB) at 0%. The geographical distribution of exposures to the countries and the overall additional capital requirement of €1 million at 31 December 2017 are outlined below.

Table 8 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer

	General credit exposures		Trading book exposures		Securities exposures		Own funds requirements					
2017 (€m)	Exposure value for SA	Exposure value for IRB	Sum of long and short position of trading book	Value of trading book exposure for internal models	Exposure value for SA	Exposure value for IRB	General credit exposures	Trading book exposures	Securitisation exposures	Total	Own funds requirement weights	Counter-cyclical capital buffer rate
Countries with a buffer												
Sweden	-	20	-	-	-	-	2	-	-	2	0.0008	2.00%
Norway	-	1	-	-	-	-	-	-	-	-	0.0000	1.50%
Hong Kong	20	4	-	-	-	-	2	-	-	2	0.0007	1.25%
Iceland	-	-	-	-	-	-	-	-	-	-	0.0000	1.25%
Slovakia	-	-	-	-	-	-	-	-	-	-	0.0000	0.50%
Czech Republic	-	1	-	-	-	-	-	-	-	-	0.0000	0.50%
Total	**20**	**26**	**-**	**-**	**-**	**-**	**4**	**-**	**-**	**4**	**0.0015**	**-**
Countries with a zero rate or no buffer-												
Ireland	10,006	21,608	-	-	-	3,924	1,530	-	29	1,559	0.6370	0.00%
United Kingdom[1]	2,750	7,697	-	-	-	633	605	-	4	609	0.2488	0.00%
United States	27	1,416	-	-	-	19	127	-	4	131	0.0536	0.00%
Other	108	1,687	-	-	-	32	145	-	-	145	0.0591	0.00%
Total	**12,891**	**32,408**	**-**	**-**	**-**	**4,608**	**2,407**	**-**	**37**	**2,444**	**0.9985**	**-**
Overall Total	**12,911**	**32,434**	**-**	**-**	**-**	**4,608**	**2,411**	**-**	**37**	**2,448**	**1.0000**	**-**

Amount of institution-specific countercyclical capital buffer	**2017**
Total risk exposure amount (€m)	36,956
Institution specific countercyclical buffer rate (%)	0.0025%
Institution specific countercyclical buffer requirement (€m)	1

[1] *The Financial Policy Committee (FPC) in the UK increased the countercyclical buffer (CCyB) to 0.5% from 0%, with binding effect from 27 June 2018 with a further increase to 1%, from 28 November 2018.*

Capital instruments

Table 9 provides information on the regulatory values of the Governor and Company of Bank of Ireland Additional tier 1 capital and Tier 2 debt.

The Capital instruments template disclosure according to Article 3 in Commission implementing regulation (EU) No.1423/2013 is published separately at www.bankofireland.com.

Table 9 - Capital instruments

2017	Nominal outstanding €m	Accounting value €m	CRD IV regulatory €m	CRD IV fully loaded €m
Non-cumulative preference stock (1.9 million units of Stg£1 each and 3 million units of €1.27 each) 50%[1]	3	33	33	-
€750 million 7.375% Additional Tier 1 instrument[2]	750	740	750	750
Additional tier 1 capital	**753**	**773**	**783**	**750**
€250 million 10% Fixed Rate Subordinated Notes 2022[3]	250	264	247	247
€1002 million 10% Fixed Rate Subordinated Notes 2020[4]	206	222	87	87
€750 million 4.25% Fixed Rate Subordinated Notes 2024[5]	750	759	748	748
Other	2	2	1	1
Stg£300 million 3.125% Fixed Rate Reset Callable Subordinated Notes 2027	338	334	336	336
US$500 million 4.125% Fixed Rate Reset Callable Subordinated Notes 2027	417	407	415	415
Tier 2 dated debt	**1,963**	**1,988**	**1,834**	**1,834**
Bank of Ireland Stg£75 million 13.3/8% Perpetual Subordinated Bonds[6]	52	85	52	52
Non-cumulative preference stock (1.9 million units of Stg£1 each and 3 million units of €1.27 each) 50%[1]	3	33	33	66
Tier 2 undated debt	**55**	**118**	**85**	**118**
Total capital instruments	**2,771**	**2,879**	**2,702**	**2,702**

CRD IV treatment

1 *The non-cumulative preference stock does not qualify as Tier 1 capital under CRD IV but does qualify as Tier 2 capital. These instruments will be phased into Tier 2 from Tier 1 at 50% in 2017 and increases by 10% per annum thereafter. The nominal and accounting values have been allocated in the same manner.*
2 *The Additional tier 1 equity securities issued in June 2015 qualifies as Additional tier 1 under CRD IV.*
3 *The subordinated notes due 2022 qualify as Tier 2 under CRD IV. They are subject to regulatory amortisation from 2017.*
4 *The subordinated notes due 2020 qualify as Tier 2 under CRD IV. As these notes have less than 5 years to maturity they have been subject to amortisation from 2015.*
5 *The subordinated notes due 2024 qualify as Tier 2 under CRD. They will be subject to regulatory amortisation from 2019.*
6 *These instruments qualify as Tier 2 under CRD IV. As they are undated they will not be subject to regulatory amortisation.*

Credit risk

Table 10 is based on EAD and shows the Governor and Company of the Bank of Ireland's point-in-time and average exposure to credit risk

Table: 10 - EU CRB-B - Exposure to credit risk	**2017**	
Exposure class	**Net value of exposures at the end of the period €m**	**Average net exposures over the period €m**
Central governments or central banks	-	-
Institutions	3,673	4,055
Corporates	18,852	20,009
of which;		
- SME	*9,098*	*9,292*
- Specialised lending	*948*	*1,040*
Retail-	16,547	13,901
Secured by real estate property	11,193	8,571
- SME	*-*	*-*
- Non-SME	*11,193*	*8,571*
Qualifying revolving	2,680	2,686
Other Retail	2,674	2,644
- SME	*2,180*	*2,169*
- Non-SME	*494*	*475*
Total IRB approach	**39,072**	**37,965**
Central governments or central banks	13,022	12,307
Regional governments or local authorities	189	190
Public sector entities	326	295
Multilateral development banks	338	350
International organisations	896	967
Institutions	10,963	12,848
Corporates	4,983	5,258
of which;		
- SME	*672*	*2,305*
Retail	2,535	2,523
of which;		
- SME	*254*	*254*
Secured by mortgages on immovable property	455	439
of which;		
- SME	*-*	*-*
Exposures in default	476	604
Items associated with particularly high risk	134	127
Covered bonds	2,195	2,195
Claims on institutions and corporates with a short-term credit assessment	-	-
Collective investment undertakings	-	-
Equity exposures	-	-
Other items	5,508	5,474
Total Standardised approach	**42,020**	**43,577**
Total	**81,092**	**81,542**

Credit risk (continued)

Table 11 - EU CR1-A - Credit quality of exposures by exposure class and instrument

2017	Gross carrying value of Defaulted exposures €m	Gross carrying value of Non-defaulted exposures €m	Specific credit risk adjustment €m	General credit risk adjustment €m	Accumulated write-off's €m	Credit risk adjustment charges of the period €m	Net value €m
Central governments or central banks	-	-	-	-	-	-	-
Institutions	-	3,673	-	-	-	-	3,673
Corporates	1,723	18,013	884	-	3,132	93	18,852
of which;							
- SME	*1,410*	*8,383*	*695*	-	*1,438*	-	*9,098*
- Specialised lending	*45*	*937*	*34*	-	-	-	*948*
Retail	1,270	15,630	353	-	828	(46)	16,547
Secured by real estate property	1,022	10,380	209	-	339	(40)	11,193
- SME	-	-	-	-	-	-	-
- Non-SME	*1,022*	*10,380*	*209*	-	*339*	*(40)*	*11,193*
Qualifying revolving	20	2,672	12	-	103	-	2,680
Other Retail	228	2,578	132	-	386	(6)	2,674
- SME	*189*	*2,091*	*100*	-	*224*	*4*	*2,180*
- Non-SME	*39*	*487*	*32*	-	*162*	*(10)*	*494*
Total IRB approach	**2,993**	**37,316**	**1,237**	**-**	**3,960**	**47**	**39,072**
Central governments or central banks	-	13,022	-	-	-	-	13,022
Regional governments or local authorities	-	189	-	-	-	-	189
Public sector entities	-	326	-	-	-	-	326
Multilateral development banks	-	338	-	-	-	-	338
International organisations	-	896	-	-	-	-	896
Institutions	-	10,963	-	-	-	-	10,963
Corporates	886[1]	4,983	-	-	-	-	4,983
of which:							
- SME	-	*672*	-	-	-	-	*672*
Retail	43[1]	2,542	7	-	-	-	2,535
of which:							
- SME	-	*258*	*4*	-	-	-	*254*
Secured by mortgages on immovable property	-	455	-	-	-	-	455
of which:							
- SME	-	-	-	-	-	-	-
Exposures in default	929	-	453	-	3,133	37	476
Items associated with particularly high risk	-	134	-	-	-	-	134
Covered bonds	-	2,195	-	-	-	-	2,195
Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-
Collective investment undertakings	-	-	-	-	-	-	-
Equity exposures	-	-	-	-	-	-	-
Other items	-	5,508	-	-			5,508
Total Standardised approach	**929**	**41,551**	**460**	**-**	**3,133**	**37**	**42,020**
Total	**3,922**	**78,867**	**1,697**	**-**	**7,093**	**84**	**81,092**
of which:							
Loans	3,841	63,832	1,687	-	7,093	84	65,986
Debt Securities	-	2,934	-	-	-	-	2,934
Off-balance sheet exposures	81	12,101	10	-	-	-	12,172

[1] *Breakdown of the exposure class that corresponds to the exposure before default.*

Geographic analysis of exposures

The geographical locations shown in tables 12 and 13 are based on the residence of the immediate counterparty. Exposures with supranational organisations are included under the other geographical area.

