Bank of Ireland Group Public Limited Company

Full Rating Report

Ratings

Bank of Ireland Group Public Limited Company, Bank of Ireland
Foreign Currency

Long-Term IDR	BBB-
Short-Term IDR	F3
Viability Rating	bbb-
Support Rating	5
Support Rating Floor	NF

Sovereign Risk

Long-Term Foreign-Currency IDR	A
Long-Term Local-Currency IDR	A

Outlooks

Long-Term Foreign-Currency Rating	Positive
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

Financial Data

Bank of Ireland

	31 Dec 16	31 Dec 15
Total assets (USDm)	129,787	142,580
Total assets (EURm)	123,129	130,960
Total equity (EURm)	8,662	8,373
Operating profit (EURm)	974	1,218
Published net income (EURm)	793	947
Operating ROAA (%)	0.8	0.9
Operating ROAE (%)	11.7	15.2
Fitch Core Capital/ weighted risks (%)	12.0	10.9
Common equity Tier 1 ratio (%)[a]	14.2	13.3
Impaired loans ratio (%)	7.9	11.0
Loans/customer deposits (%)	109.7	113.0

[a] Transitional

Related Research

Bank of Ireland - Ratings Navigator (January 2017)

Analysts

Joanna Drobnik, CFA
+ 44 20 3530 1318
joanna.drobnik@fitchratings.com

Marc Ellsmore
+44 20 3530 1438
marc.ellsmore@fitchratings.com

Key Rating Drivers

Ratings Reflect Improving Fundamentals: The ratings for Bank of Ireland Group Public Limited Company (BOIG) and Bank of Ireland (BOI) reflect the group's strong domestic franchise, strengthened capitalisation, normalised funding, sound liquidity, diversified revenue streams and improving, albeit still weak, asset quality.

Improving but Weak Asset Quality: Asset quality has a high influence on the ratings. It remains weak and is a key constraint on the VR despite strong improvements in recent years. We expect asset quality to continue to improve as a result of a supportive Irish economy, continued demand for properties in Ireland and the proactive stance being taken by the bank's management to reduce legacy assets.

Large UK Exposure: Asset quality benefits from a large portfolio of well-performing residential mortgages in the UK. A downturn in UK real-estate prices, which could result from the UK's vote to leave the EU, is a risk for the group as the UK accounts for about 40% of its loan portfolio.

Strengthened Capitalisation: Capitalisation has improved considerably over the past few years, driven by deleveraging, a simplification of the bank's capital structure and solid internal capital generation. BOI reported a 13.8% transitional common equity Tier 1 (CET1) at end-1Q17, comfortably above its Supervisory Review and Evaluation (SREP) requirements. The proportion of unreserved impaired loans to Fitch Core Capital (FCC) has been falling (end-2016: 43%) although it continues to show BOI's vulnerability to falling collateral prices.

Improved but Challenged Profitability: Profitability continues to be affected by low interest rates, resulting in a big drag from the bank's large stock of low-yielding tracker mortgages. We expect profitability to be challenged by margin pressure, increasing competition, muted net loan growth and increased investment in technology and digitalisation. Some of these pressures should be offset by an improving loan mix, low funding costs, lower loan impairment charges and increasing efficiency.

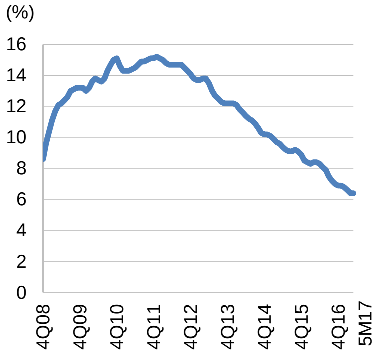
Normalised Funding: BOI's funding profile has returned to normalised levels with most funding sourced from stable customer deposits, little use of central banking funding and re-established wholesale markets access. We do not expect that the need to fulfil minimum requirements for own funds and eligible liabilities (MREL) will materially alter the funding strategy given BOI's improving solvency and proven access to long-term wholesale funding markets.

Rating Sensitivities

Asset-Quality Improvements: The Positive Outlook reflects Fitch Ratings' view that the ratings will be upgraded if the bank continues to improve its asset quality and strengthen its capitalisation in line with our expectations, while continuing to generate satisfactory profits, and maintaining sound funding and liquidity.

Weakening Operating Environment: The ratings could come under pressure if any of our expectations are not met. This could occur if the economic effect of Brexit is particularly severe as it could slow improvements in asset quality and capitalisation. Negative pressure on the VR would also arise if BOI increases its risk appetite, for example, by materially increasing its exposure to commercial real estate (CRE).

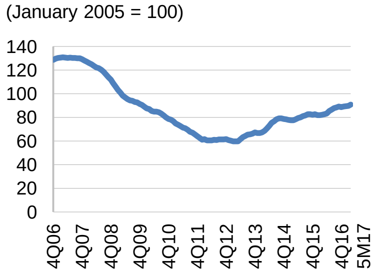
Unemployment Rate



Source: Central statistics office Ireland

Irish Residential Property Price Index

Prices recovering but 40% down from peak



Source: Central statistics office Ireland

Related Criteria

Global Bank Rating Criteria (November 2016)

Operating Environment

Economic Recovery to Remain Strong; Negative Brexit Impact

Our assessment of the group's operating environment is a blend of that of the Republic of Ireland (A/Stable) and the UK (AA/Negative) based on the bank's operations in both countries.

Fitch affirmed Ireland's sovereign in July 2017. Economic growth remains strong, underpinned by private and public consumption, and higher investment in previously ailing sectors, such as construction. Employment growth is strong at close to 3% in 2016. Fitch expects real GDP growth to be 3.5% this year, slowing to 3.0% next year and in 2019.

The impact of the Brexit vote on the Irish economy has been limited although the UK's decision to leave the EU is negative for Ireland's long-term economic and political prospects, creating uncertainty around relations with Northern Ireland and potentially lowering GDP growth against the counterfactual of no Brexit. Ireland could benefit from a shift of some foreign direct investment from the UK to the EU or from international businesses relocating from the UK, but this is highly uncertain. The extent of weakening of Ireland's operating environment will only become clearer as negotiations develop. Another risk is from potential changes in corporate tax policies, especially in the US. There is a risk of smaller FDI flows/reversals if tax incentives were to change radically

Fitch's assessment of the UK operating environment incorporates its relatively high private-sector indebtedness and its large and highly developed banking sector. The Negative Outlook on the UK's rating reflects uncertainty about future trading arrangements with the EU, which carries negative implications for the UK banking system.

Company Profile

Leading Domestic Franchise

BOI, along with Allied Irish Banks, plc (AIB; BB+/Positive/bb), is one of Ireland's two pillar banks. It is the largest Irish bank by total consolidated assets (including its UK subsidiary – Bank of Ireland (UK) plc (BOI UK; BBB-/Stable/bbb-) and the second-largest provider of retail and commercial banking products and services in Ireland. The group also owns New Ireland Assurance Company plc, the second-largest assurance provider in Ireland and the country's only bancassurer.

BOI's franchise benefits from the highly concentrated Irish banking sector and the bank's strong market position provides it with considerable deposit and loan pricing power relative to peers. The bank's franchise is supported by its multi-channel distribution model which includes about 250 branches in Ireland and 35 in Northern Ireland as well as almost 500,000 mobile customers. All new lending is originated directly with BOI either in branch or via digital or telephone channels with no reliance on intermediary channels.

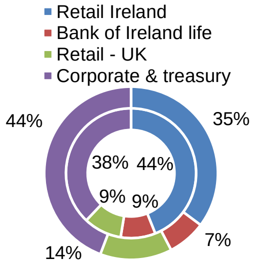
In mainland UK, BOI UK operates partnerships with the Post Office and the Automobile Association, providing a range of lending and savings products and services to retail customers. Its franchise is modest and reliant on the Post Office partnership, both in terms funding and revenues. International operations outside the UK are modest and limited mainly to BOI's leveraged finance book, a large part of which is extended in the US.

