Rating Report

The Governor and Company of the Bank of Ireland

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DBRS

Insight beyond the rating.

Ratings

Issuer	Debt	Rating	Rating Action	Trend
The Governor and Company of the Bank of Ireland	Issuer Rating	A (low)	Upgrade	Stable
The Governor and Company of the Bank of Ireland	Non-Guaranteed Long-Term Debt	A (low)	Upgrade	Stable
The Governor and Company of the Bank of Ireland	Non-Guaranteed Long-Term Deposits	A (low)	Upgrade	Stable
The Governor and Company of the Bank of Ireland	Non-Guaranteed Short-Term Debt	R-1 (low)	Confirmed	Stable

See page 10 for full list of ratings

Rating Considerations

Franchise Strength: Strong and diverse franchise in Ireland where the Bank has market leading positions, as well as a notable consumer banking operation in the UK, boosted by its partnership with the UK Post Office.

Earnings Power:	Risk Profile:	Funding and Liquidity:	Capitalisation:
Solid progress in expanding the NIM has helped to strengthen IBPT. The consistent reduction in impairment charges has also been a key factor.	Asset quality continues to improve, however non-performing loans remain elevated.	Funding profile remains robust with a loan to deposit ratio of 104%; minimal monetary authority funding.	Improved capitalisation levels with a fully-loaded CET1 ratio of 12.3% at end-December 2016.

Rating Drivers

Factors with Positive Rating Implications

- Upward pressure on the ratings would require further substantial improvement in asset quality indicators, as well as maintaining strong and stable earnings, and robust capital and funding profiles.

Factors with Negative Rating Implications

- Negative rating pressure could arise from a reversal in asset quality improvement, significant weakening in key segments of the Bank's franchise, or in the capital and funding profiles, or if either the Irish or UK economies were to deteriorate such that BoI's financial fundamentals were substantially impacted.

Financial Information

EUR Millions	31/12/2016	31/12/2015	31/12/2014	31/12/2013	31/12/2012
Total Assets	123,129	130,960	129,800	132,133	147,964
Equity	9,402	9,113	8,747	7,883	8,655
Pre-provision operating income (IBPT)	1,117	1,480	1,457	1,158	-13
Net Income	793	940	786	-483	-1,835
Net Interest Income / Risk Weighted Assets (%)	4.45%	4.58%	4.50%	3.55%	2.56%
Risk-Weighted Earning Capacity (%)	2.15%	2.82%	2.70%	2.05%	-0.02%
Post-provision Risk-Weighted Earning Capacity (%)	1.80%	2.26%	1.82%	-0.90%	-2.88%
Efficiency Ratio (%)	63.43%	55.68%	52.45%	54.59%	100.73%
Impaired Loans % Gross Loans	7.92%	11.02%	14.96%	17.02%	16.27%
CET1 (As-reported)*	12.30%	11.30%	9.30%	6.30%	12.20%

Source: Company Reports and SNL Financial. *All financial periods' figures refer to Fully-Loaded CET1 ratio, excluding the 2009 Preference Shares, except for 2012 figure which refers to the Core tier 1 ratio under Basel II rules including the 2009 Preference Shares.

Issuer Description

The Governor and Company of the Bank of Ireland (Bank of Ireland, the Bank or BoI) is a leading provider of financial services in Ireland with leading positions in retail and commercial banking as well as in bancassurance. The Group has a retail footprint in the UK, particularly in mortgage lending and in consumer banking, as well as a retail and business banking operation through its Northern Ireland branch network. In addition Bank of Ireland also has an international presence in acquisition finance.

Rating Rationale

DBRS Ratings Limited (DBRS) rates the Issuer Rating and the Non-Guaranteed Long-Term Debt and Deposits of BoI at A (low) with a Stable trend. The Bank's intrinsic assessment (IA) is A (low) and the Support Assessment is SA3. The recent ratings upgrade reflects the progress achieved by the Bank in recent years which has resulted in a much improved financial profile. In particular the upgrade takes into account the improving asset quality, the solid and increasingly stable earnings, the increase in the Bank's capital and the improved funding profile.

For the full-year 2016, BoI reported underlying profit before tax of EUR 1,071 million, down 11% on 2015. The reduction was primarily driven by the impact on net interest income of the fall in sterling, the low interest rate environment and reduced liquid asset income due to bond sales. The Bank's net interest margin (NIM) was 2.19% for the full-year, however DBRS notes that in the second half of 2016 the NIM was 2.27%, with the increase being driven by ongoing mix changes in the lending book, the lower cost of deposits, especially in the UK, and the maturity of the 10% Coco in July 2016. The NIM rose by a further 3bps to 2.30% in the first three months of 2017. Costs remain well managed and in 2016 underlying operating expenses were flat on 2015 at EUR 1,747 million (2015: EUR 1,746 million), helped by a EUR 46 million benefit from FX movements. Total expenses were, however, up 4% year-on-year (YoY) reflecting the Bank's investment in its core banking platforms and increased regulatory charges of EUR 109 million. On an underlying basis the Bank's cost to income ratio was 58% in 2016. The solid underlying performance in 2016 was further supported by another reduction in the Bank's impairment charges. In 2016 the total charge was EUR 178 million, down from EUR 296 million in 2015. The improvement was evident across all portfolios and DBRS notes that the figure incorporates a EUR 142 million reversal on the residential mortgage portfolio. The Bank expects its impairment charge to remain at similar levels in 2017.

In 2016 BoI's asset quality indicators continued to improve, in line with the trend since 2012, supported by the strong positive momentum in the macroeconomic environment in Ireland and the Bank's success in dealing with problematic loans. At end-2016 the ratio of the bank's non-performing loans (defined as defaulted loans plus probationary residential mortgages) to gross loans was 9.6%, down from 13.2% at end-2015. The defaulted loans (impaired loans plus residential mortgages which are greater than 90 days in arrears) ratio also reduced considerably in 2016, ending the year at 8.4%, from 11.6% at end-2015. Total coverage ratios were 49% of non-performing loans and 56% of defaulted loans at end-2016, unchanged on end-2015. Given the continuing improvement in the macroeconomic environment in the Republic of Ireland DBRS anticipates further improvement, however the potential implications on the Irish and UK economies of the UK leaving the European Union have not yet become clear. DBRS will continue to monitor this closely.

BoI reported a fully loaded Basel 3 Common Equity Tier 1 (CET1) ratio of 12.3% at end-2016, up 100 basis points (bps) YoY, primarily driven by the Bank's retained earnings and by the reduction in the IAS 19 accounting deficit on the Bank's defined benefit pension schemes. At end-1Q17 the CET1 ratio was 12.0%, with the organic capital generation being offset by an increase in the pension scheme deficit. The fully loaded Basel 3 leverage ratio stood at 6.4% at end-2016 (2015: 5.7%). DBRS notes that the Bank now plans to re-commence dividend payments in the first half of 2018, reflecting the full year 2017 results. DBRS would expect any dividend payments to be at a low level to begin with, only increasing to the 50% of sustainable earnings target level over time.

