Pillar 3 Disclosures

For the year ended
31 December 2015

BOI Group Classification: Purple - Highly Confidential & Market Sensitive

Bank of Ireland UK

Contents

Percentages throughout the document are calculated on the absolute underlying figures and so may differ from the percentages calculated on the rounded numbers presented.

1. Introduction

1.1 Background

Bank of Ireland (UK) plc, 'the Bank', is the principal operating subsidiary of the Bank of Ireland Group in the UK. The Bank and its holding in NIIB Group Limited, First Rate Exchange Services Holdings Limited, Bank of Ireland Trustee Limited, Midasgrange Limited and Bowbell No. 1 plc are hereinafter referred to as the 'Group' throughout this document.

In the context of this document CRD IV describes the package of the Capital Requirements Regulation (CRR), the Capital Requirements Directive (CRD) and regulatory and technical standards.

The purpose of this document is to disclose information in accordance with the scope of application of CRD IV requirements for the Group, particularly covering capital, credit risk and leverage ratio.

CRD IV is divided into three sections commonly referred to as Pillars:

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

Pillar II 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 I are considered under this Pillar.

Pillar III is intended to complement Pillar I and Pillar II. It requires that financial institutions disclose information annually 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's Pillar 3 disclosures have been prepared in accordance with CRD IV as implemented into UK legislation.

The Group is required to comply with CRD IV disclosure requirements at 31 December 2015. For ease of reference, the CRD IV requirements are referred to as 'Pillar 3' in this document. Pillar 3 requires both qualitative and quantitative disclosures.

The Group's Pillar 3 document is a technical paper which should be read in conjunction with the Bank of Ireland (UK) plc Annual Report for the year ended 31 December 2015 (hereinafter referred to as the 'Group's Annual Report'). The Group's Annual Report is referred to periodically throughout this document.

The Group's qualitative disclosure requirements are mainly addressed in the Strategic Report and Risk Management Report of the Group's Annual Report. This document contains the Group's Pillar 3 quantitative disclosure requirements and the remainder of the qualitative disclosure requirements not included in the Group's Annual Report.

Frequency

In line with CRD IV and European Banking Authority (EBA) guidelines, the Group discloses Pillar 3 information on an annual basis.

Verification

Information which is sourced from the Group's Annual Report may be subject to audit by the Group's external auditors and is subject to both internal and external review, along with appropriate governance procedures. The Pillar 3 document is subject to a robust governance process including approval by Audit Committee and Board Risk Committee (BRC).

Media

Copies of the Group's Annual Report, along with the Group's Pillar 3 Disclosures can be obtained from the Group's website at www.bankofirelanduk.com.
The Bank of Ireland Group's Pillar 3 disclosure document is published on www.bankofireland.com and provide a comprehensive and consolidated view of risk exposures for the full Bank of Ireland Group, thereby complementing this disclosure document.

1.2 Scope of application

The Group complied with the capital regulations, as set out in CRD IV and CRR and supported by EBA Regulatory Technical Standards (RTS) and Prudential Regulatory Authority (PRA) Policy Statements throughout the year. This disclosure is presented in respect of the year to 31 December 2015.

The Pillar 3 disclosure complies with EBA requirements for member state disclosures on capital and risk weighted assets.

As a significant subsidiary of the Bank of Ireland Group (the 'Parent'), in accordance with the reporting requirements included in Article 13 (1) of Regulation (EU) No.575/2013, the Pillar 3 disclosure document specifically covers own funds, capital requirements, capital buffers, credit risk adjustments, remuneration policy, leverage and use of credit risk mitigation techniques.

The areas covered are also dealt with in the Group's Annual Report and cross referencing to relevant sections in that document is provided in Appendix VI. In some areas more detail is provided in these Pillar 3 disclosures. For instance, Appendices I to IV provide mandatory Own Funds and Leverage disclosures and the section on Credit Risk (Section 3) includes additional information on portfolio segments such as geographic and industry analysis.

It should be noted that while some quantitative information in this document is based on financial data in the Group's Annual Report, other quantitative data is sourced from the Group's regulatory reporting processes, which may be calculated according to a different set of rules. The difference between the data sourced from the Group's Annual Report and that sourced from the Group's regulatory reporting process is most evident for credit risk disclosures where Pillar 3 disclosures require the use of Exposure At Default (EAD). EAD is defined as the expected amount of exposure at default and is reported net of provisions and considers any off balance sheet exposure adjusted by an appropriate or relevant regulatory credit conversion factor. Pillar 3 quantitative data is therefore not always comparable to the quantitative data contained in the Group's Annual Report.

1.3 Supervision

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.

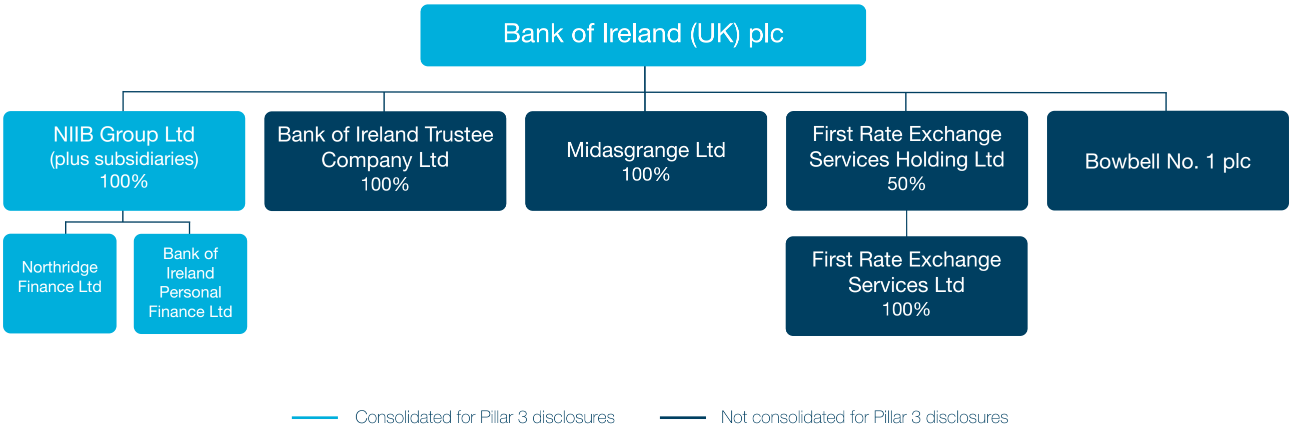
The Group is not a significant credit institution and as such continues to be supervised by the PRA and the Financial Conduct Authority (FCA).

1.4 Scope of consolidation

The Bank of Ireland (UK) plc statutory consolidated group consists of Bank of Ireland (UK) plc (the 'Bank') and its share of the following entities:

- 100% of NIIB Group Limited (NIIB) – a car and asset finance and consumer lending group. On 15 January 2016, the trade of Northridge Finance Ltd was transferred to NIIB Group Ltd, which will continue to trade using the Northridge Finance brand. On 22 January 2016, the trade of Bank of Ireland Personal Finance Ltd was transferred to the Bank;
- 50% of First Rate Exchange Services Holdings Limited (FRESH), a joint venture, which, via its wholly owned subsidiary, First Rate Exchange Services Limited (FRES), is a wholesale and retail provider of foreign exchange with retail distribution primarily via the Post Office;
- 100% of Bank of Ireland Trustee Company Limited – this company ceased trading in February 2014 and previously operated as a multi restricted intermediary providing advice to clients on financial services products operating in the Northern Ireland market;
- 100% of Midasgrange Limited – this company traded as Post Office Financial Services until 3 September 2012 when the trade, assets and liabilities transferred to the Bank; and
- Bowbell No. 1 plc (Bowbell) - an entity which acquires mortgage loans and issues mortgage backed securities.

The Pillar 3 quantitive disclosures are prepared for the Regulatory Group which comprises the Bank and NIIB. The diagram below illustrates the Group entities included in the Regulatory Group.