Diversified Business Model

BOI is a retail and commercial bank with operations split across five main divisions: Retail Ireland, Bank of Ireland Life, Retail UK, Corporate and Treasury and Group Centre (providing support functions). Most of its revenue is generated from traditional lending and deposit-taking activities.

Retail Ireland is the main source of revenue and profit for the bank (44% of underlying profit before tax (PBT) in 2016, excluding group centre). The division serves retail clients, including

Divisional Mix[a]
Underlying profit before tax
Outer ring: 2015
Inner ring: 2016



[a] Excludes group centre & other
Source: BOI, Fitch

SMEs, and offers deposits, mortgages, business banking, unsecured lending, asset finance and general insurance. Retail UK (10% of underlying PBT) largely focuses on the UK mortgage and personal unsecured and savings markets through the bank's well-established partnership with the UK Post Office and more recently the Automobile Association. Pension and life products are offered through Bank of Ireland Life (9% of underlying PBT; EUR16 billion assets under management), which includes the group's wholly owned subsidiary, New Ireland Assurance Company plc. Most of its risk is re-insured so, effectively it acts mostly as a distributor.

The Ireland and UK corporate and treasury banking unit (38% of underlying PBT) offers a range of services to public and larger private companies. International operations include BOI's mid-market US/European acquisition finance business (about 5% of gross loans), where it acts as a lead arranger or underwriter. The corporate finance division is home to BOI's global markets division, which provides treasury products and services to group customers in addition to market risk services (foreign-exchange (FX) and interest-rate risk hedging) to the wider group. It also manages the group's day-to-day liquidity.

Holding Company Structure

BOI's organisational structure is simple. The group has recently implemented some changes to its organisational structure, which are driven by regulation. With effect from 7 July 2017, BOIG was introduced as the holding company of the Bank of Ireland group, facilitating a "single point of entry" resolution. BOIG is expected to become the group's main's debt issuing entity.

Management and Strategy

Strong Management Team

Fitch believes there is a good degree of depth, credibility and stability at senior management level. The management team has been successful in restructuring the business and significantly de-risking the balance sheet. We believe that management is risk-averse and that it has achieved most targets. Corporate governance is sound and provides reasonable protection of creditors' interests. The board consists of 11 members: the chief executive and the chief financial officer, and nine non-executive directors, which provide a good degree of independence. The board is effective in line with management, in our view.

Strategic objectives are well-articulated and consider a medium-term level of business and financial performance. We believe management objectives to be adequate for the needs of the bank and have enabled the bank to return to profitability and to a healthier level of capitalisation.

Business investment is a key part of BOI's strategy, with the bank recently announcing a multi-year IT investment programme, which will include the development of a new core banking platform. This investment is aimed at improving operational efficiencies and enhancing the overall customer experience.

Risk Appetite

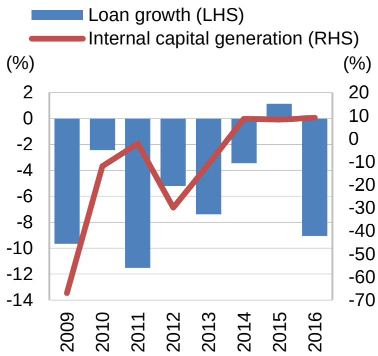
Sound Underwriting Standards

BOI's risk and reporting tools have improved materially since the bank's restructuring and have benefitted from oversight from numerous reviews as part of Ireland's IMF programme. Risk reporting has also been improved with monthly and more detailed quarterly reporting.

Fitch considers BOI's underwriting standards to be generally in line with international peers after being tightened considerably after the crisis. Mortgage underwriting in Ireland is supported by central bank regulations that limit the proportion of new lending at higher loan/values (LTVs) (typically less than 80% for owner-occupied, excluding first-time-buyers, and less than 70% for buy-to-let (BTL)) and a maximum loan-to-income (LTI) of 3.5x (20% of new lending is permitted above the LTI limit). The weighted average LTV of BOI's new lending in 2016 was 67%.

Due to a lack of refinancing opportunities and weak housing supply, new mortgage lending in Ireland remains low, accounting for just 17% of BOI's new lending in 2016. We do not expect this to change materially in the short term due to a large housing shortage, although improving affordability, driven by increasing average earnings and declining mortgage rates, should continue to support demand.

Growth



Source: Fitch BOI

New lending consists mainly of low-LTV, prime owner-occupied mortgages, corporate and SME lending, which together accounted for just over three-quarters of new lending in 2016 (EUR13.2 billion). Unsecured retail lending (13% of new lending) and BOI's leveraged finance activities (8%) accounted for the rest. SME and corporate lending has been particularly strong, underpinned by increasing domestic consumption, improving business confidence and improving unemployment figures. The UK accounted for 39% of new lending, split between residential mortgages (owner-occupied and BTL) and unsecured consumer credit (credit cards and personal loans).

The bank is trying to reduce its exposure to CRE, but this is likely to remain an attractive asset class in the long term because of attractive yields and we expect BOI to remain present in this sector. BOI's Challenged Assets Group is responsible for managing the bank's commercial challenged portfolio. The group has introduced asset-quality structures, processes and resources to maximise recoveries from challenged assets. The bank has made strong progress in reducing its risk-weighted assets (RWAs) in a capital accretive way. The size of the group's consolidated balance sheet is much lower than peak levels (end-2016: EUR123 billion; end-2009; EUR181 billion). Fitch expects deleveraging to slow as the bank works through smaller exposures, which, along with continued demand for credit, should begin to feed through to overall, albeit modest balance-sheet growth over the medium term.

Market Risk

Market risk is modest and in our opinion appropriately mitigated through hedging. Management of market risk is centralised in the Global Markets division, which also serves as the bank's treasury arm. Trading activities are limited to interest-rate, FX and traded credit risk.

BOI manages its exposure to market risk through using a value-at-risk (VaR) approach, which measures and sets limits for proprietary market risk-taking in the Global Markets division. The group measures VaR on a daily basis using a one-day horizon at the 99% confidence level. In 2016, the average and peak trading book VaRs were EUR0.7 million and EUR1.8 million, respectively.

BOI seeks to reduce the volatility of its earnings that arise from the structural mismatch between interest-bearing assets and non-interest-bearing liabilities (mainly equity and personal current accounts) by investing proportion of these "free funds" in a portfolio of swaps with an average life of 3.5 years and maximum life of seven years. Maturing swaps are rewritten to maintain a steady 3.5-year average.

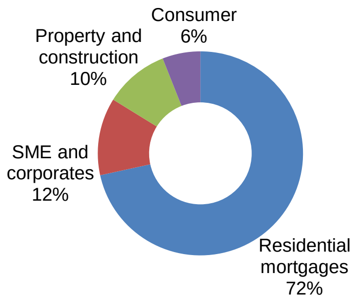
Structural FX risk is managed by ensuring that the currency composition of capital is broadly in line with the currency composition of the bank's RWAs. This helps to ensure that a change in the euro exchange rate has a limited impact on capital ratios.

Financial Profile

Asset Quality

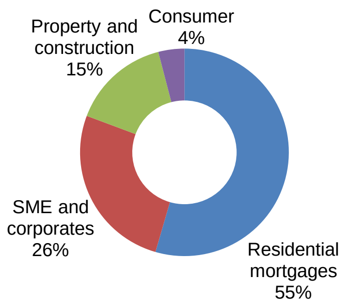
Asset quality continued to improve at a strong pace in 2016 driven by restructuring and non-recourse sales as the bank took advantage of an improving economic environment and strong investor demand. Although asset quality is better than domestic peers' due to a lower stock of impaired loans and a large exposure to UK mortgage lending, it remains weaker than higher-rated foreign peers.