Franchise Strength

With total assets of EUR 123 billion as of end-2016 (approximately USD 130 billion) Bank of Ireland is the largest Irish bank. BoI has a diverse domestic franchise that combines retail banking, commercial banking, asset management and life insurance. In Ireland, Bank of Ireland holds market leading positions across many principal product lines in retail and commercial banking and is the country's only bancassurer. In Northern Ireland BoI is a full service bank with a strong business franchise while in Great Britain it is focused on mortgage lending and consumer banking mainly through its partnership with the Post Office. The Group also operates in the European and US acquisition finance business. DBRS continues to view Bank of Ireland's strong domestic franchise combined with its solid position in the UK as a key rating driver.

DESCRIPTION OF OPERATIONS

Bank of Ireland operates in the following business segments: (i) Retail Ireland, which consists of the retail and business banking services in Ireland, (ii) Bank of Ireland Life, which is the Group's assurance arm, (iii) Retail UK, which incorporates the Great Britain and Northern Ireland activities, (iv) Corporate and Treasury, which comprises the Corporate Banking and Global Markets activities and (v) Group Centre, which includes various central functions.

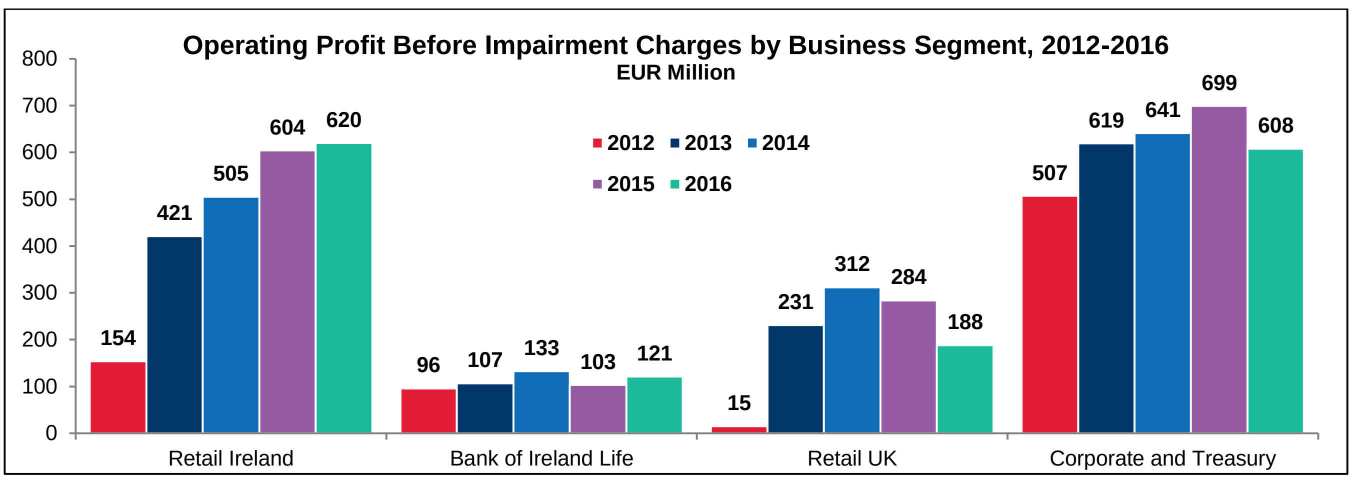
Retail Ireland *(43.9% of Underlying profit before tax[1])*
Retail Ireland is Bank of Ireland's largest division with over EUR 35 billion in loans and EUR 41 billion deposits at end-2016. In 2016 the division contributed EUR 615 million, or just under 44% of underlying profit before tax. The division is split into the business units Distribution Channels, Consumer Banking (including Bank of Ireland Mortgage Bank), Business Banking (including Bank of Ireland Finance) and Customer and Wealth Management. Retail Ireland serves over 1.7 million Consumer Banking customers and 200,000 Business Banking Customers through a network of over 250 branches, circa 1,750 ATMs and digital channels, including telephone, mobile and online. DBRS views this division as the foundation of the strong domestic franchise and notes that the Group holds market leading positions across various products including providing circa 25% of new mortgages in 2016, and a 27% market share in retail deposits.

Bank of Ireland Life *(8.6% of Underlying profit before tax)*
Bank of Ireland Life, which includes New Ireland Assurance Company plc, offers a wide range of insurance and pension products in Ireland through the Bank's branch network, independent brokers and financial advisors. In 2016 the division contributed EUR 121 million of underlying profit before tax and at end-2016 it had Assets under Management (AuM) of EUR 16 billion.

Retail UK *(9.5% of Underlying profit before tax)*
Retail UK generated EUR 133 million (GBP 106 million) of underlying profit before tax in 2016. Retail UK incorporates the UK subsidiary Bank of Ireland (UK) plc, and includes the UK residential mortgage business, the Group's branch network and business banking operation in Northern Ireland, as well as the partnerships with the UK Post Office and with the AA. It also incorporates the GB business banking business that is in run-down, as per the EU Restructuring Plan and Northridge Finance, a motor and asset finance, based in Northern Ireland. Through the partnerships in the UK with the Post Office, the AA and other intermediaries BoI has 3.1 million UK consumer banking customers.

Corporate and Treasury *(37.9% of Underlying profit before tax)*
Corporate and Treasury includes the Group's corporate banking, treasury, specialised acquisition finance, large transaction property lending and corporate finance businesses in the Republic of Ireland, the UK and also operates out of five locations in Europe and the USA. The division is split into three units: (i) Corporate Banking, which serves large corporations and financial institutions, (ii) Global Markets, which makes transactions in market instruments on behalf of the Group itself and its customers, and also manages the Group's liquid asset portfolio and (iii) IBI Corporate Finance, which acts as an advisor to various equity and capital transactions. In 2016 the division contributed EUR 531 million of underlying profit before tax.

Group Centre, which includes the Group's central functions including Group Manufacturing, Group Finance, Group Credit & Market Risk, Group Governance Risk and Group Human Resources, reported an underlying loss before tax of EUR 361 million in 2016, partly driven by levies and regulatory charges of EUR 104 million which are booked in this division.