Table 12 - EU CRB-C - Geographical breakdown of exposures

2017 **Net value**	**Europe** **€m**	*Ireland* *€m*	*UK* *€m*	*Rest of Europe* *€m*	**US** **€m**	**Other geographical area** **€m**	**Total** **€m**
Central governments or central banks	-						-
Institutions	3,124	244	584	2,296	32	517	3,673
Corporates	16,925	11,088	4,362	1,475	1,574	353	18,852
Retail	16,464	13,185	3,253	26	39	44	16,547
Total IRB approach	**36,513**	**24,517**	**8,199**	**3,797**	**1,645**	**914**	**39,072**
Central governments or central banks	12,295	9,840	193	2,262	727	-	13,022
Regional governments or local authorities	168	168	-	-	21	-	189
Public sector entities	326	75	-	251	-	-	326
Multilateral development banks	-	-	-	-	-	338	338
International organisations	-	-	-	-	-	896	896
Institutions	10,963	8,535	2,428	-	-	-	10,963
Corporates	4,957	3,694	1,188	75	5	21	4,983
Retail	2,535	2,535	-	-	-	-	2,535
Secured by mortgages on immovable property	451	446	4	1	2	2	455
Exposures in default	471	439	12	20	-	5	476
Items associated with particularly high risk	114	109	2	3	20	-	134
Covered bonds	2,195	2,195	-	-	-	-	2,195
Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-
Collective investment undertakings	-	-	-	-	-	-	-
Equity exposures	-	-	-	-	-	-	-
Other items	5,508	3,263	2,245	-	-	-	5,508
Total Standardised approach	**39,983**	**31,299**	**6,072**	**2,612**	**775**	**1,262**	**42,020**
Total	**76,496**	**55,816**	**14,271**	**6,409**	**2,420**	**2,176**	**81,092**

Table 13 - EU CR1-C - Credit quality of exposures by geographical breakdown

	Gross carrying value of						
2017	**Defaulted exposures** **€m**	**Non-defaulted exposures** **€m**	**Specific credit risk adjustment** **€m**	**General credit risk adjustment** **€m**	**Accumulated write-off's** **€m**	**Credit risk adjustment charges of the period** **€m**	**Net value** **€m**
Europe	3,835	74,321	1,660	-	7,093	84	76,496
of which;							
- Ireland	*3,096*	*54,087*	*1,367*	-	*5,582*	*(2)*	*55,816*
- UK	*572*	*13,889*	*190*	-	*1,511*	*86*	*14,271*
- Rest of Europe	*167*	*6,345*	*103*	-	-	-	*6,409*
US	63	2,383	26	-	-	-	2,420
Other geographical area	24	2,163	11	-	-	-	2,176
Total	**3,922**	**78,867**	**1,697**	**-**	**7,093**	**84**	**81,092**

Industry analysis of exposures

The industry classification in Table 14 below is based the activity of the immediate counterparty.

Table 14 - EU CRB-D - Industry analysis of exposures

Table 14(a) - Industry analysis of exposures - IRB approach

2017 IRB Approach - Net value	Institutions €m	Corporates €m	Retail €m	Total €m
Agriculture, forestry and fishing	-	338	890	1,228
Mining and quarrying	-	247	5	252
Manufacturing	-	2,983	93	3,076
Electricity, gas, steam and air conditioning supply	-	503	3	506
Water supply	-	-	-	-
Construction	-	258	117	375
Wholesale and retail trade	-	1,472	254	1,726
Transport and storage	-	701	43	744
Accommodation and food service activities	-	962	97	1,059
Information and communication	-	517	15	532
Real estate activities	-	6,298	97	6,395
Professional, scientific and technical activities	-	263	60	323
Administrative and support service activities	-	1,188	277	1,465
Public administration and defence, compulsory social security	-	44	-	44
Education	-	220	13	233
Human health services and social work activities	-	1,071	67	1,138
Arts, entertainment and recreation	-	237	22	259
Other Services	-	611	27	638
Central Government	-	-	-	-
Personal residential mortgages	-	13	11,193	11,206
Other Personal	-	65	3,257	3,322
Financial and Insurance activities	3,673	861	17	4,551
Total	**3,673**	**18,852**	**16,547**	**39,072**

Industry analysis of exposures (continued)

Table 14 - Industry analysis of exposures

Table 14(b) - Industry analysis of exposures - Standardised approach

2017 Standardised Approach - net value	Central gov. or central banks €m	Regional gov.or local auth. €m	Public sector entities €m	Multil. develop. banks €m	Inter. org. €m	Institutions €m	Corp, €m	Retail €m	Secured by mortgages on immovable property €m	Exp. in default €m	Items associated with particulary high risk €m	Covered bonds €m	Other items €m	Total €m
Agriculture, forestry and fishing	-	-	-	-	-	-	386	30	-	35	-	-	-	451
Mining and quarrying	-	-	-	-	-	-	2	1	-	-	-	-	-	3
Manufacturing	-	-	-	-	-	-	68	290	-	5	-	-	-	363
Electricity, gas, steam and air conditioning supply	-	-	-	-	-	-	12	4	-	-	-	-	-	16
Water supply	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	118	42	-	18	-	-	-	178
Wholesale and retail trade	-	-	-	-	-	-	497	321	-	23	-	-	-	841
Transport and storage	-	-	-	-	-	-	175	208	-	25	-	-	-	408
Accommodation and food service activities	-	-	-	-	-	-	96	7	-	9	-	-	-	112
Information and communication	-	-	-	-	-	-	84	18	-	-	-	-	-	102
Real estate activities	-	-	-	-	-	-	1,053	1	-	207	-	-	-	1,261
Professional, scientific and technical activities	-	-	-	-	-	-	16	14	-	3	-	-	-	33
Administrative and support service activities	-	-	-	-	-	-	68	119	-	6	-	-	-	193
Public administration and defence, compulsory social security	-	189	326	-	-	-	-	3	-	-	-	-	-	518
Education	-	-	-	-	-	-	9	-	-	-	-	-	-	9
Human health services and social work activities	-	-	-	-	-	-	163	3	-	10	-	-	-	176
Arts, entertainment and recreation	-	-	-	-	-	-	16	-	-	1	-	-	-	17
Other Services	-	-	-	-	-	-	335	123	-	1	73	-	-	532
Central Government	12,143	-	-	-	-	-	-	-	-	-	-	-	-	12,143
Personal residential mortgages	-	-	-	-	-	-	77	1	455	35	-	-	-	568
Other Personal	-	-	-	-	-	-	188	1,335	-	95	-	-	-	1,618
Financial and Insurance activities	879	-	-	338	896	10,963	1,620	15	-	3	61	2,195	5,508	22,478
Total	**13,022**	**189**	**326**	**338**	**896**	**10,963**	**4,983**	**2,535**	**455**	**476**	**134**	**2,195**	**5,508**	**42,020**

Industry analysis of exposures (continued)

Table 15 - EU CR1-B - Credit quality of exposures by industry or counterparty types

2017	Gross carrying value of Defaulted exposures €m	Gross carrying value of Non-defaulted exposures €m	Specific credit risk adjustment €m	General credit risk adjustment €m	Accumulated write-off's €m	Credit risk adjustment charges of the period €m	Net value €m
Agriculture, forestry and fishing	108	1,612	41	-	172	3	1,679
Mining and quarrying	15	244	4	-	59	1	255
Manufacturing	155	3,349	65	-	465	7	3,439
Electricity, gas, steam and air conditioning supply	2	521	1	-	60	-	522
Water supply	-	-	-	-	-	-	-
Construction	92	515	54	-	112	20	553
Wholesale and retail trade	268	2,440	141	-	370	14	2,567
Transport and storage	140	1,108	96	-	191	6	1,152
Accommodation and food service activities	211	1,058	98	-	204	15	1,171
Information and communication	2	633	2	-	71	-	633
Real estate activities	1,262	7,002	608	-	3,981	52	7,656
Professional, scientific and technical activities	25	341	10	-	52	2	356
Administrative and support service activities	90	1,619	51	-	186	6	1,658
Public administration and defence, compulsory social security	-	562	-	-	29	-	562
Education	4	243	5	-	45	-	242
Human health services and social work activities	109	1,266	61	-	187	4	1,314
Arts, entertainment and recreation	57	256	37	-	58	2	276
Other Services	11	1,210	50	-	228	2	1,171
Central Government	-	12,143	-	-	-	-	12,143
Personal residential mortgages	1,065	10,926	217	-	339	(41)	11,774
Other Personal	297	4,795	152	-	284	(9)	4,940
Financial and Insurance activities	9	27,024	4	-	-	-	27,029
Total	**3,922**	**78,867**	**1,697**	**-**	**7,093**	**84**	**81,092**

Maturity analysis of exposures

The maturity analysis in Table 16 below discloses the Group's credit exposure by residual contractual maturity date.

Table 16 - EU CRB-E - Maturity of exposures

2017 Net value	**On demand €m**	**<=1 year €m**	**>1 year <=5 years €m**	**>5 years €m**	**No stated maturity €m**	**Total €m**
Central governments or central banks	-	-	-	-	-	-
Institutions	5	1,134	2,221	313	-	3,673
Corporates	691	3,059	10,045	5,057	-	18,852
Retail	1,329	3,328	4,004	7,886	-	16,547
Total IRB approach	**2,025**	**7,521**	**16,270**	**13,256**	**-**	**39,072**
Central governments or central banks	5,046	1,050	987	5,087	852	13,022
Regional governments or local authorities	105	9	43	32	-	189
Public sector entities	-	126	200	-	-	326
Multilateral development banks	-	33	255	50	-	338
International organisations	-	126	630	140	-	896
Institutions	-	9,216	1,747	-	-	10,963
Corporates	311	896	2,705	1,071	-	4,983
Retail	-	1,358	1,162	15	-	2,535
Secured by mortgages on immovable property	-	2	26	427	-	455
Exposures in default	10	231	82	153	-	476
Items associated with particularly high risk	-	51	1	82	-	134
Covered bonds	-	195	500	1,500	-	2,195
Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
Collective investment undertakings	-	-	-	-	-	-
Equity exposures	-	-	-	-	-	-
Other items	-	-	-	-	5,508	5,508
Total Standardised approach	**5,472**	**13,293**	**8,338**	**8,557**	**6,360**	**42,020**
Total	**7,497**	**20,814**	**24,608**	**21,813**	**6,360**	**81,092**

Loan loss experience in the year ended 31 December 2017

A discussion on the factors which impacted the loan loss experience in the year ended 31 December 2017 is included in the Risk Management Report of the Group's Annual Report 31 December 2017 (under the Credit risk section on pages 56 to 70).