UK Customer Loans
(End-2016)



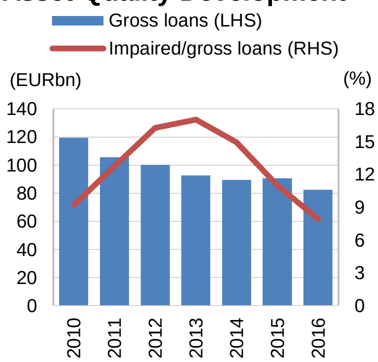
Source: BOI, Fitch

Ireland Customer Loans
(End-2016)



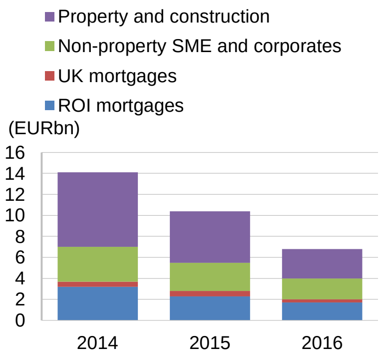
Source: BOI, Fitch

Asset Quality Development



Source: Fitch, BOI

Defaulted Loans by Portfolio



Source: BOI

We expect the pace of asset-quality improvement to slow with fewer portfolio sales of non-performing loans. Working through the remaining impaired loans, a large proportion of which are Irish residential mortgages will take several years, but we expect it to be supported by the bank's well-established strategy and a supportive operating environment.

Total non-performing loans (NPLs; impaired loans plus loans three months or more in arrears but not impaired and probationary residential mortgages) decreased by 34% in 2016 to EUR7.9 billion, or 9.6% of gross loans. Deleveraging has been supported by the non-recourse sale of property assets and increased clarity over the mortgage arrears resolution framework in Ireland, enabling BOI to implement long-term restructuring plans for borrowers in arrears. Our assessment of BOI asset quality also factors in the bank's large exposure to forborne loans, which accounted for 10% of gross loans at end-2016, although a large majority (93%) were not classified as impaired.

Residential mortgage loans account for the largest share of BOI's loan book (59%). Impaired loans represented 3.3% of gross mortgage loans at end-2016. This includes a large proportion of UK residential mortgages which are better performing. Excluding these, the ratio of impaired loans/gross mortgage loans would have been 6%.

NPL Breakdown

(End-2016)	Gross loans (EURbn)	NPLs	NPL ratio (%)	Impairment provisions	Impairment provisions/ NPLs (%)
Residential mortgages	**48.2**	**3**	**6.3**	**1**	**49**
Republic of Ireland	24.3	2.2	9.1	0.9	54
UK	23.9	0.8	3.5	0.1	23
SME and corporates	**20**	**2**	**9.8**	**1.1**	**55**
Republic of Ireland SME	8.8	1.5	17	0.8	54
UK SME	1.9	0.2	7.6	0.1	53
Corporate	9.3	0.3	3.5	0.2	63
Property and construction	**10.4**	**2.8**	**27.3**	**1.7**	**61**
Investment property	9.4	2.1	22.7	1.2	57
Land and development	1	0.7	69.6	0.5	73
Consumer	**3.8**	**0.1**	**2.7**	**0.1**	**94**
Total	**82.4**	**7.9**	**9.6**	**3.9**	**49**

Source: BOI, Fitch

The Irish mortgage portfolio is split between owner-occupied (82% of gross mortgages) and BTL (18%) loans. Irish BTL mortgages account for about half (47%) of impaired mortgage loans, reflecting past weak underwriting standards and a steep decline in rental yields and performance in the aftermath of the Irish property crisis. Long-term mortgage arrears (more than 720 days) have reduced and are below the industry average with 1.7% and 4.2% of Irish owner-occupied and BTL mortgages in arrears more than 720 days.

Irish mortgage LTVs have been improving strongly although the LTV and LTI limits introduced by the Central Bank of Ireland in 2015 have slowed the pace of improvement due to weaker credit growth, with fewer borrowers being able to meet the new requirements. The weighted-average LTV of the Irish owner-occupied portfolio fell to 69% at end-2016 (end-2015: 77%) with loans in negative equity representing 14% of the overall portfolio, a fall of 10% year-on-year. BTL LTVs are much weaker with loans in negative equity representing 27% of the portfolio (2015: 41%) although the trend is also positive. Fitch expects LTVs to improve further, supported by housing shortages, an improving economy and new lending at conservative LTVs.

Property and construction loans represented 12% of gross loans at end-2016. The portfolio (EUR10.3 billion) is comprised of legacy investment property loans (EUR9.3 billion) and a smaller portfolio of land and development loans (EUR1 billion). Asset quality is weak with a NPL ratio of 27% at end-2016 (EUR2.8 billion) although these are 61% covered by impairment reserves, mitigating credit risks to an extent. The bank's exposure to the property and construction sector has been reducing at a steady pace driven by a mixture of resolution activity, real-estate price increases and property sales.

Non-property SME and corporate lending accounts for a quarter of gross loans, split between Irish SMEs (11% of gross loans), Irish corporates (2.5%), UK SMEs (2.5%), UK corporates (2.5%) and the bank's leveraged finance portfolio. The SME/corporate portfolio is relatively well diversified across sectors including agriculture, manufacturing, retail and hotels. Impaired loans are fairly high at 12% of gross loans. NPLs have been falling due to restructuring and improved trading conditions in both domestic and international markets.

The bank's leveraged finance portfolio is long-standing and focused on the mid-market European- and US-sponsored leverage finance markets. The bank has been present in this sector for several years and losses have been low. The bank mainly participates at the senior debt level.

The UK mortgage portfolio (24% of gross loans) is performing well, supported by low unemployment and mortgage rates. However, we believe that performance could weaken if the operating environment deteriorates as a result of the UK's decision to leave the EU. We believe that any deterioration should remain easily manageable given the bank's sound underwriting standards. The UK portfolio is split between owner-occupied mortgages (53% of gross loans), BTL (37%) and a small portfolio of legacy self-certified mortgages (11%). Asset-quality indicators have improved following reductions of the bank's legacy commercial portfolio with impaired loans decreasing to 2.4% of gross loans at end-2016 (end-2015: 4.1%).

Provisioning of impaired loans (end-2016: 60%) is conservative and should mitigate the risk of material impairment losses. The high reserve coverage reflects the deep price correction during the previous Irish property crisis, weaker underwriting standards pre-crisis and the highly impaired nature of the bank's remaining stock of impaired loans.

Other Earning Assets

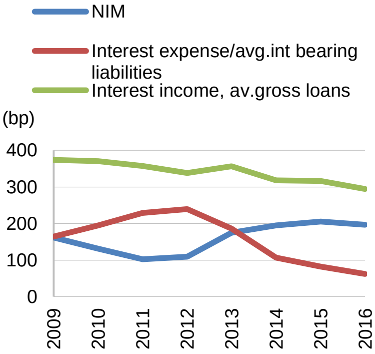
BOI's EUR10.2 billion of available-for-sale (AFS) securities (8.3% of total assets) primarily comprised highly rated government (EUR4.7 billion) and listed debt securities (EUR5.2 billion). Equity holdings are minimal. Unlisted debt securities are modest and mostly comprised NAMA bonds, which have been decreasing at a fast pace in line with the repayment of the underlying assets.

Earnings and Profitability

BOI reported a statutory pre-tax profit of EUR1 billion for 2016 (2015: EUR1.2 billion). Profitability has been boosted over the past couple of years by large releases of impairment provisions and gains on the sale of liquid assets, which we do not expect to be repeated. Profitability remains constrained by the low-interest-rate environment, which results in a big drag from the bank's large stock of very low-yielding tracker mortgages.