Source: Company reports

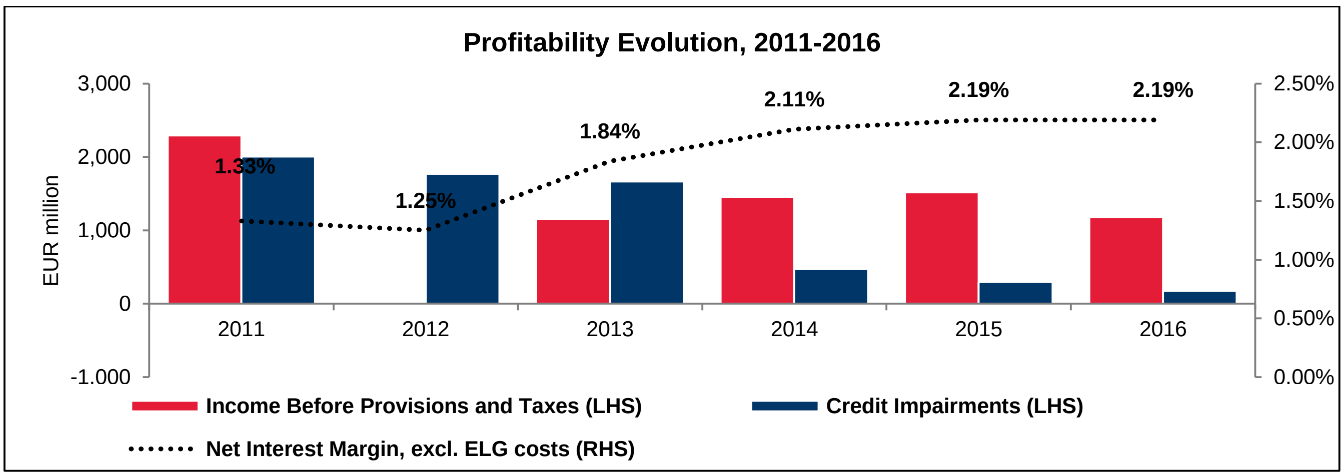
[1] Excluding Group Centre and Other reconciling items.

Earnings Power

For the full-year 2016, BoI reported underlying profit before tax of EUR 1,071 million, down 11% on 2015. The reduction was primarily driven by the impact on net interest income of the fall in sterling, the low interest rate environment and reduced liquid asset income due to bond sales. Statutory net income for 2016 was EUR 793 million. The Bank's net interest margin (NIM) was 2.19% for the full-year, however DBRS notes that in the second half of 2016 the NIM was 2.27%, with the increase being driven by ongoing mix changes in the lending book, the lower cost of deposits, especially in the UK, and the maturity of the 10% Coco in July 2016. The NIM rose by a further 3bps to 2.30% in the first three months of 2017. DBRS also notes that the 2016 result included EUR 171 million of additional gains (2015: 237 million), primarily driven by the sale of shares in VISA Europe (EUR 95 million) and the completion of the rebalancing of the liquid asset portfolio (EUR 63 million).

Costs remain well managed and in 2016 underlying operating expenses were flat on 2015 at EUR 1,747 million (2015: EUR 1,746 million), helped by a EUR 46 million benefit from FX movements. Total expenses were, however, up 4% year-on-year (YoY) reflecting the Bank's investment in its core banking platforms and increased regulatory charges of EUR 109 million. BoI expects the programme to replace the core banking platforms will have a common equity tier 1 (CET1) ratio impact of circa 35-45 basis points per annum over the next four years with around 50% capitalized and 50% charged to the income statement. In 2016 the total cost was EUR 105 million, of which EUR 41 million was charged to the income statement. The Bank expects its levies and regulatory costs to be broadly similar in 2017. On an underlying basis the Bank's cost to income ratio was 58% in 2016.

The solid underlying performance in 2016 was further supported by another reduction in the Bank's impairment charges. In 2016 the total charge was EUR 178 million, down from EUR 296 million in 2015. The improvement was evident across all portfolios and DBRS notes that the figure incorporates a EUR 142 million reversal on the residential mortgage portfolio. The Bank expects its impairment charge to remain at similar levels in 2017.

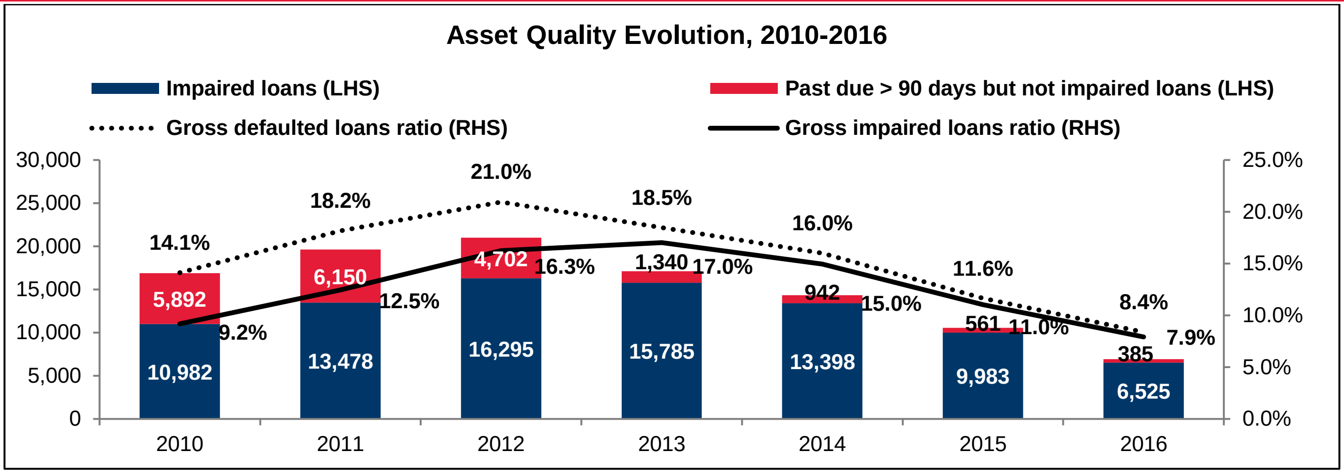


Source: Company reports

Risk Profile

In 2016 BoI's asset quality indicators continued to improve, in line with the trend since 2012, supported by the strong positive momentum in the macroeconomic environment in Ireland and the Bank's success in dealing with problematic loans. At end-2016 the bank's non-performing loans[2] were EUR 7.9 billion, down from EUR 11.97 billion at end-2015. Defaulted loans[3] also reduced considerably in 2016, ending the year at EUR 6.9 billion, significantly down on the EUR 10.5 billion reported at end-2015. Total coverage ratios were 49% of non-performing loans and 56% of defaulted loans at end-2016, unchanged on end-2015.