Past due and impaired exposures

Past due but not impaired loans, whether forbone of not, are defined as loans where repayment of interest and / or principal are overdue by at least one day but which are not impaired.

Impaired loans are defined as exposures which carry a specific provision whether forbone of not. Specific provisions are as a result of either individual or collective assessment for impairment.

For additional information on past due and impaired exposures please refer to page 61 of the Group's Annual Report 31 December 2017.

Past due and impaired exposures (continued)

Table 17 - Past due and impaired exposures by industry class

2017	Past due exposures €m	Impaired exposures €m	Total €m
Personal	575	497	1,072
- Residential mortgages	*537*	*437*	*974*
- Other	*38*	*60*	*98*
Property & Construction	99	1,148	1,247
Business & other services	65	594	659
Manufacturing	11	108	119
Distribution	38	271	309
Transport	2	80	82
Financial	-	1	1
Agriculture	32	98	130
Energy	1	7	8
Total	**823**	**2,804**	**3,627**

Past due and impaired exposures by industry
Table 17 is based on financial statement information and discloses 'past due but not impaired' and 'impaired' balances by industry class

Table 18 - Past due and impaired exposure by geography

	Past due exposures			
2017	<90 days past due €m	>90 days past due €m	Impaired exposures €m	Total €m
RoI	263	174	2,441	2,878
UK	320	66	363	749
Total	**583**	**240**	**2,804**	**3,627**

Past due and impaired exposures by geography
Table 18 is based on financial statement information and discloses 'past due but not impaired' and 'impaired' balances by geographic location, which are based on the location of the business unit where the exposure is booked.

Table 19 is based on the ageing analysis on balance sheet past-due exposures regardless of their impairment status.

Table 19 - EU CR1-D - Ageing of past-due exposures

Gross carrying value	<=30 days €m	>30 days <=60 days €m	>60 days <=90 days €m	>90 days <=180 days €m	>180 days <=1 year €m	>1 year €m
Loans	721	277	120	239	460	1,810
Debt securities	-	-	-	-	-	-
Total exposures	**721**	**277**	**120**	**239**	**460**	**1,810**

Specific credit risk adjustments (provisions)

Table 20 - EU CR2-2 - Changes in the stock of defaulted and impaired loans and debt securities

	Gross carrying value defaulted exposures €m
1. Opening balance	**5,181**
2. Loans and debt securities that have defaulted or impaired since the last reporting period[1]	1,279
3. Returned to non-defaulted status	(695)
4. Amounts written off	(1,308)
5. Other changes	(535)
6. Closing balance	**3,922**

Changes in the stock of defaulted and impaired loans and debt securities
Table 20 shows the changes in stock of defaulted and impaired loans.

Table 21 - EU CR2-A - Changes in the stock of general and specific credit risk adjustments

Provisions	**Accumulated specific credit risk adjustment €m**	**Accumulated general credit risk adjustment €m**
Opening balance	2,907	-
Increases due to amounts set aside for estimated loan losses during the period	213	-
Decreases due to amounts reversed for estimated loan losses during the period	(130)	-
Decreases due to amounts taken against accumulated credit risk adjustments	(1,324)	-
Transfers between credit risk adjustments	-	-
Impact of exchange rate differences	(19)	-
Business combinations, including acquistions and disposals of subsidiaries	-	-
Other adjustments	71	-
Closing balance	**1,718**	**-**
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	-	-
Specific credit risk adjustments directly recorded to the statement of profit or loss	-	-

Specific credit risk adjustment charges during the year
Table 21 shows the movement in the provision on loans and advances to customers during the year ended 31 December 2017. It is based on financial statement information.

[1] Includes the impact of the reclassification of FCR loans to align with EBA classifications. For more information on FCR see page 60 of the Group's Annual Report 31 December 2017.

Specific credit risk adjustments (provisions) (continued)

Table 22 shows an overview of non-performing and forborne exposures.

Table 22 - EU CR1-E - Non-performing and forborne exposures

	Gross carrying amount of performing and non-performing exposures							Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees received	
2017	**Total €m**	*of which; performing but past due >30 days and <=90 days €m*	*performing forborne €m*	**Non-performing €m**	*of which; defaulted €m*	*impaired €m*	*forborne €m*	**On performing exposures €m**	*of which; forborne €m*	**On non-performing exposures €m**	*of which; forborne €m*	**On non-performing exposures €m**	**On forborne exposures €m**
10 Debt securities	14,438	-	-	-	-	-	-	-	-	-	-	-	-
20 Loans and advances	57,407	272	1,530	4,201	3,850	2,937	3,437	(191)	(71)	(1,527)	(1,266)	1,684	2,300
30 Off-balance sheet exposures	12,112	-	46	94	68	-	81	-	-	-	-	-	-

Comparison of expected versus actual loss

Table 23 - Expected versus actual loss

IRB exposure class	Expected loss calculated on 2016 €m	Specific provision charge 2017 €m
Institutions	1	-
Corporates	208	113
Retail	155	(19)
- Secured by real estate property	*89*	*(13)*
- Qualifying revolving	*15*	-
- Other retail	*51*	*(6)*
Total	**364**	**94**

Table 23 is based on a comparison of regulatory expected loss of the performing IRB loan portfolios as at 31 December 2016 with actual loss (specific provision charge incurred) on these portfolios in the year ended 31 December 2017.
The parameters underlying the calculation of expected loss (PD, LGD and EAD) primarily represent through the cycle estimations, i.e. they reflect and estimate the average outcomes for an entire economic cycle. To meaningfully validate expected loss, these estimates would need to be compared to all realised losses which may have materialised after all the assets have gone through their life cycle. However, such information cannot be provided and disclosed since life cycles could last for a significant number of years. Using actual accounting loss information does not provide a suitable alternative, because - unlike expected loss estimates - accounting loss information is measured at point-in-time. Table 23 should therefore be read bearing in mind these significant limitations.

Credit risk mitigation

Table 24 - EU CR3 - CRM techniques - Overview

Net value	Total €m	Exposures unsecured carrying amount €m	Exposures secured carrying amount €m	*Exposures secured by collateral €m*	*Exposures secured by financial guarantees €m*	*Exposures secured by credit derivatives €m*
1. Loans	**75,963**	**56,975**	**18,988**	**18,988**	**-**	**-**
Institutions	739	739	-	-	-	-
Corporates	18,852	12,452	6,400	6,400	-	-
of which;						
- Specialised lending	*948*	*944*	*4*	*4*	-	-
- SME	*9,098*	*3,242*	*5,856*	*5,856*	-	-
Retail	16,547	5,354	11,193	11,193	-	-
Secured by real estate property	11,193	-	11,193	11,193	-	-
- SME	-	-	-			
- Non-SME	*11,193*	-	*11,193*	*11,193*	-	-
Qualifying revolving	2,680	2,680	-			
Other Retail	2,674	2,674	-	-	-	-
- SME	*2,180*	*2,180*	-	-	-	-
- Non-SME	*494*	*494*	-	-	-	-
Total IRB	**36,138**	**18,545**	**17,593**	**17,593**	**-**	**-**
Central governments or central banks	13,022	13,022	-	-	-	-
Regional governments or local authorities	189	189	-	-	-	-
Public sector entities	326	326	-	-	-	-
Multilateral development banks	338	338	-	-	-	-
International organisations	896	896	-	-	-	-
Institutions	10,963	10,963	-	-	-	-
Corporates	4,983	4,043	940	940	-	-
Retail	2,535	2,535	-	-	-	-
Secured by mortgages on immovable property	455	-	455	455	-	-
Exposures in default	476	476	-	-	-	-
Items associated with particularly high risk	134	134	-	-	-	-
Covered bonds	-	-	-	-	-	-
Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
Collective investment undertakings	-	-	-	-	-	-
Equity exposures	-	-	-	-	-	-
Other items	5,508	5,508	-	-	-	-
Total Standardised	**39,825**	**38,430**	**1,395**	**1,395**	**-**	**-**
2. Debt securities	**5,129**	**-**	**5,129**	**5,129**	**-**	**-**
3. Total exposures	**81,092**	**56,975**	**24,117**	**24,117**	**-**	**-**
of which;						
4. Defaulted	*2,349*	*1,050*	*1,299*	*1,299*	-	-

Leverage ratio

Table 25- LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

2017 Regulatory Annex IV Reference - CDR IV		Regulatory €m	Fully loaded €m
1	**Total assets as per published financial statements**	**80,004**	**80,004**
4	Adjustments for derivative financial instruments	(1,399)	(1,399)
5	Adjustments for securities financing transactions 'SFTs'	23	23
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	4,923	4,923
7	Other adjustments	2,618	1,707
8	**Total leverage ratio exposure**	**86,169**	**85,258**

Table 26 - LRCom: Leverage ratio common disclosure

2017		Regulatory CRD IV €m	Fully loaded CRD IV €m
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	81,666	81,666
2	(Asset amounts deducted in determining Tier 1 capital)	(1,395)	(2,306)
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)**	**80,271**	**79,360**
Derivative exposures			
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	381	381
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	1,033	1,033
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(497)	(497)
9	Adjusted effective notional amount of written credit derivatives	35	35
11	**Total derivative exposures**	**952**	**952**
Securities financing transaction exposures			
14	Counterparty credit risk exposure for SFT assets	23	23
16	**Total securities financing transaction exposures**	**23**	**23**
Other off-balance sheet exposures			
17	Off-balance sheet exposures at gross notional amount	12,188	12,188
18	(Adjustments for conversion to credit equivalent amounts)	(7,265)	(7,265)
19	**Other off-balance sheet exposures**	**4,923**	**4,923**
Capital and total exposures			
20	Tier 1 capital	6,406	5,529
21	**Total leverage ratio exposures**	**86,169**	**85,258**
Leverage ratio			
22	**Leverage ratio**	**7.4%**	**6.5%**

Leverage ratio (continued)

Table 27 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

2017		Regulatory CRD IV €m	Fully loaded CRD IV €m
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**80,271**	**79,360**
EU-2	Trading book exposures	69	69
EU-3	Banking book exposures, of which:	80,202	79,291
EU-4	Covered bonds	5,129	5,129
EU-5	Exposures treated as sovereigns	14,831	14,831
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	-	-
EU-7	Institutions	12,083	12,083
EU-8	Secured by mortgages of immovable properties	10,834	10,834
EU-9	Retail exposures	3,725	3,725
EU-10	Corporate	17,535	17,535
EU-11	Exposures in default	2,313	2,313
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	13,752	12,841

LRQua: Disclosure on qualitative items
CRD IV requires the disclosure of the Governor and Company of the Bank of Ireland's leverage ratio, which measures the level of Tier 1 capital against both on and off balance sheet exposures. As at 31 December 2017, the leverage ratio was 7.4% on a regulatory basis and 6.5% on a fully loaded basis.