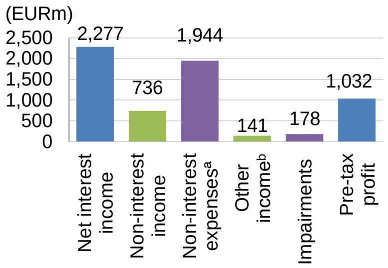
Net income fell by 16% in 2016 due to lower levels of net interest income (NII), increased expenses (including levies and regulatory costs) and lower releases of impairment charges and the absence of material gains on the sale of AFS securities. NII was down 7% in 2016 despite higher volumes of new lending as asset margins declined, and because of lower returns on AFS assets and a weaker pound. The net interest margin (NIM), in line with peers, contracted in 2016 to 197bp (2015: 205bp).

Net Interest Margin



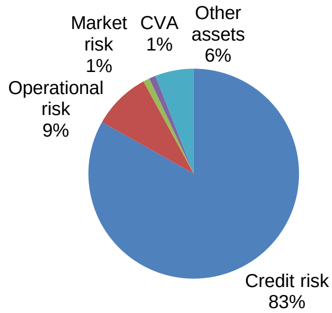
Source: BOI, Fitch

Performance at FYE16



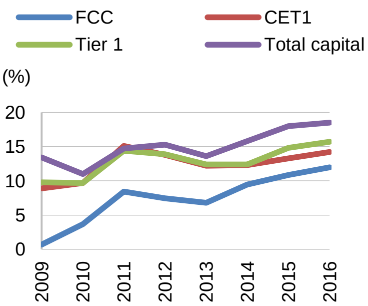
[a] Includes non-recurring expenses of EUR42m
[b] Includes non-recurring income of EUR100m
Source: BOI, Fitch

RWA Composition
End-2016



Source: BOI, Fitch

Capital Ratios[a]



[a] Transitional
Source: BOI, Fitch

We do not expect NII to improve materially due to household and business deleveraging resulting in weak balance-sheet growth. Although NIM will remain under pressure due to increasing competition, low interest rates and lower returns on the bank's liquid assets portfolio, it should be supported by low funding costs and further reductions of low-yielding tracker and impaired loans, which are replaced with higher-yielding loans.

Funding costs remain low and this has helped mitigate pressure on lending margins. However, further reductions in funding costs are likely to be limited although some repricing opportunities remain in the UK. Funding costs may also rise slightly as the bank builds up its MREL buffers.

Non-interest income was stable in 2016 (EUR831 million; 2015: EUR838 million) representing 24% of total revenue. Other income included net insurance income of EUR229 million and net fees and commissions of EUR337 million, with the latter mainly generated by retail banking and credit-related fees. The sale of VISA Europe generated a one-off gain of EUR95 million.

BOI's cost/income ratio is higher (2016: 63%) than better-rated international peers as business volumes continue to be affected by balance-sheet deleveraging and modest net lending volumes. The bank's core IT banking platform investment programme is expected to result in better cost-efficiency over the medium term, but until then it will be a drag on the bank's cost/income ratio. Overall, we expect costs to remain elevated with high compliance- and regulatory-related expenses adding further pressure.

Loan impairment charges (LICs) remain low due to falling unemployment, property price growth and low volumes of new to impaired loans. The large provision releases reported in 2015 are not expected to be repeated as property price rises slow further. We also believe that LICs are at unsustainably low levels and will gradually normalise over the medium term but to remain muted due to an improving operating environment and low interest rates.

Capitalisation and Leverage

Strengthened Capitalisation

BOI's capitalisation has improved materially over the past couple of years and is adequate for its rating level. The improvement has been driven by balance-sheet deleveraging, sound provisioning and improving internal capital generation.

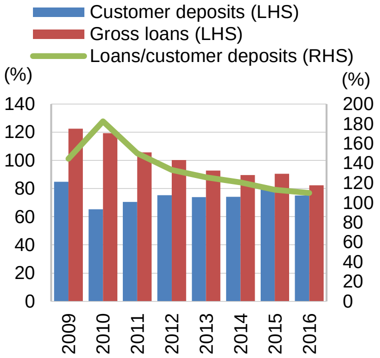
Our assessment of capital also considers the vulnerability of the bank's capital base to any unexpected deterioration in the group's stock of unreserved impaired assets. This vulnerability has declined, but at end-2016, unreserved impaired loans was still equal to 43% of FCC, broadly in line with domestic peers.

At end-1Q17, BOI reported a 13.8% transitional CET1 ratio (fully loaded CET1: 12.0%), compared with an SREP requirement of 10.25%, and an 18.1% total capital ratio. Capital ratios remain weaker on a fully loaded basis due primarily to the deduction of deferred tax assets (DTAs). Continued profitability should result in a reduction in DTAs although the low corporate tax regime in Ireland means that the bank will take several years to utilise its EUR1.3 billion DTAs.

The composition of BOI's capital base has normalised over the past 18 months due to the repayment of legacy capital instruments, including EUR1.3 billion of government-held preference shares in January 2016 and EUR1 billion of Contingent Convertible notes in July 2016. BOI has demonstrated its ability to access wholesale markets for additional Tier 1 (AT1) and Tier 2 notes underpinned by strong investor sentiment.

Volatility of BOI's pension fund deficit and adverse movements in foreign-exchange markets have weighed on regulatory capital ratios. Tighter yields on high-quality corporate bonds, used to discount pension liabilities under IFRS, led to an increase in BOI's pension scheme deficit in 1Q17 to EUR0.7 billion and negatively affected the group's CET1 ratio. The group's fully loaded leverage ratio was sound at end-2016 (6.4%) and included EUR750 million of AT1 notes issued in 1H15 in the numerator.

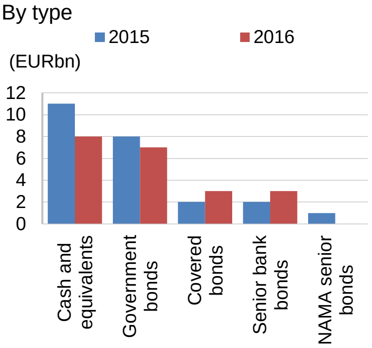
Loan/Deposit Ratios



Source: Fitch BOI

Liquidity Reserves

By type



Source: BOI, Fitch

Funding and Liquidity

BOI's funding has normalised with most funding sourced from a stable deposit base, limited reliance on central bank funding and established access to the wholesale markets.

BOI has re-established good access to wholesale funding, benefiting from strong investor appetite and quantitative easing in the eurozone. Wholesale funding accounted for 20% of non-equity funding excluding derivatives at end-2016, and management plans to broadly maintain the bank's retail/wholesale funding mix at current levels. Wholesale funding is divided between secured funding (EUR7 billion) in the form of covered bonds and securitisations, unsecured funding (EUR4 billion) and ECB funding (EUR3 billion).

We expect MREL requirements to be met through a mixture of regulatory capital and senior holding company issuance. The bank's funding strategy is unlikely to change materially and it is well positioned to meet MREL requirements given its improving capitalisation and access to the long-term wholesale funding markets.

After the establishment of the holding company, senior holding company debt is likely to be downstreamed in a subordinated manner to satisfy MREL requirements, and existing Tier 2 and AT1 debt issued by the bank is likely to be replaced over time by issuance out of the holding company.

Balance-sheet encumbrance is moderate but increased slightly at end-2016 to 20% (end-2015: 18%) due to a rise in targeted longer-term refinancing operations (TLTRO) borrowings and access to the Bank of England's Term Funding Scheme.

Liquidity is sound. The bank reported liquidity coverage and net stable funding ratios of 113% and 122%, respectively, at end-2016. On-balance-sheet liquidity consists of EUR21 billion in liquid assets (17% of total assets), the majority of which are high-quality Irish government bonds, cash and central bank reserves (EUR15 billion). Liquidity is supported by access to central bank facilities at the ECB and the Bank of England, if needed.