1.4 Scope of consolidation (continued)

Table 1.1 below provides a reconciliation of the Group's consolidated balance sheet on a statutory accounting basis (as presented on page 89 of the Annual Report) to the Group's consolidated balance sheet under the regulatory scope of consolidation.

Table 1.1 - Consolidated regulatory balance sheet

	31 December 2015			31 December 2014		
	Statutory balance sheet £m	**Deconsolidation adjustments £m**	**Regulatory balance sheet £m**	Statutory balance sheet £m	Deconsolidiation adjustments £m	Regulatory balance sheet £m
Assets						
Cash and cash equivalents	3,269	-	3,269	2,964	-	2,964
Items in the course of collection from other banks	147	-	147	276	-	276
Derivative financial instruments	45	-	45	59	-	59
Loans and advances to banks	3,949	(156)	3,793	6,312	(165)	6,147
Available for sale financal assets	956		956	991	-	991
Loans and advances to customers	19,255	149	19,404	18,301	161	18,462
Interest in joint venture	60	(60)	-	60	(60)	-
Interest in subsidiaries	-	2	2	-	2	2
Intangible assets	30	-	30	39	-	39
Property, plant and equipment	8	-	8	5	-	5
Current tax assets	-	-	-	4	(3)	1
Other assets	132	-	132	92	-	92
Deferred tax assets	86	-	86	105	-	105
Retirement benefits asset	2	-	2	1	-	1
Total assets	**27,939**	**(65)**	**27,874**	**29,209**	**(65)**	**29,144**
Equity and liabilities						
Deposits from banks	2,606	(2)	2,604	5,234	2	5,236
Customer accounts	21,574	2	21,576	20,180	(2)	20,178
Items in the course of transmission to other banks	74	-	74	221	-	221
Derivative financial instruments	56	-	56	64	-	64
Other liabilities	1,175	-	1,175	1,074	-	1,074
Provisions	13	-	13	9	-	9
Current tax liability	2	-	2	2	(2)	-
Subordinated liabilities	335	-	335	658	-	658
Total liabilties	**25,835**	**-**	**25,835**	**27,442**	**(2)**	**27,440**
Equity						
Share capital	851	-	851	1,151	-	1,151
Retained earnings	374	(65)	309	186	(63)	123
Other reserves	579	-	579	430	-	430
Other equity instruments	300	-	300	-	-	-
Total equity attributable to owners of the Bank	**2,104**	**(65)**	**2,039**	**1,767**	**(63)**	**1,704**
Total equity and liabilities	**27,939**	**(65)**	**27,874**	**29,209**	**(65)**	**29,144**

1.5 Risk Management

The Group adopts an integrated approach to risk management to ensure that all material classes of risk are taken into account and that its risk management and capital management strategies are aligned with its overall business strategy.

Section 1.7 of the Strategic Report, within the Group's Annual Report, provides a summary of the principal risks and uncertainties faced by the Group, the outlook for these risks going forward, the implications for the Group should the risks materialise, and the relevant key controls and mitigating factors.

The Group's approach to risk management is approved by the BRC and the Board. Details of the embedded risk management framework and the management of key risks are included in the Risk Management Report in the Group's Annual Report.

2. Capital

2.1 Capital Management

Key points:

- At all times during the financial year the Group maintained appropriate capital resources in line with regulatory requirements.
- Common equity tier 1 (CET 1) ratio is 16.3% at 31 December 2015 under both CRD IV transitional and pro-forma full implementation basis.
- In May 2015 £300 million preference shares held by the Parent were repurchased and the Bank issued £200 million Additional tier 1 (AT1) securities to the Parent.
- In November 2015 £523 million subordinated loans were repurchased and £200 million new subordinated floating rate loans were issued to the Parent. £100 million of AT1 securities were also issued to the Parent and £165 million of CET 1 capital was also received from the Parent.
- The leverage ratio is 6.4% at 31 December 2015 under both the CRD IV transitional and pro-forma full implementation basis.

Capital adequacy risk

Capital adequacy risk is the risk that the Group holds insufficient capital to absorb extreme and unexpected losses, which could eventually result in the Group not being able to continue operating.

Capital management objectives and policies

The Group manages its capital position to ensure that it has sufficient capital to cover the risks of its business, support its strategy and to comply at all times with regulatory capital requirements.

Capital adequacy and its effective management is critical to the Group's ability to operate its businesses, grow organically and pursue its strategy. The Group's business and financial condition could be adversely affected if it is not able to manage its capital effectively or if the amount or quality of capital held is insufficient. This could arise if there was a materially worse than expected financial performance (including, for example, reductions in profits and retained earnings as a result of impairment losses or write downs, increases in risk weighted assets and delays in the disposal of certain assets as a result of market conditions).

Capital requirements and capital resources

The Group complied with all its regulatory capital requirements throughout 2015. The Group manages its capital resources to ensure that the overall amount and quality of resources exceeds the Group's capital requirements. Capital requirements are determined by the CRD, the CRR and firm specific requirements imposed by the PRA. The CRR minimum requirements are typically driven by credit risk, market risk and operational risk, and also require stress-absorbing buffers.

Additional firm-specific buffers reflect the PRA's view of the systemic importance of a bank and also internal capital adequacy which is determined by internal stress testing as part of the Individual Capital Adequacy Assessment Process (ICAAP). An additional Countercyclical buffer set by the Financial Policy Committee is 0% as at 1 January 2016.

Capital management reporting

The Group monitors and reports the capital position daily, monthly and quarterly. Reporting includes a suite of early warning triggers and measurement against risk appetite and is reviewed by the Prudential Risk team, the Capital Management Forum and the Assets and Liabilities Committee. The Quarterly Risk Report includes Capital Management information which is reviewed by the Executive Risk Comittee and the BRC.

Stress testing and capital planning

The Group uses stress testing as a key risk management tool to gain a better understanding of its risk profile and its resilience to internal and external shocks. In addition, stress testing provides a key input to the Group's capital assessments and related risk management and measurement assumptions.

The Group's stress testing is designed to

- confirm the Group has sufficient capital resources;
- ensure the Group remains within its risk appetite;
- ensure the alignment between the Group's risk management framework and senior management decision making; and
- to provide sufficiently severe and forward looking scenarios.

The Group regularly assesses its existing and future capital adequacy under a range of scenarios, using a combination of quantitative and qualitative analysis in the ICAAP, which is reviewed by the PRA on a periodic basis. The ICAAP, which acts as a link between the Group's strategy, capital and risk under stress, is approved annually by the Board.

The Group also undertakes reverse stress testing on an annual basis which informs, enhances and integrates with the existing stress testing framework by considering extreme events that could cause the Group to fail. This testing also improves risk identification and risk management. Results of reverse stress testing are approved by the Board, as part of the Group's ICAAP.

The Group's capital planning process includes a review of the Group's expected capital position (including the targeted level of capital based upon risk appetite) which is reviewed and challenged on a monthly basis by senior management.

The Group's capital plan (which is approved at least annually by the Board) also includes sensitivities to ensure the continued resilience of the underlying assumptions under adverse conditions.

2.2 Capital requirements / risk weighted assets

Table 2.1 below shows the amount of capital the Regulatory Group is required to set aside to meet the minimum total capital ratio of 8% of RWAs set by the CRR.

Table 2.1 - Pillar 1 capital requirements by exposure class

31 December 2014				**31 December 2015**		
Capital required £m	RWA £m	Exposure £m		**Capital required £m**	**RWA £m**	**Exposure £m**
-	-	4,550	Central governments or central banks	1	17	4,916
-	-	412	Multinational development banks	-	-	384
5	59	225	Institutions	7	86	361
161	2,015	2,212	Corporates	134	1,674	1,849
77	965	1,372	Retail	89	1,110	1,582
402	5,019	14,070	Secured by mortgages on residential property	438	5,478	15,413
73	918	767	Exposures in default	47	588	500
-	-	-	Equity	-	2	2
10	129	385	Other items	16	196	350
728	**9,105**	**23,993**	**Credit and counterparty risk[1]**	**732**	**9,151**	**25,357**
52	**642**	**-**	**Operational risk[2]**	**60**	**746**	**-**
780	**9,747**	**23,993**	**Total**	**792**	**9,897**	**25,357**

The Group applies the standardised approach for the calculation of its credit and counterparty risk and operational risk capital requirements.