The purpose of monitoring and managing this metric is to enable Regulators to constrain the build-up of excessive leverage, which was considered to be one of the drivers of the banking crisis.

The European Commission has proposed the introduction of a binding leverage requirement of 3% as part of the CRD V Package proposals. It is anticipated that the binding leverage requirement will be applicable from 2019 at the earliest pending final agreement of the proposals at EU level.

The tables above illustrate leverage ratio calculated in accordance with Articles 429, 499(2) and (3) of the CRR and a breakdown of the Governor and Company of the Bank of Ireland's leverage ratio exposure as at 31 December 2017 on both a regulatory and fully loaded basis.

Appendix V: Differences in scope of consolidation

Table 1 - EU LI3 - Differences in scope of consolidation (entity by entity)

Name of entity	Method of accounting consolidation	Full consolidation	Proportional consolidation	Equity Method	Neither consolidated nor deducted	Deducted[2]	Description of the entity
Alcorta Limited	Full consolidation	X					Financial corporations other than credit institutions
Bank of Ireland (UK) plc	Full consolidation	X					Credit institutions
Bank of Ireland Asset Management (U.S.) Limited	Full consolidation	X					Financial corporations other than credit institutions
Bank of Ireland Britain Holdings Limited	Full consolidation	X					Financial corporations other than credit institutions
Bank of Ireland Business Finance Limited	Full consolidation	X					Financial corporations other than credit institutions
Bank of Ireland Commercial Finance Limited	Full consolidation	X					Financial corporations other than credit institutions
Bank of Ireland Direct Marketing Limited	Full consolidation	X					Financial corporations other than credit institutions
Bank of Ireland Entrepreneurs Fund Limited Partnership	Other[1]				X		Financial corporations other than credit institutions
Bank of Ireland Finance Limited	Full consolidation	X					Financial corporations other than credit institutions
Bank of Ireland Fund Managers Limited	Full consolidation	X					Financial corporations other than credit institutions
Bank of Ireland Home Mortgages Limited	Full consolidation	X					Financial corporations other than credit institutions
Bank of Ireland Insurance & Investments Limited	Full consolidation	X					Financial corporations other than credit institutions
Bank of Ireland Insurance Management Services Limited	Full consolidation	X					Financial corporations other than credit institutions
Bank of Ireland Insurance Services Limited	Full consolidation	X					Financial corporations other than credit institutions
Bank of Ireland International Finance Designated Activity Company	Full consolidation	X					Financial corporations other than credit institutions
Bank of Ireland Kernel Capital Partners Private Equity Fund	Other[1]				X		Financial corporations other than credit institutions
Bank of Ireland Kernel Capital Partners Private Equity Fund II	Other[1]				X		Financial corporations other than credit institutions
Bank of Ireland Leasing Limited	Full consolidation	X					Financial corporations other than credit institutions
Bank of Ireland Life Holdings Limited	Full consolidation	X					Financial corporations other than credit institutions
Bank of Ireland Mortgage Bank	Full consolidation	X					Credit institutions
Bank of Ireland Nominee 1 Limited	Full consolidation	X					Financial corporations other than credit institutions
Bank of Ireland Nominee 3 Limited	Full consolidation	X					Financial corporations other than credit institutions
Bank of Ireland Pensions Trust Unlimited Company	Full consolidation	X					Financial corporations other than credit institutions
Bank of Ireland Personal Finance Limited	Full consolidation	X					Financial corporations other than credit institutions
Bank of Ireland Seed and Early Stage Equity Fund 2009	Other[1]				X		Financial corporations other than credit institutions
Bank of Ireland Start-Up and Emerging Sectors Equity Fund 2010	Other[1]				X		Financial corporations other than credit institutions
Bank of Ireland Treasury and International Banking Limited	Full consolidation	X					Financial corporations other than credit institutions
Bank of Ireland Trust Services Limited	Full consolidation	X					Financial corporations other than credit institutions
Bank of Ireland Trustee Company Limited	Full consolidation	X					Financial corporations other than credit institutions
Bank of Ireland UK Holdings plc	Full consolidation	X					Financial corporations other than credit institutions

[1] *Other than full consolidation, proportional consolidation, equity method.*
[2] *Deductions are subject to thresholds.*

Differences in scope of consolidation (continued)

Table 1 - EU LI3 - Differences in scope of consolidation (entity by entity) (continued)

Name of entity	Method of accounting consolidation	Full consolidation	Proportional consolidation	Equity Method	Neither consolidated nor deducted	Deducted	Description of the entity
Bank of Ireland Unit Managers Limited	Full consolidation	X					Financial corporations other than credit institutions
BIAM Holdings Unlimited Company	Full consolidation	X					Financial corporations other than credit institutions
BOI (I.O.M.) Limited	Full consolidation	X					Financial corporations other than credit institutions
BOI Capital Exchange Ltd	Full consolidation	X					Financial corporations other than credit institutions
BOI Capital Funding (No.1) LP	Full consolidation	X					Financial corporations other than credit institutions
BOI Capital Funding (No.2) LP	Full consolidation	X					Financial corporations other than credit institutions
BOI Capital Funding (No.3) LP	Full consolidation	X					Financial corporations other than credit institutions
BOI Capital Funding (No.4) LP	Full consolidation	X					Financial corporations other than credit institutions
BOI Capital Holdings Limited	Full consolidation	X					Financial corporations other than credit institutions
BOI European Holdings Sarl	Full consolidation	X					Financial corporations other than credit institutions
BOI G.P. No 1 Limited	Full consolidation	X					Financial corporations other than credit institutions
BOI Holdings (I.O.M.) Limited	Full consolidation	X					Financial corporations other than credit institutions
BOI Insurance Limited	Full consolidation			X		X	Insurance entity
BOI Venture Capital Limited	Full consolidation	X					Financial corporations other than credit institutions
BOI-IF Services No 10 Company Unlimited Company	Full consolidation	X					Financial corporations other than credit institutions
BOI-IF Services No 5 Company Unlimited Company	Full consolidation	X					Financial corporations other than credit institutions
Bowbell No. 1 Holdings Limited	Full consolidation	X					Financial corporations other than credit institutions
Bowbell No.1 Plc	Full consolidation	X					Financial corporations other than credit institutions
Bristol & West Personal Pensions Limited	Full consolidation	X					Financial corporations other than credit institutions
Bristol & West plc	Full consolidation	X					Financial corporations other than credit institutions
Brunel Residential Mortgage Securitisation No. 1 Parent Ltd	Full consolidation	X					Financial corporations other than credit institutions
Brunel Residential Mortgage Securitisation No.1 plc	Full consolidation	X					Financial corporations other than credit institutions
Bushfield Leasing Limited	Full consolidation	X					Financial corporations other than credit institutions
C & I (Division) Holdings Unlimited Company	Full consolidation	X					Financial corporations other than credit institutions
Central Pensions Administration Limited	Full consolidation	X					Financial corporations other than credit institutions
Centurion Card Services Limited	Full consolidation	X					Financial corporations other than credit institutions
College Green Limited	Full consolidation	X					Financial corporations other than credit institutions
Copenhagen Retail Exclusive Lux Sarl	Full consolidation	X					Financial corporations other than credit institutions
Corbawn Limited	Full consolidation	X					Financial corporations other than credit institutions
December Leasing Limited	Full consolidation	X					Financial corporations other than credit institutions
Delta Equity Fund II Limited Partnership	Other[1]				X		Financial corporations other than credit institutions
Delta Equity Fund Limited Partnership	Other[1]				X		Financial corporations other than credit institutions
Edendork Leasing Limited	Full consolidation	X					Financial corporations other than credit institutions
Enterprise 2000 Fund Limited	Equity method			X			Financial corporations other than credit institutions
First Rate Exchange Services Holdings Limited	Equity method			X			Financial corporations other than credit institutions

1 *Other than full consolidation, proportional consolidation, equity method.*

Differences in scope of consolidation (continued)

Table 1 - EU LI3 - Differences in scope of consolidation (entity by entity) (continued)

Name of entity	Method of accounting consolidation	Full consolidation	Proportional consolidation	Equity Method	Neither consolidated nor deducted	Deducted	Description of the entity
First Rate Exchange Services Limited	Equity method			X			Financial corporations other than credit institutions
Flameway Limited	Full consolidation	X					Financial corporations other than credit institutions
Florenville Limited	Full consolidation	X					Financial corporations other than credit institutions
Galleri K Nominees Designated Activity Company	Full consolidation	X					Financial corporations other than credit institutions
Gates Contract Hire Limited	Full consolidation				X		Financial corporations other than credit institutions
GD 5&6 Basement Company Limited	Equity method			X		X	Financial corporations other than credit institutions
General Investment Trust Limited DAC	Full consolidation			X		X	Financial corporations other than credit institutions
Grattan Securities Designated Activity Company	Full consolidation	X					Financial corporations other than credit institutions
Hawk Residential Limited	Full consolidation	X					Financial corporations other than credit institutions
Hibernian Bank Limited	Full consolidation	X					Financial corporations other than credit institutions
Hill Wilson Secretarial Limited	Full consolidation	X					Financial corporations other than credit institutions
IBI Leasing (I.O.M.) Limited	Full consolidation	X					Financial corporations other than credit institutions
IBI Property Nominees Limited	Full consolidation	X					Financial corporations other than credit institutions
Inishbofin Limited	Full consolidation	X					Financial corporations other than credit institutions
Kellaway Limited	Full consolidation	X					Financial corporations other than credit institutions
Kilkenny Promotion Project Limited	Full consolidation	X					Financial corporations other than credit institutions
L & B (No.16)	Full consolidation	X					Financial corporations other than credit institutions
Lansdowne Leasing Unlimited Company	Full consolidation	X					Financial corporations other than credit institutions
Leopardstown Offices Management Company Limited by Guarantee	Full consolidation			X		X	Financial corporations other than credit institutions
Les Borromees SARL	Full consolidation			X		X	Financial corporations other than credit institutions
Life Fund Syndication B.V.	Full consolidation			X		X	Financial corporations other than credit institutions
Life Fund Syndication Holding B.V.	Full consolidation			X		X	Financial corporations other than credit institutions
Lough Conn Limited	Full consolidation	X					Financial corporations other than credit institutions
Marshall Leasing Limited	Full consolidation				X		Financial corporations other than credit institutions
Mespil Securities Designated Activity Company	Full consolidation	X					Financial corporations other than credit institutions
Midasgrange Limited	Full consolidation	X					Financial corporations other than credit institutions
N.I.I.B. (I.O.M.) Limited	Full consolidation	X					Financial corporations other than credit institutions
N.I.I.B. Group Limited	Full consolidation	X					Financial corporations other than credit institutions
Nerling Limited	Full consolidation	X					Financial corporations other than credit institutions
Nestland Limited	Full consolidation	X					Financial corporations other than credit institutions
New Ireland Assurance Company plc	Full consolidation			X		X	Insurance entity
New Ireland Financial Services Limited	Full consolidation	X					Financial corporations other than credit institutions
New Ireland Investment Managers Limited	Full consolidation	X					Financial corporations other than credit institutions
New Ireland Life Management Services Limited	Full consolidation	X					Financial corporations other than credit institutions