Support

Sovereign Support Cannot Be Relied On

BOIG's and BOI's Support Ratings of '5' and Support Rating Floors of 'No Floor' reflect Fitch's view that senior creditors cannot rely on extraordinary support from the Irish authorities if the group becomes non-viable. In our opinion, Ireland has implemented legislation and regulations that are sufficiently progressed to provide a framework that is likely to require senior creditors participating in losses for resolving even large banking groups.

Institutional Support Factored Into Subsidiary Ratings

BOI UK's Support Rating of '3' reflects our view that BOI UK benefits from a moderate likelihood of support, if required, from its ultimate parent, BOIG. Although we view BOIG's propensity to support its UK subsidiary as extremely high, driven by the large reputational risk it would face in case of a default by BOI UK, the ability to do so is constrained by the large size of BOI UK relative to the parent's own equity.

Summary Peer Analytics

(%)	BOI (bbb-) 2015	BOI (bbb-) 2016	AIB (bb+) 2015	AIB (bb+) 2016	Ulster Bank Ireland Ltd. (bb) 2015	Ulster Bank Ireland Ltd. (bb) 2016
Asset quality						
Impaired loans/gross loans	**11.0**	**7.9**	**18.7**	**14.0**	**23.9**	**15.9**
Growth of gross loans	1.2	-9.1	-7.7	-6.6	-28.1	-13.4
Reserves for impaired loans/impaired loans	59.0	59.4	52.2	50.2	64.1	37.4
Impaired loans less reserves for impaired loans/FCC	70.9	43.4	73.8	48.2	30.7	37.5
Loan impairment charges/average gross loans	0.3	0.2	-1.3	-0.4	-2.9	-0.6
Earnings & profitability						
Operating profit/RWAs	**2.3**	**1.9**	**3.3**	**2.6**	**4.2**	**1.2**
Non-interest expense/gross revenue	55.4	63.1	63.9	59.4	75.5	83.2
Loans and securities impairment charges/pre-impairment operating profit	19.6	15.5	-96.0	-26.8	-540.1	-123.2
Operating profit/average total assets	0.9	0.8	1.8	1.4	3.4	0.8
Net interest income/average earning assets	2.1	2.0	2.1	2.3	1.5	1.6
Net income/average equity	11.8	9.5	14.5	11.3	15.2	0.5
Capitalisation & Leverage						
FCC/FCC-adjusted RWAs	**10.9**	**12.0**	**14.5**	**17.4**	**28.8**	**29.5**
Tangible common equity/tangible assets	5.0	5.6	8.5	10.2	24.6	20.4
Common equity Tier 1 ratio (transitional)	13.3	14.2	15.9	19.0	29.6	29.8
Internal capital generation	8.2	9.1	11.8	8.7	13.9	-22.6
Funding & liquidity						
Loans/customer deposits	**113.0**	**109.7**	**111.8**	**103.7**	**149.9**	**123.5**
Interbank assets/interbank liabilities	869.3	75.5	208.8	161.6	331.7	275.9
Customer deposits/total funding (excluding derivatives)	81.1	81.9	71.7	79.2	82.3	83.4
Liquidity coverage ratio	108.0	113.0	116.0	128.0	n.a.	n.a.
Net stable funding ratio	120.0	122.0	111.0	119.0	n.a.	n.a.

Source: Fitch, Banks

Debt Ratings

The subordinated debt and other hybrid capital issued by BOIG entities are notched down from their VRs, reflecting a combination Fitch’s assessment of their incremental non-performance risk relative to their VRs (up to three notches) and assumptions around loss severity (one or two notches). BOI's subordinated Tier 2 debt is notched down once from BOI’s VR, reflecting higher loss severity relative to senior obligations given their subordinated status.

Bank of Ireland
Income Statement

	31 Dec 2016			31 Dec 2015		31 Dec 2014		31 Dec 2013	
	Year End USDm Audited - Unqualified	Year End EURm Audited - Unqualified	As % of Earning Assets	Year End EURm Audited - Unqualified	As % of Earning Assets	Year End EURm Audited - Unqualified	As % of Earning Assets	Year End EURm Audited - Unqualified	As % of Earning Assets
1. Interest Income on Loans	2,668.9	2,532.0	2.23	2,870.0	2.40	2,907.0	2.43	3,128.0	2.59
2. Other Interest Income	346.8	329.0	0.29	399.0	0.33	525.0	0.44	541.0	0.45
3. Dividend Income	14.8	14.0	0.01	11.0	0.01	11.0	0.01	5.0	0.00
4. Gross Interest and Dividend Income	**3,030.5**	**2,875.0**	**2.54**	**3,280.0**	**2.75**	**3,443.0**	**2.88**	**3,674.0**	**3.04**
5. Interest Expense on Customer Deposits	384.7	365.0	0.32	469.0	0.39	660.0	0.55	1,066.0	0.88
6. Other Interest Expense	245.6	233.0	0.21	356.0	0.30	451.0	0.38	599.0	0.50
7. Total Interest Expense	**630.3**	**598.0**	**0.53**	**825.0**	**0.69**	**1,111.0**	**0.93**	**1,665.0**	**1.38**
8. Net Interest Income	**2,400.1**	**2,277.0**	**2.01**	**2,455.0**	**2.06**	**2,332.0**	**1.95**	**2,009.0**	**1.66**
9. Net Gains (Losses) on Trading and Derivatives	119.1	113.0	0.10	58.0	0.05	(42.0)	(0.04)	12.0	0.01
10. Net Gains (Losses) on Other Securities	183.4	174.0	0.15	207.0	0.17	192.0	0.16	50.0	0.04
11. Net Gains (Losses) on Assets at FV through Income Statement	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. Net Insurance Income	241.4	229.0	0.20	212.0	0.18	103.0	0.09	164.0	0.14
13. Net Fees and Commissions	355.2	337.0	0.30	319.0	0.27	344.0	0.29	301.0	0.25
14. Other Operating Income	(123.3)	(117.0)	(0.10)	42.0	0.04	43.0	0.04	(17.0)	(0.01)
15. Total Non-Interest Operating Income	**775.8**	**736.0**	**0.65**	**838.0**	**0.70**	**640.0**	**0.53**	**510.0**	**0.42**
16. Personnel Expenses	928.6	881.0	0.78	894.0	0.75	762.0	0.64	550.0	0.46
17. Other Operating Expenses	1,076.2	1,021.0	0.90	931.0	0.78	859.0	0.72	757.0	0.63
18. Total Non-Interest Expenses	**2,004.8**	**1,902.0**	**1.68**	**1,825.0**	**1.53**	**1,621.0**	**1.35**	**1,307.0**	**1.08**
19. Equity-accounted Profit/ Loss - Operating	43.2	41.0	0.04	46.0	0.04	92.0	0.08	31.0	0.03
20. Pre-Impairment Operating Profit	**1,214.3**	**1,152.0**	**1.02**	**1,514.0**	**1.27**	**1,443.0**	**1.21**	**1,243.0**	**1.03**
21. Loan Impairment Charge	185.5	176.0	0.16	296.0	0.25	542.0	0.45	1,665.0	1.38
22. Securities and Other Credit Impairment Charges	2.1	2.0	0.00	0.0	0.00	(70.0)	(0.06)	n.a.	-
23. Operating Profit	**1,026.7**	**974.0**	**0.86**	**1,218.0**	**1.02**	**971.0**	**0.81**	**(422.0)**	**(0.35)**
24. Equity-accounted Profit/ Loss - Non-operating	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
25. Non-recurring Income	105.4	100.0	0.09	57.0	0.05	9.0	0.01	n.a.	-
26. Non-recurring Expense	44.3	42.0	0.04	43.0	0.04	60.0	0.05	103.0	0.09
27. Change in Fair Value of Own Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
28. Other Non-operating Income and Expenses	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
29. Pre-tax Profit	**1,087.8**	**1,032.0**	**0.91**	**1,232.0**	**1.03**	**920.0**	**0.77**	**(525.0)**	**(0.43)**
30. Tax expense	251.9	239.0	0.21	285.0	0.24	134.0	0.11	(35.0)	(0.03)
31. Profit/Loss from Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
32. Net Income	**835.9**	**793.0**	**0.70**	**947.0**	**0.79**	**786.0**	**0.66**	**(490.0)**	**(0.41)**
33. Change in Value of AFS Investments	(178.1)	(169.0)	(0.15)	(81.0)	(0.07)	133.0	0.11	317.0	0.26
34. Revaluation of Fixed Assets	3.2	3.0	0.00	11.0	0.01	1.0	0.00	0.0	0.00
35. Currency Translation Differences	(441.7)	(419.0)	(0.37)	255.0	0.21	275.0	0.23	(81.0)	(0.07)
36. Remaining OCI Gains/(losses)	171.8	163.0	0.14	46.0	0.04	(194.0)	(0.16)	(298.0)	(0.25)
37. Fitch Comprehensive Income	**391.1**	**371.0**	**0.33**	**1,178.0**	**0.99**	**1,001.0**	**0.84**	**(552.0)**	**(0.46)**
38. Memo: Profit Allocation to Non-controlling Interests	0.0	0.0	0.00	7.0	0.01	n.a.	-	(3.0)	(0.00)
39. Memo: Net Income after Allocation to Non-controlling Interests	835.9	793.0	0.70	940.0	0.79	786.0	0.66	(487.0)	(0.40)
40. Memo: Common Dividends Relating to the Period	n.a.	n.a.	-	n.a.	-	n.a.	-	0.0	0.00
41. Memo: Preferred Dividends Related to the Period	8.4	8.0	0.01	257.0	0.22	141.0	0.12	240.0	0.20
Exchange rate		USD1 = EUR0.9487		USD1 = EUR0.9185		USD1 = EUR0.8237		USD1 = EUR0.7251	