The standardised categories included in table 2.1 are the asset classes, as per Article 112 of CRR. Only asset classes to which an exposure is attached have been included.

There is no impediment to the prompt transfer of funds within the Group.

[1] *The Group's approach to Counterparty credit risk management is included in section 2.1.2 of the Annual Report.*
[2] *The Group's approach to Operational risk management is included in section 2.5 of the Annual Report.*

2.3 Capital resources

Table 2.2 sets out the Regulatory Group's capital position and key capital and leverage ratios on a transitional and fully loaded basis.

Table 2.2 - Regulatory capital position and key capital and leverage ratios

31 December 2014 Transitional £m	31 December 2014 Fully loaded £m		**31 December 2015 Transitional £m**	**31 December 2015 Fully loaded £m**
851	851	Ordinary share capital	851	851
401	401	Capital contributions	566	566
153	153	Retained earnings and other reserves	322	322
1,405	**1,405**	**Total equity**	**1,739**	**1,739**
(169)	**(166)**	**Regulatory adjustments**	**(127)**	**(127)**
(98)	*(98)*	*Deferred tax assets relying on future profitability*	*(84)*	*(84)*
(39)	*(39)*	*Intangible assets*	*(30)*	*(30)*
(3)	*(3)*	*Qualifying holdings outside of the financial sector*	-	-
(26)	*(26)*	*Cashflow hedge reserve*	*(11)*	*(11)*
-	-	*Retirement benefit asset*	*(2)*	*(2)*
(3)	-	*Available for sale reserve gains*	-	-
1,236	**1,239**	**Common equity tier 1 capital**	**1,612**	**1,612**
240	**-**	**Additional tier 1**	**300**	**300**
240	-	*Non-cumulative callable preference shares*	-	-
-	-	*Subordinated perpetual contingent conversion additional tier 1 securities*	*300*	*300*
1,476	**1,239**	**Total tier 1 capital**	**1,912**	**1,912**
		Tier 2		
658	658	Dated loan capital	335	335
60	300	Grandfathered non-cumulative callable preference shares	-	-
718	**958**	**Total tier 2 capital**	**335**	**335**
2,194	**2,197**	**Total capital**	**2,247**	**2,247**
9,747	**9,747**	**Total risk weighted assets**	**9,897**	**9,897**
		Capital ratios		
12.7%	12.7%	Common equity tier 1 capital ratio	16.3%	16.3%
15.1%	12.7%	Tier 1 capital ratio	19.3%	19.3%
22.5%	22.5%	Total capital ratio	22.7%	22.7%
4.8%	4.0%	Leverage ratio	6.4%	6.4%

In May 2015 the Bank carried out a capital restructure repurchasing its holding of £300 million CRD IV non-compliant non cumulative callable preference share capital and issuing £200 million CRD IV compliant Subordinated perpetual contingent conversion additional tier 1 securities. As a result of this capital restructure the capital position became the same on a transitional and fully loaded basis.

Capital ratios have been presented including the benefit of the retained profit in the period.

2.3 Capital resources (continued)

Table 2.3 provides an analysis of the movement in capital resources by tier of capital on a fully loaded basis.

Table 2.3 - Movement in regulatory capital

31 December 2014 Fully loaded £m		**31 December 2015 Fully loaded £m**
1,014	**Opening Common equity tier 1 capital**	**1,239**
15	Capital contribution	165
168	Contribution to common equity tier 1 capital from profit	186
42	Other, including regulatory adjustments	22
1,239	**Closing Common equity tier 1 capital**	**1,612**
-	**Opening Additional tier 1 capital**	**-**
-	Subordinated perpetual contingent conversion additional tier 1 securities issued	300
-	**Closing Addtional tier 1 capital**	**300**
1,239	**Total tier 1 capital**	**1,912**
958	**Opening Tier 2 capital**	**958**
-	Grandfathered non-cumulative callable preference shares repurchased	(300)
-	Dated loan capital repurchased	(523)
-	Dated loan capital issued	200
958	**Closing Tier 2 capital**	**335**
2,197	**Closing total regulatory capital**	**2,247**

The Group is strongly capitalised with a total capital ratio on a fully loaded basis of 22.7% at 31 December 2015 (22.5%: 31 December 2014). During the year, a number of capital restructures were undertaken.

The capital restructures and continued profit generation resulted in the Group's CET 1 and Tier 1 capital ratios on a fully loaded basis increasing year on year from 12.7% to 16.3% and 12.7% to 19.3% respectively.

In May 2015 the Bank repurchased £300 million of non-cumulative preference share capital and issued £200 million of Subordinated perpetual contingent conversion additional tier 1 securities.

In November 2015 the Bank repurchased £523 million of Subordinated loan debt and issued a further £100 million of Subordinated perpetual contingent conversion additional tier 1 securities and £200 million Subordinated loan debt. All issuances were to the Parent and £165 million of CET 1 capital was also received from the Parent as part of the November 2015 capital restructure.

Total capital resources increased by £50 million during 2015 to £2.25 billion, due to a 2015 profit after tax of £186 million, the benefit of decreases of £39 million in regulatory capital deductions, offset by a net reduction in capital resources of £158 million as a result of capital restructuring activities detailed above and decreases in other reserves of £17 million.

Risk weighted assets increased by £150 million from £9.75 billion to £9.90 billion reflecting growth in the residential mortgages and NIIB lending portfolios, offset by the impact of the continued deleverage of the GB Commercial lending portfolio.

The Group's leverage ratio on a fully loaded basis has increased by 2.4% to 6.4% at 31 December 2015 which is in excess of the Basel Committee minimum leverage ratio of 3%. The Basel Committee has indicated that final calibrations and further adjustments to the definition of the leverage ratio will be completed by 2017, with a view to migrating to a Pillar 1 (minimum capital requirement) treatment on 1 January 2018. See Appendix IV for further disclosures on leverage.

3. 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. Credit risk includes default risk, recovery risk, counterparty risk, cross border (or transfer) risk, country risk, credit concentration risk and settlement risk. The nature of the Group's exposure to credit risk, the manner in which it arises, policies and processes for managing credit risk, and the methods used to measure and monitor credit risk are set out in the Group's Annual Report in the Risk Management section.

Credit risk arises from loans and advances to customers. It also arises in the form of counterparty credit risk from the financial transactions the Group enters into with financial institutions, sovereigns and state institutions. The main types of financial transactions the Group enters into which give rise to credit risk are loans and advances to customers and its investments in liquid assets. Credit risk on loans and advances to customers arises as a result of the amounts it has actually lent and the amounts which it has committed to lend.

The principles governing the provision of credit are contained in the Statement of Credit Policy, which is approved by the BRC. Individual sector and portfolio-level credit policies define in greater detail the credit approach appropriate to those sectors or portfolios.

Through its ongoing credit review processes the Group facilitates the early identification of deteriorating loans, with a view to taking corrective action to prevent the loan becoming impaired. Typically loans that are at risk of impairment are managed by dedicated specialist units and debt collection teams focused on working out loans.

The Group uses the standardised approach for the calculation of credit risk capital requirements. The standardised approach involves the application of prescribed regulatory formulae to credit exposures to calculate capital requirements.

The credit risk information disclosed in this document includes a breakdown of the Group's exposures by CRR exposure class, by location, sector, maturity and asset quality. Information on past due and impaired financial assets and provisions is also provided.

3.1 Credit risk mitigation for Risk Management purposes

An assessment of the borrower's ability to service and repay the proposed level of debt is undertaken for credit requests and is the primary component of the Group's approach to mitigating risk.