[1] *Other than full consolidation, proportional consolidation, equity method.*

Differences in scope of consolidation (continued)

Table 1 - EU LI3 - Differences in scope of consolidation (entity by entity) (continued)

Name of entity	Method of accounting consolidation	Full consolidation	Proportional consolidation	Equity Method	Neither consolidated nor deducted	Deducted	Description of the entity
Noisy Le Grand Paris Sarl	Full consolidation			X		X	Financial corporations other than credit institutions
Professional Audit Services Limited	Full consolidation	X					Financial corporations other than credit institutions
Rolmur Unlimited Company	Full consolidation	X					Financial corporations other than credit institutions
Rue St Georges Sarl	Full consolidation			X		X	Financial corporations other than credit institutions
SCI Immeuble Saint Georges	Full consolidation			X		X	Financial corporations other than credit institutions
SCI Jupiter Immeuble	Full consolidation			X		X	Financial corporations other than credit institutions
SCI Sang Rouge	Full consolidation			X		X	Financial corporations other than credit institutions
Scribe Holdings Limited	Full consolidation	X					Financial corporations other than credit institutions
Swallows Limited	Full consolidation	X					Financial corporations other than credit institutions
The Bank of Ireland Kernel Capital Growth Fund (ROI)	Other[1]				X		Financial corporations other than credit institutions
The Bank of Ireland Kernel Capital Growth Fund (ROI) II	Other[1]				X		Financial corporations other than credit institutions
The BDO Development Capital Fund Limited Partnership	Other[1]				X		Financial corporations other than credit institutions
The Governor & Company of the Bank of Ireland	Full consolidation	X					Credit institutions
The Investment Bank of Ireland Limited	Full consolidation	X					Financial corporations other than credit institutions
The National Bank of Ireland Limited	Full consolidation	X					Financial corporations other than credit institutions
Tockhill Unlimited Company	Full consolidation	X					Financial corporations other than credit institutions
Trustcase Limited	Full consolidation	X					Financial corporations other than credit institutions
Tustin Limited	Full consolidation	X					Financial corporations other than credit institutions
Weesperpelin 6 BV	Full consolidation			X		X	Financial corporations other than credit institutions
Weesperpelin 6 Holding BV	Full consolidation			X		X	Financial corporations other than credit institutions

[1] *Other than full consolidation, proportional consolidation, equity method.*

Appendix VI: CRR Roadmap

CRR Ref	High Level Summary	BOI Reference
431(1)	Institutions shall publish Pillar 3 disclosures	Bank of Ireland Group plc Pillar 3 Disclosures 2017.
431(2)	Firms with permission to use specific operational risk methodologies must disclose operational risk information.	P3: Risk Management - Operational risk management framework (pages 77 and 78).
431(3)	Institutions shall have a policy to comply with disclosure requirements and have policies for assessing the appropriateness of their disclosures, including their verification and frequency. Institutions shall also have policies for assessing whether their disclosures convey their risk profile comprehensively to market participants.	P3: Pillar 3 Overview: Introduction (page 9).
431(4)	Explanation of ratings decision upon request	Not applicable.
432(1)	Institutions may omit certain disclosures provided that they are not regarded as material	Bank of Ireland complies with all disclosure requirements with regards to materiality.
432(2)	Institutions may omit certain disclosures that are proprietary or confidential if certain conditions are met	Bank of Ireland does not omit any information on the grounds that it may be proprietary or confidential.
432(3)	Where 432 (2) applies this must be stated in the disclosures, and more general information must be disclosed.	Not applicable.
432(4)	Paragraphs 1, 2 and 3 are without prejudice to the scope of liability for failure to disclose material information	Not applicable.
433	Disclosures must be published once a year at a minimum and more frequently if necessary and must be published in conjunction with the financial statements	P3: Pillar 3 Overview: Introduction: Frequency (page 9).
434(1)	Disclosures should be provided in one medium or location with clear cross references if necessary.	P3: Pillar 3 Overview: Introduction: Media (page 9).
434(2)	Disclosure made for accounting requirements can be used for Pillar 3 Disclosure purposed if appropriate	Certain references to the Group's Annual Report. Any cross references to the Group's Annual Report are clearly signposted in this document where appropriate.
435(1)	Disclose information as follows:	
435(1)(a)	The strategies and processes to manage risks	AR: Risk Management Report - Risk strategy and appetite (page 53).
435(1)(b)	Structure and organisation of risk management function	AR: Risk Management Report - Risk governance (page 50).
435(1)(c)	Risk reporting and measurement systems	AR: Risk Management Report - Risk analysis and measurement & Risk monitoring and reporting (pages 54 and 55).
435(1)(d)	Hedging and mitigating risk – policies and processes	AR: Risk Management Report - (pages 49 to 55).

Appendix VI: CRR Roadmap (continued)

CRR Ref	High Level Summary	BOI Reference
435(1)(e)	A declaration of adequacy of risk management arrangements approved by the Board	P3: Risk Management (page 33)
435(1)(f)	Concise risk statement approved by the Board	P3: Risk Management (page 33)
435(2)	Information on governance arrangements, including information on Board composition and recruitment and risk committees	AR: Corporate Governance Statement - Corporate Governance Report (pages 89 to 112)
435(2)(a)	Number of directorships held by Board members	AR: Corporate Governance Statement - Corporate Governance Statement - The Board of Directors (pages 89 to 93)
435(2)(b)	Recruitment policy for selection of Board members, their actual knowledge, skills and expertise.	AR: Corporate Governance Statement - Corporate Governance Report (pages 89 to 112)
435(2)(c)	Policy on diversity of Board membership and results against targets.	AR: Corporate Governance Statement - Corporate Governance Report (pages 89 to 112)
435(2)(d)	Disclosure of whether a dedicated risk committee is in place, and number of meeting in the year.	AR: Risk Management Report - Risk governance (pages 50 and 51)
435(2)(e)	Description of information flow on risk to Board	AR: Risk Management Report - Risk governance (pages 50 and 51)
436	Disclose information as follows:	
436(a)	Name of institution	Bank of Ireland Group plc
436(b)	Difference in basis of consolidation for accounting andprudential purposes, describing entities that are:	
436(b)(i)	Fully consolidated	P3: Appendix V - Differences in scope of consolidation (pages 139 to 143).
436(b)(ii)	Proportionally consolidated	P3: Appendix V - Differences in scope of consolidation (pages 139 to 143).
436(b)(iii)	Deducted from own funds	P3: Appendix V - Differences in scope of consolidation (pages 139 to 143).
436(b)(iv)	Neither consolidated nor deducted	P3: Appendix V - Differences in scope of consolidation (pages 139 to 143).
436(c)	Impediments to transfer of own funds between parent and subsidiaries	P3: Capital (page 18)
436(d)	Capital shortfalls in any subsidiaries outside the scope of consolidation	Entities outside the scope of consolidation are appropriately capitalised.
436(e)	Making use of articles on derogations from a) prudential requirements or b) liquidity requirements for individual subsidiaries/entities.	P3: Pillar 3 Overview: Preparation and Basis of Consolidation (page 13)

Appendix VI: CRR Roadmap (continued)

CRR Ref	High Level Summary	BOI Reference
437(1)(a)	A full reconciliation of Common equity tier 1 items, Additional tier 1 items, Tier 2 items and filters and deductions applied pursuant to Articles 32 to 35, 36, 56, 66 and 79 to own funds of the institution and the balance sheet in the audited financial statements of the institution	P3: Table 2.7 - Transitional & fully loaded own funds disclosure (page 26) P3: Table 2.9 - Capital Instruments (page 32)
437(1)(b)	A description of the main features of the Common equity tier 1 and Additional tier 1 instruments and Tier 2 instruments issued by the institution.	T&Cs pertaining to the main features of BoI's capital instruments is to be provided separately on the BoI website.
437(1)(c)	The full terms and conditions of all Common equity tier 1, Additional tier 1 and Tier 2 instruments	T&Cs pertaining to the main features of BoI's capital instruments is to be provided. separately on the BoI website.
437(1)(d)	Disclosure of the nature and amounts of the following.	
437(1)(d)(i)	Each prudential filter applied.	P3: Table 2.7 - Transitional & fully loaded own funds disclosure (page 26).
437(1)(d)(ii)	Each capital deduction applied.	P3: Table 2.7 - Transitional & fully loaded own funds disclosure (page 26).
437(1)(d)(iii)	Items not deducted from capital.	P3: Table 2.7 - Transitional & fully loaded own funds disclosure (page 26).
437(1)(e)	A description of all restrictions applied to the calculation of own funds in accordance with this Regulation and the instruments, prudential filters and deductions to which those restrictions apply	P3: Table 2.7 - Transitional & fully loaded own funds disclosure (page 26).
437(1)(f)	Where institutions disclose capital ratios calculated using elements of own funds determined on a different basis.	Not applicable.
437(2)	EBA shall develop draft implementing technical standards to specify uniform templates for disclosure.	EBA published technical standards introducing Common Disclosure templates for Own funds - (EU) No 1423/2013.
438(a)	Summary of institution's approach to assessing adequacy of capital levels.	P3: Capital Section - Narrative on ICAAP (page 18).
438(b)	Result of ICAAP on demand from authorities.	Not applicable.
438(c)	Capital requirements for each Standardised approach credit risk exposure class.	P3: Table 2.4 - Minimum Capital Requirements, Risk Weighted Assets and Net Value by Risk Type (page 22).
438(d)	Capital requirements amounts for credit risk for each internal Ratings Based Approach exposure class.	P3: Table 2.3 - Capital requirements / RWA (page 21).
438(d)(i)-(iv)	Capital requirements for each Internal Ratings Based Approach credit risk exposure class.	P3: Table 2.3 - Capital requirements / RWA (page 21).
438(e)	Capital requirements for market risk or settlement risk.	P3: Table 7.1 - Market risk under the Standardised approach (page 76).
438(f)	Capital requirements for operational risk, separately for the Basic Indicator Approach, the Standardised Approach, and the Advanced Measurement Approaches as applicable.	P3: Table 2.3 - Capital requirements / RWA (page 21) includes operational risk capital requirements.