[2] Non-performing loans are defined as defaulted loans together with probationary residential mortgages, which are primarily mortgages that were previously 'defaulted' but which are no longer 'defaulted' at the reporting date. The mortgages are awaiting the successful completion of a 12 month probation period.
[3] Defaulted loans are defined as impaired loans plus residential mortgages which are greater than 90 days in arrears.



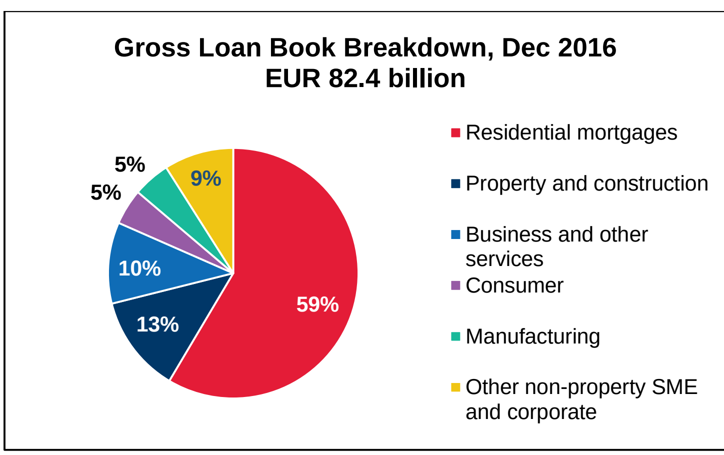
Source: Company reports

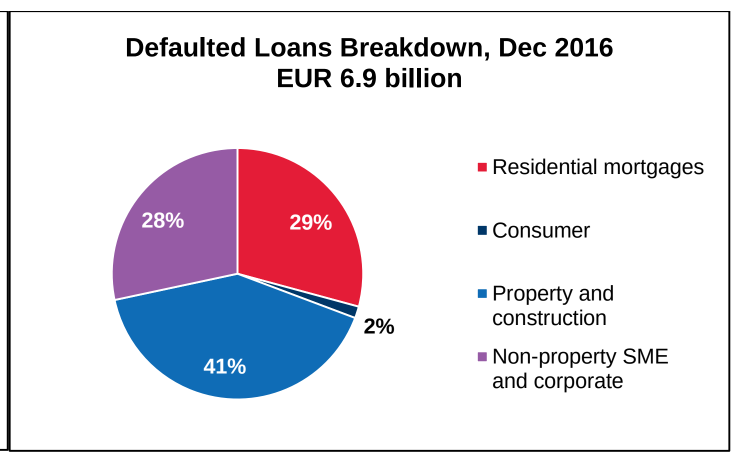
The residential mortgage loan book remains the largest portfolio of the Bank and at end-2016 this accounted for EUR 48.2 billion or 59% of the total gross portfolio. Of this EUR 24.3 billion was in the Republic of Ireland (RoI) and EUR 23.9 billion (equivalent) was in the UK. The performance of the RoI portfolio has improved significantly in 2016 with the non-performing loan ratio falling to 9.06% from 12.2%, and the defaulted loan ratio reducing from 6.89% from 9.29%. The portfolio is split between owner occupied mortgages which accounts for just over 80% of the portfolio with buy-to-let mortgages accounting for the remainder. The non-performing loan ratio in the owner occupied book was 6.09% down from 8.30%, with the defaulted loan ratio at 4.71% from 6.20%. Asset quality remains weaker in the buy-to-let book with a non-performing loan ratio of 22.2% at end-2016, albeit down from 27.7% at end-2015. DBRS views the continued progress of the Bank in reducing its problematic mortgage loans positively and expects to see further progress in 2017, especially given the ongoing improvement in both the Irish housing market and macro-economic indicators. The performance of the UK mortgage portfolio remains good with a defaulted loan ratio of 1.4%, and a non-performing loan ratio of 3.5% at end-2016.

The Bank also has large non-property SME and corporate, and property and construction portfolios, together with a smaller consumer loan book. The non-property SME and corporate portfolio, which totals EUR 20 billion, had a non-performing loan ratio of 9.8% at end-2016, down from 13% at end-2015, while the EUR 10.4 billion property and construction portfolio non-performing loan ratio improved to 27.3% from 36.8%. DBRS notes positively the Group's efforts in continuously deleveraging this portfolio which reduced by EUR 3 billion in 2016. Given the continuing improvement in the macroeconomic environment in the Republic of Ireland DBRS anticipates further improvement in the portfolio, however the potential implications on Ireland of the UK leaving the European Union have not yet become clear. DBRS will continue to monitor this closely.

Market risk remains relatively low. Market risk risk-weighted assets accounted for less than 1% out of the total risk-weighted assets (on a fully-loaded basis) at end-2016 and Value-at-Risk (VaR) remains extremely low.

The Group's exposure to NAMA bonds at end-2016 was EUR 451 million and DBRS would expect these to reduce further in 2017.





Source: Company reports

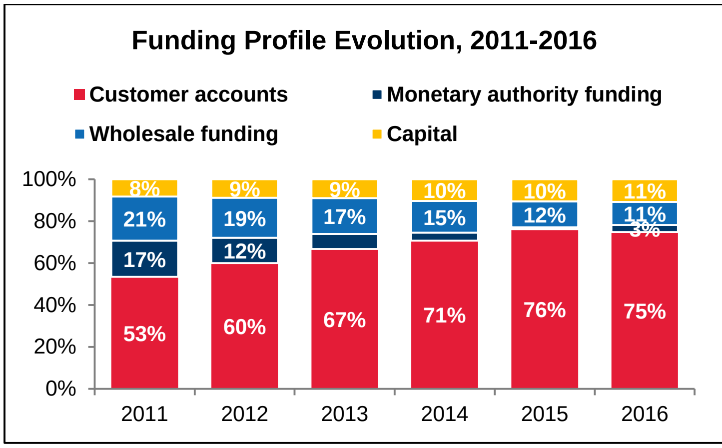
Funding and Liquidity

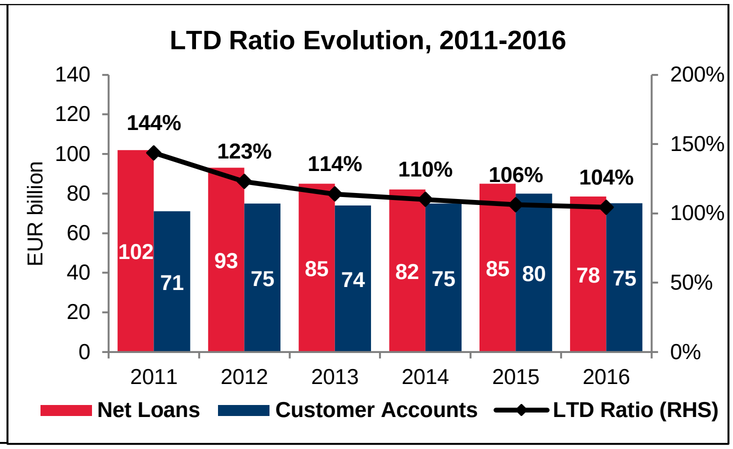
BoI's funding and liquidity profile remains robust. Customer deposits remain the principal funding source with the Bank also being a selective user of the wholesale market. Total customer deposits reduced to EUR 75 billion at end-2016, principally driven by the reduction in the value of sterling. However, with the loan portfolio reducing by a similar level the loan to deposit ratio remained at a similar level, finishing the year at 104% (2015: 106%). DBRS notes that the Retail Ireland division increased its deposit base to EUR 41 million, mainly as a result of higher current account balances.