In addition, the Group mitigates credit risk through both the adoption of preventative measures, (e.g. controls and limits) and the development and implementation of strategies to assess and reduce the impact of particular risks, should these materialise.

3.2 Credit risk mitigation for capital requirements calculation

For the purposes of calculating the capital requirements for retail mortgages, in accordance with the guidelines of CRR Article 125, the risk weight of retail mortgages may be reduced (to a minimum of 35% for fully performing, fully secured mortgages) based on the LTV of the property. The Group complies fully with the requirements of CRR Article 125.

3.3 Credit risk: Disclosures

3.3.1 Maximum exposure to credit risk

Table 3.1 shows the Exposure at Default (EAD) by standardised asset class as at 31 December 2015 and 31 December 2014.

Table 3.1 - Exposure to credit risk	**31 December 2015**		31 December 2014	
Exposure Class	**Total exposure (EAD) £m**	**Total average exposure over the year (EAD) £m**	Total exposure (EAD) £m	Total average exposure over the year (EAD) £m
Central governments or central banks	4,916	4,675	4,550	4,679
Multilateral development banks	384	405	412	402
Institutions	361	243	225	264
Corporates	1,849	1,927	2,212	2,445
Retail	1,582	1,504	1,372	1,353
Secured by mortgages on residential property	15,413	14,819	14,070	13,908
Exposures in default	500	636	767	854
Equity	2	2	-	-
Other items	350	305	385	285
Total	**25,357**	**24,516**	**23,993**	**24,190**

Total EAD increased in the period by £1,364 million which is primarily attributable to the growth in the residential mortgages portfolio.

3.3.2 Geographic analysis of exposure

The Group has two primary markets, Great Britain and Northern Ireland. Table 3.2 shows the geographic location of credit risk exposures based on EAD.

Table 3.2 Geographic analysis of exposure

	31 December 2015				31 December 2014			
	Northern Ireland £m	**Great Britain £m**	**Other £m**	**Total £m**	Northern Ireland £m	Great Britain £m	Other £m	Total £m
Central governments or central banks	-	4,880	36	4,916	-	4,512	38	4,550
Multilateral development banks	-	-	384	384	-	-	412	412
Institutions	-	-	361	361	-	-	225	225
Corporates	1,208	641	-	1,849	1,209	1,003	-	2,212
Retail	314	1,268	-	1,582	474	898	-	1,372
Secured by mortgages on residential property	623	14,790	-	15,413	551	13,519	-	14,070
Exposures in default	320	180	-	500	506	261	-	767
Equity	-	-	2	2	-	-	-	-
Other items	-	-	350	350	-	-	385	385
Total	**2,465**	**21,759**	**1,133**	**25,357**	**2,740**	**20,193**	**1,060**	**23,993**

3.3.3 Industry analysis of exposure

Tables 3.3 and 3.4 show the Exposure at Default (EAD) split by the industry classification based on the purpose of the loan. Similar headings to those in the industry analysis contained in the Group's Annual Report have been used. However, the values shown below will differ from the Group's Annual Report as these tables are based on EAD rather than an accounting basis as used in the Group's Annual Report.

Table 3.3 - Industry analysis of exposure

31 December 2015 Exposure class	**Central and local government or central banks £m**	**Mortgages £m**	**Personal £m**	**Manufacturing £m**	**Agriculture £m**	**Services £m**	**Property & construction £m**	**Distribution £m**	**Energy £m**	**Other £m**	**Total £m**
Central governments or central banks	4,911	-	-	-	-	-	-	-	-	5	4,916
Multilateral development banks	-	-	-	-	-	384	-	-	-	-	384
Institutions	-	-	-	-	-	-	-	-	-	361	361
Corporates	-	-	82	142	53	497	932	83	1	59	1,849
Retail	-	-	1,153	23	122	217	41	24	2	-	1,582
Secured by mortgages on residential property	-	15,413	-	-	-	-	-	-	-	-	15,413
Exposures in default	-	162	25	8	2	39	259	5	-	-	500
Equity	-	-	-	-	-	-	-	-	-	2	2
Other	-	-	-	-	-	-	-	-	-	350	350
Total	**4,911**	**15,575**	**1,260**	**173**	**177**	**1,137**	**1,232**	**112**	**3**	**777**	**25,357**

Table 3.4 - Industry analysis of exposure

31 December 2014 Exposure Class	Central and local government or central banks £m	Mortgages £m	Personal £m	Manufacturing £m	Agriculture £m	Services £m	Property & construction £m	Distribution £m	Energy £m	Other £m	Total £m
Central governments or central banks	4,538	-	-	-	-	-	-	-	-	12	4,550
Multilateral development banks	-	-	-	-	-	412	-	-	-	-	412
Institutions	-	-	-	-	-	-	-	-	-	225	225
Corporates	-	1	101	139	40	610	1,193	77	1	50	2,212
Retail	-	-	1,009	14	108	208	19	12	1	1	1,372
Secured by mortgages on residential property	-	14,070	-	-	-	-	-	-	-	-	14,070
Exposures in default	-	164	19	11	2	94	470	6	-	1	767
Equity	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	385	385
Total	4,538	14,235	1,129	164	150	1,324	1,682	95	2	674	23,993

3.3.4 Maturity analysis of exposure

The maturity analysis below shows the Group's credit exposure by residual contractual maturity date which is based on EAD.

Table 3.5 - Maturity analysis of exposure

	31 December 2015				31 December 2014			
	<1 Year £m	**1-5 Years £m**	**>5 Years £m**	**Total £m**	<1 Year £m	1-5 Years £m	>5 Years £m	Total £m
Central governments or central banks	4,331	266	319	4,916	3,933	296	321	4,550
Multilateral development banks	130	254	-	384	25	387	-	412
Institutions	320	41	-	361	225	-	-	225
Corporates	419	628	802	1,849	923	483	806	2,212
Retail	61	1,086	435	1,582	404	960	8	1,372
Secured by mortgages on residential property	239	732	14,442	15,413	179	779	13,112	14,070
Exposures in default	78	53	369	500	499	42	226	767
Equity	2	-	-	2	-	-	-	-
Other items	306	22	22	350	380	5	-	385
Total	**5,886**	**3,082**	**16,389**	**25,357**	**6,568**	**2,952**	**14,473**	**23,993**

3.3.5 Asset quality

Under the standardised approach credit risk is measured by applying risk weights outlined in the CRR based on the exposure class to which the exposure is allocated. Where a counterparty is rated by External Credit Assessment Institutions (ECAIs) or Export Credit Agencies (ECAs), the Standardised approach permits banks to use these ratings to determine the risk weighting applicable to exposures to that counterparty. This is done by firstly mapping the rating to a Pillar 1 credit quality step, which in turn is then mapped to a risk weight.

The Group uses Fitch Ratings, Moody's Investors Service and DBRS as its nominated ECAIs for its Sovereign and Multilateral development bank exposures and applies the mapping tables published by the PRA to map these ECAI ratings to credit quality steps and subsequent risk weights.

Table 3.6 is based on EAD displayed by risk weight band.