Appendix VI: CRR Roadmap (continued)

CRR Ref	High Level Summary	BOI Reference
439(a)	Description of process to assign internal capital and credit limits to CCR exposures.	P3: Risk Management: Counterparty credit risk (page 66).
439(b)	Discussion of policies for securing collateral and establishing credit reserves.	P3: Risk Management: Counterparty credit risk (page 66).
439(c)	Discussion of management of wrong-way risk exposures.	P3: Risk Management: Counterparty credit risk (page 66).
439(d)	Disclosure of collateral to be provided (outflows) in the event of a ratings downgrade.	P3: Risk Management: Counterparty credit risk (page 66).
439(e)	Derivation of net derivative credit exposure.	P3: Risk Management: Counterparty credit risk (page 66).
439(f)	Exposure values for mark-to-market, original exposure, Standardised and internal model methods.	P3: Table 5.1 - EU CCR1 - Analysis of CCR exposure by approach (page 67).
439(g)	Notional value of credit derivative hedges and current credit exposure by type of exposure.	P3: Table 5.8 - EU CCR6 - Credit derivative exposures (page 70).
439(h)	Notional amounts of credit derivative transactions.	P3: Table 5.8 - EU CCR6 - Credit derivative exposures (page 70).
439(i)	Estimate of alpha, if applicable.	Not applicable.
440(1)(a)	Geographical distribution of relevant credit exposures for calculation of countercyclical capital buffer.	P3: Table 2.8 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer (page 30).
440(1)(b)	Amount of the institution specific countercyclical capital buffer.	P3: Table 2.8 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer (page 30).
440(2)	EBA will issue technical implementation standards related to 440 (1).	EBA published the Commission Delegated Regulation (EU) No 2015/1555 in relation to the Countercyclical buffer.
441(1)	Disclosure of the indicators of global systemic importance.	Not applicable.
441(2)	EBA will issue technical implementation standards related to 441 (1).	Not applicable.
442(a)	Disclosure of bank's definitions of past due and impaired.	P3: Risk Management - Credit Risk (page 35). AR: Other Information - Supplementary asset quality and forbearance disclosures (pages 273 to 277).
442(b)	Approaches for calculating specific and general credit risk adjustments.	Ar: Business review - Risk Management Report - Management of key Group risks - credit risk (page 66).
442(c)	Disclosure of pre-CRM EAD by exposure class.	P3: Table 4.1 - Exposure to credit risk (page 36).

Appendix VI: CRR Roadmap (continued)

CRR Ref	High Level Summary	BOI Reference
442(d)	Disclosure of pre-CRM EAD by geography and exposure class.	P3: Table 4.3a - Geographical analysis of e exposures - IRB approach (page 38). P3: Table 4.3b - Geographic analysis of exposures - Standardised approach (page 39). P3: Table 4.4 - EU CRB-C - Geographical breakdown of exposures (page 39). P3: Table 4.5 - EU CR1-C - Credit quality of exposures by geographical breakdown (page 40).
442(e)	Disclosure of pre-CRM EAD by industry and exposure class.	P3: Table 4.6a - Industry analysis of exposures - IRB approach (pages 40 and 41). P3: Table 4.6b - Industry analysis of exposures - Standardised approach (pages 42 and 43). P3: Table 4.7 - EEU CR1-B - Credit quality of exposures by industry or counterparty types (page 44).
442(f)	Disclosure of pre-CRM EAD by residual maturity and exposure class.	P3: Table 4.8 - EU CRB-E - Maturity of exposures (page 45).
442(g)	Breakdown of impaired, past due, specific and general credit risk adjustments, and impairment charges for the period, by industry.	P3: Table 4.15 - Past due and impaired exposures by industry (page 61) P3: Table 4.19 - EU CR2-A - Changes in the stock of general and specific credit risk adjustments (page 62).
442(h)	Impaired, past due exposures, by geographical area, and amounts of specific and general impairment for each geography.	P3: Table 4.16 - Past due and impaired exposure by geography (page 61).
442(i)	Reconciliation of changes in specific and general credit risk adjustments.	P3: Table 4.19 - EU CR2-A - Changes in the stock of general and specific credit risk adjustments (page 62).
443	Disclosures on unencumbered assets.	P3: Risk Management - Encumbered and unencumbered assets held by the Group (pages 80 and 81).
444(a)	Names of the ECAIs used in the calculation of Standardised approach risk-weighted assets and reasons for any changes.	Not material.
444(b)	Exposure classes associated with each ECAI.	Not material.
444(c)	Description of the process used to transfer credit assessments to non-trading book items.	Not material.
444(d)	Mapping of external rating to CQS.	Not material.
444(e)	Exposure value pre and post-credit risk mitigation, by CQS.	Not material.
445	Disclosure of position risk, large exposures exceeding limits,FX, settlement and commodities risk.	P3: Table 7.1 - Market risk under the Standardised approach (page 76)
446	Scope of approaches used to calculate operational risk.	P3: Risk Management - Operational risk management framework (page 77)

Appendix VI: CRR Roadmap (continued)

CRR Ref	High Level Summary	BOI Reference
447(a)	Differentiation of exposures based on objectives and an overview of accounting techniques and valuation methodologies.	P3: Appendix II: Equity holdings not in the Trading Book (page 87)
447(b)	The balance sheet value, the fair value and, for those exchange-traded, a comparison to the market price where it is materially different from the fair value.	Not material.
447(c)	The types, nature and amounts of exchange-traded exposures, private equity exposures in sufficiently diversified portfolios, and other exposures.	Not material.
447(d)	Realised gains or losses arising from sales and liquidations in the period.	Not material.
447(e)	Total unrealised gains or losses, the total latent revaluation gains or losses, and any of these amounts included in the original or additional own funds.	Not material.
448(a)	Nature of the interest rate risk and the key assumptions, and frequency of measurement of the interest rate risk.	Ar: Business review - Risk Management Report - Management of key Group risks - market risk (pages 76 to 79).
448(b)	Variation in earnings, economic value or other relevant measure used by the bank for upward and downward rate shocks according to the banks method for measuring the interest rate risk, broken down by currency.	Ar: Business review - Risk Management Report - Management of key Group risks - market risk (pages 76 to 79).
449(a)	Objectives in relation to securitisation activity.	P3: Risk Management: Securitisations sections (pages 72 to 75).
449(b)	Nature of other risks in securitised assets, including liquidity.	Not material.
449(c)	Risks in re-securitisation activity stemming from seniority of underlying securitisations and ultimate underlying assets.	P3: Risk Management: Securitisations sections (pages 72 to 75).
449(d)	The roles played by the institution in the securitisation process.	P3: Risk Management: Securitisations sections (pages 72 to 75).
449(e)	Indication of the extent of involvement in roles.	P3: Risk Management: Securitisations sections (pages 72 to 75).
449(f)	Processes in place to monitor changes in credit and market risks of securitisation exposures, and how the processes differ for re–securitisation exposures.	P3: Risk Management: Securitisations sections (pages 72 to 75).
449(g)	Description of the institution’s policies with respect to hedging and unfunded protection, and identification of material hedge counterparties.	P3: Risk Management: Securitisations: Accounting policies for securitisation activities (page 72) - only material for where securitisations are originated by the Group.
449(h)	Approaches to the calculation of risk-weighted assets for securitisations mapped to types of exposures.	P3: Risk Management: Securitisations sections (pages 72 to 75).
449(i)	Types of SSPEs used to securitise third-party exposures as a sponsor.	Not applicable

Appendix VI: CRR Roadmap (continued)

CRR Ref	High Level Summary	BOI Reference
449(j)	Summary of accounting policies for securitisations.	P3: Risk Management: Securitisations sections (pages 72 to 75).
449(k)	Names of ECAIs used for securitisations and type.	P3: Risk Management: Securitisations sections (pages 72 to 75).
449(l)	Full description of Internal Assessment Approach.	P3: Risk Management: Securitisations sections (pages 72 to 75).
449(m)	Explanation of significant changes in quantitative disclosures.	P3: Risk Management: Securitisations sections (pages 72 to 75).
449(n)	As appropriate, separately for the Banking and trading book securitisation exposures:	
449(n)(i)	Amount of outstanding exposures securitised.	P3: Table 6.1 - Outstanding amount of exposures securitised (page 73).
449(n)(ii)	On balance sheet securitisation retained or purchased, and off balance sheet exposures.	P3: Table 6.3 - Retained and purchased securitisation positions by exposure type (page 74).
449(n)(iii)	Amount of assets awaiting securitisation.	Not applicable.
449(n)(iv)	Early amortisation treatment; aggregate drawn exposures, capital requirements.	Not applicable.
449(n)(v)	Deducted or 1,250%-weighted securitisation positions.	P3: Table 6.4 - Retained and purchased securitisation positions by risk weight (page 75).
449(n)(vi)	Securitisation activity including the amount of exposures securitised and recognised gains or losses on sales.	P3: Risk Management: Securitisation positions retained and purchased by exposure (page 74).
449(o)	Banking and trading book securitisations.	
449(o)(i)	Retained and purchased positions and associated capital requirements, broken down by risk-weight bands.	P3: Risk Management: Securitisation positions retained and purchased by exposure (page 74).
449(o)(ii)	Retained and purchased re-securitisation positions before and after hedging and insurance; exposure to financial guarantors broken down by guarantor credit worthiness.	Not applicable.
449(p)	Impaired assets and recognised losses related to banking book securitisations, by exposure type.	P3: Table 6.2 - Specific provisions, past due and impaired securitised exposures (page 73).
449(q)	Exposure and capital requirements for trading book securitisations, separated into traditional and synthetic.	P3: Table 6.1 - Outstanding amount of exposures securitised (page 73).
449(r)	Whether the institution has provided non-contractual financial support to securitisation vehicles.	Not applicable.