Monetary authority funding remains low and is used given the cost-efficiency of this funding source. At end-2016 BoI's total monetary authority funding was EUR 3.4 billion, comprising the ECB's TLTRO (Targeted Long Term Refinancing Operation) and the Bank of England's TFS (Term Funding Scheme) and ILTR (Indexed Long-Term Repo). The Bank's wholesale funding, excluding monetary authority funding, totaled EUR 11 billion at end-2016 with covered bonds being the largest source, accounting for EUR 6 billion with the remainder being sourced from securitisations, senior debt and bank deposits.

DBRS views positively that at end-2016 BoI had no eligible liabilities under the ELG Scheme, which guaranteed certain liabilities of Irish banks. In DBRS's view this confirms the Bank's return to a normalised funding profile, and in addition it means that no further fees will accrue.

Liquidity management remains prudent. At end-2016 BoI had liquid assets of EUR 21 billion, of which EUR 4.2 billion were Irish government debt. Given the continued progress of NAMA the Bank's exposure to NAMA senior debt had reduced to EUR 0.5 billion at end-2016, in addition BoI holds NAMA subordinated debt with a nominal value of EUR 0.3 billion; this is now valued at 98%. Given that the Bank has only EUR 4 billion of total wholesale funding with a maturity of less than a year, DBRS views the Bank as having an ample liquidity buffer. At end-2016 Bank of Ireland reported a Liquidity Coverage Ratio of 113% and a Net Stable Funding Ratio of 122%. This is up from 108% and EUR 120% at end-2015, respectively.





Source: Company reports

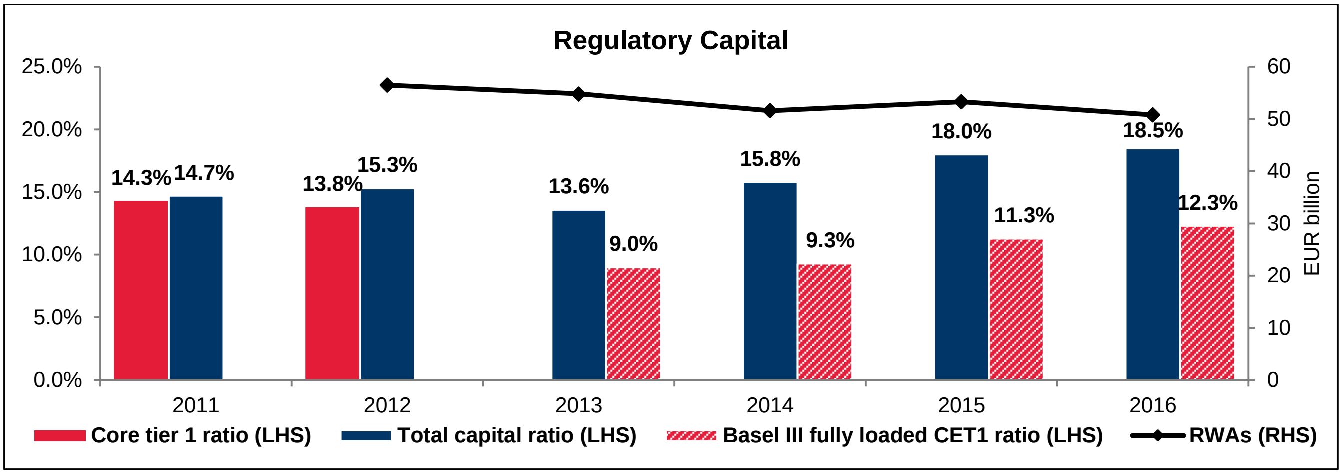
Capitalisation

BoI reported a fully loaded Basel 3 Common Equity Tier 1 (CET1) ratio of 12.3% at end-2016, up 100 basis points (bps) YoY, primarily driven by the Bank's retained earnings and by the reduction in the IAS 19 accounting deficit on the Bank's defined benefit pension schemes. At end-1Q17 the CET1 ratio was 12.0%, with the organic capital generation being offset by an increase in the pension scheme deficit. On a transitional basis, the CET1 ratio was 14.2%, up from 13.3% at end-2015. The fully loaded Basel 3 leverage ratio stood at 6.4% at end-2016 (2015: 5.7%).

BoI is required to maintain a minimum CET1 ratio of 8% on a transitional basis from January 1, 2017 following the Supervisory Review and Evaluation Process (SREP) by the Single Supervisory Mechanism (SSM). Given the importance of BoI to the Irish banking system the Central Bank of Ireland has advised that the Group will be required to maintain an O-SII (Other Systemically Important Institution) buffer, which will be phased-in. The initial buffer will be 0.5% from July 2019, moving up to 1.0% from July 2020 and with the final buffer being 1.5% from July 2021. The Bank expects to maintain a CET1 ratio of over 12% on both a fully-loaded and transitional basis and this would also include a management buffer.

The Bank now plans to re-commence dividend payments in the first half of 2018, reflecting the full year 2017 results. DBRS would expect any dividend payments to be at a low level to begin with, only increasing to the 50% of sustainable earnings target level over time.

DBRS also notes that, following discussions with the Single Resolution Board (SRB) and the Bank of England, the Bank has been advised that the preferred resolution strategy for the Group consists of a single point of entry bail-in strategy through a group holding company. As a result BoI has announced that it plans to establish a holding company, "Bank of Ireland Group plc" through a scheme of arrangement with this planned to take effect in July 2017. DBRS understands that this is not expected to have an impact on the Bank's CET1 ratio, however it may have an impact on the Total Tier 1, Total Capital and leverage ratios, although this will not be substantial.