Table 3.6 - Risk weight band analysis of exposure

31 December 2015	**Central governments or central banks £m**	**Multilateral development banks £m**	**Institutions £m**	**Corporates £m**	**Retail £m**	**Secured by mortgages on residential property £m**	**Exposures in default £m**	**Equity £m**	**Other £m**	**Total £m**
0%	4,909	384	-	-	-	-		-	36	5,329
1 - 20%	-	-	313	-	-	-	-	-	148	461
21 - 50%	-	-	48	-	-	15,206	-	-	-	15,254
51 - 75%	-	-	-	-	1,582	207	-	-	-	1,789
76 - 100%	-	-	-	1,849	-	-	325	2	166	2,342
101 - 150%	-	-	-	-	-	-	175	-	-	175
> 150%	7	-	-	-	-	-	-	-	-	7
Total	**4,916**	**384**	**361**	**1,849**	**1,582**	**15,413**	**500**	**2**	**350**	**25,357**

3.3.5 Asset quality (continued)

Table 3.6 - Risk weight band analysis of exposure (continued)

31 December 2014	Central governments or central banks £m	Multilateral development banks £m	Institutions £m	Corporates £m	Retail £m	Secured by mortgages on residential property £m	Exposures in default £m	Equity £m	Other £m	Total £m
0%	4,550	412	-	-	-	-		-	46	5,008
1 - 20%	-	-	177	-	-	-	-	-	276	453
21 - 50%	-	-	48	-	-	13,834				13,882
51 - 75%	-	-	-	-	1,372	236	-	-	-	1,608
76 - 100%	-	-	-	2,212	-	-	464	-	57	2,733
101 - 150%	-	-	-	-	-	-	303	-	-	303
> 150%	-	-	-	-	-	-	-	-	6	6
Total	4,550	412	225	2,212	1,372	14,070	767	-	385	23,993

3.3.6 Past due and impaired exposure

Past due but not impaired loans are defined as follows:

- loans excluding residential mortgages where repayment of interest and / or principal are overdue by at least one day but are not impaired; and
- residential mortgages may be past due but not impaired in cases where the loan to value (LTV) ratio on the mortgage indicates no loss to the Group in the case of default by the borrower.

Impaired loans are defined as follows:

- loans with a specific impairment provision attached to them;
- loans (excluding residential mortgages) which are more than 90 days in arrears;
- all assets in grades 12 and 13 on the Group's thirteen point credit grade scale and grades 6 and 7 on the seven point credit grade scale; and
- residential mortgages are classified as impaired when there is a specific provision against them.

3.3.6.1 Past due and impaired exposure by industry

Table 3.7 is based on information taken from the Group's Annual Report and discloses past due but not impaired and impaired balances by industry.

Table 3.7 - Past due and impaired

	31 December 2015			31 December 2014		
Exposure by industry	**Past due exposure £m**	**Impaired exposure £m**	**Total £m**	Past due exposure £m	Impaired exposure £m	Total £m
Residential mortgages	376	73	449	441	74	515
Non-property SME and corporate	17	160	177	32	252	284
Commercial property and construction	105	541	646	95	846	941
Consumer	20	27	47	22	27	49
Total	**518**	**801**	**1,319**	**590**	**1,199**	**1,789**

3.3.6.2 Past due and impaired exposure by geography

Table 3.8 is based on information taken from the Group's Annual Report and discloses past due but not impaired and impaired balances by geography.

Table 3.8 - Past due and impaired

	31 December 2015			31 December 2014		
Exposure by geography	**Past due exposure £m**	**Impaired exposure £m**	**Total £m**	Past due exposure £m	Impaired exposure £m	Total £m
Northern Ireland	47	510	557	72	787	859
Great Britain	471	291	762	518	412	930
Total	**518**	**801**	**1,319**	**590**	**1,199**	**1,789**

3.3.7 Provisioning

The loan loss provisioning methodology is set out in the Risk Management section of the Group's Annual Report.

Table 3.9 shows the balance sheet specific provisions, specific provision charges and amounts written off on specific provisions by industry classification. It is based on disclosures in the Group's Annual Report.

Table 3.9 - Provisions by industry

	31 December 2015			31 December 2014		
Industry class	**Total specific provisions £m**	**Specific provision charges £m**	**Provision utilised £m**	Total specific provisions £m	Specific provision charges £m	Provision utilised £m
Residential mortgages	8	3	4	10	4	7
Non-property SME and corporate	76	2	37	112	19	31
Commercial property and construction	281	36	165	394	36	127
Consumer	22	8	13	21	8	20
Total	**387**	**49**	**219**	**537**	**67**	**185**

Table 3.10 shows the specific provision breakdown on a geographic basis. It is based on disclosures from the Group's Annual Report.

Table 3.10 - Provisions by geography

	31 December 2015		31 December 2014	
Provisions by geography	**Total specific provisions £m**	**Specific provision charges £m**	Total specific provisions £m	Specific provision charges £m
Northern Ireland	94	54	380	41
Great Britain	293	(5)	157	26
Total	**387**	**49**	**537**	**67**

3.3.7 Provisioning (continued)

Table 3.11 shows the provision analysis between specific and incurred but not reported (IBNR) provisions. It is based on disclosures in the Group's Annual Report.

Table 3.11 - Provision type

	31 December 2015		31 December 2014	
	Total balance sheet provision £m	**Provision charges £m**	Total balance sheet provision £m	Provision charges £m
Specific provision	387	49	537	67
IBNR provision	67	(5)	76	(6)
Total	**454**	**44**	**613**	**61**

Table 3.12 shows the movement in the total provision during 2014 and 2015. It is based on disclosures in the Group's Annual Report.

Table 3.12 - Movement in total balance sheet provision

2015	**Total impairment provision £m**
Provision at 1 January 2015	613
Exchange adjustments	(5)
Provisions utilised	(219)
Recoveries	13
Other movements	8
Charge to the income statement	44
Provision at 31 December 2015	**454**

2014	Total impairment provision £m
Provision at 1 January 2014	719
Exchange adjustments	(7)
Provisions utilised	(185)
Recoveries	8
Other movements	17
Charge to the income statement	61
Provision at 31 December 2014	613

Appendix I: Reconciliation of accounting capital to regulatory capital

The table below provides a reconciliation between the reported capital in the Group's Annual Report and the capital position of the Regulatory Group.

31 December 2014			31 December 2015	
Statutory Group £m	Regulatory Group £m		**Statutory Group £m**	**Regulatory Group £m**
1,467	**1,405**	**Total equity**	**1,804**	**1,739**
851	*851*	*Ordinary share capital*	*851*	*851*
400	*399*	*Capital Contribution*	*566*	*566*
186	*125*	*Retained Earnings*[1]	*374*	*309*
26	*26*	*Cash flow hedge reserve*	*11*	*11*
4	*4*	*Available for sale reserve*	*2*	*2*
	(169)	**Common equity tier 1 regulatory adjustments:**		**(127)**
	(98)	*Deferred tax assets relying on future profitability*		*(84)*
	(39)	*Intangible assets*		*(30)*
	(3)	*Qualifying holdings outside of the financial sector*		*-*
	(26)	*Cashflow hedge reserve*		*(11)*
	-	*Retirement benefit asset*		*(2)*
	(3)	*Available for sale reserve gains*		*-*
1,467	**1,236**	**Common equity tier 1 capital**	**1,804**	**1,612**
300	240	Non-cumulative callable preference shares	-	-
-	-	Subordinated perpetual contingent conversion additional tier 1 securities	300	300
1,767	**1,476**	**Total Tier 1 capital**	**2,104**	**1,912**
658	658	Dated loan capital	335	335
-	60	Grandfathered non-cumulative callable preference shares	-	-
658	**718**	**Total Tier 2 capital**	**335**	**335**
2,425	**2,194**	**Total capital base**	**2,439**	**2,247**

[1] The £65 million (2014: £61 million) difference in retained earnings relates to deconsolidation of the reserves of entities outside of the Regulatory Group (FRESH, Bank of Ireland Trustee Company Ltd, Midasgrange Ltd and Bowbell No. 1 plc).

Appendix II: Transitional own funds

The table below outlines the component parts of regulatory capital including 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 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 have been omitted.