Appendix VI: CRR Roadmap (continued)

CRR Ref	High Level Summary	BOI Reference
450	Remuneration disclosures.	P3: Appendix III: Remuneration (pages 88 to 92). AR: Governance - Remuneration Report (pags 118 to 123).
451(1)(a)	Leverage ratio, and breakdown of total exposure measure, including reconciliation to financial statements, and derecognised fiduciary items.	P3: Risk Management - Leverage Ratio section (pages 82 to 84).
451(1)(b)	Leverage ratio, and breakdown of total exposure measure, including reconciliation to financial statements, and derecognised fiduciary items.	P3: Table 9.1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures (page 82).
451(1)(c)	Leverage ratio, and breakdown of total exposure measure, including reconciliation to financial statements, and derecognised fiduciary items.	P3: Table 9.1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures (page 82).
451(1)(d)	Description of the processes used to manage the risk of excessive leverage, and factors that impacted the leverage ratio during the year.	P3: Risk Management - Leverage Ratio section (page 82).
451(1)(e)	Description of the processes used to manage the risk of excessive leverage, and factors that impacted the leverage ratio during the year.	P3: Risk Management - Leverage Ratio section (page 82).
451(2)	EBA to publish implementation standards for points above.	EBA published technical standards introducing common disclosure for leverage - Commission Implementing Regulation (EU) No 2016/200.
452(a)	Permission for use of the IRB approach from the competent authority.	P3: Risk Management - IRB Approach (pages 46 to 57).
452(b)(i)	Internal rating scales, mapped to external ratings.	P3: Risk Management - IRB Approach (pages 46 to 57).
452(b)(ii)	Use of internal ratings for purposes other than capital requirement calculations.	P3: Risk Management - IRB Approach (pages 46 to 57).
452(b)(iii)	Management and recognition of credit risk mitigation.	P3: Risk Management - credit risk mitigation (page 64).
452(b)(iv)	Controls around ratings systems.	P3: Risk Management - IRB Approach (pages 46 to 57).
452(c)	Description of ratings processes for each IRB asset class, provided separately.	P3: Risk Management - IRB Approach (pages 46 to 57).
452(d)	Exposure values by IRB exposure class, separately for Advanced and Foundation IRB.	P3: Risk Management: IRB Approach (pages 46 to 57).
452(e)(i)	Total exposure, separating drawn and undrawn exposure.	P3: Table 4.11 - EU CR6 - IRB approach - Credit risk exposures by exposure class and PD scale (pages 50 to 53). P3: Table 4.12 - EU CR6 - IRB approach - Credit risk exposures by exposure class and PD scale (pages 54 to 57).

Appendix VI: CRR Roadmap (continued)

CRR Ref	High Level Summary	BOI Reference
52(e)(ii)	Exposure-weighted average risk weight.	P3: Table 4.11 - EU CR6 - IRB approach - Credit risk exposures by exposure class and PD scale (pages 50 to 53). P3: Table 4.12 - EU CR6 - IRB approach - Credit risk exposures by exposure class and PD scale (pages 54 to 57).
452(e)(iii)	Undrawn commitments and the exposure-weighted average Credit Conversion Factor (CCF).	Table 4.12 - EU CR6 - IRB approach - Credit risk exposures by exposure class and PD scale (pages 54 to 57).
452(f)	The requirements laid out in 452(e) for the Retail exposure class.	P3: Table 4.12 - EU CR6 - IRB approach - Credit risk exposures by exposure class and PD scale (pages 54 to 57).
452(g)	Actual specific risk adjustments for the period and explanation of changes.	P3: Table 4.19 - EU CR2-A - Changes in the stock of general and specific credit risk adjustments (page 62) and AR: Business Review: Risk Management Report - Management of key Group risks - Credit Risk (pages 62 to 70).
452(h)	Commentary on drivers of losses in preceding period.	AR: Business Review: Risk Management Report - Management of key Group risks - Credit Risk (pages 62 to 70).
452(i)	Estimates against actual losses for sufficient period, and historical analysis to help assess the performance of the rating system over a sufficient period.	P3: Table 4.21 - Expected versus actual loss (page 64).
452(j)	For all IRB exposures: Where applicable, PD and LGD by each country where the bank operates.	P3: Table 4.3a - Geographical analysis of exposures - IRB approach (page 38).
453(a)	Use of on and off-balance sheet netting.	P3: Risk Management: Counterparty credit risk (page 65) and AR: (page 66).
453(b)	How collateral valuation is managed.	AR: Business Review: Risk Management Report - Management of key Group risks - Credit Risk (pages 62 to 70).
453(c)	Description of types of collateral used by the institution.	AR: Business Review: Risk Management Report - Management of key Group risks - Credit Risk (pages 62 to 70).
453(d)	Main types of guarantor and credit derivative counterparty, creditworthiness.	P3: Risk Management - Credit risk mitigation section (page 64).
453(e)	Market or credit risk concentrations within risk mitigation exposures.	AR: Business Review: Risk Management Report - Management of key Group risks - Credit Risk (pages 62 to 70).
453(f)	Standardised or Foundation IRB Approach, exposure value covered by eligible collateral.	P3: Table 4.22 - EU CR3 - CRM techniques - Overview (page 65).
453(g)	Exposures covered by guarantees or credit derivatives.	P3: Table 4.22 - EU CR3 - CRM techniques - Overview (page 65).
454	Description of the use of insurance or other risk transfer mechanisms to mitigate operational risk.	Not applicable.

Appendix VI: CRR Roadmap (continued)

CRR Ref	High Level Summary	BOI Reference
455(a)(i)	Disclosure of the characteristics of the market risk models.	Not applicable.
455(a)(ii)	Disclosure of the methodologies used to measure incremental default and migration risk.	Not applicable.
455(a)(iii)	Descriptions of stress tests applied to the portfolios.	Not applicable.
455(a)(iv)	Methodology for back-testing and validating the models.	Not applicable.
455(b)	Scope of permission for use of the models.	Not applicable.
455(c)	Policies and processes to determine trading book classification, and to comply with prudential valuation requirements.	Not applicable.
455(d)	High / Low / Mean values over the year of VaR, SVaR and incremental risk charge.	Not applicable.
455(e)	The elements of the own fund calculation.	Not applicable.
455(f)	Weighted average liquidity horizons of portfolios covered by models.	Not applicable.
455(g)	Comparison of end-of-day VaR measures compared with one day changes in the portfolio's value.	Not applicable.

Glossary

Advanced IRB	Advanced Internal Ratings Based approach. The approach which allows banks to calculate their capital requirement for credit risk for their retail and non-retail portfolios using their own internally generated estimates of PD, LGD and CCF. These variables are then fed into a standard formula to calculate the capital requirement for the asset. Referred to as Retail IRB in this document.
Banking Book	The Banking Book consists of all banking assets, liabilities and derivatives other than those held with trading intent and booked on this basis in the Trading Book.
Basel I	The framework issued in 1988 by the Basel Committee on Banking Supervision.
Basel II	The Capital Adequacy Framework issued in June 2004 by the Basel Committee, and implemented into EU law by Directive 2006/48/EC and Directive 2006/49/EC.
Basel III	Basel III is a global regulatory standard on bank capital adequacy and liquidity risk. It was agreed upon by the members of the Basel Committee on Banking Supervision. Basel III is implemented in Europe through the CRD IV legislation (see below).
Capital Requirements Directive (CRD)	Directive 2006/48/EC of the European Parliament and the Council of 14 June 2006, relating to the taking up and pursuit of the business of credit institutions together with Directive 2006/49/EC on the capital adequacy of investment firms and credit institutions.
CET 1	Common equity tier 1.
CRD IV	The CRD IV package transposes, via a Regulation and a Directive, the new global standards on bank capital (commonly known as the Basel III agreement) into the EU legal framework. The Capital Requirements Directive and the Capital Requirements Regulation were published in the Official Journal of the EU on 27 June 2013 and the legislation is being implemented on a phased basis from 1 January 2014 with full implementation by 2019.
Central Bank / CBI	The Central Bank of Ireland.
Collateral	Property or assets made available by a borrower as security against a loan. Under a collateralisation arrangement, a party who has an obligation to another party posts collateral (typically consisting of cash or securities) to secure the obligation. In the event that the counterparty defaults on the obligation, the secured party may seize the collateral.
Counterparty Credit Risk	Counterparty credit risk (CCR) means the risk that the counterparty to derivatives and security finance transactions could default before the final settlement of the transaction's cashflows.
Credit Conversion Factor (CCF)	An estimate of the proportion of undrawn commitments expected to be drawn down at the point of default. The CCF is expressed as a percentage and is used in the calculation of Exposure at Default (EAD).
Credit Risk Standardised Approach	A method for calculating risk capital requirements using ECAI ratings (where available) and supervisory risk weights.
Credit Risk Mitigation	A technique to reduce the credit risk associated with an exposure by the application of credit risk mitigants such as collateral, guarantees and credit protection.
CSA	Credit Support Annex. This is an annex to an ISDA agreement which allows the exchange of collateral (usually cash) based on mark-to-market movements on derivative contracts between counterparties.
CVA	Credit Valuation Adjustments.
Derecognition	The removal of a previously recognised financial asset or financial liability from an entity's balance sheet.
EBA	The European Banking Authority, formerly CEBS (the Committee of European Banking Supervisors).