Source: Company reports

Governor and Company of the Bank of Ireland	31/12/2016		31/12/2015		31/12/2014		31/12/2013		31/12/2012	
	EUR		EUR		EUR		EUR		EUR	
EUR Millions	IFRS		IFRS		IFRS		IFRS		IFRS	
Balance Sheet										
Cash and deposits w ith central banks	5,192	4.22%	6,603	5.04%	4,991	3.85%	6,385	4.83%	8,472	5.73%
Lending to/deposits w ith credit institutions	3,591	2.92%	4,872	3.72%	5,286	4.07%	5,122	3.88%	9,950	6.72%
Financial Securities*	26,384	21.43%	25,747	19.66%	27,494	21.18%	26,619	20.15%	25,124	16.98%
- Trading portfolio	18	0.01%	3	0.00%	12	0.01%	252	0.19%	143	0.10%
- At fair value	13,249	10.76%	12,280	9.38%	11,528	8.88%	10,306	7.80%	9,460	6.39%
- Available for sale	10,794	8.77%	10,128	7.73%	13,580	10.46%	12,104	9.16%	11,093	7.50%
- Held-to-maturity	1,872	1.52%	1,922	1.47%	0	0.00%	0	0.00%	0	0.00%
- Other	451	0.37%	1,414	1.08%	2,374	1.83%	3,957	2.99%	4,428	2.99%
Financial derivatives instruments	3,709	3.01%	3,064	2.34%	3,692	2.84%	3,492	2.64%	5,847	3.95%
- Fair Value Hedging Derivatives	1,450	1.18%	674	0.51%	827	0.64%	801	0.61%	2,297	1.55%
- Mark to Market Derivatives	2,259	1.83%	2,390	1.82%	2,865	2.21%	2,691	2.04%	3,550	2.40%
Gross lending to customers	82,362	66.89%	90,575	69.16%	89,541	68.98%	92,755	70.20%	100,165	67.70%
- Loan loss provisions	3,885	3.16%	5,886	4.49%	7,423	5.72%	8,241	6.24%	7,544	5.10%
Insurance assets	1,230	1.00%	1,323	1.01%	1,322	1.02%	1,023	0.77%	940	0.64%
Investments in associates/subsidiaries	127	0.10%	139	0.11%	289	0.22%	298	0.23%	318	0.21%
Fixed assets	1,217	0.99%	1,175	0.90%	1,025	0.79%	1,127	0.85%	1,181	0.80%
Goodw ill and other intangible assets	635	0.52%	526	0.40%	410	0.32%	374	0.28%	371	0.25%
Other assets	2,567	2.08%	2,822	2.15%	3,173	2.44%	3,179	2.41%	3,140	2.12%
Total assets	**123,129**	**100.00%**	**130,960**	**100.00%**	**129,800**	**100.00%**	**132,133**	**100.00%**	**147,964**	**100.00%**
Total assets (USD)	129,856		142,240		157,124		182,052		195,126	
Loans and deposits from credit institutions	3,885	3.16%	1,191	0.91%	4,234	3.26%	12,360	9.35%	21,393	14.46%
Repo Agreements in Deposits from Customers	63	0.05%	29	0.02%	557	0.43%	500	0.38%	1,000	0.68%
Deposits from customers	75,104	61.00%	80,135	61.19%	74,280	57.23%	73,367	55.53%	74,170	50.13%
- Demand	49,685	40.35%	47,498	36.27%	41,104	31.67%	36,811	27.86%	32,852	22.20%
- Time and savings	25,482	20.70%	32,666	24.94%	33,733	25.99%	37,056	28.04%	42,318	28.60%
Issued debt securities	10,697	8.69%	13,243	10.11%	16,040	12.36%	15,280	11.56%	18,073	12.21%
Financial derivatives instruments	2,873	2.33%	3,619	2.76%	4,038	3.11%	3,228	2.44%	5,274	3.56%
- Fair Value Hedging Derivatives	469	0.38%	1,092	0.83%	1,171	0.90%	573	0.43%	2,089	1.41%
- Other	2,404	1.95%	2,527	1.93%	2,867	2.21%	2,655	2.01%	3,185	2.15%
Insurance liabilities	10,934	8.88%	10,403	7.94%	9,918	7.64%	8,502	6.43%	7,988	5.40%
Other liabilities	8,746	7.10%	10,787	8.24%	9,486	7.31%	9,338	7.07%	9,704	6.56%
- Financial liabilities at fair value through P/L	8,073	6.56%	8,317	6.35%	8,249	6.36%	8,017	6.07%	7,967	5.38%
Subordinated debt	1,266	1.03%	1,266	0.97%	1,340	1.03%	536	0.41%	556	0.38%
Hybrid Capital	159	0.13%	1,174	0.90%	1,160	0.89%	1,139	0.86%	1,151	0.78%
Equity	9,402	7.64%	9,113	6.96%	8,747	6.74%	7,883	5.97%	8,655	5.85%
Total liabilities and equity funds	**123,129**	**100.00%**	**130,960**	**100.00%**	**129,800**	**100.00%**	**132,133**	**100.00%**	**147,964**	**100.00%**
Income Statement										
Interest income	2,861		3,269		3,432		3,669		4,006	
Interest expenses	598		825		1,111		1,665		2,560	
Net interest income and credit commissions	2,263	74.10%	2,444	73.20%	2,321	75.75%	2,004	78.59%	1,446	81.46%
Net fees and commissions	337	11.03%	319	9.55%	344	11.23%	301	11.80%	300	16.90%
Trading / FX Income	215	7.04%	95	2.85%	105	3.43%	198	7.76%	71	4.00%
Net realised results on investment securities (available for sale)	79	2.59%	207	6.20%	192	6.27%	50	1.96%	60	3.38%
Net results from other financial instruments at fair value	-102	-3.34%	-40	-1.20%	-149	-4.86%	-185	-7.25%	-357	-20.11%
Net income from insurance operations	229	7.50%	212	6.35%	104	3.39%	166	6.51%	136	7.66%
Results from associates/subsidiaries accounted by the equity method	41	1.34%	46	1.38%	92	3.00%	31	1.22%	46	2.59%
Other operating income (incl. dividends)	-8	-0.26%	56	1.68%	55	1.80%	-15	-0.59%	73	4.11%
Total operating income	3,054	100.00%	3,339	100.00%	3,064	100.00%	2,550	100.00%	1,775	100.00%
Staff costs	881	45.48%	892	47.98%	730	45.43%	550	39.51%	841	47.04%
Other operating costs	924	47.70%	837	45.02%	759	47.23%	724	52.01%	805	45.02%
Depreciation/amortisation	132	6.81%	130	6.99%	118	7.34%	118	8.48%	142	7.94%
Total operating expenses	1,937	100.00%	1,859	100.00%	1,607	100.00%	1,392	100.00%	1,788	100.00%
Pre-provision operating income	**1,117**		**1,480**		**1,457**		**1,158**		**-13**	
Loan loss provisions**	178		296		472		1,665		1,769	
Post-provision operating income	939		1,184		985		-507		-1,782	
Impairment on tangible assets	-5		-6		-9		0		0	
Impairment on intangible assets	0		0		0		0		0	
Other non-operating items***	88		42		-74		-13		-396	
Pre-tax income	1,032		1,232		920		-520		-2,178	
(-)Taxes	239		285		134		-34		-337	
(-)Other After-tax Items (Reported)	0		0		0		0		0	
(+)Discontinued Operations (Reported)	0		0		0		0		0	
(-)Minority interest	0		7		0		-3		-6	
Net income	**793**		**940**		**786**		**-483**		**-1,835**	
Net income (USD)	877		1,043		1,044		-641		-2,359	