Bank of Ireland
Balance Sheet

	31 Dec 2016			31 Dec 2015		31 Dec 2014		31 Dec 2013	
	Year End USDm	Year End EURm	As % of Assets	Year End EURm	As % of Assets	Year End EURm	As % of Assets	Year End EURm	As % of Assets
Assets									
A. Loans									
1. Residential Mortgage Loans	50,813.7	48,207.0	39.15	52,905.0	40.40	50,983.0	39.28	51,646.0	39.09
2. Other Mortgage Loans	10,903.3	10,344.0	8.40	13,357.0	10.20	15,219.0	11.72	16,802.0	12.72
3. Other Consumer/ Retail Loans	4,017.1	3,811.0	3.10	3,339.0	2.55	2,954.0	2.28	2,822.0	2.14
4. Corporate & Commercial Loans	21,081.5	20,000.0	16.24	20,974.0	16.02	20,385.0	15.70	21,485.0	16.26
5. Other Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Less: Reserves for Impaired Loans	4,095.1	3,885.0	3.16	5,886.0	4.49	7,423.0	5.72	8,241.0	6.24
7. Net Loans	**82,720.6**	**78,477.0**	**63.74**	**84,689.0**	**64.67**	**82,118.0**	**63.27**	**84,514.0**	**63.96**
8. Gross Loans	**86,815.6**	**82,362.0**	**66.89**	**90,575.0**	**69.16**	**89,541.0**	**68.98**	**92,755.0**	**70.20**
9. Memo: Impaired Loans included above	6,877.8	6,525.0	5.30	9,983.0	7.62	13,398.0	10.32	15,785.0	11.95
10. Memo: Loans at Fair Value included above	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
B. Other Earning Assets									
1. Loans and Advances to Banks	2,028.0	1,924.0	1.56	2,860.0	2.18	3,413.0	2.63	3,264.0	2.47
2. Reverse Repos and Cash Collateral	49.5	47.0	0.04	150.0	0.11	27.0	0.02	6,984.0	5.29
3. Trading Securities and at FV through Income	13,984.4	13,267.0	10.77	12,283.0	9.38	11,540.0	8.89	10,558.0	7.99
4. Derivatives	3,909.6	3,709.0	3.01	3,064.0	2.34	3,692.0	2.84	3,492.0	2.64
5. Available for Sale Securities	11,377.7	10,794.0	8.77	10,128.0	7.73	13,580.0	10.46	8,104.0	6.13
6. Held to Maturity Securities	1,973.2	1,872.0	1.52	1,922.0	1.47	0.0	0.00	n.a.	-
7. Equity Investments in Associates	133.9	127.0	0.10	139.0	0.11	289.0	0.22	298.0	0.23
8. Other Securities	475.4	451.0	0.37	1,414.0	1.08	2,374.0	1.83	1,157.0	0.88
9. Total Securities	**31,903.7**	**30,267.0**	**24.58**	**29,100.0**	**22.22**	**31,502.0**	**24.27**	**30,593.0**	**23.15**
10. Memo: Government Securities included Above	9,922.0	9,413.0	7.64	11,453.0	8.75	12,831.0	9.89	12,399.0	9.38
11. Memo: Total Securities Pledged	105.4	100.0	0.08	100.0	0.08	1,600.0	1.23	6,800.0	5.15
12. Investments in Property	910.7	864.0	0.70	841.0	0.64	701.0	0.54	805.0	0.61
13. Insurance Assets	1,862.5	1,767.0	1.44	1,867.0	1.43	1,869.0	1.44	1,520.0	1.15
14. Other Earning Assets	0.0	0.0	0.00	20.0	0.02	135.0	0.10	n.a.	-
15. Total Earning Assets	**119,425.5**	**113,299.0**	**92.02**	**119,377.0**	**91.16**	**119,738.0**	**92.25**	**120,696.0**	**91.34**
C. Non-Earning Assets									
1. Cash and Due From Banks	6,925.3	6,570.0	5.34	8,171.0	6.24	6,402.0	4.93	8,059.0	6.10
2. Memo: Mandatory Reserves included above	1,452.5	1,378.0	1.12	1,568.0	1.20	1,411.0	1.09	1,311.0	0.99
3. Foreclosed Real Estate	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Fixed Assets	372.1	353.0	0.29	334.0	0.26	324.0	0.25	322.0	0.24
5. Goodwill	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Other Intangibles	669.3	635.0	0.52	526.0	0.40	410.0	0.32	374.0	0.28
7. Current Tax Assets	4.2	4.0	0.00	13.0	0.01	11.0	0.01	28.0	0.02
8. Deferred Tax Assets	1,368.2	1,298.0	1.05	1,453.0	1.11	1,638.0	1.26	1,714.0	1.30
9. Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
10. Other Assets	1,022.5	970.0	0.79	1,086.0	0.83	1,277.0	0.98	944.0	0.71
11. Total Assets	**129,787.1**	**123,129.0**	**100.00**	**130,960.0**	**100.00**	**129,800.0**	**100.00**	**132,137.0**	**100.00**
Liabilities and Equity									
D. Interest-Bearing Liabilities									
1. Customer Deposits - Current	52,371.7	49,685.0	40.35	47,498.0	36.27	41,104.0	31.67	36,811.0	27.86
2. Customer Deposits - Savings	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Customer Deposits - Term	26,793.5	25,419.0	20.64	32,637.0	24.92	33,176.0	25.56	37,056.0	28.04
4. Total Customer Deposits	**79,165.2**	**75,104.0**	**61.00**	**80,135.0**	**61.19**	**74,280.0**	**57.23**	**73,867.0**	**55.90**
5. Deposits from Banks	2,686.8	2,549.0	2.07	329.0	0.25	356.0	0.27	1,827.0	1.38
6. Repos and Cash Collateral	247.7	235.0	0.19	607.0	0.46	3,358.0	2.59	10,533.0	7.97
7. Commercial Paper and Short-term Borrowings	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
8. Total Money Market and Short-term Funding	**82,099.7**	**77,888.0**	**63.26**	**81,071.0**	**61.91**	**77,994.0**	**60.09**	**86,227.0**	**65.26**
9. Senior Unsecured Debt (original maturity > 1 year)	12,267.3	11,638.0	9.45	13,288.0	10.15	16,738.0	12.90	15,280.0	11.56
10. Subordinated Borrowing	1,334.5	1,266.0	1.03	2,260.0	1.73	2,329.0	1.79	1,513.0	1.15
11. Covered Bonds	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. Other Long-term Funding	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
13. Total LT Funding (original maturity > 1 year)	**13,601.8**	**12,904.0**	**10.48**	**15,548.0**	**11.87**	**19,067.0**	**14.69**	**16,793.0**	**12.71**
14. Derivatives	3,028.4	2,873.0	2.33	3,619.0	2.76	4,038.0	3.11	3,228.0	2.44
15. Trading Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
16. Total Funding	**98,729.8**	**93,665.0**	**76.07**	**100,238.0**	**76.54**	**101,099.0**	**77.89**	**106,248.0**	**80.41**
E. Non-Interest Bearing Liabilities									
1. Fair Value Portion of Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Credit impairment reserves	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Reserves for Pensions and Other	579.7	550.0	0.45	852.0	0.65	1,077.0	0.83	935.0	0.71
4. Current Tax Liabilities	20.0	19.0	0.02	35.0	0.03	30.0	0.02	28.0	0.02
5. Deferred Tax Liabilities	68.5	65.0	0.05	68.0	0.05	71.0	0.05	92.0	0.07
6. Other Deferred Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
8. Insurance Liabilities	11,525.2	10,934.0	8.88	10,403.0	7.94	9,918.0	7.64	8,502.0	6.43
9. Other Liabilities	8,785.7	8,335.0	6.77	8,771.0	6.70	8,687.0	6.69	8,301.0	6.28
10. Total Liabilities	**119,709.1**	**113,568.0**	**92.23**	**120,367.0**	**91.91**	**120,882.0**	**93.13**	**124,106.0**	**93.92**
F. Hybrid Capital									
1. Pref. Shares and Hybrid Capital accounted for as Debt	167.6	159.0	0.13	1,480.0	1.13	171.0	0.13	162.0	0.12
2. Pref. Shares and Hybrid Capital accounted for as Equity	780.0	740.0	0.60	740.0	0.57	1,300.0	1.00	1,300.0	0.98
G. Equity									
1. Common Equity	9,308.5	8,831.0	7.17	7,953.0	6.07	7,173.0	5.53	6,861.0	5.19
2. Non-controlling Interest	1.1	1.0	0.00	1.0	0.00	(6.0)	(0.00)	(6.0)	(0.00)
3. Securities Revaluation Reserves	368.9	350.0	0.28	519.0	0.40	600.0	0.46	467.0	0.35
4. Foreign Exchange Revaluation Reserves	(733.6)	(696.0)	(0.57)	(277.0)	(0.21)	(532.0)	(0.41)	(807.0)	(0.61)
5. Fixed Asset Revaluations and Other Accumulated OCI	185.5	176.0	0.14	177.0	0.14	212.0	0.16	54.0	0.04
6. Total Equity	**9,130.4**	**8,662.0**	**7.03**	**8,373.0**	**6.39**	**7,447.0**	**5.74**	**6,569.0**	**4.97**
7. Total Liabilities and Equity	**129,787.1**	**123,129.0**	**100.00**	**130,960.0**	**100.00**	**129,800.0**	**100.00**	**132,137.0**	**100.00**
8. Memo: Fitch Core Capital	6,417.2	6,088.0	4.94	5,781.0	4.41	4,879.0	3.76	3,823.0	2.89
Exchange rate		USD1 = EUR0.9487		USD1 = EUR0.9185		USD1 = EUR0.8237		USD1 = EUR0.7251	