Transitional own funds disclosure template

ANNEX VI Reference		CRD IV 31 December 2015 £m	Amounts subject to pre-regulation (EU) No 575/2013 Treatment or Prescribed Residual Amount of Regulation (EU) No 575/2013
Common equity tier 1 capital: Instruments and reserves			
1	Capital Instruments and the related share premium accounts	851	-
	of which: Ordinary stock	*851*	-
2	Retained Earnings	309	-
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	579	-
6	**Common equity tier 1 (CET 1) capital before regulatory adjustments**	**1,739**	-
	Common equity tier 1 (CET 1) capital regulatory adjustments		
8	Intangible assets (net of related tax liability) (negative amount)	(30)	-
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)	(84)	-
11	Fair value reserves related to gains or losses on cashflow hedges	(11)	-
15	Defined-benefit pension fund assets (negative amount)	(2)	-
28	**Total regulatory adjustments to Common equity tier 1 (CET1)**	**(127)**	-
29	**Common equity tier 1 (CET 1) capital**	**1,612**	-
	Additional tier 1 (AT1) Capital: instruments and provisions		
33	Amount of qualifying items referred to in Articles 484 (4) and the related share premium accounts subject to phase out of the AT1	300	-
36	**Additional tier 1 (AT1) capital before regulatory adjustments**	**300**	**-**
44	**Additional Tier 1(AT1) capital**	**300**	**-**
45	**Tier 1 capital (T1 = CET 1 +AT1)**	**1,912**	**-**
	Tier 2 (T2) Capital: instruments and provisions		
46	Capital instruments and the related share premium accounts	335	-
51	**Tier 2 (T2) capital before regulatory adjustments**	**335**	**-**
58	**Tier 2 (T2) Capital**	**335**	**-**
59	**Total Capital (TC = T1+T2)**	**2,247**	**-**
60	**Total Risk weighted assets**	**9,897**	-
	Capital ratios and buffers		
61	Common equity tier 1 (as a percentage of total risk exposure amount)	16.3%	-
62	Tier 1 (as a percentage of total risk exposure amount)	19.3%	-
63	Total capital (as a percentage of total risk exposure amount)	22.7%	-

Appendix III: Capital Instruments

Main features of CET 1, AT1, and Tier 2 instruments issued by the Bank

The table below complies with the requirement under Article 437 (i) of Regulation (EU) No 575/2013 (the 'CRR') to provide a description of the main features of capital instruments issued by the Bank and has been prepared in accordance with Annex III of the Commission Implementing Regulation 1423/2013.

1	Issuer	Bank of Ireland (UK) plc	Bank of Ireland (UK) plc	Bank of Ireland (UK) plc	Bank of Ireland (UK) plc	Bank of Ireland (UK) plc	Bank of Ireland (UK) plc	Bank of Ireland (UK) plc	Bank of Ireland (UK) plc	Bank of Ireland (UK) plc	Bank of Ireland (UK) plc
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
3	Governing law(s) of the instrument	English law	English law	English law	English law	English law	English law	English law	English law	English law	English law
4	Transitional CRR rules	Common equity tier 1	Common equity tier 1	Common equity tier 1	Common equity tier 1	Tier 2	Tier 2	Common equity tier 1	Additional tier 1	Tier 2	Additional tier 1
5	Post-transitional CRR rule	Common equity tier 1	Common equity tier 1	Common equity tier 1	Common equity tier 1	Tier 2	Tier 2	Common equity tier 1	Additional tier 1	Tier 2	Additional tier 1
6	Eligible at solo/ (sub)-consolidated /solo & (sub)-consolidated	Solo and consolidated	Solo and consolidated	Solo and consolidated	Solo and consolidated	Solo and consolidated	Solo and consolidated	Solo and consolidated	Solo and consolidated	Solo and consolidated	Solo and consolidated
7	Instrument type (types to be specified by each jurisdiction)	Ordinary Shares	Ordinary Shares	Ordinary Shares	Ordinary Shares	Subordinated Loan Facility Agreement	Subordinated Loan Facility Agreement	Ordinary Shares	Subordinated perpetual contingent conversion additional tier 1 capital securities	Floating Subordinated Notes	Subordinated perpetual contingent conversion additional tier 1 capital securities
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	£581m	£50m	£175m	£10m	£90m	£45m	£35m	£200m	£200m	£100m
9	Nominal amount	£581m	£50m	£175m	£10m	£90m	£45m	£35m	£200m	£200m	£100m
9a	Issue price	£1 each	£1 each	£1 each	£1 each	n/a	n/a	£1 each	n/a	n/a	n/a
9b	Redemption price	Non - Redeemable	Non - Redeemable	Non - Redeemable	Non - Redeemable	Repayment of loan in full	Repayment of loan in full	Non - Redeemable	Redemption of Securities in full	Redemption of notes in full	Redemption of Securities in full
10	Accounting classification	Shareholders' equity	Shareholders' equity	Shareholders' equity	Shareholders' equity	Liability - Amortised Cost	Liability - Amortised Cost	Shareholders' equity	Shareholders' equity	Liability - Amortised Cost	Shareholders' equity

Main features of CET 1, AT1, and Tier 2 instruments issued by the Bank (continued)

11	Original date of issuance	7 October 2010	19 December 2011	21 December 2011	16 July 2012	16 July 2012	19 December 2012	3 April 2013	1 May 2015	26 November 2015	26 November 2015
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual	Dated	Dated	Perpetual	Perpetual	Dated	Perpetual
13	Original maturity date	No Maturity	No Maturity	No Maturity	No Maturity	Second day succeeding the 10th anniversary of the drawdown date i.e. 18 July 2022	Second day succeeding the 10th anniversary of the drawdown date i.e. 21 July 2022	No Maturity	No Maturity	Interest payment date falling in November 2025	No Maturity
14	Issuer call subject to prior supervisory approval	No	No	No	No	Yes	Yes	No	Yes	Yes	Yes
15	Optional call date, contingent call dates, and redemption amount	n/a	n/a	n/a	n/a	On the last day of an interest period being a date falling on or after the 5th anniversary of the drawdown date (£90 million plus interest accrued and unpaid)	On the last day of an interest period being a date falling on or after the 5th anniversary of the drawdown date (£45 million plus interest accrued and unpaid)	n/a	5 years £200m (plus interest accrued and unpaid)	5 years £200m (plus interest accrued and unpaid)	5 years £100m (plus interest accrued and unpaid)
16	Subsequent call dates, if applicable	n/a	n/a	n/a	n/a	On any interest payment date post 5 year call	On any interest payment date post 5 year call	n/a	On any interest payment date post 5 year call	On any interest payment date post 5 year call	On any interest payment date post 5 year call
17	Fixed or floating dividend / coupon	Floating	Floating	Floating	Floating	Floating	Floating	Floating	Fixed to floating	Floating	Fixed to floating
18	Coupon rate and any related index	As per the earnings per share calculation	As per the earnings per share calculation	As per the earnings per share calculation	As per the earnings per share calculation	6mth sterling Libor +11%	6mth sterling Libor +9%	As per the earnings per share calculation	7.875% from the issue date to 1 May 2020 and thereafter the relevant reset interest date	3mth sterling Libor + 4.225%	8.40% from the issue date to 26 November 2020 and thereafter the relevant reset interest date
19	Existence of a dividend stopper	No	No	No	No	No	No	No	No	No	No

Main features of CET 1, AT1, and Tier 2 instruments issued by the Bank (continued)

20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Mandatory	Mandatory	Fully discretionary	Fully discretionary	Mandatory	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Mandatory	Mandatory	Fully discretionary	Fully discretionary	Mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No	No	No	No	No	No	No	No	No	No
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Convertible	Non-convertible	Convertible
24	If convertible, conversion trigger(s)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	7% Fully loaded CET 1	n/a	7% Fully loaded CET 1
25	If convertible, fully or partially	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Fully	n/a	Fully
26	If convertible, conversion rate	n/a	n/a	n/a	n/a	n/a	n/a	n/a	200 million £1 shares	n/a	100 million £1 shares
27	If convertible, mandatory or optional conversion	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Mandatory	n/a	Mandatory
28	If convertible, specify instrument type convertible into	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Ordinary Shares	n/a	Ordinary Shares
29	If convertible, specify issuer of instrument it converts into	n/a	n/a	n/a	n/a	n/a	n/a	n/a	BOI UK plc	n/a	BOI UK plc
30	Write-down features	No	No	No	No	No	No	No	No	No	No
31	If write-down, write-down trigger(s)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Main features of CET 1, AT1, and Tier 2 instruments issued by the Bank (continued)