*Includes derivatives w hen breakdow n unavailable, **LLP includes Impairments on financial assets, ***Incl. Other Provisions

Off-balance sheet and other items					
Asset under management	NA	NA	NA	NA	NA
Derivatives (notional amount)	181,390	224,109	203,501	222,218	267,803
BIS Risk-w eighted assets (RWA)	50,829	53,314	51,581	56,422	56,521
No. of employees (end-period)	11,208	11,145	11,086	11,255	12,016

Earnings and Expenses					
Earnings					
Net interest margin [1]	1.88%	1.98%	1.87%	1.50%	1.00%
Yield on average earning assets	2.37%	2.64%	2.76%	2.74%	2.78%
Cost of interest bearing liabilities	0.66%	0.85%	1.14%	1.62%	2.22%
Pre-provision earning capacity (total assets basis) [2]	0.90%	1.13%	1.11%	0.85%	-0.01%
Pre-provision earning capacity (risk-w eighted basis) [3]	2.15%	2.82%	2.70%	2.05%	-0.02%
Net Interest Income / Risk Weighted Assets	4.45%	4.58%	4.50%	3.55%	2.56%
Non-Interest Income / Total Revenues	25.90%	26.80%	24.25%	21.41%	18.54%
Post-provision earning capacity (risk-w eighted basis)	1.80%	2.26%	1.82%	-0.90%	-2.88%
Expenses					
Efficiency ratio (operating expenses / operating income)	63.43%	55.68%	52.45%	54.59%	100.73%
All inclusive costs to revenues [4]	61.49%	54.93%	54.51%	54.92%	123.99%
Operating expenses by employee	172,823	166,801	144,958	123,678	148,802
Loan loss provision / pre-provision operating income	15.94%	20.00%	32.40%	143.78%	-13607.69%
Provision coverage by net interest income	1271.35%	825.68%	491.74%	120.36%	81.74%
Profitability Returns					
Pre-tax return on Tier 1 (excl. hybrids)	14.36%	17.30%	12.05%	-7.49%	-27.94%
Return on equity	8.44%	10.32%	8.98%	-6.12%	-21.20%
Return on average total assets	0.64%	0.72%	0.60%	-0.35%	-1.20%
Return on average risk-w eighted assets	1.52%	1.79%	1.46%	-0.86%	-2.97%
Dividend payout ratio [5]	0.00%	0.00%	0.00%	0.00%	0.00%
Internal capital generation [6]	9.99%	12.39%	11.65%	-6.44%	-20.09%

Growth					
Loans	-7.34%	3.13%	-2.84%	-8.75%	-6.74%
Deposits	-6.23%	7.12%	1.31%	-1.73%	6.62%
Net interest income	-7.41%	5.30%	15.82%	38.59%	-6.23%
Fees and commissions	5.64%	-7.27%	14.29%	0.33%	-28.57%
Expenses	4.20%	15.68%	15.45%	-22.15%	8.10%
Pre-provision earning capacity	-24.53%	1.58%	25.82%	-9007.69%	-100.57%
Loan-loss provisions	-39.86%	-37.29%	-71.65%	-5.88%	-11.73%
Net income	-15.64%	19.59%	-262.73%	-73.68%	-6216.67%

Risks					
RWA% total assets	41.28%	40.71%	39.74%	42.70%	38.20%
Credit Risks					
Impaired loans % gross loans	7.92%	11.02%	14.96%	17.02%	16.27%
Loss loan provisions % impaired loans	59.54%	58.96%	55.40%	52.21%	46.30%
Impaired loans (net of LLPs) % pre-provision operating income [7]	236.35%	276.82%	410.09%	651.47%	-67315.38%
Impaired loans (net of LLPs) % equity	28.56%	51.61%	78.75%	111.86%	116.62%
Liquidity and Funding					
Customer deposits % total funding	82.58%	83.62%	77.46%	72.25%	64.95%
Total w holesale funding % total funding [8]	17.42%	16.38%	22.54%	27.75%	35.05%
- Interbank % total funding	4.27%	1.24%	4.42%	12.17%	18.73%
- Debt securities % total funding	11.76%	13.82%	16.73%	15.05%	15.83%
- Subordinated debt % total funding	1.39%	1.32%	1.40%	0.53%	0.49%
Short-term w holesale funding % total w holesale funding	38.08%	27.99%	43.42%	49.89%	66.05%
Liquid assets % total assets	28.56%	28.42%	29.10%	28.85%	29.43%
Net short-term w holesale funding reliance [9]	-33.12%	-35.02%	-30.85%	-25.60%	-16.39%
Adjusted net short-term w holesale funding reliance [10]	-50.34%	-54.14%	-51.70%	-46.71%	-36.71%
Customer deposits % gross loans	91.19%	88.47%	82.96%	79.10%	74.05%

Capital [11]					
Tier 1	15.72%	14.81%	14.95%	12.39%	13.92%
Tier 1 excl. All Hybrids	14.14%	13.28%	14.80%	12.23%	13.75%
CET1 (As-reported)	12.30%	11.30%	9.30%	6.30%	12.20%
Tangible Common Equity / Tangible Assets	6.55%	6.00%	6.43%	5.69%	5.60%
Total Capital	18.46%	17.96%	18.30%	13.55%	15.31%
Retained earnings % Tier 1	71.51%	53.94%	62.00%	64.15%	67.87%

[1] (Net interest income + dividends)% average interest earning assets.

[2] Pre-provision operating income % average total assets.

[3] Pre-provision operating income % average total risk-w eighted assets.

[4] (Operating & non-op. costs) % (op. & non-op. revenues)

[5] Paid dividend % net income.

[6] (Net income - dividends) % shareholders' equity at t-1.

[7] We take into account the stock of LLPs in this ratio.

[8] Whole funding excludes corporate deposits.