Glossary (continued)

Expected Loss	A regulatory calculation of the amount expected to be lost on an exposure using a twelve month time horizon and downturn loss estimates. Expected loss is calculated by multiplying the Probability of Default (a percentage) by the Exposure at Default (an amount) and Loss Given Default (a percentage).
External Credit Assessment Institution (ECAI)	An eligible External Credit Assessment Institution (ECAI) is an entity, other than an Export Credit Agency, that issues external credit assessments, and that has been determined by the competent authorities to meet the eligibility requirements set out in the Capital Requirements Directive. The credit assessment provided by the ECAI is used to provide a basis for capital requirement calculations in the Standardised approach for securitisation positions as well as an input into the IRB Institutions model. Further information on the use of ECAIs under the Standardised approach for other asset classes has not been disclosed due to immateriality.
Exposure at Default (EAD)	The estimated value of the bank's exposure at the moment of the borrower's default determined under regulatory rules.
Exposure Weighted Average LGD	Calculating the exposure weighted average LGD involves multiplying the exposure values by the relevant LGD, summing the answers and dividing by the total exposure values.
Exposure Weighted Average PD	Calculating the exposure weighted average PD involves multiplying the exposure values by the relevant PD, summing the answers and dividing by the total exposure values.
Foundation IRB	The approach where institutions use their own estimates of PD to calculate risk weights for each exposure. Supervisory estimates of LGDs and EADs are used.
GMRA	Global Master Repurchase Agreements, are standard industry agreements that permit the netting and the collateralisation of repo type transactions.
IBNR	Incurred but not reported provisions.
IFRS	International Financial Reporting Standards.
Internal Ratings Based Approach (IRB)	Approach to credit risk under which a bank may use internal estimates to generate risk components for use in the calculation of their credit risk regulatory capital requirements. There are two approaches: Foundation and Advanced (including Retail).
Immateriality	The CRD IV permits non-disclosure where the information to be provided is not regarded as material. Information is deemed to be material under the CRD IV if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purposes of making an economic decision. Any required items left out of this document due to immateriality are referenced in the relevant section of this document.

IRB Exposure Classes

- *Institutions:* Exposures to Financial Institutions authorised and supervised by the competent authorities and subject to prudential requirements. Includes exposure to Covered Bonds.
- *Corporates:* CRD IV does not provide a definition of the corporate exposure class; it simply provides that any exposure not falling into any of the other exposure classes will be allocated to the corporate exposure class.
- *Secured by immovable property collateral:* Residential mortgages.
- *Qualifying revolving*: The exposures (to individuals) are revolving and unsecured. Primarily comprises of credit cards.
- *Securitisation positions:* Exposures belonging to a pool - as defined below under securitisation.

Glossary (continued)

ISDA	ISDA is the International Swaps and Derivatives Association. ISDA Agreements are standard industry agreements issued by ISDA which permit the netting of derivative transactions.
KIRB	8% of the risk weighted exposure amounts that would be calculated under Part 3 - Chapter 3 of CRD IV in respect of the securitised exposures, had they not been securitised, plus the amount of expected loss associated with those exposures as calculated under those articles.
Leverage Ratio	The leverage ratio is a monitoring tool which allows competent authorities to assess the risk of excessive leverage in their respective institutions.
Loss Given Default (LGD)	The likely financial loss associated with default, net of collections / recovery costs and realised security.
Mark-to-Market (MTM)	The act of recording the price or value of a security, portfolio or account to reflect its current market value rather than its book value.
Market Risk Standardised Approach	The Standardised approach to the determination of Pillar 1 capital for market risk in the Trading Book involves estimating a minimum required capital charge based on the difference in the re-pricing periods for assets, liabilities and derivatives (treated as equivalent on-balance sheet assets and liabilities). In addition, depending on the nature of the positions, it also provides for a specific risk charge. The total minimum capital charge is converted to a risk weighted asset equivalent for the Trading Book which is summed with other risk weighted assets in determining overall regulatory capital ratios.
MDB	Multilateral Development Bank.
Net Value	For on balance sheet items the net value is the gross carrying value of exposure less allowances / impairments. For off balance sheet items, the net value is the gross carrying value of exposure less provisions.
NPE	Non-performing exposures consist of impaired loans, loans past due greater than 90 days but not impaired, Forborne Collateral Realisation loans (FCRs) and other / probationary loans that have yet to satisfy exit criteria in line with EBA guidance to return to performing.
Off Balance Sheet	Off balance sheet items include undrawn commitments to lend, guarantees, letters of credit, acceptances and other items as listed in Annex I of the CRR.
Operational Risk Standardised Approach	The Pillar 1 approach which allows banks to calculate their capital requirement in respect of operational risk by multiplying the gross income from each business line by the relevant factor specified in respect of that business line (as set out in CRD IV).
Originator	An entity which, either itself or through related entities, directly or indirectly, was involved in the original agreement which created the obligations or potential obligations of the debtor or potential debtor giving rise to the exposure being securitised; or an entity which purchases a third party's exposures onto its balance sheet and then securitises them.
Probability of Default (PD)	The likelihood that a debt instrument will default within a stated timeframe (For CRD IV this is a twelve month time horizon). For example, the probability of default of a certain loan is 2%; this means that there are 2 chances out of 100 that the borrower will default in the next 12 months.
Regulatory Basis	The application of the requirements in accordance with competent authority application of transitional provisions
Risk Exposure Amount	Risk Exposure Amount refers to an amount in respect of which capital requirements arise under CRR and is used interchangeably in this document with RWA.

Glossary (continued)

Risk Weighted Assets (RWA)
Used in the calculation of risk-based capital ratios. Total assets are calculated by applying predetermined calculations (set by the regulators) to the nominal outstanding amount of each on-balance sheet asset and the notional principal amount of each off-balance sheet item and incorporating risk weighted factors. The term risk weighted assets for the purposes of this document also can be described as risk weighted exposures.

RWA Density (%)
Total RWA divided by Total EAD post CRM.

Securitisation
Converting an asset such as a loan into a marketable commodity by turning it into securities. Assets are pooled and sold, often in unitised form, enabling the lender to reliquify the asset. Any asset that generates an income stream can be securitised - i.e. mortgages, car loans, credit-card receivables.

Settlement Risk
The risk to which a bank is exposed on certain transactions unsettled after their due date.

SME
Small Medium Enterprise is defined as an enterprise which employs fewer than 250 people and whose annual turnover is less than €50 million, or annual balance sheet total less than €43 million.

Standardised Exposure Classes

- *Retail:* Exposures must be to an individual person or person or to a small or medium sized entity. It must be one of a significant number of exposures with similar characteristics such that the risks associated with such lending are substantially reduced and, the total amount owed, shall not, to the knowledge of the credit institution, exceed €1 million.
- *Public Sector Entities:* Exposures to Public Sector Entities and non-commercial undertakings.
- *Corporates:* In general, a corporate exposure is defined as a debt obligation of a corporate, partnership or proprietorship.
- *Exposures in default:* Where the exposure is past due more than 90 days or unlikely to pay.
- *Exposures associated with particularly high risks:* Exposures associated with particularly high risks such as investments in venture capital firms and private equity investments.
- *Institutions and Corporates with a short-term credit assessment:* Exposures for which a short-term credit assessment by a nominated ECAI is available.
- *Other items:* Exposures not falling into the other exposure classes outlined.

Trading Book
A Trading Book consists of positions in financial instruments and commodities held either with intent to trade, or in order to hedge other elements of the Trading Book. To be eligible for Trading Book capital treatment, financial instruments must either be free of any restrictive covenants on their tradability, or are able to be hedged completely.

Through-the-Cycle PD (TtC PD)
A version of the Probability of Default measure engineered to estimate the average one-year probability of default over an economic cycle. For example, if the TtC PD of a certain loan is 2% this means that there is, on average over an economic cycle, a 2 in 100 chance that the borrower will default in any given year.

Abbreviations

ABS	Asset-backed securities
AFS	Available-for-sale
AIRB	Advanced Internal Ratings-Based Approach
AT1	Additional Tier 1 capital
AVA	Additional Value Adjustments
Bank	The Governor and Company of the Bank of Ireland
BCBS	Basel Committee on Banking Supervision
BOIG	plc Bank of Ireland Group plc
BoIMB	Bank of Ireland Mortgage Bank
BSA	Balance Sheet Assessment
BRC	Board Risk Committee
CCB	Capital Conservation Buffer
CCF	Credit conversion factor
CCP	Central counterparty
CCR	Counterparty credit risk
CCyB	Countercyclical Capital Buffer
CDS	Credit default swap
CET 1	Common equity tier 1 capital
CRD IV	Capital Requirements Directive & Regulation
CRM	Credit risk mitigation
CRR	Capital Requirements Regulation
CRT	Credit risk transfer
CSA	Credit support annex
CVA	Credit valuation adjustment
EAD	Exposure at default
EBA	European Banking Authority
ECAI	External Credit Assessment Institutions
EL	Expected loss
EU	European Union
FCA	Financial Conduct Authority (UK)
FIRB	Foundation Internal Ratings-Based Approach
FPC	Financial Policy Committee (UK)
GAC	Group Audit Committee
GORC	Group Operational Risk Committee GORC Group Operational Risk Committee
GRPC	Group Risk Policy Committee
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
IRB	Internal Ratings-Based Approach
IRRBB	Interest rate risk in the banking book
ISDA	International Swaps and Derivative Association
LCR	Liquidity coverage ratio
LGD	Loss given default
LTV	Loan-to-value
MTM	Mark-to-market
OTC	Over-the-counter
O-SII	Other Systemically Important Institutions
PD	Probability of default
PFE	Potential future exposure
PIT	Point-in-time
PRA	Prudential Regulation Authority (UK)
PVA	Prudent valuation adjustment
P2G	Pillar II Guidance
P2R	Pillar II Requirement
QRRE	Qualifying revolving retail exposure
Retail IRB	Retail Internal Ratings Based Approach
RMC	Risk Measurement Committee
RoI	Republic of Ireland
RoW	Rest of World
SME	Small Medium Enterprise
SSM	Single Supervisory Mechanism
SRB	Single Resolution Board
TRIM	Targeted Review of Internal Models