Bank of Ireland
Summary Analytics

	31 Dec 2016 Year End	31 Dec 2015 Year End	31 Dec 2014 Year End	31 Dec 2013 Year End
A. Interest Ratios				
1. Interest Income on Loans/ Average Gross Loans	2.94	3.16	3.18	3.56
2. Interest Expense on Customer Deposits/ Average Customer Deposits	0.47	0.60	0.89	1.45
3. Interest Income/ Average Earning Assets	2.49	2.75	2.87	3.20
4. Interest Expense/ Average Interest-bearing Liabilities	0.62	0.82	1.07	1.86
5. Net Interest Income/ Average Earning Assets	1.97	2.05	1.95	1.75
6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	1.82	1.81	1.49	0.30
7. Net Interest Inc Less Preferred Stock Dividend/ Average Earning Assets	1.97	1.84	1.83	1.54
B. Other Operating Profitability Ratios				
1. Non-Interest Income/ Gross Revenues	24.43	25.45	21.53	20.25
2. Non-Interest Expense/ Gross Revenues	63.13	55.42	54.54	51.89
3. Non-Interest Expense/ Average Assets	1.50	1.40	1.24	0.96
4. Pre-impairment Op. Profit/ Average Equity	13.82	18.88	20.63	15.42
5. Pre-impairment Op. Profit/ Average Total Assets	0.91	1.16	1.10	0.91
6. Loans and securities impairment charges/ Pre-impairment Op. Profit	15.45	19.55	32.71	133.95
7. Operating Profit/ Average Equity	11.69	15.19	13.88	(5.24)
8. Operating Profit/ Average Total Assets	0.77	0.93	0.74	(0.31)
9. Operating Profit / Risk Weighted Assets	1.92	2.29	1.88	(0.75)
C. Other Profitability Ratios				
1. Net Income/ Average Total Equity	9.52	11.81	11.24	(6.08)
2. Net Income/ Average Total Assets	0.63	0.72	0.60	(0.36)
3. Fitch Comprehensive Income/ Average Total Equity	4.45	14.69	14.31	(6.85)
4. Fitch Comprehensive Income/ Average Total Assets	0.29	0.90	0.76	(0.40)
5. Taxes/ Pre-tax Profit	23.16	23.13	14.57	6.67
6. Net Income/ Risk Weighted Assets	1.56	1.78	1.52	(0.87)
D. Capitalization				
1. FCC/FCC-Adjusted Risk Weighted Assets	11.98	10.85	9.46	6.78
2. Tangible Common Equity/ Tangible Assets	5.57	4.98	4.26	3.51
3. Tier 1 Regulatory Capital Ratio	15.70	14.80	12.40	12.40
4. Total Regulatory Capital Ratio	18.50	18.00	15.80	13.60
5. Common Equity Tier 1 Capital Ratio	14.20	13.30	12.30	12.20
6. Equity/ Total Assets	7.03	6.39	5.74	4.97
7. Cash Dividends Paid & Declared/ Net Income	1.01	27.14	17.94	(48.98)
8. Internal Capital Generation	9.06	8.24	8.66	(11.11)
E. Loan Quality				
1. Growth of Total Assets	(5.98)	0.89	(1.77)	(10.70)
2. Growth of Gross Loans	(9.07)	1.15	(3.47)	(7.40)
3. Impaired Loans/ Gross Loans	7.92	11.02	14.96	17.02
4. Reserves for Impaired Loans/ Gross Loans	4.72	6.50	8.29	8.88
5. Reserves for Impaired Loans/ Impaired Loans	59.54	58.96	55.40	52.21
6. Impaired loans less Reserves for Impaired Loans/ Fitch Core Capital	43.36	70.87	122.46	197.33
7. Impaired Loans less Reserves for Impaired Loans/ Equity	30.48	48.93	80.23	114.84
8. Loan Impairment Charges/ Average Gross Loans	0.20	0.33	0.59	1.90
9. Net Charge-offs/ Average Gross Loans	n.a.	n.a.	0.00	n.a.
10. Impaired Loans + Foreclosed Assets/ Gross Loans + Foreclosed Assets	7.92	11.02	14.96	17.02
F. Funding and Liquidity				
1. Loans/ Customer Deposits	109.66	113.03	120.55	125.57
2. Interbank Assets/ Interbank Liabilities	75.48	869.30	958.71	178.65
3. Customer Deposits/ Total Funding (excluding derivatives)	81.91	81.08	75.39	70.70
4. Liquidity Coverage Ratio	113.00	108.00	103.00	n.a.
5. Net Stable Funding Ratio	122.00	120.00	114.00	n.a.