[9] (Short-term w holesale funding - liquid assets) % illiquid assets

[10] (Short-term w holesale funding - liquid assets- loans maturing w ithin 1 year) % illiquid assets

[11] Capital ratios of Interim results exclude profits for the year

Methodologies

The principal applicable methodology is the Global Methodology for Rating Banks and Banking Organisations (July 2016). Other applicable methodologies include the DBRS Criteria – Support Assessments for Banks and Banking Organisations (March 2017), DBRS Criteria: Rating Bank Capital Securities – Subordinated, Hybrid, Preferred & Contingent Capital Securities (February 2017), Guarantees and Other Forms of Support (February 2017) and Critical Obligations Rating Criteria (February 2017).

Ratings

Issuer	Debt	Rating	Rating Action	Trend
The Governor and Company of the Bank of Ireland	Issuer Rating	A (low)	Upgraded	Stable
The Governor and Company of the Bank of Ireland	Non-Guaranteed Long-Term Debt	A (low)	Upgraded	Stable
The Governor and Company of the Bank of Ireland	Non-Guaranteed Long-Term Deposits	A (low)	Upgraded	Stable
The Governor and Company of the Bank of Ireland	Non-Guaranteed Short-Term Debt	R-1 (low)	Confirmed	Stable
The Governor and Company of the Bank of Ireland	Non-Guaranteed Short-Term Deposits	R-1 (low)	Confirmed	Stable
The Governor and Company of the Bank of Ireland	Long Term Critical Obligations Rating	A (high)	Upgraded	Stable
The Governor and Company of the Bank of Ireland	Short Term Critical Obligations Rating	R-1 (middle)	Upgraded	Stable
The Governor and Company of the Bank of Ireland	Long-Term Deposits Guaranteed by the Irish Government	A (high)	Confirmed	Stable
The Governor and Company of the Bank of Ireland	Dated Subordinated Debt (Issued After-2011)	BBB	URP	-
The Governor and Company of the Bank of Ireland	Dated Subordinated Notes due Sept. 2018 (ISIN CA062786AD07)	BBB	URP	-
The Governor and Company of the Bank of Ireland	Floating Rate Subordinated Notes due 2017 (ISIN XS0223310862)	BBB	URP	-
The Governor and Company of the Bank of Ireland	Subordinated Notes due 2020 (ISIN XS0487711573)	BBB	URP	-
The Governor and Company of the Bank of Ireland	Subordinated Notes due 2020 (ISIN XS0487711656)	BBB	URP	-
Bank of Ireland UK Holdings plc	Perpetual Preferred Securities (ISIN XS0125611482)	BBB (low)	Upgraded	Stable

Rating History

		Current	2016	2015	2014	2013
The Governor and Company of the Bank of Ireland	Issuer Rating	A (low)	BBB (high)	BBB (high)	BBB (high)	BBB (high)
The Governor and Company of the Bank of Ireland	Non-Guaranteed Long-Term Debt	A (low)	BBB (high)	BBB (high)	BBB (high)	BBB (high)
The Governor and Company of the Bank of Ireland	Non-Guaranteed Long-Term Deposits	A (low)	BBB (high)	BBB (high)	BBB (high)	BBB (high)
The Governor and Company of the Bank of Ireland	Non-Guaranteed Short-Term Debt	R-1 (low)	R-1 (low)	R-1 (low)	R-2 (high)	R-2 (high)
The Governor and Company of the Bank of Ireland	Non-Guaranteed Short-Term Deposits	R-1 (low)	R-1 (low)	R-1 (low)	R-2 (high)	R-2 (high)
The Governor and Company of the Bank of Ireland	Long Term Critical Obligations Rating	A (high)	A	NA	NA	NA
The Governor and Company of the Bank of Ireland	Short Term Critical Obligations Rating	R-1 (low)	R-1 (low)	NA	NA	NA
The Governor and Company of the Bank of Ireland	Long-Term Deposits Guaranteed by the Irish Government	A (high)	A (high)	A	A (low)	A (low)
The Governor and Company of the Bank of Ireland	Dated Subordinated Debt (Issued After-2011)	BBB	BBB	BBB	BB	NA
The Governor and Company of the Bank of Ireland	Dated Subordinated Notes due Sept. 2018 (ISIN CA062786AD07)	BBB	BBB	BBB	BB	C
The Governor and Company of the Bank of Ireland	Floating Rate Subordinated Notes due 2017 (ISIN XS0223310862)	BBB	BBB	BBB	BB	C
The Governor and Company of the Bank of Ireland	Subordinated Notes due 2020 (ISIN XS0487711573)	BBB	BBB	BBB	BB	C
The Governor and Company of the Bank of Ireland	Subordinated Notes due 2020 (ISIN XS0487711656)	BBB	BBB	BBB	BB	C
Bank of Ireland UK Holdings plc	Perpetual Preferred Securities (ISIN XS0125611482)	BBB (low)	BB (high)	BB (high)	B (high)	C

Previous Actions

- DBRS Extends Review Period on Certain Sub Debt of 27 European Banking Groups, Mar 29, 2017
- DBRS Discontinues Irish Govt Gteed Deposits of Bank of Ireland, Mar 2, 2017
- DBRS: Bank of Ireland's Asset Quality Improves Again; Solid Net Result; Improved Capital Ratios, Mar 1, 2017
- DBRS Places Certain Sub Debt of 27 European Banking Groups Under Review With Negative Implications, Jan 13, 2017
- DBRS: Creditor Hierarchy Developments in Europe Put Further Pressure on Bank Sub Debt Ratings, Nov 29, 2016
- DBRS Confirms Irish Govt Gteed Deposits of Bank of Ireland at A (high), Stable Trend, Sep 9, 2016
- DBRS Publishes Commentary on Irish Banks' Stress Test Results, Aug 5, 2016
- DBRS: Bank of Ireland's 1H16 Results Impacted by Reduced Income; Asset Quality Further Improves, Aug 2, 2016

- DBRS Releases Commentary: Developments in European Resolution Frameworks and their Impact on Bank Creditors, Jul 29, 2016
- DBRS Releases Report on The Governor and Company of the Bank of Ireland, May 4, 2016
- DBRS Confirms Bank of Ireland at BBB (high), Trend Changed to Positive on LT Ratings, April 22, 2016.

Previous Report

- The Governor and Company of the Bank of Ireland, Rating Report, May 4, 2016.

Notes:
All figures are in EUR unless otherwise noted.

For the definition of Issuer Rating, please refer to Rating Definitions under Rating Policy on www.dbrs.com.

Generally, Issuer Ratings apply to all senior unsecured obligations of an applicable issuer, except when an issuer has a significant or unique level of secured debt.

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