32	If write-down, full or partial	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
33	If write-down, permanent or temporary	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
34	If temporary write-down, description of write-up mechanism	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Most junior	Most junior	Most junior	Most junior	Not withstanding any other provision in the Agreement if any order is made or effective resolution passed for the winding-up of the issuer 9a) the Loan Debt will be subordinated to the Senior Claims: and (b) the Lender shall be entitled to receive and retain (whether by means of a claim in the winding up of the issuer, the operation of set-off or otherwise) any amount in respect of the Loan Debt only if and to the extent that the issuer is both solvent both at the time of and immediately after the payment of such an amount;	Not withstanding any other provision in the Agreement if any order is made or effective resolution passed for the winding-up of the issuer 9a) the Loan Debt will be subordinated to the Senior Claims: and (b) the Lender shall be entitled to receive and retain (whether by means of a claim in the winding up of the issuer, the operation of set-off or otherwise) any amount in respect of the Loan Debt only if and to the extent that the issuer is both solvent both at the time of and immediately after the payment of such an amount;	Most junior	On a Winding-Up prior to the occurrence of a Trigger Event, the rights and claims of Securityholders in respect of their Securities shall be subordinated as provided in Condition 4.1 and accordingly shall rank: (a) junior to the claims of Senior Creditors; (b) pari passu among themselves and with any claims ranking, or expressed to rank, pari passu with the claims in respect of the Securities (together, Parity Obligations); and (c) senior to all claims in respect of the ordinary shares of the Issuer and any other claims ranking, or expressed to rank, junior to the claims in respect of the Securities or any Parity Obligations.	On a Winding-Up the rights of the Noteholders against the Issuer in respect of the Notes are subordinated in right of payment to all Senior Creditors but shall rank at least pari passu with the claims of holders of all obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 2 Capital of the Issuer and in priority to the claims of (1) holders of all obligations of the Issuer which constitute Tier 1 Capital of the Issuer, (2) holders of all undated or perpetual subordinated obligations of the Issuer and (3) holders of all classes of share capital of the Issuer.	On a Winding-Up prior to the occurrence of a Trigger Event, the rights and claims of Securityholders in respect of their Securities shall be subordinated as provided in Condition 4.1 and accordingly shall rank: (a) junior to the claims of Senior Creditors; (b) pari passu among themselves and with any claims ranking, or expressed to rank, pari passu with the claims in respect of the Securities (together, Parity Obligations); and (c) senior to all claims in respect of the ordinary shares of the Issuer and any other claims ranking, or expressed to rank, junior to the claims in respect of the Securities or any Parity Obligations.

Main features of CET 1, AT1, and Tier 2 instruments issued by the Bank (continued)

36	Non-compliant transitional features	No	No	No	No	No	No	No	No	No	No
37	If yes, specify non-compliant features	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Appendix IV: Leverage

CRD IV requires the disclosure of the Group's leverage ratio, which measures the level of Tier 1 capital against both on and off balance sheet exposures. As at 31 December 2015, the leverage ratio was 6.4% on a fully loaded basis.

The Basel Committee has implemented a monitoring period which runs to January 2017, during which time a minimum leverage ratio of 3% will apply. This limit will be reassessed in 2017 before becoming mandatory in 2018. The Group expects to remain above the Basel Committee indicated minimum level.

On 10 October 2014, the European Commission adopted Delegated Regulation (EU) 2015/62 amending regulation (EU) No.575/2013. The figures in the table below are prepared using the delegated act methodology.

The tables below illustrate leverage ratio calculated in accordance with Articles 429, 499(2) and (3) of the CRR as at 31 December 2015 on a fully loaded basis.

Table LRSum: Summary reconciliation of accounting assets and leverage ratio exposures		**CRD IV fully loaded £m**
1	**Total assets as per published financial statements**	**27,939**
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	(65)
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013 'CRR')	-
4	Adjustments for derivative financial instruments	11
5	Adjustments for securities financing transactions 'SFTs'	4
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	1,152
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	-
EU-6b	(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article of Regulation (EU) No 575/2013)	-
7	Other adjustments	874
8	**Total leverage ratio exposure**	**29,915**

Table LRCom: Leverage ratio common disclosure		CRD IV 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)	28,829
2	(Asset amounts deducted in determining Tier 1 capital)	(127)
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**28,702**
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	30
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	26
EU-5a	Exposure determined under Original Exposure Method	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
8	(Exempted CCP leg of client-cleared trade exposures)	-
9	Adjusted effective notional amount of written credit derivatives	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
11	**Total derivative exposures (sum of lines 4 to 10)**	**56**
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	-
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14	Counterparty credit risk exposure for SFT assets	4
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	-
15	Agent transaction exposures	-
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	-
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**4**
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	3,559
18	(Adjustments for conversion to credit equivalent amounts)	(2,407)
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	**1,153**
Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)		
EU-19a	(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	-
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	-
Capital and total exposures		
20	**Tier 1 capital**	**1,912**
21	**Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**29,915**
Leverage ratio		
22	**Leverage ratio**	**6.4%**

Table LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)		CRD IV fully loaded £m
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**28,702**
EU-2	Trading book exposures	-
EU-3	Banking book exposures, of which:	28,702
EU-4	Covered bonds	-
EU-5	Exposures treated as sovereigns	4,912
EU-6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns -	384
EU-7	Institutions	3,962
EU-8	Secured by mortgages of immovable properties	15,215
EU-9	Retail exposures	1,579
EU-10	Corporate	1,803
EU-11	Exposures in default	495
EU-12	Other exposures (eg equity, securitisations, and other noncredit obligation assets)	352

LRQua: Disclosure on qualitative items

Leverage is the extent to which a firm funds its assets with borrowings rather than equity. More debt relative to each pound of equity results in a higher level of leverage. Excessive leverage is measured by a leverage ratio. 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 their risk characteristics. Leverage ratios effectively place a cap on borrowings as a multiple of a bank's equity.

Although there are ongoing discussions on the definition of the leverage ratio within Europe, and also regarding the leverage coverage framework, firms are required to calculate and monitor their leverage ratios. The accepted definition of the leverage ratio is currently Tier 1 capital divided by assets (which include derivatives, SFT's, undrawn balances) with a benchmark of 3% to be adhered to. The Group's capital and exposures are monitored on a daily basis. 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 as at 31 December 2015 was 6.4% (31 December 2014: 4%).

The increase of 2.4% in the leverage ratio is primarily driven by the increase in Tier 1 capital on a fully loaded basis to £1,912 million at 31 December 2015 (31 December 2014: £1,239 million). The increase of £673 million is primarily attributable to the impact of capital restructuring initiatives carried out in 2015 and the recognition of current year profits of £186 million in CET 1 capital.

Appendix V: Remuneration at Bank of Ireland (UK) plc

Remuneration at Bank of Ireland (UK) plc
This section summarises remuneration for Code Role Holders in respect of 2015 and provides brief information on the decision-making policies for remuneration and the links between pay and performance. These disclosures reflect the requirements set out in the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) Remuneration Code.

Decision-making process for remuneration policy
The Bank of Ireland (UK) plc (hereinafter referred to as 'the Group') Remuneration Committee holds delegated responsibility from the Board of Directors for the oversight of the Group's Remuneration Policy. During 2015, the Group's Remuneration Committee met twice.

Code Role Holders
Under the Prudential Regulation Authority (PRA), Financial Conduct Authority (FCA) and European Banking Authority (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 January 2014 EBA Guidelines and criteria and is reviewed on a regular basis, at a minimum bi-annually. These criteria were tested against all the Group employees to determine who was holding a Code Role. As at 31 December 2015 there were 63 Code Role Holders.