Bank of Ireland
Reference Data

	31 Dec 2016 Year End USDm	31 Dec 2016 Year End EURm	As % of Assets	31 Dec 2015 Year End EURm	As % of Assets	31 Dec 2014 Year End EURm	As % of Assets	31 Dec 2013 Year End EURm	As % of Assets
A. Off-Balance Sheet Items									
1. Managed Securitized Assets Reported Off-Balance Sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Other off-balance sheet exposure to securitizations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Guarantees	627.2	595.0	0.48	620.0	0.47	698.0	0.54	819.0	0.62
4. Acceptances and documentary credits reported off-balance sheet	6.3	6.0	0.00	10.0	0.01	12.0	0.01	9.0	0.01
5. Committed Credit Lines	15,308.3	14,523.0	11.79	15,206.0	11.61	14,472.0	11.15	15,892.0	12.03
7. Other Off-Balance Sheet items	327.8	311.0	0.25	401.0	0.31	199.0	0.15	327.0	0.25
8. Total Assets under Management	16,865.2	16,000.0	12.99	15,500.0	11.84	15,000.0	11.56	149,184.0	112.90
B. Average Balance Sheet									
Average Loans	90,669.3	86,018.0	69.86	90,829.0	69.36	91,289.0	70.33	87,832.0	66.47
Average Earning Assets	121,631.7	115,392.0	93.72	119,480.7	91.23	119,897.0	92.37	114,759.0	86.85
Average Assets	133,641.1	126,785.3	102.97	130,737.0	99.83	130,962.3	100.90	136,580.0	103.36
Average Managed Securitized Assets (OBS)	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Average Interest-Bearing Liabilities	102,186.9	96,944.7	78.73	100,675.7	76.88	103,747.0	79.93	89,414.0	67.67
Average Common equity	8,687.4	8,241.7	6.69	7,653.0	5.84	6,975.0	5.37	6,886.3	5.21
Average Equity	8,783.6	8,333.0	6.77	8,020.0	6.12	6,995.0	5.39	8,060.0	6.10
Average Customer Deposits	81,760.0	77,565.7	63.00	77,800.3	59.41	73,917.7	56.95	73,272.0	55.45
C. Maturities									
Asset Maturities:									
Loans & Advances < 3 months	8,110.0	7,694.0	6.25	10,064.0	7.68	13,166.0	10.14	13,742.0	10.40
Loans & Advances 3 - 12 Months	7,857.1	7,454.0	6.05	7,861.0	6.00	5,735.0	4.42	6,098.0	4.61
Loans and Advances 1 - 5 Years	28,191.2	26,745.0	21.72	27,366.0	20.90	23,486.0	18.09	24,147.0	18.27
Loans & Advances > 5 years	42,657.3	40,469.0	32.87	45,304.0	34.59	47,154.0	36.33	48,768.0	36.91
Debt Securities < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances to Banks < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	2,981.0	2.26
Loans & Advances to Banks 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	254.0	0.19
Loans & Advances to Banks 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	25.0	0.02
Loans & Advances to Banks > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	4.0	0.00
Liability Maturities:									
Retail Deposits < 3 months	68,291.3	64,788.0	52.62	66,464.0	50.75	58,649.0	45.18	60,477.0	45.77
Retail Deposits 3 - 12 Months	7,219.4	6,849.0	5.56	9,258.0	7.07	9,741.0	7.50	9,135.0	6.91
Retail Deposits 1 - 5 Years	3,370.9	3,198.0	2.60	4,042.0	3.09	5,600.0	4.31	4,085.0	3.09
Retail Deposits > 5 Years	283.5	269.0	0.22	371.0	0.28	247.0	0.19	170.0	0.13
Other Deposits < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Deposits from Banks < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Deposits from Banks 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Deposits from Banks 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Deposits from Banks > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing 3-12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing 1- 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Total Senior Debt on Balance Sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Fair Value Portion of Senior Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing 3-12 Months	1.1	1.0	0.00	980.0	0.75	70.0	0.05	n.a.	-
Subordinated Debt Maturing 1- 5 Year	261.4	248.0	0.20	725.0	0.55	1,005.0	0.77	1,041.0	0.79
Subordinated Debt Maturing > 5 Years	1,072.0	1,017.0	0.83	555.0	0.42	1,254.0	0.97	472.0	0.36
Total Subordinated Debt on Balance Sheet	1,334.5	1,266.0	1.03	2,260.0	1.73	2,329.0	1.79	1,513.0	1.15
Fair Value Portion of Subordinated Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
D. Risk Weighted Assets									
1. Risk Weighted Assets	53,547.0	50,800.0	41.26	53,300.0	40.70	51,600.0	39.75	56,400.0	42.68
2. Fitch Core Capital Adjustments for Insurance and Securitisation Risk Weighted Asse	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Fitch Core Capital Adjusted Risk Weighted Assets	53,547.0	50,800.0	41.26	53,300.0	40.70	51,600.0	39.75	56,400.0	42.68
4. Other Fitch Adjustments to Risk Weighted Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Fitch Adjusted Risk Weighted Assets	53,547.0	50,800.0	41.26	53,300.0	40.70	51,600.0	39.75	56,400.0	42.68
E. Equity Reconciliation									
1. Equity	9,130.4	8,662.0	7.03	8,373.0	6.39	7,447.0	5.74	6,569.0	4.97
2. Add: Pref. Shares and Hybrid Capital accounted for as Equity	780.0	740.0	0.60	740.0	0.57	1,300.0	1.00	1,300.0	0.98
3. Add: Other Adjustments	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Published Equity	9,910.4	9,402.0	7.64	9,113.0	6.96	8,747.0	6.74	7,869.0	5.96
F. Fitch Core Capital Reconciliation									
1. Total Equity as reported (including non-controlling interests)	9,130.4	8,662.0	7.03	8,373.0	6.39	7,447.0	5.74	6,569.0	4.97
2. Fair value effect incl in own debt/borrowings at fv on the B/S- CC only	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
3. Non-loss-absorbing non-controlling interests	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
4. Goodwill	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
5. Other intangibles	669.3	635.0	0.52	526.0	0.40	410.0	0.32	374.0	0.28
6. Deferred tax assets deduction	1,338.7	1,270.0	1.03	1,416.0	1.08	1,595.0	1.23	1,622.0	1.23
7. Net asset value of insurance subsidiaries	705.2	669.0	0.54	650.0	0.50	563.0	0.43	750.0	0.57
8. First loss tranches of off-balance sheet securitizations	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
9. Fitch Core Capital	**6,417.2**	**6,088.0**	**4.94**	**5,781.0**	**4.41**	**4,879.0**	**3.76**	**3,823.0**	**2.89**
Exchange Rate		USD1 = EUR0.9487		USD1 = EUR0.9185		USD1 = EUR0.8237		USD1 = EUR0.7251	

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.