Remuneration restrictions
The Group, as part of the Bank of Ireland Group, is currently subject to a number of remuneration restrictions which cover all Directors, Employees and Service Providers across the Bank of Ireland Group. The remuneration restrictions were contained within the Covered Institutions Financial Support Scheme 2008 and the 2011 Minister's Letter ('The Minister's Letter') under which the Bank of Ireland Group gave a number of commitments and undertakings to the Irish Minister for Finance in respect of remuneration practices. The Minister's Letter was a condition of the Transaction Agreement with the Irish Government (July 2011) which was part of the 2011 Recapitalisation of the Bank of Ireland Group.

The Group considers itself to be in compliance with these remuneration restrictions.

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 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 high calibre people may adversely impact the Group's ability to attract and retain such staff.

The restrictions imposed by the Minister's Letter 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 and People Development
- Financial / Revenue / Cost / Efficiency
- Risk (covers all areas of Risk including Credit, Regulatory, Operational and Conduct Risk)

Bank of Ireland (UK) plc Remuneration Policy
The Group's Remuneration Policy aims to support the Group's objectives of long term sustainability and success, sound and responsible risk management and good corporate governance.

In addition the Remuneration Policy is designed to ensure that:
- the Group's efforts are aligned with and contribute to the long term sustainability, value creation and success of the Group;
- the Group has the necessary platform to attract, retain and motivate high calibre employees;
- the Group offers a competitive remuneration package in a cost effective manner;
- remuneration practices are simple, transparent, easy to understand and implement;
- sound and effective risk management is reflected in performance management and remuneration structures and their alignment to performance targets and governance structures;

- remuneration is 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 Group objectives at either a Group or local business level, ensuring alignment with Group strategy, risk measures and priorities and is based on a balanced scorecard approach;
- all remuneration practices are subject to appropriate governance;
- the Group is compliant with all applicable remuneration requirements as they relate to the Group; and
- remuneration policies, process, procedures, systems and controls support the fair treatment of customers and mitigate the potential for conflict between commercial, customer and public interests.

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 practices across the Group, being applied proportionately depending on the nature, scale and complexity of the particular business area.

Remuneration expenditure

The following tables show the remuneration awards made by the Group to Code Role Holders in 2015.

The award data is pro-rated for those employees who were newly classified as Code Role Holders during 2015 and for those who were removed from the Code Role list during 2015.

Table 1 – Aggregate 2015 Remuneration Expenditure by Business Area

Aggregate 2015 Remuneration Expenditure by Business Area[1]	No. of coded roles holders as at 31 December 2015	No. of Employees who held a code role in 2015[2,3]	Remuneration expenditure in 2015 £m
Non-executive Directors	6	8	0.42[4]
BOI UK Front Line	19	22	4.33
BOI UK Support Functions	30	32	4.65
Bank of Ireland Group Roles	8	9	-[4]
Grand total	**63**	**71**	**9.39**

[1] *Includes Fees, Salaries, Employer Pension Contributions (as specified in the 2014 EBA benchmarking exercise guidelines) and variable payments (no variable payments were made in 2015) made in 2015 and other monetary and non monetary benefits.*

[2] *Data shown for all employees who held a Code Role at any stage in 2015.*

[3] *If in the event the Group engages individuals, who are employed by an external company, then the individuals will not be 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.*
No individual earned a total remuneration of £733,950 or more in 2015 (€1 million at exchange rate 0.73395).

[4] *In line with the January 2014 EBA Guidelines and criteria an additional 7 Code Role Holders who are employed by Bank of Ireland Group and are wholly remunerated by Bank of Ireland Group and not by BOI (UK) plc, have been identified. Their remuneration data is not included in these tables, but is reported in the Bank of Ireland Group Pillar 3 disclosure. In addition, there are 2 other Bank of Ireland Group employees who are Non-Executive Directors of BOI (UK) plc who receive no fees/remuneration from the Group in this respect, and therefore no remuneration data is reported.*

Analysis of 2015 Remuneration between Fixed and Variable Amounts (actually paid in 2015)

Table 2a - Senior Managers Remuneration Table

(note: there were 10 Senior Managers in Code Roles in 2015)

Total value of remuneration awarded in 2015	Non-deferred	Deferred
Fixed Remuneration[1]		
Cash based	2.79	-
Shares and share-linked instruments	-	-
Other	0.49	-
Variable Remuneration[2]		
Cash based	-	-
Shares and share-linked instruments	-	-
Other	-	-

All Other Risk Roles (NEDs & All Other Code Staff in UK plc) Remuneration Table

(note: there were 52 Code Roles (excluding Senior Managers) in 2015)

Total value of remuneration awarded in 2015	Non-deferred	Deferred
Fixed Remuneration[1]		
Cash based	5.80	-
Shares and share-linked instruments	-	-
Other	0.31	-
Variable Remuneration[2]		
Cash based	-	-
Shares and share-linked instruments	-	-
Other	-	-

[1] *Fixed remuneration 2015: fees, salaries, employer pension contribution amounts, car allowances and other payments.*

[2] *Variable remuneration 2015: Cash bonuses, guaranteed bonus/contractual guarantees, cash LTIPs/deferred bonuses, retention payments, commissions and discretionary pension credits. The fixed to variable remuneration ratio for 2015 was 1:0*

2015 New sign-on and severance payments

- No payments were made to any Code Role Holders hired during 2015 relating to the commencement of their employment.
- During the course of the year, no individuals designated as 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 £nil.
- The highest individual payment made to a departing employee, was £nil, which was comprised of Voluntary Parting and Statutory Redundancy.
- The above payments are not included in the previous tables.

Appendix VI: Disclosure reference table

The Group's Annual Report for the year ended 31 December 2015 can be accessed on the Group's website - www.bankofirelanduk.com

The reference table below details, by subject area, the qualitative and quantitative disclosures incorporated in the Pillar 3 document and the Group's Annual Report.

Subject Area	Pillar 3	Annual Report
Risk management objective and policies	Section 1.5 - Risk management Section 2.1 - Capital management	Section 1.7 - Strategic report Risk management report
Own funds	Section 2.3 Capital resources Appendix I, II, III	Section 1.6.14 - Strategic report
Capital requirements	Section 2.2 - Capital requirements / risk weighted assets Sections 3.3.1 to 3.3.6	Section 1.6.14 - Strategic report
Capital buffers	Section 2.1 - Capital management	
Credit risk adjustments	Section 3.3.7 - Provisioning	Section 2.1.9 - Risk management report
Remuneration policy	Appendix V	Section 1.1 - Risk management report
Leverage	Appendix IV	Section 1.6.14 - Strategic report
Use of credit risk mitigation techniques	Section 3.1 - Credit risk mitigation for risk management purposes. Section 3.2 - Credit risk mitigation for capital requirements calculation	Section 2.1.3 - Risk management report

Glossary

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).
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.
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.
EBA	The European Banking Authority, formerly CEBS (the Committee of European Banking Supervisors).
Export Credit Agency (ECA)	An Export Credit Agency is an agency in a creditor country that provides insurance, guarantees, or loans for the export of goods and services. CRD IV limits the use of ECA credit assessments to exposures to central governments and central banks. Therefore, credit institutions are allowed to use ECA credit assessments to calculate the risk weight of their exposures to central governments and central banks, in addition to ECAIs' credit assessments for other types of exposures.
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.
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 Risk Weight	Average risk weighting of exposures. Calculating the exposure weighted average risk weight involves multiplying the exposure values by the relevant risk weight, summing the answers and dividing by the total exposure values.
IBNR	Incurred but not reported provisions.
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).

PRA The Prudential Authority.

Risk Weighted Assets (RWA) Used in the calculation of risk-based capital ratios. Total assets are calculated by applying predetermined risk-weight factors (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. The term risk weighted assets for the purposes of this document also can be described as risk weighted exposures.

Standardised Exposure Classes

- *Retail:* Exposures must be to an individual 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 £733,950 (€1 million at exchange rate 0.73395).
- *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:* Short term exposures to an Institution or Corporate.
- *Other items:* Exposures not falling into the other exposure classes outlined.

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